

THE EFFECT OF ENTREPRENEURIAL ORIENTATION ON SOCIAL MEDIA MARKETING ADOPTION AND MSME PERFORMANCE: THE MODERATING ROLE OF INNOVATION ABILITY

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Abstract

This study aims to examine the influence of entrepreneurial orientation on the adoption of social media marketing and the performance of MSMEs: the moderating role of innovation capability. This study was conducted on 120 MSMEs in North Aceh Regency, and data collection was carried out through questionnaires distributed through Google Forms. The data analysis tool used Structural Equation Modeling (SEM) operated with Amos. The results of the study found that entrepreneurial orientation significantly influenced the adoption of social media marketing and the performance of MSMEs. The adoption of social media marketing and innovation capability also significantly improved the performance of MSMEs. And in testing the mediation effect of social media marketing adoption significantly mediated the influence of customer value on customer loyalty. Furthermore, in testing the moderation effect, innovation capability significantly moderated the influence of social media marketing adoption on MSME performance. The results of this study are expected to provide important contributions for stakeholders in formulating MSME business marketing policies and strategies in the future.

Keywords: *entrepreneurial orientation, adoption of social media marketing, innovation capability, MSME performance.*

INTRODUCTION

The presence of MSMEs can significantly contribute to the development of Indonesia's economic structure and is one of the sectors that plays a major role in supporting the Indonesian economy. To improve economic capacity, the government must strive to encourage and strengthen MSMEs with various concepts and approaches, including entrepreneurial and marketing-oriented concepts and strategies. The current penetration of business digitalization will have a significant impact on the community's economic growth. This potential needs to be continuously developed and optimally utilized by all economic sectors, including Cooperatives and Micro, Small, and Medium Enterprises (MSMEs), particularly in marketing goods and services. Meanwhile, MSME digitalization in Aceh Province has shown positive progress, where of the approximately 325,000 MSMEs, approximately 97,500, or 30%, have utilized digital platforms in running their businesses (See Table 1). This commitment is demonstrated by the Aceh government and business actors through various training programs, mentoring, and collaboration with various parties to accelerate digital transformation, including in North Aceh Regency. The digital transformation of national and provincial MSMEs in Aceh to the digital sector from 2020 to 2024 is shown in the following table:

The influence of entrepreneurial orientation on the adoption of social media marketing and the performance of MSMEs: the moderating role of innovation capability

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Table 1 National and Aceh Provincial Digital Transformation

Years	Number of MSMEs Undergoing Digital Transformation (Million)	
	National (Million)	Aceh Province (Thousand)
2020	12	30
2021	16,4	50
2022	20,76	70
2023	27	90
2024	30(*achievement targets)	97(*achievement targets)

Source: <https://aceh.antaranews.com/berita>; <https://data.goodstats.id/statistic/>; <https://ekonomi.bisnis.com/>

Nationally, the number of MSMEs undergoing digital transformation has experienced very rapid growth, from 12 million MSMEs in 2020 to 27 million in 2023, and is targeted to increase to 30 million MSMEs going digital by 2024. This increase reflects the success of the MSME digitalization program promoted by the government, through financing, training, mentoring, and the provision of digital infrastructure that is easily accessible to business actors. A similar trend is also seen in Aceh Province, with an increase from 30,000 digital MSMEs in 2020 to 90,000 in 2023, and this increase is projected to reach 97,000 in 2024. This growth shows the optimism of Aceh MSME actors in following the flow of digital transformation, especially through digital marketing training, social media adoption, and the use of e-commerce platforms including in various regencies and cities in Aceh, such as North Aceh Regency. Aceh Regency continues to experience significant growth in MSMEs, particularly in the micro and small business sector run by individuals and households. Several empirical studies have shown that many factors influence MSME performance, such as social media adoption (Farizd, Sabilia, Martapura, and Wulansari, 2024; Kikawa et al., 2022; Mahliza, 2021; Mudjahidin, Aristio, Balbeid, and Junaedi, 2024; Prasetya, 2024; Qalati, Yuan, Khan, and Anwar, 2021), entrepreneurial orientation (Dayan, Ng, Husain, and Zacca, 2023; Huang, Huang, and Soetanto, 2023; Pozzo et al., 2023; Salehe, Sesabo, Isaga, and Mkuna, 2024), and innovation capabilities (Arshad et al., 2023; Larios-francia and Ferasso, 2023; Otalora-beltrán, Otalora-beltrán, and García-tamayo, 2023; Taleb, Hashim, and Zakaria, 2023; Wongsansukcharoen and Thaweeapaiboonwong, 2023).

These studies indicate that to strengthen their business performance, MSMEs must be able to develop their marketing channels to optimize marketing performance amidst uncertain economic conditions. Social media is a significant alternative that influences performance. Social media is a collection of Internet-based applications built on the ideological and fundamental principles of Web 2.0 technology, which facilitate the creation and exchange of user-generated content (Yacob, Sulistiyo, Marzal, Siregar, and Mukminin, 2023). Previous studies in various fields have provided evidence that the use of social media as a marketing channel can improve the business performance of MSMEs, such as (Farizd et al., 2024; Mahliza, 2021; Prasetya, 2024). In his empirical findings Brooks et al., (2023) states that the use of social media can strengthen customer relationships by increasing customers' emotional connection with the product, brand and company. Furthermore, MSME performance can also be influenced by entrepreneurial orientation. Research results show that digital content marketing activities directly influence entrepreneurial orientation and business performance more strongly than social media marketing (Aryani and Tuti, 2023). Entrepreneurial orientation is a condition that tends to direct individuals to do something innovative, proactive, and willing to take risks to start a business (Danny and Utama, 2020).

It was further found that the performance of MSMEs was influenced by the innovation capabilities of MSME owners, in connecting the entrepreneurial orientation of MSME managers with improvements in business performance in the MSME sector (Fatima and Bilal, 2020). Thus, the ability of MSMEs to innovate is crucial for competitive advantage in dynamic market conditions, including through the use of social media in developing countries. Innovation describes the tendency to use new ideas, participate in new experiments, engage in and embrace creative procedures (Al-Momani, Haddad, Sharabati, and Abu Hashesh, 2023). Ultimately, it can provide an important contextual contribution by exploring the dynamics of MSMEs in developing countries, which have different characteristics from developed countries, especially in terms of technology adoption and entrepreneurial culture. Then, by incorporating social media as a dynamic and evolving aspect of technology adoption, this study highlights the importance of MSMEs' adaptability to the rapid changes in digitalization, and is expected to become a model to support MSME performance. And by considering the description of the literature and empirical studies above, the author wants to conduct further studies related to the influence of entrepreneurial orientation on the use of social media and the performance of micro, small, and medium enterprises (MSMEs) in North Aceh Regency, with the owner's innovation ability as a moderating variable.

LITERATURE REVIEW

The Relationship between Entrepreneurial Orientation and Social Media Use

The conceptualization of entrepreneurial orientation in this study refers to the opinion (Nurul Islami, Wahyuni, and Tiara, 2020), which measures the concept of entrepreneurial orientation through three important dimensions, namely: (1) innovative, (2) proactive, and (3) risk. According to Leonelli et al., (2022), Entrepreneurial orientation is crucial for economic growth, innovation, and employment in Italy. This is also true in studies of the Indonesian market (Susanto et al., 2023). Furthermore, the results of the study conducted by (Ali, Hilman, and Gorondutse, 2020; Fan et al., 2021) found a significant influence between entrepreneurial orientation and social media use on micro, small, and medium enterprises (MSMEs) in Saudi Arabia. This means that the ability of MSME managers to implement entrepreneurial-oriented strategies will impact the company's success in implementing corporate strategies oriented toward the use of social media. Other findings also explain that both strategies have a significant influence in improving business performance (Astuti, Sudiro, and Hadiwidjojo, 2021; Manali, Adzimatinur, and Rahimi, 2022). Furthermore Morgan & Anokhin, (2020) In his research, he stated that entrepreneurial orientation is positively related to social media use, and both can improve a company's ability to develop new product performance in the context of MSMEs. The study's findings in developed countries sometimes contrast with those in developing countries like Indonesia. Based on this description, the following hypothesis is developed:

H₁: Entrepreneurial Orientation has a significant influence on the use of social media.

The Relationship between Entrepreneurial Orientation and MSME Performance

Marketing experts explain that there is a significant relationship between entrepreneurial orientation strategies and MSME performance. The results of previous research conducted by Morgan & Anokhin, (2020) countries with advanced economies, and Souisa, (2020) In developing countries, this information is crucial for implementing marketing strategies for the same type of company with different treatments. However, other research concludes that Entrepreneurial Orientation is a crucial factor in improving business performance. (Rahaman et al., 2021; Fan et al., 2021). In the context of micro, small, and medium enterprises, it is stated that the implementation of entrepreneurial orientation and market orientation strategies is important, but their application is still very limited in businesses operating in developing countries such as Bangladesh. The results of the study revealed that both entrepreneurial orientation and market orientation are strong predictors of MSME performance. Furthermore, the study findings indicate that enhancing and implementing entrepreneurial orientation and market orientation will improve MSME business performance in the Bangladeshi context. Even in the perspective of company performance which is reviewed from the perspective of financial performance, Kanaan-Jebna et al., (2022), reported that the implementation of entrepreneurial orientation and market orientation significantly improved the performance of MSMEs in Malaysia. Meanwhile, other researchers, such as (Astuti et al., 2021; Manali et al., 2022) also validates the study from the perspective of MSMEs in Indonesia. Based on this description, the following hypothesis was developed:

H₂: Entrepreneurial orientation has a significant influence on the performance of MSMEs.

The Relationship Between Social Media Use and MSME Performance

The discussion on the use of social media within the research framework in the field of MSMEs refers to the opinion (Natasha, Christin, and Ferdinandus Winandy Soesilo, 2023), which proposes measuring the concept of social media usage in three important dimensions, namely (1) social media for marketing, (2) customer relationships, (3) information accessibility. Empirical studies in developed countries have found a positive and significant relationship between social media usage and company performance, and this has also been studied in various countries and in various industries (Qalati, Li, Ahmed, Mirani, and Khan, 2021; Susanto et al., 2023; Zhang, Fan, Zhang, Wang, and Fan, 2021). This study is important for practitioners, policymakers, and researchers in the field of small and medium enterprises. The study demonstrates that the use of social media can improve the performance of MSMEs. From a developing country perspective, researchers such as (Aryani and Tuti, 2023; Wijaya and Simamora, 2022) found that small and medium-sized companies that implemented social media in their marketing activities significantly and positively increased the performance of the businesses they managed, Kesumahati & Lim, (2023), stated that the adoption of social media in marketing is known to have a significant positive effect on improving company performance. Based on this description, the following hypothesis was developed:

H₃: The use of social media has a significant impact on the performance of MSMEs.

The Role of Innovation Capabilities in Moderating the Relationship between Social Media Use and MSME Performance.

In general, researchers have found that entrepreneurial orientation can directly influence the increasing performance of MSMEs, but several other studies, such as Natasha et al., (2023) stated that social media usage can weaken the relationship between social media use and MSME performance. Another study also found that innovation capability moderates the relationship between social media use and MSME performance (Fang, Qalati, Ostic, Shah, and Mirani, 2022; Taleb et al., 2023). Previously Fan et al., (2021) has also validated the existence of innovation capability as a significant variable in strengthening the relationship between social media usage and MSME performance. Based on this description, the following hypothesis was developed:

H₄: Innovation capability plays a role as a moderating variable in the relationship between the influence of social media use on MSME performance.

Based on several empirical findings and the results of the conceptual explanations that have been presented previously, the conceptual framework model developed in this research is as follows:

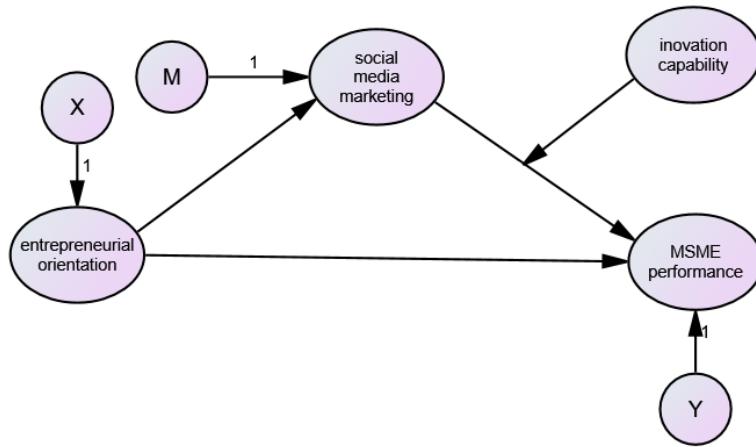


Figure 1 Conceptual Framework

Source: Developed by Author (2025)

METHOD

This research was conducted in North Aceh Regency, Aceh Province, with a population of 16,623 Micro, Small, and Medium Enterprises (MSMEs). The research design used was quantitative research with a causality approach, which aims to analyze the direct and indirect relationship between entrepreneurial orientation, social media use, and MSME performance. The research sample consisted of 122 MSMEs determined through a purposive sampling method. Data collection was carried out using a questionnaire instrument containing indicators related to the variables of entrepreneurial orientation, social media adoption, innovation capabilities, and MSME performance. Each statement item was measured using a Likert Scale. Data analysis was carried out using the Structural Equation Modeling (SEM) method assisted by Analysis of Moment Structures (AMOS) software. SEM is a combination of two statistical concepts, namely factor analysis which represents the measurement model, and regression analysis which represents the structural model.

RESULTS AND DISCUSSION

Respondent Characteristics

Table 1 presents a detailed overview of the demographic characteristics of the respondents involved in this study. These characteristics are grouped based on several key indicators: frequency of visits, gender, age range, highest level of education completed, and type of employment. This grouping aims to provide a more comprehensive understanding of the respondents' profiles, thus supporting more in-depth data analysis and ensuring the relevance of the research findings to the context of the population studied.

Table 1 Demographic Characteristics of Respondents

Demographic Characteristics	Amount	%
Gender		
Male	76	63.3
Female	44	36.7
Total	120	100
Respondent Age		
21 – 30 years	8	6.7
31 – 40 years	45	37.5
41 – 50 years	26	21.7
Over 51 years	41	34.2
Total	120	100
Level of education		
Junior High School Graduate	8	6.7
High school graduate	41	34.2
Diploma	33	27.5
Bachelor	30	25.0
Postgraduate	8	6.7
Total	120	100
Marital status		
Married	101	84.2
Not Married	8	6.7
Widow/Widower	11	9.2
Total	120	100
Type of business		
Culinary (Café, restaurant, pastries/wet cakes)	36	30.0
Fashion and accessories	22	18.3
Beauty products	6	5.0
agricultural tools	6	5.0
Digital marketing and creative	13	10.8
Textiles and crafts	8	6.7
Health and fitness	9	7.5
Other services (hotels, salons/hairdressers, workshops, etc.)	20	16.7
Total	120	100

Source: Research Results (2025)

The demographic table above shows that the majority of MSME respondents in this study were male, at 63.3 percent, while 36.7 percent were female. In terms of age, most MSME respondents were between 31 and 50 years old, with a proportion reaching 71.7 percent. In terms of education level, respondents generally had educational backgrounds ranging from high school graduates to undergraduate degrees (S1). In addition, based on marital status, it was found that the majority of respondents were married, at 84.2 percent. The most dominant type of business run by MSME actors was in the culinary sector, although it only accounted for 3 percent of the total businesses observed.

Confirmatory Factor Analysis

The results of the confirmatory factor analysis (CFA) shown in Table 2 indicate that all factor loading values are above 0.60. Based on the guidelines proposed by (Joseph F. Hair, Black, Babin, and Anderson, 2018), a factor loading value of ≥ 0.60 meets the eligibility criteria for demonstrating convergent validity in confirmatory research. However, several other sources, such as Henseler et al. (2015), state that factor loading values above 0.50 are still acceptable, especially in exploratory research or those in the initial model development stage. Therefore, the indicators in this study can be declared valid because they meet both criteria. In addition to meeting the factor loading requirements, the construct's feasibility is also strengthened by the Average Variance Extracted (AVE) value being above the minimum limit of 0.50 and the Composite Reliability (CR) value exceeding 0.70. This indicates that each construct not only has adequate convergent validity but also strong internal reliability. Furthermore, the measurement

model was evaluated through goodness of fit (GoF) testing, where several indices such as Chi-Square/df, RMSEA, CFI, TLI, and GFI showed values within the recommended cut-off range (see Table 3). This indicates that the CFA model used in this study has a good level of fit with the empirical data. Details of the Construct Validity and Reliability Tests results are presented in Table 2.

Table 2 Confirmatory Factor Analysis Test Results

Item	CFA ≥ 0,60	CR ≥ 0,70	AVE ≥ 0,50	Conclusion
Entrepreneurial Orientation				
OK1 Our business is actively introducing improvements and innovations.	0.651			
OK2 People in our business are encouraged to take calculated risks with new ideas.	0.712			
OK3 We always try to be proactive in taking the initiative in every situation (e.g. against competitors).	0.72	0.845	0.524	Valid
OK4 We try to beat and outperform our competitors as best as we can.	0.814			
OK5 Employees are given the authority and responsibility (autonomy) to act on their own if they feel it is in the best interest of the business.	0.712			
Social Media Marketing Adoption				
SM1 Our company uses social media (such as Instagram, Facebook, TikTok, etc.) very frequently for marketing activities.	0.65			
SM2 We use social media to advertise and promote our products or services.	0.71			
SM3 We use social media to conduct market research and find information about new market opportunities.	0.733	0.846	0.526	Valid
SM4 We use social media to build and develop relationships with customers.	0.812			
SM5 Social media is used to increase the visibility and brand awareness of our company.	0.711			
Innovation Capability				
KI1 We have the ability to constantly develop new product or service ideas.	0.805			
KI2 We have R&D funds to explore new ways of developing our business.	0.698	0.832	0.555	Valid
KI3 We have creativity in business operation methods.	0.75			
KI4 These companies are usually pioneers of innovative products in the market.	0.722			
MSME Performance				
KU1 Sales growth increases every year.	0.72			
KU2 Our company's profit margin increases every year.	0.654			
KU3 Our return on investment is increasing year after year.	0.763			
KU4 Our customer satisfaction continues to increase year after year.	0.754	0.850	0.533	Valid
KU5 Our customer retention/loyalty is increasing year over year.	0.753			

Source: Research Results (2025)

The data in Table 2 explain that all variables used in this study have a C.R. value greater than 0.70. The AVE value is greater than 0.50. So it can be concluded that the data used in this study are valid and reliable.

Hypothesis Test Results

To explain the results of the hypothesis testing in this study, a comprehensive analysis of the research model and regression weight data was conducted. The results of the research model analysis and regression weight values are described in Figure 1 and Table 4 below:

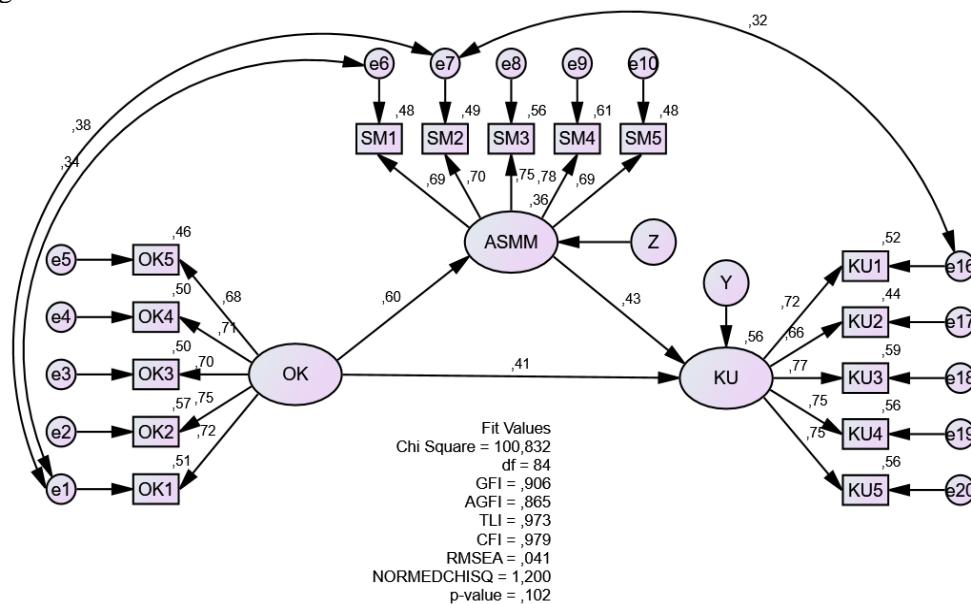


Figure 1 Research Hypothesis Model

Source: Research Results (2025)

Next, to see the fit value in the research model after modification, it can be seen in the following Table 3:

Table 3 Goodness of Fit Model After Modification

Table 3: Goodness of Fit Model After Modification			
Goodness of Fit Index	Cut-off Value	Analysis Results	Model Evaluation
X ² -Chi-square	Expected Small	100.832	Good
Probability	≥ 0.05	0.102	Good
GFI	≥ 0.90	0.906	Good
AGFI	≥ 0.90	0.865	Good
CFI	≥ 0.95	0.973	Good
TLI	≥ 0.95	0.979	Good
CMIND/DF	≤ 2	1.200	Good
RMSEA	≤ 0.08	0.041	Good

Source: Research Results (2025)

Based on the table above, it can be explained that the structural model is generally statistically fit. However, the AGFI value is $0.865 \leq 0.90$, which is greater than the value before modification, so this research model is generally considered fit. Next, the influence of exogenous variables on endogenous variables will be interpreted to explain the proof of the research hypothesis. The results of the proof of the research hypothesis are presented in Table 4 below:

Table 4 Hypothesis Test Results

Table 7: Hypothesis Test Results							
		Std. Estimate	Estimate	S.E.	C.R.	P(Sign)	
ASMM	<---	OK	0,6	0,558	0,105	5,298	***
KU	<---	OK	0,407	0,38	0,114	3,343	***
KU	<---	ASMM	0,431	0,433	0,123	3,509	***

Source: Research Results (2025)

The results of the study indicate that entrepreneurial orientation (OK) has a positive and significant effect on the adoption of social media marketing (ASMM), with a coefficient of 0.6, a critical value (C.R.) of 5.298, and P-Value of 0.000. and a significant effect on the performance of MSMEs of 0.407 with a C.R. value of 3.343 and P-Value of 0.000. The results of the study indicate that entrepreneurial orientation (OK) has a positive and significant effect on both the adoption of social media marketing (ASMM) and the performance of MSMEs. The effect of OK on ASMM is indicated by a coefficient of 0.6 with C.R. value of 5.298 and P-Value of 0.000, which indicates a strong and statistically significant relationship. In addition, OK also has a significant effect on the performance of MSMEs, with a coefficient of 0.407, C.R. value of 3.343, and P-Value of 0.000. These findings indicate that the higher the entrepreneurial orientation of MSME actors, the higher the level of social media adoption and the increase in their business performance. The research results are consistent with several previous studies, such as the results of studies conducted by (Ali et al., 2020; Fan et al., 2021) found a significant influence between entrepreneurial orientation and social media use on micro, small, and medium enterprises (MSMEs). Other findings also explain that both strategies have a significant influence on improving business performance (Astuti et al., 2021; Manali et al., 2022). Furthermore, Kanaan-Jebna et al., (2022), which states that entrepreneurial ability is an important factor in improving business performance (Rahaman et al., 2021; Fan et al., 2021), Especially in the context of micro, small and medium enterprises, it is stated that the implementation of entrepreneurial orientation strategies and market orientation strategies is important, but their implementation is still very limited in businesses run in developing countries.

Then the adoption of social media marketing (ASMM) was also found to have a significant effect on the performance of MSMEs with a coefficient value of 0.451 and C.R. value of 3.509 at a significance level of 0.000. The results of the study indicate that entrepreneurial orientation (OK) has a positive and significant effect on two important variables, namely the adoption of social media marketing (ASMM) and the performance of MSMEs. The effect of OK on ASMM is indicated by a coefficient of 0.6, C.R. 5.298, and a P-Value of 0.000, while the effect of OK on the performance of MSMEs has a coefficient of 0.407, a C.R. value of 3.343, and P-Value of 0.000. In addition, the results of the analysis also found that ASMM has a significant effect on the performance of MSMEs, with a coefficient of 0.451, C.R. value of 3.509, and a significance level of 0.000. These findings indicate that entrepreneurial orientation encourages the use of social media in marketing, which ultimately contributes to improving the performance of MSMEs. The results of this study are in line with the results of research (Qalati, Li, et al., 2021; Susanto et al., 2023; Zhang et al., 2021), which states that the use of social media marketing has a positive and significant relationship with MSME performance. Several other studies in developing countries also show that the use of social media can improve MSME business performance (Aryani and Tuti, 2023; Wijaya and Simamora, 2022). Meanwhile, in testing innovation capability as a moderating variable, it was found that the ability of MSME actors to innovate in their business activities was very good, as shown in Figure 2 and Table 5 below:

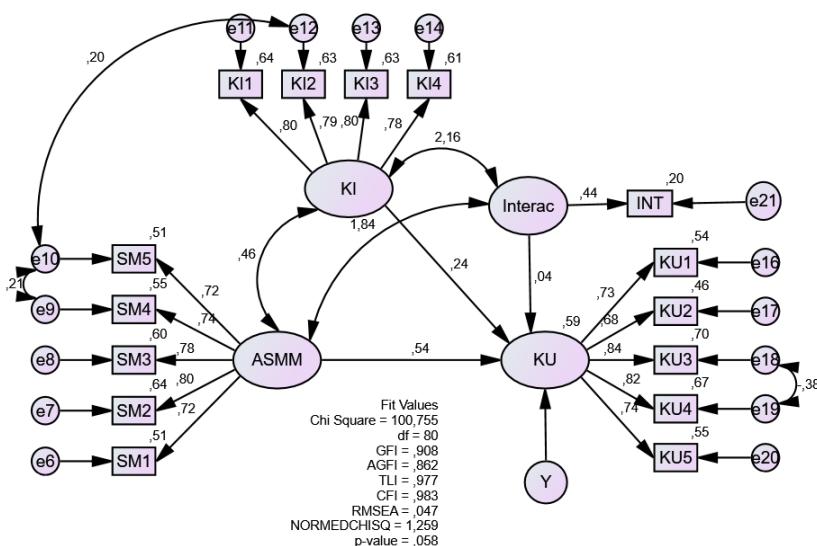


Figure 2 Results of Hypothesis Testing with the Moderating Effect of Innovation Ability

Source: Research Results (2025)

The results of the test of the moderating effect of innovation capability in the relationship model between ASMM and MSME performance are shown in Table 5 below:

Table 5 Results of the Moderation Effect Test of Innovation Capability

			Std. Estimate	Estimate	S.E.	C.R.	P(Sign)
KU	<---	ASMM	0,543	0,525	0,098	5,381	***
KU	<---	KI	0,244	0,187	0,065	2,866	0,004
KU	<---	Interac	0,037	0,001	0	5,019	***

Source: Research Results (2025)

Based on Table 5, it was found that the analysis results using AMOS 22.0 obtained a critical value (CR) identical to the calculated t-value for the influence of the INTERAK variable on MSME performance of 5.019. This calculated t-value is above the t-table value of 1.98 and the probability value (significance) of 0.000 (smaller than the standard of 0.05). Therefore, it can be concluded that the INTERAK variable innovation capability can moderate the relationship between social media marketing adoption and MSME performance in North Aceh Regency, with a quasi-moderation type. In a previous study, it was found that innovation capability can moderate the relationship between social media use and MSME performance (Fang et al., 2022; Taleb et al., 2023). Previously, Fan et al., (2021) has also validated the existence of innovation capability as an important variable in strengthening the relationship between the use of social media marketing and MSME performance.

CONCLUSION

Based on the research results and discussions described previously, it can be concluded that entrepreneurial orientation has a significant influence on the adoption of social media marketing and the performance of MSMEs in North Aceh Regency. This means that the higher the entrepreneurial orientation possessed by MSME actors, which includes innovation, proactivity, and the courage to take risks, the higher their tendency to adopt marketing strategies through social media. Then, the adoption of Social Media Marketing was also found to have a significant influence on the performance of MSMEs in North Aceh Regency. The results of the study indicate that innovation capability can act as a moderating variable in the relationship between the adoption of social media marketing and the performance of MSMEs in North Aceh Regency. Analysis using interaction variables (INTERAK) shows that innovation capability is able to moderate the relationship, although it is a quasi-moderator type. This type of pseudo-moderation means that innovation capability not only influences the relationship between the two variables (social media marketing and MSME performance), but also has a direct influence on the performance of MSMEs themselves. In other words, innovation capability plays a dual role, both as a moderator and as a direct predictor. Practically, this indicates that MSMEs with high levels of social media marketing adoption will achieve more optimal performance if accompanied by high levels of innovation capabilities. Conversely, even if MSMEs have adopted social media, without adequate innovation capabilities, the impact on performance will not be as strong as expected.

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