



The Effect of Digital Marketing and Entrepreneurial Orientation on Sustainable Business Performance in Micro Agribusiness Enterprises

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Abstract

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The phenomenon of the decrease in the number of MSMEs is exacerbated by the pandemic. Polewali Mandar is a district that is the trading center in West Sulawesi, this district has the largest number of MSEs affected by covid 19. In addition to the ramifications of the pandemic, the failure to adopt and leverage technology and innovation has emerged as a significant factor contributing to the inability of numerous businesses to sustain their operational efficacy. The primary objective of this study is to examine the effect of digital marketing and entrepreneurial orientation on the sustainable business performance of micro enterprises (MSEs) in agribusiness within the Polewali Mandar Regency. The present study employs a quantitative research approach and utilizes data gathering methods in the form of a survey administered to a sample of 66 micro agribusiness firms. The data were subjected to analysis using Partial Least Squares Structural Equation Modelling (PLS-SEM). The findings of the study indicate that there is no substantial effect of digital marketing on sustainable business performance. However, it is observed that entrepreneurial orientation has a notable and beneficial effect on sustainable business performance.

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Introduction

Micro, Small and Medium Enterprises (MSMEs) play a vital role in the economy of Indonesia. MSMEs have been recognized as an important strategic sector generating high economic growth, reducing unemployment, inequality and poverty. West Sulawesi is one of the provinces in Indonesia with economic activity that is still dominated by Micro and Small Enterprises (MSEs). Polewali Mandar is a

district that is the trading center in West Sulawesi, this district has the largest number of MSEs is 10.423 units. However, according to the BPS data (2022) there is a decrease in the number of MSEs from 2019 which was then by 10.763 units to 10.422 units in 2020. The phenomenon of the decrease in the number of MSEs is exacerbated by the pandemic. The current government policy of physical distancing has prevented entrepreneurs from selling conventionally resulting in a decline in their business performance. Public mobility (Debata et al., 2020) which has prevented entrepreneurs from selling conventionally resulting in a decline in their business performance. The crisis has had a significant effect not just on large business but also on micro, small, and medium-sized firms (MSMEs).

In the context of Indonesia, statistical data indicates that around 82.29 percent of medium- to large-scale firms and 84.20 percent of micro- to small-scale enterprises experienced financial setbacks as a direct consequence of the Covid-19 pandemic, approximately 5.76% of firms have adopted the Internet as their primary platform for conducting sales, 27.45% of organizations have pursued diversification strategies, while 9.9% have switched to another business (Statistik, 2020). To sustain their existence and remain competitive, businesses must possess people resources that demonstrate adaptability towards change-entrepreneurial orientation.

Multiple studies have provided evidence that businesses which embrace digital marketing and have entrepreneurial characteristics tend to exhibit superior performance. Digital marketing has a great effect on business performance. For example, research conducted by (Aliami et al., 2018) showed that digital marketing management has an effect on the growth of start-up. Through the implementation of digital marketing, companies can promote their sustainability strategies and provide users with information about their promotion or sustainability activities (Saura, 2021). Information technology and digitization influence marketing, help build customer relationships and create value for small and medium-sized enterprises (Ziółkowska, 2021). Taiminen (2015) classified digital marketing components such as Search Engine Optimization (SEO), Search Engine Advertising (SEA), social media, e-mail newsletters, web-marketing, and e-commerce. The study examines three key components of digital marketing: content marketing, social media, and e-commerce.

An entrepreneurial orientation (EO) is one of the factors that can improve business performance (Buli, 2017). Entrepreneurial orientation is an orientation to be first in terms of innovation in the market, to have a daring attitude to take risks, and proactive to the changes that are taking place in the market (Miller, 1983). Therefore, the implementation of EO has the potential to result in improved performance. Nevertheless, the concept of performance is multifaceted, and the correlation between entrepreneurial orientation (EO) and performance can be contingent upon the specific measures employed to evaluate performance (Lumpkin & Dess, 1996). Entrepreneurial orientation can be captured by three dimensions: innovativeness, proactiveness, and risk-taking (Miller, 1983).

Hanggaraeni & Sinamo (2021) highlighted the significance of risky behavior exhibited by micro, small, and medium enterprises (MSMEs) in operating within a stable business environment, as it was proven to have a positive association with improved and accurate performance. According to Wolff, Pett, and Ring (2015), entrepreneurial traits are demonstrated by a decision-making approach that is pioneering in nature, displaying a higher level of risk-taking compared to a conservative.

Wolff et al., (2015) show that firm-level entrepreneurial qualities can be observed through a decision-making approach that demonstrates a pioneering pattern, characterized by a higher level of risk-taking compared to a conservative.

Hence, EO can lead to higher performance. However, performance is a multidimensional concept and the relationship between EO and performance may depend upon the indicators used to assess performance (Lumpkin & Dess, 1996)

These days, the growth of the enterprise must be balanced with the care of protecting the environment and social so that the business can sustain. Environmental issues such as carbon pollution, climate change, soil and ocean degradation and plastic garbage encourage entrepreneurs to adopt sustainable economic approaches. Sustainable business performance is the extent to which UMKM can maintain long-term economic and social performance. Although UMKM has the ability and potential to adopt sustainable practices, they still lack knowledge about this. Business performance research today still dominates the economic aspect. Little was known on how it relates to social and environmental responsibility.

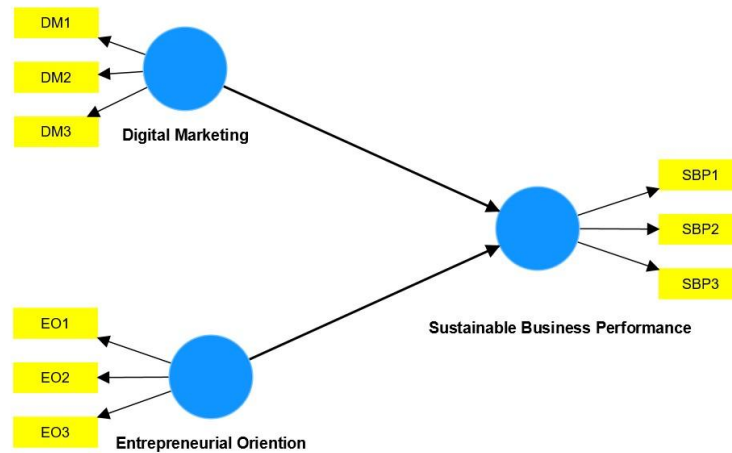
Sustainability can be defined as the intersection of economic performance, social performance, and environmental performance (Kwarteng et al., 2016). In general, the literature primarily examines the correlation between sustainability and the performance of firms (Kraus & Britzelmaier, 2012). There is a limited number of studies that incorporate economic, environmental, and social factors as metrics for evaluating business success within the framework of small and medium-sized enterprises (SMEs) (Abdulaziz-al-Humaidan et al., 2022) .

Currently, there is a lack of information regarding the role of digital marketing and entrepreneurial orientation on the sustainability of micro agribusiness in Polewali Mandar, which is assessed using three sustainability indicators. Hence, the present study aims to investigate the effect of digital marketing and entrepreneurial orientation on the sustainable business performance of micro-agribusiness enterprises in Polewali Mandar. In light of that, this study would like to contribute to the theoretical development of The effect of Digital Marketing and Entrepreneurial Orientation on Sustainable Business Performance.

RESEARCH METHODS

This study use quantitative survey methods to conduct a comprehensive analysis and decryption of data. The population being referred to is a micro-enterprise business operating within the agribusiness sector, including several stages of production (including business of selling means of production, fresh products, and processed product items). This business utilizes digital marketing strategies and is located in Polewali Mandar.

The minimum number of samples obtained is 20 micro-units. Despite this, the number of respondents obtained in this study exceeded the minimum number. Of the 80 questionnaires distributed, there are 66 micro enterprises that match the criteria and can be analyzed. In this study, 80% of the data collection was conducted on-line (live interview) and 20% online by sending a questionnaire link to the respondents. The data collected was then analyzed with the Partial Least Square Structural Equation Model (PLS-SEM) with the WarpPLS 7.0 software. The use of PLS-SEM analysis was motivated by the study's objective to examine the association between exogenous and endogenous factors, as well as the utilization of a limited sample size and unobserved variable type.



Picture 1. Research Model

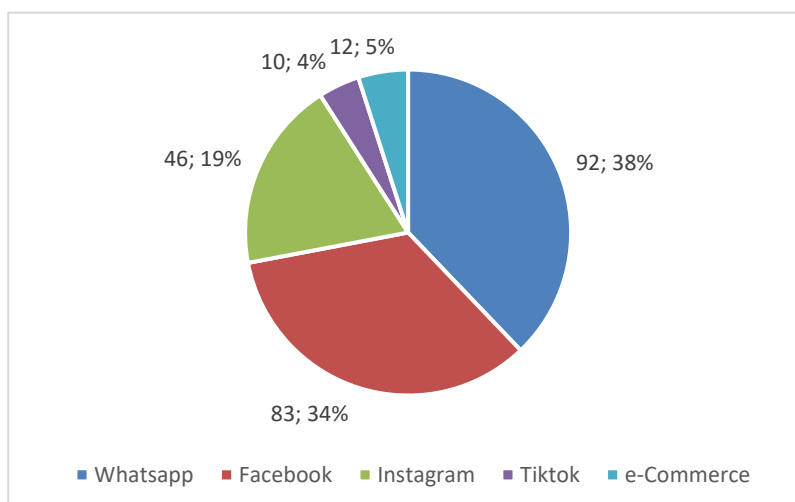
The latent variables used in this research are digital marketing, entrepreneurial orientation, and sustainable business performance. This study model can be seen in Picture 1. Digital marketing is reflected by three indicators including content marketing (DM1), social media (DM2) and e-commerce (DM3) (Taiminen, 2015). Entrepreneurial orientation is shaped by innovativeness (EO1), proactiveness (EO2) and risk taking (EO3) (Miller, 1983; Lumpkin and Dess, 1996; Bolton and Lane 2012). Sustainable business performance is reflected by three indicators covering the economic (SBP1), environmental (SBP2) and social dimensions. (SBP3) (Abdulaziz-al-Humaidan et al., 2021; Mullens, 2018).

The exogenous variable in this research is digital marketing and entrepreneurial orientation, while the endogenic variable is sustainable business performance. Based on the previous explanation, the hypothesis of this study is as follows:

- H1 : Digital marketing has a significant positive effect on sustainable business performance
- H2 : Entrepreneurial orientation has a significant positive effect on sustainable business performance

RESULT

There were 53% of micro agribusiness enterprises owned by men and 47% by women, 57% of new companies have been operating for less than five years and the rest have been in operation for 6 to 20 years. The subsequent 77% of enterprises have been using digital marketing for five years, and 23% have used it for six to 10 years. Furthermore, there are 17% of enterprises that trade in means of agricultural production (seeds, seeds, fertilizers, agricultural machinery, etc.), there were 23% trade in fresh products and 60% of the enterprises which sell agricultural processed products.



Picture 2. Usage of Digital Marketing

According to the findings shown in picture 2, it is evident that a significant proportion of micro-entrepreneurs use social media platforms such as WhatsApp and Facebook as means of conducting marketing activities. Less than half of the population engages with Instagram, only 10.4 percent utilize touch social media, and 12.5 percent employ e-commerce or digital marketing tools.

In order to examine the effect of digital marketing and entrepreneurial orientation on sustainable business performance, it is essential to assess reflective measuring models as the initial step. The process of identifying reflective metering methods involves assessing their validity and reliability. The evaluation of reflective metrics models encompasses several key aspects, including internal consistency measures such as Cronbach's alpha and composite reliability, as well as convergent validity, as assessed by average variance extracted (AVE), and discriminatory validity (Sholihin M & Ratmono D, 2021).

Table 1. Evaluation of reflective measurement model

| Variabel dan indikator | Loading | AVE | Composite reliability | Cronbach alpha |
|--|---------|-------|-----------------------|----------------|
| Digital marketing (DM) | | 0.764 | 0.866 | 0.692 |
| DG 1 | 0.874 | | | |
| DG 2 | 0.874 | | | |
| Entrepreneurial Orientation (EO) | | 0.610 | 0.824 | 0.680 |
| EO 1 | 0.806 | | | |
| EO 2 | 0.743 | | | |
| EO 3 | 0.792 | | | |
| Sustainable Business Performance (SBP) | | 0.575 | 0.800 | 0.622 |
| SBP1 | 0.791 | | | |
| SBP2 | 0.615 | | | |
| SBP3 | 0.850 | | | |

The initial stage involves assessing the validity of the construction by examining the load factor values of each indicator and the AVE value. Loading conditions above 0.7 are frequently not satisfied, particularly for recently developed questionnaires; therefore, loading values ranging from 0.47 to 0.7 should continue to be regarded as satisfactory (Solihin & Ratmono, 2021). It is advisable to exclude

loading factors from the model that are less than 0.4 (Hair et al., 2021). One indicator in this study (DG3) has a loading factor of 0.40, which disqualifies it from the analysis despite the qualification of the remaining indicators. The AVE value is another metric that can be used to assess validity. As shown in Table 1, all variables have AVE values greater than 0.5, indicating that the measurement model utilized in this study is valid and warrants further investigation.

Furthermore, reliability tests are performed to measure the internal consistency of a measuring instrument that shows the degree of accuracy, consistentness and accurateness of the measuring device. The reliability evaluation can be seen from the measurements of composite reliability and cronbach's alpha. Reliability values for exploration research are at a vulnerability of 0.6-0.7 (Hair et al., 2021a). According to Table 1, the value of compound reliability for all variables is above 0.7, this indicates that all the variables have a very good reliability value. For measures of croncbach alpha, the digital marketing variable, entrepreneurship orientation and sustainable business performance variable have values above 0.6. This implies that the Cronbach's alpha values are appropriate for explanatory study.

Tabel 2. Hypothesis validation

| Relationship between variables | | Result |
|---|------------------------------|-------------|
| H1 : Digital marketing → sustainable business performance | $\beta = -0.02; \rho = 0.30$ | H1 rejected |
| H2 : Entrepreneurial orientation → sustainable business performance | $\beta = 0.39; \rho < 0.001$ | H2 accepted |

There are two hypotheses in this study. Based on Table 2, the first hypothesis is rejected because the path coefficient is -0.02 and the p value is 0.30 ($p < 0.05$). This research proves that entrepreneurship orientation has a significant and positive effect on sustainable business performance, meaning that the higher entrepreneurial orientation the more sustainable the business performance will be.

DISCUSSION

Based on the findings acquired, it has been determined that digital marketing does not have a substantial effect on enhancing the sustainable business performance of the micro agribusiness enterprises in Polewali Mandar. Entrepreneurs exhibit a limited proficiency in utilizing digital technology. Based on the survey findings, it is evident that a significant proportion of micro-enterprises continue to rely on conventional digital platforms such as WhatsApp, Facebook, and Instagram. They solely utilize basic functionalities and have yet to leverage the potential of Facebook advertisements, Instagram ads, e-commerce, SEO, and other marketing tools. From the perspective of consumers, there is a preference for purchasing fresh products such as vegetables and fruits directly, as this allows for visual inspection, physical interaction, and tactile evaluation.

The results of this study are in line with the findings of (Erwin et al., 2021) which stated that there was no influence on the use of digital marketing with business performance on the cluster of silk fabrics in the district of Polewali Mandar. In Indonesia revealed that there is no statistically significant influence of digital marketing capabilities on business performance (Purwanti et al., 2022).

Furthermore, it was observed that variations in business performance are significantly affected by changes in the business itself, hence influencing the relationship between digital marketing capacities and business performance. This research is inconsistent with Gunawan & Sulaeman (2020), who stated that digital marketing has a significant effect on business performance.

The correlation between budget allocation and the execution of digital marketing strategies, namely in terms of technology and content selection, is significant. Micro-agribusiness owners have not been allocated a dedicated budget for advanced digital marketing due to their limited revenue streams. Small businesses often devote a minimum of 25% of their marketing budgets, and in some cases as much as 51% to 75%, towards digital technologies. According to Ziółkowska (2021), the utilization of content marketing strategies and tools is crucial in the process of generating and disseminating information to target customers. The low rate of adoption of digital marketing in a sluggish enterprise can be attributed to the lack of adequate capital. This phenomena is associated with research findings that indicate a lack of skills and resources among agro-process small and medium enterprises (SMEs) in developing nations, hindering their ability to effectively execute digital marketing tactics. According to (Phiri, 2020), From an environmental perspective, the waste produced.

The entrepreneurship orientation variable in this study has a positive and significant effect on sustainable business performance. This means that the second hypothesis is accepted. The higher the entrepreneurial orientation of the micro-agribusiness, the better the business performance. This is consistent with the findings of (Affendy A.H et al., 2015) which indicate that an entrepreneurial mindset significantly affects the business performance. Entrepreneurial orientation is significantly and positively related to investments in sustainability initiatives (Mullens, 2018).

Micro-agribusiness entrepreneurs in Polewali mandar have a high entrepreneurial orientation. This can be seen from the courage to take risks by creating the unique products that they create and those who are always looking for information related to their business activities. Dare to take risks is an entrepreneurial attitude that involves the willingness to bind resources and the courage to face challenges by exploiting or engaging in business strategies where the possibility of outcomes is full of uncertainty. Proactive reflects the entrepreneur's willingness to dominate competitors through a combination of aggressive and proactive movements, such as introducing new production or services over competition and activity to anticipate future demand to create change and shape the environment. Innovative refers to an entrepreneur's attitude to engage creatively in the process of experimenting with new ideas that enable new production methods to produce new products or services, both for the current market and for new markets. High entrepreneurial orientation is closely linked to the main driver of profit so that an entrepreneur has the opportunity to take advantage of the emergence of such opportunities, which ultimately have a positive effect on business performance.

Businesses that possess a proactive attitude demonstrate an active pursuit of opportunities, which may encompass the adoption of environmentally sustainable products, services, or processes. These endeavors are undertaken with the aim of cost reduction, revenue enhancement, or alignment with the personal values and beliefs of managerial personnel. In the absence of a proactive approach, In the context of organizational orientation, it is observed that firms and managers may not proactively seek out environmentally friendly practices (Mullens, 2018)

CONCLUSION

Digital marketing has no significant effects on sustainable business performance in micro-agribusiness in Polewali Mandar. It's predicted because consumers prefer to buy the product directly. Another reason is their lack of understanding and skills in maximizing digital tools. Furthermore, entrepreneurial orientation has a significant effect on sustainable business performance. Micro-agribusiness entrepreneurs in Polewali mandar have a high entrepreneurial orientation. This can be seen from the courage to take risks by creating the unique products that they create and those who are always looking for information related to their business activities. These findings contribute to entrepreneurship and sustainable business performance in several ways. One of the limitations of this study is the relatively small sample size, which restricts the generalizability of the findings to other contexts.

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