

The Impact of Absorptive Capacity, Organizational Learning Capability, Innovation Capability, and Social Media Adoption towards SME Performance in Indonesia

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Abstract. The purpose of this paper is to identify which organization's capability that could contribute to small and medium enterprises (SMEs) performance of Indonesia with EO sight. The study also investigates the implication of SMA in Indonesia SMEs and explores the impact towards its performance. The conceptual research model is designed from several literature and theories, with cross sectional method by sharing online questionnaire built from Google form. By utilizing IBM SPSS Statistics 25, the model is validated and reliability tested. Regarding the model structure measurement, the author utilized partial least square of structural equation modelling technique by smartPLS with the total usable responses of 280 respondents which are business owners and/or managers of SMEs in Indonesia. It is confirmed that entrepreneurial orientation has direct effect to absorptive capacity, innovation capability, organizational learning capability, social media adoption in Indonesia SMEs. Absorptive capacity has direct impact to innovation capability, and so does the direct effect of innovation capability and social media adoption towards SME performance. However, organizational learning capability's direct impact towards innovation capability is not significant.

Keywords: Entrepreneurial orientation, absorptive capacity, organizational learning capability, innovation capability, social media adoption, SME performance

1 Introduction

Entrepreneurial orientation (EO) is a construct that tries to proactively prove and exploit emerging opportunities [1,2]. Psychologically, this orientation reflects the intention of top-level management towards entrepreneurial opportunities in order to face risk and uncertainty. Therefore, EO is able to provide influence, decisions and strategic choices in the process of building organizational culture and practices related to the learning process and exploring new opportunities that encourage companies to start entrepreneurial projects [3]. In the era of modernization and globalization, innovation and creative ideas play an important role in business success and are important drivers that lead to increased innovation capability (IC).

EO has three dimensions that support the establishment of this construct, namely proactiveness, risk-taking, and innovativeness [4]. Proactiveness according to Lumpkin & Dess [5] refers to a process aimed at anticipating and putting forward a forward-looking perspective by looking for new opportunities that may or may not be related to the current line of operations of a business entity which is characterized by the introduction of new products or services into the atmosphere. competition and prepare all forms of anticipation regarding future demand. Risk-taking or risk taking based on the explanation from Miller & Friesen [4] is the level of managerial availability to make decisions to make large and risky commitments by venturing into unknown sectors, borrowing large resources, and/or placing resources in an uncertain environment. Meanwhile, innovativeness according to Lumpkin & Dess [5] is the attitude or tendency of an organization to engage in and support new ideas, innovations, experiments and creative processes that may produce new products, services or technological processes. The definition of innovation is also reinforced by Kimberly [6] that a desire represents a basic willingness to deviate from existing technology or practices outside existing general habits.

The Resource-based view (RBV) holds the view that reconfigured internal resources and capabilities are the main determinants of EO, resulting in dynamic capability theory (DCT). Referring to previous research [7], DCT has been proven to encourage an organization's ability to adapt to dynamic environmental conditions quickly. The DCT approach focuses on analyzing the sources of wealth creation and achievement from within and outside the organization [8]. There is a paradigm shift from static markets to dynamic markets which has an impact on strategic management by broadening the organization's view from RBV to DCT, which is defined as the ability of an organization to achieve new forms of competitive advantage (CA) through creative manipulation of the organization's resources [9,10]. The process of achieving CA in the DCT approach was attempted to be identified by previous researchers. According to Senivongse [11], DCT begins with the micro-evolutionary level (the routine specific level) and at the meso- conceptual level, DCT consists of three components, namely adaptive capability, absorptive capacity (AC), and IC [12]. Adaptive capability is the organization's ability to identify and capitalize on opportunities in developing markets through effective search and balancing exploration and exploitation strategies, while AC refers to organization's ability to identify the value of new external information that is assimilated and implemented commercially. According to the previous research [12], AC is applied to discover, imitate and make changes, as well as exploit insight and knowledge in order to achieve CA [13]. Meanwhile, IC is an organization's ability to develop new products and/or markets by adapting innovative strategic orientation to innovative behavior and processes.

Organizational capabilities which consist of three DCT components reflect that in order to achieve wealth creation and CA, organizations focus on internal and external development.

Referring to the definition of AC, DCT is essential for learning and innovation as the most important resource for achieving CA [9]. There are three assumptions of AC which consist of being cumulative because it depends on previous knowledge from the organization which is domain specific, depends on the development of interactions between individuals, and depends on the diversity of activities and knowledge within the organization in order to be able to process external knowledge and be successful in implementing innovation. These three assumptions provide the main argument regarding the importance of learning, knowledge and innovation to increase CA.

OLC is closely related to the broad activities of the organization which are associated with the creation and use of knowledge to increase innovation [14]. The learning obtained by organizations by focusing on internal and external learning is related to ambidextrous elements which are paradoxes of coordination, correlation and contradiction that must be considered to maintain dynamic balance. Ambidextrous is defined as a management entity that can achieve two things that are quite related and difficult to achieve simultaneously [15]. Meanwhile, in relation to learning, there is the term ambidextrous learning, which means organizations simultaneously adopt related but contradictory forms of learning, such as explorative and exploitative learning.

The aim of extracting previous and external knowledge, as well as organizational learning, is to achieve organizational CA through innovation. IC is the main factor that facilitates an innovative organizational culture, the characteristics of internal promotional activities, and the ability to understand and respond appropriately to the external environment [16]. The organization's capabilities are influenced by the extent of access and attitudes of organizational owners and/or organizational management in facing risk and uncertainty [17]. According to Saunila and Ukko [18], IC consists of five determining factors, namely idea structure and organization, creativity, knowledge development, regeneration, and external knowledge. In this study, organizational ideas and structures relate to the structures and systems required by innovation, meaning the generation, development and implementation of innovation, as well as the way in which organizational work tasks are organized. In addition, knowledge development refers to the skills and knowledge of employees needed to develop IC. Furthermore, the external knowledge aspect focuses on leveraging networks and external knowledge for the organization's overall IC. Meanwhile, regeneration means an organization's ability to learn from previous experience and use that experience to create innovation and develop its operations [18].

IC is divided into technological factors and human factors which are characterized by social practices as one aspect of organizational success [19]. The development of more advanced technology in the era of globalization encourages IC of organizations to be able to create new CA. Social media adoption (SMA) can be used by organizations as an innovative resource to create CA and support business performance if viewed from a RBV view [20, 21]. In order to improve the relationship between resources and organizational performance, SMEs must mobilize their capabilities to improve organizational performance. In this case, Olanrewaju [22] provides recommendations to organizational owners to use social media to increase marketing activities and information search, collaboration, and funding. These recommendations can assess the use of social media which has an impact on improving work and innovation as the main result. Social media also acts as a mediator of EO and SME performance because its function is as a forum for connecting personal innovativeness and creativity [23] and helps improve marketing capabilities [24].

SMA and SME performance have a variety of literature from previous research. Previous research found that the use of Facebook as social media had a positive impact on the financial and non-financial performance of organizations [25], followed by research related to social media benefiting SMEs in increasing marketing activities and relationships with customers [26]. Furthermore, research related to the use of social media on SME performance has been proven to increase visibility, interactivity, reputation, service and relationships with customers [27]. Moreover, there is recent research that the use of social media has a positive impact on sustainable SME performance which is supported by cost savings, customer pressure, employee competence, availability of financial resources, and leader support [28].

The classification of MSMEs in Indonesia which is determined by the number of employees is regulated by BPS [29]. Micro businesses have 1 to 4 employees. Furthermore, small businesses consist of 5 to 19 employees. Lastly, medium-sized businesses consist of 20 to 99 employees. SMEs contribute 61% to Indonesia's total GDP and 99% of businesses operating in Indonesia consist of SMEs which employ 97% of local Indonesian workers [30]. This is based on the activities of SMEs as supporters of the Indonesian economy, which can be seen from SMEs controlling all economic activities, such as harvesting, manufacturing and delivering the basic needs of the Indonesian people. In 2022, there were reports the number of businesses, workers and percentage of businesses from each SME [30]. There are 63.3 million micro-enterprises in Indonesia with a workforce of 108.5 million people, and represent 98.7% of the total SMEs in Indonesia. Small businesses in Indonesia are 783 thousand businesses with 6 million workers, and represent 1.2% of the total SMEs in Indonesia. Medium-sized businesses in Indonesia number 61 thousand businesses with a workforce of 4 million people, and represent 0.09% of the total SMEs in Indonesia [30].

The Covid-19 pandemic has caused drastic changes in world economic activity. The creation of limited mobility causes a decrease in income for 84.20% of SMEs [31] requiring entrepreneurs to turn this condition into an opportunity to make money. The condition of SMEs before the Covid-19 pandemic was still developing in terms of operations and funding, so that when the pandemic occurs, SME owners and management need to maintain the organization by turning challenges into opportunities. The existence of social media and more advanced technology can be used by SME business actors to provide innovation and opportunities in the SME operational process. The lower the access of SMEs to technology, the more vulnerable these SMEs are in facing the challenges of globalization and the conditions of the Covid-19 pandemic [32].

Social media users for SMEs in Indonesia only reached 54% during the pandemic [33]. The impact of MSMEs on losses caused by the Covid-19 pandemic and considering that MSMEs' literacy towards social media is still vulnerable, the Ministry of Cooperatives and SMEs has made several strategic policies, starting from the distribution of Revolving Fund Management Institutions, marketing service institutions (LLP-KUKM), and mentoring services, training, implementation of exhibitions, product curation and trading houses along with the use of digital technology such as adapting social media as part of MSMEs to go online [34]. Under these conditions, the use of social media is an important concern for SMEs to be able to survive and adapt their businesses.

The use of social media which plays a role in attracting customers, marketing products or services, and improving relationships with customers for SMEs is a breakthrough in being able to survive the challenges of the Covid-19 pandemic. This is driven by the orientation of business owners or SME management who are innovative, risk takers and proactive in facing the challenges of the pandemic. Based on the orientation of SME owners and management,

resources and learning are utilized to realize their vision. Support for the development of technology in the form of social media and electronic transaction facilities has become an innovation for business owners and SME management. This research focuses on examining the performance of SMEs which is the result of the influence of the operationalization of organization's capabilities and use of social media as an SME's ability to innovate.

2 Literature review

The search for CA has long been a main principle in the field of Strategic Management [35]. RBV, also known as resource-advantage theory, is a managerial framework used to determine and identify the strategic resources of an organization that can be exploited in order to achieve sustainable CA [20]. In the 1990s, the RBV or what was then called RBV became the dominant paradigm in organizational strategic planning. RBV focuses on utilizing an organization's internal resources as a means of processing and gaining CA. In order to make organizational resources a sustainable CA, these resources must have value, be rare, be perfectly imitable and irreplaceable or currently known as VRIN (Valuable, Rare, Imitable, Not Substitutable) [20]. This view suggests that organizations must develop specific and unique core competencies in order to beat competitors by doing things differently [36].

Furthermore, RBV is of the view that organizational performance focuses on resources and capabilities [37]. The resources referred to in RBV are tangible and intangible assets owned by an organization to develop and implement organizational strategies. In relation to ability or capability, ability is part of the resources that can be utilized by the organization. Summarizing the use of organizational resources and capabilities, resources include all assets, capabilities, organizational processes, organizational attributes, information, knowledge, and others that can be used to implement strategies for the purpose of organizational efficiency and effectiveness [37]. The RBV view believes that if an organization implements strategy by exploiting appropriate internal resources and capabilities, then the organization can achieve and produce good performance and create CA.

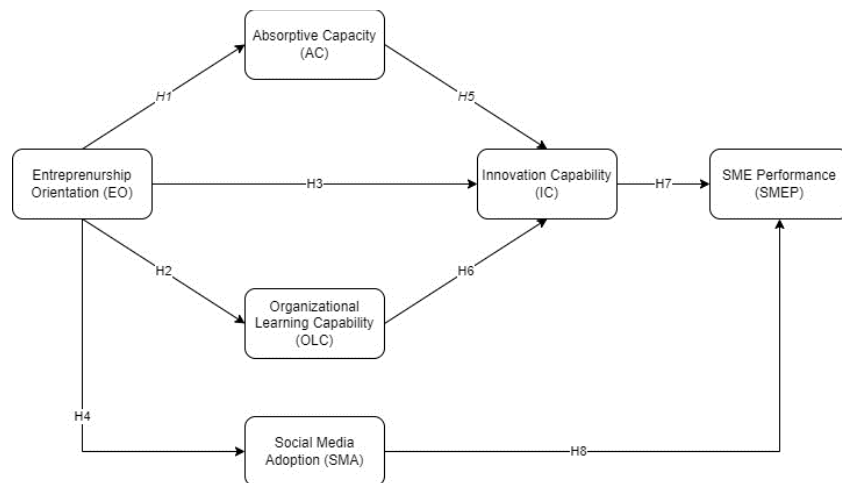


Fig. 1. Theoretical framework.

2.1 Entrepreneurial orientation and organizational capability

Over the past few years, entrepreneurship research as a field of strategic management has focused its attention on how entrepreneurship influences business performance and its influence on regional and national economic development [38]. EO according to previous research [5] is a process, practice and decision-making activity that leads to new entries. A new view is explained in EO according to [76] if a business entity or business actor introduces a new product, service, technological innovation, market or business that did not previously exist. Research on EO only has three dimensions as measuring tools, including innovation, proactiveness and risk taking [1]. According to Miller [4], an entrepreneurial organization is an organization that engages in product- market innovation, undertakes somewhat risky ventures, and is the first to come up with proactive innovation, beating competitors through three dimensions to characterize and test entrepreneurship, namely innovation, proactiveness, and risk taking. This is also supported by research [39], entrepreneurial organization is a strategic orientation from the organizational level that can capture the practice of making organizational strategies, managerial philosophy, and organizational behavior that is naturally entrepreneurial.

EO has been proven to be a strong predictor of organizational performance by meta-analysis of previous research [40]. Moving on from previous research [4,5] managed to find both reinforcing factors in measurement and as dimensions of EO consisting of autonomy, innovativeness, proactiveness, risk taking and competitive aggressiveness. However, several studies argue that EO does not improve organizational performance for all organizations. On the other hand, EO can be said not to be a simple performance-enhancing attribute, but rather an improvement if applied in the right organizational circumstances. In some cases, EO can even be detrimental to the organization, if the organizational situation is not suitable for implementing this orientation. Different situations can be the environment in which the organization is located or internal situations such as structure and strategy [41]. In organizational theory, there is DCT which is the ability of an organization to deliberately adapt the organization's resource base [7]. DCT is the ability of an organization to engage in adapting, integrating and reconfiguring internal and external organizational skills, resources and functional competencies in order to adapt to changing environmental conditions. Organizations need to have the skills to innovate and respond quickly, and change their CA so they can keep up with changes in the business environment. In connection with the RBV, resources have the VRIN characteristics of being valuable, rare, inimitable and irreplaceable and have a contribution to the organization's operations [20]. According to the RBV view, resources originating from within the organization can be tangible and intangible, such as knowledge. Apart from that, Wang & Ahmed [12] explains three components of dynamic capability which consist of adaptive capability, AC & IC.

Explaining research [12], adaptive capability is the ability of an organization to be able to identify and capitalize on opportunities in the market through effective search and balancing exploration and exploitation strategies. Furthermore, absorptive capability refers to absorptive capacity which is defined as the organization's ability to identify the value of new information from external sources that is assimilated and implemented commercially. Meanwhile, innovative capability is an organization's ability to develop new products and/or markets by adapting innovative strategic orientation to innovative behavior and processes. Based on this concept, there are several studies that link absorptive capacity which is part of dynamic capability.

Previous researchers have found two approaches to study the influence of AC and EO. The first approach is to explore AC as a determinant of EO. Previous research [65], views AC as an important determining factor that increases the capacity to explore and exploit new opportunities. Thus, it is concluded that companies that have an EO are more aware of the importance of empowering activities related to AC during the process of creating knowledge that needs to be exploited for commercial purposes [13].

On the other hand, in the second approach [49], EO influences AC. These findings support and provide further evidence for DCT needing to achieve close interaction between EO and AC. The characteristics of EO which are characterized by innovation, proactiveness and risk-taking influence the knowledge creation process, thus making AC an important pillar of successful EO [3,49].

Absorptive capacity is applied to discover, imitate and make changes, as well as exploit insight and knowledge in order to achieve CA [13]. Absorptive capacity consists of four indicators, namely acquisition, assimilation, transformation and exploitation of knowledge that is related to one another. The four indicators which are stages of organizational capability are useful in producing dynamic capability for the creation and dissemination of knowledge in increasing other organizational capabilities [13]. The ultimate goal of implementing the four stages of capability is as a basis for achieving CA, so that organizational performance becomes superior [20]. Absorptive capacity, which is part of dynamic capability, becomes routine and is included in one of the organizational processes for distributing organizational insight and knowledge so that it is combined with other resources so that efforts to create and maintain the organization's CA are successfully implemented [13].

AC consists of developing potential absorptive capacity (PACAP) through formalization and socialization, as well as thinking skills to increase realized absorptive capacity (RACAP) [42]. PACAP puts a focus on the ability to acquire and assimilate knowledge imported from outside the organization. On the other hand, RACAP prioritizes transformation and utilization of knowledge that has been extracted from outside the organization [13].

Acquisition is the identification capability of an organization to capture crucial external insights and knowledge and has relevance to be developed in the organization's operational activities [43]. Acquisition has three supporting factors, namely intensity, direction and speed in determining the quality of knowledge and insight acquisition from the relevant organization. Meanwhile, assimilation is a routine and process in the organization's analysis, processing, interpretation and understanding of knowledge imported from external sources [13]. Transformation is an organization's ability to develop and refine routines by combining existing knowledge and the latest innovations obtained through the assimilation process [13]. Achieving transformation is carried out by adding, deleting, or interpreting insights and knowledge, as well as the organization's ability to identify the differentiation of two or more incompatible knowledge, then combining them to create a new discovery. In the end, transformation can produce new findings for the organization, thereby providing a different side to the organization. Meanwhile, exploitation is a routine in improving, expanding and utilizing existing capabilities of an organization to invent new competencies through the contribution of knowledge extracted from external sources and changing knowledge into something that can be operationalized. This shows that organizations can exploit by carrying out acquisition and assimilation processes first [43].

The development of RBV as a theory in Strategic Management has a focus on organizational learning [44]. In this research, organizational learning is a strategic capability or resource that is important in the process of building and maintaining CA. OLC has several definitions according to previous researchers. The first definition is a finding [45] of the ability to create, acquire, transfer and integrate knowledge, and the ability of organizations to imitate new cognitive conditions with the aim of improving organizational performance.

Furthermore, previous research found that the dimensions of OLC consist of experimentation, dialogue, interaction with the external environment and participative decision making [46]. Experimentation is when suggestions and ideas are treated and attended to with sympathy. Dialogue is a collective and ongoing examination of the assumptions, procedures and certainties that structure everyday experience and is considered a basic process for building shared understanding [47], while interaction with the external environment is considered the extent of associational interactions that a company maintains with the immediate environment. Finally, participative decision making is related to the intensity of authority that organizational employees have in the organizational decision-making process.

OLC is tasked with facilitating organizations in applying the knowledge gained to develop new products and services with higher production speed and efficiency. In this context, it is important for organizations to develop practices and mechanisms for the creation and promotion of organizational knowledge. The mechanisms and practices that develop an organization's knowledge base depend on processes of socialization, internationalization, externalization, and management practices that develop a learning culture within the company [48]. In addition, OLC is considered a skill needed by companies to achieve CA through implementing innovative processes [48]. In addition, these skills are a core aspect of OLC which ultimately results in increased organizational performance through effective management of the organization's innovative processes.

As an organizational capability, OLC has a positive relationship with EO [49]. EO is a proactive strategy that seeks to address business opportunities innovatively. This research argues that a company's IC is closely related to OLC by integrating new ideas, routines, and skills into business processes and designs, thereby improving overall business operations [49]. This can also encourage proactive EO behavior in seeking external business opportunities, so that OLC can be effective as a driver of IC. Apart from that, the relationship between OLC and EO is related so that it can be concluded that OLC has a strategic role in EO [50].

According to Akman [16], IC is the main factor that facilitates an innovative organizational culture, the characteristics of internal promotional activities, and the ability to understand and respond appropriately to the external environment. On the other hand, [51] argue that IC is useful in developing innovation continuously as a response to a changing environment. In addition, other research reveals that IC is defined as a company's ability to identify new ideas and turn them into new or better products, services or processes that benefit the company [52].

Moving on from the definitions presented by previous researchers, IC can be viewed from a managerial and technological perspective. According to subsequent researchers [53], IC consists of knowledge, organization, and human factors, which have a managerial perspective. However, according to other researchers [54], IC is divided into technological factors and human factors, which are characterized by social practices as one aspect of organizational success.

The journey towards corporate innovation is seen as a mixture of managerial initiative, direct and indirect employee participation, and cooperative industrial relations [55]. In this research, the reference to IC is defined as a company's ability to identify new ideas and turn them into new/better products, services or processes that benefit the company [52]. According to previous research [18], IC consists of five determining factors, idea structure and organization, creativity, knowledge development, regeneration, and external knowledge. In this study, ideation and organizing structures are related to the structures and systems required by successful innovation, meaning the generation, development and implementation of innovations, and the way in which organizational work tasks are organized. Knowledge development refers to employee skills and knowledge required in developing innovation capabilities. The external knowledge aspect focuses on leveraging networks and external knowledge for the organization's overall innovation capabilities. Regeneration means an organization's ability to learn from previous experiences and use those experience to create innovation and develop its operations. This leads to several hypotheses and described on Fig.1:

H1: EO has direct effect towards AC

H2: EO has direct effect towards OLC

H3: EO has direct effect towards IC

2.2 Organizational capabilities and SME performance

Subsequent research [72] suggests that companies strive to achieve high levels of IC through facilitating knowledge integration between individuals and groups. Therefore, building AC and utilizing new knowledge is a prerequisite for accessing external sources of innovation [73]. AC is an important capability to ensure sustainable innovation through building internal capabilities and reconfiguring competencies to face market uncertainty. As an influence, a well-established AC has an effect on increasing knowledge generation capacity and IC performance [74]. AC is embedded in all stages of innovation activities, especially at the product development stage [49].

Learning orientation is one of the main guidelines that provides a direct platform for future business operations by differentiating tasks, determining procedures, and the company's ultimate vision for the future [45]. Organizational learning helps top management observe, explore and develop weaknesses in management tasks and employee skills and encourages them to innovate in new ways. OLC can be seen from the development of new products and designs because the activities are involved in the learning process [49].

Furthermore, previous research [72] shows that organizational learning capability is learning that brings new ideas, creates valuable knowledge about products, processes and knowledge, which is closely related to innovation outcomes. Apart from that, further empirical findings [50] reveal that organizational learning capability has a direct influence on innovation capability and encourages entrepreneurial orientation to increase innovation activities. Research [45] examined the influence of organizational learning on innovation and company performance, and this research found that organizational learning had an effect on IC, which increased company performance.

In general, there is increasing interest among academics and practitioners in understanding the influence of IC on SME performance in the SME environment. Research [75] highlights that there is still a lack of research exploring the influence of IC on company performance in the SME environment. Furthermore, research [21,76] proves that IC has a significant influence on

SME performance (SMEP) in the context of developing country. This leads to several hypotheses and described on Fig.1:

H5: AC has direct effect towards IC

H6: OLC has direct effect towards IC

H7: IC has direct effect towards SMEP

2.3 Social media adoption and SME performance

KBV which views that companies must be knowledge-based in developing CA has an influence on innovation [56]. This is because organizations have a role in obtaining, providing results, and applying knowledge to provide encouragement to employees to be able to use these findings, so that they can innovate something through managing innovation from related knowledge as a strategic resource. Information technology is an effort and forum for organizations to be able to implement the search for new knowledge and manage innovation.

The use of internet technology has become a common practice in the workplace [57]. Communication media that supports the internet, helps organizations to run business anytime and anywhere. A number of studies analyzed the use of Facebook among SMEs and found SMEs use Facebook for various organizational purposes such as marketing, communication, sales, advertising, innovation, problem solving, customer service, human resources, information technology, driving cultural change, advertising on social networks, and internet marketing [58]. SMEs use social media technologies such as Facebook as a way to communicate with their customers and support internal communication and collaboration [59]. Apart from Facebook, Instagram is also a form of social media used by business people to utilize technological innovation. Instagram is used for various purchase intentions, with limited knowledge regarding its use for purchasing local food in previous research [60]. This research tested the prediction model for social media adoption via Instagram in purchasing local food. WhatsApp can also be a social media adopted to maintain and continue relationships with customers as seen in previous research [61].

According to previous research [66], social media is usually related to engagement, interaction, collaboration, and sharing information using online platforms, such as Facebook. Furthermore, research [67] also argues that the development and adoption of social media requires innovative, proactive and risk-taking behavior from company owners and managers. Innovation, proactivity, and risk-taking encourage SME managers to adopt social media channels to scan the external environment for opportunities, exploit innovative ideas, and understand stakeholder needs [68]. Among these studies, other studies [68,69,70,71] prove a significant relationship between entrepreneurial orientation and social media adoption and use. On the other hand, other research

[26] proves that the influence of entrepreneurial orientation is not significant on social media adoption in Malaysian SMEs. Although there is research that proves the influence of entrepreneurial orientation on social media adoption, there are more studies that prove the influence between these two variables is significant.

According to [47], social media is a gathering place for many consumers which contains a repository of consumer information and acts as a means of disseminating information to build a market presence. The definition of social media adoption is the process of using social media platforms and applications for various purposes such as communication, marketing,

collaboration and learning [52]. The next researcher [62] conducted research on the relationship between the impact of social media and the performance of an organization by proposing three sub-construct dimensions, including the use of social media for marketing, the use of social media for consumer relations and services and the use of social media for information accessibility.

Measuring social media adoption consists of three social media functions. The first function of social media adoption is social media as access to information. Previous researchers [25] stated that referring to the development of social media, organizations will find it easier and more to obtain information from the market, competitors, and especially consumers and what they need. This convenience provides an increase in achieving access to information.

The second function is social media as a marketing tool. Social media has become a marketing tool, supported by information from [63] which states that a cost-effective method is to play the role of social media. This information was previously developed [62]. The researcher stated that the use of social media, especially in organizations or business entities, can reduce marketing costs and customer service activities.

The third function of social media adoption is as a forum for direct contact with customers. Previous researchers [25] stated that the use of social media is generally used for two-way communication with customers with the aim of building good customer relationships, providing effective customer service, and has the potential to attract new customers and also collect opinions and feedback from customers. Social media is an internet-based resource that has technology that synergizes complementarity with other organizational resources [64]. Referring to the three functions of social media adoption above, it can be concluded that social media functions to gain access to information, marketing and a platform for connecting with customers. This leads to several hypotheses and described on Fig.1:

H4: EO has direct effect towards SMA

H8: SMA has direct effect towards SMEP

From the described impact between EO, organizational capabilities, SMA and SMEP, this raises the questions for this research.

RQ1: What are the factors contributing to SMEP in Indonesia?

RQ2: What are the effects of AC, OLC, IC, and SMA towards SMEP in Indonesia?

These also lead to three sub-research questions:

RQa: Could EO affected to AC, OLC, IC, SMA & SMEP in Indonesia SMEs?

RQb: Could AC & OLC affected to IC in Indonesia SMEs?

RQc: Could IC & SMA affected to SMEP in Indonesia?

3 Research methodology

3.1 Measurement

This research intends to address the impact of organization capabilities on SMEs performance in Indonesia. The theoretical model, presented in (Fig.1), illustrates the causal effect of the framework constructs, taking into account the proposed hypotheses above in the literature review. The latent variables of this study are entrepreneurial orientation (EO), absorptive capacity (AC), organizational learning capability (OLC), innovation capability (IC) & social media adoption (SMA), in addition, the dependent variable is SME performance (SMEP). These constructs are measured across multiple items using Likert scale from point 1 to 5 with point 1 as strongly disagree and 5 as strongly agree [77]. The organizational capabilities, social media adoption, and SME performance measurement were adopted from previous studies and described on Table 1 below.

Table 1. Constructs used in the study.

Constructs	Dimensions	Indicators	Previous Studies
Entrepreneurial Orientation (EO)	<i>Innovativeness</i>	3	Covin & Slevin (1989); (Dutot & Burgeon, 2016); Makhouloufi et al (2021)
	<i>Risk-taking</i>	3	
	<i>Proactiveness</i>	2	
Absorptive capacity (AC)	<i>Acquisition</i>	3	Limaj et al (2016)
	<i>Assimilation</i>	4	
	<i>Transformation</i>	3	
	<i>Exploitation</i>	3	
Organizational Learning Capability (OLC)	-	6	Khan et al (2020)
Innovation capability (IC)	-	5	Calantone et al (2002); Qalati et al (2021)
Social Media Adoption (SMA)	-	5	Ainin et al (2015)
SME Performance (SMEP)	-	7	Qalati et al (2021)

3.2 Instrument validation

During instrument development, author use wording test before running the pretest and main test to test the feasibility of the questionnaire. Feasibility in question is that the respondent can understand the sentences for each indicator that is a question in the questionnaire. Apart from that, a wording test was carried out to test the grammar used in the questionnaire because the

questionnaire questions used by researchers were adopted from English scientific journals into Bahasa Indonesia. The wording test carried out by the researcher was by distributing 15 respondents who met the requirements so that the researcher could get insights and suggestions that could be adopted in the research questionnaire.

3.3 Sample and data collection

Population is defined as the number of subjects or research objects collected to produce a research conclusion [78]. In the population, there are elements that constitute the sample. Meanwhile, the unit of analysis is the object to be measured in a study which can be a person, object, or event setting [78]. This research has a population of SMEs in Indonesia who have used social media as a means of supporting the operational activities of the business. Furthermore, the unit of analysis for this research is SME business actors in Indonesia. Meanwhile, the research sample is a small portion of the population with the same characteristics and can be the focus of research. By examining samples, researchers can draw conclusions about a population.

In Structural Equation Modeling, there are provisions regarding the minimum sample size, equal to $n \times 5$, where n is the number of indicators in the questionnaire [79]. After carrying out these calculations, 44 indicators were obtained which were multiplied by 5, so the minimum sample was 220 respondents. Furthermore, this research uses sample criteria referring to BPS [80] which is the number of employees from SMEs and only uses the criteria for Small and Medium Enterprises, namely as follows

1. Micro businesses have less than 5 employees, including unpaid family workers
2. Small businesses have 5 to 19 employees
3. Medium businesses have 20 to 99 employees
4. Large businesses have at least 100 employees

Furthermore, other criteria used as sample benchmarks are a business that has been running for at least three years, a minimum number of employees of five people, and the application of social media as a means of supporting its operations. The business age of three years is the research benchmark because this research analyzes the entrepreneurial orientation of business actors for three years. Apart from that, this research prioritizes SMEs with a minimum number of employees of 5 employees because the population of this research is limited to Small and Medium Enterprises according to BPS. This research also analyzes the employee and business aspects related to the variables, absorptive capacity, organizational learning capability and innovation capability. Furthermore, this research also prioritizes respondents who have businesses that have used social media as a means of operational support which will be examined in the social media adoption variable.

3.4 Pretest

The researcher carried out pre-testing by applying the Confirmatory Factor Analysis (CFA) method which is a component part of Structural Equation Modeling (SEM) where CFA itself is a depiction of the pattern of observed variables for the model assumed by the latent construct [81]. The use of the CFA method is also used for research with ordinal scale questionnaires, where according to Said [82] states that the use of an ordinal scale in questionnaires indicates that the CFA method is more ideal for the validity and reliability test process compared to using validity tests with the Pearson correlation instrument.

In testing validity and reliability. The validity test uses the Kaiser Meyer Olkin – Measures of Sampling Adequacy (KMO-MSA) method and factor loading or component matrix. Referring to Malhotra [77], it is explained that the question indicators used in the research are categorized as valid if the KMO output value and factor loading are more than or equal to 0.5. Malhotra [77] also stated that a reliability test is said to be reliable if the Cronbach's Alpha coefficient value must be more than or equal to 0.6. Researchers use two parameters to determine the validity and reliability of indicators, including using a component matrix or loading factor with a measuring value of more than or equal to 0.5 and a reliability test using a Cronbach's Alpha coefficient of more than 0.6. The output results for the analysis are the reliability of dimension Acquisition and Assimilation in Absorptive Capacity are lower than 0.6, also the reliability of indicator SME Performance (SMEP4) is lower than 0.6. Therefore, before proceeding to the main test, author did another wording test and revise the grammar of the questionnaire of the unreliable indicators.

4 Findings and discussion

4.1 Descriptive analysis

The descriptive information for the 280 respondents is shown in Table 2.

Statistical results regarding the profile of respondents and the SME industry showed that SME industry players generally run their businesses at the age group of 31 - 40 years with a total percentage of 33.57%, while the smallest value is at the age of 50 years or more with a percentage value of 17.86%. from the total sampling of respondents. Apart from that, the largest SME industry line is in the fashion sector with a percentage of 33.93%, while the smallest percentage is in the agriculture, forestry business line sector, and with a percentage value of 0.71% of the total respondent value. Apart from that, the length of time the SME industry has been established has been operating for a period of 3 - 5 years since the SME was founded with a total percentage value of 37.86%, in contrast to the smallest percentage being more than 10 years since the UKM was established with a value of 30% of the total respondents. Apart from that, the number of SME employees is generally between 5 - 19 employees with a percentage value for all respondents of 37.86%, apart from that, the most frequently used social media is Instagram at 26.43% of the total respondents.

Table 2. Respondent characteristics.

Respondent Characteristics	Category	Total	Percentage
Respondents Age	20 – 30 years old	69	24.64%
	31 - 40 years old	94	33.57%
	41 - 50 years old	67	23.93%
	> 50 years old	50	17.86%
Subtotal		280	100.00%
Industry type of SME	Culinary	87	31.07%
	Fashion	95	33.93%
	Art, Entertainment, Recreation	54	19.29%
	Education	12	4.29%

	Agriculture, Forestry and Fisheries	2	0.71%
	Others	30	10.71%
	Subtotal	280	100.00%
SME Age	3 - 5 years	106	37.86%
	6 - 10 years	90	32.14%
	> 10 years	84	30.00%
	Subtotal	280	100.00%
Employee of SME	5 - 19 employees	106	37.86%
	20 - 99 employees	90	32.14%
	Subtotal	280	100.00%
Used Social Media	Instagram	74	26.43%
	Facebook	62	22.14%
	Whatsapp	73	26.07%
	Others	71	25.36%
	Subtotal	280	100.00%

Researchers carried out descriptive analysis to produce a general picture of the respondents' answers obtained from the questionnaire. The analysis uses several parameters, including the average value (mean), minimum value (min), maximum value (max), and standard deviation. The N value used corresponds to the number of respondents collected as many as 280 respondents. This analysis is using IBM SPSS Version 25.

Table 3. Descriptive analysis.

Dimension s	Indicator s	N	Min	Ma x	Mea n	Std. Deviation
Innovativeness	INO1	28 0	1.0 0	5.00	3.87	0.83
	INO2	28 0	1.0 0	5.00	3.80	0.79
	INO3	28 0	1.0 0	5.00	3.86	0.79
Risk-taking	RTG1	28 0	1.0 0	5.00	3.87	0.83
	RTG2	28 0	1.0 0	5.00	3.88	0.78
	RTG3	28 0	1.0 0	5.00	3.89	0.82
Proactiveness	PRO1	28 0	1.0 0	5.00	3.91	0.90
	PRO2	28 0	1.0 0	5.00	3.93	0.86
Acquisition	ACQ1	28 0	1.0 0	5.00	3.89	0.82

	ACQ2	28	1.0	5.00	3.85	0.81
		0	0			
	ACQ3	28	1.0	5.00	3.82	0.86
		0	0			
Assimilation	ASS1	28	1.0	5.00	3.90	0.85
		0	0			
	ASS2	28	1.0	5.00	3.93	0.91
		0	0			
	ASS3	28	1.0	5.00	3.84	0.83
		0	0			
	ASS4	28	1.0	5.00	3.81	0.84
		0	0			
Transformation	TRF1	28	1.0	5.00	3.88	0.86
		0	0			
	TRF2	28	1.0	5.00	4.02	0.93
		0	0			
	TRF3	28	1.0	5.00	3.93	0.88
		0	0			
Exploitation	EXP1	28	1.0	5.00	3.93	0.85
		0	0			
	EXP2	28	1.0	5.00	3.93	0.86
		0	0			
	EXP3	28	1.0	5.00	3.83	0.85
		0	0			
Organizational Learning Capability	OLC1	28	1.0	5.00	3.90	0.83
		0	0			
	OLC2	28	1.0	5.00	3.89	0.85
		0	0			
	OLC3	28	1.0	5.00	3.90	0.84
		0	0			
	OLC4	28	1.0	5.00	3.92	0.85
		0	0			
	OLC5	28	1.0	5.00	3.92	0.80
		0	0			
	OLC6	28	1.0	5.00	3.95	0.87
		0	0			
Innovation Capability	ICA1	28	1.0	5.00	3.90	0.83
		0	0			
	ICA2	28	1.0	5.00	3.83	0.82
		0	0			
	ICA3	28	1.0	5.00	3.85	0.84
		0	0			
	ICA4	28	1.0	5.00	3.82	0.86
		0	0			
	ICA5	28	1.0	5.00	3.89	0.93
		0	0			
Social Media Adoption	SMA1	28	1.0	5.00	3.96	0.85
		0	0			
	SMA2	28	1.0	5.00	4.00	0.88

		0	0			
	SMA3	28	1.0	5.00	3.94	0.90
		0	0			
	SMA4	28	1.0	5.00	3.94	0.89
		0	0			
	SMA5	28	1.0	5.00	3.88	0.89
		0	0			
SME Performance	SMEP1	28	1.0	5.00	3.98	0.82
		0	0			
	SMEP2	28	1.0	5.00	3.99	0.79
		0	0			
	SMEP3	28	1.0	5.00	4.03	0.83
		0	0			
	SMEP4	28	1.0	5.00	3.98	0.84
		0	0			
	SMEP5	28	1.0	5.00	3.97	0.83
		0	0			
	SMEP6	28	1.0	5.00	3.89	0.84
		0	0			
	SMEP7	28	1.0	5.00	3.99	0.80
		0	0			

The innovativeness dimension by analyzing the three indicators found that the minimum and maximum values for the whole were at values 1 and 5, apart from that the largest mean value was for the INO1 indicator at 3.87. Apart from that, the highest standard deviation value is also found in the INO1 indicator, which shows that the variation in respondents' answers is the most diverse in this indicator. The risk-taking dimension by analyzing the three indicators found that the minimum and maximum values for the whole were at values 1 and 5, apart from that the largest mean value was for the RTG3 indicator at 3.89. Apart from that, the highest standard deviation value is found in the RTG1 indicator, which is 0.83, which explains that the variation in answers to RTG1 is more diverse compared to other indicators in the same dimension. The proactiveness dimension by analyzing the two indicators found that the minimum and maximum values for the whole were at values 1 and 5, apart from that the largest mean value was for the PRO1 indicator at 3.91. Apart from that, the highest standard deviation value is also found in the PRO1 indicator of 0.90, which explains that the variation in answers to PRO1 is more diverse compared to other indicators in the same dimension.

The acquisition dimension by analyzing the three indicators found that the minimum and maximum values for the whole were at values 1 and 5, apart from that the largest mean value was for the ACQ1 indicator at 3.89. Apart from that, the highest standard deviation value is found in the ACQ3 indicator, which is 0.86, which explains that the variation in answers to ACQ1 varies compared to other indicators in the same dimension. The assimilation dimension by analyzing the four indicators found that the minimum and maximum values for the whole were at values 1 and 5, apart from that the largest mean value was for the ASS2 indicator at 3.93. Apart from that, the highest standard deviation value is also found in the ASS2 indicator, which is 0.91, which explains that the variation in answers to ASS2 is more diverse compared to other indicators in the same dimension.

The transformation dimension by analyzing the three indicators found that the minimum and maximum values for the whole were at values 1 and 5, apart from that the largest mean value was for the TRF2 indicator at 4.02. Apart from that, the highest standard deviation value is also found in the TRF2 indicator, which is 0.93, which explains that the variation in answers to TRF2 is more diverse compared to other indicators in the same dimension. The exploitation dimension by analyzing the three indicators found that the minimum and maximum values for the whole were at values 1 and 5, apart from the mean value there were two indicators that had the same value, namely EXP1 and EXP2 with a score of 3.93. Apart from that, the highest standard deviation value is found in the EXP2 indicator, which is 0.86, which explains that the variation in answers to EXP2 is more diverse compared to other indicators in the same dimension.

In the OLC variable, the largest average (mean) value was obtained for the OLC6 indicator with a score of 3.95. This indicates that respondents wrote more scores for this indicator on a scale of 4 or "Agree". Regarding standard deviation, the largest value is in OLC6, which indicates more diversity in scores compared to indicators in the same dimension.

In the Social Media Adoption variable, the largest average (mean) value was found for the SMA2 indicator with a score of 4. This indicates that respondents wrote more scores for this indicator on a scale of 4 or "Agree". Regarding the standard deviation, the largest value is in SMA3, which indicates that there is more diversity in scores compared to indicators in the same dimension. In the Innovation Capability variable, the largest average (mean) value was obtained for the ICA1 indicator with a score of 3.90. This indicates that respondents wrote more scores for this indicator on a scale of 4 or "Agree". Regarding standard deviation, the largest value is in ICA5 with a value of 0.93, which indicates that there is more diversity in scores compared to indicators in the same dimension. In the SME Performance variable, the largest average (mean) value was obtained for the SMEP3 indicator with a score of 4.03. This indicates that respondents wrote more scores for this indicator on a scale of 4 or "Agree". Regarding standard deviation, the largest values are in two indicators, namely SMEP4 and SMEP6 with a value of 0.84, which indicates that there is more diversity in scores compared to indicators in the same dimension.

4.2 Validity & reliability analysis

Researchers continued the data analysis process using the multivariate method with the Partial Least Square - Structural Equation Model (PLS-SEM) approach. Inferential analysis is used to make conclusions about population characteristics based on information obtained from sample data. In the process of inferential statistical analysis, the initial step is to evaluate the outer model to test the reliability and validity of the indicators contained in a model. After these indicators are declared valid and reliable, the next step is to carry out an analysis of the inner model to test the model's ability to explain and predict, as well as the significance of the influence between variables within the research framework. The researcher analyzed the outer measurement model using the criteria described by [72], among others, the standardized loading factor has a value greater than or equal to 0.5. Good convergent validity can be seen from the Average Variance Extracted (AVE) value of more than 0.5, where the greater the AVE value, it can be said that the indicator being analyzed has diversity from other indicators. Cross Loading has a higher value than the correlation of values in other constructs and can be found in the Fornell-Larcker Criterion matrix, Cronbach's alpha (CA) > 0.7 and has a composite reliability (CR) value > 0.7. However, CA values above 0.6 are still acceptable for construct testing [72]. The outer model result of all constructs showed that all constructs are valid and reliable.

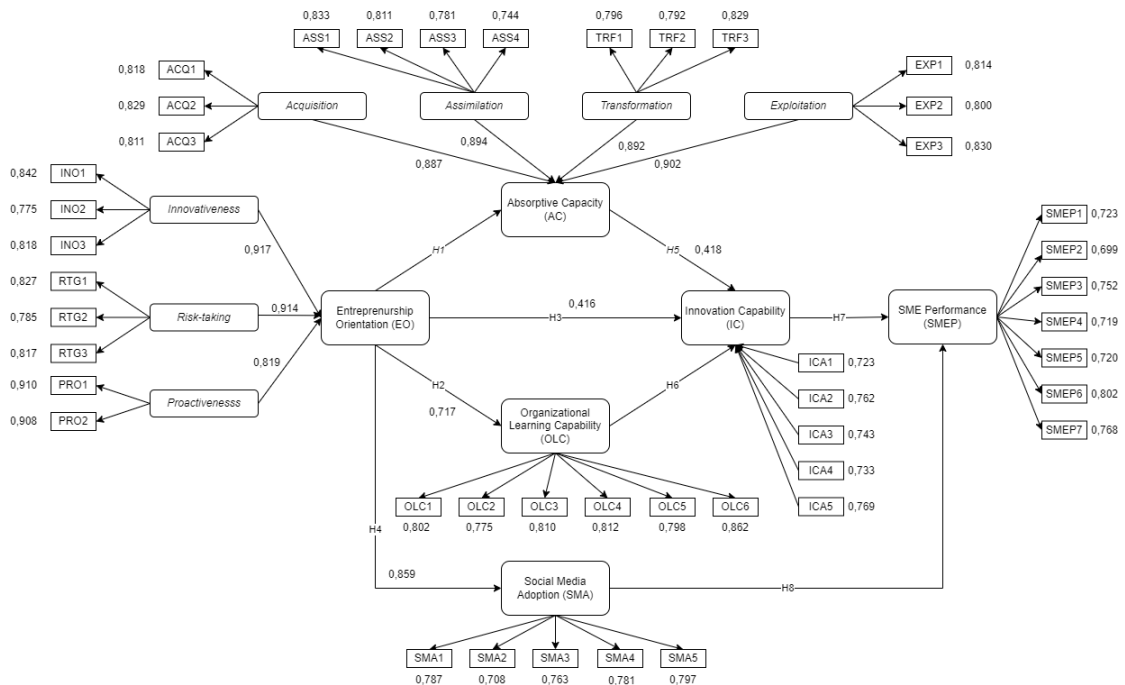


Fig. 2. Outer model result.

Meanwhile, the inner model is used to test the relationship between latent variables by showing the direction of the relationship between latent variables. The goodness of fit model parameters used in the inner model are the determinant coefficient or R^2 with a minimum value ≥ 0.25 , Predictive Relevance or Q^2 and Q^2 predict. Apart from that, there is a significance test for the influence of the latent variable on the dependent variable through the T-value with a minimum value ≥ 1.645 and the P-value with a minimum value < 0.05 .

Table 4. Inner model result (R^2).

Constructs	R^2	Category
Absorptive Capacity	0.728	Strong
Organizational Learning Capability	0.514	Moderate
Social Media Adoption	0.737	Strong
Innovation Capability	0.744	Strong
SME Performance	0.720	Strong

Based on the table above, it is known that the determinant coefficient (R^2) for the Absorptive Capacity variable is 0.728, this indicates that Absorptive Capacity can be influenced by Entrepreneurial Orientation by 72.8%. The determinant coefficient (R^2) value for the Organizational Learning Capability variable is 0.514 which is in the moderate category, where the Organizational Learning Capability variable can be influenced by Entrepreneurial Orientation by 51.4%. The determinant coefficient (R^2) value for the Social Media Adoption

variable is 0.737 which is in the strong category, where the Social Media Adoption variable can be influenced by Entrepreneurial Orientation by 73.7%. The determinant coefficient (R²) value for the Innovation Capability variable is 0.744 which is included in the strong interpretation category, where the Innovation Capability variable can be influenced by Entrepreneurial Orientation, Absorptive Capacity, and Organizational Learning Capability by 74.4%. Apart from that, the determinant coefficient (R²) value for the SME Performance variable is 0.720 which is a strong interpretation, where the SME Performance variable can be influenced by Entrepreneurial Orientation, Absorptive Capacity, Organizational Learning Capability, Social Media Adoption, and Innovation Capability by 72%.

Table 5. Inner model result (Q² & Q² predict).

Variabel	Q ²	Q ² _predict
Entrepreneurial orientation	*	*
Absorptive Capacity	0.372	0.731
Organizational Learning Capability	0.332	0.516
Social Media Adoption	0.428	0.739
Innovation Capability	0.407	0.688
SME Performance	0.387	0.687

Based on the output results for Q² and Q²_predict for all variables, if you note that the Q²_predict coefficient value > Q² so that all variables are categorized into the large predictive relevance category. This finding shows that the model used is able to predict the same output if there is a change or variation in the input data. The analysis of the inner model or structural model in this research focuses on assessing the significance value and coefficient of the relationship between variables in the research model. The purpose of this significance test is to determine whether there is a significant influence between the variables in the research model, so that it can be applied to the general population. The existence of a effect and significant influence can be confirmed if the T-statistic value is >1.95 at the 5% significance level. Conversely, when the T-statistic < 1.95, there is no significant influence between the two variables [72].

Table 6. Hypotheses testing.

Hypotheses Code	Hypotheses	Original Sample (O)	T Statistics (O/STDEV)	P Values	Hasil
H1	Entrepreneurial orientation -> Absorptive Capacity	0.853	29.712	0	Supported
H2	Entrepreneurial orientation -> Organizational Learning Capability	0.717	14.021	0	Supported
H3	Entrepreneurial orientation -> Innovation Capability	0.416	5.378	0	Supported

H4	Entrepreneurial orientation -> Social Media Adoption	0.859	30.099	0	Supported
H5	Absorptive Capacity -> Innovation Capability Organizational	0.418	4.982	0	Supported
H6	Learning Capability -> Innovation Capability	0.078	1.579	0.115	Not Supported
H7	Innovation Capability -> SME Performance	0.426	6.877	0	Supported
H8	Social Media Adoption -> SME Performance	0.465	6.968	0	Supported

Based on the output results in the table above, it can be seen that of the 8 hypotheses proposed in this research, there is one hypothesis, namely the 6th hypothesis, which is not supported by the data (not supported). Detailed explanations of each result can be seen in the next section.

Based on the hypothesis testing table, the t-statistic value obtained for the hypothesis of the influence of Entrepreneurial Orientation on Absorptive Capacity is 29,712 with a significance level obtained from the p-value parameter of 0.000. If compared with statistical values, it is found that T statistics > T table (1.95) and p-value < 0.05, it can be interpreted that Entrepreneurial Orientation has a direct effect on Absorptive Capacity. The results of this hypothesis are in line with previous empirical studies conducted by Makhoulfi [49] where according to this research there is a direct effect of Entrepreneurial Orientation towards Absorptive Capacity. The study carried out by researchers took as subjects respondents who were top managers and entrepreneurs where the sampling was based on industrial zones in Algeria, including Alger, Setif, Bejaia, Oran, Constantine and Boumerdes. Based on the results of this research, Makhoulfi [49] stated that companies that are oriented towards entrepreneurship are more aware of the importance of empowerment activities related to Absorptive Capacity during the process of creating knowledge that needs to be utilized for commercial purposes.

Referring to the hypothesis testing table, the t-statistic value obtained for the hypothesis of the influence of Entrepreneurial Orientation on Organizational Learning Capability is 14.021 with a significance level obtained from the p-value parameter of 0.000. When compared with statistical values, it is found that T statistics > T table (1.95) and p-value < 0.05, it can be interpreted that Entrepreneurial Orientation has a direct effect on Organizational Learning Capability.

The results of this hypothesis are in line with research by Gomez [83] which states that Entrepreneurial Orientation has a direct influence on Organizational Learning Capability, where organizations that focus specifically on Entrepreneurial Orientation have a greater ability to create strategies and competitive advantages, which has a direct impact on Organizational

Learning. capabilities. Apart from that, this statement is also supported by Miller [4] that organizations that are less willing to adopt entrepreneurial behavior tend to get worse results than those that adopt Entrepreneurial Orientation.

Based on the hypothesis testing table, the t-statistic value obtained for the hypothesis of the influence of Entrepreneurial Orientation on Social Media Adoption is 30,099 with a significance level obtained from the p-value parameter of 0.000. If compared with statistical values, it is found that $T \text{ statistics} > T \text{ table} (1.95)$ and $p\text{-value} < 0.05$, it can be interpreted that Entrepreneurial Orientation has a direct effect on Social Media Adoption.

The results of this research are in line with previous empirical studies which suggest that Entrepreneurial Orientation has a direct influence on Social Media Adoption [21]. Previous studies explained that the finding of this direct influence was caused by the fear of SME sector players in Pakistan about losing their position in the market due to intense competition between SMEs. So that SMEs formed in developing countries such as Pakistan which have an entrepreneurial orientation must adopt social media considering that the number of potential customers who use social media is increasing all the time.

Based on the hypothesis testing table, the t-statistic value obtained for the hypothesis of the influence of Absorptive Capacity on Innovation Capability is 4,982 with a significance level obtained from the p-value parameter of 0.000. If compared with statistical values, it is found that $T \text{ statistics} > T \text{ table} (1.95)$ and $p\text{-value} < 0.05$, it can be interpreted that Absorptive Capacity has a direct effect on Innovation Capability. This hypothesis is also in line with research [84], suggesting that companies strive to achieve high levels of innovation capability through facilitating knowledge integration between individuals and groups. Therefore, building absorptive capacity and exploiting new knowledge are prerequisites for accessing external sources of innovation.

Based on the hypothesis testing table, the t-statistic value obtained for the hypothesis of the influence of Organizational Learning Capability on Innovation Capability is 1.579 with a significance level obtained from the p-value parameter of 0.115. When compared with statistical values, it is found that the T statistic is smaller than the T table (1.95) and the p value is greater than 0.05, these two parameters indicate that Organizational Learning Capability towards Innovation Capability is proven to be insignificant, so the hypothesis This hypothesis can be rejected and there is no data support for the hypothesis (not supported). Referring to previous empirical studies, there is an update to the hypothesis put forward by Makhloufi [49] who previously stated that Organizational Learning Capability has a direct influence on Innovation Capabilities. Looking at the Organizational Learning Capabilities loading factor, the strongest value is in the efforts of SMEs to provide constant communication channels for fellow employees, which does not affect how SMEs develop the latest products or services and methods for introducing these products in the market.

Based on the hypothesis testing table, the t-statistic value obtained for the hypothesis of the influence of Innovation Capability on SME Performance is 6,877 with a significance level obtained from the p-value parameter of 0.000. If compared with statistical values, it is found that $T \text{ statistics} > T \text{ table} (1.95)$ and $p\text{-value} < 0.05$, it can be interpreted that Innovation Capability has a direct effect on SME Performance. This hypothesis is in line with research conducted by Maldonado-Guzmán [85] which states that Innovation Capability has a direct influence on SME Performance. Innovation capability in terms of products, processes, marketing and management systems is a constant indicator for improving SME business

performance. This means that if SMEs adopt and implement the indicators in Innovation Capabilities, it will make it easier to gain profits, especially regarding potential sales of products sold by SMEs.

Based on the hypothesis testing table, the t-statistic value obtained for the hypothesis of the influence of Social Media Adoption on SME Performance is 6,968 with a significance level obtained from the p-value parameter of 0.000. When compared with statistical values, it is found that $T_{\text{statistics}} > T_{\text{table}}$ (1.95) and $p\text{-value} < 0.05$, it can be interpreted that Social Media Adoption has a direct effect on SME Performance. If we look at the indicators that form social media adoption, it can be seen that the dominant indicator is in the efforts of SMEs to adopt social media to promote and advertise the products or services owned by the SMEs. Apart from that, in SME Performance, it can be seen that the dominant indicators are in SME operations, especially in the last three years there has been a decrease in marketing activity costs, such as for promotion and advertising. Referring to the two indicators of these two related variables, it can be concluded that the SME industry is starting to change patterns or methods in using advertising which previously used media outside of social media such as flyers, radio or television advertisements, newspapers and non-social media. social media apart from advertising costs which are almost free, as well as target customers which can be measured by the number of social media users in Indonesia.

5 Conclusion

The aim of this research is to examine the influence of AC, OLC, IC, and SMA on SMEP. Respondents in this study received responses from 280 respondents with the main profile of respondents being SMEs who have been running their business for more than 3 years.

In this research, it can be concluded that SMEP will be better if actors increase SMA and IC because these variables have a direct impact on SMEP. Referring to this conclusion, it can be interpreted that by increasing the implementation of the use of social media, either as part of promotions or as a means of communication with customers, as well as innovation capabilities such as applying creativity and new ideas in SME operations, the impact in the form of SMEP will increase along with the increase in the position of these two variables.

In contrast to the OLC shown in this research, this variable does not have a significant influence on SMEP from the respondents' point of view. Therefore, development suggestions for SME business actors are to be able to improve existing learning activities within the organization, such as conducting brainstorming, paying attention to learning effects, and the most important of all organizational learning activities in SMEs is to have a system that can measure gaps in the current situation. This is and is expected because among the outer loadings of other indicators in organizational learning capability, OLC2 is the lowest value. In this case, SME business actors can exchange ideas and discuss with partners or other SME networks in the same industry to be able to create a measurement system, such as measuring the organization's budget work plan, or in established companies often known as RKAP to calculate whether current income or earnings are in accordance with plans or targets that have been set and prepared previously.

From the explanation above, it can be concluded that increasing Entrepreneurship Orientation, Absorptive Capacity, Innovation Capabilities, and the implementation of Social Media Adoption has an impact on SME performance both in terms of sales volume and increasing

satisfaction and the number of consumers who are the target of the SME industry. This research has a limitation in the form of the industry that is used as the research object, namely SMEs. The research has not yet added subjects in the form of MSMEs to find out whether the variables used in the research for the SME industry can also be implemented for MSMEs considering that the population of micro businesses is larger than SMEs. Apart from that, not including the geographical division of the operating SME industry is also a limitation of this research due to the scope of respondents in this research for all SME industry players in Indonesia.

Researchers realized that it was necessary to carry out a more in-depth analysis, not just limiting respondents to SME industry players, but expanding the scope of respondents to SME industry players. The hope is that by taking different types of respondents, the scope of analysis, especially on variables that have not been raised in this research, will be more diverse and can be implemented directly, especially for SME and MSME industry players in Indonesia.

Apart from that, applying special analysis for certain regions, such as a comparison of SMEs operating in Java and Outer Islands, can provide different results due to the influence of the environment and the characteristics of industry players and consumers in that region. This regional determination can provide more specific results and better illustrate the best methods for improving the performance of the SME industry in that area.

Furthermore, this research uses a cross-sectional method where questionnaires are distributed and analyzed to respondents at one time, so it does not describe the state of development of social media use from time to time in the SMEs studied. Therefore, researchers recommend that further research apply longitudinal methods.

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