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Analysis of the Use of Social Media on the Performance of Micro, Small and Medium Enterprises Sector in North Sumatra: Perspectives Dynamic Capability Theory

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ABSTRACT

The objective of this research to determine the influence of social media on the performance of MSMEs in Bunut Seberang. With dynamic capabilities as an intervening variable. This study uses the theory of dynamic capabilities and using purposive sampling.

The sample is 121 respondents. The results of the study are social media use and of social media maintenance had a positive and significant effect on dynamic capabilities. Dynamic capabilities had a positive and significant effect on the performance of MSMEs in Bunut Seberang. The use of social media did not have a direct effect on the performance of MSMEs. Meanwhile, maintenance of social media had a positive and significant effect on the performance of MSMEs. The use of social media had a positive and significant effect on the performance of MSMEs through dynamic capabilities. Maintenance of social media had a positive and significant effect on the performance of MSMEs through dynamic capabilities.

Keywords: Social Media Usage, Social Media Maintenance, Dynamic capabilities, MSME Performance

INTRODUCTION

The performance of Micro, Small and Medium Enterprises (MSMEs) is an interesting topic to be discussed in the digital era where technology adoption is very important in improving capabilities and competitiveness (Vu & Nguyen, 2022). The performance of MSMEs has an important in economy. In the United States the performance of MSMEs has contributed to the country's annual income, contributing 9.0% to Gross Domestic Product in 2018 (Nicholson, 2020). Based on data from the Department of Statistics Malaysia (DOSM), Malaysian MSMEs contributed to the country's economy in 2021, contributing 37.4% of Malaysia's GDP (DOSM, 2021). According to the Central Statistics Agency (BPS) of North Sumatra Province in Indonesia (2024), the contribution of MSMEs to the Gross Regional Domestic Product of North Sumatra reached 19.13 % in 2022.

This research was conducted in UMKM Bunut Seberang Village, Pulo Bandring District, Asahan Regency, North Sumatra Province in Indonesia. Because Bunut Seberang Village also has a diverse trade, service and other micro-business sectors and can represent other villages.

According to Teece *et al*. (1997) dynamic capability theory plays a very important role

in improving the performance of MSMEs. Because when you have dynamic capabilities, you will be faster in managing resources. And easy to adapt to a dynamic environment, such as the use of digital technology so that you are more competitive (Teece *et al.*, 1997)

To measure the performance of MSMEs, the dynamic capability theory is used (Teece *et al.*, 1997). MSME performance can be measured by dynamic capabilities, social media usage, social media maintenance (Teece *et al.*, 1997). Teece (2017) stated that when companies continuously transform their resource base through the exploitation of digital ecosystems, they have dynamic capabilities. Ye, Y., Yu, Q., Zheng, Y., & Zheng, Y. (2022) measured the use of social media to build relationships with customers, information and promotion media and follow current trends. Ye *et al*. (2022) measured social media maintenance in terms of response to customers, budget, employees, and as a means of evaluation

Previous research have suggested that social media and dynamic capabilities have an impact on performance (Ahammad, Basu, Munjal, Clegg, & Shoham, 2021; Garg, Gupta, Dzever, Sivarajah, & Kumar, 2020; Mahmoud, Adams, & Abubakari, 2020).

Previous research has shown that social media and dynamic capabilities are not correlated with performance (Ahmad, S., Abu Bakar, & Ahmad, N., 2018; Herlina, Yacob, Johannes, & Octavia, 2022; Onngam & Charoensukmongkol, 2023).

LITERATURE REVIEW

Dynamic Capability Theory

Dynamic capability theory is a very popular theory, this perspective has been criticized for the lack of clear boundaries around the effects of dynamic capabilities (Fainshmidt, Wenger, Pezeshkan, & Mallon, 2019). Derived from the theory of the view company to form traditional, based on return utilise source strategy Power, business technology as a digital resource (Barney, 1991), reveals how organizations can use internal resources and capabilities to increase competitiveness in a dynamic environment (Akenroye, Owens, Elbaz, & Durowoju, 2020).

MSME Performance

The ability of an organization to achieve its goals and optimize what will happen is called performance organization (Khin & Ho, 2018). Organizational performance is the most important for business success. Business performance can be measured through four perspectives: financial, customer, innovation and learning, and internal processes (Srimulyani, Hermanto, Rustiyaningsih, & Waloyo, 2023). Organizational performance can be defined as the company's ability to achieve goals in a changing environment (Otto, Szymanski & Varadarajan, 2020). Organizational performance is a means to achieve organizational goals and objectives through organizational actions and investments over a period of time (Mohammad, 2020).

Dynamic Capabilities

The application of the dynamic capability view in business is very relevant because it faces a context of rapid transformation. Where adaptation and change are the keys to being able to survive and create excellence (Zahra, 2021). Dynamic capabilities are the ability to anticipate and identify new business opportunities. And be able to develop new competencies in order to improve business performance (Girod & Whittington, 2017).

MSME performance is a measurement related to the success of MSMEs through performance. financial and non-financial, using a 5-point Likert scale and measured with 7 items. Ilmudeen et al., (2020) measured performance based on a comparison of the performance of competing MSMEs in the same sector is measured from financial performance, namely the rate of return on investment, return on assets, return on capital. Based on non-financial performance through excellence operational with better production improvement measurement

items, service to customers better customers. Better production cycles and measured by performance. marketing, namely sales growth and product development. Dynamic Capability (z) is a measurement of MSME respond quickly, flexibly and be able to adapt to all changes. Good in terms of customer demand and changes that occur in the market. Using a scale Likert 5 points and measured with 7 question items. Based on Ye *et al.* (2022) Dynamic capabilities are measured based on the level of agility and adaptability. Agility is determined by dynamic flexibility and dynamic speed. Dynamic flexibility measured by 1 question item related to delivery capacity. Dynamic speed measured through 2 question items, namely production time speed, delivery time. Adaptability is measured based on structural sensing and innovation Structural. For structural sensing, it is measured with 1 item, namely related to business competition. Structural innovation is measured by 3 questions, namely showing high product innovation, changing production methods and improving supply chain processes.

Social Media Usage

Social media is a large-scale digital platform that is invaluable for companies looking to monitor and interact with customers and competitors, as well as gather up-to-date market information (Tejeiro Koller, 2016). The use of social media is an ongoing process that involves designing social media content, as well as allocating resources to manage, maintain, and update social media (Ye *et al*., 2022).

The number of beliefs and opinions on the adoption of social media by companies very important role. Evidence showing the impact of social media implementation on company performance is still limited (Oberoi, Patel, & Haon, 2017).

The social media usage is a measurement of MSME actors in using social media as a strategy to improve their business to be better. According to Yeet al. (2022) Social Media Usage is measured using a Likert scale with 5 items. The question is to establish good relations with customers, find out information about products/services, monitoring competitors, promotions and being able to follow the latest trends related to products/services.

Social Media Maintenance

Social media maintenance is an effort that is carried out with continuous review and ongoing investment (Muninger, Hammedi, & Mahr, 2019). Social Media Maintenance is a measurement of MSME actors in managing social media. According to Yeet al. (2022) Social Media Maintenance is measured by Likert scale with 4 questions. Responding seriously to customer posts, preparing budget for managing social media, having a dedicated social media admin and evaluating social media applications.

The implementation of social media also requires large costs to effectively support the smooth running of operation For maintaining its utilization (Rapp, Beitelspacher, Grewal, & Hughes, 2013).

Things that include social media maintenance according to Ye *et al*. (2022):

1. Respond seriously to anything posted on customer social media. The opinion gathering method allows organizations to reach the opinions of many people on various topics of interest usefully (Adamides & Karacapilidis, 2020).
2. Preparing a budget for managing social medial
3. Having a dedicated admin to manage social media. Social media has become the vanguard

Here is the conceptual framework:

H1: Social Media usage has an effect positive towards Dynamic Ability

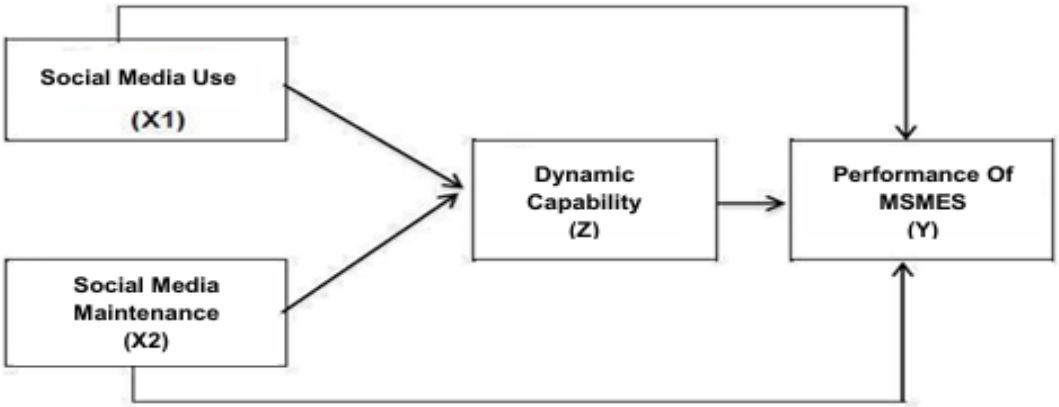
H2: Social Media Maintenance has an effect positive towards Dynamic Capabilities

H3: Dynamic Capabilities have an effect positive impact on UMKM Performance

H4: Social Media usage has an effect positive effect on MSME Performance

H5: Social Media Maintenance has an effect positive impact on UMKM Performance
H6: T Social Media usage has an effect positive impact on MSME Performance in Bunut Seberang Village through Dynamic Capabilities
H7: Social Media Maintenance has an effect positive impact on MSME Performance through Dynamic Capabilities

The conceptual framework



MATERIALS & METHODS

This research is a descriptive study using a quantitative research approach. The data source used is primary data, in the form of quantitative data, namely recording facts that are expressed in numbers (Kuncoro, 2023). Data collection was carried out by interview, this approach and design allows data collection through a survey method using a questionnaire (Saunder, Lewis, & Thornhill, 2016).

According to Stevens (1946), scaling is a process carried out to assign numbers to objects using certain rules. This research uses an ordinal scale, namely the scale Likert 5 points. This research was conducted in Bunut Seberang village on MSMEs in all sectors, with a total sample of 121 respondents.

Analysis Techniques Partial Least Squares Structural Equation Modeling (PLS SEM) PLS-SEM is a variance-based approach that is more directed at predictions that focus on endogenous target constructs in the model and aims to maximize the explained variance, namely the R2 value (Hair, Ringle & Sarstedt, 2012)

For PLS-SEM analysis, analysis was carried out Outer Model and Inner Model.

Here is the explanation:

Evaluation of Measurement Models or Outer Model

1) Indicator Reliability

Reliability of the indicator to assess whether the indicator is reliable or not. By looking at the value outer loading which is above 0.7. Shows that the construct can explain more than 50% of the variance of its indicators (Wong, 2013).

2) *Internal Consistency Reliability*

Measure how capable the indicator is in measuring the construct latent. By looking at the value composite reliability 0.6 – 0.7 is considered to have good reliability (Sarstedt *et al*., 2017).

3) Convergent Validity

An AVE value of 0.5 or more means that the construct can explain 50% or more of the variance of its items (Wong, 2013)

4) Discriminant Validity

Test validity using values cross loading (Sarstedt *et al.*, 2021).

Structural Model Evaluation or Inner Model

Initial step Inner Model is to check for collinearity between constructs. Then measure the predictive ability of the model using the coefficient of determination (R2) and the path coefficient (*Sarstedt et al*., 2017).

1) Variance Inflation Factor (VIF).

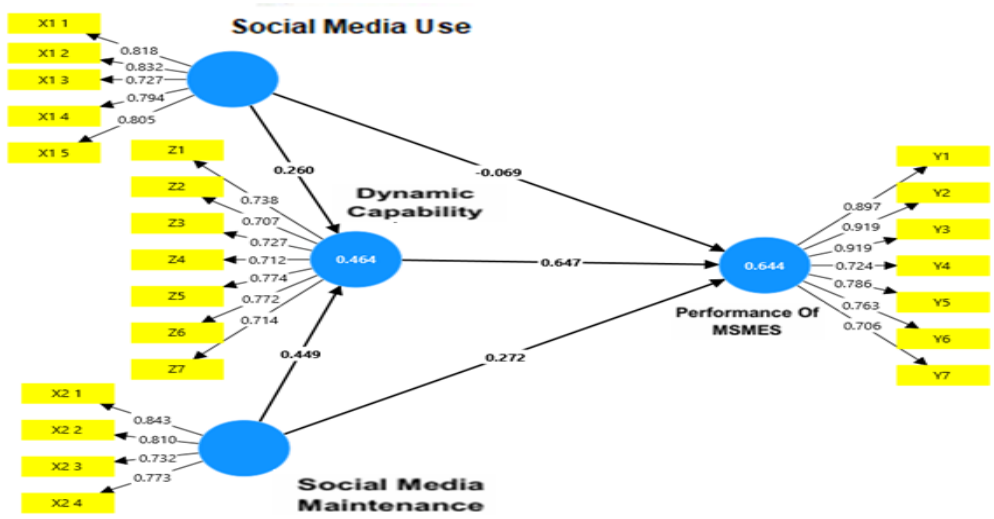
VIF value must be less than 5, because if it is more than 5 it indicates collinearity between constructs (Sarstedt *et al.*, 2021).

2) Coefficient determination (R2)

Coefficient of determination is a way to assess how much endogenous constructs can be explained by exogenous constructs. The R2 values of 0.75, 0.50, and 0.25 indicate that the models are strong, moderate, and weak (Sarstedt *et al*., 2017).

RESULT

The results of the study show that social media usage and maintenance of social media have a positive and significant effect on dynamic capabilities. Dynamic capabilities have a positive and significant effect on the performance of MSMEs in Bunut Seberang village. The social media usage has no effect directly on the performance of MSMEs.



While social media maintenance has a positive and significant effect on MSME performance. Social media usage has a positive and significant effect on MSME performance through dynamic capabilities. Social media maintenance has a positive and significant effect on MSME performance through dynamic capabilities.

Reliability of Indicators

Overall value Outer Loading is above 0.7 with a value of p values 0.000 or significant. Indicates all question items to measure the variables of MSME performance, dynamic capabilities, use of social media and maintenance of social media are valid and feasible to use.

Table 1 ***Outer Loading***

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values
X1 1	0.818	0.812	0.054	15.027	0.000
X1 2	0.832	0.826	0.052	16.027	0.000
X1 3	0.727	0.725	0.058	12.590	0.000
X1 4	0.794	0.789	0.057	13.831	0.000
X1 5	0.805	0.797	0.065	12.360	0.000
X2 1	0.843	0.835	0.049	17.252	0.000

X2 2	0.810	0.800	0.059	13.707	0.000
X2 3	0.732	0.736	0.038	19.223	0.000
X2 4	0.773	0.768	0.057	13.565	0.000
Y1	0.897	0.898	0.014	61.851	0.000
Y2	0.919	0.919	0.012	79.160	0.000
Y3	0.919	0.920	0.012	77.497	0.000
Y4	0.724	0.723	0.049	14.920	0.000
Y5	0.786	0.784	0.046	17.187	0.000
Y6	0.763	0.761	0.045	17.130	0.000
Y7	0.706	0.702	0.061	11.587	0.000
Z1	0.738	0.739	0.040	18.558	0.000
Z2	0.707	0.695	0.080	8.851	0.000
Z3	0.727	0.721	0.063	11.602	0.000
Z4	0.712	0.705	0.072	9.894	0.000
Z5	0.774	0.774	0.047	16.377	0.000
Z6	0.772	0.767	0.052	14.844	0.000
Z7	0.714	0.708	0.064	11.232	0.000

Internal Consistency Reliability

Mark composite reliability and Cronbach's alpha > 0.7. This means that the overall value of each question item is consistent or reliable for measuring MSME performance variables. dynamic capabilities social media usage (0.855) and social media maintenance (0.799)

Convergent Validity

The variation of all items contained in the MSME performance variable is 67.3%, dynamic capability 54%, use of social media 63.3% and maintenance of social media 62.5% %. So the conditions are met convergent validity the good one.

Discriminant Validity

The correlation of each measured variable is higher than the correlation of
other variables. For the MSME performance variable, it is 0.897 (Y1), 0.919 (Y2), 0.919 (Y3), 0.724 (Y4), 0.786 (Y5), 0.763 (Y6), 0.706 (Y7). For the dynamic capability variable, it is 0.707 (Z2), 0.727 (Z3), 0.712 (Z4), 0.774 (Z5), 0.772 (Z6), 0.714 (Z7). For the social media usage variable, the value cross loading namely 0.818 (X1.1), 0.832 (X1.2), 0.727 (X1.3), 0.794 (X1.4), 0.805 (X1.5). For the social media maintenance variable, the value cross loading the values are 0.843 (X2.1), 0.810 (X2.2), 0.732 (X2.3), 0.773 (X2.4).

Table 2 cross loadings

	MSME Performance	**Dynamic Capabilities**	**Social Media Usage**	**Social Media Maintenance**
Y1	0.897	0.639	0.521	0.607
Y2	0.919	0.667	0.486	0.604
Y3	0.919	0.650	0.539	0.624
Y4	0.724	0.586	0.462	0.484
Y5	0.786	0.583	0.459	0.432
Y6	0.763	0.663	0.372	0.491
Y7	0.706	0.696	0.418	0.438
Z1	0.740	0.738	0.455	0.484
Z2	0.449	0.707	0.336	0.332
Z3	0.511	0.727	0.356	0.400
Z4	0.608	0.712	0.417	0.465
Z5	0.625	0.774	0.567	0.572
Z6	0.527	0.772	0.500	0.458
Z7	0.510	0.714	0.574	0.647
X1 1	0.472	0.528	0.818	0.697
X1 2	0.520	0.566	0.832	0.701
X1 3	0.408	0.431	0.727	0.575
X1 4	0.434	0.471	0.794	0.657

X1 5	0.419	0.517	0.805	0.677
X2 1	0.448	0.520	0.762	0.843
X2 2	0.453	0.551	0.720	0.810
X2 3	0.655	0.465	0.507	0.732
X2 4	0.463	0.568	0.657	0.773

1) *Variance Inflation Factor (VIF).*

The VIF value is below 5 so there is no multicollinearity between variables. This means that the model can be said to be good. Coefficient of determination.

Table 3 *Variance Inflation Factor (VIF)*

Hypothesis	**VIF**
Social Media Usage -> Dynamic Capabilities	3.273
Social Media Maintenance-> Dynamic Capabilities	3.273
Dynamic Capabilities -> MSME Performance	1.867
Social Media Usage -> MSME Performance	3.399
Social Media Maintenance -> MSME Performance	3.650

Coefficient determination (*R-square*)

The social media usage and social media maintenance together influence the dynamics by 46.4%. social media usage, social media maintenance and together influence capability dynamic in a way performance MSME is 64.4%. The magnitude of the influence of dynamic capabilities on UMKM performance is 0.630> 0.35, meaning that the influence is very high. For the influence media social usage to dynamic capability of 0.039>0.02 means that the influence is low. For the influence of social media usage on MSME performance of 0.004 <0.02 its influence very low. For influence on dynamic capabilities of 0.115 = 0.12, meaning the influence is moderate. For the influence of social media maintenance on MSME performance of 0.057 > 0.02, meaning the influence is low.

Table 4 *R-square dan R-square adjusted*

	R-square	***R-square adjusted***
Dynamic Capabilities	0.464	0.455
MSME Performance	0.644	0.635

DISCUSSION

Social media usage has a positive and significant effect on dynamic capabilities. With an influence of 0.260, the standard deviation value is 0.132 < from mean which is 0.272 with a value of t statistics of 1.977 > 1.96. with a P value of 0.024 <0.05. These results support dynamic capabilities theory (Teece et al., 1997). The use of social media helps inform customer preferences and for the development of new products and services. Social media allows users, without requiring physical presence, to communicate and produce content. And in line with previous researchers, it was found that social media has a positive effect on agility (Rozak et al., 2021; Pitafi, et al.; 2020; Ye et al., 2022). Thus, hypothesis 1 is accepted

Maintenance social media has a positive and significant effect on dynamic capabilities. With an effect of 0.449, the standard deviation value is 0.119< from mean which is 0.272, with a value oft statistics of 3,787 > 1.96. with P values of 0.000 <0.05. The research results stated that all respondents from MSMEs in Bunut Seberang village agreed to provide a budget for social media needs and also regularly checked incoming messages to respond well to customers. Without an internet quota, social media cannot be used. Meanwhile, social media is needed to contact agents, supply chains, customers and workers.

If social media maintenance is maintained it will be able to increase dynamic capabilities in terms of production, service and sales. In the end, MSMEs can be more competitive.

The results of this research support the dynamic capabilities theory (Teece et al.,

1997). The agility of social media also implies that companies must conduct active research to understand the needs of potential customers with social media maintenance. The results of this study are in line with research (Pitafi, Liu & Cai, 2018; Ye et al., 2022). Thus, hypothesis 2 is accepted

Dynamic capabilities have a positive and significant influence on the performance of Bunut Seberang MSME. With an influence of 0.647, the standard deviation value is 0.068< from mean that is 0.653, with the value t statistics as big as 9,462 > 1.96. with P values of 0.000 <0.05. Based on research results, 83% of all respondents in MSMEs in Bunut Seberang Village have good dynamic abilities. This means that having a high level of production, flexibility in terms of delivery of goods, relationships with a good supply chain will improve the performance of MSMEs. Thus, hypothesis 3 is accepted.

The social media usage does not have a positive effect on the performance of Bunut Seberang UMKM. With a negative effect of 0.069, the standard deviation value is 0.109> from mean that is-0.071, with the value t statistics as big as 0.630> 1.96. with P values of 0.264 <0.05. This means that the effect is negative and not significant. Thus, hypothesis 4 is rejected

Media maintenance social media has a positive and significant influence on the performance of Bunut Seberang MSME. With an influence of 0.272, the standard deviation value is 0.100< from sample mean that is 0.273, with the value statistics as big as 2,736> 1.96. with P values of 0.003 <0.05. Thus, hypothesis 5 is accepted

The social media usage has a positive and significant influence on the performance of Bunut Seberang MSME through dynamic capabilities. With the influence as big as 0.168, the standard deviation value is 0.097< from mean that is 0.181, with P values of 0.041 <0.05, meaning the effect is positive and significant. Thus, hypothesis 6 is accepted

Media maintenance social media has a positive and significant influence on the performance of Bunut Seberang MSME through dynamic capabilities with influence as big as 0.290, standard value deviation of 0.074< from sample mean that is 0.288, with P values of 0.000 <0.05. Thus, hypothesis 7 is accepted

Table 5 PLS SEM Path Analysis Results

	Original sample (O)	**Sample mean (M)**	**Standard deviation (STDEV)**	**T statistics**	**P Values**
Social Media Usage -> Dynamic Capabilities	0.260	0.272	0.132	1.977	0.024
Social Media Maintenance-> Dynamic Capabilities	0.449	0.445	0.119	3.787	0.000
Dynamic Capabilities -> MSME Performance	0.647	0.653	0.068	9.462	0.000
Social Media Usage -> MSME Performance	-0.069	-0.071	0.109	0.630	0.264
Social Media Maintenance -> MSME Performance	0.272	0.273	0.100	2.736	0.003

Table 6 PLS SEM Path Analysis Results

	Original sample (O)	**Sample mean (M)**	**Standard deviation (STDEV)**	**P values**
Social Media Usage -> Dynamic Capabilities ->MSME Performance	0.168	0.181	0.097	0.041
Social Media Maintenance -> Dynamic Capabilities -> MSME Performance	0.290	0.288	0.074	0.000

CONCLUSION

This research contributes theoretically and practically. From a theoretical perspective, it supports the theory of dynamic capabilities. And the application in management accounting that focuses on the collection, analysis, interpretation and perception of financial and non-financial data to support decision making by MSME actors. And supports in terms of the utilization of Accounting Information Systems, because in a very dynamic era. We cannot be separated from the digital economy. From a practical perspective, it helps MSMEs to focus more actively on social media usage and utilizing it optimally as an effort to improve MSME performance.

Hypothesis Test Result

Hypothesis Test		Result
H1	The social media usage has a positive effect on dynamic abilities	Supported
H2	Social Media Maintenance has a positive effect on Dynamic Ability	Supported
H3	Dynamic Capabilities have a positive effect on MSME Performance	Supported
H4	The Social Media usage through Dynamic Capabilities has a positive effect on the Performance of MSMEs in Bunut Seberang Village	Supported
H5	Social Media Maintenance through Dynamic Capabilities has a positive effect on MSME Performance in Bunut Seberang Village	Supported
H6	The use of social media usage has a positive effect on the performance of MSMEs in Bunut Seberang village	Rejected
H7	Social Media Maintenance Has a Positive Influence on MSME Performance in Bunut Seberang Village	Supported

For the government, it is hoped that this research will be used as evaluation material regarding the current development of village MSMEs which need to be improved and given attention. for the achievement of the village digital economy.

Research limitations

This research is far from perfect. So there is still a lot that needs to be improved. Both in terms of sample and population and other aspects. The limitations of this study are:

1. The distribution of questionnaires is still carried out manually so that the use of g form is considered ineffective in this study.
2. Lack of understanding of respondents in filling out questionnaires and many respondents are still not maximizing the use of social media
3. The total number of respondents who returned questionnaires was relatively small, namely 121 questionnaires that could be processed. So it is hoped that future researchers will take more samples and populations and larger research sites.

SUGGESTIONS

1. Filling out the g form is one of the most important things in making research easier. As well as solutions that are very helpful in data collection. It is expected that the next researcher will provide special assistance in filling out the questionnaire online.
2. Because there are respondents who still do not understand how to fill out the questionnaire, it is necessary to explain to the respondents in advance. So that respondents understand all the questionnaire questions. In addition, the use of social media by MSME actors in Bunut Seberang village has been widely used, but its use has not been maximized. In times of change, even many buying and selling transactions are also carried out digitally. It is hoped that the public will be more enthusiastic in taking advantage of opportunities, including utilizing social media by routinely promoting the goods and services sold. One of them is by utilizing the existing marketplace.
3. This research was conducted in Bunut Seberang village and the research

sample was small. It is hoped that the next researcher will conduct research in a wider place. For example, in Pematang Siantar or in Deli Serdang or other districts other than Asahan.

Declaration by Authors

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