

Research Article

The Influence of Entrepreneurial Spirituality and Social Media Adoption on the Sustainability of MSME Performance Mediated by Innovation Capability (Survey on MSMEs in the Tourism Area Sunan Drajat Lamongan)

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Abstract.

Technological advancements, computerization, and globalization have made businesses competitive across all industries. Micro, small, and medium-sized enterprises (MSMEs) continue to encounter difficulties with resource scarcity and technology adoption, although accounting for over 80% of employment and contributing to 61.97% of the GDP (gross domestic product). The Sunan Drajat Lamongan Religious Tourism Area is a home to hundreds of MSMEs, ranging in size from apparel and souvenir shops to restaurants. The number of visitors rises dramatically throughout the holiday season before becoming quiet, as is common with tourism in general. Entrepreneurship is a key factor in economic growth and serves as the primary driving force for innovative and long-term growth. By leveraging social media to enhance a company's competitive advantage throughout the entrepreneurship and operation phases, entrepreneurs who possess an entrepreneurial mindset can aid their organizations in efficiently adapting their organizational framework and processes, thereby mitigating environmental conflicts and tensions within the intricate framework of a dynamic business environment. By using social media, MSMEs may reach their target audience with content and information without having to personally meet them. Social media also offers information in the form of customer reviews of goods, services, and even new ideas for sustainable MSMEs. This study aimed to determine how MSMEs' use of social media and their ability for innovation can impact their success in Sunan Drajat Lamongan's religious tourism industry. The data were obtained from 132 small and medium-sized enterprises using questionnaires. Path Least Square (PLS) and descriptive analysis were the methods utilized to analyze the data.

Keywords: entrepreneurial spirituality, social media adoption, innovation capability, sustainability of MSMEs performance

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1. Introduction

One of the most important components of economic growth and the primary engine of innovation and sustainable development is entrepreneurship. Entrepreneurs take on the roles of goal-clarification, opportunity identification, resource integration, and strategy formulation in their capacity as the organization's spokesperson. In the complex context of a rapidly changing business environment, entrepreneurs possessing entrepreneurial spirituality can guide their organisations to swiftly adapt their organisational structure and procedures, ease tensions and contradictions in the environment, and gain a competitive edge in the process of entrepreneurship and operation [1]. Thus, it is believed that entrepreneurial spirituality is a highly accurate indicator of successful entrepreneurship. The ability of entrepreneurs to add economic and social value to businesses is known as entrepreneurial spirituality. It is typified by their inventiveness, daring, initiative, and responsibility. It can also be applied to the creation of new businesses or to the development of new goods, services, and markets within already-existing ones.

Technology advancements, computerization systems, and globalization have all contributed to the rise of social media as a significant aspect of people's life. In addition to exerting direct influence over interaction and communication patterns, they are now using social media. In February 2022, Indonesia had 191.4 million active social media users, ranking third in Asia Pacific after China and India [3]. The vast number of markets certainly makes business competition fierce. According to a study [2], "social media technology has become a crucial part of social life as customers produce content, share photos, choose to 'like' or interact in the social media environment. This means that social media has become a lifestyle in sharing all activities in the form of photos, videos, content and so on." In fact, social media not only influences consumer behavior, but large organizations and companies use social media to reach wider consumers.

Based on data from the Ministry of Cooperatives and SMEs, 61.97% of Indonesia's GDP comes from MSMEs. This shows that the existence of MSMEs supports the community's economy. However, many MSMEs still face a lack of resources and challenges with technology adoption. The human resources involved in the tourism industry, starting from tourism-related policy holders, experts and professionals and tourism managers who all have a stake in determining the direction of Indonesian tourism. In addition, the people around tourist destinations provide direct services to tourists, such as tour guides, souvenir sellers, guardians of tourist attractions and so on. Based on initial research conducted, this also happens to MSMEs in the Sunan Drajat Lamongan

religious tourism area. One of the religious tourist attractions in Lamongan Regency is Sunan Drajat Tourism, which is a member of the Wali Songo. Pilgrims come from various cities during the holiday season and the month of Ramadan. According to data from the Sunan Drajat Tourism Awareness Association, there are 197 MSMEs in this tourist area. Products sold include clothing, souvenirs and food for tourists. As with tourism in general, during the holiday season the number of visitors increases significantly and then it becomes empty on weekdays. So that sellers get unstable income.

The sustainability of MSMEs today can be done by adopting social media. The existence of social media is important because many shopping styles have now switched to online shopping, both through social media platforms and marketplaces. Using social media or marketplaces can be done by creating content so that buyers don't get bored and are interested in opening a seller's account. According to [4] social media is considered as a communication and relationship tool with external parties, including consumers served, to encourage proactive and effective reactions to the needs offered. Apart from that, MSMEs can get feedback regarding products, services and even future product plans. This of course can accelerate sustainable performance, because two-way communication between sellers and buyers is valid information in formulating future strategies. Consumers no longer play a passive role but actively support Social Media Marketing in engaging in the form of likes, comments, shares, tagged, reviews and others. Furthermore, innovation is very important to attract consumer interest in the products we offer. [5] defines Innovation capability as a company's ability to identify new ideas and turn them into better products, services, or processes/new that benefit the company. MSMEs innovate if they can produce products that are unique, new, planned and aim to achieve sustainable performance.

The study aims to determine and explain the effect of entrepreneurial spirituality, social media adoption, and innovation capability on the performance of MSMEs in the Sunan Drajat Lamongan Tourism Area. Based on the background that has been stated, the problem formulation in this research is: How does the influence of entrepreneurial orientation, social media adoption, and innovation capability on the sustainability of MSME performance in the Sunan Drajat Lamongan Religious Tourism Area? This study aims to assess the performance of Micro, Small, and Medium Enterprises (MSMEs) in the Sunan Drajat Lamongan Religious Tourism area. The assessment will be based on three factors: entrepreneurial spirituality, adoption of social media, and applied innovations. The findings of this research are anticipated to bring significant benefits to the MSMEs in the mentioned area.

2. Literature review

2.1. Entrepreneurial spirituality

Entrepreneurial spirituality focuses around the recognition, dissemination, and application of entrepreneurial opportunities [6–7]. It is the capacity of entrepreneurs to experiment in novel ways to generate social value through inciting social change, encompassing opportunity placement, ingenuity, feedback utilisation, and collaborative abilities. According to our analysis of the literature, entrepreneurial spirituality refers to the capacity of business owners to create economic and social value for their organisations through the identification of new business opportunities, the establishment of new companies to carry out commercial operations, or the creation of new goods, services, and markets within already-existing companies. These attributes are typified by creativity, risk-taking, initiative, and responsibility. based on whether enterprise managers exhibit entrepreneurial spirituality throughout company operations, [1] separated firms into two groups. Following a comparative analysis, they discovered that businesses with an entrepreneurial spirituality are frequently the first to introduce novel ideas to the market. In order to deliver better user experience to consumers, they regularly launch new products or services in the market. These businesses will eventually leave a positive brand impression on customers, which will boost their loyalty to the brand and significantly raise the enterprise's product's competitiveness. Miller measured entrepreneurial spirituality by using innovation, risk-taking, and proactive behaviour (foresight) [1]. Elements of entrepreneurial spirituality from the existing studies, the measurements of entrepreneurial spirituality also differ based on different research perspectives and construction methods. For example, [8] believed that entrepreneurial spirituality is measured by entrepreneurial attitude (including social value, personal attributes, and goal orientation) and entrepreneurial activities (early entrepreneurial activities and established enterprise ownership).

2.2. Social media adoption

Social media has intense impacts on the organisations operating in the digital world with regard to managing customer interrogations, building and strengthening customer relationships, and innovative mining ideas. [12] defines social media as the internet based on resource capability, a powerful enabling technology that provides synergies and complementarity with other organizations' resources. [9] stated social media adoptions importance in areas such as research and development, sales, custome

Following up on [12], who defined social media as a “group of webs 2.0 based internet applications that includes blogs, forums, photo and video sharing, social networking sites, product or services reviews, online communities, etc.,” we claim that SMEs can adopt SM to improve firm performance because social media adoption has become commonplace in almost every type and size of business.

2.3. Innovation capabilities

A firm’s “critical organisational capability to deploy resources in new ways to create value” is referred to as its innovation capabilities [13]. Organisations can increase their performance with the aid of this value generation. Innovation capabilities, according to [14], are a means to a goal (better SME performance); it is typically essential for SMEs to concentrate on innovation since it helps the firms develop the competitive capabilities needed to gain a durable competitive advantage. Innovation capability ought to be a fundamental component of a company’s strategy, as indicated by [15], since increased levels of innovativeness promote better coordination and cooperation between enterprises. The relationship between innovation skills and company success has been the subject of numerous research [16, 17]. These research, however, varied in a number of respects; for instance, they employed various conceptions and metrics for innovation capacities. Moreover, it is recommended that both individual and group levels of innovation capacity development be clear and ongoing. Additionally, they suggested using surveys to look into this relationship more thoroughly in order to increase generalizability. The current study examines whether SMEs, with an emphasis on developing countries, can nurture innovation capabilities. It adds to the body of empirical research on the relationship between innovation capabilities and company success in other cultures.

2.4. MSME performance

The process of employing various production resources to increase efficiency is a constant in the growth of an organisation. The primary factor influencing an enterprise’s growth in the face of environmental changes is its ability to create value, with performance serving as the overarching objective of corporate operations. In enterprise management, business performance must be quantified to meet stakeholder demands for information on the state of the company and to comprehend how each department operates. The operation of the business can be more clearly shown by using quantitative

indicators to represent its success. This helps managers better comprehend the real state of the business and take targeted action to solve issues. the increase in revenue, market value, and return on investment, as well as the increase in the number of workers contributing to the business.

Financial indicators are limited to reflecting a time-point's reaction to the existing operating conditions of firms. Nevertheless, as business operations include a dynamic process of development, financial indicators are unable to adequately capture underlying influences or forecast future trends in development. A company's entrepreneurial performance is evaluated using both financial and non-financial metrics. [6] measure business performance using two methods: first, the financial compensation and profitability of the business process; second, growth indicators, or aspects of the company's development that cannot be directly measured by financial indicators, like employee efforts and technological accumulation. The non-financial factors include the value of the good or service, the company's capability in creating new goods, the pace at which regulations are implemented, etc.

This study will measure the business performance of firms from two aspects: market and finance, in addition to the split of business performance dimensions by the aforementioned researchers. Since a company's ability to remain profitable is essential to its survival, profitability determines an enterprise's financial performance. We accept and agree with this indicator. The strongest indicator of a company's growth is its performance in the market, which is looked at from four angles in this paper: sales, market share, market competitiveness, and number of new customers.

3. Research methods

Explanatory research was the method employed in this study in order to address the research challenges and aims. In this study, adoption of social media and entrepreneurial spirituality function as independent variables. MSME performance is the dependent variable in this research, while the mediating variable is innovation capability. We created the survey, which included 17 questions about entrepreneurial spirituality, social media adoption, and innovation capability in addition to demographic information (such as gender, age, and educational attainment). A 5-point Likert scale was used to score each question (strongly disagree = 1, strongly agree = 5). Prior to the surveys being disseminated, the scales' reliability was tested.

4. Result

4.1. Descriptive information

In the Sunan Drajat religious tourism region, a group of vendors selling food, beverages, and trinkets is known as the Singo Mengkok Association. According to the Association Chair's interview transcripts, there are 192 MSMEs that are descended from Sunan Drajat. There were 132 responders, 49 of whom were men and 83 of them were women. Almost one-fourth of them were between the ages of 36 and 45, while nearly 38% were between the ages of 26 and 35. In terms of education, 5% or so held a master's degree, with undergraduates holding about 30% of the total.

4.2. PLS analysis

A measurement model, sometimes referred to as the outer model, is used to define the connection between latent variables and their indicators. Convergent validity, discriminant validity, composite reliability, and Cronbach alpha tests make up the outer model test.



Figure 1: Outer Model.

4.3. Convergent validity testing

Convergent validity is the association between the score of the reflective indicator and the score of the latent variable. If a reflective measure correlates with a value of more

than 0.70 for the construct you need to assess, it is said to be in the high group; nevertheless, for the first scale of development, a value of between 0.50 and 0.60 is deemed sufficient. Based on the outcomes of the validity tests that were conducted, Table 2 displays all valid indications.

TABLE 1: Convergent Validity Test Results.

Variable	Indicator	Loading (>0.60)	AVE (>0,5)
Entrepreneurial Spirituality (X1)	X1.1	0.853	0.633
	X1.2	0.777	
	X1.3	0.812	
	X1.4	0.737	
Social Media Adoption (X2)	X2.1	0.722	0.646
	X2.2	0.797	
	X2.3	0.846	
	X2.4	0.844	
MSME Performance (Y)	Y1	0.790	0.641
	Y2	0.797	
	Y3	0.774	
	Y4	0.824	
	Y5	0.817	
Innovation Capability (Z)	Z1	0.834	0.668
	Z2	0.826	
	Z3	0.803	
	Z4	0.805	

Source: Author's own work

4.4. Composite reliability and cronbach alpha testing

The dependability between blocks of indicators in the research model is evaluated using composite reliability and Cronbach Alpha. The information and findings from the measurements in Table 4 demonstrate that the Cronbach Alpha and composite Reliability scores are higher than 0.6. This indicates that all of the latent variables in this study have measurement tools that are accurate and appropriate for usage.

4.5. Structural Model Testing (Inner Model)

Determining the relationship between latent variables using substantive theory is the goal of testing the structural model, also known as the inner model. The framing of the study hypothesis or problem provides the foundation for designing an Inner Model,

TABLE 2: Composite Reliability and Cronbach Alpha.

Variabel Laten	Cronbach's Alpha	Composite Reliability
X1 Entrepreneurial Spirituality	0.811	0.873
X2 Social Media Adoption	0.821	0.879
Y MSME Performance	0.86	0.899
Z Innovation Capability	0.835	0.889

Source: Author's own work

or structural model, of the relationship between latent variables. A number of criteria are used to evaluate the structural model: Goodness of Fit (GoF), Predictive Relevance (Q-Square or Q2), and Determinant Coefficient (R-Square or R2).

4.6. Structural Model Evaluation R-Square (R2)

The accuracy of forecasts (estimations) is measured using the coefficient of determination. An estimation accuracy of 0.75 is generally regarded as having a great estimation accuracy, 0.50 as having a moderate estimation accuracy, and 0.25 as having a low estimation accuracy. The following table displays the coefficient of determination results.

TABLE 3: Coefficient of Determination (R2).

Variable	R Square	R Square Adjusted
Y MSME Performance	0.598	0.588
Z Innovation Capability	0.149	0.136

Source: Research data processed using SmartPLS 3.3.3 software in 2023

The following data can be observed in the table above: the R2 Y Performance Sustainability model's prediction accuracy is 0.598. This score indicates a high estimate of accuracy. The terms "entrepreneurial spirituality" (X1), "social media adoption" (X2), and "innovation capability" (Z) have a combined impact of 59.8% and 40.2%, respectively, on the study model. R² Z Innovation Capability of the model predicts accuracy 0.149. This score indicates a high estimate of accuracy. X1 Entrepreneurial Spirituality and X2 Social Media Adoption account for 14.9% and 85.1% of the total influence, respectively, from other sources.

4.7. Hypothesis testing

By identifying the links that significantly affect the hypothesis, structural model coefficient analysis is utilised to assess the theory. The link is significant if the p-value is less

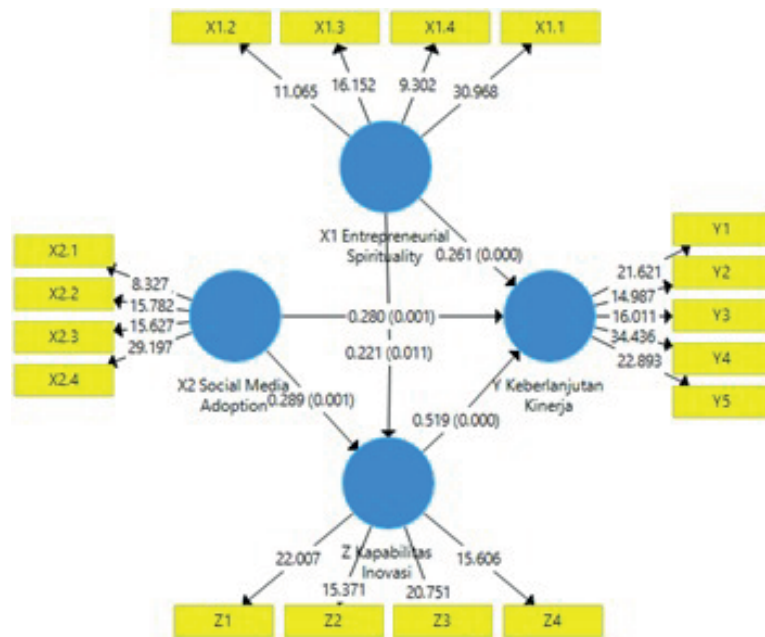


Figure 2: The Results of the Calculation of the Research Path Structural Bootstrapping Test. Source: research data processed using SmartPLS 3.3.3 Software in 2023.

than or equal to a (0.05); on the other hand, if the p-value is greater than or equal to a (0.05), the relationship is not significant.

TABLE 4: Test the Hypothesis of the Direct Influence of the Research Model.

Hypothesis	Path Coefficient	Original Sample (O)	T Statistics (O/STDEV)	P Values	Information
H1	X1 Entrepreneurial Spirituality -> Y MSME Performance	0.261	4.029	0.000	Accepted
H2	X2 Social Media Adoption -> Y MSME Performance	0.280	3.286	0.001	Accepted
H3	X1 Entrepreneurial Spirituality -> Z Innovation Capability	0.221	2.550	0.011	Accepted
H4	X2 Social Media Adoption -> Z Innovation Capability	0.289	3.305	0.001	Accepted
H5	Z Innovation Capability -> Y MSME Performance	0.519	6.253	0.000	Accepted

Source: Research data was processed using SmartPLS 3.3.3 software in 2023

Based on the table above, the following information can be seen:

The Original Sample (O) value of X1 Entrepreneurial Spirituality -> Y Performance Sustainability is 0.261, and the P Values are 0.000, less than 0.05. It is evident from these figures that there is a large positive affect. H0 is so rejected and H1 is approved.

The Original Sample (O) value for X2 Social Media Adoption -> Y Performance Sustainability is 0.280, and the P Values are 0.001, less than 0.05. It is evident from these figures that there is a large positive affect. H0 is so rejected and H2 is accepted.

The Original Sample (O) value of X1 Entrepreneurial Spirituality -> Z Innovation Capability is 0.221, and the P Value is 0.011, which is less than 0.05. It is evident from these figures that there is a large positive affect. H0 is so rejected while H3 is accepted.

The Original Sample (O) value for X2 Social Media Adoption -> Z Innovation Capability is 0.289, and the P Values are 0.001, which is less than 0.05. It is evident from these figures that there is a large positive affect. H0 is so rejected while H4 is accepted.

The Original Sample (O) value for Z Innovation Capability -> Y Performance Sustainability is 0.519, and the P Values are 0.000, which is less than 0.05. It is evident from these figures that there is a large positive affect. H0 is so rejected while H5 is accepted.

5. Discussion

Regarding the understudied topic of social media use and MSMEs' success in emerging economies, the current study makes significant contributions. Because consumers are more active on social media in this technology age. Social media is their preferred method of shopping, which has made it simpler for MSMEs to connect with potential clients. Social media provides MSMEs with a plethora of opportunities since they enable them to connect with clients. It is contingent upon the MSMEs' level of innovation potential and the extent to which the organisation fosters and encourages innovation inside the company. The likelihood that MSMEs will utilise social media is determined by a company's capacity for innovation. Through social media, more owners will be able to illustrate and determine how best to improve the company's performance.

6. Research Limitations and Future Prospects

Due to the challenges associated with questionnaire distribution, the study's sample size remains limited, necessitating additional verification of the conclusion's generalizability and reliability. Additional investigation may uncover additional elements that influence business performance, such as entrepreneurial competence, entrepreneurial orientation, and social media marketing. In addition, a larger population and sample

are anticipated to be used, identifying many MSME in various tourism areas. In order to identify the variations between various areas and industries and to offer more theoretical recommendations for enterprise management, we can expand the sample size and perform a more thorough examination of the samples in future research. can also foster entrepreneurial spirituality in MSME, an industry unrelated to religious tourism.

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