

*Original Article*

## The Role of Social Media Adoption and Its Impact on the Business Performance of Craftsmen in Tulung Agung

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**Abstract:** This study employs a quantitative survey-based method to explore the adoption of social media by woodcraft businesses in Tulung Agung. With a population of 125 business owners, a sample of 100 respondents were selected using purposive sampling techniques. The survey was conducted through an online questionnaire, and data were analyzed using descriptive statistics and Structural Equation Modeling-Partial Least Squares (SEM-PLS) through the smart PLS 3 application. The results indicate that relative benefits and cost-effectiveness do not significantly impact social media adoption. However, compatibility has proven to have a positive and significant influence. Furthermore, social media adoption significantly and positively affects the performance of woodcraft business owners. In conclusion, compatibility plays a crucial role in social media adoption, which, in turn, positively impacts the business performance of woodcraft entrepreneurs. Implementing marketing strategies and interactions through social media can be an effective step to enhance competitiveness and success for micro and small businesses in this sector.

**Keywords:** Relative benefits; Cost-effectiveness; Compatibility; Business performance.



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### 1. Introduction

Technological advancements have rapidly unfolded in this digital era, providing substantial support to various aspects of life. Social media is one of the most popular forms of technological progress among the public today. Social media is used for communication and personal or public activities and has also become a tool utilized by business entities, including those running micro and small enterprises (MSEs). According to [Render et al. \(2017\)](#), information technology plays a crucial role in processing data, generating information, reducing costs, and expediting communication, contributing significantly to operational management. [Kaplan & Haenlein \(2010\)](#) define social media as a group of internet-based applications built on the foundation of Web 2.0 ideology and technology, facilitating users' creation and exchange of content.

Current social media trends are transforming the dynamics of business-to-business and individual interactions. The proper implementation of social media enables companies to enhance various activities such as international business operations, market transaction efficiency, customer loyalty, international network relationships, information sharing, communication management, partner relationship maintenance, and logistics management across the company's supply chain (Alarcón et al., 2015; Cao et al., 2018).

Technological development is considered a factor that can enhance the adoption of social media and the performance of Micro and Small Enterprises (MSEs) (Chege & Wang, 2020). Qalati et al. (2021) identified five characteristics of technology constructs: (1) relative benefits, (2) cost-effectiveness, (3) compatibility, (4) interactivity, and (5) visibility. According to the study by Tajudeen et al. (2018), relative benefits are a key factor in social media adoption with a positive relationship. Similar findings were also discovered in the study by Ainin et al. (2015) showed a positive correlation between relative benefits and social media adoption by MSEs in Malaysia. Qalati et al. (2021) demonstrated the positive impact of technology constructs on MSEs in adopting social media. The results of this study confirm the positive relationship between relative benefits, cost-effectiveness, compatibility, interactivity, and visibility on the adoption of social media by MSEs in Pakistan. The concept of compatibility, referring to how well innovation can integrate with technological infrastructure, values, work practices, and organizational culture (Chatterjee & Kumar Kar, 2020), also proved to have a positive influence on social media adoption based on the studies by Ainin et al. (2015) and Ahmad et al. (2019). According to Pateli et al. (2020), it supports the assumption that interactivity contributes positively to social media adoption. Also, Qalati et al. (2021) also confirmed that visibility has a positive influence on social media adoption by MSEs. Moreover, social media adoption is considered to positively impact the performance of MSEs, in line with the findings of previous studies by Qalati et al. (2021) and Wanyoike & Kithae (2019). In conclusion, the adoption of social media by MSEs is considered a significant strategy to enhance their performance.

Most business players in Indonesia own MSEs. About 99.9% of businesses in Indonesia are MSEs, and the current number of MSEs is 62.9 million units spread across various sectors. Given the large number of MSEs, it is unsurprising that MSEs are considered pillars of Indonesia's economic growth. In the last 5 years, the contribution of MSEs to the Gross Domestic Product (GDP) has increased from 57% to 61%. MSEs have also proven capable of reaching 97% of the workforce in Indonesia and providing 99% of employment opportunities. MSEs can help increase community productivity and reduce unemployment and poverty rates. A total of 125 small woodcraft businesses are recorded in Tulungagung, concentrated in one village, namely Boro Kedungwaru. However, only a small portion of these MSEs use technology for marketing or production. Almost 75% of woodcraft businesses do not use internet technology to boost their performance. Amidst rapid technological development and digitization, an interesting phenomenon involving some woodcraft business players persists. Despite having skills and expertise in producing quality products, most have not fully tapped into the significant potential social media offers as a business strategy.

Platforms such as Instagram, Facebook, and Pinterest could serve as ideal avenues for showcasing their unique works to a wider audience. Some woodcraft business players may not fully realize the positive impact that social media penetration can bring. Limited understanding of digital marketing may be a hindering factor. By harnessing the visual power of social media, woodcraft business players can bridge the gap between production skills and market exposure. This step can enhance their competitiveness, open up new business opportunities, and expand customer networks. In an era where digital connectivity is key to business success, using social media as a marketing strategy becomes a crucial step that can unlock growth potential for woodcraft business players who have not yet utilized it. Although many studies have been on social media adoption in MSEs, similar research conducted in developing countries like Indonesia is still limited (Ahmad et al., 2019; Chatterjee & Kumar Kar, 2020; Tajudeen et al., 2018). Not all woodcraft business players in Tulung Agung adopt social media to improve their business performance. Therefore, this research attempts to identify the determinants of business performance by applying social media adoption constructs as antecedents.

This study aims to explore the role of social media adoption and its impact on the performance of woodcraft business players in Tulung Agung, proxied through the analysis of relative benefits, cost-effectiveness, and compatibility of social media adoption. This study also deems it necessary to analyze the influence of social media adoption on the performance of woodcraft business players in Tulung Agung. The development of hypotheses regarding the influence of relative benefits on social media adoption, according to Ahmad et al. (2019), posits that relative benefits are to what extent a particular innovation is expected to provide more benefits than existing alternatives. A study by Kateri (2021) demonstrated a positive relationship between relative benefits and social media adoption by MSEs in Malaysia. Based on research on understanding the impact of social media use by Tajudeen et al. (2018), relative benefits are an

important factor in social media adoption, and both have a positive relationship. Literature from DOI theory found that relative benefits are among the most consistent predictors of social media adoption. Relative benefits have also been proven to have a positive relationship with using or adopting social media in MSEs operating in Malaysia (Ainin et al., 2015). Ocha (2011) states that awareness of the relative benefits of social media for MSEs has advantages in enhancing knowledge distribution and overall organizational performance. Based on the above, this study proposes the following hypothesis:

***H1: Relative Benefits Significantly Influence Social Media Adoption***

Cost-effectiveness is the extent to which new technology can make performance more productive and beneficial compared to the costs incurred. With limited funds and resources to operate and survive in increasingly competitive environments, business players in developing countries can minimize costs for promotional activities and connect with customers through the adoption of social media (Qalati et al., 2021). Research conducted by Fry (2001) found the importance of costs in adopting and using technology. Alam & Mohammad Noor (2009) found a direct and significant influence on the relationship between costs and technology adoption. Cost-effectiveness is also considered an important variable in adopting or using new technology (Chan et al., 2012; Premkumar & Roberts, 1999). Social media is highly suitable for MSEs due to its low cost, low barriers, and only requiring low-level IT skills (Derham et al., 2011). A study by Alam & Mohammad Noor (2009) found that adoption costs significantly influence the internet use by MSEs in Malaysia. Therefore, this study proposes the following hypothesis:

***H2: Cost-Effectiveness Significantly Influences Social Media Adoption***

Studies conducted by Zhu & Sarkis (2004) stated a positive relationship between compatibility and intention to use social media. Cooper & Zmud (1990) and Wang et al. (2010) found that compatibility is an essential factor in the adoption of innovation. Compatibility is also found to significantly influence social media adoption in a potential social media user group, indicating that they will adopt social media if they feel that its use is compatible with their values and beliefs (Hsu et al., 2007). Therefore, this study proposes the following hypothesis:

***H3: Compatibility Significantly Influences Social Media Adoption***

Several experts have found that adopting social media provides expected benefits and perceived risks (Cao et al., 2018). The use of social media has a positive impact on MSE performance (Wanyoike & Kithae, 2019). A study of 215 global MSEs concluded that there is a significant relationship between social networking sites and MSE performance. Similarly, a study by Charoensukmongkol & Sasatanun (2017) on 217 small shops in Thailand proved a significant relationship between social media and company performance (Chege & Wang, 2020) in a study of 204 small businesses in Kenya demonstrated a significant influence of technological innovation on company performance. Despite these findings, Adams & Jansson (2023) argued that the presence of social media, cloud computing, and other technological innovations supporting online communication, service delivery, communication, and knowledge exchange in the last 10 years has been overlooked. Additionally, Dutot & Bergeron (2016) found that technological innovations like social media can improve sales accessibility and enhance performance. Therefore, this study aims to explore the factors influencing social media adoption and the performance of MSEs.

***H4: Social Media Adoption Significantly Influences the Performance of Woodcraft Business Players.***

## **2. Materials and Methods**

The research method employed in this study is a quantitative survey-based method. According to Sugiyono (2018), quantitative research is a method used to investigate a specific population or sample, with the sampling technique generally conducted randomly. Data collection uses research instruments, and the analysis is quantitative to test predefined hypotheses (Daniar Paramita et al., 2021). Population refers to something viewed based on individuals, groups, and events investigated, which is then drawn to a conclusion in the form of research findings (Sekaran & Bougie, 2016). The population in this study comprises woodcraft business owners in Tulung Agung who use social media in their business management. Based on the criteria, there are 125 business owners, and a sample of 100 respondents was determined. A sampling technique can be defined as a set of methods when taking a sample (Purwanto, 2021). In this research, a purposive sampling technique was employed. According to Arikunto (2018), purposive sampling is a design limited to specific individuals who can provide the necessary information because only they have the information or meet the criteria set by the research.

The method involves collecting respondent data through a survey. The survey consists of a questionnaire distributed via the Internet (Google Form) and is filled out by respondents online. The data analysis technique used is descriptive statistical analysis to describe or depict the collected data, aiming to draw conclusions that apply to the general population or generalization. Inferential statistics are also employed to analyze sample data, and the results are applied to the population (Sugiyono, 2018). This study tested data using the Structural Equation Modeling-Partial Least Squares (SEM-PLS) method, utilizing the smart PLS 3 application. The testing method is divided into inner model and outer model testing (Hair et al., 2014). Indicators for outer model testing include convergent validity, discriminant validity, Cronbach's alpha (CA), and composite reliability (CR). For the inner model, it is used to test determination coefficients (R-Squares), path coefficients, and hypothesis testing (T-value & Q-value) through the bootstrapping method, Q-squares, and model fit (Juliandi, 2018).

### 3. Results

Referring to the research findings, information regarding respondents' characteristics is presented based on the business age and the duration of social media usage, as shown in Table 1.

**Table 1.** Characteristics of Woodcraft Business Owners

Description	Periods	Frequency	Percentage
Business Age	< 1 Year	24	24%
	1 – 3 Year	39	39%
	3 – 5 Year	18	18%
	5 - 7 Year	8	8%
	7 – 10 Year	6	6%
	> 10 Year	5	5%
Total		100	100%
Duration of Social Media Usage	6 – 12 month	28	28%
	1 – 3 Year	52	52%
	3 – 5 Year	15	15%
	5 – 7 Year	4	4%
	7 – 10 Year	1	1%
Total		100	100%

Based on the descriptive analysis of the presented data, patterns of business age and duration of social media usage (medsos) can be identified among the sample respondents. A total of 24% of the involved businesses have an age of less than 1 year, while the majority, 39%, fall within the age range of 1 to 3 years. Additionally, 18% of businesses are between 3 and 5 years old, followed by a decline in businesses aged 5 to 7 years (8%), 7 to 10 years (6%), and over 10 years (5%). Regarding the duration of social media usage, 28% of respondents have adopted social media for 6 to 12 months. Most of the social media usage occurs within the time frame of 1 to 3 years, encompassing 52% of the total respondents. Social media usage in the 3 to 5 years range is 15%, while less than 10% of respondents have experience in using social media for 5 to 10 years. Only 1% of respondents have used social media for 7 to 10 years. Overall, this data provides an overview of the distribution of business age and the duration of social media usage among the sample respondents. Many businesses are 1 to 3 years old, and the most common social media usage occurs within the 1 to 3 years range. This descriptive analysis establishes a foundation for understanding the characteristics of the business age and the pattern of social media adoption among the business practitioners under study.

#### 3.1. Inferential Analysis

This research also conducted a structural model test known as the inner model to determine the relationships between variables. This testing was processed using the Smart PLS 3 application. For the structural model test, it was performed by analyzing the values of R-square for dependent variables. Hypothesis testing in this study was then carried out using the bootstrapping method.

### 3.1.1. Determinant Coefficient (R-Square)

R-square is a commonly used measure to evaluate and test the extent to which exogenous variables describe endogenous variables. This coefficient serves as a measure of the model's predictive power and is calculated as the squared correlation between the specific actual endogenous construct and the predicted values. This coefficient essentially represents the combined exogenous latent effects of variables on the endogenous latent variable. The results of the R-square for each variable are shown in Table 2 as follows:

**Table 2.** Result of Determinant Coefficient

Variable	R-Squares	R-Squares Adjusted
Social Media Adoption	0,741	0,727
Business Performance	0,437	0,431

Table 2 indicates that its antecedent variables can explain social media adoption to 0.741 or 74.1%. It means that there are still 25.9% of other variables that can account for the variance in social media adoption. Furthermore, business performance can be explained by its antecedent variables to the extent of 0.437 or 43.7%, leaving 56.3% for other variables that can explain the variance in business performance.

### 3.1.2 Path Analysis

Path analysis is used to examine the direction of hypothesis testing, indicating a range of values between -1 and 1. In path coefficients, values between 0 and 1 imply a positive direction, while values between 0 and -1 indicate a negative direction.

**Table 3.** Path Coefficients

Variable	MR	EB	K	AMS	KPU
Relative Benefits				0,156	
Cost-Effectiveness				0,174	
Compatibility				0,189	
Social Media Adoption					0,661
Business Performance					

The results of each variable relationship show values between 0 and 1, indicating that relative advantage, cost effectiveness, compatibility, interactivity, and visibility have a positive relationship with social media adoption (AMS). Social media adoption has also positively affected business performance (KU).

### 3.1.3. Hypothesis Testing

The hypothesis test was calculated using Smart PLS 3 with the bootstrapping technique. The results are presented in Table 4.

**Table 4.** Result of Hypothesis Testing

Hypothesis	Original Sample (O)	T Statistics ((O/STDEV))	P Values	Conclusion
Relative advantage -> Social Media Adoption	0,149	1,712	0,128	H1 rejected
Cost Effectiveness -> Social Media Adoption	0,144	1,330	0,314	H2 rejected
Compatibility -> Social Media Adoption	0,178	2,281	0,003	H3 accepted
Social Media adoption -> Business Performance	0,661	6,358	0,000	H4 accepted

The unsupported results are for H1 and H2, meaning that relative advantage does not significantly influence social media adoption (H1). Similarly, cost-effectiveness does not significantly affect social media adoption (H2). The testing indicates that H3, which is compatibility, impacts social media adoption significantly. It is also observed in H4, where the social media adoption variable significantly influences the performance of woodcraft business owners.

### 3.1.4. Predictive Relevance (Q-Square)

Q-square is a test conducted to indicate how well the observation values are generated using blindfolding procedures performed, by examining the Q-square value. If the Q-square value is  $> 0$ , it can be considered to have good observation values, whereas if the Q-square value is  $< 0$ , it can be stated that the observation values are not good.

**Table 5.** Result of Predictive Relevance (Q-Square)

Variable	SSO	SSE	Q <sup>2</sup> (1-SSE/SSO)
Compatibility	300.000	300.000	-
Cost Effectiveness	300.000	300.000	-
Relative Advantage	400.000	400.000	-
Business Performance	600.000	415.626	0,427
Social Media Adoption	900.000	508.195	0,516

### 3.1.5. Mode Fit

Model fit expresses the degree of fit between the research model and the ideal model for the study by examining the value of the Normed Fit Index (NFI).

**Table 6.** Mode Fit

	Saturated Model	Estimated Model
SRMR	0,074	0,090
d_ ULS	2,688	4,044
d_ G	1,909	2,038
Chi-Square	916.639	955.274
NFI	0,679	0,666

Table 6 captures that the obtained NFI value is 0.679 or 67.9%, categorizing the research model as having a marginal fit.

## 4. Discussion

### 4.1. Relative Advantage and Social Media Adoption

Relative advantage has a positive but not significant influence on social media adoption. The path coefficient value obtained is 0.156 (positive). The relationship between the two has a t-statistic value of 1.712, where this value  $< 1.96$ , and a p-value of 0.128, where this value  $> 0.05$ , indicating that relative advantage does not significantly affect social media adoption. Therefore, this study concluded that H1, which states that relative advantage positively affects social media adoption, is not supported. This finding contradicts previous research by Kwok & Yu (2013) and Qalati et al. (2021). They found that relative advantage, as a dimension of the technology construct, positively influences social media adoption. In contrast, the study conducted by Daowd et al. (2021) found that relative advantage does not have a significant influence on social media adoption. One reason for the lack of a significant influence of relative advantage on social media adoption is the relatively young duration of social media usage by the respondents, predominantly within the 1-3 year range. It indicates that they are not familiar enough with social media or only use it casually, diminishing the importance of relative advantage in determining the behavioral intention of these users.

## 4.2. Cost Effectiveness and Social Media Adoption

Cost-effectiveness has a positive but not significant influence on social media adoption. The path coefficient value obtained is 0.174 (positive). The relationship between the two has a t-statistic value of 1.330, where this value  $< 1.96$ , and a p-value of 0.314, where this value  $> 0.05$ , indicating that cost-effectiveness does not significantly affect social media adoption. Therefore, H2, which states that cost-effectiveness positively affects social media adoption, is not supported. This result contradicts previous research conducted by [Qalati et al. \(2021\)](#), who found that cost-effectiveness significantly influences social media adoption as a dimension of the technology construct. In contrast, studies conducted by [El-Menawy & Saleh \(2023\)](#), [Rodriguez et al. \(2015\)](#), and [Wanyoike & Kithae \(2019\)](#) found that cost-effectiveness does not have a significant influence on the use of technology and information. [Kaplan & Haenlein \(2010\)](#) argue that social media is a cost-effective technology, and a company can communicate directly with customers at relatively low costs; therefore, organizations are likely to use it. However, if the use of social media requires a substantial cost, companies will choose other alternatives.

## 4.3. Compatibility and Social Media Adoption

Compatibility has a positive and significant influence on social media adoption. The path coefficient value obtained is 0.189 (positive). The relationship between the two has a t-statistic value of 2.281, where this value  $> 1.96$ , and a p-value of 0.003, where this value  $< 0.05$ , indicating that compatibility significantly affects social media adoption. Based on these results, H3, which states that compatibility positively affects social media adoption, is proven, and H3 is supported. This research result is consistent with previous research conducted by [Qalati et al. \(2021\)](#). In their study, compatibility, as a dimension of the technology construct, was found to positively and significantly influence social media adoption. This finding is similar to the study conducted by [Hsu et al. \(2007\)](#), which suggests that compatibility significantly influences the adoption of social media in a potential user group, indicating that they will use social media if they feel that its use aligns with their values and beliefs. [Wang et al. \(2010\)](#) also found that compatibility is a significant factor for social media adoption.

## 4.4. Social Media Adoption and Performance of Woodcraft Business Owners

Social media adoption has a positive and significant influence on the performance of woodcraft business owners. The path coefficient value obtained is 0.661 (positive). The relationship between the two has a t-statistic value of 6.358, where this value  $> 1.96$ , and a p-value of 0.000, where this value  $< 0.05$ , indicating that social media adoption significantly affects the performance of woodcraft business owners. Therefore, this study concluded that H4, which states that social media adoption positively affects the performance of woodcraft business owners, is proven, and H4 is supported. This research result is consistent with previous research conducted by [Qalati et al. \(2021\)](#). In their study, social media adoption was found to influence the performance of woodcraft business owners significantly. This result is also supported by [Ainin et al. \(2015\)](#), who state that social media adoption can lead to benefits that result in a positive relationship with company performance. [Rodriguez et al. \(2015\)](#) also found that using social media positively influences activities that directly involve customers and sales performance. Social media adoption has also been proven to impact organizations' social capital, leading to positive performance ([Ferrer et al., 2012](#)). [Kwok & Yu \(2013\)](#) found that the adoption of Facebook positively impacts sales performance. [Charoensukmongkol & Sasatanun \(2017\)](#) also found that adopting Facebook has a proven positive impact on sales performance for an SME.

## 5. Conclusions

In this study, the analysis results indicate that relative advantage and cost-effectiveness do not significantly influence social media adoption by woodcraft business owners. These findings are not in line with previous research. However, compatibility is proven to have a positive and significant impact on social media adoption, consistent with previous research highlighting the importance of technological compatibility with users' values and beliefs. Furthermore, social media adoption is shown to have a positive and significant influence on the performance of woodcraft business owners. This finding is consistent with previous research, affirming that the use of social media can contribute positively to improving business performance. In conclusion, although relative advantage and cost-effectiveness are not proven to impact social media adoption significantly, compatibility plays an important role. The adoption of social media by woodcraft business owners has a significant positive impact on their business performance. Therefore,

implementing marketing strategies and interactions through social media can effectively enhance the competitiveness and success of micro and small businesses in woodcraft.

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