

The Extent of Entrepreneurial Orientation, Social Capital and Knowledge Creation of SMEs in Surabaya

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Abstract— One of the national economic recovery efforts carried out by the government during the Covid-19 pandemic is to encourage the SMEs sector, which has an important role in the national economy. Entrepreneurship studies that are currently trending are predominantly dominated by processes, recovery efforts and opportunities that arise as a result of disasters through entrepreneurial practices. Social capital is a description of the social relations of business actors in the form of business, professional, and friendship relationships as well as institutions and relationships with local communities. SME business actors are individuals who mainly practice socially by having a network of social relationships. Organizations are required to be able to translate knowledge that exists in individuals, groups or teams, and organizations into reality in the form of products and services produced. The study was conducted on 345 culinary SMEs in Surabaya. Descriptive analysis is used to determine the extent of the level of entrepreneurial orientation, the role of social capital and knowledge creation activities. Descriptively, SME business actors perceive the implementation of entrepreneurial orientation in running their business at a sufficient level. A good level of exploiting the potential of social capital resources consisting of personal network social capital resources; professional networks; association networks and institutional networks are considered capable of improving the business performance of SMEs. Knowledge creation in this study has four indicators, namely socialization; Externalization Indicators; Combination Indicators and Internalization Indicators. Descriptively, respondents considered that the externalization indicator had the highest average value when compared to other indicators. Companies that have a competitive advantage are able to maintain and develop the company. Entrepreneurial orientation, social capital and knowledge creation are resources that are specifically owned and are less likely to be imitated by competitors so these three variables have the potential to make SMEs have more competitive.

Keywords— Entrepreneurial Orientation, Social Capital, Knowledge Creation, Competitive Advantage

I. INTRODUCTION

The Covid-19 pandemic has become a severe external economic shock and affects the supply and demand sides, especially during the implementation of *social distancing* (Fitriasari, 2020). However, in June 2020, the government relaxed social and economic activities through the Large-Scale Social Restrictions policy which allowed the opening of several economic sectors. SMEs in Indonesia reached 64.19 million, with the composition of Micro and Small Enterprises very dominant, namely 64.13 million (99.92%) of the entire business sector. One of the national economic recovery efforts carried out by the government during the Covid-19 pandemic is to encourage the SMEs sector, which has an important role in the national economy because of the large number of workers who are directly involved (Bahtiar, 2021). Business activity and the growth prospects of the SMEs sector tend to improve in the first quarter of 2021, this SMEs recovery gives a positive signal that the national economy is increasingly recovering which was under pressure due to the Covid-19 pandemic (Bisnis Indonesia, 17 May 2021).

Entrepreneurship studies that are currently trending in academia are predominantly dominated by processes, recovery efforts and opportunities that arise as a result of disaster events aimed at entrepreneurs understanding entrepreneurship (Gur et al., 2020). Disasters cause crises, entrepreneurs are faced with tensions and vulnerabilities, but this tension has a bright side, namely efforts to create opportunities if entrepreneurial practices are implemented (Dushnitsky et al., 2020).

Entrepreneurship is a value creation using unique resources to obtain or exploit market opportunities (Morris & Lewis, 1995). SMEs need to focus on their entrepreneurial orientation, this is because the entrepreneurial orientation opens the way for the strategic direction of SMEs to monitor their activities to achieve better business performance (Masa'deh et al., 2018).

Social capital is a description of the social relations of business actors in the form of business, professional, and friendship relationships as well as institutions and relationships with local communities (Johannisson & Olaison, 2007; Hernández et al., 2017). SME business actors are individuals who mainly practice socially by having a network of social relationships. Social capital is a concept that describes good quality social relationships that can generate mutual benefits (Hongyun et al., 2019). Social capital can improve performance (Greve et al., 2009). Wirba et al., (2017) conducted exploratory research on social capital and the performance of SMEs and concluded that social capital plays a key role in SMEs achieving their business goals.

In today's competitive environment, the only certainty is uncertainty itself. Knowledge is considered the main distinguishing factor for business success as seen from the innovation ability of the company (Nonaka, 1994). Knowledge is an intangible resource capable of creating a competitive advantage. Knowledge is a combination of experience, values, contextual information, and expert opinion that provides a guide for evaluating and incorporating new experiences and information (Davenport & Prusak, 1998). Knowledge is the result of one's reflection and experience, knowledge is always

owned by individuals or groups. Organizations are required to be able to translate knowledge that exists in individuals, groups or teams, and organizations into reality in the form of products and services produced. This study was conducted with the aim of obtaining descriptive information related to the efforts of SMEs in building a competitive advantage that enables them to survive in difficult times due to social restrictions during the Covid 19 pandemic which is shown through the extent to which the absorption rate of entrepreneurial orientation, the level of contribution of social networks and efforts to create knowledge of 345 actors SMEs in the culinary field in Surabaya in the context of the economic recovery period during the Covid 19 pandemic.

II. LITERATURE REVIEW

A. Entrepreneurial Orientation

Entrepreneurship orientation is a value that is embraced by entrepreneurs to have a proactive nature, dare to take risks and is also innovative and has a relationship with the ability to find opportunities and take action decisions by organizational leaders (Rahayu, 2018). Entrepreneurial orientation refers to the practice and decision-making processes that push in new directions and have three entrepreneurial aspects that are always innovative, act proactively and dare to take risks (Sinarasri, 2013). Entrepreneurial orientation is an orientation to be the first in terms of innovation in the market, have a risk-taking attitude and be proactive to market changes (Permadi et al., 2018). Entrepreneurial orientation can be interpreted as a way to be able to see how the company's management can uncover and exploit existing opportunities (Lumpkin & Dess, 1996).

Entrepreneurial orientation is measured by five dimensions, namely: innovativeness, proactivity, propensity for risk-taking (tendency to take risks), competitive aggressiveness and autonomy. Proactive means how companies in seizing opportunities take the initiative to pick up the ball in the market. Risk-taking means having the courage to take risky decisions as in the act of venturing into a new, unknown market. Competitive aggressiveness means how companies react to competitive trends and market demands. Autonomy is defined as an independent action taken by an individual or organization aimed at generating a business concept or vision and bringing it to completion independently (Lumpkin & Dess, 1996; Miller, 2011). Miller, (2011). Through the investigation of entrepreneurial orientation, the company will be able to explain the existence of a managerial process that allows the company to be able to achieve a superior position compared to its competitors, (Wiklund & Shepherd, 2003)

B. Social Capital

Social capital is a characteristic of a social organization that includes norms, trust, and cooperative networks to increase efficiency due to coordination and encourage members to carry out joint activities (Mashud, 2022). Social capital refers to the collective value of all social networks and tendencies who emerge from the network to do something for one another (Putnam, 1995). In essence, this concept refers to the benefits that individuals derive from their social networks or their social

ties with others. Social capital is an important resource for individuals and organizations, as it can complement other resources controlled by individuals and organizations (Greve et al., 2006). The basic definition of social capital is defined as a network between relationships and assets that are in a certain network (Batjargal, 2003), Nahapiet & Ghoshal, (1998) defines social capital as a network of relationships that allow its members to exchange and access various assets available in the network. the industry. Another definition is social capital as a resource that exists in the social structure that is accessed and or mobilized in actions that have a specific purpose (Lin, 1999). According to Anggraini (2017) social capital is an investment in social relations, in this context what is meant is the bond and relationship between the company and its employees and other partners inside and outside the company, where the better the relationship between the company and its partners, the better the impact. on company performance. Small-scale businesses must attach importance to business, professional, and friendly relationships as well as institutional relationships and relationships with local communities (Hjorth & Johannisson, 2008).

C. Knowledge Creation

Knowledge is a result of one's reflection and experience, so that knowledge is always owned by individuals or groups. Knowledge is embedded in language, rules and procedures, and concepts (Irma & Rajiv, 2001). There are two critical dimensions that are necessary to understand knowledge in the context of an organization, namely first, *tacit knowledge* is knowledge obtained from experience that has been carried out, tacit knowledge is also defined as knowledge that is personal, specific, and generally difficult to formalize and communicate to other parties. While explicit knowledge is the knowledge that has been formulated, usually presented in written form, such as regulations, literature books.

In the organization, the process of dissemination/sharing of knowledge will help achieve organizational goals. Explicit or codified knowledge is defined as knowledge that can be transformed in formal and systematic form. The biggest challenge faced by organizations is converting tacit knowledge to explicit knowledge, or vice versa (Nonaka & Takeuchi, 1995). Organizations are required to be able to translate knowledge that exists in individuals, groups or teams, and organizations into reality in the form of products and services produced. Research conducted by Song and Chermak (2008), and Ramirez et al., (2012), knowledge will be a valuable asset when knowledge is embedded in the organization, so it can be used as a critical factor for improving performance and competitive advantage. The process of knowledge creation according to Nonaka & Tekeuchi (1995), is a change in knowledge from implicit to explicit than implicit again in the organization.

D. Competitive Advantage

The field of strategic management in its development is dominated by two theories, namely the theory of industrial organization or the so-called *industrial organization* (IO) and the theory of the Resource-Based View or commonly called *the resource-based view*/ RBV. A firm has a competitive

advantage when they have a relative advantage over other firms and when this advantage is not implemented by any competitor. Firms have a sustainable competitive advantage when they have a relative advantage over other firms and when these advantages cannot be implemented by competitors and competitors cannot duplicate these strategic benefits. A *resource-Based View* is a management tool used to assess the capacity of available strategic business assets. *Resource-Based View* (RBV) analyzes and interprets organizational resources to understand how organizations achieve a sustainable competitive advantage (Barney, 1991).

Competitive advantage is whatever a firm does better than rival firms.” A company is said to have a competitive advantage when the company is able to do something that competitors cannot or has something that competitors want (David, 2011)

Competitive advantage is the heart of the company's performance in a competitive market. Competitive advantage is about how a company actually puts generic strategies into practice." (Porter, 1981). The company is a collection of productive resources, these resources are human resources (HR) and not human (Penrose, 1981). 2009).In RBV's view, performance is the result of all company resources and unique company capabilities (Barney, 1991). Company resources are all assets owned by the company, *tangible* and *intangible assets*. (Penrose, 2009; Barney, 1991).

III. FINDINGS AND DISCUSSION

A. The Extent of Entrepreneurial Orientation

Success and sustainability of entrepreneurship is often linked to the aspect of luck, the weakness that is often done by SMEs business actors is the lack of knowledge resources, the orientation of running a business focuses on technical aspects without considering strategic business aspects. In addition, planning is not formally prepared, cost control is not carried out in a structured manner and most decision-making initiatives are only carried out by a few individuals, especially by business owners and are based on intuition (Mile, 2007).

The level of business failure is higher if the implementation of a formal strategy is not carried out (Castrogiovanni, 1996), without a clear or formally structured strategy, the business has no basis in ensuring business continuity to create and or maintain a competitive advantage. Every effort or action that involves making decisions begins with an interest or orientation to do so. Entrepreneurial orientation is a way to find out how management/entrepreneurs can exploit existing opportunities. Entrepreneurial orientation can be a way of measuring how a company is organized and is an important entrepreneurial contribution to organizational performance (McGrath, 1996).

Based on the results of the analysis that has been carried out, the Risk Taking indicator (X1.1) has a loading value of 0.985 in measuring Entrepreneurial Orientation (X1); for the Innovation Indicator (X1.2) has a loading value of 0.977; Proactive Indicator (X1.3) has a loading value of 0.987; the loading value is 0.994 for the Aggressiveness Indicator (X1.4) and the loading value is 0.978 for the Autonomy Indicator (X1.5). The magnitude of the loading factor value on the five

indicators is greater than 0.5 indicating that the five indicators are valid. While the value of $p = 0.000$ which is smaller than $= 0.05$ in the *regression weight* for all indicators, which means that all indicators are statistically significant in measuring Entrepreneurial Orientation (X1), the five indicators can be used to measure Entrepreneurial Orientation (X1).

TABLE 1. Entrepreneurial Orientation Level

Indicator and Item	Mean	Standard Deviation	P-value	Loading
Risk Taking (X1.1)	3.753	0.902	.000	.985
X1.1.1	4.08	.812	.000	.910
X1.1.2	3.37	.980	.000	.938
X1.1.3	3.81	.915	.000	.949
Innovation (X1.2)	3.253	0.978	.000	.977
X1.2.1	2.78	1.131	.000	.950
X1.2.2	3.97	.801	.000	.934
X1.2.3	3.01	1.001	.000	.957
Proactive (X1.3)	3.510	0.922	.000	.987
X1.3.1	3.771	.780	.000	.924
X1.3.2	2.99	.970	.000	.921
X1.3.3	3.770	1.016	.000	.942
(X1.4)	3.330	0.867	.000	.994
X1.4.1	3.36	.845	.000	.915
X1.4.2	3.70	.781	.000	.916
X1.4.3	2.93	.976	.000	.948
Autonomy (X1.5)	3.383	0.905	.000	.978
X1.5.1	3.69	.866	.000	.938
X1.5.2	3.17	.893	.000	.936
X1.5.3	3.55	.904	.000	.940
X1.5.4	3.28	1.008	.000	.947
X1.5.5	3.51	.708	.000	.884
X1.5.6	3.10	1.049	.000	.962
	3.446	0.915		

A.1. Risk-Taking

The Risk-Taking Indicator (X1.1) consists of 3 items, namely: The company being brave in taking risks is a positive thing for the company (X1.1.1), the company encourages every human resource to have the courage to take risks to new ideas (X1.1.2), and the Company emphasizes exploring the creation of new opportunities (X1.1.3). Descriptively, the composite variable risk-taking has an mean value of 3.753; of the three items from the Risk-Taking indicator, the company item dares to take risks (X1.1.1) according to the respondent's perception that it has the highest mean value of 4.08; followed by the item Company emphasizes exploring the creation of new opportunities (X1.1.3) with an mean value of 3.81; The next item is the Company encourages every HR to have the courage to take risks with new ideas (X1.1.2) with an mean value of 3.37. The loading value for all items is greater than 0.5 which means that it is statistically valid in measuring Risk-Taking (X1.1), and the three items are statistically significant in measuring Risk-Taking (X1.1), this can be seen from the value of $p = 0.000$ which is smaller than $= 0.05$. The Company item that emphasizes exploring the creation of new opportunities (X1.1.3) is the item that is best able to explain the Risk-Taking indicator (X1.1) with a loading value of 0.949.

A.2. Innovation

The indicator of innovation (X1.2) consists of 3 items, namely: The company seeks product innovation (X1.2.1), the

company seeks creativity in carrying out business operations (X1.2.2), the company always seeks new ways of carrying out business operations (X1.2.3). Descriptively, the indicator of innovation (X1.2) is perceived to have an mean value of 3.253. The item Company seeks creativity in carrying out business operations (X1.2.2) descriptively ranks first in what is perceived by SMEs with an mean value of 3.97; while the Company item always strives for new ways of carrying out business operations (X1.2.3) is perceived as the lowest of the three items for the Innovativeness Indicator (X1.2)

The magnitude of the factor loading value on the three items is greater than 0.5 which indicates that the three items are valid, and the three items are statistically significant in measuring Innovation (X1.2). This can be seen from the value of $p = 0.000$ which is smaller than $= 0.05$ for all items. The Company's item always strives for new ways of carrying out business operations (X1.2.3) is the item that is best able to explain the indicators of Innovation (X1.2) with a loading value of 0.957.

A.3. Proactive

Indicator of proactive (X1.3) consists of 3 items, namely: The company always tries to take the initiative in every changing situation (X1.3.1), the company feels superior in identifying opportunities (X1.3.2), and the company's actions in running the business are followed by other businesses (X1.3.3). based on the descriptive value of the respondents' answers, it is known that the company's item feels superior in identifying opportunities (X1.3.2) the lowest perceived by culinary business entrepreneurs in Surabaya with an mean value of 2.99; while the Company's item always tries to take the initiative in every changing situation (X1.3.1) and the Company's actions in running a business followed by other businesses (X1.3.3) are perceived on mean at 3.77.

The loading value of 0.947 for the item Actions of the company is running a business followed by other businesses (X1.3.3) makes this item the item that best describes the Proactive indicator (X1.3). Because all loading values are greater than 0.5 and statistically significant, there are 3 (three) items that can be used to measure Proactive (X1.3).

A.4. Aggressiveness

The Aggressiveness Indicator (X1.4) consists of 3 items, namely: The company strives to be competitive (X1.4.1), the company takes an aggressive approach when competing (X1.4.2), and the company faces competition with the best ability (X1.4.3). Respondents perceive that the company takes an aggressive approach when competing (X1.4.2) with the highest mean value of 3.7; while the company item facing competition with the best ability (X1.4.3) gets a perception assessment from respondents for the Aggressiveness indicator (X1.4). The company's item facing the competition with the best ability (X1.4.3) has the highest loading value, this item is considered to be the most capable of describing the Aggressiveness indicator (X1.4) of 0.948. All items are statistically significant in measuring Aggressiveness (X1.4), this can be seen from the value of $p = 0.000$ which is smaller than $= 0.05$, and all loading values greater than 0.5 then all items can be used to measure Aggressiveness (X1.4).

A.5. Autonomy

Indicator (X1.5) consists of 6 items, namely: The company acts/thinks without interference (X1.5.1), the company has the freedom to do work to produce better changes (X1.5.2), the company has capable human resources independently carry out their work (X1.5.3), the Company gives freedom to HR to communicate without interruption (X1.5.4), the company gives authority/responsibility to employees to act on their own if they think it is in the best business interest (X1.5.5), and the Company gives freedom to employees to have access to all important information (X1.5.6). The item Company acts/thinks without interference (X1.5.1) descriptively has the highest mean value based on the respondent's assessment, the mean value is 3.69 with a standard deviation of 0.866. The Company item that gives employees the freedom to have access to all important information (X1.5.6) has a value of 0.962, this item is considered the most capable of measuring the indicator measuring Autonomy (X1.5) because it has the highest loading value. All loading values of each item are greater than 0.5 and statistically significant, so there are 6 (six) items that can be used to measure Autonomy (X1.5).

B. The Extent of Social Capital

Social capital is a network of relationships that allows its members to exchange and access various assets available in its industrial network. Social capital is a kind of capital that can create a competitive advantage for certain individuals or groups when pursuing their goals to achieve the desired results (Burt, 2000). Small-scale businesses must attach importance to business, professional and friendly relationships as well as institutional relationships and relationships with local communities (Hjorth & Johannisson, 2008). This study refers to research conducted by Hernandez, et al., (2017), where social capital is measured through a network of relationships which are divided into four categories, namely; personal network, associative relationship network, professional relationship network and institutional network.

Source Social Capital Resources (X2) in this study has 5 (five) indicators with several items so that Social Capital Resources (X2) is the second Confirmatory Factor Analysis. Indicators of social capital resources consist of personal network social capital resources (X2.1); Professional network social capital resources (X2.2); Associate network social capital resources (X2.3); Institutional network social capital resources (X2.4). Respondents' assessment descriptively showed that the professional network social capital resources (X2.2) had the highest mean value of 3,517; while the institutional network social capital resources (X2.4) has the lowest mean value of 3.27. Of the four indicators, the indicator of the social capital resources of the association network (X2.3) has the highest loading value, which is 0.987. Because all loading values are greater than 0.5 and statistically significant, there are 5 (five) indicators that can be used to measure Social Capital Resources (X2).

TABLE 2. Social Capital Resources Level

Indicators and Items	Mean	Standard Deviation	P-value	Loading
Personal network (X2.1)	3.333	0.975	.000	0.984
X2.1.1	3.82	.971	.000	.935
X2.1.2	3.24	1.007	.000	.957
X2.1.3	3.70	.950	.000	.943
X2.1.4	3.32	1.012	.000	.961
X2.1.5	3.24	.932	.000	.878
X2.1.6	2.68	.977	.000	.940
Professional network (X2.2)	3.517	0.912	.000	.984
X2.2.1	3.76	.809	.000	.912
X2.2.2	3.34	.957	.000	.956
X2.2.3	3.68	.885	.000	.932
X2.2.4	3.03	.838	.000	.920
X2.2.5	3.80	.722	.000	.896
X2.2.6	3.49	1.262	.000	.932
Association networks (X2.3)	3.312	0.910	.000	.987
X2.3.1	3.61	.839	.000	.921
X2.3.2	3.31	.947	.000	.950
X2.3.3	3.73	.917	.000	.940
X2.3.4	3.03	.967	.000	.945
X2.3.5	3.49	.815,000	.000	.925
X2.3.6	2.70	.976	.927	1
Institutional network (X2.4)	3.270	0.894	.000	.979
X2.4.1	3.57	.880	.000	.945
X2.4.2	3.14	.920	.000	.945
X2.4.3	3.30	.854	.000	.929
X2.4.4	3.04	.968	.000	.942
X2.4.5	3.50	.893	.000	.949
X2.4.6	3.07	.851	.000	.941
	3.358	0.923		

B.1. Personal Network

Indicator Personal network social capital (X2.1) consists of 6 items, namely: The company's private network contributes to the company's financial resources (X2.1.1), The company's private network contributes to the Technology resources that support the company's innovation capability (X2.1.2), The company's private network contributes to the company's commercial capability (X2.1.3), The company's private network contributes to the company's quality management ability (X2.1.4), The company's private network contributes to the development of the company's human resources (X2.1.5), and Private networks contribute to the company's organizational capabilities (X2.1.6).

The perception of culinary business actors in Surabaya descriptively shows that the personal network owned by culinary business actors in Surabaya contributes to the company's financial resources (X2.1.1) has the highest mean rating of 3.82. The magnitude of the loading factor value on the six items is greater than 0.5 which indicates that the six items are valid. The company's personal network item contributes to the technology resources that support the company's innovation capability (X2.1.2) having a loading value of 0.957 which is considered the most capable of drawing composite variables. Personal network social capital resources (X2.1).

B.2. Professional Network.

Indicators professional network social capital resources (X2.2) consist of 6 items, namely: The company's professional network contributes to the company's financial resources (X2.2.1), The company's professional network contributes to the technology resources that support the company's innovation

capability (X2. 2.2), The company's professional network contributes to the company's commercial capability (X2.2.3), The company's professional network contributes to the company's quality management capability (X2.2.4), The company's professional network contributes to the company's human resources (X2.2.5), and The professional network the company contributes to the company's organizational capabilities (X2.2.6). Of the six measurement items, the company's professional network item contributes to the company's quality management ability (X2.2.4) assessed by the respondents descriptively as having the highest mean score of 3.8 and the company's professional network item contributing to the company's quality management ability (X2.2.4) has the smallest mean value descriptively, which is 3.03.

The magnitude of the loading factor value on the six items is considered quite capable of measuring indicators of professional network social capital resources (X2.2) and greater than 0.5 which indicates that the six items are valid, and statistically significant in measuring professional network social capital resources (X2.2). This can be seen from the p-value = 0.000 on all items. With a loading value of 0.956 for the company's professional network contributing to technological resources that support the company's innovation capability (X2.2.2), it is considered the ablest to measure the social capital resources of a professional network (X2.2) because it has the highest loading value of 0.956.

B.3. Association Network

Indicator The social capital resources of the association network (X2.3) consist of 6 items, namely: The network of corporate associations contributes to the company's financial resources (X2.3.1), The network of associations of companies contributes to the technological resources that support the company's innovation capability (X2. 3.2), The company association network contributes to the company's commercial capability (X2.3.3), the company association network contributes to the company's quality management capability (X2.3.4), the company association network contributes to the company's human resources (X2.3.5), and the association network the company contributes to the company's organizational capabilities (X2.3.6). Descriptively, culinary business actors in Surabaya assess that the company association network contributes to the company's financial resources (X2.3.1) with the highest mean value; while the network of company associations contributing to the company's organizational capability (X2.3.6) is perceived with the highest mean value.

All items have a factor loading value greater than 0.5 which indicates that the six items are valid, and p = 0.000 which is smaller than = 0.05 which is statistically significant in measuring the indicator of social capital resources of association networks (X2.3) . With a loading value of 0.950 for the association network of companies contributing to technology resources that support the company's innovation capability (X2.3.2), this item is considered the most able to measure the social capital resources of the association network (X2.3).

B.4. Institutional Network

Indicator Social capital resources institutional network (X2.4) consists of 6 items, namely: The government contributes to the company's financial resources (X2.4.1), the Government contributes to technological resources that support the company's innovation capability (X2.4.2), the government contributes to the company's commercial capability (X2.4.3), the government contributes to the company's quality management capability (X2.4.4), the government contributes to human resources (X2.4.5), and the government contributes to the company's organizational capability (X2.4.6). The government item contributing to the company's financial resources (X2.4.1) is descriptively perceived with the highest value when compared to other items in the indicator of institutional network social capital resources (X2.4). Meanwhile, the Government item contributing to human resources (X2.4.5) has the highest loading value of 0.949. Because all loading values are greater than 0.5, there are 6 (six) items that can be used to measure the institutional network social capital resources (X2.4).

C. Level of Knowledge Creation

Knowledge is a result of one's reflection and experience so that knowledge is always owned by individuals or groups. Knowledge is embedded in language, rules and procedures, and concepts (Irma & Rajiv, 2001). The biggest challenge faced by organizations is converting tacit knowledge to explicit knowledge, or vice versa (Nonaka & Takeuchi, 1995). Organizations are required to be able to translate knowledge that exists in individuals, groups or teams, and organizations into reality in the form of products and services produced. In order for the conversion to work properly, Nonaka and Takeuchi (1995) introduced 4 (four) basic patterns of knowledge creation known as The Spiral Of Knowledge. This study uses an instrument adapted from Sabherwal and Fernandez (2003), to measure the variables of the knowledge creation process consisting of four dimensions of the knowledge creation process, namely socialization, externalization, combination, and internalization.

Knowledge creation (Y1) in this study has 4 indicators with several items and each of them is searched for the loading value so that Knowledge Creation (Y1) is the second Confirmatory Factor Analysis. Knowledge creation (Y1) is Socialization (Y1.1); Externalization Indicator (Y1.2); Combination Indicator (Y1.3) and Internalization Indicator (Y1.4). descriptively, respondents considered that the Externalization indicator (Y1.2) had the highest mean value when compared to other indicators. Through the 2nd order CFA analysis, the loading factor value on the four indicators is greater than 0.5 which indicates that the four indicators are valid, and the value of $p = 0.000$ so that it is statistically significant in measuring Knowledge Creation (Y1). The Internalization indicator (Y1.4) has a loading value of 1.010 making the internalization indicator the indicator that is considered the most capable of measuring Knowledge Creation (Y1).

TABLE 3. Knowledge Creation Level

Indicator and Item	Mean	Standard Deviation	P-value	Loading
Socialization (Y1.1)	3.234	0.888	.000	0.955
Y1.1.1	3.52	.849	.000	.911
Y1.1.2	2.93	.881	.000	.946
Y1.1.3	3.19	.934	.000	.952
Y1.1.4	2.92	.920	.000	.941
Y1.1.5	3.61	.855	.000	.906
Externalization (Y1.2)	3.284	0.929	.000	.977
Y1.2.1	3.09	.987	.000	.977
Y1.2.2	3.87	.836	.000	.906
Y1.2.3	3.03	1.011	.000	.965
Y1.2.4	3.42	.892	.000	.924
Y1.2.5	3.01	.921	.000	.968
Combinations (Y1.3)	3.273	0.921	.000	.964
Y1.3.1	3.71	.836	.000	.897
Y1.3.2	2.95	.971	.000	.954
Y1.3.3	3.49	.863	.000	.914
Y1.3.4	2.94	1.012	.000	.949
Internalization (Y1.4)	3.138	0.883	.000	1.010
Y1.4.1	3.54	.866	.000	.909
Y1.4.2	3.06	.967	.000	.970
Y1.4.3	3.61	.843	.000	.903
Y1.4.4	2.34	.855	.000	.899
	3.232	0.905		

C.1. Socialization

The Socialization indicator (Y1.1) consists of 5 items, namely: The company collects information or experiences from other coworkers (Y1.1.1), the company shares information or experiences with other colleagues (Y1.1.2), the company conducts discussions with competitors (Y1.1.3), the Company held discussions to discuss strategies for new opportunities for the company. (informally/official meetings) (Y1.1.4) and the Company established a work environment that allows for knowledge sharing/experience (Y1.1.5). The magnitude of the loading factor value on the five items is greater than 0.5 which indicates that the four items are valid, the p -value = 0.000 which is smaller than = 0.05 in the *regression weight* which means that it is statistically significant in measuring socialization (Y1.1). The company's item discussing with competitors (Y1.1.3) is the item with the largest loading value, ie 0.952, which is considered the most appropriate for describing the socialization (Y1.1)

C.2. Externalization

The Externalization indicator (Y1.2) consists of 5 items, namely: The company conducts discussions that discuss the company's interests (formally/official meetings) (Y1.2.1), the company uses logical thinking patterns in formulating company strategy (Y1.2.2), The company uses data and information in discussions for the purpose of creating a concept (Y1.2.3), the company documents the results of the discussion (in the form of plans, guidelines, SOPs, etc.) discussion result (Y1.2.5). The company item uses a logical pattern of thinking in formulating the company's strategy (Y1.2.2) descriptively according to the respondent has the highest mean value of the five measurement items while the company item carries out discussions that discuss the company's interests (formally/official meetings) (Y1.2.1) is statistically significant in measuring Externalization (Y1.2) with the largest loading value of 0.977.

C.3. Combination

The combination indicators (Y1.3) consists of 4 items, namely: The company uses general information/literature in the adoption of knowledge in strategy formulation (Y1.3.1), the company makes documentation related to product information that has the best value. (Y1.3.2), the Company has the initiative to create a database/document collection related to the best service process information (Y1.3.3) and the Company has the initiative to use a collection of documentation related to the best product information as learning material for all members/company HR (Y1.3.4). Items Companies use general information/literature in the adoption of knowledge in strategy formulation (Y1.3.1) descriptively based on respondents' perceptions of having the highest mean value of all items on the Combination indicator (Y1.3); while the company took the initiative to use a collection of documentation related to the best product information as learning material for all members/human resources of the company (Y1.3.4) to get a descriptive assessment with the lowest score. The loading factor value on the four items is greater than 0.5 which indicates that the four items are valid, and significant so that they can be used to measure combinations (Y1.3).

C.4. Internalization

The Internalization indicators (Y1.4) consist of 3 items, namely: Company leaders are involved in mentoring activities to determine the work functions of other units/sections (Y1.4.1), Company leaders are involved in teams that will develop product development processes (Y1.4.2), Company leaders are involved in sharing new thoughts/ideas with colleagues (Y1.4.3), and the Company seeks to convey the company's vision-mission-goals by communicating directly with colleagues (Y1.4.4). with a loading value of 0.909 for the item. Company leaders are involved in mentoring activities to find out the work functions of other units/sections (Y1.4.1), this item is considered the most capable of describing indicators of Internalization (Y1.4), while the item Company leaders are involved in sharing thoughts/ideas with colleagues (Y1.4.3) descriptively, respondents consider this item to have the highest mean rating.

D. The Role of Entrepreneurial Orientation, Social Capital and Knowledge Creation on Competitive Advantage

A resource-based view that leads to a firm's competitive advantage and superior performance stems from firm-specific resources and capabilities that are difficult for competitors to imitate, valuable, rare, cannot be perfectly imitated, and cannot be replaced (Barney, 1991). These resources are not limited to assets, capabilities, organizational processes, company attributes, information, and knowledge. Entrepreneurial orientation refers among other things to the processes that lead to new entries (Lumpkin & Dess, 1996). Studies argue that entrepreneurial orientation is an intangible company resource that creates a competitive advantage and ultimately improves company performance. Performance differences among different firms are driven more by intangible assets than physical assets due to the fact that intangible assets unlike physical assets are not prone to imitation (Connor, 2002).

Companies need to develop networks to access external knowledge to increase their own knowledge, so it can be said that to be able to achieve a competitive advantage, companies depend on network relationships they have (Argote & Ingram, 2000). Social capital is inherent in the bonds of personal relationships and interpersonal interactions (Roussel & Deltour, 2012). The knowledge embedded in the interaction of people, tools, and tasks provides the basis for the development of competitive advantage in firms (Argote and Ingram, 2000). If a company has a good network of relationships, it has the potential to have better access to knowledge than other parties in the company to access new information, ideas, and opportunities (McEvily & Zaheer, 1999).

Information on business activity and growth prospects for the SME sector, which tends to improve in the first quarter of 2021, shows that there is a recovery in the national economy which was under pressure due to the Covid-19 pandemic. Competitive advantage is achieved by SMEs if they have useful resources but are difficult to imitate or have competitors. Entrepreneurial orientation, social capital and knowledge creation are intangible resources that are unlikely to be owned specifically or exactly by competitors. With efforts to implement entrepreneurial practices through entrepreneurial orientation, SME actors will increasingly understand risk control, apply innovation, be proactive, aggressive and not easily interfered with. Social capital in the form of personal networks, professional associations and institutions is the capital of SMEs in achieving excellence so that they are increasingly able to survive in the various difficulties and competition they face. Knowledge is an intangible resource owned by SMEs and obtained from the network needs to be articulated in order to be able to create excellence through the transformation of the knowledge creation cycle which includes socialization, externalization, combination and internalization to all employees.

IV. CONCLUSION

Descriptively, SME business actors perceive the implementation of entrepreneurial orientation in running their business at a sufficient level. Entrepreneurial orientation as measured by indicators of risk-taking, innovation; proactive; aggressiveness and autonomy, is able to describe the level of entrepreneurial orientation of SMEs. Porter (2008) defines entrepreneurial orientation as a company's benefits strategy to be able to compete more effectively in the same marketplace. Entrepreneurial orientation refers to processes, practices, and decision-making that lead to new inputs and has three aspects of entrepreneurship, namely always being innovative, acting proactively and taking risks (Lumpkin and Dess, 1996). Studies argue that entrepreneurial orientation is an intangible company resource that creates a competitive advantage and ultimately improves company performance. Performance differences among different firms are driven more by intangible assets than physical assets due to the fact that intangible assets unlike physical assets are not prone to imitation (Connor, 2002).

Competitive advantage is defined as a benefits strategy from business owners who collaborate to create a more effective competitive advantage in the market (Fatmawati, 2017).

Competitive advantage according to Zimmer & Scarborough (2008) is a set of factors that distinguish a small company from its competitors and give it a unique position in the market so that it is superior to its competitors. The main function of a high entrepreneurial orientation is the optimal integration between risk measurement and risk-taking. The ability to innovate is an important point in entrepreneurship and is the core of the entrepreneurial character. If a company emphasizes the aggressiveness of its business activities, then it also engages in entrepreneurial activities that automatically stimulate excellence. SMEs can innovate to create products that are more unique and attractive compared to their competitors. In addition to having the courage to take risks in making uncertain decisions, companies are also required to be able to create opportunities for better results. High level of exploiting the potential of social capital resources consisting of personal network social capital resources; professional network; association networks and institutional networks are considered capable of improving the business performance of SMEs. Social capital has an effect on competitive advantage (Oliver, 1997). The set of organizational competencies can produce a competitive advantage only if the competencies are generated or formed on the basis of social complexities within the company which are basically difficult to imitate (Mahony & Pandian, 1992). Social capital arising from internal relationships of Intra-organizational networks is associated with both the capacity of individuals in the network to generate new knowledge and their innovation, where innovation is part of the institution's efforts to achieve competitive advantage (Casanueva & Gallego, 2010). Social capital in the form of external relations of top managers is very important for developing new competitive strategies for company competitiveness (Geletkanycz & Hambrick, 1997). Social capital can help companies achieve a sustainable competitive advantage by providing resources to manage institutional dependencies and customer relationships (Tuominen, 2013).

Knowledge creation in this study has four indicators, namely socialization; Externalization Indicators; Combination Indicators and Internalization Indicators. descriptively, respondents considered that the externalization indicator had the highest mean value when compared to other indicators. Knowledge creation affects competitive advantage (Nasution et al., 2014; Chuang, 2004). Knowledge management such as discovery, capture, sharing and application of knowledge has an influence significant impact on competitive advantage (Meihami & Meihami, 2014). Organizational performance is increasingly dependent on knowledge-driven activities. Knowledge management practices have a positive and meaningful impact on organizational performance (Valmohammadi & Ahmadi, 2015). In a knowledge-based economy, intellectual capital and knowledge management are important sources of organizational performance and competitive advantage (Nonaka, et al, 2000). Small and Medium Enterprises (SMEs) are required to be able to use knowledge efficiently and increase the potential for innovation because organizations that are able to compete can support their competitive advantages by utilizing their unique knowledge and building the ability to learn faster than their competitors

(Matson & Prusak, 1996). Knowledge management has a significant influence on competitive advantage (McGrath, 2000). Companies that have a competitive advantage are able to maintain and develop the company. Entrepreneurial orientation, social capital and knowledge creation are resources that are specifically owned and are less likely to be imitated by competitors so these three variables have the potential to make SMEs have more competitive.

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