THE EFFECTIVENESS OF DEVELOPING SELF-POTENTIAL AND UPGRADING THE DIGITALIZATION OF MSMES IN THE IMPLICATIONS OF ENTREPRENEURIAL ORIENTATION

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ABSTRACT: This study aims to evaluate the effectiveness of developing self-potential in MSMEs and the impact of increasing digitalization on entrepreneurial orientation. This study applies a quantitative descriptive approach by utilizing questionnaires as a tool to collect information with the Structural Equations Modeling Partial Least Square (SEM-PLS) data analysis method, using SMART PLS 4 software. From the tests that have been carried out, an R square value of 0.230 is obtained, which shows that the effectiveness of developing the potential and upgrading of MSME digitalization affects the entrepreneurial orientation. It was concluded that the development of self-potential and the increase in digitalization simultaneously affect the entrepreneurial orientation of MSME actors in Trusmi Kulon Village.

Keywords: self-potential in MSMEs; entrepreneurial orientation; digitalization simultaneously

INTRODUCTION

Human resource management (HRM) is a crucial aspect in the realm of business and entrepreneurship, becoming one of the key elements in maintaining worker satisfaction. HR management capabilities have a vital role in determining the fate of success or failure of a company, making it an inseparable strategic component. Human resources themselves are able to reflect the quality of an organization, and these qualities depend on the quality of individual employees. According to Robbins (2010) in his work entitled Human resource management, the success of an organization starts from human resource management. Human resources are said to be valuable assets, appreciating their values, ideas, and differences is the only path to
achieving sustainable growth for business organizations.

In the era of the development of globalization and information technology that continues to increase, the Micro, Small and Medium Enterprises (MSMEs) sector has great control in the country’s economy. Currently, MSMEs are experiencing positive development and increase in number every year. The sustainability of this positive trend is considered to add a positive impact on the economy in Indonesia.

According to data presented by the Ministry of Cooperatives and SMEs, currently MSMEs contribute around 60.5% of income to the National Gross Domestic Product (GDP). This indicates that the potential for MSME development in Indonesia is very large, and can contribute even more to the economy (Tambunan, 2023). Cirebon Regency, which is a trading city, is one of the places that has MSME potential. From year to year MSMEs in Cirebon Regency also show a significant increase. The Cooperatives and MSMEs Office of West Java Province stated that there are 384,544 MSMEs spread throughout Cirebon Regency. However, to be able to compete in an increasingly competitive market, MSMEs need to take advantage of opportunities and face challenges that exist by technological developments.

Trusmi Kulon Village in Cirebon Regency is one of the villages with enormous MSME potential, known for its batik craftsmen who use various manufacturing methods such as batik tulis, stamp and print. MSME business actors in Trusmi Kulon Village are currently intensively promoting their products in order to compete with other MSMEs or even MSMEs outside the city of Cirebon. To be able to compete, MSME business actors in Trusmi Kulon Village must prepare a lot. In addition, many business actors today manage their businesses using digital platforms. With entrepreneurship training organized by the UGJ Business Incubator for five times, namely on March 23, 24, 25, 2022, April 13, 2022, and August 19, 2022, it is hoped that 100 MSME actors in Trusmi Kulon Village can further hone their potential and know how to use and utilize digital platforms to support their business sustainability.

The internet as an industry is inevitable, many types of businesses have sprung up from the internet that can bring changes to the community's economy (Danuri 2019). In the digital era like now, everything can be done digitally using only smartphone media. It can be said that human needs at this time can be met by using only one hand. For example, many startups and markets are developing in the form of applications that provide all human needs such as basic necessities, house cleaning services, consulting services, transportation, learning applications, online shops, advertising, and much more. Marketing activities are very possible to be done digitally using the palm of the hand, where this activity is said to be digital marketing. Those who
do business using traditional methods will experience a decline because many customers choose to transact digitally which is considered easy, fast and efficient. In the end, traditional businesses will experience a decline because consumers switch to digital transactions that are considered easier, affordable, efficient and faster (Danuri 2019).

Entrepreneurial orientation signifies a tendency to see business opportunities, take risks, and develop businesses with a long-term vision. Entrepreneurial orientation can be defined as the traits and values that an entrepreneur possesses, which include the traits of perseverance, risk-taking skills, speed, and the ability to adapt to change (Utama, 2020). In facing global challenges and increasingly fierce business competition, MSMEs must continue to develop their potential and implement increased digitalization in order to remain able to compete effectively. Self-potential is the main capital owned by every individual. (Amaliyah and Rahmat 2021) states that potential refers to all possibilities or capabilities possessed by an individual and can be fully actualized during the development process. The industrial revolution era 5.0 provides opportunities for entrepreneurs in economics and business to become experts in the latest technological and scientific developments (Sunarta 2023). Developing self-potential means improving the skills, knowledge and entrepreneurial spirit of MSME actors.

The increasing competition for MSMEs in the digital economy is seen by the increasingly advanced technological developments, therefore MSMEs need to pay attention to this phenomenon and know and master digital marketing related to the digital economy (Sunarta 2023). In this context, the study aims to evaluate the effectiveness of self-potential development within MSMEs and the impact of increasing digitalization on entrepreneurial orientation. With a deep understanding of the relationship between self-potential development and digitalization, it is hoped that solutions and recommendations can be found that can improve the performance and competitiveness of MSMEs to face the changing dynamics of the global market.

LITERATUR REVIEW
Self-Potential

According to Suryana, to realize our potential to develop as an entrepreneur, we must be able to recognize our true selves and how others judge who we are (Suwena 2016). The term "potential" is taken from the English adaptation, namely potencial, which has two main meanings, namely (1) ability and energy, and (2) strength and possibility. According to the big dictionary of Indonesian (KBI), potential is defined as abilities that have the opportunity to be expanded, strength,
ability, and power. In other words, in simple terms, potential is something that can be developed (Majdi 2007). Wiyono (2006) in his book mentions that potential can be called a fundamental ability hidden in something, waiting to be utilized in the true power of something.

Therefore, human potential is a fundamental human ability, which is hidden in oneself and waiting to be realized in order to provide benefits in human life. (Prihadhi 2011) says potential refers to the ability, power or hidden energy that is possessed but has not been utilized optimally. This self-potential refers to hidden strengths in the form of physical, personality, intelligence, interests and talents, as well as values contained in oneself but have not been explored and processed.

Based on the understanding of self-potential that has been expressed above, it can be concluded that the potential possessed by individuals is a basic ability possessed by individuals but is still hidden and has the potential to develop if supported by appropriate training and facilities.

**Indicators and premises of Entrepreneurial Self-Potential**

Skills not only need to be understood, but also require adequate training to develop and improve their skills. In running a business, an assessment of oneself and from outside parties needs to be held, because this will determine the success or failure of the business.

The assessment of an entrepreneur's potential can be visualized through six aspects, namely creativity, self-discipline, personality, motivation or desire, self-confidence and courage to face risks (Suryana 2013).

1. Personality, encompassing all the psychological qualities that a person possesses, both inherited and acquired, that make him unique. This personality has the ability to attract the attention of others, cause sympathy, and captivate people through his speech. Entrepreneurs with this type of personality often get success in managing their business.

2. Self-discipline, is the most appropriate commitment to entrepreneurial tasks and work. This level of accuracy covers all aspects such as, quality of work, punctuality and work system. Punctuality can be achieved through efforts in completing work according to a predetermined schedule.

3. Creativity, is the ability to make combinations or see new relationships between data, elements and existing variables.

4. The drive or desire, to become an entrepreneur can arise from interactions with peers, family and friends that allow discussions about entrepreneurial ideas and how to overcome the problems we face.

5. Courage, facing risks arises when the future is unpredictable. In other words, risk arises when there is uncertainty about the future.
6. Self-confidence, which is high indicates maturity both physically and mentally. People with high levels of self-confidence tend to be independent, responsible, objective, and critical. The maturity of a person’s character is reflected in his independence towards others.

**MSME Digitalization Upgrade**

**Digitization**

Digitalization is a term that refers to the use of digital technology and data to create a digital culture, increase revenue, and business. According to (Lasari, Kristiawati, and Afif 2023), Digitalization is the process of converting media from print, audio, or video into digital format.

*Digital platforms* also have a meaning as a container or method that provides a meeting place between people to exchange running a business, exchange information or offer services and services. with digital platforms, all these activities can be carried out in one location that connects buyers and sellers, providers and recipients of information, or service providers and users directly (Sendi et al. 2022).

The growth of digitalization has gradually penetrated many sectors, including the digital economy. The rapid advancement of technology and the digital world will certainly have an impact on the world of marketing. Around the world, marketing methods are changing from traditional marketing *(offline)* to digital marketing *(online)* (Purwana, 2017). Digital marketing involves using marketing strategies and digital distribution platforms to reach consumers in an effective, personalized, and economically efficient manner. Today, digital marketing has become a widely used strategy in the corporate industry. Implementing and using digital in the marketing process is the power of digital marketing (Komal, 2021). Digital marketing is the process of introducing and offering products to the market using online digital platforms through various tools such as social media. (Purwana, 2017). Based on the above understanding, it is concluded that digital marketing is an activity that is carried out digitally and utilizes internet technology.

This strategy is very profitable because it allows potential customers to access various information about products and make transactions online. On the other hand, digital marketing makes it easy for entrepreneurs to observe and meet the needs and desires of potential customers, while potential consumers only need to explore cyberspace to find and get information about products.

**MSME**

The definition of Micro, Small and Medium Enterprises (MSMEs) varies greatly according to various literature, laws, and institutions. According to Law
number 20 of 2008 concerning MSMEs, it is defined as follows:
1. Micro Efforts refer to productive ventures owned by each individual or individual effort body that has qualified as a micro-enterprise regulated in law.
2. Small Business is a form of productive economic business that stands alone, run by individuals or business entities that are not incorporated as subsidiaries or branches of MSMEs. As an important part of the corporate structure, this type of business can be owned, controlled, or be part of a medium or large enterprise, which qualifies as a small business under the provisions of the law.
3. Medium Enterprises are an independent form of economic business, run by individuals or business entities that are not incorporated as subsidiaries or branches of companies that own, control, or are involved either directly or indirectly with small or large businesses. The criteria for becoming a medium-sized enterprise include the amount of net worth or annual income in accordance with the provisions of this law.

According to Law Number 20 of 2008 article 6, the criteria used to establish a micro business based on wealth and sales proceeds are as follows:
1. Net worth not exceeding IDR 50,000,000.00 (fifty million rupiah), without counting the value of land and buildings for business premises; or
2. Annual sales revenue not exceeding IDR 300,000,000.00 (three hundred million rupiah)

For small businesses, the criteria set are as follows:
1. Net worth ranges from IDR 50,000,000.00 (fifty million rupiah) to IDR 500,000,000.00 (five hundred million rupiah), without stating the value of land and buildings for business premises; or
1. Annual sales revenue ranges from Rp 300,000,000.00 (three hundred million rupiah) to Rp 2,500,000,000.00 (two billion five hundred million rupiah).

Meanwhile, the criteria applicable to medium-sized enterprises are as follows:
1. Net worth ranges from IDR 500,000,000.00 (five hundred million rupiah) to IDR 10,000,000,000.00 (ten billion rupiah), excluding the value of land and buildings for business premises; or
2. Annual sales revenue ranges from Rp 2,500,000,000.00 (two billion five hundred million rupiah) to Rp 50,000,000,000.00 (fifty billion rupiah).

The important involvement of Micro, Small and Medium Enterprises (MSMEs) has a major impact on economic growth in Indonesia, especially on job creation and
household empowerment to increase income (Purwana, 2017).

**Indicators and premises of MSME Digitalization**

Digital *marketing* is a marketing strategy using digital means to reach buyers in relevant, personal, and cost-effective ways. This includes the use of web-based media such as websites, blogs, email as well as social media platforms such as Instagram, Facebook and *marketplaces*. Thus, digital marketing is not only limited to the internet, but includes various digital *platforms* (Satyo 2009).

(Eun Young Kim 2002) suggests that there are four dimensions in digital marketing, which can be described as follows:

1. **Interactive**
   The Interactive dimension in digital marketing refers to presentations designed to convey information and encourage users to interact.

2. **Incentive Program**
   The incentive program is an attractive strategy for the users, aimed at the company, so as to provide benefits to the company.

3. **Site Design**
   Site design includes the appearance applied to promote the product.

4. **Cost**
   The Cost dimension includes all expenses associated with marketing through digital media.

**Implications of Entrepreneurial Orientation**

**Understanding Entrepreneurial Orientation**

Entrepreneurship reflects the managerial ability of an organization, where the company initiates and manages competitive activities to benefit from its efforts (Nyello and Kalufya 2021).

Understanding entrepreneurial orientation according to (Utama, 2018) is an overview of and values possessed by an entrepreneur, such as readiness to take risks, adaptability, and speed in action. Entrepreneurial orientation is a concept that describes a person’s attitude or behavior that is driven by the desire to start an innovative business or business and create value for society (2022). According to Morris & Paul (1987), entrepreneurial orientation is the tendency of upper management to take measured risks, innovate, and think proactively. Based on the views of some experts on entrepreneurial organizations, it can be understood that entrepreneurial orientation is the ability of companies to utilize resources effectively in implementing entrepreneurial strategies and gaining competitive advantage.

**Indicators and premises Implications of Entrepreneurial Orientation**

Entrepreneurial orientation is characteristic at the firm level because it can reflect corporate behavior (Covin, J.
G., & Slevin 1989; Miller 1983). In particular, (Miller 1983) introduced specific aspects of entrepreneurial orientation based on three aspects, namely innovation, proactivity, and risk-taking.

**Innovation**

Involves the drive to introduce new ideas and concepts through creative and experimental processes with the goal of developing new products, services, and processes (Lumpkin, G., & Dess 2005).

**Proactive**

A proactive attitude indicates the ability to look ahead and anticipate future opportunities and possible demands (Lumpkin, G., & Dess 2005).

**Dare to take risks**

Courage in taking risks reflects a company’s readiness to make decisions and act without having detailed information about possible outcomes and risks associated with personal, financial, and business aspects (Lumpkin, G., & Dess 2005).

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From the literature review and the framework of thought that has been presented, the following hypotheses can be generated:

H1: The effectiveness of developing one's potential has an influence on entrepreneurial orientation
H2: Upgrading the digitalization of MSMEs has an influence on entrepreneurial orientation

RESEARCH METHODOLOGY

Research Methods
This study applies quantitative descriptive methods by using questionnaires as data collection instruments, as well as using survey approaches as research methods. (Sugiyono 2019) Quantitative research methods, derived from the philosophical approach of positivism, focus on examining the relationship between dependent and independent variables in a given population and sample. This research will explore how the Effectiveness of Self-Potential Development and MSME Digitalization Upgrade affects Entrepreneurial Orientation.

Population and Sample
(Sugiyono 2013) Explaining the nature of population refers to the generalization area consisting of subjects and objects that have certain qualities and characteristics determined by researchers to be the object of study, then concluded from the results of the study. (Sujarwenni, V. W., & Endrayanto, 2012) said, Population is a broad domain that includes subjects or objects with special attributes and traits that researchers choose to investigate and then analyze to draw conclusions. In this study, the population used is MSME actors in Trusmi Kulon Village who have attended entrepreneurship training so that it can provide the necessary information and meet the needs for the data studied. Based on the object of research, the effectiveness of developing self-potential and upgrading the digitalization of MSMEs towards entrepreneurial orientation will be analyzed.

(Sugiyono 2011) defines a sample as a part of the number and characteristics present in the population. Therefore, the sample is a representation of the population to be studied, allowing a smaller reduction in numbers compared to the whole population. The population in this study is MSME actors in Trusmi Kulon Village, with samples taken using the non-probability sampling method, especially MSME actors who have attended entrepreneurship training.

The instrument that researchers use is the Likert scale, which Sugiyono (2018) defines as a method to measure the opinions, perceptions and attitudes of individuals or groups towards social phenomena. The Likert scale breaks down the variables to be measured into indicators, which are then used as a basis for constructing instrument items, such as questions or statements. The scale consists of five response options: 1 = Strongly Disagree (STS), 2 = Disagree (TS), 3 = Agree (S), 4 = Strongly Agree (SS). This study applies the Structural Equations Modeling Partial Least Square
(SEM-PLS) data analysis method, using SMART PLS 4 software. Partial Least Square (PLS) statistical technique is one type of SEM method based on variance analysis. PLS connects independent variables with various dependent variables. Two stages of evaluation are carried out in PLS analysis: external model evaluation aims to increase the validity and reliability of instruments, while inner model evaluation focuses on improving the structure of relationships between latent variables (Milenia, Rabiatul Adawiyah, and Najmudin 2023).

Data Sources and Types

<table>
<thead>
<tr>
<th>Variable</th>
<th>Indicators</th>
<th>PD</th>
<th>UD</th>
<th>OK</th>
<th>AVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development</td>
<td>WW1</td>
<td>0.854</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Self-Potential</td>
<td>WW2</td>
<td>0.854</td>
<td>0.560</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>WW3</td>
<td>0.854</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Digitalization Upgrade</td>
<td>UD1</td>
<td>0.867</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>UD2</td>
<td>0.912</td>
<td>0.597</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>UD3</td>
<td>0.703</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Entrepreneurial Orientation</td>
<td>OK1</td>
<td>0.628</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>OK2</td>
<td>0.778</td>
<td>0.693</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>OK3</td>
<td>0.824</td>
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</tr>
</tbody>
</table>

The results of the convergent validity test above show that the loading factor value of all statement items > 0.70, except for the statement item in OK1, which is 0.628. Furthermore, the top table also presents the AVE value with the value of all variables more than 0.50. It is concluded that all statements on each research variable are valid or have met validity.

1. Reliability Test

<table>
<thead>
<tr>
<th>Cronbach’s alpha</th>
<th>Composite reability (rho_c)</th>
</tr>
</thead>
<tbody>
<tr>
<td>PD</td>
<td>0.615</td>
</tr>
<tr>
<td>UD</td>
<td>0.663</td>
</tr>
<tr>
<td>OK</td>
<td>0.792</td>
</tr>
</tbody>
</table>

This study used two types of data, namely primary data and secondary data. The subject or first party directly related to the study will provide the primary data source for the study. exactly fifty members of micro, small and medium enterprises (MSMEs) groups in Trusmi Kulon Village who attended entrepreneurship training. Researchers use literature and journals as data sources for this secondary data.

RESULT AND DISCUSSION

1. Validity of Conferences

Outer loading
From the table it can be seen that Cronbach’s Alpha value as well as the Composite Reliability value of all constructs are very satisfactory, exceeding 0.60, indicating that all construct indicators are trustworthy or meet reliability test standards.

<table>
<thead>
<tr>
<th></th>
<th>R-square</th>
<th>R-square adjusted</th>
</tr>
</thead>
<tbody>
<tr>
<td>OK</td>
<td>0.230</td>
<td>0.198</td>
</tr>
</tbody>
</table>

With an R Square value of 0.230 on the Entrepreneurship Orientation (OK) variable, this shows that the Self-Potential Development (PD) and Digitalization Upgrade (UD) variables can explain about 23.0% of the variables in Entrepreneurial Orientation (OK). It can be concluded that the model is considered weak.

**Uji Hypothesis**

| Hypothesis Test | Original sample (O) | Sample mean (M) | Standard deviation (STDEV) | T statistic (|O/STDEV|) | P value |
|-----------------|----------------------|-----------------|----------------------------|----------------|---------|
| PD -> OK        | 0.298                | 0.325           | 0.110                      | 2.710          | 0.007   |
| UD -> OK        | 0.345                | 0.386           | 0.125                      | 2.766          | 0.006   |

From the hypothesis test in the table above, it can be explained as follows:

1. The variable of Self-Potential Development (PD) obtained a statistical t value of 2.710 > 1.96 or a p value of 0.007 < 0.05, then H1 is accepted, namely Self-Potential Development (PD) affects Entrepreneurial Orientation (OK).

2. The Digitalization Upgrade (UD) variable obtained a statistical t value of 2.766 > 1.96 or a p value of 0.006 < 0.05, then H2 is accepted, namely the Digitalization Upgrade (UD) affects Entrepreneurial Orientation (OK).

This study used the Structural Equations Modeling Partial Least Square (SEM-PLS) data analysis method using SMART PLS 4 software. The Partial Least Square (PLS) statistical technique is a form of SEM method based on variance analysis, where PLS aims for independent variables with various dependent variables.

**The effectiveness of developing self-potential affects entrepreneurial orientation**

The results of hypothesis testing show that Self-Potential Development (PD) has a significant influence. MSME actors in Trusmi Kulon Village agree that
Entrepreneurial orientation is influenced by the development of self-potential. Things like this will definitely affect MSME players in terms of personalities who have an attitude of initiative in developing their potential to find opportunities and overcome challenges in business development as well as creativity of innovative new ideas in self-development as entrepreneurs and the courage to face risks to enter their businesses into new markets.

Entrepreneurship training has a real effect on increasing understanding of self-potential development towards entrepreneurial orientation, and there are significant differences in entrepreneurial attitudes between MSME actors who have attended training and those who have not attended potential development training towards entrepreneurial orientation. This is in line with the findings made (Kadiyono 2014).

Upgrading the digitalization of MSMEs affects entrepreneurial orientation

Hypothesis testing shows that increasing the digitalization of MSMEs has a significant impact. This means that the increasing level of digitalization of MSMEs, the more positive the entrepreneurial orientation. This is realized through various digital marketing strategies, such as interactive content (in the form of videos and posters) from Interactive, incentive programs as digital marketing efforts to make it easier for customers to find products, and site design to provide product information quickly and promote products.

(Laksono and Gultom 2022) stated that every business or marketing effort is considered necessary to use digital media as one of the important business development strategies, for this reason, MSME players can develop marketing strategies through digital marketing.

CONCLUSION

The results showed that Hypotheses 1 and 2, which stated that the effectiveness of developing self-potential and upgrading the digitalization of MSMEs in Trusmi Kulon Village affected the entrepreneurial orientation, was accepted. Statistical testing indicated that both factors significantly influenced entrepreneurial orientation, although the effect was relatively weak with an R squared value of 0.230. This shows that increasing the value of developing self-potential and digitalization can improve the quality of entrepreneurial orientation of MSME actors. However, to strengthen its effectiveness, digitalization efforts need to be adjusted to more targeted product and market characteristics. Further research is recommended to explore other variables that might affect entrepreneurial orientation more comprehensively, so as to provide deeper insights in supporting the development of MSMEs.
The Effectiveness of Developing Self-Potential and Upgrading the Digitalization of MSMes in the Implications of Entrepreneurial Orientation

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