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Marketing Network Collaboration Capability in Improving SME Performance in Ternate City

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ABSTRACT

This research aims to bridge the gaps in the relationship of entrepreneurial orientation to marketing performance, as some research yielded contradictory results. This research used a survey method distributing questionnaires with open and closed-ended statements to small and medium industries. Also, convenience sampling was applied with a sample size of 100 respondents from representatives of small and medium industries in the city of Ternate. The analytical method was aided with Smart PLS. The results show that the quality of social networks has no significant effect on the performance of SMEs and that the marketing network collaboration capability has no significant effect on the performance of SMEs. This implies that business operators of conventional businesses in certain areas have not reached the markets outside Ternate City by using social media, which is a remarkably effective medium.

Keywords: *Entrepreneurship Orientation; Marketing Network Collaboration Capability; Relational Capability; SME Performance; Quality of Social Networks*

1. Introduction

Fundamental weaknesses in developing the national creative industry are understanding the creative industry, appreciation of creativity, development coordination, lack of creative networking, and creative entrepreneurship. In Indonesia, the creative industry is defined as an industry originating from the use of individual creativity, skills, and talents to create prosperity and employment by producing and exploiting the creative power and creativity of the individual. By the development concept, a creative city was characterized by local image and identity, a significant economic contribution, a positive business climate, the latest resource-based, continuous innovation and creativity, and its competitive advantage and positive impact on the community (Anonymous, 2011).

Entrepreneurial success depends on access to social networks that provide information and trust. Network membership provides a valuable and trustworthy relationship and enhances the entrepreneurial reputation. It facilitates social interaction between the members by instilling high trust within the communication. Networks have a significant role in entrepreneurship theory, and they are used by entrepreneurship to synthesize information from diverse sources to find the correlation of earnings to profits. Many researchers have explored knowledge as an important input to the innovation process in recent years. The ability to exploit and explore knowledge has become a vital component of competitive advantage.

The knowledge management process separately influences innovation by integrating strategic alliances and networks in a dynamic business environment, indirectly affecting overall business performance (Zheng et al., 2011). It makes a substantial contribution to organizations (Mendo, 2019). Zhang & Zhang (2012) stated that networking capabilities moderate the relationship between entrepreneurial orientation and business performance in their research. This means that if the company's network capabilities have the strength, the better the entrepreneurial orientation and increase business performance.

Research on entrepreneurial orientation is an important construct since businesses with a high entrepreneurial orientation are likely to have higher levels of performance and growth and successfully deal with increasingly competitive environmental dynamics. The past two decades have witnessed the development of an entrepreneurial orientation relationship to improve performance influenced by the business environment and industrial turbulence (Covin & Slevin, 1989; Stam & Elfring, 2008; Wiklund & Shepherd, 2005). The debate about entrepreneurial orientation variables as independent, mediating, and moderating variables is interesting to observe.

Entrepreneurial orientation must be distinguished from entrepreneurship. It deals with how entrepreneurs apply entrepreneurship to realize their career ambitions; entrepreneurship is more focused on new entries. New entries enter new markets by developing new or existing products or services (Sandeep & Harpreet, 2012).

Several studies found a significant relationship between entrepreneurial orientation and business performance improvement (e.g., Dada & Watson, 2013; Rauch et al., 2009; Wiklund & Shepherd, 2005; Zhang & Zhang, 2012). However, other studies showed the insignificant influence of the entrepreneurial orientation relationship on performance improvement (e.g., Arshad et al., 2014; Frank et al., 2010; Halim et al., 2012; Hughes & Morgan, 2007; Maduwinarti, 2011; Villaverde et al., 2013). Nevertheless, the research investigating the causal relationship of entrepreneurial orientation to improve business performance concludes that the higher the entrepreneurial orientation of business actors, the higher the increase it gives to business performance.

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This reveals many contradictory results about the relationship between entrepreneurial orientation and business performance. This study proposes the concept of "Marketing Network Collaboration Capability" to bridge the gap, a remarkably interesting issue in an increasingly competitive competition of business networks. Network collaboration will perform better if it is integrated with information flow, coordination, and expertise to create innovative products and supported by marketing capabilities to understand consumer needs and trends.

2. Literature Review

2.1. Entrepreneurial Orientation

Entrepreneurial orientation is the attitude of innovation pioneering, risk management, cleverly seizing opportunities, and market changes (Miller, 1983). The top manager's attitude shows the conservation of a company to what extent to take risks of businesses, support innovation to gain competitive advantage, and compete aggressively with other companies (Covin & Slevin, 1989).

Wiklund (1999) mentioned that entrepreneurial orientation is an entrepreneurial process with the potential for innovation, proactivity, and willingness to take risks. Wiklund & Shepherd (2005) stated that entrepreneurial orientation improves marketing performance through a configuration approach to capital access and a dynamic environment. This means that if the entrepreneurial orientation through a contingency approach, the role of the dynamic environment does not affect performance improvement. The configuration approach of dynamic environmental relations to performance depends on entrepreneurial orientation and access to existing capital. This means that the entrepreneurial strategy with the configuration model approach is more relevant than the contingency model approach.

2.2. Quality of Social Networks

Connectivity provided by social networks can reduce "social distance" among its members. There are two main determinants of social distance: ease of communication and level of trust. The ease of communication is facilitated by the same language, culture, and effective information flow. Companies establishing long-term relationships with the customers will encourage sustainable competitive advantage by building trust, commitment, and loyalty (Morgan & Hunt, 1999). Since entrepreneurial success is highly dependent on access to social networks, companies should start, maintain and utilize organizational relationships with various external partners (Walter et al., 2006).

2.3. Marketing Network Collaboration Capability

Marketing network collaboration capabilities refer to deriving a concept developed through three basic concepts: dynamic capabilities, institutional marketing, and social capital. These three concepts strengthen the synthesis of marketing network collaboration capabilities. This implies that the better network collaboration companies have, the higher the degree to produce the marketing network collaboration capability.

Capability is about the ability based on knowledge and experience to manage resources, grow, and be better than other companies in producing the same product or service. This resource-based view provides an understanding of the relationship between resources and capabilities of the company to achieve its superior performance. This approach analyzes an organization's competitive advantage based on its resources and capabilities (Barney, 1991).

Network capability is a derivation from the perspective of dynamic capabilities. Walter et al. (2006) emphasized that networking capability is a company's ability to develop and utilize

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inter-organizational relationships and entrepreneurial orientation to improve organizational performance. It can be distinguished based on four types of capabilities: coordination, relational skills, partner knowledge, and internal communication. This asserts the capability to coordinate fellow networks with good relational skills, understand partners' knowledge, and build integrated internal communication.

Kusumawardhani et al. (2009) proposed a conceptual framework that integrates the ability to build networks in the relationship of entrepreneurial orientation and the performance of small and medium businesses in Indonesia. Five dimensions developed by Lumpkin & Dess (1996), including autonomy, innovation, risk-taking, proactivity, and competitive aggressiveness, are used to measure the concept of entrepreneurial orientation,. These five dimensions contribute to the company's performance independently. Small and medium businesses must possess the ability to build networks to enter the global market and participate in international markets. This means that the better the ability to build networks, the better the performance improvement.

As stated by Rodríguez-Díaz & Espino-Rodríguez (2006), a relational capability is a process of integrating related companies to create integrated cooperation, build high commitment and trust, transfer knowledge, and create innovation in simplifying activities. This implies a company's ability to transform by understanding competitors, improving business processes, and reconfiguring internal resources to improve the company's competitiveness and compete with other market players.

Furthermore, Xu et al. (2008) suggested that relational capabilities play a key role in increasing sales volume or profits, gaining access to new markets, and developing innovation. A relational capability is a form of an active partner in business interaction, more specifically, understanding information for profit. It is a form of company development ability to communicate, collaborate, and manage business relationships. It increases innovation and value creation through supplier relationships with customers collaboratively in creating value using costs or revenues and building new competencies and risk-sharing (Isaac et al., 2010).

2.4. SME Performance

Performance refers to a company's achievements within a certain period. Improving the company's performance determines its growth. Company sustainability aims to allow the company to survive in a competitive environment, gain profitability, and sustain its growth. Voss & Voss (2000) defined performance as an assessment of increasing company value. Sales, market share, customers, growth, profitability, innovation development could be assessed to measure the performance. In the context of entrepreneurial performance, its performance is indicated by its financial and non-financial performance. However, academics are investigating the role of marketing in improving business performance.

Clark (2000) stated that marketing performance could be measured by evaluating efficiency, adaptability, and effectiveness. Efficiency compares outputs from marketing-to-marketing inputs, while effectiveness is the consumer psychological condition of their expectation for a marketing program. Adaptability deals with responding to an increasingly dynamic environment internally and externally to ensure the business continues to survive.

Best (2009) defined market-based performance measurement as a marketing measurement of a company's external conditions and operating market, such as market growth factors, competitive prices, relative product quality, and customer satisfaction. The measurement is based on parameters indicating the development of marketing performance and marketing profits. Market-based performance measurement complements financial performance

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measurements commonly used by companies that focus on internal sales receipts, net profits, sales turnover, and investment turnover.

The dissents are interesting for a further examination of which antecedent variables strengthen entrepreneurial orientation and which the consequent variables bridge the entrepreneurial orientation towards improving business performance. However, some research shows contradictory results regarding the effect of entrepreneurial orientation on marketing performance (see **Table 1**). Despite several studies showed the significant influence of the entrepreneurial orientation relationship on marketing performance (e.g., Al-Saed, & Upadhya, 2010; Gupta & Batra, 2015; Killa, 2014; Zacca et al., 2015; Zhang & Zhang, 2012) and the insignificant influence of the entrepreneurial orientation relationship on marketing performance (e.g., Arshad et al., 2014; Frank et al., 2010; Hughes & Morgan, 2007; Killa, 2014; Villaverde et al., 2013; Zampetakis et al., 2011), they generally concluded that the higher the entrepreneurial business orientation, the more it encourages an increase in marketing performance.

2.5. Hypothesis Development

2.5.1. The Relationship of Entrepreneurial Orientation and Marketing Network Collaboration Capability

Entrepreneurial orientation discusses a strategic orientation that represents the organization's character of risk-taking, proactivity, and innovation (Covin & Slevin, 1989). It is a proactive business activity that captures business opportunities, creates innovative products or services, and manages business risks in any environmental conditions. As today businesspersons are dealing with a dynamic market environment, they have to increase their capabilities and maintain their competitive advantage.

Networks are seen as long-term investments, even as the most valuable assets. As for novice entrepreneurs, informal personal relationships are constituent of their resources. Social networking has a dominant role in business formation as it is beneficial for all types of companies, especially when the economic environment is increasingly competitive. Hence, it is increasingly vital since it makes companies easier to access information, resources, markets, and technology (Gulati et al., 2000).

Walter et al. (2006) defined spin-off network capabilities as the ability to initiate, maintain, and leverage relationships with various external partners. It comprises relational skills, coordination, internal communication skills, and partner knowledge. These four dimensions strengthen and interrelate one another. Teece (2007) argued that companies should identify opportunities through observation, search and explore technology and markets in developing new products. They must have capabilities to strengthen the company in examining and identifying cutting-edge knowledge of developing new products promptly or combining the existing knowledge with new knowledge to produce better products. This concludes that networks with new technology will not be effective if the market analysis capability is low. It is the ability to seize opportunities and information of consumers' latest tastes, trends, and needs.

Lukiastuti (2012), investigating the effect of behavioral commitment on the entrepreneurial orientation process and the effect of the network capability configuration on business performance, contending that indirectly, entrepreneurial orientation has a significant effect on the performance of small and medium businesses, mediated by the behavioral commitment variable. The configuration of network capabilities influences international performance and provides evidence of empirical support for the company's dynamic capability view. Furthermore, the entrepreneurial orientation process is combined with behavioral commitments to configure capabilities as potential sources of competitive advantage. The

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findings highlight that network capabilities have no significant effect on entrepreneurial orientation.

Zhang & Wu (2013) emphasized that social networks through high technology in producing new products and the speed of successful market access directly had no significant effect. Network strength and network trust increase when the company has the market analysis capability. This means that this capability mediates network strength and trust in generating new product success through product innovation and acceleration in entering the market. This aligns with Boso et al. (2013), arguing that social networking and business networking mediate the relationship between entrepreneurial orientation and business performance. This implies that the better the entrepreneurial orientation, the more the company performance improves.

On this basis, this research proposes the first hypothesis (H1): The better the SME's entrepreneurial orientation, the more it encourages the collaboration capabilities of marketing networks.

2.5.2. The Relationship of Marketing Network Collaboration Capability and Quality of Social Network

Eisenhardt (1989) stated that collaboration capability is the ability to use resources through integrating, rearranging, obtaining, and releasing resources by adjusting market changes and creating market changes.

Relational capabilities are part of the dimension of network capabilities. Kale et al. (2002) described network capability as an organizational characteristic allowing the company to focus on internal procedures and the media connecting the spin-offs to other companies. Based on the contribution of the alliance's function, the network capability components comprise coordination, relational skills, partner knowledge, and internal communication. These components interrelate with one another. A prominent level of partner knowledge allows internal communication and coordination to be established between partners. The coordination and relational skills allow a spin-off to enhance partner knowledge through internal coordination as part of better partner information knowledge.

Perry et al. (2004) stated that companies with a prominent trust tend to be motivated to do relational activities that increase their commitment and competitive advantage. Collaboration is a work practice in which individuals unitedly work for the same purpose to derive business benefits and gain efficiency and effectiveness. Many organizations utilize collaboration to increase cooperation and reduce the amount of space, time, people, resources, and costs. The main requirement in collaboration is the awareness to believe that everyone is part of an entity for one similar organizational purpose. They have to be strong and self-motivated in the collaborative work rhythm and always be proactive in problem-solving (Camarinha-Matos & Afsarmanesh, 2006).

Kähkönen (2014) explained how power in the network influences the depth of collaboration. The company is complex in creating network success through collaboration and a conducive business environment. Collaborative relationships grow under a balance between power and the actors involved. Based on this, this research proposes the second hypothesis (H2): The better the collaboration capability of marketing networks, the more it encourages the improvement of the quality of SME social networks.

2.5.3. The Relationship of Quality of Social Network and SMEs' Performance

Business networking is an important predictor of business success because it provides several advantages, such as increasing resources and sharing market intelligence among

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supplier members, improving logistics coordination, reducing transaction costs (customer acquisition, distribution costs, and low partner opportunistic behavior). Walter et al. (2006) showed that the better the network's capabilities, the better the entrepreneurial orientation relationship to increase spin-off performance. Stam & Elfring (2008) found that social networking relationship support moderates the effect of entrepreneurial orientation on company performance in the Netherlands.

Boso et al. (2013) argued that orientation provides greater benefits than a separate approach through an integrative approach to entrepreneurial orientation and market. Another effort is to increase the strength of social networking and business as giving an indirect effect on performance. This means that entrepreneurial-oriented companies have stronger social networking relationships bringing more accurate local market knowledge, the latest government regulation information, and future opportunities before government regulation changes. These advantages enable business actors to make pre-plans for certain environmental changes about new product designs, marketing strategy changes, and company failure reduction in the market. This sets our third hypothesis (H3): The better the quality of SMEs' social networks, the higher the SME's performance.

2.5.4. The Relationship of Marketing Network Collaboration Capability on SMEs' Performance

A relational capability is an active partner in business interaction, specifically understanding relationships and gaining benefits. Relational capability is company development ability to communicate, collaborate, and manage business relationships. Dyer & Singh (1998) proposed that relational excellence is created through developing relational capabilities as it "supernormal profits generated together in an exchange relationship that cannot be generated by one company that is in isolation and can only be created through special contributions from alliance partners." Smirnova et al. (2011) showed that market orientation is a medium to improve industrial companies' relational capabilities and performance in Russia. Different effects of market orientation components include customer orientation, competitor orientation, and direct and indirect inter-functional coordination. The study results concluded that competitor orientation positively affects improving performance in the Russian industry market. In contrast, customer orientation and inter-functional coordination have a balanced effect on improving performance through developing relational capabilities.

Peltier & Naidu (2012) contended that social networks transition from startup to growth for small business companies. Personal networking is highly important in a startup as social networks develop over time. They highlighted those small business owners who classify network preferences can improve business performance. However, the interesting finding is that social networking can improve superior performance. Furthermore, Zhang & Zhang (2012) showed that networking capabilities moderate the relationship of entrepreneurial orientation towards improving business performance. This means that the higher the entrepreneurial orientation, the higher the network capability, which will improve business performance.

Zohdi et al. (2013) focused their research on developing relational capabilities to build successful business relationships. They concluded that relational capability is a crucial factor in improving business performance. Thus, markets, customers, and organizational relationships have the potential to drive increased company performance.

Kenneth & Ingrid (2014) investigated the market orientation, entrepreneurship, and networking orientation models to improve the performance of small and medium businesses. The network variables include dimensions of relational expertise, coordination, partner

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knowledge, and internal communication by measuring profits, ROA, and ROI. The results proved that network has a significant effect on improving the performance of small and medium businesses. This implies that networking is the most effective means of performance improvement since it creates collaboration among relational expertise, coordination, partner knowledge, and internal communication. This basis proposes our fourth hypothesis (H4): The better the collaboration capabilities of the marketing network, the higher the SME's performance. By this hypothesis development, the research model is illustrated in **Figure 1**.

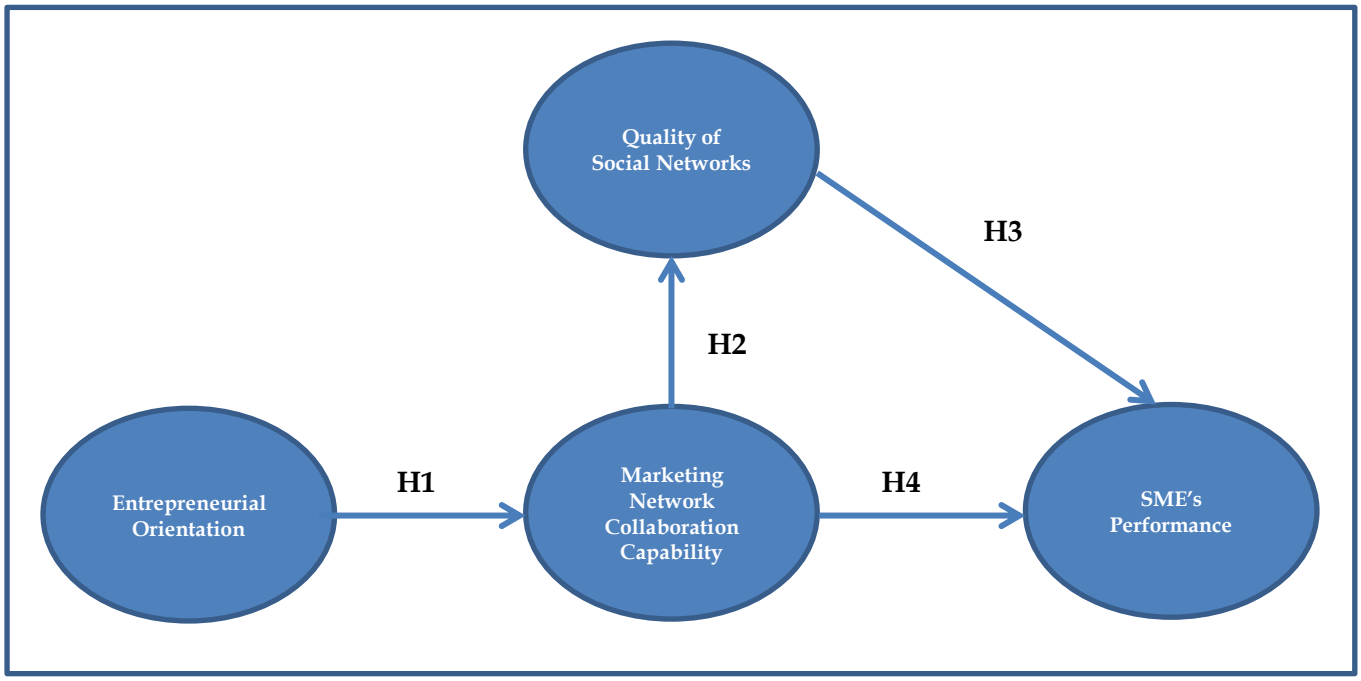

Figure 1. Research Model

3. Research Methodology

The study was conducted in Ternate City from September to November 2018. The population was all SMEs in Ternate City. The samples were 100 SMEs, referring to the stipulation of the minimum sample in modeling is 100-200 samples (Hair et al., 2010). In Sekaran & Bougie (2009), Roscoe guided determining sample sizes over 30 and less than 500 are appropriate for most studies.

The primary data were directly obtained from questions collected to represent each tested variable. The questionnaire was divided into two main sections. The first part consisted of the profile of business actors such as age, gender, education, marital status, length of business operation, and product portfolios. The second part relates to business actors' real conditions faced and felt.

The sampling technique used was non-probability sampling because the researcher does not allow each member of the population to be sampled. In determining respondents, we used a purposive sampling technique based on certain characteristics of 1) small and medium industry business actors, 2) for at least six months, 3) in craft industries.

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Table 1. Research Variables, Indicators, and Measurements

Variable	Indicator	Measurement	Reference
Entrepreneurial Orientation (EO): The attitude of a person or business actor who has always been a pioneer in innovation manages risks and proactively seizes market opportunities and changes.	1. Proactive 2. Innovative 3. Risk-Taking	A 10-point interval scale of 1 (strongly disagree) to 10 (strongly agree)	Covin & Slevin (1991); Miller (1983); Wiklund et al. (2009)
Marketing Network Collaboration Capability (MNCC): The ability of two or more parties in the network marketing in sharing information, flexibly establish relationships and communicatively make joint decisions	1. Willing to share information and knowledge 2. Having a reciprocal relationship 3. Having a solvable relationship 4. Willing to cooperate 5. Establishing adoptive relationships	A 10-point interval scale of 1 (strongly disagree) to 10 (strongly agree)	Piercy & Cravens (1995); Walter et al. (2006)
Quality of Social Networks (QSN): A level of trust, commitment, and loyalty between partners in a network	1. Trust 2. Commitment 3. Loyalty	A 10-point interval scale of 1 (strongly disagree) to 10 (strongly agree)	Oprica (2013)
SME's Performance (SME's P): The achievement of managers/business owners in carrying out their organizational work or tasks	1. High sales 2. Sales of new products 3. Market coverage 4. The growth rate of new customers 5. Profit rate	A 10-point interval scale of 1 (strongly disagree) to 10 (strongly agree)	Wiklund & Shepherd (2003)

4. Results and Discussion

4.1. Description of Respondents

Table 2 below describes the respondent demographics by gender, age, and length of business, while the product portfolio is separately discussed. Among 100 business actors, women respondents occupied the majority by 63%. This means that women dominated the businesses since they were bolder to create new businesses than men. Also, women are more

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willing to take risks as, in general, their motivation and desire help them survive better and look for something different. Women are more motivated to pursue entrepreneurial careers to balance career life (self-actualization) and family.

The majority of male respondents (10) were aged 31-35 years, and the majority of women respondents (20) were aged 41-55 years This shows that women do business from home to support the family economy. These results align with most women respondents (14) who have been in the business for 4 - 5 years, while most male respondents (11) have 1-2 years. These results concluded that women are open to conversation, friendly, gregarious, and easily build social environments for business progress. They have sharper instincts for people and product selection. Women are designed to carry out many things concurrently, for they are highly aware and agile for multi-tasking matters.

Table 2. Respondent Demographics

Characteristics of Respondents	Gender		Amount
	Male	Female	
Gender	37	63	100
Age			
20 - 25 years old	3	7	10
26 - 30 years old	4	13	17
31 - 35 years old	10	9	19
36 - 40 years old	8	11	19
41 - 55 years old	8	20	28
56 - 65 years old	4	3	7
Marital Status			
Married	35	48	83
Unmarried	2	14	16
Widow/Widower	0	1	1
Length of Business			
1- 2 years	11	13	24
3 years	10	13	23
4 - 5 years	6	14	20
6 - 9 years	5	9	14
10 years	2	5	7
11 years	0	2	2
15 years	1	4	5
20 years	1	1	2
28 years	1	1	2
43 years	0	1	1

4.2. SME's Product Portfolio Description

SMEs products in Ternate City were widely distributed in supermarkets, restaurants, and hotels, prioritizing their superior products such as processed spices into distinguished ternate cakes such as macron, bagea, nutmeg syrup, nutmeg, nutmeg processed products, and handicrafts products. **Figure 2** below shows 33 types of products of Ternate SMEs. Despite the SMEs being home industries, they constantly make products. The local government has

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supported the SMEs by issuing a Mayoral Regulation of Ternate as the legal basis for implementing obligations for self-service, restaurants, and hotels to accommodate a minimum of 20 percent of SME's products with an MoU signed by the Mayor. By this regulation, SMEs' products are increasingly well-known and professionally distributed.

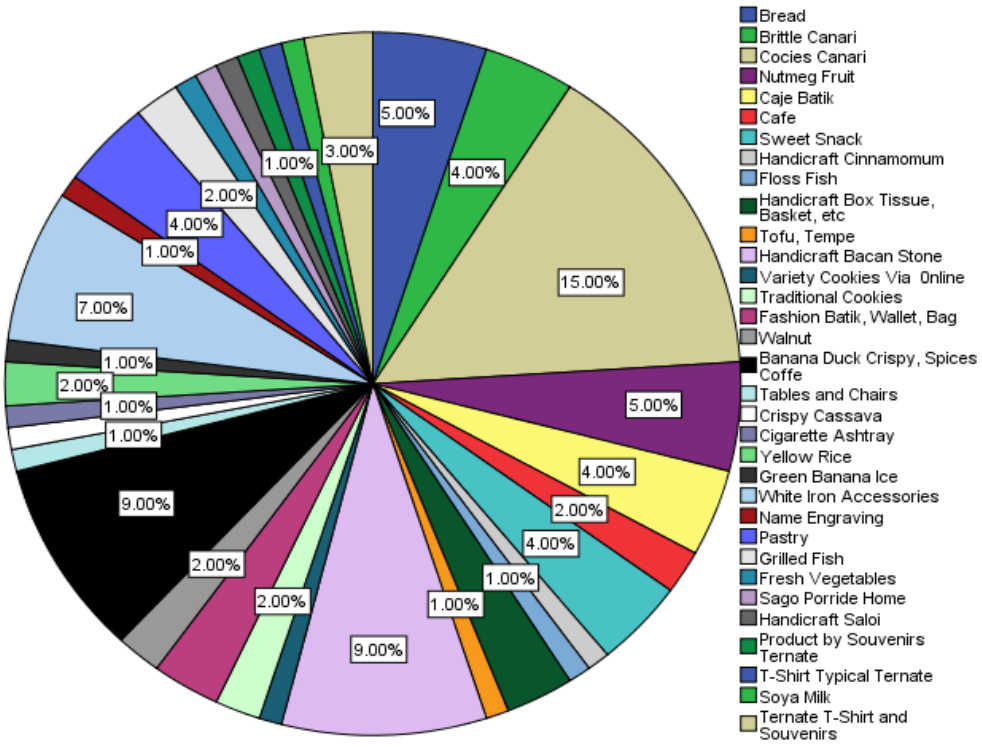

Figure 2. SME Products in Ternate City
Source: Processed Primary Data (2018)

4.3. Evaluation of Measurement Model (Outer Model)

The measurement model (outer model) is intended to see a picture of the relationship between latent and indicator variables. The criteria used are convergent validity, discriminant validity, composite reliability, and Cronbach's alpha.

Convergent validity can be assessed by correlating indicator scores with the variable scores. An indicator is valid if it has an outer loading value above 0.60. In addition, it can also be assessed by the Average Variance Extracted (AVE) value above 0.50. The convergent validity is said to be good if the AVE value of each variable is above 0.5. **Table 3** below presents the Average Variance Extracted (AVE) value.

Table 3. Average Variance Extracted Value (AVE)

Variable	Average Variance Extracted (AVE)
Marketing Network Collaboration Capability (MNCC)	0.8425
SME's Performance (SME'sP)	0.7078
Quality of Social Networks (QSN)	0.8583
Entrepreneurial Orientation (EO)	0.7161

Source: Processed Primary Data (2018)

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Table 3 indicates that each variable has an Average Variance Extracted (AVE) value above 0.5, which means all indicators have measured each latent variable properly; thus, the test proceeds to the next stage.

The discriminant validity can be evaluated by examining the cross-loading value of each indicator against each latent variable. If the correlation between constructs and measurement items is greater than the correlation with other latent variables, the latent construct predicts the latent variable better than the other latent variables. The cross-loading value of the analysis results is presented in **Table 4** below.

Table 4. The Discriminant Validity at Indicator Level (Cross Loading)

	Marketing Network Collaboration Capability	SME's Performace	Quality of Social Network	Entrepreneurial Orientation
Product Sale Rate	0.5096	0.8796	0.4492	0.4768
New Product Sales Rate	0.4666	0.9306	0.4113	0.3847
Market Coverage Level	0.3553	0.7396	0.3092	0.2642
New Customer Growth Rate	0.3553	0.8161	0.3092	0.3076
Profit Rate	0.3599	0.8283	0.5001	0.3254
Building Commitment with Relationships	0.5454	0.5130	0.9716	0.3837
Creating Customer Loyalty	0.4987	0.5100	0.9353	0.3719
Using Social Media	0.4444	0.2671	0.8598	0.2100
Maintaining Consumer Confidence	0.5470	0.5023	0.9698	0.3712
Ease of Interaction	0.5388	0.3749	0.8904	0.2441
Forgiveness adaptive linkages	0.8038	0.2646	0.4093	0.3838
Having the Will to Coorporate	0.9780	0.4810	0.5541	0.4618
Solutive Relationships	0.9545	0.5400	0.5184	0.3699
Having a Reciprocal Relationhsip	0.9780	0.4810	0.5541	0.4618
Sharing Information and Knowledge	0.8614	0.4584	0.5078	0.3394
Using Technology Engineering	0.3084	0.4125	0.3026	0.8497
Creating New Product	0.1876	0.2938	0.2786	0.7846
Entering New Market	0.2972	0.2873	0.1884	0.8501
Aggressive Seeking Information	0.5660	0.4266	0.3573	0.9150
Creating Innovation Product	0.2983	0.3353	0.3158	0.8264

Source: Processed Primary Data (2018)

Table 4 signifies that the correlation of each indicator with its construct is greater than the other constructs. This implies that the latent construct predicts their column indicators better than those in other columns.

Composite reliability and Cronbach's alpha are intended to determine the reliability or degree of consistency and stability of data or findings. The composite reliability value must be greater than 0.70 to ensure the indicator's reliability. Another assessment is to examine the Cronbach alpha value. The indicator is reliable if Cronbach's alpha value is greater than 0.60. **Table 5** below shows the composite reliability and Cronbach's alpha values.

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Table 5. Composite Reliability Value and Cronbach's Alpha Value

Variable	Cronbach's Alpha	Composite Reliability
Marketing Network Collaboration Capability (MNCC)	0.9519	0.9637
SME's Performance (SME'sP)	0.8957	0.9233
Quality of Social Networks (QSN)	0.9585	0.968
Entrepreneurial Orientation (EO)	0.9045	0.9264

Source: Processed Primary Data (2018)

Table 5 above indicates that each construct has a composite reliability value above 0.70 and a Cronbach's alpha value above 0.60. This concludes that each construct in the estimated model has good reliability.

4.4. Evaluation of Structural Models (Inner Model)

To evaluate the structural model in this study, the value of R Square for the dependent construct and the Stone-Greisser Q-Square test for predictive relevance is evaluated. The evaluation of the structural models is conducted using the bootstrap resampling method. The results of the structural model analysis with the SmartPLS application can be seen in **Figure 3** below.

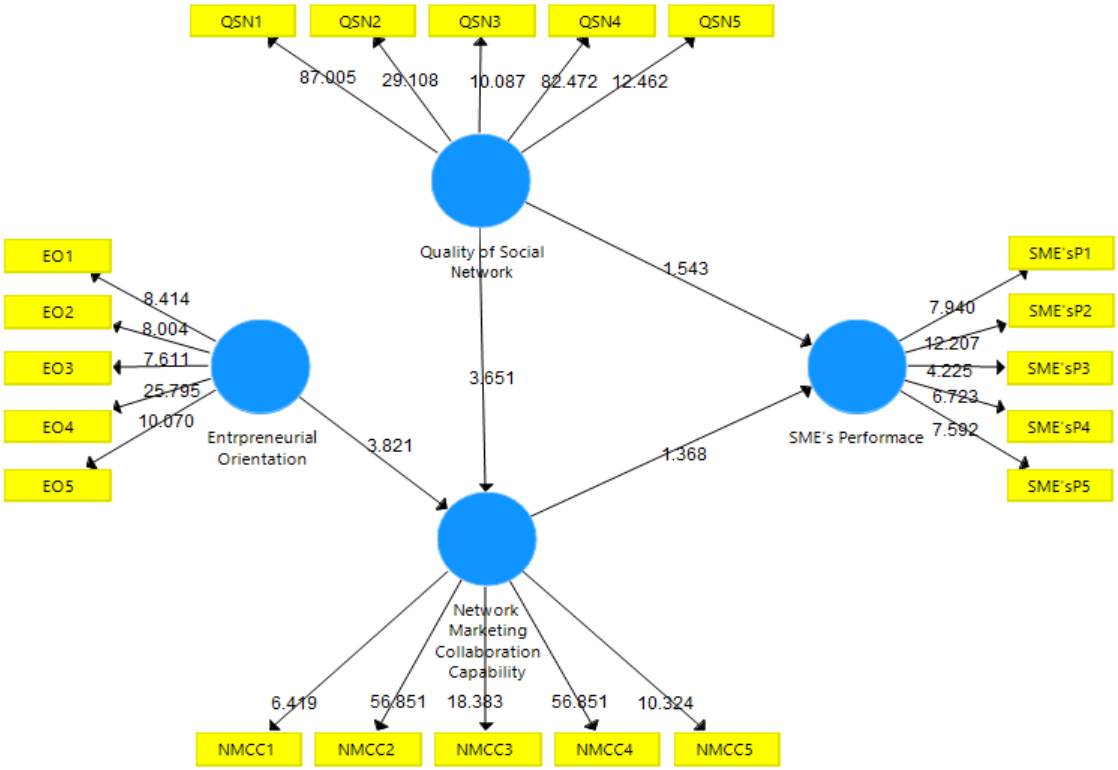

Figure 3. Structural Model (Inner Model)

Source: Processed Primary Data (2018)

The first step of the structural model evaluation is to examine the R Square value of each endogenous latent variable. If the R Square value is closer to 1, the model used can explain the effect of the exogenous latent variables on the endogenous latent variables. Conversely, if the value of R Square is closer to 0, the model cannot explain the influence of the exogenous latent

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variable on the endogenous latent variable substantively. The R Square value is presented in **Table 6**.

Table 6 shows that the R Square value of the Marketing Network Collaboration Capability (MNCC) variable is 0.1939 and that the SMEs' performance variable is 0.3036. This means that social network quality and entrepreneurial orientation explain 19.3% of the marketing collaboration capability. Besides, 30.3% of the SMEs' performance is explained by the marketing network collaboration capability and the quality of social networks.

Table 6. R Square Values

Variable	R Square
Marketing Network Collaboration Capability (MNCC)	0.1939
SMEs' Performance (SME'sP)	0.3036
Quality of Social Networks (QSC)	0.3112
Entrepreneurial Orientation (EO)	0

Source: Processed Primary Data (2018)

Secondly, it is examining the value of Stone-Greisser Q-Square, the calculation of which is by using the formula:

Q2 = 1-(1 –R12) (1-R22)
Q2 = 1-(1-0.19392) (1-0.30362)
Q2 = 1 - (1-0.0375) (1-0.0921)
Q2 = 0.1262

The calculation results produce the Q-Square value of 0.1262 is greater than zero (0). This concludes that the model has a strong predictive relevance value.

Furthermore, hypothesis testing is conducted to determine the significance of the influence of exogenous latent variables on endogenous latent variables. To test the hypothesis between the influence of exogenous latent variables on endogenous latent variables (γ) and the influence of endogenous latent variables on endogenous latent variables (β), we examined the output path coefficient of the bootstrapping resampling results. At the same time, the indirect effect is seen in the output of specific indirect effects. Hypothesis testing compares the value of t statistics and t tables. The statistical t value is obtained from the bootstrapping result using smartPLS version 3.0, while the t table value for alpha 5% is 1.96. **Table 7** below presents the results of the hypothesis testing of direct and indirect effects.

Table 7. Path Coefficient Output

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	Standard Error (STERR)	T Statistics (|O/STERR|)	One Tail p-Value
KKJP → KIKM	0.3282	0.3175	0.2395	0.2395	1.3705	0.0853
KKJP → KJS	0.5579	0.5484	0.154	0.154	3.6234	0.0001
KJS → KIKM	0.2959	0.3077	0.1921	0.1921	1.5402	0.0618
OK → KKJP	0.4403	0.4734	0.1162	0.1162	3.7899	0.0001

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The causality test results using the Smart PLS model are presented in **Table 7**. The test signifies that entrepreneurial orientation significantly affects marketing network collaboration capabilities. This implies that the first hypothesis (H1), the better the SME's entrepreneurial orientation, the more it encourages the collaboration capabilities of marketing networks, is accepted. This is consistent with Killa (2014), stating that high entrepreneurial orientations with smart relational capabilities encourage the improvements of SMEs' performance. The relational capabilities strongly support the course of a business since it creates collaborative relationships of the marketing network to expedite the business processes.

In addition, the causality test highlights marketing network collaboration capabilities have a significant effect on the quality of social networks. This means that the second hypothesis (H2), the better the collaboration capability of marketing networks, the more it encourages the improvement of the quality of SME social networks, is supported. This is consistent with Eisenhardt (1989) stating that the better collaboration capabilities business actors have, the better their ability to use resources, adapt to changes, and create markets. Morgan & Hunt (1999) proposed that business actors with good relationship capability will encourage collaboration in marketing networks to gain a competitive advantage sustainably. This implies that the better collaboration capabilities of marketing networks with a superior quality of social networks, the better the business perpetuity. The use of technology in social media will reach a wider target market and consumers. Social media, websites, and blogs will display profiles and product portfolios as interactive marketing tools, campaigns, and communication media with two-way interaction. They also allow consumers to access product information and conduct business transactions and other business communications globally. In the context of business expansion, they are is believed to promote budget efficiency.

The causality test also shows that the quality of social networks does not significantly affect SME's performance. This concludes that the third hypothesis (H3), the better the quality of SMEs' social networks, the higher the SME's performance, is not supported. It underlines that if the business actor uses the conventional method to run the business, instead of the currently booming social media, it will stagnate since it cannot reach the existing market outside Ternate. The lower the use of social networking, the lower it encourages SME's performance improvement.

Lastly, the causality testing emphasizes that marketing network collaboration capability does not significantly affect SME's performance. This indicates that the fourth hypothesis (H4), the better the collaboration capabilities of the marketing network, the higher the SME's performance, is not supported. An independent business actor tends to be overwhelmed and hard to complete customer orders. This highly will create negative impacts on customer satisfaction and loyalty. According to Lorenzoni & Lipparini (1999), relational capabilities concern company performance improvement. Companies will possess a relational capability if they have effective communication capabilities allowing them to be responsive to market conditions that encourage to improve services to business partners, including customers, suppliers, banks, and government. The effective communication capabilities ensure they establish healthy relationships to maximize their profits through intensive transactions.

5. Conclusion

The evidence from this study suggests that SMEs have not maximally utilized social media for their business communication process. Business actors who have used social media such as Facebook and Instagram have not used the web or e-commerce such as Bukalapak, Shopee, and Tokopedia. This implies they have not maximally utilized the technology. This also explains

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why hypotheses 3 and 4 were not supported. Hence, they should increase the collaboration capabilities of marketing networks and the quality of social networks to increase their business performance and sustainability. This calls for higher education cooperation with related agencies to conduct socialization and assistance for the SMEs' capability improvement by strengthening the technology used and effective marketing strategies through effective use of social media to create a competitive advantage sustainably to reach a wider market.

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