



The Effects of Entrepreneurial Orientation, Social Media, and Managerial Ties on Msme Performance in Surabaya City

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Abstract The study investigates the role of entrepreneurial orientation, social media usage, and managerial ties in the performance of MSMEs in Surabaya City. MSMEs are vital for economic growth and job creation but often face challenges such as limited resources and technological adoption. The research aims to understand how entrepreneurial orientation impacts MSME performance directly and through social media usage and managerial ties. A quantitative approach was employed, using surveys to collect data from MSMEs in Surabaya, and statistical analysis was conducted to test the relationships between the variables. The findings indicate that entrepreneurial orientation does not directly enhance firm performance but significantly influences social media usage and managerial ties, both of which positively affect firm performance. Specifically, social media usage improves customer interaction and marketing, while strong managerial ties provide access to valuable resources. The study highlights the importance of leveraging social media and managerial relationships to improve MSME performance, suggesting that policymakers and business owners should focus on enhancing these areas to support MSME growth and sustainability. Further research is recommended to explore additional factors such as government support and funding access to provide deeper insights into SME performance dynamics.

Keywords: Entrepreneurial Orientation, Firm Performance, Managerial Ties, MSMEs, social media.

Introduction

Micro, Small, and Medium Enterprises (MSMEs) play a pivotal role in Indonesia's economic landscape, significantly contributing to regional development and job creation. The development of MSMEs is currently a top priority for the Indonesian government (Sagita et al., 2024). In 2021, micro-enterprises dominated the MSME framework, accounting for 99.62% of the total business entities, employing 97% of the workforce, contributing 57% to GDP, and 15% to national export earnings (Kementerian Koperasi dan UMKM, 2022). Despite their significance, MSMEs face numerous challenges, including limited access to financing, low human resource capacity, lack of product innovation, and restricted market access. According to PricewaterhouseCoopers, 74% of MSMEs in Indonesia lack access to essential financing, with capital being a dominant challenge for 26.4% of MSMEs (Kata Data, 2019).

In Surabaya, the number of MSMEs has been on the rise, with figures increasing from 10,897 in 2020 to 17,897 in 2022 (Dinas Koperasi UKM, 2023). This positive trend has enhanced job creation in the city. The wholesale and retail trade industry significantly contributes to Surabaya's economic growth, highlighting the role of MSMEs in the city's economic advancement. However, the sustainability of MSMEs relies on consistent

performance monitoring, as poor performance can lead to unsustainability (Komarudin, 2021). Improved MSME performance can create jobs, foster innovation, and ensure inclusive development (Aliyah, 2022).

The success of MSMEs is strongly influenced by entrepreneurial orientation, which includes innovative product offerings and decision-making (Mustari et al., 2021). Entrepreneurial orientation is crucial for MSMEs with limited resources to maintain competitiveness (Darwis & Utama, 2020). According to (Putri & Najib, 2024), competition between MSME business actors will increase every year. Research indicates that entrepreneurial orientation positively affects organizational performance and innovation (Adam et al., 2022; Farida et al., 2022). Additionally, technology, particularly social media, is crucial for MSMEs to enhance performance. In 2021, Indonesians used mobile devices for an average of 5.99 hours per day, increasing to 6.14 hours in 2022, with platforms like Facebook, WhatsApp, Instagram, and Line being essential for promoting business products and engaging with customers (Mutia Annur, 2024).

Managerial ties are vital for sustaining and boosting MSME performance. Mobile phone usage in Indonesia is high, with 98.3% of people aged 16-64 using mobile phones to access the internet. Social media is used extensively for promotional activities, with platforms like Facebook and LinkedIn being popular among small businesses (Jamil et al., 2022). The integration of social media strategies enhances sales, marketing, and business decision-making for MSMEs (Nugroho, 2019). Despite facing significant challenges, MSMEs' role in job creation, economic growth, and innovation is crucial, making entrepreneurial orientation and social media utilization key strategies for enhancing MSME performance and ensuring their sustainability.

Method

The method in this research is quantitative. Sugiyono (2020) stated that a quantitative method is a research approach grounded in positivist philosophy, designed for studies targeting specific populations or samples, employing a research instrument for data collection, and analyzing data quantitatively or statistically with the goal of hypothesis testing. The following are the characteristics of this research:

Table 1. Research Characteristic

No	Research Characteristics	Type of Research
1	Research Methods	Quantitative Method
2	Research Objective	Conclusive
3	Research Setting	Non-Contrived Setting
4	Time Horizon	Cross Sectionals
5	Analysis Unit	Individual

The strategy used in this study is survey research. According to Sugiyono (2019), The survey method is quantitative in collecting data that includes beliefs, behaviors, characteristics, opinions, and relationships between variables at different times. The influence of entrepreneurial orientation, social media, and managerial ties on MSME performance is assessed using this questionnaire. For item measurement, the author chose a Likert scale which is an ordinal scale. The Likert scale ranges from 1-4, with the options "Strongly Disagree" (1), "Disagree" (2), "Agree" (3), and "Strongly Agree" (4). The Likert scale assessment used in the

questionnaire is shown in table form. The distribution of online questionnaires via Google Forms is intended to collect data in the Surabaya City area. Researchers use SmartPLS 4 software for analysis. The minimum sample of this study is 392 MSMEs in Surabaya City. In this study, researchers used the Slovin formula.

Results and Discussion

Convergent Validity

Table 2. Loading Factor of Convergent Validity

Indicator	Factor Loading		Category
Entrepreneurial Orientation (X)			
EO 1	0.831	> 0.70	Valid
EO 2	0.854	> 0.70	Valid
EO 3	0.815	> 0.70	Valid
EO 4	0.823	> 0.70	Valid
EO 5	0.834	> 0.70	Valid
EO 6	0.801	> 0.70	Valid
EO 7	0.816	> 0.70	Valid
EO 8	0.844	> 0.70	Valid
EO 9	0.828	> 0.70	Valid
Firm Performance (Y)			
FP 1	0.858	> 0.70	Valid
FP 2	0.822	> 0.70	Valid
FP 3	0.822	> 0.70	Valid
FP 4	0.849	> 0.70	Valid
FP 5	0.838	> 0.70	Valid
Managerial Ties			
MT 1	0.822	> 0.70	Valid
MT 2	0.811	> 0.70	Valid
MT 3	0.828	> 0.70	Valid
MT 4	0.839	> 0.70	Valid
MT 5	0.830	> 0.70	Valid
MT 6	0.838	> 0.70	Valid
Social media			
SM 1	0.822	> 0.70	Valid
SM 2	0.815	> 0.70	Valid
SM 3	0.850	> 0.70	Valid
SM 4	0.829	> 0.70	Valid
SM 5	0.848	> 0.70	Valid
SM 6	0.847	> 0.70	Valid
SM 7	0.828	> 0.70	Valid
SM 8	0.820	> 0.70	Valid
SM 9	0.822	> 0.70	Valid

The results show that all loading factor values that have been tested show > 0.7. So, it can be concluded that the loading factor value can show the correlation between the indicator and the construct. An indicator with a low loading value indicates that the indicator does not work in the measurement model.

Table 3. AVE Value

	Average Variance Extracted (AVE)	Category
Business Ties	0.736	Valid
Entrepreneurial Orientation	0.684	Valid
Firm Performance	0.702	Valid
Innovativeness	0.781	Valid
Managerial Ties	0.686	Valid
Politic Ties	0.757	Valid
Practiveness	0.754	Valid
Risk Taking	0.775	Valid
Social media	0.691	Valid

The results show that the Average Variance Extracted (AVE) Business Ties is 0.736, Entrepreneurial Orientation is 0.684, Firm Performance is 0.702, Innovativeness is 0.781, Managerial Ties is 0.686, Political Ties is 0.757, Proactiveness is 0.754, Risk Taking is 0.775, and social media of 0.691. This shows that, because each variable in this study has an AVE value greater than 0.5, they are all valid and entitled to proceed to the next testing stage.

2. Discriminat Validity

Discriminant validity is a test carried out empirically to ensure that there are differences between variables in a study (Rönkkö & Cho, 2022). According to Ghozali (2006) one of the methods used to test discriminant validity is by using SmartPLS 3.0 software which looks at the Cross Loading value. The next test of discriminant validity is

Table 4. Cross Loading

	Busi ness Ties	Entrepre neurial Orientati on	Firm Performan ce	Innovati veness	Manageri al Ties	Politic Ties	Proactiv eness	Risk Taking	Social Media
EO1	0.374	0.831	0.551	0.876	0.411	0.413	0.739	0.733	0.445
EO1	0.374	0.831	0.551	0.876	0.411	0.413	0.739	0.733	0.445
EO2	0.465	0.854	0.582	0.905	0.497	0.487	0.768	0.739	0.410
EO2	0.465	0.854	0.582	0.905	0.497	0.487	0.768	0.739	0.410
EO3	0.378	0.815	0.505	0.870	0.422	0.429	0.707	0.726	0.421
EO3	0.378	0.815	0.505	0.870	0.422	0.429	0.707	0.726	0.421
EO4	0.344	0.823	0.563	0.721	0.381	0.385	0.866	0.743	0.488
EO4	0.344	0.823	0.563	0.721	0.381	0.385	0.866	0.743	0.488
EO5	0.408	0.834	0.558	0.744	0.443	0.441	0.877	0.738	0.450
EO5	0.408	0.834	0.558	0.744	0.443	0.441	0.877	0.738	0.450
EO6	0.385	0.801	0.561	0.710	0.419	0.418	0.861	0.696	0.454
EO6	0.385	0.801	0.561	0.710	0.419	0.418	0.861	0.696	0.454
EO7	0.374	0.816	0.538	0.717	0.396	0.385	0.728	0.864	0.463
EO7	0.374	0.816	0.538	0.717	0.396	0.385	0.728	0.864	0.463
EO8	0.395	0.844	0.570	0.742	0.428	0.426	0.745	0.898	0.478
EO8	0.395	0.844	0.570	0.742	0.428	0.426	0.745	0.898	0.478
EO9	0.439	0.828	0.530	0.729	0.467	0.456	0.735	0.879	0.371
EO9	0.439	0.828	0.530	0.729	0.467	0.456	0.735	0.879	0.371
FP1	0.537	0.578	0.858	0.539	0.576	0.567	0.554	0.543	0.522
FP2	0.491	0.558	0.822	0.519	0.506	0.479	0.530	0.530	0.530

	Busi ness Ties	Entrepre neurial Orientati on	Firm Performan ce	Innovati veness	Manageri al Ties	Politic Ties	Proactiv eness	Risk Taking	Social Media
FP3	0.529	0.553	0.822	0.496	0.561	0.546	0.535	0.534	0.495
FP4	0.501	0.558	0.849	0.517	0.536	0.526	0.553	0.508	0.544
FP5	0.531	0.543	0.838	0.517	0.565	0.552	0.534	0.485	0.487
MT 1	0.870	0.407	0.512	0.388	0.822	0.711	0.368	0.396	-0.011
MT 1	0.870	0.407	0.512	0.388	0.822	0.711	0.368	0.396	-0.011
MT 2	0.850	0.423	0.553	0.410	0.811	0.707	0.374	0.412	0.015
MT 2	0.850	0.423	0.553	0.410	0.811	0.707	0.374	0.412	0.015
MT 3	0.854	0.402	0.525	0.385	0.828	0.738	0.382	0.370	-0.027
MT 3	0.854	0.402	0.525	0.385	0.828	0.738	0.382	0.370	-0.027
MT 4	0.727	0.417	0.542	0.404	0.839	0.879	0.378	0.396	-0.008
MT 4	0.727	0.417	0.542	0.404	0.839	0.879	0.378	0.396	-0.008
MT 5	0.721	0.473	0.549	0.456	0.830	0.867	0.453	0.430	0.023
MT 5	0.721	0.473	0.549	0.456	0.830	0.867	0.453	0.430	0.023
MT 6	0.739	0.456	0.573	0.448	0.838	0.863	0.416	0.426	0.027
MT 6	0.739	0.456	0.573	0.448	0.838	0.863	0.416	0.426	0.027
SM1	- 0.029	0.419	0.490	0.385	-0.030	-0.028	0.417	0.383	0.822
SM2	0.043	0.502	0.544	0.467	0.053	0.057	0.493	0.460	0.815
SM3	0.000	0.450	0.498	0.397	0.001	0.003	0.451	0.425	0.850
SM4	- 0.006	0.455	0.534	0.411	0.022	0.047	0.452	0.424	0.829
SM5	- 0.001	0.448	0.524	0.398	0.007	0.014	0.444	0.425	0.848
SM6	- 0.011	0.468	0.485	0.407	-0.019	-0.025	0.483	0.436	0.847
SM7	- 0.062	0.409	0.480	0.373	-0.040	-0.016	0.391	0.392	0.828
SM8	- 0.036	0.420	0.497	0.369	-0.014	0.008	0.438	0.383	0.820
SM9	0.025	0.418	0.543	0.382	0.040	0.051	0.416	0.384	0.822

Based on the results from the table above, it can be concluded that the existing construct has adequate discriminant validity. This can be seen from comparing the correlation of indicators of a construct which is higher than other constructs.

3. Reliability Test

Assessment of construct acoustics is measured using composite reliability and supported by Cronbach's alpha. Each construct is considered reliable if it has a composite reliability above 0.70 and Cronbach's alpha more than 0.6. The Cronbach alpha value is seen to assess the consistency of indicators for each variable by looking at the correlation of one indicator with

other indicators.

Table 5. Composite Reliability

	Composite Reliability
Business Ties	0.893
Entrepreneurial Orientation	0.951
Firm Performance	0.922
Innovativeness	0.915
Managerial Ties	0.929
Politic Ties	0.903
Proactiveness	0.902
Risk Taking	0.912
Social media	0.953

Based on the table above, each variable has a good construction in its variables. This is known from the composite reliability values for each variable, all of which are more than 0.7. Apart from using Composite reliability values, this research also uses Cronbach alpha values to test reliability. This test measures the consistency of the construct in a variable.

Table 6. Cronbach Alpha

	Cronbach's Alpha
Business Ties	0.820
Entrepreneurial Orientation	0.942
Firm Performance	0.894
Innovativeness	0.860
Managerial Ties	0.908
Politic Ties	0.839
Practiveness	0.837
Risk Taking	0.855
Social media	0.944

Based on the table above, it can be seen that each variable has a good construct in forming its variables. This can be seen because the value is > 0.6 . So it can be said that the variables in this study are consistent in measuring each construct.

Evaluation Analysis of Structural Model or Inner Model

1. Hypothesis Analysis

According to Darwin et al. (2021), a hypothesis is a statement made or assumptions put forward to be tested. Inferential statistics includes hypotheses testing, which involves statistically analyzing a statement to confirm its truth and make conclusions based on the results. Hypothesis tested by using t-statistics and assessing the probability value against alpha level was set at 5% or 0.05 ($p \text{ value} < 0.05$), with the t-statistic benchmark set at 1.96. If the t-statistic exceeds 1.96, the hypothesis under consideration will exceed 1.96 considered acceptable. Hypothesis testing can be seen from the discussion below:

Table 7. Hypothesis Analysis

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Value s	Descri ption
Entrepreneurial Orientation -> Firm Performance	-0.001	0.001	0.035	0.020	0.4 92	Reje cted
Entrepreneurial Orientation -> Managerial Ties	0.519	0.518	0.037	14.005	0.0 00	Acce pted
Entrepreneurial Orientation -> Social Media	0.535	0.533	0.037	14.613	0.0 00	Acce pted
Managerial Ties -> Firm Performance	0.653	0.653	0.033	19.766	0.0 00	Acce pted
Social Media -> Firm Performance	0.613	0.613	0.032	19.383	0.0 00	Acce pted

Conclusion

This study aims to examine the effect of Entrepreneurial Orientation, the use of Social Media, and Managerial Ties on the performance of Micro, Small, and Medium Enterprises (MSMEs) in Surabaya City. Based on the results of hypothesis testing, several important findings can be concluded as follows:

1. **Effect of Entrepreneurial Orientation on MSME Performance**
The hypothesis that Entrepreneurial Orientation has a positive effect on the performance of MSMEs in Surabaya City is rejected. This shows that entrepreneurial orientation consisting of innovation, proactivity, and risk-taking does not directly improve the performance of MSMEs in Surabaya. Other factors may be more dominant in influencing the performance of MSMEs in this region.
2. **Effect of Entrepreneurial Orientation on Social Media Usage**
The hypothesis that Entrepreneurial Orientation has a positive effect on the use of social media is accepted. This indicates that MSMEs with a strong entrepreneurial orientation tend to more actively use social media as a marketing and customer communication tool. Social media is considered an important platform for MSMEs to develop networks and expand their markets.
3. **Effect of Social Media on MSME Performance**
The hypothesis that the use of social media has a positive effect on the performance of MSMEs in Surabaya City is accepted. The use of social media has proven to be an effective strategy for MSMEs to improve their performance, both in terms of sales, brand visibility, and interaction with customers. This shows the importance of technology adaptation and digitalization in developing MSMEs.
4. **Effect of Entrepreneurial Orientation on Managerial Ties**
The hypothesis that Entrepreneurial Orientation has a positive effect on Managerial Ties is accepted. MSMEs with a strong entrepreneurial orientation tend to have better managerial ties, both in the context of business and political relationships. This is important because good managerial relationships can help MSMEs access the resources, information and support needed for business growth and sustainability.
5. **The Effect of Managerial Ties on MSME Performance**
The hypothesis that Managerial Ties have a positive effect on the performance of MSMEs in Surabaya City is accepted. Managerial Ties proved to be the most influential factor on MSME performance, with strong business and political relationships having a significant

impact on improving performance. This suggests that good networks and relationships with relevant parties can help MSMEs overcome various challenges and take advantage of opportunities to grow.

Overall, this study highlights the importance of social media use and managerial relationship development in improving MSME performance in Surabaya City. Although entrepreneurial orientation does not directly affect performance, it plays an important role in encouraging the use of social media and building strong networks.

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