



## The Moderating Effect of Hexa Helix on the Relationship between Online Marketing Capacity and SMEs Marketing Performance

BY

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### Abstract

*This research aims to investigate the effect of online marketing capacity on SME (Small, and Medium Enterprises) performance, moderated by the hexa helix framework. The components of the hexa helix framework considered in this study include academia, businesses, government, communities, mass media, and tourists. The research was conducted on 468 producers of local souvenirs in Malang Regency, using a questionnaire instrument over a period of 1 year in 2022. The data was analyzed using the Partial Least Squares (PLS) technique processed with WarpPLS software. The findings of this research show a positive and significant influence given by online marketing capacity on SME performance, constituting a 14% contribution. The hexa helix moderation is proven to strengthen the influence of online marketing capacity on SME performance, resulting in an influence of 15%. Among all the components of the hexa helix framework, mass media and government have the most significant influence, while tourists have the least influence. The practical implication of this study suggests that it is important for the government to promote and support the involvement of other components within the hexa-helix framework to strengthen their contribution to the growth and development of SMEs.*

**Keywords:** Hexa Helix, SME Performance, Online Marketing, Marketing Capacity

## INTRODUCTION

The Ministry of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia (2023) stated that there are 65.4 million SMEs operating in Indonesia. These SMEs contribute to 61.07% of Indonesia's Gross Domestic Product (GDP) and manage to employ 97% of the workforce in Indonesia (Ministry of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia, 2023). This indicates the significant role of SMEs in the Indonesian economy.

Indonesian government officially declared COVID-19 as a pandemic on March 31, 2021 (Ministry of Health of the Republic of Indonesia, 2021). The pandemic had brought a shock to the country's economy. SMEs reported a decrease in income by 40-80% and a decline in profit levels by 40-89% during the pandemic (National Development Planning Agency, 2020). Indonesia also recorded an economic growth rate of -5.3% in the second quarter of 2020 (Ministry of Finance of the Republic of Indonesia, 2021). The decrease in sales and profits experienced by SMEs reflects the need to

strengthen their business performance and marketing strategies.

The government implemented a National Economic Recovery (NER) program to support Indonesian SMEs as a response to the challenges faced by SMEs during the COVID-19 pandemic. The country's economic condition has since gradually recovered. The Coordinating Ministry for Economic Affairs of the Republic of Indonesia (2022) had stated that 84.8% of SMEs affected by the COVID-19 pandemic have been able to resume normal operations. In the same year, an increase in the contribution of SME exports from 14.37% to 15.69% was recorded. Indonesia's economic growth rate also managed to reach 5.03% in the first quarter of 2023 (Ministry of Coordinating Economic Affairs of the Republic of Indonesia, 2023). The increase in economic growth is attributed to government's intervention through NER program to support Indonesian SMEs.

Government has been seen as an important stakeholder in the effort of strengthening SMEs (Kyal et al., 2022). Hendriyana et al. (2020) argued that government's intervention would best be supported by 5 other stakeholders, especially in developing



SMEs that produce souvenirs for tourists. These 6 stakeholders can be analyzed using a hexa-helix model. Hexa helix is a model used to analyze the roles and synergy among stakeholders in the development of an innovation (Rachim et al., 2020). In this research, the six observed stakeholders are academia, businesses, government, communities, mass media, and tourists. Academia plays a role in conducting scientific studies on the phenomena, while businesses generally provide financial support and expertise. The government is responsible for policymaking, and communities serve as facilitators of communication between the public and other stakeholders. Mass media plays a role in publicizing information, and tourists provide constructive feedback for SMEs producing souvenirs (Hendriyana et al., 2020). The synergy among these six stakeholders in the hexa helix is considered capable of developing innovations more comprehensively in a problem-solving effort (Hardianto et al., 2019).

Malang Regency is one of many tourist destinations in East Java Province. Malang Regency had welcomed 8,049,829 visitors in 2019 (Central Bureau of Statistics of Malang Regency, 2023). Malang Regency is also home to 34,936 SMEs (Central Bureau of Statistics of Malang Regency, 2021). Among those, 34,5% SME owners reported having difficulties in marketing their products. Only 20,8% SMEs use the Internet for product sales, while 6,5% SMEs use it for advertising and promotion purposes. The marketing reach of SMEs in Malang Regency is also limited to the local area, with only 435 SMEs able to market their products beyond the East Java Province, and only 67 SMEs engaging in exports. It is evident that the marketing capacity and performance of SMEs in Malang Regency need improvement.

The performance of a business and its marketing activities is influenced by the capacity of the company and the individuals within it (Kyal et al., 2022). A crucial capacity in driving a company's performance is its marketing capacity (Utomo & Susanta, 2020). It is necessary for companies to develop a dynamic and adaptive online marketing capacity to navigate the current era of digital marketing (Chinakidzwa & Phiri, 2020). Companies with dynamic and adaptive online marketing capacity can proactively read market changes and adjust their management of internal resources to meet the evolving market demands, therefore increasing their performance. The correlation between online marketing capacity and improved marketing performance is not only limited to large companies but also applicable to SMEs. Previous studies have shown that SMEs with good online marketing capacity tend to exhibit a strong marketing performance (Priyanto et al., 2020; Pasaribu, 2020; Purwanti et al., 2022; Utomo & Susanta, 2020).

A challenge faced by SMEs that is important to address is how to improve their performance. Based on previous research, an improvement in performance can be achieved by increasing SMEs' marketing capacity. Previous studies have also found that synergy among the six stakeholders in the hexa helix can help in the problem-solving process more comprehensively. Therefore, researchers have gained interest

in examining the variables of online marketing capacity and their relationship with the marketing performance of SME products, moderated by the hexa helix. The research aims to fill the void by analyzing the extent to which the hexa helix influences the correlation between online marketing capacity and the marketing performance of SME products as souvenirs for tourists in Malang Regency.

## LITERATURE REVIEW

### A. Online Marketing Capacity

Capacity is the ability of a company in producing and delivering services and products in accordance to their mission (Murphy, 2000). An organization's capacity is dependent on its members' individual knowledge, the adaptability of the organization, and the organizational culture. In the lens of Resource-Based View (RBV), a company's capacity is an ability to manage the resources that it owns (Barney & Hesterly, 2015). It determines the quality of products and services delivered by the company. RBV theory assumes that a company's capacity is inherently unique and immovable to each company. Therefore, a company's capacity is an integral part of the company's competitive advantage and is necessary to achieve a satisfactory company performance.

Marketing capacity is an important capacity for a company to have (Qureshi et al., 2017). Chinakidzwa & Phiri (2020) concluded that there are three types of marketing capacities according to their orientations, which are static capabilities, dynamic capabilities, and adaptive capabilities. Chinakidzwa & Phiri (2020) concluded that companies need dynamic capabilities or adaptive capabilities to compete in the fast-paced and highly dynamic online marketing era. Companies with dynamic capabilities tend to wait for clear signals of market change before reconfiguring their processes and resource utilization. Although they adapt better, companies with dynamic capabilities are still susceptible to missing early signs of market changes. On the other hand, companies with adaptive capabilities can proactively read and respond to market changes, allowing them to adapt and even predict market trends. Companies with dynamic and adaptive capabilities can use a dynamic environment as a leverage and improve their marketing performance (Purwanti et al., 2022).

Based on their research on SMEs in Karanganyar Regency, Rokhmah & Yahya (2020) formulated that the fundamental indicators of a company's online marketing capability are understanding the importance of online marketing and knowledge of effective and efficient marketing strategies. Chinakidzwa & Phiri (2020) further defined online marketing capacity to be measured by its ability to read the online market, develop, and implement online strategies, innovate in the online market, and exhibit leadership capacity. Pasaribu (2020) formulated that good online marketing capacity is indicated by SMEs' understanding of market segmentation, ability to choose the most effective communication media, adaptation of language suitable for marketing media and consumers, timing and context selection for marketing messages, and the ability to establish a brand identity.

## B. Marketing Performance

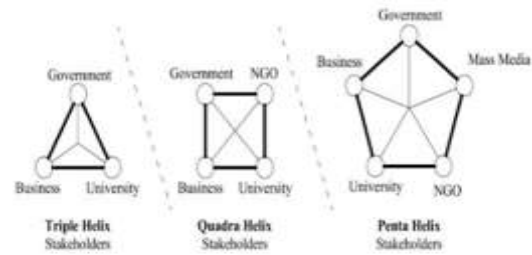
Performance is frequently used to describe the evaluation of a company's effort and its ability to compete with other companies (Mahmudova & Kovacs, 2018). The performance of a company needs to be regularly measured using specific measurements as one of few foundations in the planning and directing of all its activities.

Maurya et al. (2015) mentioned two main dimensions of measurement used in assessing the marketing performance of a company which are efficiency and effectiveness. Effectiveness measures the company's ability to meet customer desires, also known as market performance. Efficiency measures the company's ability to use its resources economically, also known as financial performance. Specifically, previous researchers (Battor & Battor, 2010; Maurya et al., 2015; Qureshi, et al., 2017) have highlighted that market performance can be assessed using metrics such as customer satisfaction, customer retention, market share growth, increased customer numbers, and increased sales. On the other hand, financial performance can be measured using indicators such as profitability, Return on Investment (ROI), and return on sales.

## C. Hexa Helix

Hexa helix is a model used to analyze the roles of stakeholders in the development of an innovation (Rachim et al., 2020). Stakeholders are a group of individuals of interest, right, and ownership in a project. Each stakeholder not only influences the project they are involved in but also affects other stakeholders. The relationship among stakeholders and their impact on a project can be analyzed and depicted in a helix model. Various helix models have been used, including triple helix, quadruple helix, penta helix, hexa helix, and quintuple helix.

The first helix model is the triple helix model formulated by Etzkowitz and Leydesdorff in 1995 (Cai & Lattu, 2022). They noted that collaborations between academia and industry, supported by strategic government policies, are drivers of innovation and growth of a knowledge-based economy. The triple helix model consists of three stakeholders: academia, industry or business, and government. The triple helix model was further developed into the quadruple helix model by Carayannis and Campbell through adding the element of media and cultural-based society (Cai & Lattu, 2022). The quadruple helix model comprises four key stakeholders: academia, industry, government, and society (user). The addition of the user element makes all stakeholders work more comprehensively and focus on creating user-driven innovation. The quadruple helix model was further developed into the penta helix model. The penta helix model consists of five stakeholders: academia, industry, government, society, and media. Media, as a provider and disseminator of information, is considered to have the ability to influence and engage other stakeholders (Muhyi et al., 2017; Rachim et al., 2020; Wahidah & Suherman, 2022).



**Figure 1. The Development of Helix Models**  
(Rachim et al., 2020)

Hexa helix model represents a further development of the quadruple helix model, aiming for a more comprehensive analysis. The hexa helix model consists of six stakeholders: academia, business, government, community, media, and an additional stakeholder involved in the project. The involvement of the sixth stakeholder can differ based on the particular context and characteristics of the project under analysis. Previous research does not provide specific rules or guidelines for the selection of the sixth element, allowing for flexibility and adaptation to different scenarios. In the study by Zakaria et al. (2019), they included laws and regulations as the sixth element in the hexa helix model. This reflects the significance of legal frameworks and regulatory systems in shaping and influencing innovation processes and outcomes. A study by Zakaria et al. (2019), included laws and regulations as the sixth element in the hexa helix model. This reflects the significance of legal frameworks and regulatory systems in influencing innovation processes and outcomes. A study by Hendriyana et al. (2020b) considered tourists as the sixth element in their research. This highlights the impact of tourists on the development and success of innovation in the context of small and medium enterprises that produce souvenir products for tourists.

## D. SMEs

Small, and Medium Enterprises (SMEs) are the most common types of businesses found in Indonesia. As per data obtained from the Ministry of Cooperatives and Small and Medium Enterprises, the current number of SMEs in Indonesia reaches 65.4 million (The Ministry of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia, 2023). Law (UU) No. 20 of 2008, Article 6, is a state regulation that has established the limits of net wealth and annual revenue for SMEs. Small enterprises own a net wealth greater than Rp 50,000,000.00 (an equivalent of US\$ 3,332.41 per June 2023) but not exceeding Rp 500,000,000.00 (an equivalent of US\$ 33,324.10 per June 2023). Small enterprises have a maximum annual revenue limit of Rp 2,500,000,000.00 (an equivalent of US\$ 166,620.50 per June 2023). Medium enterprises own a greater net wealth than small enterprises but not exceeding Rp 10,000,000,000.00 (an equivalent of US\$ 666,482.00 per June 2023). Medium enterprises have a maximum annual revenue limit of Rp 50,000,000,000.00 (an equivalent of US\$ 3,332,410.00 per June 2023) (Ministry of Finance of the Republic of Indonesia, 2008).

## HYPOTHESES DEVELOPMENT

### A. The Relationship between Online Marketing

**Capacity and SME Performance**

The research conducted by Purwanti et al. (2022), Utomo & Susanta (2020), Chinakidzwa & Phiri (2020), and Priyanto et al. (2020) indicates that online marketing capacity of SMEs has a positive and significant impact on their marketing performance. These studies state that online marketing capabilities are company resources that can provide a competitive advantage, as stated by the Resource-Based View (RBV) theory. According to the RBV theory, resources that can bring a competitive advantage are capable of enhancing the performance of the company (Barney & Hesterly, 2015). Hence, the following hypothesis is proposed:

**H<sub>1</sub>: The online marketing capacity of SMEs has a positive and significant impact on the marketing performance of their products as souvenirs for tourists in Malang Regency.**

**B. The Moderating Effect of Hexa Helix**

The research conducted by Kyal et al. (2022) stated that the government is capable of moderating the relationship between one of the company's resources, namely individual entrepreneurship orientation, and company performance. The study by Rachim et al. (2020) showed that hexa helix influenced 94.8% of the development management of a region. Hendriyana et al. (2020) also observed that hexa helix can influence the development of a potential tourist destination. Hence, the following hypothesis is proposed:

**H<sub>2</sub>: Hexa helix strengthens the influence of online marketing capacity on the marketing performance of SME products as souvenirs for tourists in Malang Regency**

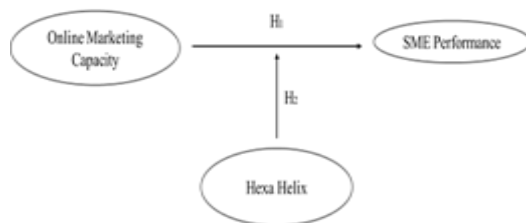


Figure 2. Research Model

**RESEARCH METHODOLOGY**

This is a cause-and-effect research that uses a quantitative approach to investigate the causes of a phenomenon and the effects it has (Kumar, 2011). This research model involves an independent variable, a dependent variable, and a moderating variable. The independent variable is online marketing capacity. The dependent variable is SME performance. The moderating variable is hexa helix.

The research was conducted in Malang Regency. The research population consists of Micro, Small, and Medium Enterprises (SMEs) members of the Communication Forum for Small and Medium Industry Players (FKPU-IKM). FKPU-IKM operates in the Malang Regency area under the administration of the Government of Malang Regency. There are 12 SME associations affiliated with FKPU-IKM. The total number of members across all associations is approximately 500 SME

entrepreneurs.

Primary data was collected through an online questionnaire. The questionnaire had a total of 52 questions and consisted of 5-point likert scale questions and additional dichotomous questions. The 5-point likert scale questions would be used in the data analysis process. The 5-point Likert scale spans from 1, representing "strongly disagree," to 5, representing "strongly agree." Additional dichotomous questions would be used to complete the descriptive analysis of the study. This questionnaire was sent to all 500 SME owners affiliated with FKPU-IKM. There were only 468 respondents who filled out the questionnaire entirely. Hence, this research only analyzed 468 data.

Data were analyzed using a Partial Least Square (PLS) method. The PLS analysis was conducted through two approaches: the measurement model (outer model) and the structural model (inner model). The measurement model established the relationship between variables and their corresponding indicators. The structural model revealed the connections between latent or hidden variables, specifically the exogenous and endogenous variables (Hair, 2021).

Table 1. Operation Variables Table

Variables	Indicator	Source
Online Marketing Capacity	Online promotion knowledge	(Pasaribu, 2020) (Rokhmah & Yahya, 2020)
	Knowledge of effective and efficient marketing techniques	
	Online media usage skills	
SME Performance	Sales revenue	(Purwanti et al., 2022)
	Profit	
	Number of customers	
Hexa Helix	Academia	(Hendriyana et al., 200)
	Business	
	Government	
	Community	
	Mass Media	
	Tourists	

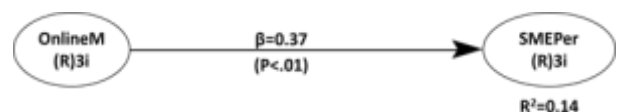


Figure 3. The Relationship between Online Marketing Capacity and SME Performance

## RESULTS & DISCUSSIONS

### A. Model Evaluation

A Model Fit and Quality Indices examination is a form of preliminary examination, suggested by the Warp PLS 5.0 User Manual (Kock, 2015). The preliminary examination is done to measure whether the model is a good fit for the data. A Model Fit examination looks at APC, ARS, and AARS tests. Quality indices examinations are done by testing the AVIF and AFVIF indicators to check for multicollinearity. Other indicators to look at are the Tenenhaus GoF, SPR, RSCR, and NLBCDR indexes.

The evaluation of the structural model and its rule of thumb based on the WarpPLS 5.0 User Manual is presented in Table 2. As shown in Table 2, the structural model is shown to be a good fit for the data. The Average Path Coefficient (APC) is at  $\alpha < 1\%$  and shows that the latent variables' coefficient are significant. The Average R-Squared (ARS) is also at  $< 1\%$  and shows a significant relationship between the exogenous and endogenous latent variables. Furthermore, the large Tenenhaus GoF index (0.685) supports the explanatory power of the structural model. Other indices have also been shown to be acceptable, especially the Average Full Collinearity VIF (AFVIF). The AFVIF has exceeded the cut-off at infinite. The high value of AFVIF indicated that all major latent variables

are fully collinear. Hence, the entire structural model is considered suitable for hypothesis testing.

The examination of the instrument's validity and reliability is presented in Table 3. The instrument's reliability is examined through the composite reliability and Cronbach Alpha tests. The latent variables in the structure model have been shown to have composite reliability and Cronbach Alpha coefficients greater than 0.7. The high composite reliability and Cronbach Alpha results show that the research instrument is reliable. The instrument's validity is examined through the Average Variances Extracted (AVE) test and should be greater than 0.5. The examination result shows that the instrument's AVE scores are all above 0.5. Hence, the research instrument is considered valid.

### B. Hypothesis Testing

The statistical analysis of the relationship between online marketing capacity and SME performance and the moderating role of hexa helix is shown in Figure 3 and Figure 4. The path coefficients and p-values are shown in Table 4 and Table 5. Results of statistical analysis shown in Table 4 indicated that all proposed hypotheses are accepted. Therefore, this research has proven that online marketing capacity influences SME performance significantly and positively. This research also has proven that hexa helix moderates the relationship positively.

Table 2. Goodness of Fit Model Evaluation

Goodness of Fit	Coeff. (p-value)	Cut-off	Information
Average Path Coefficient (APC)	0.216 (<0.001)	0.05	Significant (good)
Average R-squared (ARS)	0.572 (<0.001)	0.05	Significant (good)
Average Adjusted R-squared (AARS)	0.571 (<0.001)	0.05	Significant (good)
Average Block VIF (AVIF)	1.709	≤5: Acceptable ≤3.3: ideal	Ideal
Average full collinearity (AFVIF)	Infinite	≤5: Acceptable ≤3.3: ideal	Ideal
Tenenhaus GoF (GoF)	0.685	≥0.1: small ≥0.25: medium ≥0.36: Large	Large
Sympton's paradox rasio (SPR)	1.000	≥0.7: Acceptable 1: ideal	Ideal
R-squared contribution rasio (RSCR)	1.000	≥0.9: Acceptable 1: ideal	Ideal
Statistical suppression ratio (SSR)	1.000	≥0.7: Acceptable	Acceptable
Nonlinear bivariate causality direction ratio (NLBCDR)	0.875	≥0.7: Acceptable	Acceptable

Table 3. Measure of Fit Measurement Model Evaluation

Variables	Validity	Reliability	
	AVE	Composite Reliability	Cronbach Alpha

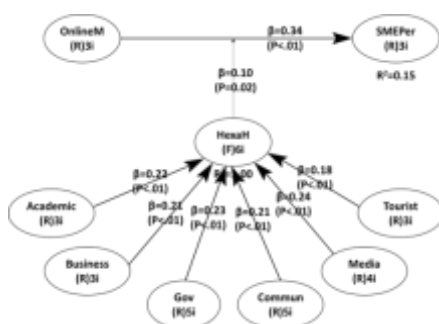
Online Marketing Capacity	0.772	0.910	0.850
SME Performance	0.923	0.973	0.958
Hexa Helix	0.592	0.897	0.862
Academia	0.913	0.969	0.953
Business	0.920	0.972	0.956
Government	0.659	0.905	0.866
Community	0.874	0.972	0.964
Media	0.874	0.965	0.952
Tourist	0.659	0.846	0.717

**Table 4. The Path Coefficient of the Relationship between Online Marketing Capacity and SME Performance with Hexa Helix Moderation Variable**

Independent and Moderating Variables	Dependent Variable: SME Performance		Decision on the Null Hypothesis
	Coefficient	p-value	
Online Marketing Capacity	0.344	<0.001	H1: Rejected
Hexa Helix*Online Marketing	0.099	0.016	H2: Rejected

**Table 5. The Path Coefficient of Second Order Variables: the Role of Each Stakeholder in a Hexa Helix Model**

Independent Variables	Dependent Variable: Hexa Helix	
	Coefficient	p-value
Academia	0.222	<0.001
Business	0.208	<0.001
Government	0.225	<0.001
Community	0.209	<0.001
Mass Media	0.237	<0.001
Tourist	0.183	<0.001



**Figure 4. The Relationship between Online Marketing Capacity and SME Performance with the Moderating Effect of Hexa Helix**

**C. Discussion**

This research demonstrates a positive and significant

relationship between online marketing capacity and SME performance among souvenir producers in Malang Regency. This can be observed from the positive path coefficient value (0.344) and the significant p-value (<0.001). These findings are in line with the research conducted by Purwanti et al. (2022), which states that digital marketing capacity positively influences SME performance. The structural model shows an R-squared value of 0.14, indicating that online marketing capacity can explain 14% of SME performance. This percentage is relatively low compared to the study by Utomo & Susanta (2020), which suggests that online marketing capacity can influence SME performance by 32.5%. However, this percentage aligns with the findings of the research conducted by Priyanto et al. (2020), which suggests that online marketing capacity only affects SME performance by 16%. The research results also support the understanding that online marketing capacity is a unique and immovable company resource that can bring competitive advantage and

performance improvement (Chinakidzwa & Phiri, 2020; Barney & Hesterly, 2015).

This research also indicates that the Hexa helix strengthens the influence of online marketing capacity on SME performance. The findings are supported by the increased R-squared value of SME performance from 0.14 to 0.15 after the moderation of the hexa helix. This supports the research by Hendriyana et al. (2020), which proposes efforts to develop a tourism-based creative industry through the synergy of academia, government, business, community, mass media, and tourists. The p-value in the moderation relationship of the hexa helix shows a value of 0.016, which is lower than  $\alpha < 0.05$ , indicating that the moderation effect is significant. The significant moderation effect of the hexa helix aligns with the findings of Rachim et al. (2020), which state that the Hexa helix can significantly influence problem management.

The positive and significant influence of the hexa helix moderation can be seen through the various efforts taken by each involved stakeholder. A good synergy among the six stakeholders in the hexa helix is the desired ideal condition, but not all stakeholders have the same level of involvement. This research demonstrates the significant role played by the six stakeholders involved in the Malang Regency area in developing the online marketing capacity of SMEs. This is supported by the p-values of all six variables, which are  $< 0.001$ . The six variables also have different path coefficients but range around 0.2. Mass media is the stakeholder with the greatest influence on the Hexa helix (0.237). This indicates that SMEs still require assistance in reaching a wider market. The contribution of mass media through promotional articles and virtual exhibitions has proven to help SMEs reach a broader market (Fajarwati, 2021). The government is the second stakeholder with the largest influence (0.225). This is consistent with research done by Kyal et al. (2022), which states that the government and its policies influence the efficiency of SMEs. Tourists are the stakeholder with the smallest influence (0.183). Although their influence is smaller compared to other stakeholders, it is important to remember that the influence of tourists is still significant and should not be overlooked.

## CONCLUSIONS

A Small, and Medium Enterprises (SMEs) play a crucial role in Indonesia's economy, but there is still a need for improved performance. This can be achieved by strengthening the online marketing capacity of SMEs. This research has proven that a strong online marketing capacity can enhance SME performance. The research also demonstrates that the hexa helix can reinforce the influence of online marketing capacity towards SME performance.

The government is not the sole stakeholder obligated to consider and strive for the development of SMEs. This is evidenced by the research findings stating that support from academia, businesses, communities, mass media, and tourists also significantly impacts SMEs. Through this research, the researchers aim to raise awareness regarding the significance of engaging these six stakeholders to provide support for

Indonesian SMEs. The study also hopes to encourage these stakeholders to take their roles, refine and increase their level of engagement with SMEs.

This research has some limitations. It was conducted only among approximately 468 SME operators in Malang Regency. Due to resource constraints, the study could not observe why the role of tourists in the hexa-helix is small yet still significant. Further research utilizing qualitative approaches can be conducted to delve deeper into the role of tourists in the development of SMEs' online marketing capacity.

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