

Implementation Promotion Strategy Model For Small Medium Enterprisesby Adopting E-commerce Towards Small Medium Enterprises Performance in Indonesia

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ABSTRACT

In the economic crisis that has occurred in Indonesia, where many large-scale businesses that have stagnated and even dismissed their activities, but the sector of Small and Medium Enterprises (SMEs) proved more resilient in the face of the crisis. The population in this study is the perpetrators of SMEs in the fashion sector in the city of Jakarta. Of the 100 questionnaires distributed online using Google Form, which can be processed as many as 87 questionnaires or as much as 87%. Data processing in writing this research using Microsoft Office Excel program 2013 and SmartPLS. Processed data are variables SME Promotion Strategy, E-commerce Adoption, Technology advancement, Performance SME. The research method using Structural Equation Model (SEM) is a set of statistical techniques that enable the testing of a series of relationships that are relatively "complicated" simultaneously.

Based on the results of the path coefficient can be seen that all variables significantly influence the value of T-Statistics generated > 1,988 (T table). This proves that technology advancement variable can moderate the relationship between SME strategy toward e-commerce adoption. Furthermore, the relationship of each variable partially significant effect with the value of T-Statistics generated > 1,988 (T table), and has a value of P Value below <0.05.

Keyword: SME Promotion Strategy, E-commerce Adoption, Technology advancement, Performance SME

INTRODUCTION

Small and Medium Enterprises (SMEs) have a strategic role in national economic development. In the economic crisis that has occurred in Indonesia, where many large-scale businesses have stagnated and even dismissed their activities, the Small and Medium Enterprises (SMEs) sector proved more resilient in facing the crisis (depkop.go.id, 2016). Entering the era of free trade, competition in the business world is getting tighter. Not surprisingly, the number of Small and Medium Enterprises (SMEs) continues to increase (library.bappenas.go.id, 2016).

Problem Identification

Ecommerce in Indonesia has not been able to really help businesses because of factors such as educated resources and information, awareness, low adoption, limited technological infrastructure and individual knowledge, Scupola (2009: 20). SMEs play an important role in developed and developing countries. It should be noted that various potential benefits can be made with e-commerce, but it is surprising that SMEs adopting e-commerce are still limited, due to the fact that SMEs have different characteristics from large companies, Maya (2016: 23). Different characteristics embedded in SMEs consist of small management teams, strong owner influences, lack of staff in specific areas such as information technology, multi-functional management, limited control over their business environment, limited market share, low employee turnover, risk aversion, and avoid sophisticated software or applications. Such characteristics lead SMEs to be very slow with respect to adopting technology and have more difficulty in taking advantage of the benefits of technology.

THEORETICAL REVIEW

Small Medium Enterprises

Decree of the Republic of Indonesia No 99 Year 1998 (depkop.go.id, 2016) The definition of Small Business is: "Small-scale economic activity of the people with business that majority is a

small business activity and need to be protected to prevent unfair business competition". According to the Asian Development Bank (adb.org, 2016) derived from setting limits on Small and Medium Enterprises based on the number of workers with the following conditions: 1). Small Business: the amount of labor between 5 to 19 people; 2). Medium Enterprises: The number of workers between 20 to 99 people.

Small Medium Enterprises Performance

The progress of Information Technology should be utilized by Small and Medium Enterprises (SMEs) to develop their business through ecommerce, because the opportunities are wide open and technically easy to run. Teddy Sukardi, Chairman of the Federation of Information Technology Indonesia (FTII) in Agung (2016: 8) said in a conversation with Business News. Utilization of information technology for trade and services or known as e-commerce can be done either for B2B (business to business) that is between factory with raw material supplier or between distributor with dealer; as well as for B2C (business to consumer) such as transportation company with prospective passengers, between hospitals with patients and between traders and buyers.

Technology Advancement

Curran and Meuter (2005) in Hashim (2015: 69) stated that getting customers to use new technology can be a challenge, therefore it is important to understand how to design, manage and promote new technologies in order to get consumers to accept the technology. Customers expect a visit to the web-store to be compelling, informative, responsive and personalized. At the same time, e-commerce businesses can attract new customers, convert browsers into buyers, increase the size of each transaction and maintain customer loyalty. OSF Global Service (2016: 4) elements to be considered in technology advancement include: 1). Technology changes 2). Navigation search; 3). Technology support; 4). Back end integration; 5). Security.

E-commerce Adoption

At the state level, Kaufman and Liang (2007) in Ardianti (2015: 5) mention the factors that contribute to e-commerce adoption is the penetration of Internet users, the intensity of telecommunication investment, and the level of education within a country. The Kaufman and Liang studies are also trying to make a number of models to explain the factors that contribute to the growth of e-commerce. The result can be concluded that B2C e-commerce growth is driven by internal factors within a country and also influenced by external factors from other countries that are leading country.

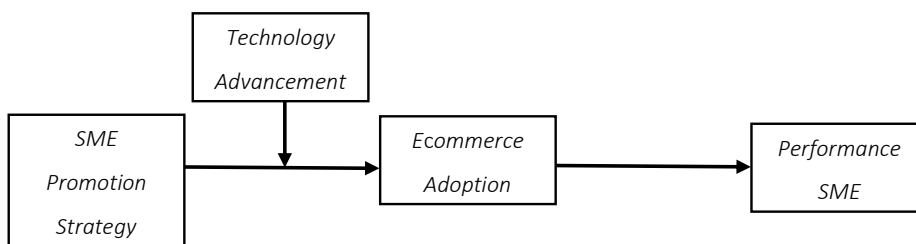
Literature Review

1. Previous Researches

No	Researcher	Results
1.	Pham et al. (2010)	Exploring the adoption and utilization of e-commerce in SMEs, This study is based on an extensive review of the literature on relevant theories on the adoption of innovation, proposing a successful model of eCommerce adoption in Vietnamese SMEs. The purpose of this study builds a successful model through a comprehensive literature review of innovation adoption.
2.	Abebe (2014)	SMEs in general as a means of understanding how the adoption of e-commerce positively affects the company's performance. Such relationships indicate the adoption of e-commerce is an important factor that can improve the company's internal processes and ultimately performance.
3.	Scupola (2009)	Providing an indication of SMEs interested in adopting business for trading, large companies are interested in conducting e-commerce transactions with small and medium size companies and policy makers.
4.	Maupa(2014)	Innovation Diffusion Theory states understand the evolution of the internet and the adoption of web technologies by SME. E-commerce that includes lessons from start-up failures and how industry click-and-mortar can be successful.
5.	Zaied (2012)	Technical barriers are most important, followed by legal and regulatory barriers, while the lack of Internet security is the highest barrier that hinders e-commerce implementation in SMEs in Egypt followed by the limited use of internet banking.
6.	Permana, (2014)	Factors influencing the adoption of social media in SMEs: ease, flexibility, and cost. However, the use of social media is also a threat to SMEs.
7.	Nuryanti (2013)	SMEs gain various advantages in promoting their business, access information on production factors, conduct business transactions, and conduct other business communications globally, in order to expand its business network.

2.

Research Framework



Source: Oktaviani, 2017

Research Framework

Hypothesis

Conceptually, the development of SME models in exploiting e-commerce, with the benefits and barriers that arise after adopting e-commerce. So based on the framework that has been described above, then the authors formulate a hypothesis that will be used in research as follows.

Hypothesis 1: SME Promotion Strategy has significant effect against E-commerce adoption.

Hypothesis 2: Technology advancement reinforces the influence of SME Promotion Strategy significantly to E-commerce adoption.

Hypothesis 3: E-commerce adoption has a significant effect on Performance SME

Research Methodology

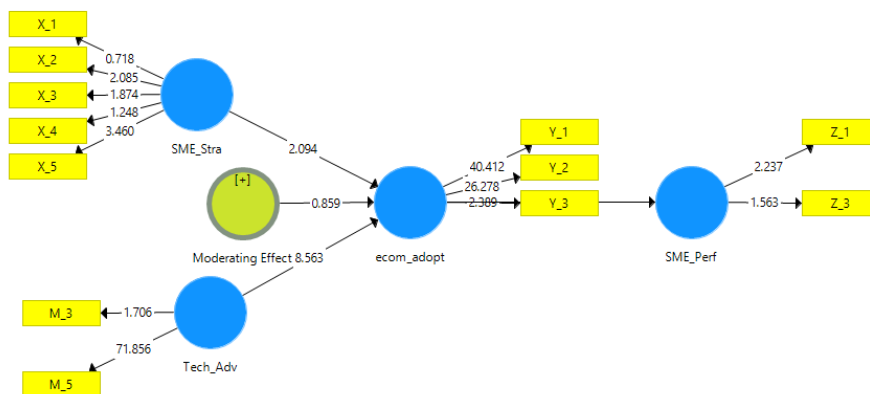
Population and Sampling

According Sudarmanto (2013: 26) Population is basically a region that will be subject to generalization of a research result. Population is the totality of a certain characteristic determined by the researchers to be studied and drawn conclusions. Therefore a researcher needs to understand how the characteristics of the study population are. The important thing to note is the homogeneity or heterogeneity of a population. The population in this study is the perpetrators of SMEs in the fashion sector in the city of Jakarta. In determining the size of the sample the author uses purposive sampling techniques, with the determination of samples based on certain considerations of SMEs fashion sector and utilize e-commerce media in its business.

Results

Validity Tests

Validity test (Karthikeyan et al 2014) is used to measure the validity or invalidity of an instrument. An instrument is said to be valid if the statement (grain) is able to express something that the questionnaire will measure. From result of output analysis can be seen that indicator that yield value loading factor > 0.7 which mean that all indicator is valid (Ghozali, 2015: 181).



Source: Oktaviani, SmartPLS

1. Path Validity Test

Coefficient Determination Test

2. R Square

	<i>Original Sample (O)</i>	<i>Sample Mean (M)</i>	<i>Standard Deviation (STDEV)</i>	<i>T Statistics (O/STDEV)</i>	<i>P Values</i>
<i>SME_Perf</i>	0.611	0.635	0.631	0.318	0.001
<i>ecom_adop</i>	0.557	0.584	0.075	7.449	0

3.

Source: OktavianiSmartPLS, 2017

From the results of the output above can be seen that the value of R-Square produced against SME Performance of 0.611 which means that the effect of variables SME Strategy, Technology advancement and E-commerce Adoption with Technology advancement as moderator is 61.1% and the remaining 38.9% affected by other variables beyond this study. While the value of R-square produced by E-commerce adoption of 0,557 which mean that influence of variable of SME Strategy and Technology advancement with Technology advancement as moderator is equal to 55,7% while the rest 44,3% influenced by other variable outside research.

Path Coefficients

	Path Coefficients				
	<i>Original Sample (O)</i>	<i>Sample Mean (M)</i>	<i>Standard Deviation (STDEV)</i>	<i>T Statistics (O/STDEV)</i>	<i>P Values</i>
<i>Moderating Effect ->ecom_adopt</i>	0.962	0.657	0.880	1.992	0.020
<i>SME_Stra ->ecom_adopt</i>	0.270	0.264	0.124	2.176	0.015
<i>Tech_Adv ->ecom_adopt</i>	0.647	0.643	0.073	8.846	0.000
<i>ecom_adopt ->SME_Perf</i>	0.899	0.117	0.146	2.077	0.049

4.

Source: OktavianiSmartPLS, 2017

Based on the results of the above path coefficient can be seen that all variables significantly influence the value of T-Statistics generated > 1,988 (T table). This means that technology advancement variables can moderate the relationship between SME strategy toward e-commerce adoption. Furthermore, the relationship of each variable partially significant effect with the value of T-Statistics generated > 1,988 (T table), and has a value of P Value below <0.05.

Indirect Effect

	Indirect Effect				
	<i>Original Sample</i>	<i>Sample Mean (M)</i>	<i>Standard Deviation</i>	<i>T Statistics (O/STDEV)</i>	<i>P Values</i>
<i>Moderating Effect ->SME_Perf</i>	0.506	0.407	0.017	1.752	0.043

<i>Moderating Effect ->ecom_adopt</i>					
<i>SME_Strat ->SME_Perf</i>	0.827	0.031	0.045	2.598	0.009
<i>SME_Strat ->ecom_adopt</i>					
<i>Tech_Adv ->SME_Perf</i>	0.064	0.076	0.095	0.973	0.054
<i>Tech_Adv ->ecom_adopt</i>					

5.

Source: OktavianiSmartPLS, 2017

From indirect effect table can be concluded there is indirect effect by looking at value of P value under <0,05 that is:

Moderating Effect -> SME Performance has significant value under> 0.05.

SME Strategy -> E-commerce adoption has significant value above> 0.05.

Technology adv -> SME Performance has significant value below<0.05.

Coefficient Path Equation

If a model is formed using a moderating variable, then a multiple regression model can not solve this problem. The appropriate analytical technique used to accomplish this is path analysis (path analysis). Path analysis allows us to test the direct and indirect relationships between variables and indirect relationships among variables in the model (Ghozali, 2015: 243).

Conclusions and Suggestions

Conclusions

1. This SME strategy is expected to increase the speed, intensity and reduce the cost of relationships between business actors with other external entities such as suppliers, distributors, consumers compared to conventional ways.
2. The rapid technological advances and the development of globalization require the public to prepare themselves to be part and actively participate in the information-economy society. Utilizing the growth of information technology in running a business or commonly known as e-commerce for small companies can provide flexibility in production, enabling faster delivery of software products, delivering and receiving offers quickly and sparingly, and supporting paperless fast transactions.
3. Increasing the competitiveness of SMEs as well as to obtain export opportunities and other business opportunities can be done by utilizing the development of information technology, primarily e-commerce, not only use the Internet as a tool to promote or seek business opportunities, but also must be balanced with good administrative management through use of the right software. It needs to be done website development and e-commerce as a means for promotion and marketing of business products, thereby increasing the sales volume and increasing revenue. This revenue increase can ultimately develop small and medium businesses.

Suggestions

1. For SMEs who have not yet adopted e-commerce, it is recommended to start adopting e-commerce in their business activities because e-commerce provides various benefits to SME's business activities, such as expanding product marketing, ease of connecting with

consumers and efficiency of time and cost. Adopting ecommerce is proven to improve the performance of SMEs.

2. For SMEs who have adopted e-commerce, it is advisable to keep updating the website or market place sites that have been owned to be able to keep in touch with consumers in convincing consumers that the SME site is really there and can continue to increase sales of its products.
3. SMEs are expected to pay attention to the values and their specific business culture in Indonesia because they are both control tools and normative rules. Attention to both aspects will (1) provide direction for business development, by digging / evaluating vision, mission and organizational structure, (2) able to increase productivity and creativity, (3) will develop quality of goods and services and (4) will motivate SMEs to achieve the highest achievement so that moral responsibility is guaranteed and the growth and development of this business industry becomes a shared responsibility.
4. For the government and e-commerce companies are advised to facilitate the creation of web for SMEs, considering there are still many perpetrators of SMEs who are still not familiar with the web, and provide training for SMEs to get to know e-commerce and the ins and outs of marketing through the internet, given the contribution of SMEs to foreign exchange which is quite large.

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