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Modeling the Strength of MSME Business Connectivity in the Aru Islands District

Irma Penina Karatem[1], Rainier Hendrik Sitaniapessy[2]
[1,2,] Pattimura University

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ABSTRACT

The strength of business connectivity must be a primary capability for MSMEs in today's highly dynamic conditions. This research model is based on the inconsistency between expert views on the relationship between entrepreneurial orientation and marketing performance and many MSMEs in this area have not been able to improve their business performance properly. To provide a solution, the concept of business connectivity strength was developed which is rooted in the theory of resource advantage. Using a sample of 144 people with the PLS SEM analysis method to test the hypothesis. The results show that all variables have a positive and significant effect. The results of this study provide solutions and implications for future research to strengthen this research model.

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Corresponding Author:
Irma Penina Karatem
Pattimura University
Jl. Ir. M. Putuhena, Poka, Ambon District, Ambon City,
irmakaratem81@gmail.com

INTRODUCTION

Along with the development of the increasingly advanced era. The development of MSMEs in a region has quite an impact on several sectors, especially the commodity sector. Increasingly tight competition requires a lot of development for every producer who runs MSMEs. Not only attractive but also requires how to look different from other producers. Micro, Small and Medium Enterprises (MSMEs) are productive economic efforts carried out by individuals or business entities that are not subsidiaries or branches of companies(Hadiyati, 2011). Organizational strategy reflects the company's short-term and long-term responses to threats and challenges of opportunities.

The MSME industry in Indonesia faces complex challenges: tight competition due to global free trade. MSME players must become 100% entrepreneurs and innovate in marketing to survive amidst competition coming from various directions. Business success can be seen from the performance results of the MSME itself.

MSMEs (Micro, Small, and Medium Enterprises) in Maluku Province face several problems, including: Limited access to capital: Many MSMEs in Maluku have difficulty accessing capital to develop their businesses. This can hinder the growth and competitiveness of MSME businesses. Packaging problems: One of the problems expressed is the problem related to the packaging of MSME products in Maluku, which can make it difficult for their products to compete in the market. Lack of marketing and transportation networks: Distribution and transportation problems are also obstacles, due to the lack of

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networks to provide raw materials, merchandise, or spare parts from producers to MSME actors.

Many studies have been conducted which show that entrepreneurial orientation will improve performance such as(Arrezqi, Wibowo, & Filatrovi, 2020; Dalecki, 2016; Khalid & Larimo, 2012; Martin, Javalgi, & Ciravegna, 2020; Petti & Zhang, 2011; Rodriguez, Wise, & Martinez, 2013; Song & Jing, 2017; Sulistyo & Siyamtinah, 2016). In addition, there is also research that explains that entrepreneurial orientation does not have an impact on marketing performance.(Frank, Kessler, & Fink, 2017; Lu & Zhang, 2016)

The development of small and medium industries in the Aru Islands also shows that there are many entrepreneurs in this field to continue their business so that it can grow longer. Compared to other cities and regencies in Maluku Province, Aru Regency is in the middle rank with a total income of IDR 120,975,830 with a total of 1,828 small industries absorbing a workforce of 2,506 workers. This emphasizes the position of Aru Regency which is still lagging behind in increasing its income compared to several other cities and regencies (MALUKU IN FIGURES, 2020). The above are the problems faced and the formulation of problem solving.

METHODS

Types of research

The type of research used in this study is quantitative research. Quantitative research is a number or figures that are definite so that they can be arranged and also make it easier to read, and make it easier for researchers to create an understanding.(Sugiyono, 2014)

Location and Time of Research

This research was conducted in Aru Regency, Dobo City, Maluku Province. And this research was conducted for 3 months.

Population and sample

According toThe Greatest Showman (2014)"Population is defined as a generalization area consisting of: objects/subjects that have certain qualities and characteristics that are determined by the researcher to be studied and then conclusions drawn". In this research, theThe sample in this study was 144 entrepreneurs engaged in micro, small and medium enterprises.

Sampling Techniques

In this study, the sampling technique used was non-probability sampling, with a purposive sampling method where sample selection is based on certain characteristics in a population that can be used to achieve research objectives.

Variables, Operational definition and measurement of variables

This study uses 4 variables, namely entrepreneurial orientation, learning orientation, business connectivity strength and marketing performance. These variables will be defined

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and measured in the form of indicators which will eventually be translated into a research questionnaire.

Table 1. Variables, Operational Definition and measurement of variables

No	Variables	Operational definition	Indicator	Source
1	Entrepreneurial orientation	Entrepreneurial Orientation is a condition that tends to make individuals innovate, be proactive, and be willing to take risks to start or manage a business.	1. Innovation 2. Responsive 3. Taking risks	(Ferreras-Méndez, Olmos-Peñuela, Salas-Vallina, & Alegre, 2021)
2	Learning orientation	Learning orientation is the process of a company learning something in order to achieve understanding, interpretation and insight.	1. commitment to learning 2. Sharing a common vision 3. openness	The Last Supper (2020)
3	The power of business connectivity	The company's connectivity capability with customers and suppliers in a business context involves effective system integration and communication. This enables the company to build close relationships with customers, understand their needs, and provide better service.	1. Understanding customer needs. 2. Provide good service. 3. Two-way communication.	(Ida Hidyanti and Adhliah M Alhadar, 2021).(Sitaniapessy & Huwae, 2023)

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4	Marketing performance	the success and effectiveness of channels in meeting business objectives	Customer satisfaction Market share Sales growth	(Akdoğan & Durak, 2016)

Source: various articles

Data Analysis Techniques

PeHypothesis testing in this study was conducted using the Structural Equation Model (SEM) approach based on Partial Least Square (PLS). PLS is a structural equation model based on components or variants. Structural Equation Model (SEM) is one of the fields of statistical study that can test a series of relationships that are relatively difficult to measure simultaneously. According to Santoso (2014) SEM is a multivariate analysis technique which is a combination of factor analysis and regression analysis (correlation), which aims to test the relationship between variables in a model, both between indicators and their constructs or the relationship between constructs. This study has a limited number of samples, so in data analysis using SmartPLS software. PLS-SEM analysis consists of 2 sub-models, namely the measurement model or outer model and the structural model or inner model.

RESULTS AND DISCUSSION

Respondent profile. Respondents in the study were 115 business actors engaged in Micro, Small and Medium Enterprises (MSMEs) as described in table 2 below.

Table 2. Profile of respondents of MSME actors in Aru Islands Regency

Variables		%
Position	owner	78.4
	manager	12.7
type of business	Own business	72.5
	cooperation	27.5
business fields	Food	53.9
	Clothes	19.6
	service	26.5
LOng Business	< 3 years	79.4
	4 – 7 years	12.7
	> 7 years	12.7
Labor	1 labor	42.2
	2 labors	28.4
	>= 3 labors	29.4
marketing	Out of town	17.6
	In the city	9.8
	combination	72.5
Profit per month	< IDR 1,000,000	39.2
	IDR 1,000,001 – 3,000,000	41.2
	> IDR 3,000,000	19.6

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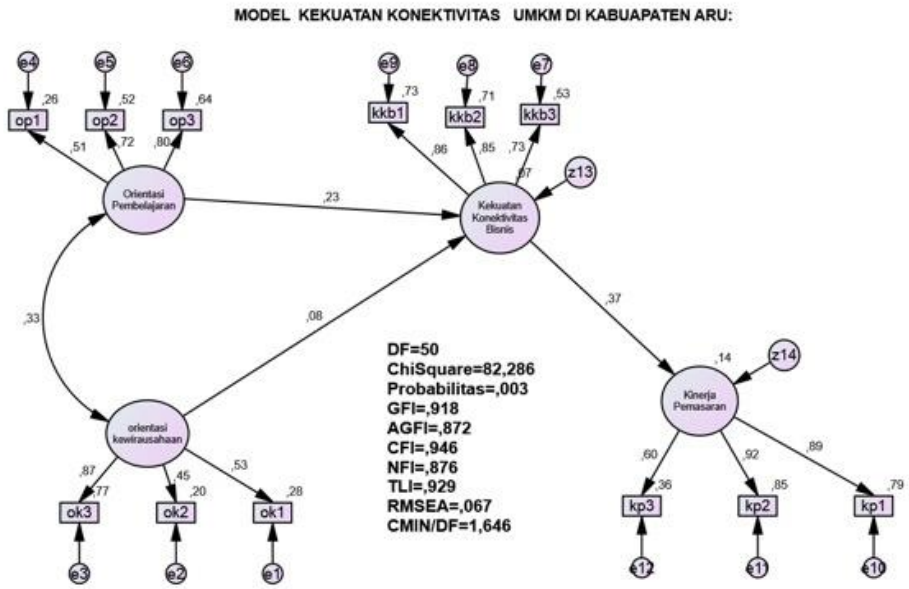
Structural Model Analysis

Structural Model Analysis is a statistical approach that models complex relationships between latent variables and observations. It involves building measurement models and structural models, which allow for hypothesis and theory testing. Tests on the structural model are conducted to test the relationships between latent constructs, using various methods such as the R-square test and path analysis. The results of the analysis can be seen in Figure 1 below. The normality test as a requirement in this analysis shows that the overall normality value is still in a fairly good number, namely 5,600.



Data Normality Evaluation

According to Hair et al (1998) SEM when estimated using Maximum Likelihood Estimation, requires the fulfillment of the normality assumption. As explained in the previous chapter, the statistical value that can be used to test normality is the z-value. The rule of thumb that is commonly used is the critical value of ±2.58, meaning that we can reject the normality assumption at a probability level of 0.01 (Hair et al, 1998) Univariate and multivariate data normality tests, from the results can be seen in table 2 below:

Table 3: Data normality test

Variable	min	max	skew	cr	kurtosis	cr
kp3	4,000	9,000	-,173	-,844	-,144	-,352
kp2	4,000	10,000	-,318	-1,551	,853	2,083
kp1	4,000	10,000	-,315	-1,535	,451	1,102
kkb3	3,000	10,000	-,721	-3,520	,719	1,756
kkb2	3,000	10,000	-,330	-1,609	-,020	-,049
kkb1	3,000	10,000	-,153	-,749	,108	,264

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Variable	min	max	skew	cr	kurtosis	cr
op3	4,000	10,000	-,399	-1,947	,508	1,241
op2	5,000	10,000	-,076	-,372	,238	,580
op1	5,000	10,000	-,065	-,315	-,507	-1,239
ok3	4,000	10,000	-,033	-,162	-,038	-,093
ok2	4,000	10,000	,020	,099	-,538	-1,314
ok1	3,000	10,000	-,295	-1,439	-,621	-1,515
Multivariate					17,167	5,600

Goodness of Fit Index of empirical research models.

Goodness of Fit Index (GFI) in SEM analysis is a measure that evaluates the extent to which a model fits empirical data. It measures the fit between the proposed model and the observed data, providing an indication of how well the model explains the relationships between variables. This can be seen in table 3 below.

Table 4. Goodness of fit index of empirical research models

Goodness of fit index	*Cut off value*	*Model results*	*information*
Absolute Fit Model			
X^2 -Chi Square		82,286	Expected small value, X^2 with DF 50 is71,420So it appears that the value of 82.26 is greater than 71.420.
Degrees of freedom, DF		50	
X^2-significance Probability	≥ 0.05	0.003	*marginal*
CMIN/DF	≤ 2.00	1,646	*Fit*
RMSEA	≤ 0.08	0.067	*Fit*
GFI	≥0.90	0.946	*Fit*
Parsimonious Fit Measure			
AGFI	≥0.90	0.872	*Fit (Marginal)*
TLI	≥0.95	0.929	*Fit (marginal)*
CFI	≥ 0.95	0.946	*Fit (marginal)*

Source: Processed Primary Data

Table 5. Regression weight Structural Equation Modeling (SEM) empirical research model.

			Estimate	SE	CR	P	Label
The Power of Business Connectivity	<---	Orientation Learning	,486	,260	1,870	,062	par_10
The Power of Business Connectivity	<---	entrepreneurial_ orientation	,117	,172	,684	,494	par_11
Marketing_Performance	<---	Power_of_Business_Connectivity	,311	,078	3,979	***	par_9

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Hypothesis Testing.

Hypothesis testing in this model, it is necessary to test the null hypothesis which states that the regression coefficient between the relationships is equal to zero through the t-test which is common in regression models (Ferdinand, 2005). The discussion of the results of hypothesis testing based on Table 4 above is as follows:

Hypothesis testing 1: the higher the entrepreneurial orientation, the higher the strength of business connectivity.

The entrepreneurial orientation variable is a perspective that by carrying out innovation, being proactive, and daring to take risks will result in fulfilling the needs of business partners or customers, providing the best service for customers and being able to carry out two-way communication.

The results of statistical testing on the first hypothesis are the estimated parameter value of 0.11, the estimated standard error of 0.172, the critical ratio value of 0.684 with a probability value of the error rate of 0.602. By using an alpha of 0.494, it can be concluded that the first hypothesis stating that the higher the entrepreneurial orientation, the higher the strength of business connectivity can be accepted.

Hypothesis testing 2: The higher the learning orientation, the higher the strength of business connectivity.

Learning orientation variable is the process of a company to learn something in order to achieve understanding, interpretation and insight. The elements in it include the company's commitment to commit to learning, sharing a shared vision and an open mindset that produces the power of business connectivity in which the company is able to understand customer needs, provide good service with partners and produce two-way communication with customers and suppliers.

The results of statistical testing of the second hypothesis are the parameter value is 0.486, the standard error of the estimate is 0.258, the critical ratio value is 3.979 and the probability value of the error rate is 0.062. By using alpha 0.05, it can be concluded that the second hypothesis which states that the higher the market orientation of the relationship, the higher the company's relational advantage can be accepted.

Hypothesis testing 3 The higher the strength of business connectivity, the higher the marketer's performance.

The strength of business connectivity which includes the ability to understand customers, provide the best service and build two-way communication with customers or suppliers greatly determines the creation of success and effectiveness in meeting business goals, be it customer satisfaction, market share or sales growth. The results of statistical testing of this third hypothesis are the parameter value is 0.311, the standard error estimate is 0.078, the critical ratio value is 3.073 and the probability value of the error rate is 0.000. By using alpha 0.05, it can be concluded that the fourth hypothesis states that the higher the distributor's commitment, the higher the distributor's channel performance.

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CONCLUSION

The results of the Empirical test on the first hypothesis which states that the higher the degree of entrepreneurship, the higher the strength of business connectivity. Entrepreneurial orientation consisting of innovation, responsiveness and daring to take risks produces the strength of business connectivity which explains understanding customer needs, providing the best service and always communicating in two directions to provide solutions to each other. This research is in line with research conducted by(Danny & Utama, 2020). And(Hidayanti & Alhadar, 2021). The results of the second hypothesis test state that the higher the degree of learning orientation, the higher the strength of business connectivity. Learning orientation becomes a routine in learning new knowledge that occurs around the organizational environment, of course, it will foster commitment, share a shared organizational vision about ongoing changes and openness to changes that are currently occurring will increase the commitment of all members of the distribution channel so that they are able to understand customer needs, provide the best service and provide solutions between the two channel members. This is in accordance with research conducted by(Ratnawati, Sukidjo, & Efendi, 2020and (Patrisia, D., Linda, MR, & Yulianti, 2019). The third hypothesis states that the higher the strength of business connectivity, the higher the marketing performance. This study proves that having a good understanding of customers as part of the consideration of connectivity between them, providing the best service for consumers and vendors and providing solutions between the two results in consumer loyalty, high market share and high sales growth. This study is in line with researchwhich explains that quality inter-organizational relationships result in high performance.(Bryan Jean et al., 2014). In an effort to achieve competitive advantage, companies need to create positive value that is the same or exceeds what is offered by their competitors or positive value that is not offered by their competitors. The quality of superior relationships or relations created by the company will significantly increase the advantages in marketing relationships that are expected to be achieved. Companies with a good reputation also really need quality relationships to be able to achieve their competitive advantage.(Wang, 2014).

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