

CHAPTER I INTRODUCTION

1.1 Object Overview UMKM Kota Surabaya

Situated in the eastern region of Java Island, Surabaya holds the position of Indonesia's second-largest city and serves as the capital of Surabaya City. The city spans an area close to 326.76 square kilometers within the Surabaya region and is segmented into 31 sub-districts. Known as a trading and industrial city, Surabaya also has a long history as a cultural and historical center in Indonesia. Surabaya is nicknamed the “City of Heroes” for its important role in the struggle for Indonesian independence. In 1945, Surabaya became the center of resistance against Allied forces trying to reclaim Indonesian territory from Japanese hands. Surabaya was also the largest city in the Dutch East Indies and became the center of commerce in the archipelago, comparable to Hong Kong and Shanghai in its time.



Figure 1. 1 Logo of Surabaya City Government

Source: Surabaya City Government (2024)

Surabaya continues to be the center of economic and cultural growth in Indonesia. According to Bappenas, Surabaya is one of Indonesia's four main growth centers, along with Medan, Jakarta, and Makassar. Surabaya is one of the cities that continues growing as a center of industry, trade, and tourism. Coupled with its rich culture and art, it is an attraction for tourists as one of the alternative places to visit.

1.1.1 Vision

Cooperation towards an advanced, humane, and sustainable world city (Surabaya.go.id, 2024).

1.1.2 Mission

1. Realizing a comprehensive economy to progress people's welfare and opening modern employment through reinforcing nearby financial freedom and a conducive venture climate, fortifying Surabaya's competitiveness as a center for inter-island and worldwide exchange and administrations.
2. Building predominant human assets, physically and rationally solid, beneficial, and characterized through making strides get to and quality of well-being administrations, instruction, and other fundamental needs
3. Fortifying coordinates urban spatial arranging through the accessibility of advanced, world-class, and maintainable urban framework and utilities 3.
4. Fortifying the change of a clean, energetic, and dexterous digital-based bureaucracy to improve open administration quality.
5. Making arrange, security, social concordance, and legitimate certainty that's reasonable (Surabaya.go.id, 2024).

1.2 Research Background

The global economic landscape is significantly influenced by the growing role of Micro, Small and Medium Enterprises (MSMEs) (Wardati and Er, 2019). In Indonesia, MSMEs contribute strategically to the country's economy; this strategic role is not only vital in driving regional development but also in creating new jobs (Putri and Maya Sulistiani, 2016). In a country with a high level of education, without adequate job opportunities, the unemployment rate may increase.

In Indonesia, the burgeoning entrepreneurial landscape is prominently reflected through the expansion of the Micro, Small, and Medium Enterprises (MSMEs) sector. The critical role of MSMEs in propelling the nation's economic growth remains undeniable.

Table 1. 1 Number of UMKM 2021

Category	Total
Micro	63,96 Million
Small	193.959
Medium	44.728
Big	5.550
Total	63.955.369.

Source: Ministry of Cooperatives and MSMEs (2022)

According to data presented in Table 1.1, micro-enterprises, defined by an annual turnover not exceeding IDR 2 billion, overwhelmingly dominate the MSMEs framework. In 2021, these micro-enterprises accounted for 99.62% of the total business entities in Indonesia, numbering 63,955,369 units. Conversely, small enterprises, characterized by an annual turnover between IDR 2 billion and IDR 15 billion, constitute a mere 0.3% of the MSME population, totalling 193,959 units. In addition, enterprises classified as medium-sized enterprises, defined by annual sales ranging from IDR15 to 50 billion, comprise 44,728 units, representing only 0.07% of the total and large enterprises with annual turnover of more than IDR50 billion amount to only 5,550 units or 0.01%. With the total number of MSMEs in Indonesia reaching 63.95 million, these enterprises play an important role in the economy by employing 97% of the workforce, contributing 57% to Gross Domestic Product (GDP), and contributing 15% of national export earnings (Kementerian Koperasi dan UMKM, 2022).

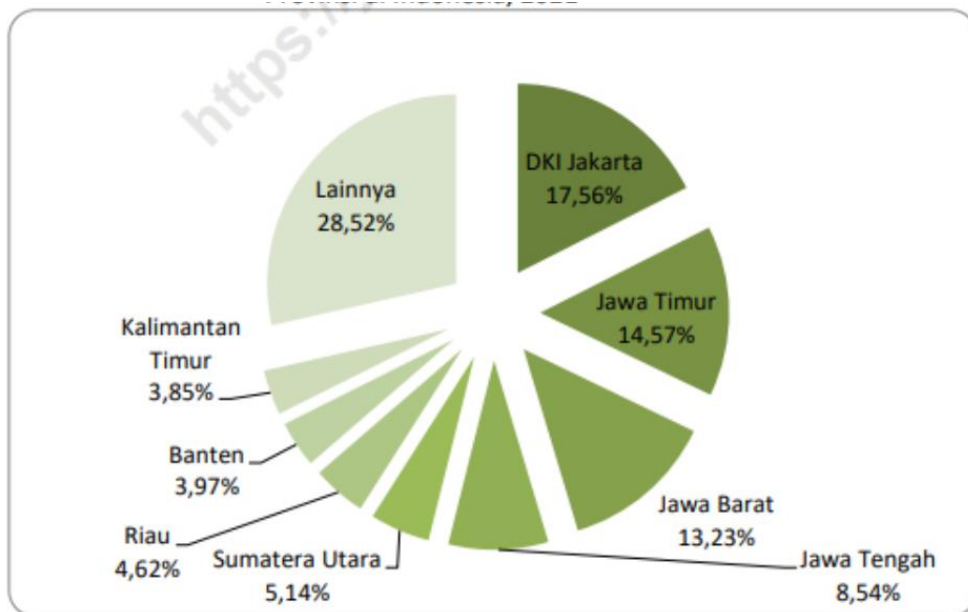


Figure 1. 2 Percentage Distribution of GRDP

Source : Dinas Kominfo Jawa Timur (2021)

Based on the figure above, East Java Province is one of the provinces in Java that has the second largest value added of goods and services under DKI Jakarta Province. East Java has a share of 14.57 percent of Indonesia's Gross Domestic Product (GDP). This indicates that the potential of East Java is quite large both in Java and Indonesia. East Java certainly has a variety of potential in its sectors ranging from agriculture, processing industry, trade to services. The diversity of the region geographically and socio-culturally is also a driver of the varied potential that exists in the East Java region.

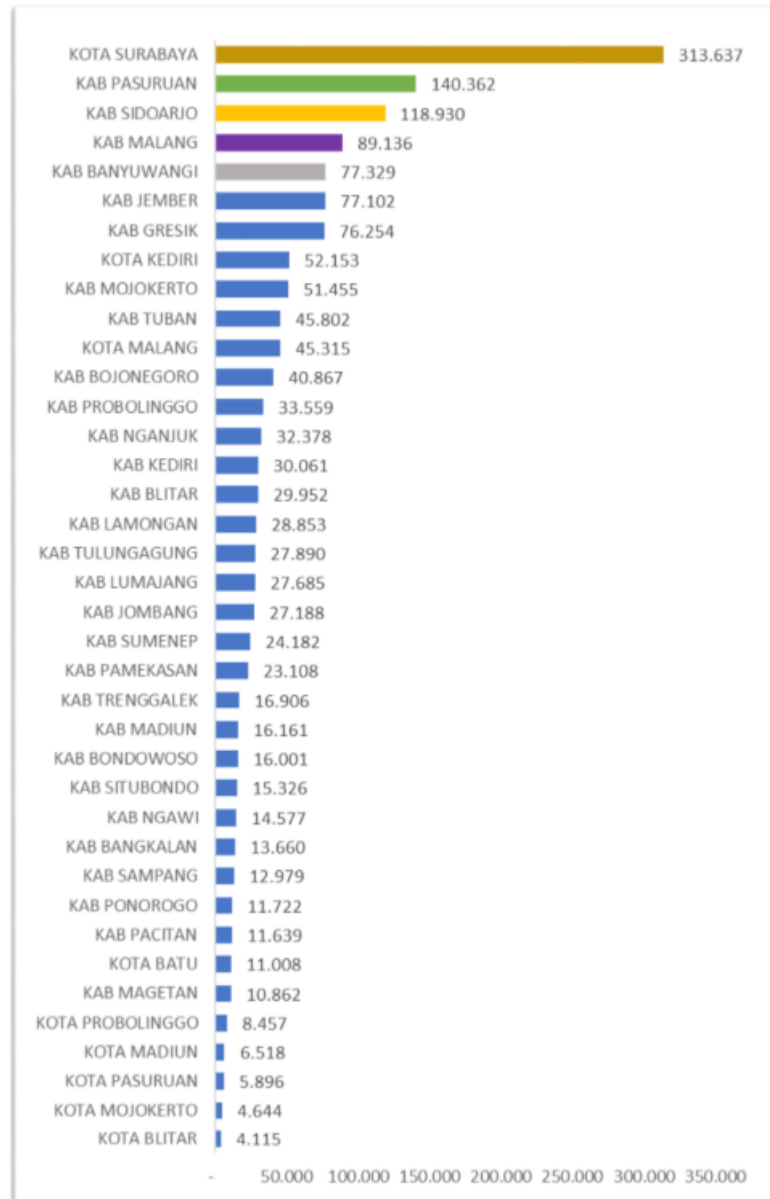


Figure 1. 3 Distribution Chart of Value Added of Broto and MSMEs in East Java

Source : *Dinas Koperasi UKM dan Perdagangan Kota Surabaya (2022)*

Based on the picture above, the city of Surabaya became the distribution of the added value of broto and umkm in East Java. this is evident that Surabaya reached a value of 313,637 million. The East Java Office of Cooperatives and MSMEs is currently focusing more on the distribution of gross added value of MSMEs in Surabaya City, Sidoarjo Regency, Pasuruan Regency, Gresik Regency, and also Malang Regency. However, the East Java government is focusing its

strategy more on Surabaya City so that Surabaya remains one of the cities that is developing in its MSME sector.

Table 1. 2 Number of MSMEs in Surabaya City

Years	Number of MSMEs
2020	10.897
2021	13.441
2022	17.897

Source: Dinas Koperasi UKM dan Perdagangan Kota Surabaya (2023)

Based on data from the Surabaya City SME Cooperative Office as stated in Table 1.2, the number of MSMEs in Surabaya City has increased every year. It was recorded that in 2020, the number of assisted MSMEs was 10,897 units. In 2021, there was an increase of 2,544 units to 13,441, and in 2022, the number of MSMEs increased to 17,897 business units. This means that over the past few years, the trend related to the number of MSMEs has increased positively, so this can be said to have increased the number of jobs, especially in the city. It can be said that Surabaya City is one of the cities with enormous potential for MSME businesses because this city is the center of the economy and the center of government in East Java.

However, Indonesian MSMEs still experience many weaknesses, as revealed by Kurniawan (2018), that the problems commonly owned by MSMEs are capital problems such as not having access to financing, low capacity of human resources and MSMEs institutions, lack of product innovation, and limitations in accessing markets so that business opportunities tend to be small. Capital plays a crucial role in the growth of MSMEs and represents a significant challenge for many such enterprises. According to Pricewaterhouse Coopers (PwC), a leading international consultancy, 74% of Micro, Small, and Medium Enterprises (MSMEs) in Indonesia lack access to financing, which is essential for their development (Kata Data, 2019). According to Arif (2023) Innovation in Surabaya is still categorized as low, MSMEs do not have access to market data or an in-depth understanding of consumer trends, so they have difficulty creating new products or services that are in line with market demand.

MSMEs have proven to be resilient business actors in any economic situation, and this can be proven during the economic crisis a few years ago. However, amidst the resilience of cooperatives and MSMEs, they face several difficulties. The most dominant difficulty is capital, with a percentage of 26.4 percent, capital is still a problem for K-UMKM, especially MSMEs, due to limitations in partnering and ignorance of how to obtain capital, in addition to limitations in meeting the requirements for obtaining capital or loans from banks and financial services and collateral in borrowing capital loans can rarely be fulfilled, and some MSMEs state that loan interest is too high for capital credit. The second difficulty is related to competitiveness at 21 percent, including the many competitors that have sprung up, especially after the pandemic, so business competition has become very high. In addition, many imported products are cheaper than domestic products, which is very hard on micro and small businesses, even though the quality of MSME products is not inferior to imported goods, some are even of better quality. **Therefore, efforts or strategies are needed so that MSMEs can continue to grow and survive for a long time.**

Based on Table 1.3, in the last three years, the wholesale and retail trade industry sector has contributed significantly to economic growth in Surabaya City. The wholesale trade sector is the main growth driver. This contribution continues to increase every year. The information presented indicates steady and beneficial growth, which has contributed significantly to Surabaya City's economic advancement. Given these promising conditions, Micro, Small, and Medium Enterprises (MSMEs) play a pivotal role in propelling the economic development of Surabaya City.

Table 1. 3 Distribution of Gross Value Added of MSMEs in Surabaya City by Business Fields

Category	Description	2020	2021	2022
-1	-2	-3	-4	-5
A	Agriculture, Forestry, and Fisheries	0,27	0,26	0,33
B	Mining and Quarrying	0,01	0,01	0,01
C	Processing Industry	21,94	21,89	33,37
D	Electricity and Gas Procurement	0,08	0,07	0,08

E	Water Supply, Waste Management, Waste and Recycling	0,15	0,14	0,16
F	Construction	8,08	7,99	8,34
G	Wholesale and Retail Trade: Repair of Cars and Motorcycles	34,83	34,76	34,97
H	Transport and Warehousing	5,46	5,46	5,35
I	Provision of Accommodation and Drinking Food	18,63	18,88	17,78
J	Information and Communication	1,02	1,02	1,03
K	Financial Services and Insurance	2,48	2,43	2,62
L	Real Estate	1,08	1,08	1,09
M, N	Corporate Services	2,82	2,85	2,72
P	Education Services	1,58	1,58	1,58
Q	Health and Social Services	0,50	0,50	0,52
R, S, T	Other Services	1,08	1,07	1,12
	Gross Regional Domestic Product	100	100	100

Source: Dinas Koperasi UKM dan Perdagangan Kota Surabaya (2023)

Furthermore, the evolution of the era has led to a rise in the number of entrepreneurs across diverse sectors, thereby intensifying competition. Business actors should focus on competitive market competition to maintain market interest. Therefore, factors are needed to strengthen MSMEs, especially in Surabaya City, so that they can strengthen and improve the Indonesian economy. However, the reality is that MSME businesses find it difficult to meet the demands of the business environment, so only a few of them must lose and go bankrupt. This was revealed by CNN Indonesia that MSMEs in Surabaya lack innovation and connectivity. Various innovations can increase MSME competition in Indonesia, not only in Surabaya. Innovations from these MSMEs can maintain existing MSME businesses. The connectivity built by MSMEs in Surabaya must also be improved so that they can compete with MSMEs in all cities in Indonesia. With this increased innovation and connectivity, it will be a big positive influence for the development of MSMEs in Surabaya. (CNN, 2023).

The sustainability of MSMEs hinges on consistently monitoring their performance throughout various stages of development. Poor performance in a business may lead to potential unsustainability (Komarudin, 2021). It is understood

that the performance of a business serves as an indicator for assessing the outcomes of its operations. According to Gao et al. (2017), performance encapsulates the fulfilment of activities designed to attain a company's objectives, vision, and mission. Improved performance in MSMEs can have an impact on several things, including

- 1) job creation where, with the increase in MSMEs performance, it will require large human resources so that it can open up new jobs for the community;
- 2) by focusing on the performance of Micro, Small, and Medium Enterprises (MSMEs), an environment conducive to the emergence of innovative products or services and the fostering of creativity and innovation can be established; and
- 3) an approach to development that is inclusive can be achieved through careful monitoring of MSMEs' performance, ensuring that economic progress is participatory and encompasses all societal strata (Aliyah, 2022).

The Surabaya City SME and Trade Cooperative Office's 2021 performance report indicates the implementation of 24 initiatives aligned with the annual work plan. While yet to be at an optimal level, the office's efforts in enhancing cooperatives and SMEs have demonstrated progress post-COVID-19 pandemic. A comprehensive overview of these performance accomplishments is presented in Table 1.4.

Table 1. 4 Performance Achievement of DINKOPDAG UKM in 2021

Objective / Goals	Indicator	Target	Realization				Year realisation	Achievements
			I	II	III	IV		
Objective: Encouraging the strengthening of the competitiveness of micro-enterprises and cooperatives	Percentage of Cooperative Productivity Level	32%	0%	5.98%	5.98%	33.33%	33.33%	104.14%

	Percentage of Micro Business Productivity Level	62%	0%	64.73%	71.97%	119.64%	119.64%	123.22%
Increase the accountability of local government administration	SAKIP score	81%	0%	0%	0%	81%	81%	99.23%
Goals:	Cooperative quality growth rate	79%	0%	92.79%	92.36%	63.01%	63.01%	116.92%
Increase the quality of micro-enterprises and institutions								
Goals:	Increase the ability of micro-enterprises to access productive resources.	75%	0%	0%	78.60%	86.80%	86.80%	104.80%
Increase the ability of micro-enterprises to access productive resources.								
Goals:	Performance of facilities and infrastructure management and office administration in Regional Apparatus of Surabaya City Government	100%	0%	100%	100%	100%	100%	100%
Maintaining compatibility in the implementation of development programs and activities								

Source : Dinas Koperasi UKM dan Perdagangan Kota Surabaya (2021)

Referencing the data presented in Table 1.4, it is evident that the Surabaya City Cooperative, Small and Medium Enterprises Office has dedicatedly contributed towards fulfilling the objectives set by the Surabaya City government

in 2021. Enhancing the added value within the Cooperatives, Small and Medium Enterprises (K-UKM) sector in Surabaya City remains the central objective of these initiatives. These steps aim to drive economic growth and reduce economic disparities, supported by increased regional connectivity (Media Info KUKM, 2023).

The conversation around Micro, Small and Medium Enterprises (MSMEs) is basically related to the concept of entrepreneurship. Both in the early and operational stages, the success of MSMEs is strongly influenced by entrepreneurial orientation (Mustari et al., 2021). This orientation embodies the company's involvement in the market through innovative product offerings and courage in decision making, which in turn provides a competitive advantage for the company over its competitors (Hindarwati et al., 2021). Knight (2000) in (Darwis & Utama, 2020) states that for MSMEs constrained by limited resources and capabilities, embracing an entrepreneurial orientation is essential to maintain and improve their competitiveness amid market competition. Cultivating entrepreneurial knowledge is an important element for the resilience of small and medium enterprises. This prevailing notion in the field of entrepreneurship encapsulates business strategies centered around distinct entrepreneurial processes and actions, which reflect a firm's proficiency in recognizing and capitalizing on new opportunities ahead of its competitors (Utama & Victorio Adam, 2018). With a strong entrepreneurial orientation, MSMEs have greater opportunities to create added value, expand markets, and remain competitive in an increasingly competitive market. This can be said because based on the findings of research conducted by Adam et al. (2022) and research conducted by Ali et al. (2020), entrepreneurial orientation has a positive effect on the organizational performance of the company.

Innovation involves the latest ideas that can influence and improve performance (Arshad et al., 2014). Kumalaningrum (2012) and Louis et al. (2020) explain that Entrepreneurial Orientation can increase competitive advantage by continuously considering innovation in every business decision. This is in line with the findings in the research conducted by Farida et al. (2022), where entrepreneurial orientation has a positive influence on innovation performance owned by a

company. Many companies in Indonesia struggle to gain a competitive advantage, mainly due to the lack of Entrepreneurial Orientation observed in these micro, small, and medium enterprises (MSMEs). In the creative sector, it is crucial to implement policies that effectively account for the relationship between a firm's Entrepreneurial Orientation and its innovation capacity, as this impacts the overall performance of the firm. In addition, the innovation aspect has a significant positive impact on company performance (Nwankwo et al., 2022). The essence of competition in the creative industry lies in utilizing innovative and creative concepts to outperform market competitors and achieve market dominance.

Besides the mentioned entrepreneurial Orientation, attention to social media is crucial for MSMEs aiming to achieve high performance. Technology has become an integral part of everyday life in today's digital age. This is because technology has created various conveniences for humans regarding mobility and effectiveness. Examples of the application of technology include the creation of sewing machines, airplanes, cars, cell phones, and so on. From one of the tools mentioned, in 2021, the average duration of Indonesians' use of mobile devices rose to 5.99 hours per day. In 2022, the duration of mobile device usage peaked, averaging 6.14 hours per day, the highest in four years. However, in 2023, there was a slight decline, with Indonesians averaging 6.05 hours per day on mobile devices, as noted by Mutia Annur (2024).

The evolving landscape of the business world, particularly in this era of globalization, has led to increasingly fierce competition. Therefore, companies are required to come up with creative and innovative ideas to promote their products. Marketing is an important business element, so marketing activities must be carried out seriously and carefully. The era of globalization creates digital conveniences that continue to grow. Many people obtain digital convenience at one time. Everyone can access information anytime and anywhere. Therefore, marketing in the digital era like today must be done carefully because these activities will directly connect sellers and buyers.

MSMEs' performance will require technology because it can facilitate labor in producing goods and services, increasing MSME's productivity (Haseeb et al.,

2019). MSMEs are adopting social media strategies to address their challenges and enhance business performance. Social media utilization by MSMEs offers several advantages, such as enhancing sales and marketing, broadening target markets, and aiding in business decision-making. It also promotes interactive dialogue among economic entities like consumers and producers. Furthermore, it provides MSMEs with continuous access to information and communication, regardless of location or time (Nugroho, 2019). In this research for the MSME performance focus to the outcome not related to the financial things .

Entrepreneurial Orientation and social media have been identified as crucial for enhancing MSME performance. Similarly, the significance of managerial ties in sustaining and boosting MSME performance must be considered. Mobile phone usage in Indonesia has reached a remarkable level in this digital era, reaching 98.3 percent for the 16 to 64 age group. Mobile phones have become the primary device for accessing the internet, with around 96.4 percent of Indonesians, or around 195.3 million people, using their mobile phones to surf the web. On average, internet users in Indonesia spend almost 9 hours each day online. Meanwhile, around 170 million people in Indonesia actively use social media, spending an average of around 3 hours and 14 minutes on social networking platforms (Trulline, 2021). In the business world, utilizing social media for promotional and sales purposes is a trend and a necessity. Social media facilitates direct interaction between customers and potential customers, allowing them to communicate about products online. The increase in technology adoption in the United States, as reported by the University of Maryland's School of Business, reflects significant growth, doubling from 12% to 24% in the past year (Smith, 2010). Approximately 20% of small business proprietors in the United States have incorporated social media platforms into their business activities, with Facebook and LinkedIn being the preferred platforms, according to Grove (2010). This trend highlights the beneficial effects of embracing technology within small-scale business operations.

Platforms like Facebook, WhatsApp, Instagram, and Line have become potent instruments for promoting business products. Facebook, in particular, serves as a venue for individual and collective communication, enabling direct

engagement between businesses and their clientele. Sarosa (2012) found that the commercial application of Facebook yields significant profits. Furthermore, YouTube has been identified as the predominant social media platform in Indonesia, with WhatsApp, Instagram, and Line trailing in popularity. Short video applications such as TikTok and Telegram have also experienced a rapid rise (Dahono, 2021). For MSMEs, social media is a communication tool and a crucial instrument in business activities. Its use involves personal contact with customers, promotion strategies, collecting data on customer needs, and providing quick responses. In a survey of the popularity of 10 social media, the top five, which include YouTube, Facebook, WhatsApp, Instagram, and Line, show their respective levels of popularity. YouTube was the most dominant, with 43% of the votes from online respondents, followed by Facebook with 41%. WhatsApp ranked third with 40% of the votes, while Instagram and Line received 38% and 33% respectively (Putri, 2021). This confirms that the presence of MSMEs on these platforms significantly impacts various aspects of business.

The Industrial Revolution 4.0 is an inevitable phenomenon in today's life, along with technological advances that always go hand in hand with scientific developments. Every innovation that is born aims to provide positive benefits, facilitate various activities, and become a new way to live human life. Especially in the realm of technology, the last decade has witnessed various innovations that have had a significant positive impact (Febriyantoro & Arisandi, 2018). Social media platforms, including Facebook, WhatsApp, and Instagram, have gained immense popularity today. In business marketing, Facebook stands out as a highly effective medium for product promotion. According to the Ministry of Communication and Information Technology (Kemenkominfo), Indonesia has seen its internet user base swell to 63 million individuals. Remarkably, 95% of these users engage with the internet primarily to navigate through several social media channels like WhatsApp, TikTok, YouTube, Instagram, and, notably, Facebook. With the increasing popularity of Facebook, this platform is a place for social interaction and a significant channel for marketing products and services. Thus, for businesses that

want to expand their reach and target a wide audience, utilizing Facebook as a promotional channel is a very relevant and effective strategy.

In Surabaya City, the significance of micro, small, and medium enterprises (MSMEs) is paramount. Nevertheless, the Central Statistics Agency (BPS) has identified various challenges that are confronting these MSMEs. These include restricted access to buyers, deficiencies in human resource skills and knowledge, rudimentary management practices, constrained technology utilization, and diminished product competitiveness. Solutions to overcome these problems can be found using digital technology as a marketing medium for MSMEs.

Research has demonstrated that social media and e-commerce platforms significantly influence the sales of MSMEs. However, Kembang et al. (2021) highlighted that sales are negatively impacted by indicators associated with Instagram. The Ministry of Cooperatives and Small and Medium Enterprises Media Info KUKM (2023) provided data showing that only 4%-10% of MSMEs successfully sell their products on digital platforms. In Surabaya City, East Java, the adoption of digital media by MSME operators for business development remains limited. Therefore, for MSME players just entering the digital realm, Google My Business and Google Maps can be very helpful tools for developing their business online. The free tool Google My Business facilitates business visibility and enhances customer relationships on Google Search and Maps (Rizkinaswara, 2020). Qualitative research methods have predominantly been employed in the study of social media utilization by MSMEs in Indonesia. Notable studies include Utami and Purnama's (2012) case study, Purwidianoro and Hadi's (2016) descriptive observational research on social media's role in MSME development, Priambada (2015) exploration of social media's advantages, and Siswanto's (2013) examination of social media as a marketing instrument. These studies primarily emphasize the experiences and applications of social media within the MSME sector. Nonetheless, there is a noticeable scarcity of comprehensive quantitative research investigating the variables that affect social media usage, particularly within the MSME context. With the limitations of this quantitative research, conclusions regarding the motivation of MSME business actors in

adopting and utilizing social media in their business activities cannot be drawn firmly.

Previous research that explores the antecedents and consequences of social media use by MSMEs in developing countries has been conducted by (Odoom et al., 2017). This study aims to investigate the factors influencing the propensity of MSMEs to utilize social media, emphasizing elements such as trust, compatibility, interactivity, and cost-effectiveness. It includes independent variables like the overall performance of MSMEs. However, the research did not provide a clear explanation of how the benefits of social media directly affect MSMEs' performance from both financial and non-financial viewpoints. In order to broaden the scope of the analysis, the study integrated two dimensions of performance, focusing on outcome variables pertinent to financial and non-financial performance. Ainin et al. (2015) also incorporate other precursor variables of trust, taking into account that business actors in MSMEs within developing nations frequently embrace innovations at a slow pace, thereby making trust a crucial factor in their decision-making process regarding the use of social media.

Managerial ties are defined by executives' interactions with external entities within the professional setting. For a significant period, these ties have been recognized as social capital, emerging through networks and relationships between firms, which facilitate economic activities (Lee, 2019; Peng et al., 2000; Uzzi, 1996). Managerial ties are classified into two main categories: business and political connections. Business connections involve relationships with senior executives across different organizations, such as suppliers, buyers, and rivals, and are known as horizontal ties. Conversely, political ties encompass the interactions with government officials and are known as vertical connections (Peng et al., 2000). Firms achieve goals through management ties, which provide social capital inherent to their networks. Therefore, management ties have received significant attention, and scholars continue to study them (Lee, 2019; Luu & Ngo, 2019; Zhang et al., 2020). There are many benefits of managerial ties; entrepreneurs can take advantage of every opportunity to excel and innovate their products. There are many benefits of managerial ties; entrepreneurs can take advantage of every opportunity to excel

and innovate in their products. Beside that managerial tie for MSME Surabaya is still weak, according to Arif (2023) the cooperative service can help MSME from many things including capital and market information, but many of them do not know that the cooperative service has a task to develop MSME. only a small part of MSME utilizes the cooperative service for their market information access.

Based on the explanation of the background and the phenomenon above, the author finally decided to conduct research with the title "THE EFFECTS OF ENTREPRENEURIAL ORIENTATION, SOCIAL MEDIA, AND MANAGERIAL TIES ON SME PERFORMANCE IN SURABAYA CITY".

1.3 Problem Formulation

In the current globalization era, MSMEs face numerous challenges under diverse conditions that influence their performance. Innovation is imperative for all stakeholders, particularly MSMEs, to maintain a competitive edge amidst changes. Data from the Ministry of Cooperatives and Small and Medium Enterprises (Kemenkop UKM) reveals that only 4%-10% of MSMEs have successfully sold their products via digital platforms, indicating a minimal adoption of digital media for business development activities among MSME players, particularly in Surabaya City, East Java. SMEs in Surabaya City need to consider several factors, such as improving product quality, product innovation, marketing, and the use of technology. By paying attention to these factors and managing them effectively, MSME players can increase their chances of succeeding and thriving in a competitive market.

Although the performance achievement of the DISKOP UKM has exceeded the target, many MSMEs still need to take advantage of social media to introduce their business and pay attention to entrepreneurial Orientation so that the growth percentage may decrease. Hence, the application of entrepreneurial Orientation, social media, and managerial ties will enhance the performance of MSMEs. The guidance and supervision of the Surabaya City government are essential to facilitate the expansion of these MSMEs. Based on this background, the formulation is:

1. To what extent does Entrepreneurial Orientation influence The Performance of MSMEs in Surabaya City?
2. To what extent does Entrepreneurial Orientation influence Social Media?
3. To what extent does Social Media influence The Performance of MSMEs in Surabaya City?
4. To what extent does Entrepreneurial Orientation influence Managerial Ties?
5. To what extent does Managerial Ties influence The Performance of MSMEs in Surabaya City?

1.4 Research Objectives

In the problem formulation discussion, the research aims to achieve the following objectives:

1. To determine the extent to which Entrepreneurial Orientation influence The Performance of MSMEs in Surabaya City?
2. To determine the extent to which Entrepreneurial Orientation influence Social Media?
3. To determine the extent to which Social Media influence The Performance of MSMEs in Surabaya City?
4. To determine the extent to which Entrepreneurial Orientation influence Managerial Ties.
5. To determine the extent to which Managerial Ties influence the performance of MSMEs in Surabaya City.

1.5 Research Benefits

1.5.1 Theoretical Benefits

This study is anticipated to provide additional information, insights, and references for future researchers working on similar topics.

1.5.2 Practical Benefits

This study's findings aim to enrich MSMEs' knowledge, insight, and experiences, encouraging them to pursue greater innovation in the global market.

1.6 The Systematics of Mini-Thesis Writing

The research report is systematically organized into five chapters, each providing a detailed exploration of the study. Chapters I to V encompass the entirety

of the research report, offering a comprehensive overview and in-depth analysis of the investigated subject.

a. CHAPTER I INTRODUCTION

This chapter presents an accurate, concise, and broad overview of the research findings. It encompasses a general elucidation of the object of research, background, problem formulation, objectives, benefits derived from the study, and the methodology employed in developing the final project.

b. CHAPTER II LITERATURE REVIEW

This chapter organizes theories from the most general to the most specific, underpinned by prior research, frameworks, and hypotheses.

c. CHAPTER III RESEARCH METHODS

This section centers on the methodologies, strategies, and procedures for gathering and analyzing data to address the research question. The discussion here includes the research type, operationalization of variables, population and sample size for quantitative studies, and the social context for qualitative studies. Additionally, data collection methods, tests for validity and credibility, and techniques for data analysis are elaborated.

d. CHAPTER IV RESEARCH RESULTS AND DISCUSSION

The research findings and subsequent discussion are systematically delineated, adhering to the problem statement and objectives of the research, and are segmented under various subheadings. This section is divided into two main parts: the initial part details the research findings. In contrast, the latter part is dedicated to analyzing and discussing these findings. The discussion of each aspect should initiate with data analysis, followed by an interpretation, and culminate with a conclusion. Integrating previous studies or pertinent theoretical frameworks throughout the discussion is essential.

e. CHAPTER V CONCLUSIONS AND RECOMMENDATIONS

The research outcome responds to the inquiry posed and subsequently offers a valuable recommendation for the study.