Strategic Volume 19 No.2 (2019) Page 64 – 68.

StrategiC
Jurnal Pendidikan Manajemen Bisnis

The Role of Social Media in Improving Woven Blanket Industry Business Performance in Garut Regency

Galih Abdul Fatah Maulani, Nizar Alam Hamdani
Universitas Garut
galihafm@uniga.ac.id

ABSTRACT

The use of social media is one of strategic alternative in a business. It plays a crucial role in developing business community networking and enhances business performance. This research was designated to examine the effect of social media in fostering MSME business performance. This quantitative study involved 42 woven blanket MSMEs in Cintarasa Village, Samarang District, Garut Regency, Indonesia. The data analysis was performed through PLS-SEM. The result discovered that social media has a significant effect and strongly affect Garutian woven blanket business performance. This social media can be optimally utilized by taking certain criteria into account.

ARTICLE INFO:

Article history:
Received *04 August 2019*
Revised *15 September 2019*
Accepted *15 September 2019*
Available online *30 September 2019*

Keywords:
Social Media, Entrepreneurship, MSME Woven Blanket Industries Performance.

INTRODUCTION

The key to the 4.0 Industrial Revolution is the optimization of the use of the Internet in everyday life. The internet has an important role in driving cultural change as well as community's mindset in running a business (Hamdani and Maulani, 2018). The internet has proven to have a very significant impact on business and to create a more competitive atmosphere. This is supposed to instigate business operators to outlook information technology as one of their business strategies that can encourage the finest company performance (Maulani and Hamdani, 2019).

In 2019, there were around 150 million internet users in all regions in Indonesia. This indicates that Indonesians are familiar with information technology in their daily activities (around 56% of the total population of Indonesia are active internet users) (Hootsuite, 2019).

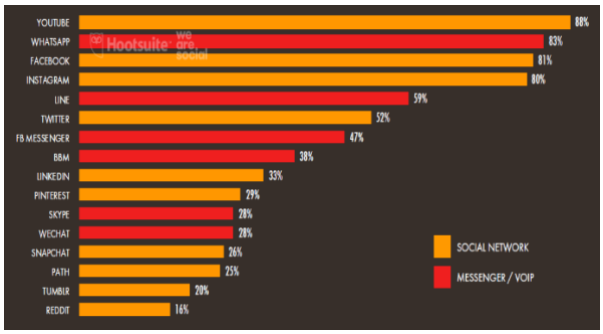

Figure 1. Most Active Social Media Platforms In Indonesia 2019 (Hootsuite, 2019)

Figure 1 illustrates that Indonesian people have their individual preferences in using social media platforms. In January 2019, the Youtube Platform dominated the top ranking as the most accessible social media for Indonesians. WhatsApps ranks second as the most actively used messenger-type social media application.

This illustrates that the today's society intermittently interacts with their community

on their social media (Aziz *et al.*, 2015). Driven by the fact, marketing managements view the phenomenon as a potential that can be exploited to foster their businesses (Bulearca and Bulearca, 2010).

Social Media is a new paradigm carried out by MSMEs in performing their business communications (Kietzmann *et al.*, 2011). Figure 2 explains that social media provides an opportunity for organizations to establish communication with their customers to the widest possible extent.

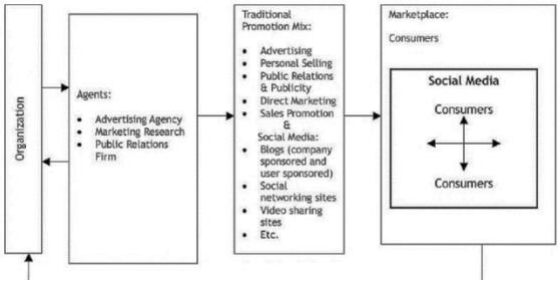

Figure 2. The New Paradigm of Communication Concepts through Social Media (Mangold and Faulds, 2009)

This is also relevant to MSMEs that view social media and information technology as one of the strategies in improving their business performance (Dahnil *et al.*, 2014; Efthymios, 2014), including MSMEs producing woven blankets in Cintarasa Village, Samarang District, Garut Regency, Indonesia ..

Garutian woven blanket MSME is a potential business community and is very environmentally friendly since its main material comes from yarn leftover from large-scale companies or factories. The community utilizes this waste as the main material for making good quality woven blankets.

However, Garutian woven blanket MSMEs have experienced marketing problems. Out of 42 MSMEs, only around 30% have used social media as their marketing channels. This has become an issue that needs to be confirmed regarding to the extent of Social media role in improving Garutian woven blanket MSME performance. In addition, lack of research that explains the role of social media on MSME's performance is another factor that drives the enactment of this research (Efthymios, 2014).

Consequently, this study aims to determine the extent of social media role on the Garutian woven blanket MSMEs business performance.

RESEARCH METHOD

This research used verification-type research using data taken from 42 Garutian woven blanket MSMEs. Non Probability Sampling technique was used in the process of sample determination. Furthermore, the data was processed using PLS-SEM. This research involved some observed variables described in the following table:

Table 2. Research Variables

Variables	**Indicators**
Social Media (X) (Kietzmann *et al.*, 2011; Paniagua and Sapena, 2014; Mileva and DH, 2018)	Content Creation (X1),
	Content Sharing (X2),
	Connecting (X3)
	Community Building (X4)
MSME Woven Blanket Industries Performance (Y) (Lopez, Peon and Ordas, 2005; López-Nicolás and Meroño-Cerdán, 2011; Hamdani, Solihat	Operational Performance (Y1)
	Financial Performance (Y2)

Variables	Indicators
and Maulani, 2019)	

RESULT AND DISCUSSION

In the analysis process, the data was processed using SmartPLS software in which bootstrapping method or random procurement done by this software so that the normal data assumption was left out. Based on the data and analysis, the following are the results of the modeling

:

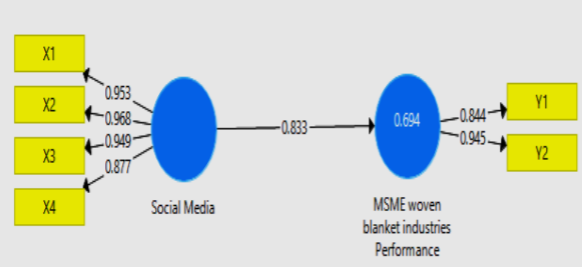

Figure 3. PLS Modelling Result

Based on the results of the PLS Algorithm analysis, there are several values that can be interpreted. The path coefficient from the impact of Social Media (X) on the latent variable woven blanket MSME business performance (Y) is 0.833. This means that the influence of the latent variable X on the variable Y is 0.833. In addition, each indicator on the Social Media variable has loading factors containing: Content Creation (X1) of 0.953; Content Sharing (X2) of 0.968; Connecting (X3) of 0.949; Community Building (X4) of 0.877.

In addition, there is also a factor loading value on each indicator that is connected to the MSME woven blanket industries performance variable. These values include: Operational Performance (Y1) of 0.844 and Financial Performance (Y5) of 0.945.

To determine the reliability of an indicator, SmartPLS regulates that if indicators have a factor loading value below 0.5, the indicators must be eliminated from the model. The following is outer loading which contains all the factor loading values of indicators in each variable

:

Outer Loadings

Matrix

	MSME woven blanket industries Performance	Social Media
X1		0.953
X2		0.968
X3		0.949
X4		0.877
Y1	0.844	
Y2	0.945	

Figure 4. Outer Loadings

According to Figure 4, all indicators have factor loading values above 0.5. It can be decided that all indicators on each variable are considered reliable to meet convergent validity.

In addition, there is a discriminant validity value for the indicator which can be seen from the cross loading value between the indicators and the constructs. There are several other results displayed on SmartPLS, these results include the Construct Reliability and Validity matrix as follows:

Construct Reliability and Validity

Matrix | Cronbach's Alpha | rho_A | Composite Reliability | Average Variance Extracted ... | Copy to Clipboard:

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
MSME woven blanket industries Performance	0.767	0.900	0.890	0.803
Social Media	0.954	0.966	0.967	0.879

Figure 5. Construct Reliability and Validity

To see discriminant validity in this study, it can be determined by the square root of average variance extracted (AVE) value. The recommended value is above 0.5. The results of the calculation of AVE value is 0.879 for Social Media (X) and 0.803 for MSME Woven Blanket Industries Performance (Y). It implied that the Social Media and Woven Blanket

Industries Performance Variables are valid and meet the requirements.

Subsequently, a variable reliability test was measured using the composite reliability and Cronbach alpha values. The determination of variable size can be said to be reliable when the composite reliability and Cronbach alpha values are above 0.70. Based on the results in Figure 5, the value of each variable shows that Social Media and MSME Performance have good reliability because the value scores more than 0.70.

Furthermore, there is a Goodness-fit model testing which examines the inner model test on PLS. The test was done by looking at the R-Square value. The following figure displays the result of R-Square values:

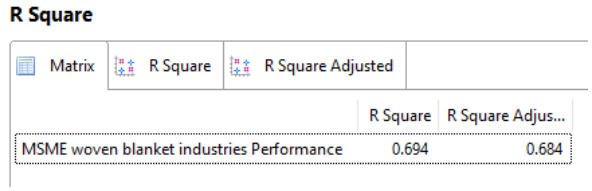

Figure 6. R Square Value

Figure 6 shows that woven blanket MSME business performance has an R-square value of 0.694. This means that Social Media is able to explain the variance of Woven Blanket MSME business performance by 69.4%. It affirms that the use of this variable in this study has a very good representation.

Hypothesis testing in SEM PLS was done by testing the outer model with the bootstrapping method. The following is the result:

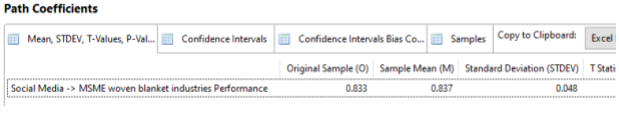

Figure 7. Path Coefficient Matrix

The results of the path coefficient calculation show that the relationship between Social Media (X) and woven blanket MSME industries performance (Y) is significant, it is represented by the t-critical value of 17.2 (> 1.66). In addition, the value in the original sample estimate shows a positive value of 0.833 which can illustrate that the direction of the relationship X with Y is positive. Thus, it can be concluded that, in this study, social media has a significant effect on woven blanket MSME business performance.

CONCLUSIONS AND SUGGESTIONS

Social Media has a very strategic and important role in woven blanket MSME business performance. Social media will become an effective and efficient business strategy if it entails: interesting content in conducting social media marketing; content with social communities that can help expand business networking and online audience; social network that accommodates more people sharing the same interests; community on the internet that has a common interest. Optimizing the use of social media has a very good impact on increasing revenue and customers' demand. In addition, social media also increases customer reliance and builds a good reputation for the Woven Blanket Industries in Garut. With these findings, each woven blanket MSME industry is expected to optimally use social media in communicating with their customers. In addition, there needs to be support from the local authority in optimizing the information technology infrastructure for the Woven Blanket MSME Industries in Garut.

REFERENCES

Aziz, Y. A. et al. (2015) 'Review of Social Media Potential on Knowledge Sharing and Collaboration in Tourism Industry', Procedia - Social and Behavioral Sciences. Elsevier B.V., 172, pp. 120–125. doi: 10.1016/j.sbspro.2015.01.344.

Bulearca, M. and Bulearca, S. (2010) 'Twitter: a Viable Marketing Tool for SMEs?',

Global Business & Management Research, 2(4), pp. 296–309. Available at: http://ezlibproxy.unisa.edu.au/login?url=http://search.ebscohost.com/login.aspx?direct=true&db=bth&AN=57622388&site=ehost-live.

Dahnil, M. I. et al. (2014) 'Factors Influencing SMEs Adoption of Social Media Marketing', Procedia - Social and Behavioral Sciences. Elsevier B.V., 148, pp. 119–126. doi: 10.1016/j.sbspro.2014.07.025.

Efthymios, C. (2014) 'Foundations of Social Media Marketing', Procedia - Social and Behavioral Sciences. Elsevier B.V., 148, pp. 40–57. doi: 10.1016/j.sbspro.2014.07.016.

Hamdani, N. A. and Maulani, G. A. F. (2018) 'The influence of E-WOM on purchase intentions in local culinary business sector', International Journal of Engineering & Technology, 7(2.29), pp. 246–250. doi: 10.14419/ijet.v7i2.29.13325.

Hamdani, N. A., Solihat, A. and Maulani, G. A. F. (2019) 'The Influence of Information Technology and Co-Creation on Handicraft SME Business Performance', International Journal of Recent Technology and Engineering, 8(1S), pp. 151–154. Available at: https://www.ijrte.org/download/volume-8-issue-1s/.

Hootsuite (2019) Digital 2019 in Indonesia, We Are Social. Available at: http.

Kietzmann, J. H. et al. (2011) 'Social media? Get serious! Understanding the functional building blocks of social media', Business Horizons, 54(3), pp. 241–251. doi: 10.1016/j.bushor.2011.01.005.

López-Nicolás, C. and Meroño-Cerdán, Á. L. (2011) 'Strategic knowledge management, innovation and performance', International Journal of Information Management, 31(6), pp. 502–509. doi: 10.1016/j.ijinfomgt.2011.02.003.

Lopez, S., Peon, J. M. and Ordas, C. J. (2005) 'Organizational learning as a determining factor in business performance', The Learning Organization, 12(3), pp. 227–245. doi: 10.1108/09696470510592494.

Mangold, W. G. and Faulds, D. J. (2009) 'Social media: The new hybrid element of the promotion mix', Business Horizons, 52(4), pp. 357–365. doi: 10.1016/j.bushor.2009.03.002.

Maulani, G. A. F. and Hamdani, N. A. (2019) 'The Influence of Information Technology and Organizational Climate on the Competitiveness of Private Universities in Indonesia', International Journal of Recent Technology and Engineering, 8(1S), pp. 142–145. Available at: https://www.ijrte.org/download/volume-8-issue-1s/.

Mileva, L. and DH, A. F. (2018) 'Pengaruh Social Media Marketing Terhadap Keputusan Pembelian', Jurnal Administrasi Bisnis (JAB), 1(1), pp. 190–199.

Paniagua, J. and Sapena, J. (2014) 'Business performance and social media: Love or hate?', Business Horizons. 'Kelley School of Business, Indiana University', 57(6), pp. 719–728. doi: 10.1016/j.bushor.2014.07.005.