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Examining The Effects of Social CRM on MSME Performance in Times of Crisis

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Abstract. This study aims to investigate the use of Social Customer Relationship Management (SCRM) in Micro, Small, and Medium Enterprises (MSMEs) and its impact on their business performance in times of crisis via innovation and marketing capability. A conceptual model of SCRM's linkages to business performance and the associated mediating variables was then empirically tested through a survey of 200 MSMEs from the creative industry in Jakarta, Indonesia. These data were analysed using Partial Least Square-Structural Equation Modeling (PLS-SEM). The results revealed that using SCRM positively and significantly affected MSME business performance. Marketing capability partially mediated the influence of SCRM on business performance. Conversely, innovation capability did not mediate the relationship between SCRM and business performance, although SCRM positively and significantly affected innovation capability. This study contributes to SCRM literature on how SCRM affects MSME's market share, sales, and profits in times of crisis and the role of innovation and marketing capability as mediators. This study also provides managerial insights related to improving the implementation of SCRM by increasing the intensity of customer engagement and leveraging customer information as a basis for developing their innovation and marketing capability during a crisis.

Keywords: Social customer relationship management, business performance, innovation capability, marketing capability, social media, MSMEs, creative industry, crisis.

1. Introduction

The globe has recently battled to recover from the disaster brought on by COVID-19. This rehabilitation effort is complex because, concurrently, the world is experiencing economic difficulties brought on by external geopolitical pressures. These geopolitical pressures have fueled commodity price increases and inflation in several countries (Central Bank of Indonesia, 2022). The past COVID-19 pandemic has affected the performance of MSMEs. Based on an online survey conducted by Bank Indonesia on 935 MSMEs at the end of the second quarter of 2020, 71.5% of MSMEs experienced a decline in performance, with 56% experiencing decreased sales, 35% capital difficulties, and 50% raw material difficulties (Central Bank of Indonesia, 2020). Geopolitical pressures slowed post-pandemic recovery because they impact rising energy and food prices and higher interest rates, which will significantly disrupt small businesses (Kompas, 2022). The increase in energy prices impacts the MSME business performance. As many as 41.6% of MSME business actors reported that the selling price of their products had increased, 67.7% said that the total cost of their business had grown, 30.3% stated that their production or sales volume had decreased, 36.1% stated that sales value had fallen so that there were 41.2% of MSME business actors said that their business profits also reduced (Bank Rakyat Indonesia, 2022).

As part of the global economic environment, Indonesia fights to survive numerous financial obstacles in the global economy. Nonetheless, Indonesia can continue to experience significant economic growth despite facing numerous global obstacles (Central Bank of Indonesia, 2022). One of the reasons for this positive economic growth is the support from Micro, Small, and Medium Enterprises (MSMEs). MSMEs can support the Indonesian economy because they overcame the challenges of the monetary crisis in 1998 and the problem caused by the COVID-19 pandemic (Minister of Finance of the Republic of Indonesia, 2022).

Among many MSMEs in Indonesia, MSMEs in the creative industry are growing significantly (Wijaya & Suasih, 2020). Some MSMEs in the creative sector, such as culinary (26.1%), crafts and fashion (29.9%), are the most likely to survive during the crisis (Central Bank of Indonesia, 2020). Based on this fact, we became compelled to conduct research on the business strategies that have enabled these MSMEs to survive.

The Ministry of Cooperatives and Small and Medium Enterprises (2021) revealed that 42% of MSMEs had used social media or digital platforms for their survival. Social media not only functions as a medium to sell products but also plays a role in supporting Customer Relationship Management (CRM). Especially in difficult situations, a CRM strategy is needed to adapt to changing customer needs when disruptive events occur (Lozada-Contreras et al., 2021). The use of social media for CRM is increasingly important because social media's ability to bring interaction and relations makes it a suitable tool for CRM (Harrigan et al., 2020). This utilisation of social media for CRM is known as Social CRM or Social Customer Relationship Management (SCRM).

MSMEs have several characteristics that make SCRM suitable for them. They have human resources, managerial skills, and capital resources limitations and do not have knowledge management (Klein & Todesco, 2021). Nonetheless, their small size will make them more flexible in facing environmental changes during a crisis. They have more flexibility than large businesses because MSME managers can build closeness with customers, making it easier to obtain crucial market information to help them overcome crises (Eggers, 2020). Social media has resulted in the social evolution of CRM because it facilitates dialogue, sharing, and building communities and relationships (Sigala, 2018), making it possible for MSMEs to build closeness with customers. Through SCRM, MSMEs can facilitate the development of innovation and marketing capability, which are essential for MSMEs in times of crisis. SCRM enables value co-creation through customer engagement in social media (Diffley et al., 2018) so that customer data and information can be utilised for the development of innovation (Cui & Wu, 2016) and appropriate marketing strategies (Guha et al., 2017).

Lee and Yoo (2021) revealed that innovation and marketing capability are indispensable for developing small businesses. Therefore, a small business should strengthen these two capabilities, especially in times of crisis. Innovation capability is needed because they face a complicated and turbulent environment (Yuan et al., 2016). Meanwhile, marketing capability is essential because the market becomes increasingly competitive during times of crisis (Anghel et al., 2013; Eggers, 2020). Therefore, understanding and satisfying customers' needs is crucial to improving business performance (Yuan et al., 2016). Through social media, CRM establishes a new way where the social network can function as a valuable source of information to create innovation (Cheng & Shiu, 2018). CRM also supports companies in improving their marketing capability, therefore, organisations can obtain customer information and improve marketing strategies based on this information (Mohammed et al., 2017).

Even though there have been multiple studies on SCRM and its relationship with corporate performance, several study gaps present us with opportunities for more in-depth research:

First, CRM strategy is a routine activity commonly conducted by companies to improve customer relationships. Unfortunately, no empirical research has been conducted on how the adoption of SCRM improves business performance during times of crisis, particularly in MSMEs. A study by Klein & Todesco (2021) has discussed the importance of technological adaption and digital transformation, such as CRM for the survival of MSMEs during times of crisis. Another study along the same lines was by Lozada-Contreras (2021), who revealed the effectiveness of adapting CRM concepts in emergencies. Nevertheless, these studies were conceptual and qualitative, hence why empirical studies are still needed to validate the suggested concepts. Therefore, this study focuses on the effect of SCRM on MSME business performance during a crisis, considering the importance of MSMEs for economic resilience during an emergency.

Second, little research has yet explored the effect of SCRM on business performance beyond the customer relationship aspect (Perez-Vega et al., 2022). Previous studies by some researchers showed a common focus on the impact of SCRM on customer relationship performance, such as customer satisfaction, retention, and loyalty (Choudhury & Harrigan, 2014; Harrigan et al., 2015, 2020; Marolt et al., 2020; Trainor et al., 2014). In addition, some researchers also investigated the effect of SCRM on organisational performance by integrating customer relationship performance and other performance measures, such as financial and market performance (Charoensukmongkol & Sasatanun, 2017; Medjani & Barnes, 2021; Wongsansukcharoen et al., 2015). Thus, we need to fill in the study gap by focusing research on the effect of SCRM on business performance: market share, sales volume, and profits, which are all essential indicators for the survival of MSMEs.

Third, declining customer demand in times of crisis will encourage MSMEs to improve their innovation capability to increase business performance. Nevertheless, a dearth of research has examined the role of SCRM and its effect on MSME business performance through innovation capability. Previous studies investigated the mediating effect of innovation capability in the relationship between CRM and organisational performance in traditional CRM rather than in SCRM and did not focus on MSMEs (Battor & Battor, 2010; Migdadi, 2021; Valmohammadi, 2017). Moreover, there is still no clarity regarding the effect of using SCRM on the innovation capability of MSMEs. Ioanid et al. (2018) revealed that social networks help MSMEs present new product innovations because ideas on social networks inspire them. However, on the other hand, Guha et al. (2017) found the opposite results. The use of SCRM by SMEs did not involve customers in generating or improving new ideas. Thus, this study will focus on the role of innovation capability as a mediator in the relationship between SCRM and MSME business performance.

Fourth, little empirical study has examined the influence of SCRM on improving marketing capability and how this capability affects firm performance, particularly in MSMEs. Previous studies examined the role of marketing capability as a mediating variable in the relationship between CRM technology use and organisational performance, mainly in traditional CRM rather than in SCRM, and did not focus on MSMEs (Chang et al., 2010; Mohammed et al., 2017). Besides that, the research by Chang et al. (2010) and Mohammed et al. (2017) measure marketing capability only by architectural marketing capability, excluding specific marketing capability (marketing mix). Thus, there is still an opportunity to examine the role of marketing capability as a mediator in the relationship between SCRM and business performance, involving architectural and specialised marketing capability.

To address the above research gaps, we draw on the Resource-Based View (RBV), Knowledge-Based View (KBV), Service-Dominant Logic (SDL), and Resource Advantage (RA) theory to answer the research questions:

RQ1: How does SCRM affect the business performance of MSMEs?

RQ2: How does SCRM affect MSME business performance through innovation capability and marketing capability?

Based on the research problems, this study aims to investigate the use of SCRM in influencing the MSME business performance through innovation and marketing capability. Therefore, this study provides several unique novelties from previous research in SCRM. It is first, developing the link between SCRM and business performance beyond customer relationship performance; second, testing the role of mediators, namely innovation and marketing capabilities, in this link; third, expanding the application of SCRM in the MSME context; and fourth, add new insights regarding applying SCRM in times of crisis.

2. Literature Review

2.1. Theoretical Background

This study will examine the effect of SCRM implementation on MSMEs and its impact on the organisation's business performance. For this purpose, this study uses a synthesis of several theories in the development of a theoretical framework, namely RBV (Barney, 1991), SDL(Vargo & Lusch, 2008), KBV (Grant, 1996), and RA theory (Hunt & Morgan, 2005).

In this study, the RBV is the leading theoretical framework to explain the link between SCRM and MSME business performance. Meanwhile, SDL, KBV, and RA support the RBV in explaining this link, especially in defining the role of mediators. SCRM is consistent with the RBV, which acknowledges that integrating social media technology and relational resources is crucial for improving MSME performance (Medjani & Barnes, 2021). Social media technologies enable CRM implementation, including customer engagement initiatives, social information processing (Harrigan et al., 2020), and value co-creation (Diffley et al., 2018). Relational and information resources gathered from interactions with customers on social media are part of the intangible resources recognised as sources of competitive advantage (Monteiro et al., 2019).

SCRM is consistent with the SDL, allowing MSMEs to involve customers in value co-creation (Diffley et al., 2018), significantly increasing innovation and marketing capabilities in MSMEs. The SDL has a relationship with the RBV. The SDL states that customers are active participants in the value creation process so that customers (through their knowledge and skills) are considered operant resources, which are sources of competitive advantage for companies.(Vargo & Lusch, 2008). Customer knowledge and skills are resources for enhancing MSMEs' innovation and marketing capability. Thus, the SDL mainly helps explain the link between SCRM and innovation capability and between SCRM and marketing capability.

The KBV, extending from the RBV (Nguyen et al., 2015), explains the link between SCRM and innovation capability and between SCRM and marketing capability. Based on the KBV, customer engagement in using social media will be helpful to assist companies in utilising customer information as valuable knowledge to develop innovation (Cui & Wu, 2016) and design marketing strategies according to market knowledge (Alshanty & Emeagwali, 2019; Zhang et al., 2020).

Furthermore, the RA theory, which combines the theory of the firm (RBV) and the theory of competition, emphasises the importance of a constant struggle to attain comparative advantages in resources and competitive advantages in markets (Hunt & Morgan, 2005), manifested in constantly improving innovation and marketing capability. Thus, this research is consistent with the RA theory, which emphasises the importance of dynamic capabilities to cope with competitive dynamics (Hunt & Morgan, 2005) because MSMEs face an increasingly competitive and turbulent environment in times of crisis. At this challenging time, MSMEs, with their limitations, are very vulnerable to various threats. This condition indicates that MSMEs require constant struggle, especially during a crisis. Therefore, they must enhance their innovation and marketing capability to remain competitive. Through SCRM, MSMEs are facilitated to gain comparative advantages in resources (relational and informational resources), which produce excellent innovation and marketing capability and lead them to achieve competitive advantage in the market and superior performance. Hence, the RA theory explains the role of innovation and marketing capability as mediators in this linkage. Figure 1 depicts the theoretical framework of this study.

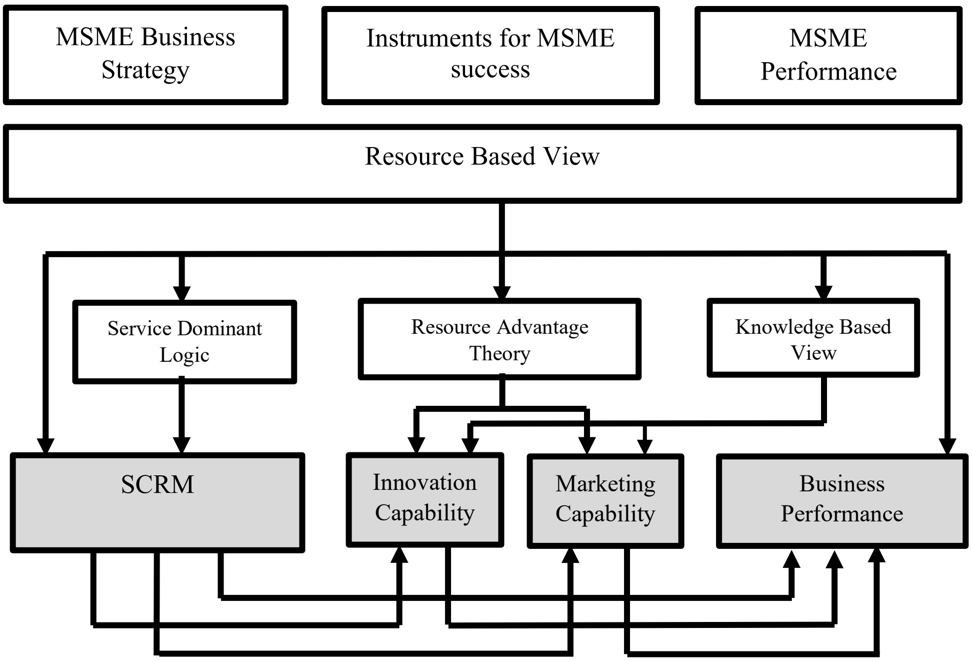

Fig 1. Theoretical Framework

2.2. SCRM and MSME Business Performance in Times of Crisis

Business performance is the organisation's achievement related to profitability, sales, and market share (Hult et al., 2004). Crisis conditions significantly impact the MSME business performance. It is because MSMEs are part of the economic environment. Therefore, all kind of crises, such as financial, economic, political, or health crises, including problems caused by natural disasters, will threaten their operational activities and business performance (Otache & Usang, 2022).

MSMEs are very vulnerable to the impact of the crisis, such as reduced demand, loss of qualified employees, and financing difficulties because of their limited resources and capability (Caballero-Morales, 2021). However, despite their weaknesses, MSMEs also have the advantage of being small in size. They can build closer customer relationships than large companies to obtain valuable customer information (Eggers, 2020). It means that a CRM strategy is necessary in times of crisis because CRM strategy emphasises customer orientation in a constantly changing environment (Javalgi et al., 2006), and the use of social media for CRM is very suitable for MSMEs in this situation (Klein & Todesco, 2021). Therefore, SCRM is an appropriate strategy for MSMEs in times of crisis. Even though the direct impact of using SCRM is on customer relationship performance, ultimately, this performance will lead to an increase in profit and revenue (Soltani & Navimipour, 2016; Zhang et al., 2020).

SCRM is a company activity involving customers through interactive communication on social media to create better customer relationships (Trainor et al., 2014). Integrating social media in CRM activities will enhance the capability of SCRM over traditional CRM in several ways (Steinhoff et al., 2018), particularly in creating customer engagement, which is a significant part of SCRM (Beckers et al., 2018). The SCRM concept is an extension of traditional CRM, which includes creating engagement with customers and processing customer data and information (Jayachandran et al., 2005).

The development of SCRM is not only beneficial for large companies but also for MSMEs. For MSMEs with relatively lower financial resources, SCRM is suitable because they can adopt social media technology at a low cost. In addition, MSMEs usually face several challenges in managing information systems and marketing strategies to attain the expected performance. Therefore, combining marketing and information resources makes this SCRM technology suitable for MSMEs to build effective customer relationships (Ahani et al., 2017).

Based on the RBV, social media is a resource that companies use to implement CRM to achieve growth and superior performance (Guha et al., 2017). Social media platforms allow CRM operations such as customer engagement initiatives, social information processing (Harrigan et al., 2020), and value co-creation (Diffley et al., 2018). Relational and information resources garnered from interactions with customers on social media are recognised as sources of competitive advantage (Monteiro et al., 2019). SCRM can empower customers to contribute beyond economic transactions (Beckers et al., 2018). Diffley et al. (2018) extended SCRM into the social context by adopting the SDL perspective into CRM studies. CRM study is consistent with the SDL because social media technology allows interactive conversation and value co-creation with customers (Diffley et al., 2018).

In the context of SCRM research, a company can achieve superior business performance by implementing a relationship marketing strategy directed to customer relationships. Customer relationship orientation is a characteristic of an organisational culture that emphasises continuing mutually beneficial customer relationships, which are part of an intangible resource. Therefore, if MSMEs have intangible resources that are difficult to imitate, they can achieve sustainable competitive advantage and superior business performance because it leads to valuable and unique resources (Barney, 1991).

In times of crisis, the role of SCRM becomes even more critical for small businesses because, through the implementation of SCRM, small business managers can engage in empathetic dialogue with customers and gather valuable information about recent market trends (tacit knowledge accumulation) as a basis for developing the necessary strategies for their business continuity (Klein & Todesco, 2021). Based on an explanation of the characteristics of SCRM and relevant theories, we state the following hypothesis:

H1: Using SCRM has a positive effect on MSME business performance.

2.3. The Links between SCRM, Innovation Capability, and MSME Business Performance

Innovation capability is "the capacity to constantly turn information and ideas into new products, processes, and systems for the benefit of the company and its stakeholders" (Kafetzopoulos & Psomas, 2015).

Innovation capability is a knowledge-based resource for SMEs (Heenkenda et al., 2022). Therefore, innovation capability is consistent with the KBV because this theory emphasises optimising organisational knowledge and learning to foster innovation (Nguyen et al., 2015). Through customer engagement on social media, companies gain knowledge about customer needs/feedback to obtain more product and service ideas that are more valuable to customers (Cheng & Shiu, 2018). Innovation capability must be continuously developed to gain a comparative advantage in resources and a competitive advantage in the market to achieve excellent financial performance. This view aligns with the RA theory, emphasising constant struggle and innovation (Hunt and Morgan, 2005).

In small businesses, superior innovation capability enhances their competitiveness, productivity, business performance growth, and sustainability (Adam & Alarifi, 2021; Heenkenda et al., 2022; Madrid-Guijarro et al., 2009; Maldonado-Guzmán et al., 2019). Thus, having superior innovation capability is an absolute requirement for small businesses, mainly because they face increasingly competitive markets due to globalization and the dominance of large (Heenkenda et al., 2022). In times of crisis, innovation capability is increasingly essential for small businesses because it allows them to act nimbly to adapt to changing customer needs (Otache & Usang, 2022). The crisis has resulted in many changes in the market, such as the emergence of new value propositions, new market segments, new products, and renewed logistics and marketing channels (Lozada-Contreras et al., 2021). Therefore, these changes demand small businesses to have strong innovation capability.

SCRM is emerging as a business strategy for utilising social networks as a source of information to build innovation (Cheng & Shiu, 2018). This approach is in line with the SDL, where value is developed by implementing the activity of value co-creation (Vargo & Lusch, 2008), as customers are the most accessible actors to provide information in the innovation process (Ioanid et al., 2018). Interaction with customers allows companies to generate new ideas outside the company to improve weaknesses and increase innovation capability (Shafi, 2021). Based on the KBV, SCRM activities that emphasise a firm's ability to create interactions on social media can assist firms in acquiring knowledge about customers necessary for innovation development (Cheng & Shiu, 2018).

Several studies examine the relationship between CRM adoption and innovation capability. Valmohammadi (2017) revealed that CRM practices positively and significantly influence organisational innovation capability. Other studies in the service industry (hotels) also showed that SCRM activities positively affect service innovation (Diffley et al., 2018). Likewise, in a crisis, the use of social media for CRM is increasingly needed by small businesses to gather new customer ideas to improve innovation capability (Klein & Todesco, 2021). In line with the discussion above, we propose this hypothesis:

H2a: The use of SCRM has a positive effect on innovation capability.

During a crisis, the ability to innovate allows MSMEs to respond immediately to changing customer needs by updating their offerings, processes, and systems (Otache & Usang, 2022). Innovation considerably impacts company performance by generating a better market position that provides a competitive advantage and excellent performance (Ferreira & Coelho, 2020).

The RA theory emphasises the salience role of proactive and reactive innovation as a form of continuous struggle in a competition (Hunt & Morgan, 2005). Realising the importance of innovation encourages companies to interact with customers to obtain the information needed to innovate. Companies collaborating with stakeholders, such as customers, can innovate because cooperation will increase the information resources needed to expand offerings and processes (Shafi, 2021; Yang & Shafi, 2020). Through SCRM, companies gain resource advantages (relational and information resources), enabling companies to improve innovation capability and ultimately attain competitive advantage and superior performance.

While the relational resources and information resources gained through the implementation of SCRM are essential for a company's success, capability is needed to transform these resources into higher performance (Shafi, 2021). In this case, innovation capability is required to transform these relational and information resources into a successful innovation in the market. Hence, we posit the hypothesis:

H2b: Innovation capability has a positive effect on MSME business performance.

H2c: Innovation capability mediates the effect of SCRM on MSME business performance.

2.4. The Links between SCRM, Marketing Capability, and MSME Business Performance

Marketing capability is the company's competence to accommodate and create market demand through strategic planning and implementation and marketing mix strategies (product, price, distribution, and promotion) to meet customer satisfaction (Vorhies et al., 2009).

Based on the KBV, market sensing is part of an organisation's marketing capability to observe markets, learn about current and future customer needs, and respond to those market needs (Alshanty & Emeagwali, 2019). In the context of SCRM studies, the information obtained from SCRM activities can be used to develop customer segments and appropriate marketing strategies for these market segments.

Marketing capability is essential for small businesses, primarily in times of crisis, because the market becomes increasingly competitive (Anghel et al., 2013; Eggers, 2020). In difficult times, small businesses struggle to cope with the decreasing demand that impacts sales and profitability. Therefore, small businesses should have excellent marketing capability to develop the right marketing strategy. For example, they must redesign the product line with competitive prices, be selective in the marketing channel, and use highly cost-effective promotion to increase customer demand (Nikbin et al., 2022). Even though the marketing capability of small businesses is not as strong as those of large companies (Joensuu-Salo et al., 2023), today, small businesses increasingly have access to digital tools such as social media applications (Klein & Todesco, 2021), which can be used to support the implementation of CRM (Harrigan et al., 2020) and improve marketing capability.

SCRM provides an interactive communication channel where companies can include customers in planning and implementing marketing strategies (Guha et al., 2017). This approach aligns with the SDL, that value is developed through value co-creation (Vargo & Lusch, 2008). Therefore, companies should be able to approach more customers to understand their desires by analysing the characteristics of each customer (Chatterjee et al., 2021). To achieve this goal, MSMEs should actively engage in social media interactions and utilise all the information obtained. MSMEs can also specifically encourage customers to write reviews about their products or services (Marolt et al., 2020), which improves the ability of MSMEs to plan and execute their marketing strategies and tactics (Chatterjee et al., 2021; Harrigan et al., 2020; Marolt et al., 2020).

Referring to the KBV, information about customers and other market factors obtained through social media is a valuable part of the company's knowledge base (Alshanty & Emeagwali, 2019) to understand customer needs. The better the company's ability to understand what customers like as a result of SCRM implementation, the better the company's marketing strategy (Jalal et al., 2021).

In times of crisis, the implementation of CRM (either using social media technology or other CRM information systems) is necessary because, through interaction between companies and their customers, companies can develop appropriate marketing strategies to maintain customer value (Klein & Todesco, 2021; Lozada-Contreras et al., 2021). Therefore, we posit the following hypothesis:

H3a: The use of SCRM has a positive effect on marketing capability.

Marketing capability can increase customer value through specificity and personalised offerings to increase customer satisfaction and retention and ultimately increase company profit (Mohammed et al., 2017). The elements that make up marketing capability depend on complex or less evident processes and are derived more from the experience of employees (tacit knowledge). In the context of SCRM, how relational and information resources are transformed into superior marketing capability is a complex process that is hard to imitate. Thus, marketing capability can become complex for competitors to imitate, thereby creating a competitive advantage that improves MSME performance (Alnawas & Abu Farha, 2020).

Refers to the RA theory, unique resources owned by the organisation (relational and information resources obtained through SCRM) can generate a comparative advantage. These resources enable the company to improve its marketing capability and ultimately achieve a competitive advantage and excellent business performance (Hunt & Morgan, 2005). Excellent marketing management has a vital role in recovering from disruptive events, and managers should consider CRM strategies to improve their marketing capability in these difficult times (Lozada-Contreras et al., 2021). Based on the above discussion, we state the following hypothesis:

H3b: Marketing capability has a positive effect on MSME business performance.

H3c: Marketing capability mediates the effect of SCRM on MSME business performance.

Based on the above-presented discussion, Figure 2 shows the research model proposed in this study.

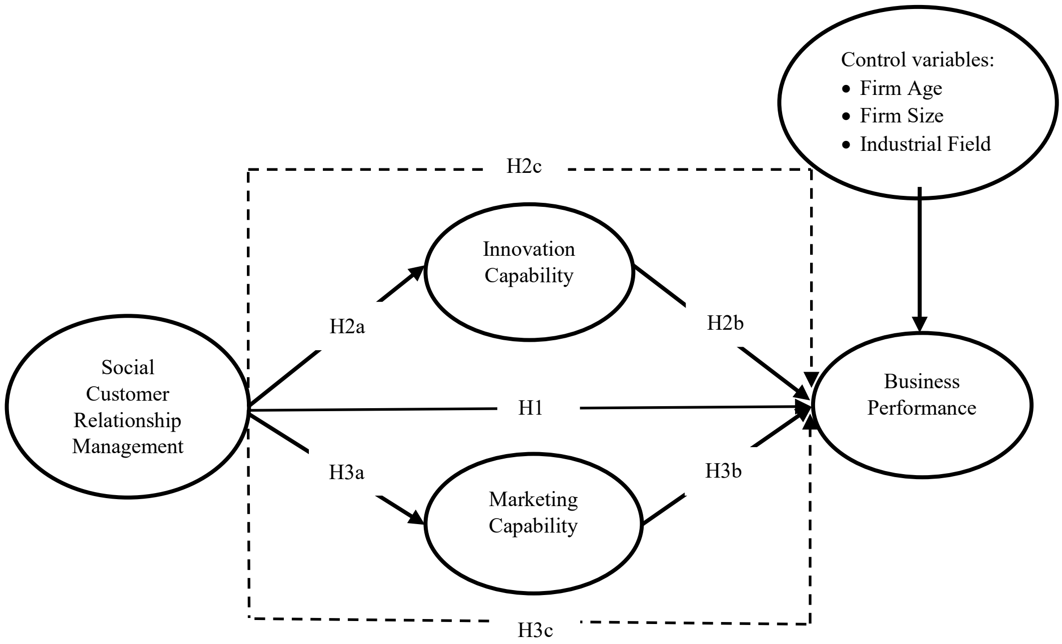

Fig. 2: Research Model

3. Research Methodology

3.1. Research Design

This research explains the causal relationship between variables based on synthesising several theories. Thus, based on the characteristics of this research, this study can be classified as explanatory research using a quantitative approach.

3.2. Data and Sample

Respondents in this study are business owners or managers of MSMEs in the culinary, fashion, and craft sectors in Jakarta who have actively developed customer engagement in social media for at least the last three years. The reason for determining the minimum time of three years is so that applying social media for CRM has a sufficient period to have a meaningful influence on the endogenous variable (Cheng & Shiu, 2018). We chose Jakarta for our fieldwork because Jakarta is the province with the most significant proportion of individuals using the Internet during 2015-2019 (Central Bureau of Statistics of Indonesia, 2022). This extensive internet use implies that MSMEs in Jakarta tend to interact with their customers via social media more than in other areas, making it suitable for SCRM research.

This study applied non-probability sampling with the judgmental sampling method. The sample size was 200 MSMEs. To obtain these 200 samples, we distributed 349 paper-based questionnaires through direct visits to the targeted MSMEs. Out of the 349 MSMEs, only 216 indicated their willingness to respond. Because 16 were invalid and incomplete responses, leaving 200 remaining usable samples (57.31% response rate).

3.3. Measurement

We developed the questionnaire through literature study, the definition of variables, and previous empirical studies. Business performance was measured by market share, sales, and profit in the last three years, using three items adapted from Otache & Usang (2022) and Wahyuni & Sara (2020). We measure business performance using subjective measurements based on the perceptions of MSME owners and managers. SCRM was measured with thirteen items and six dimensions (customer engagement initiatives, information capture, information integration, information access, information use, and value co-creation) adapted from Diffley et al. (2018), Harrigan et al. (2020), Marolt et al. (2020), and Medjani & Barnes (2021). Innovation capability was measured with eight items and three dimensions (product, process, and management innovation) by Wahyuni & Sara (2020), Odoom & Mensah (2019), and Madrid-Guijarro et al. (2009), while marketing capability was measured with nine items and two dimensions (architectural and specialist marketing capability) from Mohammed et al. (2017) and Yuan et al. (2016). Then, respondents rated all items using a Likert scale from 1 (strongly disagree) to 5 (strongly agree).

3.4. Analysis Method

We used PLS-SEM to examine all indicators that measure latent variables and to test the hypothesis (Hair et al., 2017).

4. Results and Discussion

4.1. Results

4.1.1. Descriptive Information

Of the 200 companies, 39.5% used two social media platforms, 40.9% used Instagram, 58% were culinary, 55.5% operated for more than five years, 60.5% had 5-19 employees, and 80.5% were in certain business districts. Of the 200 respondents, 53% were male, 44.5% were 20-29 years old, 45.5% were bachelor graduates, and 50% were managers. Table 1 represents the features of companies, and Table 2 describes the characteristics of respondents.

Table 1: The Features of Companies

Features	Classification	Frequency	Percentage
The number of social media platforms used	1	45	22.5
	2	79	39.5
	3	57	28.5
	>3	19	9.5
Platform used	Instagram	188	40.9
	Whatsapp	157	34.2
	Facebook	71	15.5
	Tiktok	17	3.7
	Youtube	12	2.6
	Twitter	10	2.2
	Line	4	0.9
Industry field	Culinary	116	58
	Fashion	56	28

	Crafts	28	14
Firm age (years)	3	45	22.5
	>3–5	44	22
	>5	111	55.5
Firm size (number of employees)	< 5 (micro)	36	18
	5–19 (small)	121	60.5
	20–99 (medium)	43	21.5
Place of business	Home	39	19.5
	Business districts	161	80.5
Percentage of online sales	< 50%	114	57
	≥ 50%	86	43

Note: Questionnaires were distributed from May to September 2022.

Table 2: The Characteristics of Respondents

Features	Classification	Frequency	Percentage
Gender	Male	94	47
	Female	106	53
Age (years)	20-29	89	44.5
	30-39	52	26
	40-49	36	18
	50-59	18	9
	60-65	5	2.5
Education	Under high school	12	6
	High school	72	36
	Diploma	12	6
	Bachelor	91	45.5
	Postgraduate	13	6.5
Position	Owner	63	31.5
	Manager	100	50
	Owner and manager	37	18.5

4.1.2. Assessment of Potential Common Method Bias

Considering that all data are self-reported and collected from one informant at a time, the problem of common methods bias (CMB) can occur (Podsakoff et al., 2003). Harman's single-factor test showed that the variation explained by the most substantial factor was 35.06%, below the critical value of 50%, meaning that CMB was not a problem in this study. We also conducted a full collinearity test by checking all latent variables' variance inflation factors (VIFs) (see Table 3). The VIF value < 3.3 indicates that CMB does not cause significant problems in this model (Kock, 2015).

Table 3: Inner Collinearity Statistics (Variance Inflation Factors)

	Business Performance	Innovation Capability	Marketing Capability
Innovation Capability	2.059		
Marketing Capability	2.074		
Social Customer Relationship Management	1.602	1,000	1,000

4.1.3. Measurement Model

Table 4 shows all items of each construct and descriptive statistics. All constructs in this study used a reflective approach. Some items have outer loadings lower than 0.7 as the threshold value (Hair et al., 2017). However, we did not eliminate them, considering that the SCRM scale in MSMEs is still in development (see Table 5 and Figure 3).

Table 6 exhibits that all constructs' AVE square root values were higher than the correlation with other constructs, denoting that all constructs in this study have good discriminant validity. In addition, all constructs in this study have a Cronbach's alpha and composite reliability value higher than the recommended value of 0.7 (Hair et al., 2017), meaning that the reliability of each construct in the model was good (see Table 5).

Table 4: Items and Descriptive Statistics

Item Code	Mean	Standard Deviation
BP1	3.370	0.971
BP2	3.350	0.994
BP3	3.295	0.989
Average	3.338	
SCRM1	4.090	0.701
SCRM2	3.745	0.819
SCRM3	3.775	0.764
SCRM4	3.480	0.969
SCRM5	3.755	0.809
SCRM6	3.835	0.823
SCRM7	3.810	0.777
SCRM8	3.610	0.859
SCRM9	3.865	0.785
SCRM10	3.880	0.759
SCRM11	3.815	0.819
SCRM12	3.670	0.917
SCRM13	3.575	0.908
Average	3.761	
IC1	4.050	0.766
IC2	3.785	0.824
IC3	4.145	0.643
IC4	3.870	0.688
IC5	3.395	0.824
IC6	3.875	0.768
IC7	3.995	0.667
IC8	4.090	0.650
Average	3.906	
MC1	3.610	0.684
MC2	3.805	0.691
MC3	3.820	0.676
MC4	3.715	0.688
MC5	3.975	0.651
MC6	3.800	0.742
MC7	3.875	0.678
MC8	3.470	0.854
MC9	3.710	0.810
Average	3.753	

Table 5: Measurement Model

Construct	Item Code	Outer loading	Cronbach's alpha	Composite reliability	Average Variance Extracted
Business Performance	BP1	0.925	0.945	0.965	0.901
	BP2	0.969			
	BP3	0.953			
Social Customer Relationship Management	SCRM1	0.704	0.902	0.919	0.508
	SCRM2	0.677			

	SCRM3	0.679			
	SCRM4	0.692			
	SCRM5	0.667			
	SCRM7	0.738			
	SCRM8	0.729			
	SCRM9	0.731			
	SCRM10	0.790			
	SCRM11	0.801			
	SCRM12	0.612			
Innovation Capability	IC1	0.766	0.887	0.910	0.559
	IC2	0.720			
	IC3	0.736			
	IC4	0.776			
	IC5	0.717			
	IC6	0.759			
	IC7	0.754			
	IC8	0.752			
Marketing Capability	MC1	0.782	0.912	0.928	0.589
	MC2	0.774			
	MC3	0.823			
	MC4	0.825			
	MC5	0.645			
	MC6	0.710			
	MC7	0,765			
	MC8	0.776			
	MC9	0.792			

Table 6: Correlation and the Square Root of Average Variance Extracted

	Business Performance	Social Customer Relationship Management	Innovation Capability	Marketing Capability
Business Performance	0.949			
Social Customer Relationship Management	0.326	0.713		
Innovation Capability	0.287	0.561	0.748	
Marketing Capability	0.349	0.565	0.686	0.768

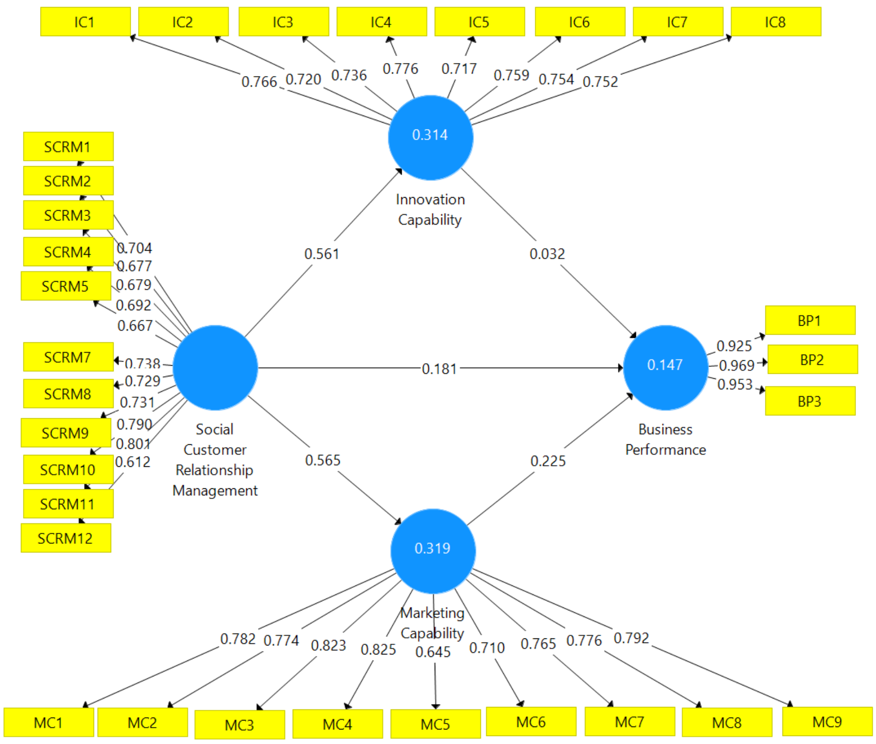

Fig. 3: Path Coefficient without Control Variable

4.1.4. Structural Model

Structural model evaluation was conducted to assess the significance of path coefficients, R^2, and Q^2 values. For hypothesis testing, we used the bootstrap resampling method with 5000 samples and a significance level of 5%. Tables 7 and 8 below show direct and indirect (mediation) effects testing. Furthermore, Table 9 shows the coefficient determination and predictive relevance.

Table 7: Direct Effect Testing

Relationship	Original Sample	Sample Mean	Standard Deviation	T Statistics	P Values
Social Customer Relationship Management→ Business Performance	0.181	0.182	0.086	2.096	0.036
Social Customer Relationship Management→ Innovation Capability	0.561	0.568	0.056	10.096	0.000
Innovation Capability → Business Performance	0.032	0.034	0.093	0.341	0.733
Social Customer Relationship Management→ Marketing Capability	0.565	0.573	0.053	10.639	0.000
Marketing Capability → Business Performance	0.225	0.225	0.105	2.136	0.033

Table 8: Mediation Effect Testing

Relationship	Original Sample	Sample Mean	Standard Deviation	T Statistics	P Values
Social Customer Relationship Management→ Innovation Capability → Business Performance	0.018	0.020	0.054	0.331	0.740
Social Customer Relationship Management→ Marketing Capability → Business Performance	0.127	0.128	0.062	2.062	0.039

Table 9: Coefficient Determination and Predictive Relevance

Construct	Model 1 (Without Control Variables)		Model 2 (With Control Variables)	
	R^2 (R^2 Adjusted)	Q^2	R^2 (R^2 Adjusted)	Q^2
Business Performance	0.147 (0.134)	0.122	0.211 (0.174)	0.170
Innovation Capability	0.314 (0.311)	0.167	0.314 (0.311)	0.167
Marketing Capability	0.319 (0.316)	0.182	0.319 (0.316)	0.182

4.1.5. Control Variables

Besides the main independent variables presented in the hypotheses, we also control for firm-specific features that may affect business performance: firm size, firm age, and industrial field. The result showed that firm age (MSMEs operating for more than five years.) had a significant but negative effect on business performance at the 1% significance level (see Table 10 and Figure 4). However, the hypothesized relationship still holds after adding this control variable because the effect size (f^2) of firm age was insignificant because p = 0.146 (> 0.05), meaning that the effect of firm age on business performance, although significant, was weak. Thus, alternative explanations of the causal relationship involving firm age can be ruled out.

Table 10: Model with Control Variable

Relationship	Original Sample	Sample Mean	Standard Deviation	T Statistics	P Values
Social Customer Relationship Management → Business Performance	0.193	0.194	0.089	2.177	0.030
Social Customer Relationship Management → Innovation Capability	0.561	0.568	0.056	10.084	0.000
Innovation Capability → Business Performance	0.042	0.043	0.094	0.445	0.656
Social Customer Relationship Management→ Marketing Capability	0.565	0.573	0.052	10.843	0.000
Marketing Capability → Business Performance	0.242	0.242	0.102	2.371	0.018
Social Customer Relationship Management → Innovation Capability → Business Performance	0.023	0.025	0.054	0.431	0.666
Social Customer Relationship Management→ Marketing Capability→ Business Performance	0.137	0.139	0.060	2.271	0.023
Firm Age:					
3-5 years → Business Performance	-0.097	-0.098	0.080	1.209	0.227
Over five years → Business Performance	-0.263	-0.262	0.078	3.356	0.001
Firm Size:					
5-19 employees → Business Performance	-0.051	-0.054	0.092	0.552	0.581
20-99 employees → Business Performance	0.033	0.033	0.090	0.370	0.711
Industrial Field:					
Culinary → Business Performance	0.043	0.043	0.094	0.452	0.651
Fashion → Business Performance	-0.033	-0.033	0.095	0.346	0.729

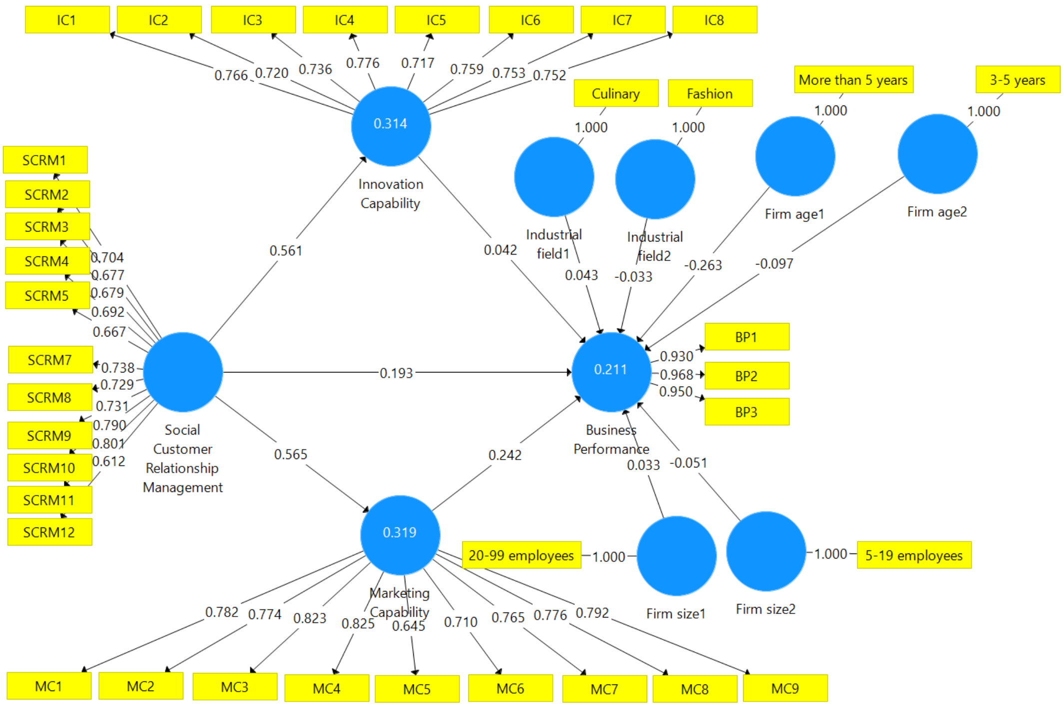

Fig. 4: Path Coefficient with Control Variable

4.2. Discussion

4.2.1. The Effect of SCRM on MSME Business Performance

The results revealed that the direct path from SCRM to business performance was positive and statistically significant ($\beta = 0.181$, $p = 0.036$). Thus, H1 was supported. It means that directly, the implementation of SCRM, which includes customer engagement and processing of information from customer interactions in social media, is effective in improving the growth of market share, sales, and profits of MSMEs.

This finding supports the previous study in the hotel sector by Diffley & McCole (2015) that SCRM positively affects financial performance. In the context of small companies, the results of this study are also in line with the research by Charoensukmongkol & Sasatanun (2017) that there is a positive relationship between the use of SCRM and the business performance of small companies in the retail business sector. Although their research was also conducted in the context of small companies, our study has some differences. Their research incorporates customer relationship performance besides market and financial performance. Their research was also not conducted during a crisis. Thus, our results provide new insights into applying SCRM to MSMEs in times of crisis.

Regarding the crisis context for MSMEs, the result of this study indicates that implementing customer-oriented CRM (using social media technology or other CRM systems) is effective for the sustainability of MSMEs in times of crisis, as suggested by Klein & Todesco (2021) and Lozada-Contreras (2021).

4.2.2. The Effect of SCRM on MSME Business Performance through Innovation Capability

The results revealed that innovation capability did not mediate the effect of SCRM on MSME business performance ($\beta = 0.018$, $p = 0.740$). It is because the impact of SCRM on innovation capability was significant ($\beta = 0.561$, $p = 0.000$); however, the innovation capability of these MSMEs did not drive business performance ($\beta = 0.032$, $p = 0.733$). Thus, H2a was supported, whereas H2b and H2c were not. This finding is contrary to the studies in traditional CRM that innovation capability acts as a mediator in the relationship between CRM and their performance (Battor & Battor, 2010; Migdadi, 2021; Valmohammadi, 2017). This finding is in line with previous research that in the context of SCRM in MSMEs, all customer engagement activities have been carried out by MSMEs, except for involving customers in developing innovations (Guha et al., 2017). In addition, innovation capability did not mediate the relationship between SCRM and business performance because more than 50% of MSMEs in this study rely more on sales through physical stores. The logic is that MSMEs that drive more sales through online media will devote more time to social media and carry out more SCRM activities than MSMEs that focus more on selling through physical stores. As a result, some MSMEs have not been optimal in implementing SCRM, especially for creating innovations with customers. Some MSMEs do not yet drive their sales via online media and are not entirely in implementing SCRM due to limited knowledge, technological capability, number of employees, and funding.

Concerning the importance of innovation capability for MSMEs in times of crisis, the results of this study are also contrary to research by Otache & Usang (2022) that innovation capability had a positive effect on SME performance in times of economic crisis. Our finding indicates that although the implementation of SCRM overall has been quite good, it has not been fully implemented in terms of co-development with customers in creating innovation. The descriptive analysis also showed that the average value of the indicators showing MSME efforts to involve customers in product or service development is 3.575 (on a scale of 1-5). It means that MSME managers were not yet optimal in pursuing value co-creation with customers to develop innovation. Pursuing value co-creation with customers is necessary in times of crisis because the innovations originate more from the creativity of entrepreneurs rather than co-development with customers, which may become less appropriate to customer needs.

4.2.3. The Effect of SCRM on MSME Business Performance through Marketing Capability

The result showed that the impact of SCRM on marketing capability was positive and significant ($\beta = 0.565$, $p = 0.000$), thus supporting H3a. This result means that although some MSMEs still need to implement SCRM optimally, their efforts in SCRM implementation can positively and significantly affect their marketing capability. According to respondents, the dimension of SCRM, which plays a significant role in influencing marketing capability, is using customer information from social media. They use customer information to build customer profiles, customise offers, and recognise marketing channels to reach customers.

Furthermore, marketing capability positively and significantly affected business performance ($\beta = 0.225$, $p = 0.033$), thus supporting H3b. In the marketing capability construct, the company's ability to effectively define target markets and carry out marketing strategies suitable for these market segments can improve the business performance of MSMEs. In this case, how relational and information resources are converted into superior marketing capability is complicated for competitors to imitate, so it can create a competitive advantage that improves the performance of MSMEs. The result revealed that the direct path from SCRM to marketing capability and marketing capability to business performance were positive and statistically significant. Because both direct and indirect effects were significant, partial mediation has occurred. Marketing capability partially mediated the relationship between SCRM and business performance ($\beta = 0.127$, $p = 0.039$). Thus, H3c was supported. This finding is in line with existing studies in traditional CRM (Chang et al., 2010; Mohammed et al., 2017) that the influence of CRM on company performance is mediated by marketing capability.

The results of this study revealed that the implementation of SCRM improved the marketing capability and business performance of MSMEs in times of crisis because, through the implementation of SCRM, MSME managers can find out market trends obtained through dialogue that show empathy for MSME managers to their customers (Klein & Todesco, 2021). Through this interaction, MSME managers can get valuable information to determine marketing strategies that are of value to customers (Lozada-Contreras et al., 2021).

4.2.4. Coefficient Determination and Predictive Relevance

In this study, the R^2 (adjusted) value for business performance was 0.134, meaning that 13.4% of the variation in business performance can be explained by SCRM, innovation capability, and marketing capability, while other factors explain the rest. The R^2 value of business performance was weak as it is less than 0.25 (Hair et al., 2017), whereas the R^2 values for innovation and marketing capability were 0.311 and 0.316, respectively. For Q^2, the value was greater than 0, meaning that SCRM, innovation capability, and marketing capability in this research model have predictive relevance to business performance (Hair et al., 2017).

The R^2 value of MSME business performance was weak because variations in business performance were only influenced by SCRM and marketing capability. In contrast, innovation capability did not significantly affect business performance variations. Besides that, in a crisis, external factors such as government policy, inflation rate, and public purchasing power significantly influence business performance variations more than the company's internal factors.

4.2.5. Practical Implications

Our study revealed that using SCRM in times of crisis positively affected the MSME business performance, and marketing capability partially mediated this influence. This finding implies that MSME managers should improve SCRM implementation by increasing the intensity and continuity of customer engagement and leveraging valuable customer information in social media to improve their marketing capability and business performance. Specifically, during a crisis, marketing capability can be improved through the ability of MSMEs to utilise customer information to develop marketing channels and offerings suitable for the customer. The MSMEs managers should improve the intensity of customer engagement in social media by regularly placing content on social media, advertising on social media and outside of social media (by including the name of social media), sales promotion (for example, by discounting prices and providing shopping coupons), personalisation (by placing personal content and responding to direct messages personally), and increase the number of followers (reach) on social media, for example, through influencers. In addition, managers must collect and analyse customer information regularly, including customer profile, type of product purchased, number of product orders, customer engagement (likes, comments, impressions, complaints, suggestions, or ideas), and customer perceptions about the company’s brand, location, product, and service.

The results of this study also revealed that innovation capability did not mediate the effect of SCRM on MSME business performance. In a crisis, innovations originating from customer information are more suitable than initiatives from entrepreneurs because entrepreneurs do not know precisely about customer needs, so it does not benefit customers and firm performance. MSME managers must be more careful in determining strictly what types, timing, and areas of innovation can be carried out. This action is vital because innovation contains high risks and expenses. Especially during times of crisis, the availability of resources is minimal, so inappropriate innovation can increase risks and expenses that will threaten MSME business performance (Caballero-Morales, 2021; Eggers, 2020). Therefore, MSME managers need to improve the implementation of SCRM through co-creating value with customers by providing opportunities and convenience for customers in delivering innovative ideas and involving them in every process of creating products and services. Periodically (ideally, once a week) opens opportunities for customers to provide information to companies on social media through quizzes related to products, promotions, prices, and services. Furthermore, the company can reward specific participating customers, for example, through price discounts or shopping coupons.

Because MSME managers or employees generally have limited knowledge and expertise about digital marketing, especially SCRM, they must regularly attend various trainings provided by the government (through the Ministry of Cooperatives and Small and Medium Enterprises) and MSME associations. Therefore, MSME managers also need to join the MSME association to get facilities such as training and funding. The funding support needed by MSMEs related to the implementation of SCRM is the cost of internet use, advertising, and development of better digital systems. Even though placing content on social media is free, MSMEs also need to put content on paid advertisements to increase customer reach and engagement. In addition, to make SCRM implementation better, it is necessary to develop a system that integrates customer databases with various social networking platforms. The development of this system is specifically aimed at the medium-sized business which already has more customers.

Small businesses, especially micro-businesses, have limited employees, so they do not have employees specifically tasked with carrying out the SCRM process. Therefore, MSME managers can partner with corporations engaged in retail trade (e.g., department stores, supermarkets, and e-commerce companies), where MSMEs market their products through these retail companies. These corporations can support MSMEs by providing training, mentoring, and supervision in implementing SCRM through their expert staff in information technology and digital marketing. With the support of these corporations, the development of SCRM in MSMEs can provide good benefits for both partners.

4.2.6. Limitations and Future Research Directions

This research has some limitations. First, this study did not investigate the effect of several firm characteristics that could moderate the relationship between SCRM and business performance. The type and number of social media platforms may influence the quality of SCRM implementation. Thus, future research can investigate firms' features that have the potential to be moderating variables in all relationships of this research model, such as the number and the type of social media platform. Besides that, the percentage of online sales may also influence these relationships. In future research, we suggest including the percentage of online sales as a moderating variable on the linkages of this research model.

Second, variations in MSME business performance were only explained in a small proportion by SCRM, innovation capability, and marketing capability. Future research can investigate other factors that are predicted to explain variations in MSME business performance during the crisis, including customer purchasing power and support from the government. In addition to these external factors, internal factors, such as the mental attitude of MSME managers in dealing with the crisis, can also affect the business performance of MSMEs. These factors can moderate the relationship between SCRM and business performance.

Third, this research is limited to MSMEs in the creative industry. Hence, future research can use this concept in MSMEs from other sectors to enhance knowledge of the implementation of SCRM and its effect on MSME business performance, such as in the service industries (hair and beauty salon, laundry service, and car wash service) and retailing industries (grocery or daily need store).

Fourth, this study was conducted during the COVID-19 pandemic and geopolitical pressures, making it difficult for business actors to grow in market share, sales, and profits. Future research may measure 'stability' other than 'growth' as a measure of business performance during a crisis. In addition, future research can use the conceptual model in this study in normal conditions.

Fifth, this study used data collection procedures reported by a single informant per firm and self-reported measures, making it susceptible to potential bias. The potential bias that can occur is the impact of respondents' tendency to give socially desirable responses and maintain consistency in responding to questions. To reduce this bias, we provided clear guidelines for respondents in answering the questions at the beginning of the questionnaire. Besides that, we asked them to answer all questions carefully, thoroughly, and truthfully. We also visited and distributed paper-based questionnaires directly to target respondents at their business locations to better monitor the data collection process. Nevertheless, we could not monitor the entire data collection process, so there is still a slight potential for bias. Therefore, although common method bias is not a problem in this study, it is recommended that future studies use multiple informants per firm to get better results.

Sixth, this study used PLS-SEM as a data analysis method. PLS-SEM is more suitable for theory prediction than to confirm the theory because it does not have an established goodness-of-fit measure, and the parameter estimates lack consistency (Hair et al., 2017). Future research can use covariance-based SEM to test the conceptual model in this study with a larger sample size and include other regions in Indonesia that are rich in creative products, such as Yogyakarta, Solo, and Bali.

5. Conclusion

This study investigates how adopting SCRM improves business performance during times of crisis and examines the mediating role of innovation and marketing capability in this relationship. Thus, this study makes several theoretical contributions to the SCRM literature.

First, this research explores the link between SCRM and MSME business performance measures beyond the customer relationship aspect. Previous studies emphasise the benefits of SCRM on customer relationship performance. There is no empirical research on how adopting SCRM improves business performance (market share, sales, and profits) during times of crisis in MSMEs from the creative sector in Indonesia. Our finding is that using SCRM in MSMEs can leverage their business performance in times of crisis. It is consistent with the RBV, which acknowledges that relational and information resources generated through a company's interactions with customers on social media are recognised as a source of sustainable competitive advantage. Through SCRM, MSMEs have resource advantages that enable them to achieve competitive advantage and superior business performance.

Second, this research explores the role of innovation and marketing capability as a mediator in the link between SCRM and MSME business performance. The finding is that innovation capability does not mediate the effect of SCRM on business performance. This insignificant effect is because some MSMEs in this study have not fully implemented co-development with customers to create innovation. From the perspective of SDL, the lack of value co-creation with customers impacts MSMEs' ability to solve customer problems. Moreover, this study also explores the role of marketing capability as a mediator in the link between SCRM and MSME business performance. The result revealed a positive influence of SCRM on marketing capability. This result is consistent with the KBV, which acknowledges that various information about customers and other market information obtained through social media can increase MSME knowledge to understand customer needs. Meanwhile, the mediating role of marketing capability is consistent with the RA theory, which acknowledges that unique resources consisting of relational and informational resources obtained through SCRM can generate comparative advantage, enabling MSMEs to improve their marketing capability to achieve competitive advantage and superior performance.

Third, this study provides managerial insights related to improving the implementation of SCRM by increasing the intensity of customer engagement and leveraging customer information as a basis for developing their innovation and marketing capability during a crisis.

Based on the findings, we conclude that MSMEs need to leverage SCRM during a crisis and recovery to improve their innovation and marketing capability, which are crucial in emergencies. By enhancing the implementation of SCRM, MSMEs can survive in these difficult times.

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