

Social Media and Market Orientation in SMEs Performance: Competitive Advantage as Mediating Factor

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Abstract

This research aims to examine the effect of social media and market orientation on SME performance mediated by competitive advantage in Riau Province. The novelty of this research, namely the use of the competitive advantage variable as an intervening variable, is still rarely studied in SMEs in Indonesia, and several previous studies have also shown a research gap. The population used in this research is SMEs in Riau Province. The sample in this research is 400 SMEs that were in accordance with predetermined criteria. The data used in this research are primary data with a questionnaire as the instrument. In addition, data collection in this research uses purposive sampling, where the number of respondents is 400. Data analysis uses Structural Equation Modeling (SEM) based on Partial Least Squares (PLS) with SmartPLS 4.0 software. The results obtained are (1) social media, market orientation, and competitive advantage have a significant effect on SME performance; (2) social media and market orientation have a significant effect on competitive advantage; (3) competitive advantage is significantly able to mediate the effect of social media on SME performance; (4) competitive advantage is not able to mediate the effect of market orientation on SME performance.

Keywords: SME performance, competitive advantage, social media, market orientation

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1. INTRODUCTION

Small and Medium Enterprises (SMEs) are one of the main pillars of Indonesia's economy. According to data from the Ministry of Cooperatives and SMEs, in 2023, there are approximately 66 million SMEs in Indonesia, contributing 61% to the Gross Domestic Product (GDP), equivalent to IDR 9,580 trillion. Furthermore, SMEs play a significant role in employment, absorbing 97% of the total workforce and accounting for 60.4% of total investments. However, SMEs in developing countries like Indonesia often face challenges such as lack of funding, limited growth opportunities,

globalization, and lower technology adoption compared to developed countries (Chatterjee and Kumar Kar, 2020; Eze et al., 2021).

SMEs in Indonesia encounter various issues, such as rapid changes in market demand, uncertainty, and limited resources. Many SME operators are reluctant to adopt new technologies due to a lack of training and the diversity of social media platforms and methods of interacting with customers (Qalati et al., 2022). The COVID-19 pandemic has exacerbated this situation by causing a decline in labor supply and customer demand, mobility restrictions, supply chain disruptions, and self-isolation (Abed, 2020; Aldahdouh et al., 2020; Alraja et al., 2020). Amid these conditions, social media has become a crucial tool for SMEs to adapt to a dynamic business environment and improve their performance (Effendi et al., 2020; Fang et al., 2022).

Social media enables businesses to find potential customers without geographical limitations (Garrido-Moreno et al., 2020; Puriwat and Tripopsakul, 2021). Social media applications offer direct interaction, ease of use, low cost, and efficient demographic targeting, making them a popular choice for SMEs (Musawa and Ahmad, 2019). The successful adoption of social media can only occur if SMEs have a culture that supports the adoption of new technologies and encourages employees to learn and use these technologies (Ali Qalati et al., 2020; Olanrewaju et al., 2020; Sahaym et al., 2021; Sulistyo and Ayuni, 2020).

Through social media, the relationship between customers and business operators becomes closer, allowing for direct communication and product personalization according to customer preferences (Nguyen et al., 2021; Qalati et al., 2020). Social media also changes the way buyers and sellers communicate, which can enhance business performance (Cheng and Shiu, 2019). Marketing through social media is considered one of the most effective communication methods for company growth (Mention et al., 2019). Promotions through social media are more effective because they can reach a wide range of consumers and improve business performance (Ebrahimi et al., 2019; Shareef et al., 2019).

Despite the significant potential offered by social media, many SMEs in Indonesia have not yet maximized their use. Data from the Ministry of Cooperatives and SMEs in 2023 shows that only 67% of SMEs use social media for sales, about 34% utilize e-commerce platforms, and only 21% use ride-hailing platforms. Meanwhile, the use of live commerce channels is only around 10% of the total respondents.

Social media provides new opportunities for the business sector to develop market orientation by offering a fast, easy, and cost-effective means of communication. Market orientation is a strategic approach that positions customers as the primary focus in decision-making and business strategy development based on a deep understanding of customer needs, preferences, and behaviors (Hutahayan, 2021; Na et al., 2019; Setiawan et al., 2020).

Market orientation allows SMEs to better understand and meet customer needs compared to their competitors. Through in-depth market research, SMEs can identify customer preferences and purchasing behaviors, enabling them to develop more relevant products or services that align with market demand. Data from the World Economic Forum in 2021 states that 99% of the reasons why SMEs fail to develop

are due to product-market mismatches. This is supported by research indicating that market orientation positively influences SME performance (Abshar and Septrizola, 2023; Lestari et al., 2023; Nuryati et al., 2024; Puspaningrum, 2020; Suwandana, 2023; Triani and Yeni, 2023; Yaskun et al., 2023; Yuliati et al., 2023).

While social media and market orientation are crucial factors, they are insufficient on their own to ensure the success of SMEs in the face of increasing competition. In this context, competitive advantage plays a pivotal role as a mediator between social media, market orientation, and SME performance. Competitive advantage enables SMEs to create superior value compared to competitors through innovation, swift responses to market changes, and strategic utilization of technology. This research emphasizes competitive advantage as a mediating variable that explains how social media and market orientation influence SME performance. This approach is particularly relevant given the challenges faced by SMEs in Indonesia in leveraging digitalization opportunities and competing in the global market. Moreover, competitive advantage provides a foundation for SMEs to not only focus on short-term achievements but also to build sustainable capacity in navigating market dynamics. Thus, this research contributes to the development of strategies for SMEs that are more adaptive, innovative, and competitive, ultimately supporting the overall economic growth of Indonesia.

This research examines the influence of social media and market orientation on SME performance through competitive advantage in Riau Province. Research on SMEs in Bengkalis Regency, Kepulauan Meranti Regency, and Pekanbaru City is critically urgent due to their role in local economic development, particularly amidst the influence of social media, market orientation, competitive advantage, and performance enhancement. Each area's unique economic landscape, such as the fisheries sector in the Kepulauan Meranti and robust infrastructure in Pekanbaru, presents distinct opportunities and challenges for SMEs. Understanding these factors, including how social media can enhance market orientation and competitive advantage, is essential for formulating strategies to improve SME performance. Such insights are crucial for local government policymaking to foster sustainable economic growth by leveraging digital platforms and enhancing SMEs' competitiveness in global markets.

SMEs need to adapt their marketing communications and understand customer expectations through the use of information technology. Strong market orientation can help SMEs remain relevant and grow in a competitive market (Alhakimi and Mahmoud, 2020; Duwalang and Santika, 2020; Tristianito and Pandjaitan, 2020). This research emphasizes the importance of a long-term approach to ensure the sustainability and growth of SMEs in a dynamic business environment. With a better understanding of customer needs and preferences, along with the adoption of appropriate marketing strategies, SMEs can enhance their competitive advantage (Kurniawan, Tahir, and Pasda 2018; Talaja et al. 2017; Yaskun 2021). The results of this research are expected to provide valuable insights for the development of SME strategies in Indonesia to leverage social media and market orientation to achieve better performance.

2. LITERATURE REVIEW

2.1. Dynamic Capability Theory

Dynamic capability refers to a company's ability to reconfigure its resources in response to a changing environment, enabling adaptation to market conditions and facilitating organizational adjustments. It emphasizes developing new routines or eliminating inefficient ones to achieve new resource configurations (Bayón et al., 2021; Salisu et al., 2017). Dynamic Capability Theory is employed in this research to elucidate how SMEs can adapt and respond to rapid market changes through the strategic utilization of social media and market orientation. This theory focuses on an organization's ability to reconfigure its resources and capabilities to innovate and sustain a competitive advantage in the face of increasing competition. Within the context of SMEs, social media serves as a strategic tool for engaging with customers and enhancing marketing efficiency, while market orientation enables SMEs to better understand and meet customer needs. The competitive advantage arising from these capabilities acts as a mediating variable that links the use of social media and market orientation to SME performance, providing a foundation for the development of adaptive and sustainable strategies in dynamic market environments.

2.2. The Effect of Social Media on SME Performance

Social media enhances SME performance by offering cost-effective marketing platforms that strengthen brand reputation and provide insights into customer needs. It enables quick and accurate market trend identification and competitor analysis, fostering adaptive responses to market changes (Odoom et al., 2017; Parveen et al., 2016; Sahaym et al., 2021; Tajudeen et al., 2018). Social media's role in knowledge creation and performance improvement is crucial for SMEs (Leonardi and Vaast, 2017). Based on dynamic capability theory, social media enables SMEs to access real-time market information, influencing their performance positively.

H1: Social media affects SME performance.

2.3. The Effect of Market Orientation on SME Performance

Market orientation enables SMEs to gain deeper insights into customer needs, swiftly adjust business strategies to market changes, and design effective marketing strategies to enhance visibility. Thus, market orientation can enhance SME performance in facing dynamic market competition (Bamfo and Kraa, 2019; Fernandes et al., 2020; Hardilawati, 2020).

H2: Market orientation affects SME performance.

2.4. The Effect of Social Media on Competitive Advantage

Social media allows SMEs to respond quickly to market changes, enhance adaptation to customer trends and demands, and build strong customer relationships. Consequently, social media helps strengthen SMEs' dynamic capabilities and enhances their competitive advantage in the market (Palalic et al., 2021; Salem and Salem, 2021).

H3: Social media affects competitive advantage.

2.5. The Effect of Market Orientation on Competitive Advantage

Market orientation involves customer focus, market information sharing, and intra-organizational coordination aimed at long-term focus, competitive superiority, and profitability (Na et al., 2019). Companies with a strong market orientation create superior customer value, enhancing product loyalty and reducing customer turnover (Iqbal et al., 2021). Emphasizing customer satisfaction, market orientation guides SMEs in organizing around customer needs (Kiyabo and Isaga, 2020). It enables firms to develop capabilities that enhance competitive advantage and overall performance (Davicik and Sharma, 2016; Kamboj and Rahman, 2017). By fostering deep market understanding, SMEs can quickly adapt products and services to market demands, build strong customer relationships, and achieve sustainable competitive advantage.

H4: Market orientation affects competitive advantage.

2.6. The Effect of Competitive Advantage on SME Performance

Competitive advantage refers to an organization's ability to consistently outperform competitors by creating superior value through activities like design, production, marketing, and support (Herman et al., 2018; Nguyen and Khoa, 2020). This capability enables SMEs to attract and retain customers, leading to increased profitability, sales, and market share (Makhloufi et al., 2021). Competitive advantage, rooted in dynamic learning and adaptation to market changes, enhances SMEs' financial performance and strengthens their ability to thrive in evolving business environments.

H5: Competitive advantage affects SME performance.

2.7. The Effect of Social Media on SME Performance through Competitive Advantage

Social media's influence on SME performance, mediated by competitive advantage and aligned with dynamic capability theory, suggests that competitive advantages gained through social media strengthen SME performance. Utilizing social media enables SMEs to gain deep market insights and valuable customer feedback, facilitating the development of competitive edges in products, services, or marketing strategies (Dirgiatmo et al., 2019; Skafi et al., 2020). These advantages enhance SME competitiveness and overall performance (Wong et al., 2020), highlighting competitive advantage as a critical mediator between social media impact and SME success in dynamically evolving business environments.

H6: Competitive advantage can mediate the effect of social media on SME performance.

2.8. The Effect of Market Orientation on SME Performance through Competitive Advantage

A strong market orientation helps SMEs understand customer needs and design products and services that better align with them (Alhakimi and Mahmoud, 2020; Bhegawati and Yuliasuti, 2019). This enables them to develop a competitive advantage that enhances SME performance through increased market share,

customer satisfaction, and profitability (Dahana et al., 2021). Therefore, competitive advantage acts as a critical link between market orientation and SME performance, strengthening their dynamic capabilities in adapting to market changes. Based on this understanding, the following hypothesis can be proposed:

H7: Competitive advantage can mediate the effect of market orientation on SME Performance.

3. METHODOLOGY

This research employs a quantitative causal approach to test the research questions and hypotheses set forth. The population in this research comprises all small and medium-sized enterprises (SMEs) located in Bengkalis Regency, Kepulauan Meranti Regency, and Pekanbaru City, totaling 46,030 units based on data from the Department of Industry, Trade, Cooperatives, and SMEs of Riau Province in 2023. The sampling technique used is purposive sampling. Based on calculations using the Slovin formula, the sample size obtained is 400 SMEs. The sample criteria applied are as follows:

1. SMEs that are registered in the Department of Industry, Trade, Cooperatives, and SMEs of Riau Province.
2. SMEs that utilize social media technology in marketing their products.

This research employs primary data, which were collected through questionnaires distributed directly to SME owners. The measurement scale utilized is the Likert scale. The research comprises four variables: SME performance as the dependent variable, social media and market orientation as independent variables, and competitive advantage as the mediating variable. Each variable is measured based on relevant previous studies that align with the research topic and variables. The definitions and indicators for each variable used in this research are as follows:

Table 1. Operational Definitions and Measurement of Variables

Variable	Variable Definition	Measure
SME Performance (Y)	A result of optimal work performance carried out by a person, group, or business entity.	The indicators used are adopted from Cho & Lee (2018), which consists of 8 indicators, namely ROA, ROE, revenue growth and return on sales, loyalty, competitiveness, stability, and customer satisfaction.
Competitive Advantage (Z)	Existing business competition forces business actors to have advantages and competitive strategies in competing in order to survive and win the competition. Competitive advantage has several elements, one of which is the uniqueness of the product which is the ability of entrepreneurs to adjust customer tastes (Jyoti and Sharma, 2012).	The variable of competitive advantage is measured based on three indicators as follows: <ol style="list-style-type: none"> 1. Differentiation is a business strategy carried out by companies to produce products that have certain uniqueness or characteristics that distinguish the company from other competitors. 2. Cost leadership is the company's advantage in producing at a lower cost than other competitors. 3. Focus. (Haris, 2018).

Variable	Variable Definition	Measure
Social Media (X1)	Social media is a communication medium that can help reach consumers or target markets so as to increase the potential for business success (Adebayo, 2015).	<ol style="list-style-type: none"> 1. Assist in promoting the business. 2. To find information about consumers 3. To build relationships with consumers 4. To assist in customer service activities 5. To receive feedback (suggestions, questions, complaints, testimonials) from customers 6. To find information about competitors 7. To get information on trends in the market 8. Able to design marketing activities to encourage partners or other parties to promote products/businesses to consumers.
Market Orientation (X3)	Market orientation is defined as the process of meeting current and future consumer needs through the collection of market intelligence (Harjadi, 2020).	<p>(Anggraeni and Sanaji, 2021)</p> <ol style="list-style-type: none"> 1. Understand customer needs 2. Understand customer wants 3. Information about competitors 4. Responding to competitors' actions 5. Strategy Integration 6. Quality of relationships between divisions 7. Organization of interdivisional activities 8. Interdivisional attitudes and actions <p>(Sari & Farida, 2020)</p>

Source: Author (2024).

Data analysis in this research was conducted using Structural Equation Modeling (SEM) based on Partial Least Squares (PLS) with the SmartPLS 4.0 software. The SEM PLS method is used as it does not require the assumption of multinormal distribution, and it directly estimates parameters using the bootstrapping technique. In SEM PLS, parameter estimation is performed through bootstrapping, resulting in more robust parameter estimates without relying on the assumption of data normality. Therefore, this method is more suitable for the characteristics of the data available in this research.

4. RESULT AND DISCUSSION

4.1. RESULT

4.1.1. Descriptive Analysis of Variables

To summarize or describe a dataset, descriptive statistics utilize minimum, maximum, mean, and standard deviation values (Ghozali, 2018). Descriptive statistics aim to provide an overview of the distribution and behavior of the sample data. Descriptive analysis of the 400 data points used in this research yields the findings presented in Table 2.

Table 2. Descriptive Analysis of Variables

Variable	Measurement Item	Mean	Median	Min	Max	Standard Deviation	Excess Kurtosis	Skewness
Social Media (X1)	SM1	4.122	4.000	1.000	5.000	0.477	2.367	- 0.905
	SM2	4.145	4.000	1.000	5.000	0.508	2.282	- 1.004
	SM3	4.240	4.000	1.000	5.000	0.539	3.506	-1.412
	SM4	4.290	4.000	1.000	5.000	0.481	1.679	-0.956
	SM5	4.295	4.000	2.000	5.000	0.463	0,660	-0.775
	SM6	4.293	4.000	1.000	5.000	0.516	2.259	-1.155
	SM7	4.388	4.000	1.000	5.000	0.507	3.484	-1.485
	SM8	4.280	4.000	1.000	5.000	0.504	4.381	-1.469
Market Orientation (X2)	MO1	4.258	4.000	1.000	5.000	0.513	2.172	-1.085
	MO2	4.237	4.000	1.000	5.000	0.487	1.362	-0.848
	MO3	4.232	4.000	1.000	5.000	0.510	1.500	-0.929
	MO4	4.247	4.000	1.000	5.000	0.518	2.574	-1.199
	MO5	4.242	4.000	1.000	5.000	0.505	0,554	-.800
	MO6	4.310	4.000	1.000	5.000	0.515	2.392	-1.198
	MO7	4.320	4.000	2.000	5.000	0.469	1.120	-0.882
	MO8	4.285	4.000	1.000	5.000	0.522	2.510	-1.233
Competitive Advantage (Z)	CA1	4.008	4.000	1.000	5.000	0.492	5.074	-1.533
	CA2	4.035	4.000	1.000	5.000	0.460	5.250	-1.385
	CA3	4.032	4.000	1.000	5.000	0.467	3.288	-1.031
	CA4	4.048	4.000	1.000	5.000	0.484	3.627	-1.178
	CA5	4.085	4.000	1.000	5.000	0.502	3.059	-1.126
	CA6	4.160	4.000	1.000	5.000	0.458	3.631	-1.026
	CA7	4.098	4.000	1.000	5.000	0.488	3.865	-1.182
	CA8	4.077	4.000	1.000	5.000	0.482	2.588	-0.916
SME Performance (Y)	MP1	4.105	4.000	1.000	5.000	0.515	0,685	-0.763
	MP2	4.185	4.000	1.000	5.000	0.518	3.604	-1.332
	MP3	4.125	4.000	1.000	5.000	0.486	1.773	-0.793
	MP4	4.160	4.000	1.000	5.000	0.486	3.157	-1.111
	MP5	4.107	4.000	1.000	5.000	0.506	3.160	-1.180
	MP6	4.010	4.000	1.000	5.000	0.522	0,692	-0.690
	MP7	4.000	4.000	1.000	5.000	0.535	1.854	-0.886
	MP8	4.058	4.000	1.000	5.000	0.485	3.317	-1.092
	MP9	4.157	4.000	1.000	5.000	0.497	2.396	-0.981
	MP10	4.100	4.000	1.000	5.000	0.524	1.386	-0.868
	MP11	4.185	4.000	1.000	5.000	0.518	3.604	-1.332
	MP12	4.122	4.000	1.000	5.000	0.492	2.264	-0.899

Source: Primary data processed (2024).

In descriptive statistical analysis, data can be considered normally distributed if the values of Excess Kurtosis and Skewness fall between $-2 < X < 2$. Based on Table 2, it can be seen that each indicator variable shows that the majority of the data is normally distributed.

The mean values for social media range between 4.122 and 4.388, indicating that the average respondent agrees with the statements regarding social media. The

standard deviation ranges between 0.463 and 0.539, indicating that the spread of data for the social media variable is between 0.463 and 0.539 among 400 respondents.

The mean values for market orientation range between 4.232 and 4.320, indicating that the average respondent agrees with the statements regarding market orientation. The standard deviation ranges between 0.469 and 0.522, indicating that the spread of data for the market orientation variable is between 0.469 and 0.522 among 400 respondents.

The mean values for competitive advantage range between 4.008 and 4.160, indicating that the average respondent agrees with the statements regarding competitive advantage. The standard deviation ranges between 0.458 and 0.502, indicating that the spread of data for the competitive advantage variable is between 0.458 and 0.502 among 400 respondents.

The mean values for SME performance range between 4.000 and 4.185, indicating that the average respondent agrees with the statements regarding SME performance. The standard deviation ranges between 0.485 and 0.535, indicating that the spread of data for the SME performance variable is between 0.485 and 0.535 among 400 respondents.

4.1.2 Outer Model Analysis

4.1.2.1. Convergent Validity

Convergent validity refers to the extent to which a measurement correlates positively with alternative measurements of the same construct using different indicators (Hair et al., 2019). To assess whether an indicator of a construct variable is valid or not, the outer loading value is examined. If the outer loading value is greater than or equal to 0.7 (≥ 0.7), then the indicator is considered valid (Hair et al., 2021).

Table 3. Convergent Validity

Variable	Measurement Item	Outer Loading	Conclusion
Social Media (X1)	SM1	0.802	Valid
	SM2	0.835	Valid
	SM3	0.881	Valid
	SM4	0.838	Valid
	SM5	0.806	Valid
	SM6	0.746	Valid
	SM7	0.788	Valid
	SM8	0.803	Valid
Market Orientation (X2)	MO1	0.801	Valid
	MO2	0.798	Valid
	MO3	0.830	Valid
	MO4	0.840	Valid
	MO5	0.805	Valid
	MO6	0.824	Valid
	MO7	0.808	Valid
	MO8	0.844	Valid

Variable	Measurement Item	Outer Loading	Conclusion
Competitive Advantage (Z)	CA1	0.833	Valid
	CA2	0.871	Valid
	CA3	0.852	Valid
	CA4	0.830	Valid
	CA5	0.850	Valid
	CA6	0.853	Valid
	CA7	0.881	Valid
	CA8	0.835	Valid
SME Performance (Y)	MP1	0.779	Valid
	MP2	0.822	Valid
	MP3	0.770	Valid
	MP4	0.750	Valid
	MP5	0.770	Valid
	MP6	0.732	Valid
	MP7	0.710	Valid
	MP8	0.731	Valid
	MP9	0.704	Valid
	MP10	0.795	Valid
	MP11	0.819	Valid
	MP12	0.776	Valid

Source: Primary data processed (2024).

4.1.2.2. Composite Reliability

According to Garson (2016), internal consistency reliability indicated by composite reliability (CR) is a measure to show the extent to which a variable is reliable in providing consistent results if measured again in the same situation. According to Hair et al. (2021), a construct variable is considered reliable if it has a minimum Composite Reliability value of 0.70 or a Composite Reliability value ≥ 0.70 . In addition to Composite Reliability, other measures that describe the level of reliability or internal consistency reliability are Cronbach's Alpha and Average Variance Extracted (AVE). Hair et al. (2021) explain that a variable can be considered reliable if it has a Cronbach's Alpha value ≥ 0.70 and an AVE value ≥ 0.50 .

Table 4. Composite Reliability

Variable	Cronbach's Alpha	Composite Reliability	Average Variance Extracted (AVE)	Conclusion
Social Media	0.926	0.940	0.661	Reliable
Market Orientation	0.930	0.942	0.671	Reliable
Competitive Advantage	0.946	0.955	0.724	Reliable
SME Performance	0.935	0.944	0.584	Reliable

Source: Primary data processed (2024).

4.1.2.3. Discriminant Validity

Discriminant validity describes the extent to which a constructed variable or construct differs from other variables or constructs and is statistically tested. Hair et al. (2021) state that the criterion for discriminant validity using the Heterotrait-Monotrait Ratio (HTMT) is that if a pair of variables has an HTMT < 0.90, the discriminant validity is accepted.

Table 5. Discriminant Validity

Variable	Competitive Advantage	Market Orientation	SME Performance	Social Media
Competitive Advantage				
Market Orientation	0.611			
SME Performance	0.604	0.614		
Social Media	0.753	0.731	0.705	

Source: Primary data processed (2024).

Based on Table 5, the HTMT values for the pairs of variables are less than 0.90, indicating that the variables have good discriminant validity. The correlation between measurement items within the same variable is stronger than the correlation between those items and items from other variables.

4.1.3. Inner Model Analysis

4.1.3.1. Collinearity

Collinearity testing uses the Variance Inflation Factor (VIF) to assess multicollinearity among variables. According to Hair et al. (2021), if the VIF value is less than 5, there is no multicollinearity among the variables. Based on Table 6, it can be seen that the VIF values for social media, market orientation, and competitive advantage variables in the structural model influencing SME performance are below 5, indicating no multicollinearity among these variables or measurement items. Similarly, the VIF values for the social media and market orientation variables in the structural model influencing competitive advantage are also below 5, indicating no multicollinearity among these variables or measurement items.

Table 6. Collinearity

Variable	VIF
Social Media → Competitive Advantage	1.859
Market Orientation → Competitive Advantage	1.859
Social Media → SME Performance	2.568
Market Orientation → SME Performance	1.924
Competitive Advantage → SME Performance	2.066

Source: Primary data processed (2024).

4.1.3.2. R-Square (R²)

R-Square (R²) is used to measure how well the constructed model explains the variation in the dependent variable. According to Hair et al.(2021), R-Square values of 0.75, 0.50, and 0.25 indicate substantial (high), moderate (medium), and weak (low) substantive effects, respectively.

Table 7. R-Square

Variable	R Square	R Square Adjusted
Competitive Advantage	0.516	0.514
SME Performance	0.478	0.474

Source: Primary data processed (2024).

Based on Table 7, it is perceived that the variance of the SME performance variable explained by the social media, market orientation, and competitive advantage variables is 47.4%, which indicates a low to moderate influence. This means that the model is able to explain a significant portion of the variation in the dependent variable, but 52.6% of the variation cannot be explained by the model. Additionally, the variance of the competitive advantage variable explained by the social media and market orientation variables is 51.4%, which indicates a moderate influence. This means that the model is able to explain a significant portion of the variation in the intervening variable, but 48.6% of the variation cannot be explained by the model. This could indicate that there are other factors affecting the dependent and intervening variables that are not included in the model.

4.1.4. Hypothesis Testing

In this research, a significance level of alpha 5% (two-sided) is utilized, where the rule states that if the p-value is less than 0.05, it indicates acceptance of the hypothesis or significant influence.

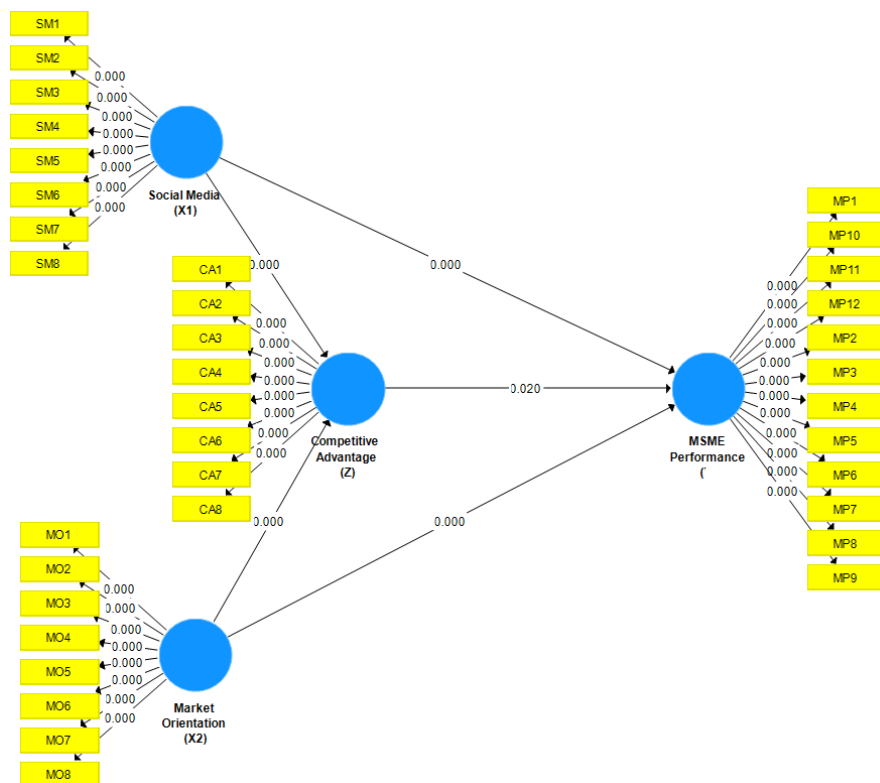


Figure 1. Structural Model
Source: Primary data processed (2024).

4.1.4.1 Direct Effect

Based on Table 8, the results of hypothesis testing for direct effects are summarized as follows. Hypothesis 1 is supported, as social media significantly influences SME performance (P-value = 0.000). Similarly, Hypothesis 2 (H2) is accepted, demonstrating that market orientation has a significant effect on SME performance (P-value = 0.000). Hypothesis 3 confirms that social media significantly affects competitive advantage (P-value = 0.000), while Hypothesis 4 shows that market orientation also significantly influences competitive advantage (P-value = 0.000). Lastly, Hypothesis 5 (H5) is accepted, indicating that competitive advantage has a significant positive effect on SME performance (P-value = 0.020).

Table 8. Direct Effect

Hypothesis	Path Coefficient (Original Sample)	T Statistics (O/STDEV)	P-Value	Conclusion
X1 → Y	0.401	7.372	0.000	Accepted
X2 → Y	0.206	3.586	0.000	Accepted
X1 → Z	0.586	12.352	0.000	Accepted
X2 → Z	0.177	3.582	0.000	Accepted
Z → Y	0.167	2.337	0.020	Accepted

Source: Primary data processed (2024).

4.1.4.2. Indirect Effect

Based on Table 9, the results of hypothesis testing for mediating effects are as follows. Hypothesis 6 (H6) is accepted, as competitive advantage significantly mediates the relationship between social media and SME performance (P-value = 0.025). However, Hypothesis 7 (H7) is rejected, as competitive advantage does not mediate the relationship between market orientation and SME performance (P-value = 0.073).

Table 9. Indirect Effect

Hypothesis	Path Coefficient (Original Sample)	T Statistics (O/STDEV)	P-Value	Conclusion
X1 → Z → Y	0.098	2.251	0.025	Accepted
X2 → Z → Y	0.030	1.795	0.073	Rejected

Source: Primary data processed (2024).

4.2. Discussions

4.2.1. The Effect of Social Media on SME Performance

Hypothesis 1 (H1), with a P-value of $0.000 < 0.05$, indicates that social media significantly influences SME performance, enabling them to efficiently expand market reach through creative content and direct customer interaction. Social media also provides valuable data on consumer behavior and market trends, aiding SMEs in understanding customer preferences, monitoring competitors, and devising more effective marketing strategies. Collaboration with other businesses is also enhanced

through social media, expanding access to additional resources for SMEs. These findings align with previous research showing that social media positively contributes to SME performance by enhancing customer communication, reducing marketing costs, and improving brand loyalty and customer retention (Fan et al., 2021; Nguyen et al., 2022; Nurfarida et al., 2021; Qalati et al., 2022)

4.2.2. The Effect of Market Orientation on SME Performance

Hypothesis 2 (H2), with a P-value of $0.000 < 0.05$, indicates that market orientation significantly influences SME performance. Market orientation enables SMEs to effectively understand and fulfill customer needs, enhance satisfaction, expand markets, and maintain loyalty. This strategy also promotes product innovation, rapid responsiveness to market changes, and effective communication with customers. Support from dynamic capabilities theory underscores the critical role of market orientation in enhancing SMEs' adaptation to competitive market dynamics. These findings are consistent with prior research demonstrating that market orientation positively impacts SME performance (Abshar and Septrizola, 2023; Lestari et al., 2023; Nuryati et al., 2024; Puspaningrum, 2020; Suwandana, 2023; Triani and Yeni, 2023; Yaskun et al., 2023; Yuliati et al., 2023).

4.2.3. The Effect of Social Media on Competitive Advantage

Hypothesis 3 (H3), with a P-value of $0.000 < 0.05$, indicates that social media significantly enhances SME competitive advantage. Through platforms like Facebook, Instagram, and Twitter, SMEs can reach a broad audience at relatively low marketing costs. Direct interaction with customers strengthens relationships and enables quick responses to feedback, supporting competitive advantage maintenance. Social media also provides access to monitor competitor strategies and analyze their activities, offering valuable insights for adjusting marketing and communication strategies. With the ability to share creative and innovative content, SMEs can differentiate themselves from competitors and attract potential customers in unique ways. Thus, social media does not only enhance visibility but also strengthen SMEs' adaptation to market changes and enhances their competitive advantage, which is consistent with the dynamic capabilities theory. These findings support prior research showing the positive impact of social media on competitive advantage (Blazeska and Ristovska, 2019; Munir et al., 2019).

4.2.4. The Effect of Market Orientation on Competitive Advantage

Hypothesis 4 (H4), with a P-value of $0.000 < 0.05$, indicates that market orientation significantly influences competitive advantage. Thus, H4 is accepted. Market orientation enables firms to better understand customer needs, preferences, and behaviors. With this understanding, firms can develop products and services that better suit the market, enhance customer satisfaction, and differentiate themselves from competitors. SMEs with a strong market orientation tend to be more responsive to market changes and customer preferences, adapting strategies to create relevant added value and maintain competitiveness in dynamic markets. Through deep market understanding, firms can identify new innovation opportunities, develop unique products, and create sustainable competitive advantages. Market orientation also assists SMEs in making more informed decisions, such as setting optimal prices, allocating resources efficiently, and expanding into potential market segments.

Dynamic capabilities theory emphasizes that market orientation plays a crucial role in enabling SMEs to quickly understand and respond to business environment changes, as well as build strong customer relationships. These findings are consistent with previous research demonstrating that market orientation has a positive and significant impact on competitive advantage (Lestari et al., 2023; Puspaningrum, 2020; Suwandana, 2023; Yaskun et al., 2023; Yuliati et al., 2023).

4.2.5. The Effect of Competitive Advantage on SME Performance

Hypothesis 5 (H5), with a P-value of $0.020 < 0.05$, indicates that competitive advantage significantly influences SME performance. SMEs with competitive advantages can attract more customers, capture market share from competitors, and enhance profitability with superior products or services. Competitive advantage also supports improved customer service, satisfaction, loyalty, and retention while driving continuous innovation. From the perspective of dynamic capabilities theory, competitive advantage strengthens an SME's adaptability to market changes and builds a strong reputation in the market. These findings are consistent with previous research demonstrating the positive impact of competitive advantage on SME performance (Kiyabo and Isaga, 2020; Lestari et al., 2023; Maziriri, 2020; Nguyen et al., 2021; Nuryati et al., 2024; Suwandana, 2023; Wongsansukcharoen and Thaweepaiboonwong, 2023).

4.2.6. Competitive Advantage mediates the effect of Social Media on SME Performance

Hypothesis 6 (H6) has a P-value of $0.025 < 0.05$, indicating that competitive advantage significantly mediates the influence of social media on SME performance. Thus, H6 is accepted. Social media helps SMEs enhance visibility and marketing reach at relatively low costs. Through social media, SMEs can reach more customers, build stronger relationships, and offer engaging content that is responsive to customer needs. Competitive advantage ensures that SMEs can differentiate themselves from competitors with a deep understanding of the market and customer needs, as well as the ability to offer unique and relevant solutions. Thus, the competitive advantage gained through social media strengthens SME performance in facing dynamic markets. These research findings are consistent with studies done by Cao et al. (2018) and Hamad, Elbeltagi, and El-Gohary (2018), which indicate that competitive advantage significantly mediates the impact of social media on SME performance.

4.2.7. Competitive Advantage mediates the effect of Market Orientation on SME Performance

Hypothesis 7 (H7) is rejected with a P-value of $0.073 > 0.05$, indicating that competitive advantage does not mediate the effect of market orientation on SME performance as analyzed in this research. Market orientation emphasizes the importance of understanding markets and customers. SMEs with strong market orientation actively strive to understand customer needs, preferences, and behaviors. However, the results suggest that this understanding alone does not consistently lead to competitive advantage. To address this issue, SMEs should focus on integrating their market orientation efforts with product and process innovations tailored to their target customers. For instance, respondents from sectors

with high competition might benefit from adopting unique value propositions or leveraging advanced technology to differentiate their offerings. Additionally, external factors, such as industry policies and economic conditions, may independently impact competitive advantage, underscoring the need for SMEs to remain agile and adaptable to external changes. Finally, the relationship between competitive advantage and SME performance may also depend on internal capabilities like human resource management or financial resilience, which were not explored in this research. Thus, while market orientation remains critical for understanding customer needs, SMEs should also consider broader strategic initiatives to enhance their competitive advantage and overall performance. These findings differ from previous research indicating that competitive advantage can mediate the relationship between market orientation and SME performance (Nuryati et al., 2024; Puspaningrum, 2020; Suwandana, 2023).

5. CONCLUSION

This research aims to examine the influence of social media and market orientation on SME performance mediated by competitive advantage in Riau Province. The findings reveal that (1) social media, market orientation, and competitive advantage significantly impact SME performance; (2) social media and market orientation significantly influence competitive advantage; (3) competitive advantage effectively mediates the relationship between social media and SME performance; (4) however, competitive advantage does not mediate the relationship between market orientation and SME performance. Social media facilitates SMEs in expanding market reach efficiently and affordably through creative content to promote their products and services, build brand awareness, and attract potential customers. By leveraging data analytics from social media platforms, SMEs can swiftly and accurately identify market trends, customer needs, and competitor activities, enabling adaptive responses to market changes to enhance competitive advantage and business performance.

Theoretical implications of this research expand knowledge on factors influencing SME performance, enabling SME operators to make informed decisions to enhance business performance. It also contributes to the development of theories related to social media, market orientation, and competitive advantage in the context of SMEs for future researchers. Practically, this research suggests that SME operators should enhance their use of social media to broaden visibility and customer interaction. This includes developing engaging content and actively participating in relevant social media platforms. Additionally, SMEs should prioritize developing a strong market orientation by understanding customer needs and preferences and responding swiftly and effectively to market changes. Managerially, the findings underscore the importance of strategic management of social media resources. SMEs should allocate resources to monitor and analyze social media data to gain insights into market trends and customer behaviors. This proactive approach can inform product development, marketing strategies, and customer service enhancements, ultimately enhancing competitive advantage. Moreover, cultivating a market-oriented organizational culture and integrating customer feedback into decision-making processes can foster agility and responsiveness, which are crucial for sustaining competitiveness in dynamic market environments.

This research is limited by its focus on SMEs in Riau Province, specifically in Bengkalis Regency, Kepulauan Meranti Regency, and Pekanbaru City, which may restrict the generalizability of its findings. Future research should consider including a more extensive and diverse sample of SMEs across other regions of Riau Province or even nationwide to capture a broader perspective. Expanding the scope to incorporate additional independent and mediating variables, such as technological adoption, human resource management, or financial practices, could provide a more comprehensive understanding of the determinants of SME performance. Furthermore, exploring cross-regional comparisons or variations across industries could yield valuable insights into the contextual factors shaping SME outcomes. These efforts would contribute to the development of more robust strategies for enhancing SME performance in diverse economic and geographic settings.

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