

# CHAPTER I

## INTRODUCTION

### 1.1 Research Background

With the development of Internet penetration in Indonesia, e-commerce grew rapidly. The Internet users in Indonesia reached 202.6 million in 2020, making it the fourth-largest internet user in the world (*Badan Pusat Statistik*, 2020). Online shopping became a very important part of Internet users' daily lives in Indonesia. As social media has become the most commonly used online shopping channel in Indonesia, in comparison to the marketplace and website that also explains that C2C (Consumer to consumer) became the mainstream online shopping market in Indonesia with a forecasted 133 billion dollar e-commerce market (Ravenry, 2021). The Indonesian Digital Economics was supported by e-commerce in 2019 for 21 billion US dollars, representing half of Indonesia's digital economy (52 percent). Besides being the biggest engine in the retail sector of the country, eCommerce in Indonesia is also one of the world's most rapidly developing markets. According to Google research for 2019, it is estimated that it would grow at an annualized pace of 36.1 percent. By 2022, e-commerce transactions would account for a quarter of Indonesia's retail expenditure.

SMEs are still the largest company structure in the world and generate the majority of wealth in most economies (Forsman, 2015). However, SME continues to be one of the least understood and is characterized, as a category, by low levels of survival, especially during start-up. In theoretical terms, SME branding is still immature, while branding research is still dominated by big corporation brands (Blackwell, Shehab & Kay, 2006). Consensus is developing

with the belief that branding has a vital role in boosting SME performance results in the context of a central focus on the organizational strategy (Yin Wong & Merrilees, 2007). In this research, special attention is being put on his business phenomenon where the growth of SMEs in Indonesia utilizes e-commerce technology as the main channel in doing business, that SMEs is defined as companies that operate with employee less than 300 people, annual revenue below USD \$15 million, and company asset value is under USD \$15 million (*Otoritas Jasa Keuangan*, 2021).

Indonesian social media users are fast increasing, with the number of users more than doubling from 79 million in 2016 to 222 million by 2024 (*Statista*, 2021). In addition to growing in popularity among internet users, social media has made inroads into the e-commerce business. Social media is now widely used to enable customer-to-customer (C2C) interactions, in addition to traditional e-commerce activities taking place in online marketplaces and web stores. As a result, in today's e-commerce interactions, a more personal touch is added. Because of social media's broad possibilities in connecting vendors and buyers, it is growing in popularity among Indonesians, particularly among digital natives who use the platforms on a regular basis.

It is important to remember that regular consumers in Indonesia have an 82 percent trust level in sellers and the quality of products offered on social media platforms (Ravenry, 2021), resulting in a large volume of transactions. Social commerce refers to the buying and selling of goods using social media networks. In 2017, the social commerce business accounted for 40% of the Indonesian e-commerce market, with a total Gross Merchandise Volume (GMV) of US\$3 billion. Because of the growing number of social media users, the value of social commerce is expected to reach \$25 billion by 2020. Two significant growth drivers in the social commerce sector are the specific qualities of social commerce that distinguish it from other e-commerce

channels such as online marketplaces and online website stores, as well as the growing number of merchant bases. As highlighted that social media remains the highest e-commerce channel in Indonesia, where seller and buyer mainly value relationship through interaction, Instagram.com is selected as one of the majorly used social media for commerce in this research, with 91.77 million Instagram users in Indonesia (Hanadian Nurhayati-Wolff, 2021). This business phenomenon is important in Indonesia, where social media is considered as the platform with the lowest barrier to entry compared to other more advanced and specialized C2C technologies like Tokopedia.com, Bukalapak.com and Shopee.com. Differentiate it from countries like China, where C2C marketplace like Taobao.com, Tmall.com and JD.com is the highest channel used by SMEs.

Sales via social media platforms, social trade in particular, has also become a popular choice for small and medium-sized businesses because they are easily established and reach a broader spectrum of clients. In comparison with other digital channels, the channel offers the benefit of improved customer-seller interactions as clients need to inform the seller to make a transaction. Besides building confidence between customers and salespeople. As the necessity of a renowned digital shopping founder becomes critical, firms need to employ an omnichannel business approach to gain clients in the digital era. SME's founder with a strong social media presence and a large number of followers will benefit from directing their influence and followers to their social commerce business. More and more SMEs founders are identifying themselves by including links to their social media accounts. SME's founders have been employing a new style of online performance that entails people increasing their popularity on the web via the use of technologies such as social media" (Senft, 2013). That is an example of a "Influencer," a broad phrase that covers bloggers, youtubers, selebgram, and other social media

users who regard their following as fans (Abidin, 2016; Duffy & Hund, 2015; Lewis, 2018; Marwick, 2015).

SME's founders can be classified as influencers based on their social media followers number, from nano influencers to celebrity influencers based on number of followers. Nano influencers are defined as influencers with 500-5.000 followers, micro influencers as 5.000 - 30.000 followers, mid-tiers influencers as 30.000 - 500.000 followers and Macro influencers to have 500.000 - 1.000.000 followers, and Mega influencers for those who have more than 1 million followers (EMarketer, 2020). This business phenomenon is investigated further in this study and found that there is still a lot of unknown effect of this kind of marketing practices. Different practices then are categorized into several types of cases that were founded on Indonesia's social commerce, which is presented in a detailed sample on appendix A and the following summarized table 1.1.

Table 1.1. Personal - Business Instagram Interaction in Indonesia Social Commerce.

Indonesia Social Commerce Cases	Instagram Account with bigger followers.	Tagging/Link back is provided	Category Analysis
<b>Case 1</b>	Business	Business & Founder	Reciprocal expectation.
<b>Case 2</b>	Founder	Business & Founder	Reciprocal expectation.
<b>Case 3</b>	Business	only Business	The founders are not narcissistic and lack digital capabilities.
<b>Case 4</b>	Business	only Founder	Founder expecting to tap into business influence.
<b>Case 5</b>	Founder	only Business	Businesses expect to tap into the founder's influence.
<b>Case 6</b>	Founder	only Founder	Business expectations are not organized.

In thinking about social commerce within Founder personal branding and company branding, it is important to note that SME companies and the people who run them or work in them frequently developed high brand equity either unintentionally or through a deliberate emphasis on public relations. What is unique about social commerce as a business channel is that it is easy to refer to the founder's identity, and reciprocal referring happens, where founders mentioned their business in their social media profile, and their business social media account is also referring to their founders. It is particularly difficult for new entrepreneurial firms and their founders to get noticed in traditional media; social media provides a platform that is free of gate-keepers. Moreover, those firms or individuals hoping to establish high brand equity need a consistently high quality of communication. The Founders with high influence in social media as a person, with higher popularity, are expected to bring positive awareness to their business. In the discussion that follows, this study will assume that people pursuing personal branding do so successfully and attain high personal brand equity, that it can render the company brand more distinctive and unique. Increasing perceptions of a firm's brand uniqueness is one strategy to achieve brand differentiation (Pechmann & Ratneshwar, 1991). And in competitive marketplaces, one of the key ways in which a brand may be rendered unique relative to rivals is by being linked with another entity, such as a recognizable person who themselves has a meaningful set of associations and high visibility (Keller, 2003). Thus, high Founder brand equity can contribute to higher, more unique, or distinctive company brand equity.

Furthermore, it can open up new channels of communication and strengthen current ones with business partners, competitors, consumers, and prospects. The presence of SMEs' founders on social media may positively influence their personal branding initiatives. Members of social media networks are forced to compete for attention and influence by relying on others to convey

their message due to the ever-increasing amount of information pouring through these networks (Romero, Galuba, Asur & Huberman, 2011) With this scenario, it is considered that actively incorporating the founder's social media in the company's social media will have a beneficial effect. Although there are known drawbacks of the SMEs Founder developing high personal brand equity independently. The first is that it can lead to heightened expectations and then to disappointment when they are not met (Górska & Mazurek, 2021). There are still a lot of unknown drawbacks that cause unsuccessful SMEs in social commerce in Indonesia with Popular Founders, which is highlighted in Appendix B.

## **1.2 Problem Statement**

Although branding is important and social commerce is highly accepted, very few specific empirical studies have addressed these concerns (Tsimonis & Dimitriadis, 2014). Thus, the literature needs to study the influence of branding on social media marketing characteristics (Laroche, Habibi & Richard, 2012). Neither of these studies is concerned with personal social media branding activities. But social media allows personal brands to be managed simply and then manage a product or service brand. Not only do renowned people brand social media, but also all the founders of SMEs.

However, marketing literature has three significant weaknesses. To begin, there is a significant gap in the amount of branding research undertaken on small and medium-sized businesses (SMEs) versus large corporations (Neuvonen, 2016). Second, in comparison to the study on established economies, there is a dearth of research on rising economies in the branding literature (Odoom, Agbemabiese, Anning-Dorson & Mensah, 2016). Third, it appears as though the intersection of a founder's personal branding and their corporate brand is disregarded, particularly in small business settings. This study emphasizes the critical role of brands in



relationship development, as well as the relationship between branding abilities and business performance (Wong & Merrilees, 2008). Self-marketing and personal branding have increased in prominence as themes (Shepherd, 2005). When founder personal branding is integrated with business branding and is guided by a defined organizational perspective, SMEs' founder personal branding is seen to improve firm performance. When compared to larger firms, empirical evidence indicates that SMEs face a competitive disadvantage in terms of developing brand-related values, norms, and artifacts (Baumgarth, 2010).

Personal branding for the founder entails capturing and promoting an individual's strengths and uniqueness to a target audience (Shepherd, 2005; Labrecque, Markos & Milne, 2011). This study aims to investigate internal firm elements like the SME's founders' personal brand orientation, and also brand orchestration between personal branding with company branding convergence in the effect on SMEs performance. While the personal brand is an inseparable personal trait that is prominent on the Founder's social media accounts that can be a result of narcissistic, visionary, or result of relevant education in founders that devote a significant amount of time to self-promotion rather than promoting firm outcomes (Moon, Lee, Lee, Choi & Sung, 2016). And previous studies found that founders are important to give clear support to organizational learning (Soomro, Mangi & Shah, 2020). Today's SMEs are required to have great competencies in managing their brands in a highly connected world. That becomes important how learning can encourage higher brand equity mixed with the personal branding of the founder.

### 1.3 Research Gap and Novelty

In marketing research, however, just a few studies have taken into account the consequences of the personalized branding orientation on the SME setting since Brand Orientation has continuously been used. Brand orienting studies in small and medium-sized enterprises were carried out in order to study the SMEs brand orientation concept, hybrid strategy, internal brand management, and perceived brand orientation. And most academics have studied personal branding in personal circumstances. However, just a few studies have evaluated personal branding from the standpoint of an organization. While previous research has demonstrated the relevance of personal brand and brand orientation (Urde, 1994; Urde, 1999), there is a lack of research on which capabilities play a critical role in converting into competitive advantage. Although Brand Orientation (BO) have been studied many times from a perspective of BO in hotel (Foroudi et al., 2020), BO in inter-firm (Eng & Jarvis et al., 2020), BO in non profit (da Silva et al., 2020), BO correlation with financial performance (Gromark and Melin, 2011), internal brand orientation (Liu, 2020), BO as perceived brand orientation (Anees-ur-Rehman et al., 2018), BO with consumer satisfaction (Shahijan et al., 2016), BO in tourism destination (Hankinson, 2012), BO with firm performance (Temprano-García et al., 2019); Hankinson, 2012), BO as retail brand orientation (Evans et al., 2012), BO as corporation brand orientation (Balmer, 2017), BO with market orientation (Laukkanen et al., 2015).

There aren't enough studies on small and medium-sized enterprises. There have been few studies that look at brand orientation from the perspective of SMEs in terms of creating uniqueness (Wong & Merriless, 2005); how responsiveness, flexibility, and being open to alliance contribute to SME brand image (Zhang & Morrison, 2007); how sufficient resources



(Garca et al., 2012); how income and culture (Tock & Baharun, 2013); how distinctiveness and brand barriers (Cant et al., 2013); and how innovation capabilities and social media (Odoom & Mensah, 2018). Depending on the potential of SMEs's brands and their interest in personal branding. Employees and the firm must all agree on the brand-building objectives if the SME is to ensure that all employees and the company adhere to the brand rules. Everyone involved in the brand's integrity must collaborate in order to safeguard and strengthen it over time. Everyone in the organization must be aware of what branding is and what it entails in terms of success (Anees-ur-Rehman et al., 2018). This means that personal brand is one of the most potent resources that influencer founded SMEs have, and that during the early phases of the SMEs's formation, they will rely largely on the founder's personal brand for a great deal of success.

There is still a lack of studies where personal brand is being used as perspective in brand orientation. This study was to examine the antecedents and consequences of personal brand orientation in order to create competitive advantage for SMEs, as measured by the growth of digital firm performance. In the context of small businesses, the results of earlier research on narcissism as CEO for SMEs as a founder have been evaluated. In this regard, numerous research has proved to be favorable in terms of performance (Chatterjee & Hambrick). In the context of personal branding interaction with corporate branding that is misaligned (Sheikh & Lim, 2011); investigate that accountability is important in personal branding (Pagis & Ailon, 2017); investigate that ethnicity is important in personal branding (Phua & Caras, 2008); personal branding with digital technology reviews contributes to positive outcomes (Phua & Caras, 2008); and investigate that personal branding with digital technology reviews contributes to positive outcomes (Phua & Car (Cunningham et al. ,2018). There is still a significant gap in the integration of personal branding as a component of brand orientation initiatives. Small and

medium-sized enterprises (SMEs) created by influencers were clearly motivated to achieve those competitive advantages.

By studying personal brand orientation and digital firm performance in an emerging market, the study contributes to the body of knowledge. This specialization is designed to meet the demands of scholars for extra research on brand orientation in non-Western service environments in order to advance theory (Anees-ur-Rehman et al. 2016). The goal of this study is to investigate the effect of personal brand orientation on the relationship between personal traits of its founder, digital learning capabilities, brand orchestration, networking capabilities toward digital firm performance.

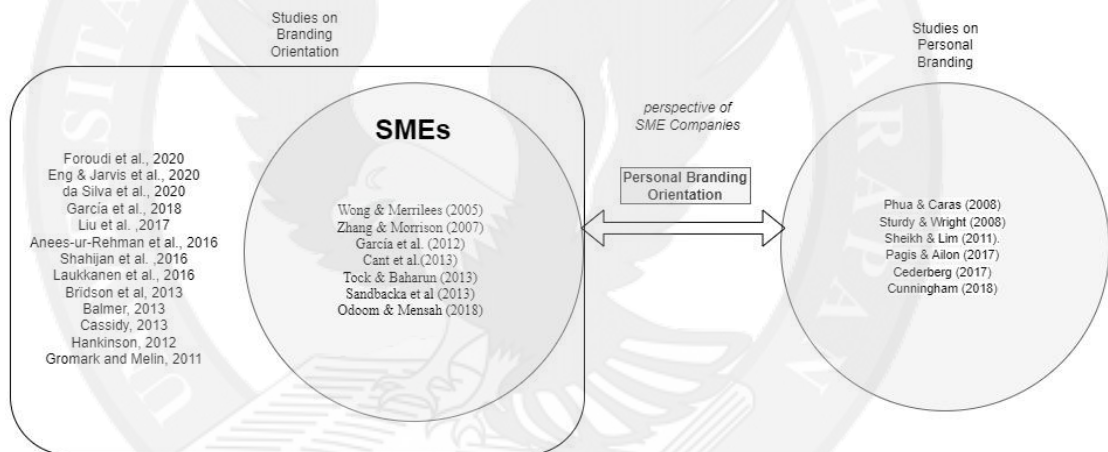


Figure 1.1 - Research Gap based on previous studies on Brand Orientation & Personal Brand.

This is based on the premise that businesses can benefit from combining multiple strategic orientations (Dutot & Bergeron, 2016). Research gaps for this research can be found as follows :

- 1) Novelty research on the personal brand orientation, that is investigating the interplay of personal branding and SME branding in Social Commerce organization context.
- 2) Investigating brand orchestration and networking capabilities as mediating effect on personal brand orientation organization towards digital firm performance.

#### **1.4 Research Questions**

Provided the fact that, related to the phenomenon. Therefore, this study aims to answer the following research question :

1. Does Founder Narcissism have a positive effect on Personal Brand Orientation (PBO)?
2. Does Founder Vision have a positive effect on Personal Brand Orientation (PBO)?
3. Does Founder Relevant Education have a positive effect on Personal Brand Orientation (PBO)?
4. Does Personal Brand Orientation (PBO) have a positive effect on Brand Orchestration (BO)?
5. Does Digital Learning Capabilities have a positive effect on Brand Orchestration (BO)?
6. Does Brand Orchestration (BO) have a positive effect on Digital Firm Performance?
7. Does Personal Brand Orientation (PBO) have a positive effect on Digital Firm Performance?
8. Does Personal Brand Orientation (PBO) have a positive effect on Networking Capabilities?
9. Does Networking Capabilities have a positive effect on Digital Firm Performance?

10. Does Brand Orchestration (BO) have a positive mediation effect on Personal Brand Orientation to Digital Firm Performance?
11. Does Networking Capabilities have a positive mediation effect on Personal Brand Orientation to Digital Firm Performance?

## **1.5 Research Objectives**

The objectives of this research are :

1. To examine the positive effect of Founder Narcissism on Personal Brand Orientation (PBO)
2. To examine the positive effect of Founder Vision on Personal Brand Orientation (PBO)?
3. To examine the positive effect of Founder Relevant Education on Personal Brand Orientation (PBO)
4. To examine the positive effect of Personal Brand Orientation (PBO) on Brand Orchestration (BO)
5. To examine the positive effect of Digital Learning Capabilities on Brand Orchestration (BO)
6. To examine the positive effect of Brand Orchestration (BO) on Digital Firm Performance
7. To examine the positive effect of Personal Brand Orientation (PBO) on Digital Firm Performance
8. To examine the positive effect of Personal Brand Orientation (PBO) on Networking Capabilities
9. To examine the positive effect of Networking Capabilities to Digital Firm Performance

10. To examine the mediation effect of Brand Orchestration (BO) between Personal Brand Orientation to Digital Firm Performance.
11. To examine the mediation effect of Networking Capabilities between Personal Brand Orientation to Digital Firm Performance.

## **1.6 Scope of Study**

The study focuses on SMEs organizations that have been doing social commerce activities on Instagram, clearly mentioned and known Founders, with at least one year in business. This research investigates variables such as Personal Brand Orientation (PBO), Brand Orchestration (BO), Founder Narcissism, Digital Learning Capabilities, Networking Capabilities toward Digital Firm Performance. The object of the study is SME in organization context represented by founders, managers, employees of the company.

## **1.7 Significance of the Study**

This research also incorporates organizational perspectives, such as Personal Brand Orientation (PBO) and Brand Orchestration (BO). This study offers two contributions to existing research. First, by analyzing Personal Brand Orientation in the context of organizational setting compared to most of the studies that focus on CEO, owner or founder as individuals. Second, by incorporating Personal Brand Orientation together with Brand Orchestration that extends existing models that overlook the convergence between personal brand and corporate brand. Beyond the above-mentioned contributions to theory, this study is expected to generate practical implications by shedding light on how founders personal brand can effectively contribute to firm performance in the context of social commerce as well as reveal the importance of organizational strategy like

knowledge management program, networking session and organizing the convergence of personal - company brand in company daily activities.

## **1.8 Organization of the Study**

This research proposal begins with an examination of recent literature on Founder Narcissism, Digital Learning Capabilities, Personal Brand Orientation (PBO), Brand Orchestration (BO), Networking Capabilities to the Digital Firm Performance. Research problems and objectives are presented related to these constructs. Then, the research contribution is emphasized in the theoretical and practical realm. Chapter two considers some of the construct concepts theoretically. Hypotheses will be developed based on this theoretical consideration and empirical evidence. After that, the research model for this research will be presented. Then, Chapter three presents the plan for collecting and analyzing data to test the hypotheses and research model. Chapter four presents the results of data collection and analysis. Then it proceeds to the discussion of the research findings in light of previous theory and research. Chapter five concludes the research and considers the implications of the findings on the theoretical advances and practical aspects. Finally, some limitations will be exposed and the consequences for future research are drawn.