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## The role of social media orientation to improve relationship quality and innovation performance in SME's

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### ABSTRACT

This study aims to determine how the role of social media orientation towards the quality of relationships and innovation performance through sharing or gathering knowledge between organizations in SMEs. The rise of the use of social media is an attraction for SMEs to look for in maintaining good relations with stakeholders. With easy access and extensive networks, social media will be able to have a positive and beneficial impact on SMEs. Therefore, social media can play a role in inter organizational knowledge sharing about SMEs to produce good relationship quality with customers and other SMEs that are industrially based on their value congruence which will improve SMEs innovation performance. Data obtained from 109 SMEs owners in Indonesia with the criteria of using digital technology (social media) as a business tool and has been operating for 1 year. Data collection was carried out using a questionnaire which was further analysed using Partial Least Square (PLS). The results showed that there was a positive and significant influence on social media orientation on inter organizational knowledge sharing while inter organizational knowledge sharing had a positive and significant effect on relationship quality and innovation performance, and value congruence could also moderate the relationship between inter organizational knowledge sharing and relationship quality.

**Keywords:** *Social Media Orientation, Inter Organizational Knowledge Sharing, Value Congruence, Relationship Quality, Innovation Performance*

## **1.0 INTRODUCTION**

In today's digital era, many have switched to the Internet, which gives rise to digital marketing in social media. Social media is an online media for socializing and interacting between or among individuals, as mentioned by Shiau et al. (2018) and also for information exchange.

There is a need for SMEs to adjust the business models in the era of 4.0 with implementation of digitization in business. Hence, social media is believed to have a deep impact on business development of SMEs due to their important role in the economy growth. The characteristics of SMEs (Torrès and Julien, 2005) make it worth for research to be done on several companies in developing a strategic technological insight (Knol and Stroeken, 2001) such as (1) lacking of IT knowledge and technical skills (DeLone, 1988); (2) having limited funds for developing and maintaining sophisticated IT infrastructure (Thong et al., 1996); and (3) less access to sources management and financial power that are necessary to solve the problem arising from an unsuccessful IT investment (Zhang et al., 2007).

Based on this phenomenon, building quality relationships with stakeholders and other companies can affect the progression of SMEs. Innovation performance also has an important role in advancing SMEs through social media. There have been few improvements of the SMEs' relationship quality due to lack of attention from the government, though more economic growth targets should matter towards the development of SMEs. The globalization of SMEs' growth increases their competitiveness and helps them improve the quality of relationships as well as their performance.

This study proposes some variables to help SMEs in Central Java in improving the quality of relationships and innovation performance. This study also aims to seek how the role of social media orientation or the use of it in improving relationship quality and innovation performance in SMEs. Several variables are considered supportive, namely social media orientation, inter-organizational knowledge sharing, relationship quality, innovation performance, and value congruence as intermediate moderator inter-organizational knowledge sharing and relationship quality. Inter-organizational knowledge sharing is necessary value congruence between a firm and other companies in enhancing the relationship quality.

## **2.0 LITERATURE REVIEW**

### **2.1 Social Media Orientation**

According to Kaplan and Hanelein (2010), the definition of social media is group of applications with internet-based that was created using ideology and technology of Web 2.0 and allows the creation and exchange of user-generated content. Social media uses mobility and web-based technology to create an interactive media where individuals and communities can share, create, discuss, and modify the content. Social media has various definitions such as collaborative online applications and technology that encourage participation, conversation, openness, creation, and socialization among the user community (Bowley, 2009). According to O'Leary (2011), social media is an internet-based application which can help in boosting the user's development, expanding content and providing spaces for interaction between users.

Safko and Brake (2009) stated that social media refers to activities and behaviour occur among the community of people who meet online to share information, knowledge, and opinions using conversational media which introduces and changes ways of communication between organizations, communities and individuals. According to Mayfield (2008), social media is best understood as a new group of online media, most of which have the following characteristics: Participation & Engagement, Openness, Conversation, Community, Connectedness. Therefore, in today's digital era, social media is believed to be able in developing business of SMEs effectively and efficiently. Social media can also help build a business community that can support SMEs' development widely.

## **2.2 Inter- Organizational Knowledge Sharing**

Inter-Organizational Knowledge Sharing is one type of system between organizations. It is defined as system automatic information shared by two or more organizations and designed to connect business processes (Robey et al., 2008). Organizations involved in the collaborative inter-organizational business are necessary to share information and increase the basic knowledge, innovation, and competitiveness (Tallman et al., 2004). Heisig (2009) stated that knowledge sharing is classified under the same category as knowledge transfer, distribution, communication, collaboration, diffusion, dissemination, allocation, network, and cooperation. This matter is seen as spreading individual knowledge in organizations that involve interaction social, information exchange and knowledge creation (Bock et al., 2005). So, share knowledge as a process of generating interaction among members of the organization and unit (Hansen, 2002).

There are two aspects of sharing knowledge, namely knowledge donating and collecting as suggested by Hooff and Weenen (2004) which showed that indicators can be created to measure inter-organizational knowledge sharing. Knowledge donating is the willingness of SMEs to deploy or donate their company's knowledge for another company. While knowledge collecting is the willingness of SMEs to collect knowledge from other companies. Inter-organizational knowledge sharing applied to SMEs will make it easier for them in exchanging information. With joining in a community, this will create collaboration or cooperation between SMEs in terms of sharing knowledge. So, SMEs can get a variety of knowledge to develop business and build new relationships.

## **2.3 Social Media Orientation and Inter- Organizational Knowledge Sharing**

Social media is seen as an information exchanging platform with low cost usable by anyone to acquire knowledge, share information, build networks, market and advertise products or services, and improvise information or outstanding ideas (Dwivedi et al., 2015). According to Mount and Martinez (2014), social media is an online device which is open to public and those who support sharing ideas, creating and editing content, and build relationships through interaction and collaboration. According to Safko and Brake (2009), social media refers to the activities and behaviour among the community of people who meet online to share information, knowledge and opinion using a medium of conversation. Meanwhile, it is a new way of sharing technological knowledge, inspiration and business practices as suggested by Mentzas et al. (2007).

The use of social media in SMEs can make it easier to build an online community within the same industry. In the online community, SMEs can share or collect information and knowledge with other SMEs and work together to achieve the organization's goals. Not only that, they can always get up to date for the development of their business in this digital era today. This shows that social media orientation is important for SMEs' business development that will affect inter-organizational knowledge sharing carried out.

H1: Social Media Orientation is significant to Inter-Organizational Knowledge Sharing.

## **2.4 Relationship Quality**

Building quality relationships that allow understanding about the market requires organizational services to specific customer, competent service, and effective communication with customers (Langer and Moldoveanu, 2000). Crosby et al. (1990) proposed customers' satisfaction and trust as the quality dimension of the relationship. According to Liu et al. (2010), the quality of the relationship is an essential prerequisite for long term success in exchanging relationship and to determine the probability of relationship between partners will continue. Huntley (2006) said that regarding the structure of relationship quality, some key variables such as adaptation, communication, commitment, conflict, work equal, trust relationship stability, satisfaction, trust, and willingness to invest in a relationship has been introduced.

## **2.5 Inter- Organizational Knowledge Sharing and Relationship Quality**

Inter-Organizational Knowledge Sharing according to Wijk et al. (2008) means the process of exchanging individual organizations, teams, unit, or organization applied and influenced by experience and knowledge from others. Other than that, Hansen (2002) defined sharing knowledge as a process of generating social

interaction between members of organizations and units. Heisig (2009) classified knowledge under the same category as transferred knowledge, distribution, communication, collaboration, diffusion, dissemination, allocation, networking and cooperation which is very influential in strengthening the quality of the relationship, both between individuals as well as between SMEs who are members of the community. This is viewed as dissemination of individual knowledge within an organization that involves interaction social, information exchange and knowledge creation (Bock et al., 2005), as well as being supported by Bell and Zaheer (2007) who stated that relationship quality in the cultural and geographical distance is an important factor in inter-organizational knowledge sharing. Gulati (1999) proposed that a company might offer network resource which is a valuable source of information for the companies. In Ndubisi's (2012) study, there is a significant relationship between customer orientations, communication, and competence against the quality of the relationship.

Creating quality relationships and gathering knowledge from other SMEs promote good communication among the fellows and members of the organization. Good relationship will affect increasingly active SMEs in doing knowledge sharing and is believed to make a good contribution to the community. Consequently, it will give positive impact in creating quality relationships among SMEs in the long-term.

H2: Inter-Organizational Knowledge Sharing is significant to Relationship Quality.

## **2.6 Value Congruence**

Value Congruence refers to the match between values held by individuals and organization (Kristof, 1996). Value congruence must increase predictability due to the organizational members who share values have the same motive, set the same goals, and respond to events in the same manner (Meglino et al, 1991). Meanwhile, Yuan and Woodman (2010) suggested that value congruence is a criterion for followers to understand quickly what is expected of them. Value congruence is the work value compatibility between the person in focus and other organizational entity such as supervisors, interviewers, co-workers, workgroups, and the whole organization as stated by Cable and Edward (2004). According to Kristof (1996), it is the congruence between private work values and those who are in three different levels, namely people from other groups and organizations.

## **2.7 The Role of Value Congruence Moderation**

A study by May, Gilson, & Harter (2004) supported that value congruence makes it easier for individuals to invest more by pursuing organizational goals. Also, Brown et al. (2005) showed that when employees hold the values according to what are stated by their organization, they are satisfied with their work and the organization as well as strive for maintaining working relationship. Individuals in organizations can contribute well to their company where the company then will be able to build relationship with the other companies in the industry to create high value congruence. Having good relationship with other companies will lead to more knowledge sharing. The higher the inter-organizational knowledge sharing, the better the relationship quality among the companies. Therefore, the role of value congruence can influence interrelations organizational knowledge sharing in moving towards quality relationship.

H3: Value congruence moderates relationships between inter-organizational knowledge sharing and relationship quality.

## **2.8 Social Media Orientation and Innovation Performance**

Social media is a highly interactive platform where individuals, collectives and businesses constantly interact and communicate in order to share, create, exploit and explore new user-generated innovation opportunities (Piller et al., 2012). The use of social media and its impact on innovation is a topic that has been discussed frequently over the years and the evidence in the field shows that many companies, especially small and medium enterprises (SMEs) have struggled to implement new concepts of product development (Soto-Acosta et al. , 2014). In this case, research shows that with technological advances, digitalization must be carried out in organizational activities to acquire, store, and process information and knowledge that

facilitate knowledge creation and innovation (Murray et al., 2016). The impact of the use of social media on innovation, namely the customer-based co-creation process is displayed in creative and social collaboration between the company (producer) and users (namely virtual consumers), by enabling new products or service development (Roser et al., 2009).

These researchers underline that social media engagement is increasingly significant in maintaining a competitive advantage among companies. The use of social media in companies can obtain useful knowledge, carry out marketing activities, increase sales and provide customer service, and create products and services (Scuotto et al., 2017). In this way, the company finds value in the knowledge acquired and the process of improving a product or service (Remondino and Bresciani, 2011). Companies are increasingly aware that social media can be used as a strategic platform to engage users in the idea generation process (Fuller and Matzler, 2007). For example, LinkedIn, Facebook and YouTube have facilitated the relationship between SMEs and users, thanks to the growth in interactive communication with users over the last few years (Leung et al., 2015). Thus, social media is recognized as a driving force for generating new ideas (Mount and Martinez, 2014).

## **2.9 Innovation Performance**

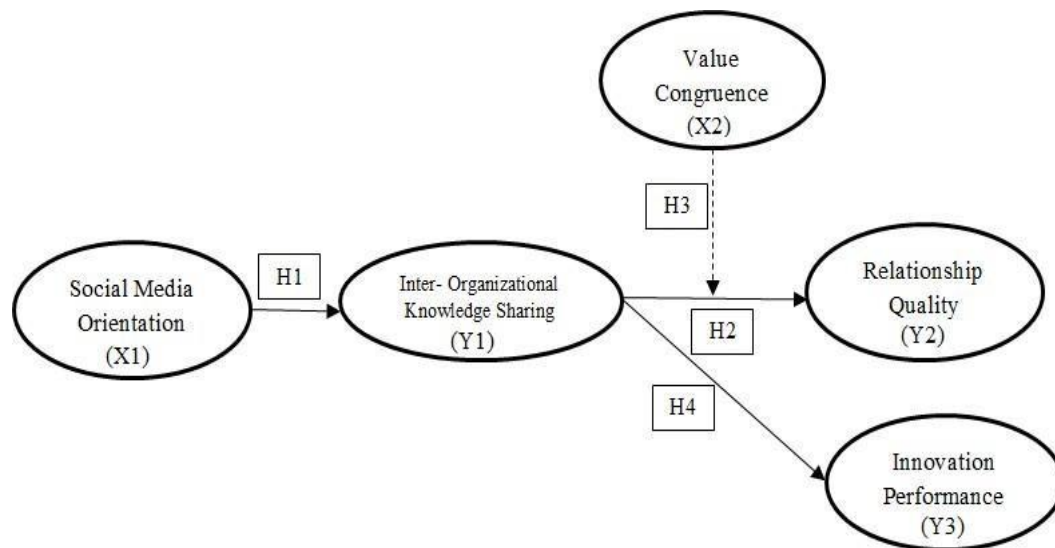
Innovation Performance is the company's ability to launch a new product to the market (Chen and Huang, 2009). Companies that offer customized products to the needs of target customers and their marketplace are faster and more efficient than their competitors. Those with good innovation performance are located in a position to achieve higher performance and have a competitive sustainable advantage (Alegre, Lapidra and Chiva, 2006). Innovation Performance is an innovative company which has the potential to create a market, shape customer preferences, and even change basic behaviour of the consumers who give more advantages (Zhou, 2006). Innovative organizations have the ability to increase performance of individuals and organizations as well as enlarge competitive advantage (Liao and Wu, 2010). Pavitt et al (1997) stated that innovation can be measured by whatever has changed such as products, services, and processes. Companies without innovation will not compete and survive in the era of competition which is getting sharper. The ability to compete for the industry in the global market does not only rely on price and quality, but must be based on creativity and innovation (Esti and Suryani, 2008).

## **2.10 Inter- Organizational Knowledge Sharing and Innovation Performance**

Inter-organizational knowledge sharing can increase the company's ability to perform innovation (Rahab, 2011). Improvement innovation is certainly related to company's performance. According to Mehrabani (2012), sharing knowledge between organizational members tend to generate new ideas for developing process innovation and innovative organizational products have the ability to increase performance of individuals and organizations (Liao, 2010). Kamasak and Bulutlar (2009) stated that the dimension of knowledge sharing on exploitative innovation, namely knowledge donating and knowledge collecting has a significant effect on innovation exploitative. Asegaff (2016) pointed out that knowledge donating is influential while knowledge collecting has no significant impact on innovation performance.

The implementation of inter-organizational knowledge sharing on SMEs will have an impact on the progression of business share since it can quickly get information regarding various supporting knowledge on business and come up with innovative ideas. With this, SMEs are able to get information easily so they can launch new products, new services, new markets and new work process.

H4: Inter-Organizational Knowledge Sharing is significant on Innovation Performance.



**Figure 1: Research Framework**

### 3.0 METHODOLOGY

This research was conducted on the owners of Muslim fashion SMEs in Central Java incorporated with Muslim fashion entrepreneur community which utilize digital technology. The participants were chosen due to the reason that Central Java is an area with the largest population in Indonesia and the majority of them are religious Muslim. Sampling method used in this study was a purposive sampling technique, namely using certain characteristics within determining the sample. This research focuses on the Muslimah fashion entrepreneurs who have used social media as a business tool at least one year or more. The number of samples taken in this study was 120 Muslim fashion SMEs. A large number of Muslim fashion SMEs in Central Java have used digital technology in the form of social media. Therefore, SMEs who work in the field of Muslim fashion are aimed to help in conducting this research. All variables in this study were measured based on answers from respondents in a statement using the 5 points from Likert scale, starting from 1 (Strongly Disagree) until 5 (Strongly Agree). This study uses SmartPLS 3.0 for deep data analysis.

### 3.1 MEASUREMENT

The variables analysed in this research consist of Social Media Orientation (SMO), Inter-Organizational Knowledge Sharing (IOKS), Relationship Quality (RQ), Value Congruence (VC) and Innovation Performance (IP). This research uses Mayfield's (2008) instruments by measuring social media orientation which use 4 indicators to identify the characteristics of social media usage, namely Participations, Conversations, Community, Connectedness. Meanwhile, the use of instrument of Inter-Organizational Knowledge Sharing-based research as according to Van den Hooff & de Leeuw van Weenen (2004), there are two dimensions of knowledge sharing, namely knowledge donating and knowledge collecting with 7 indicators developed in this research namely the companies (1) share knowledge with other companies without being asked, (2) share knowledge and ask to follow, (3) share information, (4) share work experience and successful stories, (5) accumulate knowledge, (6) collect information, and (7) look for successful stories from other companies. There are 4 indicators of relationship quality developed in Huntley's (2006) study regarding the quality relationship structure where some of the key characteristics include communication quality, commitment quality, cooperation quality and trust quality. In terms of value congruence, there are 3 indicators to measure the suitability of these values as suggested by Cable and Edwards (2004) namely relationship (emotional feeling with the organization), security (safe and comfort

within organization) and prestige (sense of pride incorporated in the organization). On the other hand, there are 4 indicators of innovation performance in this study developed by Pavitt et al (1997) namely new products, new services, markets new, and new work processes.

#### 4.0 RESULT AND DISCUSSION

This study uses Partial Least Square (PLS) to analyse and evaluate the validity and reliability of this study. SmartPLS was used to test the Outer Model and Inner Model of the research.

##### 4.1 Measurement Model (Outer Model)

The outer model test is done to examine the validity and reliability of the indicators and variables in the study. It can be seen that based on the 3 categories, namely (1) Convergent Validity, consists of outer loading value with a value of  $> 0.5$  and AVE value of  $> 0.5$ , (2) Internal Consistency based on Cronbach's alpha value which is  $> 0.7$  and composite reliability with criteria of  $> 0.7$ , and (3) Discriminant Validity based on Fornell- Lacker value where the root of AVE square (diagonal) is bigger than the value of other variables and HTMT (heterotrait monotrait ratio of correlations) is less than 1. Based on the provisions, the indicators and variables in this research can be said to be valid and reliable.

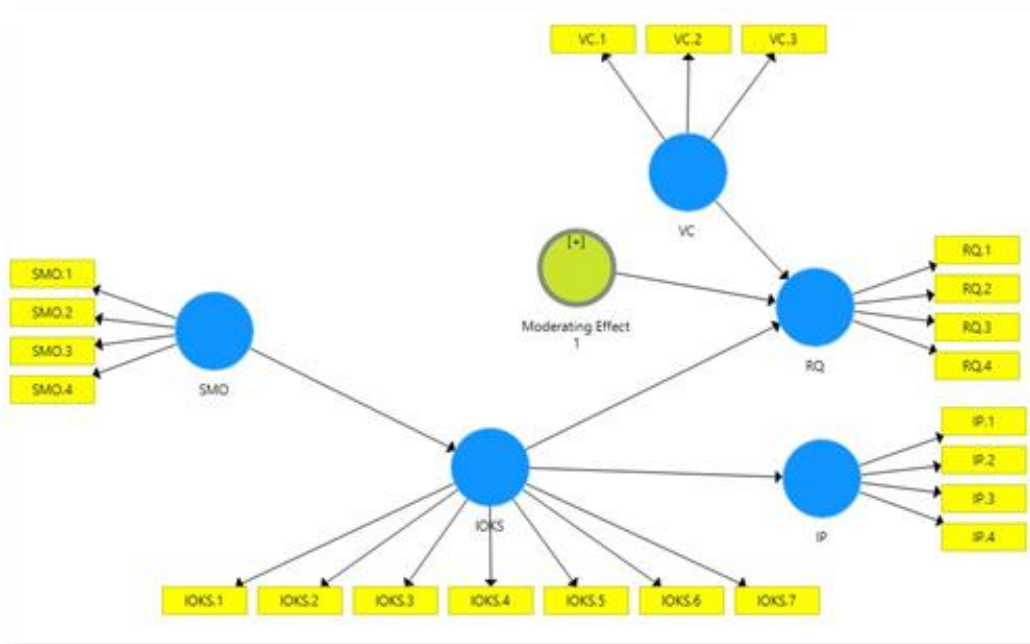


Figure 2: Model Estimation

**Table 1: Measurement Evaluation Model**

<u>Laten</u> Variable	Indicators	Convergent Validity		Internal Consistency		<u>Descriminant</u>
		Loadings	AVE	Composite	<u>Reliability</u>	Validity
		>0.40	>0.50	<u>Reliability</u>	<u>Cronbach</u>	HTMT
				>0.70	Alpha	<1
Social Media Orientation	SMO.1	0,726	0,534	0,820	0,711	YES
	SMO.2	0,780				
	SMO.3	0,643				
	SMO.4	0,766				
Inter Organizational Knowledge Sharing	IOKS.1	0,604	0,512	0,924	0,823	YES
	IOKS.2	0,408				
	IOKS.3	0,876				
	IOKS.4	0,829				
	IOKS.5	0,482				
	IOKS.6	0,833				
	IOKS.7	0,818				
Relationship Quality	RQ.1	0,844	0,746	0,922	0,886	YES
	RQ.2	0,889				
	RQ.3	0,809				
	RQ.4					
Innovation Performance	IP.1	0,866	0,752	0,924	0,890	YES
	IP.2	0,841				
	IP.3	0,883				
	IP.4	0,878				
Value Congruence	VC.1	0,815	0,668	0,858	0,751	YES
	VC.2	0,869				
	VC.3	0,766				
	Moderating Effect	1,527	1,000	1,000	1,000	YES



**Table 2: Fornell-Larcker Criterion**

	Inter Organizational Knowledge Sharing	Innovation Performance	Moderating Effect1	Relation ship Quality	Social Media Orientation	Value Congruence
Inter Organizational Knowledge Sharing	0,715					
Innovation Performance	0,566	0,867				
Moderating Effect1	-0,492	-0,526	1,000			
Rrelationship Quality	0,668	0,571	-0,496	0,864		
Social Media Orientation	0,626	0,573	-0,509	0,547	0,731	
Value Congruence	0,445	0,361	-0,153	0,554	0,315	0,817

**4.2 Structural Model (Inner Model)**

Inner model test is carried out to identify the relationship between variables, which are contained in the 4 hypotheses of this study. Inner model test results can be analysed using path coefficient with p-values of <0.05 and t-statistic of >1.96 and can be seen by the influence of variables based on the Original Sample (O) value. The results of hypothesis testing can be seen in Table 4 which shows 4 hypotheses in this study that are significant. Social media orientation has a strong influence (O = 0.626) and significant for inter-organizational knowledge sharing with p-values of 0.000<0.05 and t-statistic of 4,947>1.96. Inter-organizational knowledge sharing has a strong influence (O = 0.394) and significant to relationship quality with p-values of 0.008<0.05 and t-statistic of 2.683>1.96. Value congruence is a moderating variable that moderates (O = - 0.164) the relationship between inter-organizational knowledge sharing and relationship quality with p-values of 0.031<0.05 and t-statistic of 2.160>1.96. Meanwhile, inter-organizational knowledge sharing has a strong effect (O = 0.566) and significant to innovation performance with p-values of 0.000<0.05 and t-statistic of 3.745> 1.96.

**Table 3. Path Coefficient**

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ( O/STDEV )	P Values
<b>Inter Organizational Knowledge Sharing -&gt; Innovation Performance</b>	0,566	0,573	0,151	3,745	<b>0,000</b>
<b>Inter Organizational Knowledge Sharing -&gt; Relationship Quality</b>	0,394	0,439	0,147	2,683	<b>0,008</b>

<b>Moderating Effect 1 -&gt; Relationship Quality</b>	-0,164	-0,140	0,076	2,160	<b>0,031</b>
<b>Social Media Orientation -&gt; Inter Organizational Knowledge Sharing</b>	0,626	0,637	0,127	4,947	<b>0,000</b>
<b>Value Congruence -&gt; Relationship Quality</b>	0,340	0,322	0,122	2,777	<b>0,006</b>

## 5.0 CONCLUSION

This research aims to examine the role of social media orientation or use of social media in improving the quality of relationships and innovation performance in fashion SMEs Muslim women in Central Java. Research result shows that social media use will increase innovation performance of SMEs. Also, social media orientation is also proven to improve the quality of relationship between SMEs and stakeholders (consumers, business partners, production, suppliers, and others). The result of this research contributes to innovation performance and development of SMEs' model.

The role of social media in company's business activities is to connect and communicate with stakeholders, so that the company can build a business community in social media that can be used to share and gain knowledge, information or experience from the other companies. The high use of social media in business activity can promote knowledge sharing and collecting between companies.

A company can ensure the continuity of its business by gathering knowledge, information and experience from other companies which is good to establish relationships between companies. Companies can communicate and cooperate well together. Knowledge sharing and gathering too can build commitment and high trust in the company which eventually can be influential in building relationship quality. The more knowledge sharing and collecting, the higher the relationship quality between companies.

Inter-organizational knowledge sharing and relationship quality can be moderated by value congruence. The stronger the value congruence in companies, the stronger the relationships between inter-organizational knowledge sharing and relationship quality. Hence, inter-organizational knowledge sharing has a positive influence and significant to relationship quality with moderate value congruence. The more active a company is in sharing and collecting knowledge, information or experience, the higher the innovation performance. As a result, the companies are able to get the idea for innovation by creating new products, services, market distributions and work processes.

It can be concluded that social media is a medium to maintain the quality of a good relationship between SMEs. Moreover, social media can also form a useful online business community to share or collect inter-organizational knowledge, values and goals. This will affect the performance of SMEs where it can increase the innovation performance. Therefore, more active use of social media by SMEs in doing inter-organizational knowledge sharing in the community will affect the relationship quality and innovation performance of SMEs. It is good for business community to establish a relationship quality on a long-term basis for the need of value compatibility between SMEs and the business community that they follow. With that, the use of social media affects the quality of the relationship and innovation performance in SMEs in sustaining business continuity in long term.

### 5.1 Managerial Implication

To build good quality relationship and innovation performance of SMEs, social media makes it easier to connect the online community. With social media SMEs can always do knowledge sharing in the community.

SMEs must increase its participation in the use of social media because it can be used as a tool liaison with stakeholders (eg: consumers, other companies, suppliers, and distributor). Social media too can build inter-business community with other companies and allow frequent communication as well as excellent cooperation with stakeholders which helps expand inter-organizational knowledge sharing. SMEs should also maintain a good trust and commitment quality for the business development in long term. In brief, SMEs should be active in sharing and collecting knowledge as well as successful stories from other companies in order to acquire something new which can help expand business and ultimately refine SMEs' innovation performance.

## 5.2 Limitation and Future Research

This research only focuses on one region and one sector involving the SMEs in Muslim fashion sector. Based on the questionnaire, most of the respondents' answer is not complete and do not meet the criteria needed. The respondents should be given a brief description before filling out the questionnaire so that they understand the aims of the study. Multiple measurement variables are less familiar to the respondents so, their answers are not in sync. For future research, it is aimed that this study will be conducted on wider area and field. This is a good effort and opportunity for SMEs in developing countries like Indonesia to upgrade their performance. This research can be developed by using development model with the addition of community agreeableness variable that may affect relationship quality and innovation performance in SMEs. This is because inter-organizational knowledge sharing is the outcome of social media orientation that can occur more easily when SMEs are incorporated in a community. Innovation performance variable which is measured by new products, new services, new work processes, and new markets for SMEs is seen to be stronger from the competitive advantage, market share, and profit. Thus, the research conducted can help identify and examine the variables and factors for SMEs to increase their innovation performance.

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