



Entrepreneurial Orientation and Innovation Ability on MsMEs Performance: The Moderator Role of Social Network Ties

ABSTRACT

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This study aims to test and analyze the effect of entrepreneurial orientation and innovation ability on the performance of MSMEs, as well as to test and analyze the effect of entrepreneurial orientation on MSME performance in moderation of social network ties, test and analyse the effect of innovation capability on MSME performance in moderation of social network ties. This type of survey will be used in this research. With the technique used in sampling using cluster sampling, this study involved 98 MSMEs in Sleman Regency, Yogyakarta Special Region (DIY). Using analytical tools in the form of PLS-SEM, the results of this study indicate that 1) there is an effect of entrepreneurial orientation on MSME performance, 2) there is no effect of innovation capability on MSME performance, 3) there is no effect of entrepreneurial orientation on MSME performance moderated by social network ties, 4) there is no effect of innovation capability on MSME performance moderated by social network ties. The implications of the results of this study can be a reference, recommendation, benefit, and insight for MSME actors to analyze the results of this study and identify the influence of entrepreneurial orientation and innovation capabilities, as well as the moderating role of social network ties so that it is expected to have an impact on MSME performance.

Keywords: Entrepreneurial Orientation; Innovation Capability; MSME Performance; Social Network Ties

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INTRODUCTION

A business venture certainly has a purpose when it is established, apart from getting as much profit as possible is also to meet human needs. Through sufficient profits, a business is very likely to be able to maintain its survival and also develop its business to be more advanced and developed (Fahmi, 2020). One of the many forms of business, one of which is in the MSME sector or Micro, Small and Medium Enterprises, where this component is included in advancing the economy in Indonesia. MSMEs are a bridge between the formal and informal sectors, these two sectors can grow together because they involve the main functions of MSMEs (Prabowo, 2021).

The Micro, Small and Medium Enterprises (MSMEs) sector has a strategic contribution to the Indonesian economy, particularly in Sleman Regency, Yogyakarta Special Region. In Yogyakarta province, the number of MSMEs according to Bappeda DIY, as of July 8, 2024, reached 326,555 units, with a labor absorption of 23,623 (Bappeda DIY, 2024). Meanwhile, in Sleman Regency, Yogyakarta Province, according to (Mifathudin & Purnamasari, 2024) based on the Dataku DIY application, the number of MSMEs in 2023 reached 86,129 units. While the data in 2024 has increased to 88,451 units. Given that growth can still take place, this has experienced a significant surge.

This research was conducted in Sleman Regency, Yogyakarta Special Region because Sleman Regency has good potential for the development of its MSMEs, this is evident from the data that has increased from year to year. In Sleman Regency, there are many types of MSMEs, such as in the fields of culinary, fashion, technology and information, agribusiness, and others (Bappeda DIY, 2024). However, amidst this growth, MSMEs in Indonesia also experience a lot of pressure, including limited resources, in terms of capital, technology and also entrepreneurial skills (Tambunan, 2019). According to S Wahyuni Budiningsih as the head of the micro business division of the Sleman Regency Cooperatives and Small and Medium Enterprises Service, it is not an obstacle when the growth of MSMEs in Sleman Regency experiences continuous growth, but MSME actors must also be creative in facing market challenges such as answering consumer problems and needs (Radar Jogja, 2023).

According to R Haris Martapa as the head of the Sleman Regency Cooperative and SME Agency, stated that MSME players in Sleman, Yogyakarta Special Region need to continue to increase their innovation in the context of developing their business (Sleman Cooperative and SME Agency, 2023). In accordance with the Regent of Sleman, Kusri Sri Purnomo also emphasized MSME players to continue to innovate in maintaining the quality and quantity of products (Sleman Cooperative and MSME Agency, 2023). In addition, MSME players must also be able to read the market, which changes from time to time. These challenges will therefore affect the performance and sustainability of MSMEs in Sleman.

MSME business actors still often ignore performance. In contrast, the measure of success of an entrepreneurial activity can be determined based on the results of this performance. This is the cause of the phenomenon of MSME actors opening and closing businesses. There are still many basic management skills that are not owned by MSMEs, and this problem will certainly have an impact on the success of the businesses run by MSMEs (Fahmi, 2020). MSME business actors often still ignore business performance. Company performance is very important for owners and managers. They certainly really want the business they have to run well, because the company's performance will show whether the business is progressing or achieving its goals (Otache, 2024). According to Umar & Dikko (2018), company performance is a business's ability to survive, grow, and perform effectively and profitably.

Entrepreneurial orientation is one of the factors used in this study of the many factors that can affect the performance of MSMEs. Semrau et al. (2016) advised MSMEs to continue to look for new opportunities and consistently focus on entrepreneurial orientation, this is due to limited resources and inadequate capabilities. Covin and Slevin (1991) stated that the application of entrepreneurial orientation is a parameter for making strategies and phenomena at the organizational level, for this reason managers or owners need to improve entrepreneurial orientation.

In achieving effectiveness, entrepreneurial orientation can play a vital role in improving performance (Mole et al., 2019). According to (Wiklund & Shepherd, 2005) it means that entrepreneurial orientation is related to a process, implementation, decision-making movement that refers to entering new markets, creating new products and services. According to Rasyidi (2016) MSME actors who apply entrepreneurial orientation will have clear targets and dare to face risks, which ultimately can form good performance.

The second factor in this study that affects MSME performance is innovation capability. According to Wong and Karia (2010) innovation capability is an important pillar in achieving company performance and sustainable excellence. According to Fan et al., (2021) Innovation capability is defined as an organization's ability to manage existing resources to create value in new ways.

In this study, the moderating variable that influences MSME performance factors is social network ties. According to (Neneh, 2018) social network ties can be a valuable resource to be used in the process of exploiting opportunities available to SMEs. In terms of social network ties, this refers to how individuals benefit from relationships, relations, and social memberships. (Pinho and Prange 2016). A person's social network can consist of a friend, best friend, family member and acquaintance (Desta, 2015). According to (Desta, 2015; Machirori, 2012) Small business owners can leverage social networks to mobilize available resources and improve business performance. Fan et al. (2021) explains that entrepreneurial orientation and innovation capabilities have a positive effect on improving the performance of MSMEs. Then in the results of previous research conducted by Tajeddeni et al. (2020) explains that social network ties moderate the relationship between entrepreneurial orientation and MSME performance. Ansah et al. (2023) explains that social network ties moderate the relationship between innovation capabilities and MSME performance.

This study tests the influence of entrepreneurial orientation and innovation capability on the performance of MSMEs with social network ties as a moderating variable, on MSMEs in Sleman Regency. The purpose of this study is to analyze the relationship between entrepreneurial orientation, innovation capability, and the role of the moderating variable of social network ties on the performance of MSMEs. Therefore, the researcher makes several contributions to the field. First, it is expected to be a reference, recommendation, benefit, and increase insight for MSME actors to analyze and identify the influence of entrepreneurial orientation and innovation capability, as well as the

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moderating role of social network ties so that it is expected to have an impact on MSME performance. Second, this study can provide useful knowledge and information in the future in the field of operational management regarding entrepreneurial orientation, innovation capability, social network ties, and the performance of an MSME.

Entrepreneurial orientation and innovation capabilities are factors that directly affect the performance of MSMEs. With the moderating variable of social network ties, it is expected to influence the relationship between entrepreneurial orientation and innovation ability on MSME performance in Sleman Regency, Yogyakarta Special Region. With entrepreneurial orientation and innovation capability, it is expected that MSMEs can build sustainable innovation by taking risks and adopting a proactive attitude. In addition, it is expected that MSMEs can respond to the market competitively, so that they can increase their resources to find opportunities and develop their products.

LITERATURE REVIEW

Entrepreneurial Orientation and MSME Performance

Tajeddeni et al. (2020) showed that the relationship between entrepreneurial orientation and SME performance, which has a positive and significant effect. SMEs that have implemented high levels of entrepreneurial orientation must have shown growth in indicators on SME performance variables such as being more innovative, not afraid to take risks, responsive to market changes, increasing sales and profitability, and increasing market share. According to Semrau et al, (2016) it is highly recommended for MSME players to look for new opportunities and continuously focus on the application of entrepreneurial orientation, due to their limited resources and inadequate capabilities. Based on strong and stable empirical evidence from various studies, Therefore, this study assumes that the implementation of an effective entrepreneurial orientation can affect the variable performance of MSMEs.

H1: There is a positive relationship between entrepreneurial orientation and MSME performance.

Innovation capability and MSME performance

Fan et al. (2021) explained the relationship between innovation capability and SME performance. Although in this study the innovation capability variable is a mediating variable, while in this study the variable is an independent variable, it will not affect the relationship between innovation capability and MSME performance. This study also explains that innovation capability plays an important role in improving the performance of small and medium enterprises. Innovation capability is defined as the ability of a company to devote all its resources to new processes to create value (Lawson and Samson, 2011). These previous studies show that innovation capability plays an important role in improving company performance, especially in the scope of MSMEs. So that these studies strengthen the rationale regarding development in terms of

innovation capabilities will be able to provide significant benefits for MSMEs in improving performance. Therefore, this study suspects that innovation capability can have a positive impact on the performance of MSMEs.

H2: There is a positive relationship between innovation capability and MSME performance

Entrepreneurial Orientation, Social Network Ties and MSME Performance

Tajeddeni et al. (2020) showed that there is a positive relationship between entrepreneurial orientation and business performance, where the relationship will be stronger when the company has strong social network ties. Social network ties such as friends, friends, relatives, and business partners, which will ultimately contribute to improving business performance. According to (Escriba et al., 2008; Lechner et al., 2004) it has been found that the connection between entrepreneurial orientation and firm performance can be mediated or moderated in a variety of constructs. So this strengthens the existence of social network ties variables moderating the relationship between entrepreneurial orientation and MSME performance. Therefore, this study suspects that social network ties moderate the relationship between entrepreneurial orientation and MSME performance.

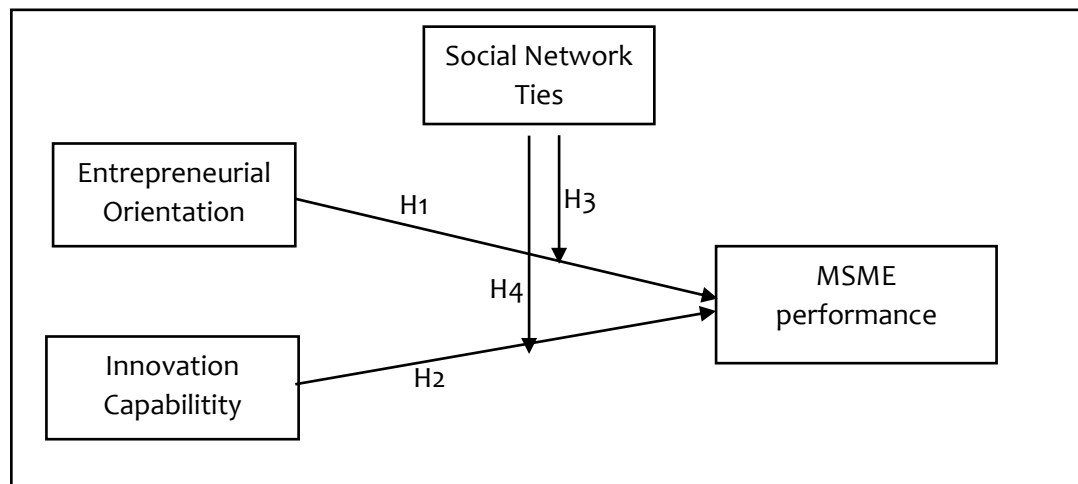
H3: Social network ties moderate the relationship between entrepreneurial orientation and MSME performance.

Innovation Capability, Social Network Ties, and MSME Performance

Ansah et al. (2023) explains that social network ties have a positive relationship in moderating the relationship between innovation capability and performance. With social networking ties, it will be easy for business people to obtain various knowledge, both information and data which can then be processed to support innovation (Stam, 2010). These previous researchers seem to emphasize how social network ties are important in strengthening the link between innovation capabilities and business performance. This study also provides empirical evidence that the role of social network ties is important in strengthening the relationship between innovation capability and business performance, which in turn will be a strong basis in the context of MSMEs for further research.

H4: Social network ties moderate the relationship between innovation capability and MSME performance.

Hypotheses of the research



Source(s): Figure by authors

Figure 1. Research Model

METHODOLOGY

The research method or approach that will be applied to this study is the quantitative survey method. The quantitative survey method is the most global research approach to be used in social science (Babbie, 2020). This study determines a number of variables, including two independent variables (entrepreneurial orientation and innovation capability), one moderating variable (social network ties), and one dependent variable (MSME performance).

The population to be targeted in this research is all MSMEs domiciled in Sleman Regency, Yogyakarta Special Region Province. Then the research used uses a probability method, namely the presence of cluster sampling research techniques. Probability is a sampling technique used by researchers to select samples from a population that is larger in scope, and using this method will be based on probability theory (Taherdoost, 2020). In this study, in determining the total sample, the '10-times rule' method was applied to determine the minimum number of samples in analysing PLS-SEM. According to (Hair et al., 2022) the '10-times rule' will be based on the number of independent variables in measuring the dependent variable and then multiplied by 10. So that the minimum number taken by the researcher is 10×2 (the number of independent variables used in measuring the dependent variable) = 20 respondents.

As for the type of data used in this research is primary data. The researcher obtained much of the necessary data directly by examining the selected objects. According to Sekaran & Bougie (2016) primary data is data obtained because it is sourced directly from the first party. This data will be obtained from various sources, whether it is per individual, or even groups that are members of the MSME community. Data in the form of questionnaires will be given to all relevant respondents, so that researchers can find

out and measure their responses using the “5-point Likert scale” method of measurement.

In this study, researchers chose SEM (Structural Equation Modelling) and PLS-SEM (Partial Least Square-SEM) as a technique for analyzing data, where the data was processed in the form of computer applications by SmartPLS with the latest version, namely 4. The stages of analysis that researchers will use through PLS-SEM consist of 2 elements. First, the measurement model (outer model) to test convergent validity, reliability, discriminant validity, and collinearity. Second, the structural model (inner model) to test hypotheses, the coefficient of determination, predictive relevance, and model fit (Hair et al., 2022).

The measurement of entrepreneurial orientation will adapt from the research of Dutot and Bergeron (2016) where entrepreneurial orientation is operationalized by MSME actors with their ability to take risks, be proactive, and innovative which will allow them to develop their abilities to be exploited and transform knowledge from outside or external. The measurement of innovation capability will adapt from research from Odoom and Mensah (2019) by showing better operational performance, especially in terms of developing a new product, improving processes and also adjusting to market changes. The measurement of social network ties will adapt from Desta's (2015) research, social network ties are interpreted to what extent business actors can have strong social relationships, trust each other, and transfer information and knowledge with their social network ties. Measurement of MSME performance will adapt from research by Brockman et al. (2012), Danso et al. (2016), Neneh (2016a), where MSME performance is operationalized regarding MSME actors in achieving increased sales, market share, profits, return on capital, and achieving overall business success.

RESULTS

Respondent Profile

The sample data obtained from this study, through questionnaires that have been distributed to all MSMEs in Sleman Regency, shows that there are a total of 98 respondents. The profile of respondents based on the type of MSME business being run, there are 35 respondents (36%) in the culinary and fashion MSME business types. Then the type of craft business was 13 respondents (13%), then agribusiness was 9 respondents (9%), and finally technology and information was 6 respondents (6%).

Measurement Model

This convergent validity test will assess an indicator that will correlate positively with other indicators of the same construct (Hair et al., 2022). The parameters in convergent validity testing are outer loading and AVE (Average Variance Extracted) value. The outer loadings value that is met for each indicator must be above 0.70 (Valid). Then, in assessing the reliability of the construct will be obtained from each variable. The

parameters determined in measuring composite reliability are by looking at the value of Cronbach's alpha and composite reliability, where the value must be greater than 0.70 (Hair et al., 2022). In the convergent validity test results, the value of each instrument shows that it is valid in measuring variables, where the CR value ranges from 0.904 to 0.946.

The AVE (Average Variance Extracted) value is included in the two parameters or benchmarks used in testing convergent validity, where the value shown through Average Variance Extracted for each construct must show more than 0.50. When the AVE value shows a value of more than 0.50, it can be concluded that the construct can explain 50% of the variance of the existing indicators.

The AVE value in this study, each variable shows a value of more than 0.50. Where the entrepreneurial orientation construct shows an AVE value of 0.688. Furthermore, the innovation capability variable shows a value of 0.736. The social network ties variable shows a value of 0.757. And finally, the MSME performance variable shows a value of 0.742. This means that all variables fulfill the convergent validity test and can explain at least half of the existing indicators (Hair et al., 2022).

Furthermore, what is done to test the measurement model is the discriminant validity test. In this discriminant validity test, it will assess each construct and how the construct should be different from other constructs (Hair et al., 2022). The parameters used in this study to measure the assessment of discriminant validity are using the Cross-Loadings value. The cross-loadings value of an indicator on a construct must be above or a value greater than the cross-loading value on other constructs. The benchmark used in assessing cross loading is that it must be above 0.70 (Hair et al., 2022). All variable items are valid because each construction value has exceeded 0.7, where the value of 0.7 is a measure in assessing cross loadings testing. The entrepreneurial orientation variable has met the cross loadings test, where the value of the OE 1 indicator shows a value of 0.817, OE 2 with a value of 0.856, OE 3 with a value of 0.828, OE 4 with a value of 0.795, OE 5 with a value of 0.840, OE 6 with a value of 0.832, OE 7 with a value of 0.887 and OE 8 with a value of 0.774.

Then the innovation capability variable has also fulfilled the test on cross loading. Where the IC1 value is 0.875, IC2 with a value of 0.875, IC3 with a value of 0.834, IC4 with a value of 0.820, IC5 with a value of 0.883. Likewise, the social network ties variable has also met the test on cross loadings with the NS1 indicator of 0.889, NS2 with a value of 0.864, and NS3 with a value of 0.858.

Finally, the cross loading test is on the MSME performance variable. Where the MSME performance variable has fulfilled the cross loadings test because all indicator values show more than 0.7. This is indicated by the UP1 indicator value of 0.845, UP2 with a value of 0.862, UP3 with a value of 0.881, UP4 with a value of 0.882, and UP5 with a value of 0.834.

Therefore, it can be concluded that the latent variables in the study have been properly explained by the indicators and the research variables are declared as discriminant validity which has good results.

The next test in testing the measurement model is through the collinearity test. The value that will be used to analyse the collinearity test is by looking at the VIF (Variance Inflation Factor) value. (Hair et al., 2022). The parameter or benchmark for testing the VIF value is that the number must show <5 to know that there is no collinearity problem in the indicator or item on the construct. In this study, it is known that the VIF value of each indicator on the variables of entrepreneurial orientation, innovation ability, social performance ties, and MSME performance meets the collinearity test, because each of these indicators shows a value <0.5 . This means that there is no collinearity problem between items or indicators on the measured variables.

Structural Model

Structural model evaluation or inner model evaluation, will test or analyse using PLS-SEM. After testing the measurement model and the results are declared valid and reliable, the next action is to test or evaluate the structural model at this stage. The inner model test will analyse the R-Square (coefficient of determination), predictive relevance test, and hypothesis testing.

The R-Square value is a measure of the proportion of variation in the value of the variable affected by the dependent variable that can be explained by the variables that affect it, namely the independent variables in the model structure (Hair et al., 2022). According to Chin (1998) the indicated value of R square is 0.19 (which indicates weak), 0.33 (moderate), and 0.66 (high). The adjusted R-Square value on the dependent variable MSME performance is 0.779. This means that the ability of the dependent variable MSME Performance in explaining Y is 77.9% (high).

Then in analysing Q-square in SmartPLS 4, researchers will use the PLS-Predict method. Where, SmartPLS 4 provides the PLS-Predict feature to test the predictive ability of the PLS-SEM model in more depth (Hair et al., 2022). So that the output of testing predictive ability using PLS Predict in SmartPLS4 will be indicated by the Q2predict value. In evaluating the predictive relevance or Q2 test, according to Chin (1998) the interpretation of the value of Q2 value shows more than 0.02; 0.15; and 0.35 to indicate weak, moderate and strong predictive relevance. When Q2 actually shows a larger value, it shows that the observation data is increasingly well predicted through the ability of the model. Based on the table below, the Q-Square value of the dependent variable through PLS Predict analysis shows 0.753. If using the parameters of Chin (1998), the Q-square value indicates strong predictive relevance. This means that the endogenous variables can be measured well in the structural model in PLS-SEM to estimate the observed data.

Table 1. Structural Model Evaluation

Item	R ²	R-square adjusted	Predictive Relevance (Q ² Predict)
MSME Performance	0.790	0.779	0.753

Source: Primary Data Processing, 2024

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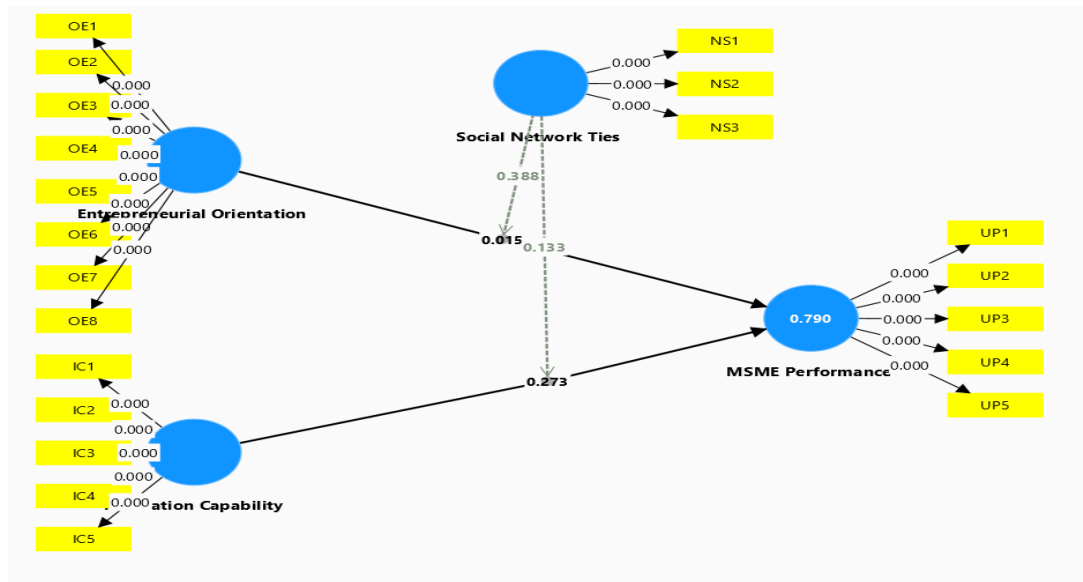
Hypothesis testing

The results of the hypothesis test state that 1 is supported and 3 are rejected as in Table 2. The first hypothesis, namely the dimension of entrepreneurial orientation on MSME performance, shows a positive and significant influence, this is evidenced by the original sample obtaining a value of 0.429 (positive). Meanwhile, the p-value is 0.015 < 0.05 (significant). The second hypothesis shows a positive influence on the performance of MSMEs, as evidenced by the original sample obtaining a value of 0.189 (positive). However, data analysis through p-value > 0.05, namely 0.273. These results indicate that innovation capability does not have a significant influence on MSME performance. In the relationship between entrepreneurial orientation and MSME performance moderated by social network ties, the original sample value is 0.096 (positive) and the P value is 0.388 (not significant). This shows that in moderating the relationship between entrepreneurial orientation variables and MSME performance. In the relationship between innovation ability and MSME performance moderated by social network ties, the original sample value is 0.185 (negative) and P value is 0.133 (not significant). This has the conclusion that in moderating the relationship between innovation capability variables and MSME performance, there is no role of social network ties.

Table 2. Hypothesis Testing Results

Variables	Original Sample (O)	P values	Description
Entrepreneurial Orientation (X1) -> MSME Performance (Y)	0.429	0.015*	Significant
Innovation Capability (X2) -> MSME Performance (Y)	0.189	0.273	Not Significant
Social Network Ties (Z) x Entrepreneurial Orientation (X1) -> MSME Performance (Y)	0.096	0.388	Not Significant
Social Network Ties (Z) x Innovation Capability (X2) -> MSME Performance (Y)	-0.185	0.133	Not Significant

Source: Primary Data Processing, 2024



Source(s): Figure by authors

Figure 2. Result Model

DISCUSSION

Entrepreneurial Orientation and MSME Performance

The results of this test indicate that entrepreneurial orientation has a positive and significant effect on the performance of MSMEs with an original sample value of 0.429 and a p-value of 0.015. which shows a value of less than 0.05. This means that the first hypothesis which shows the effect of entrepreneurial orientation on MSME performance is accepted..

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This research is in accordance with Fan et al, (2021) which states that entrepreneurial orientation has a positive effect on the performance of SMEs in Pakistan. Mole et al, (2019) also states that in improving effective business performance, entrepreneurial orientation can be applied.

This finding is also in accordance with research by Wiklund & Shepherd (2011) which states that the application of entrepreneurial orientation can act as a source of continuous and sustainable competitive advantage, so that it will contribute to improving company performance. That way, it is proven that MSMEs in Sleman that apply entrepreneurial orientation always prioritize sustainable innovation, adopt a proactive attitude in the industry and initiate risky investments. This is in accordance with research conducted by Bogatyreva et al, (2017).

However, in the context of being conducted in developing countries, this research is not in accordance with previous research (Fan et al, 2021). Especially in the object studied in previous research, which was carried out in the SME sector, but in this study it is limited to the MSME sector. In addition, the SMEs studied in previous research were 423 SMEs, while this research was only conducted on 98 SMEs in Sleman Regency.

Although the sample size taken in this study was smaller, the sample of 98 MSMEs in this study was selected with the right method and is representative of the research population. The results will remain valid and in accordance with previous research. So that these results can be a reference for MSME actors in developing business performance through the variables observed in this study in terms of entrepreneurial orientation.

Innovation Capability and MSME Performance

The results of this study indicate that innovation ability has no effect on MSME performance with an original sample value of 0.189 and a p-value of 0.273 which shows a value of more than 0.05. This means that this second hypothesis shows that there is no effect of innovation ability on MSME performance.

This study investigates the dimensions of innovation capability on MSME performance, whether it affects 98 MSMEs in Sleman Regency, Yogyakarta Special Region. The results of this study are not in accordance with research (Fan et al., 2021) which states that innovation capability has a positive and significant effect on the performance of SMEs in Pakistan.

Also correlated by research (Yang, 2012) which states that innovation capability is how companies mobilise existing resources to create value in new ways. The results of this study show differences, which may occur due to differences in the sample and also the location of the research conducted by the researcher. In addition, the findings of this study also revealed that the performance of MSMEs in Sleman Regency, Yogyakarta Special Region did not place the ability of innovation in improving performance.

Entrepreneurial Orientation, Social Network Ties, and MSME Performance

In the results of this study, it was found that social network ties did not play a role in moderating the relationship between entrepreneurial orientation and MSME performance. This is evidenced by the original sample value of 0.096 and p-value of 0.388 which shows a value of more than 0.05. This means that the third hypothesis is rejected.

This research is not in accordance with (Tajeddeni et al., 2020) conducted in the hospitality sector in Japan. Where, having strong social network ties can strengthen a positive relationship between entrepreneurial orientation and business performance. Although the research is in a different context, namely carried out in hospitality companies not in MSMEs. However, the study still presents important information regarding the relationship between entrepreneurial orientation, social network ties and business performance.

The results of this study are different from previous studies. The difference may be in this study which was conducted in the context of MSMEs and in developing countries. Where, perhaps many MSMEs in Sleman Regency, Yogyakarta Special Region, in building business relationships are based more on individual trust and family relationships, not based on formal professional networks as in developed countries. Thus, the social network ties owned by MSMEs only focus on social support rather than opportunities for business. you could say that entrepreneurial orientation in Sleman Regency MSMEs is strong enough so that the moderating role of social network ties is less significant. In accordance with (Tambunan, 2011) due to the limited resources that MSMEs have, it can limit the ability of MSME actors to utilise social networks effectively.

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From the results of this study it can be concluded that social network ties do not play a role in moderating the relationship between innovation capability and MSME performance. This is evidenced by the original sample value of 0.185 and p-value of 0.133 which shows a value greater than 0.05. This means that the fourth hypothesis is rejected.

This research is not in accordance with (Ansah et al., 2023) conducted on educational companies in Ghana. The existence of social network ties will make it easier for business people to obtain various knowledge information, which is then processed to support innovation capabilities (Stam, 2010).

Thus, the results of this study proved to show different things from previous studies, which state the effect. The difference may be that the innovation system in MSMEs in Sleman Regency is different from innovation systems in other countries, which can affect social network ties to innovation in the context of improving MSME performance. In addition, due to limited resources in MSMEs, it may reduce their ability to utilise

information or knowledge from social network ties to innovate (Tambunan, 2019). Thus, the results of this study found that MSMEs in Sleman Regency, Yogyakarta Special Region do not place social network ties in influencing the ability to innovate on MSME performance.

CONCLUSIONS

Entrepreneurial orientation is proven to have a positive and significant influence on the performance of MSMEs. So it can be concluded that MSME players in Sleman Regency, Yogyakarta Special Region place an entrepreneurial orientation in doing business to improve MSME performance. Innovation capability is proven to have no significant influence on the performance of MSMEs. So it can be concluded that MSMEs in Sleman Regency, Yogyakarta Special Region do not place the ability to innovate as a variable in improving the performance of MSMEs.

Social network ties are proven to have no influence in moderating entrepreneurial orientation on MSME performance. Based on the results of this study, it was found that MSMEs in Sleman Regency, Yogyakarta Special Region do not place social network ties in influencing entrepreneurial orientation on MSME performance. Social network ties are proven to have no influence in moderating innovation capability on MSME performance. Based on the results of this study, it was found that MSMEs in Sleman Regency, Yogyakarta Special Region do not place social network ties in influencing entrepreneurial orientation on MSME performance.

Limitation and recommendations

This research certainly has many limitations, so future research is expected to improve the research. The location of this study is only in Sleman Regency, Yogyakarta Special Region. As such, the results obtained or the sampling techniques undertaken affect the generalisation of the results to research in other areas, which may have different dynamics of economic and social characteristics.

The focus of this research is limited to MSMEs in a particular region, as a result the findings obtained are likely not widely applicable. Thus, suggestions for future research can develop a wider research area and sample, and pay attention to contextual factors that may have an impact on the results. For future research, it is expected to dig deeper into the specific environmental conditions of MSMEs that affect business performance in Sleman Regency such as access to resources. Future research is also expected to involve data collection from the same sample over a period of time. So that it can evolve continuously how entrepreneurial orientation strategies, innovativeness, and the impact of social network ties evolve over time on MSME performance.

This research may also be limited to research instruments that are less suitable or less appropriate to the context of MSMEs in the area that is the object of research. The

model fit value in this study is only 0.052 or 52%. So, it is still suspected that there are many factors or variables that have not been reached or described to assess and calculate the performance of MSMEs. For this reason, future research is expected to reach a wider area of respondents and be able to describe other variables that have not been studied.

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