Beyond Collaboration: The Impact of Partner Knowledge, Relational Skills, and Internal Communication on SME's Performance

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Abstract:
This study aims to analyze the influence of network capabilities consisting of Partner Knowledge, Relational Skills, and Internal Communication on SME's performance. Partner Knowledge plays a role in forming information exchange routines that support business processes, while Relational Skill refers to the organization's ability to build strong relationships to obtain reliable market information. Meanwhile, Internal Communication functions as a routine interaction mechanism that improves collaborative competence and accelerates organizational performance. This study uses a quantitative approach with a survey method involving SME actors as respondents. The data collected were analyzed using regression analysis techniques to test the relationship between the variables studied. The results of the study indicate that the three network capabilities contribute significantly to improving SME's performance, both individually and simultaneously. This finding confirms that effective network capability management can improve competitiveness, operational efficiency, and innovation in SME Performance.

INTRODUCTION

In an increasingly dynamic business environment, the SME (Small and Medium Enterprises) sector industry is facing complex challenges in improving their performance and competitiveness (Adani et al., 2021; Ferreira & Coelho, 2020). According to Dwianika & Gunawan (2020), The success of SME performance is not only determined by internal factors but also by their ability to build and manage relationships with various parties, including in this case business partners (Surjono.,2024). Increasing competition, both from fellow SMEs and large companies, requires SMEs to be more adaptive in choosing the right strategy (Anser et al., 2021). Overall, even though the SME sector industry is faced with various pressures, they still have the opportunity to grow if they can manage their business properly (Solano Acosta et al., 2018). As stated by Johan et al. (2025) to achieve superior business performance, organizations do not only depend on internal factors, but also on how the organization is able to adapt to a constantly changing environment.

The Network Capability view put forward by Zacca et al. (2015) states that business performance is greatly influenced by the organization's ability to build, manage, and utilize business networks effectively. Johan et al. (2023) describe network capability as a combination of four elements, namely coordination, relational skills, partner knowledge, and internal communication. These components help companies develop and maintain long-term relationships with other organizations so that they can improve expected performance (Karami & Tang, 2019). Currently, SMEs in developing countries have limited access to strategic thinking due to unfavorable circumstances (Jacob et al., 2019), including lack of government support, inadequate infrastructure, and insufficient resources (Usman et al., 2019). Thus, the network capabilities built can help organizations effectively improve performance and enable them to achieve growth by leveraging knowledge.

According to de Almeida et al. (2021), This capability includes access to information and collaboration opportunities to increase competitiveness. By having a strong Network Capability, SMEs can strengthen relationships with business partners to respond to market dynamics more adaptively and strategically (Johan et al., 2024). In many organizations, intangible resources become an advantage if managed well, because they can create sustainable added value and are difficult for competitors to imitate. These resources, such as knowledge, reputation, business relationships, and organizational culture, contribute to creating business performance (Bulińska-Stangrecka & Bagieńska, 2020).

Previous studies conducted by Anser et al. (2021) show that a deep understanding of business partners helps organizations build more effective strategies leading to improved performance. Sarwar et al. (2021) stated that the network built is a valuable asset to obtain information about market dynamics and expand knowledge. However, previous studies are still limited in explaining how the specific mechanisms of the network affect the performance of SME businesses. In addition, studies that examine the extent to which network intensity contributes to increasing competitiveness and business performance in the context of SMEs are still relatively lacking. This study attempts to use network capabilities consisting of Partner Knowledge, Relational Skills, and Internal Communication. Partner knowledge can form an exchange routine in helping business processes (Usman et al., 2019). Relational skills refer to the organization's ability to build strong relationships to obtain reliable information about the market. Then, internal communication refers to interactions that are carried out routinely as a support to improve collaborative skills and competencies that accelerate performance (Karami & Tang, 2019). Thus, the results of this study are expected to provide deeper insights into how network capabilities can contribute to improving SME's performance. In an increasingly dynamic business context, a better understanding of the role of Partner Knowledge, Relational Skills, and Internal Communication is expected to help SMEs develop more effective strategies to improve their competitiveness.

In addition, this research can also provide practical implications for stakeholders, including SME entrepreneurs, business associations, and policymakers. By optimizing knowledge exchange between partners, building strong relational skills, and strengthening internal communication, SMEs can be more adaptive to market changes, improve operational efficiency, and create sustainable innovation.

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METHODS

This study uses a quantitative approach with a survey method. This study is explanatory and aims to test the causal relationship between Partner Knowledge, Relational Skill, and Internal Communication on SME Performance in SMEs in Bandung City. The population in this study were all SMEs operating in Bandung City. Then the sample was selected randomly with a purposive sampling approach as many as 110 that met the criteria, for example having a minimum of 3 years of operation and having collaborated with business partners. Each variable in this study was measured using a 5-point Likert scale, with the provisions of 1 (strongly disagree) to 5 (strongly agree). Then, the data was processed using a multiple regression approach with the help of SPSS 26 software.

This study uses the variables partner knowledge, relational skills, internal communication, and SME performance. Where partner knowledge is measured by three items. Relational skill is measured by four items, and internal communication is measured by five items. Where the measurement of each variable is adopted from research Anser et al. (2021) and Walter et al. (2006). The research model is presented in the image below.
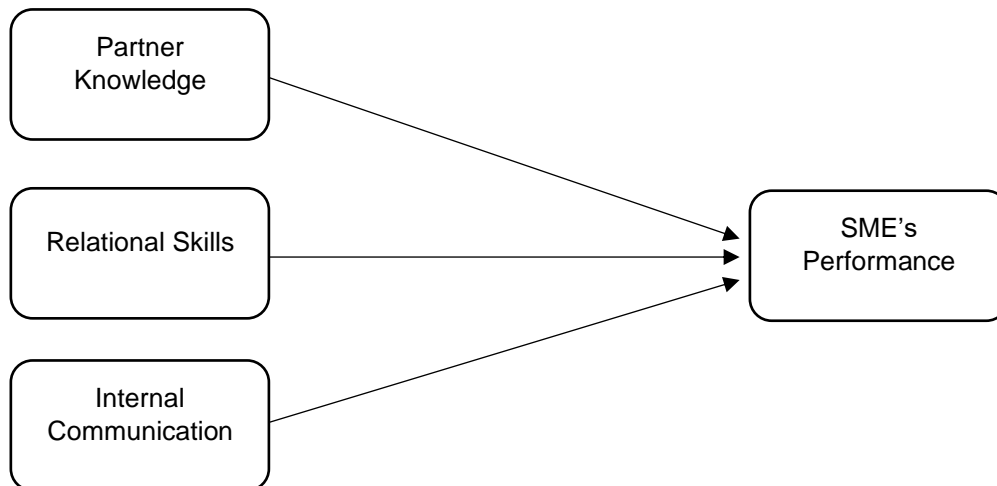
Figure 1. Conceptual Framework
Source: Data by Author (2024)

RESULTS AND DISCUSSION

Table 1. Respondent Profile N (110)

Respondent Profile		Total
Gender	Male	67
	Female	43
Age	25 to 35 Years	22
	35 to 45 Years	57
	Over 45 Years	31
Education	Senior High School	40
	Bachelor	57
	Master	13
	Phd	0
Period of Business	5 to 10 Years	74
Establishment	10 to 15 Years	36

Respondent Profile	Total	Respondent Profile
Income/month	10 to 20 Million	27
	20 to 30 Million	57
	Over 30 Million	26

Source: Processed data (2025)

Data Analysis

Instrument Test

The Validity test shows that all statement items in the questionnaire for the variables partner knowledge, relational skills, and internal communication and SME's Performance have a calculated r value > r table (0.1870) and a two-tailed significance of 0.000 < 0.05. Thus, all statement items are declared valid. Furthermore, Table 2 presents the results of the reliability test with Cronbach's Alpha, which shows that all variables meet the threshold value > 0.600, so they are declared reliable.

Table 2. Reliability Test Results

Variable	Cronbach's Alpha	Conclusion
Partner Knowledge	0.813	Reliable
Relational Skills	0.825	Reliable
Internal Communication	0.731	Reliable
SME's Performance	0.861	Reliable

Source: Processed data (2025)

Classical Assumption Test

Based on the results of the classical assumption test presented in Table 3, it can be concluded that all assumptions are met. The normality test using the Kolmogorov-Smirnov Test shows an Asymp. Sig. (2-tailed) value of 0.200, which is greater than 0.05. This indicates that the data is normally distributed. Furthermore, the autocorrelation test with the Durbin-Watson Test produces a DW value of 1.947, which is between the upper limit (dU = 1.7437) and (4 - DW) > dU. Thus, no positive or negative autocorrelation was found.

Table 3. Results of the Classical Assumption Test

Assumption Test	Test Method	Result	Conclusion
Normality	Kolmogorov-Smirnov Test	Asymp. Sig. (2-tailed) = **0.200** (> 0.05)	Data is normally distributed (assumptions met)
Autocorrelation	Durbin-Watson (DW Test)	DW = **1.947**, dU = **1.7437**	There is no autocorrelation (assumption met)
Heteroscedasticity	Glejser Test	Sig. X1 = **0.441**, Sig. X2 = **0.423**, Sig. X3 = **0.339** (> 0.05)	There is no autocorrelation (assumption met)
Multicollinearity	Tolerance & VIF	Tolerance > **0.1**, VIF < **10**	There is no multicollinearity (assumptions met)

Source: Processed data (2025)

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Multiple Linear Regression Analysis

Table 4. Results of Multiple Linear Regression Analysis

Variable	Regression Coefficient	Std. Error	t	Sig.
Constant	5.425	2.526	2.145	0.034
Partner Knowledge	0.346	0.108	3.212	0.002
Relational Skills	0.271	0.103	2.337	0.021
Internal Communication	0.364	0.105	3.768	0.000

a. Variabel Dependen: SME's Performance

Source: Processed data (2025)

Table 4 shows that all independent variables have a positive influence on SME's performance. The constant value of 5.425 indicates that if the partner knowledge, relational skills, and internal communication variables are zero or fixed, then the SME's performance is at a value of 5.425 units. The regression coefficient of the partner knowledge variable of 0.346 indicates that every 1 unit increase in partner knowledge will increase SME's performance by 0.346 units, assuming other variables remain constant. The same applies to the relational skills and internal communication variables, where a 1 unit increase in relational skills will increase SME's performance by 0.271 units, and a 1 unit increase in internal communication will increase SME's performance by 0.364 units. Because the sig. Value for all independent variables is <0.05, it can be concluded that partner knowledge, relational skills, and internal communication have a significant effect on SME's performance.

Hypothesis Testing

The t-test is used to test the partial effect of each independent variable on the dependent variable. The results of the analysis are shown in the following table:

Table 5. Hypothesis Test Results

Variable	t count	t table	Sig.	Conclusion
Partner Knowledge	3.413	1.98304	0.002	Significant
Relational Skills	2.417	1.98304	0.021	Significant
Internal Communication	3.668	1.98304	0.000	Significant

a. Variabel Dependen: Sme's Performance

Source: Processed data (2025)

Based on the test results, the partner knowledge variable has a t-value of 3.413 which is greater than the t-table of 1.98304, with a significance value of 0.002<0.05. This shows that partner knowledge has a significant effect on SME's Performance. The Relational Skills variable also shows a significant effect with a t-value of 2.417 which is greater than the t-table of 1.98304 and a significance value of 0.021<0.05. Furthermore, the internal communication variable has a t-value of 3.668 and a significance value of 0.000<0.05, which means that internal communication significantly affects SME's Performance. Because all independent variables have a t-value > t-table and significance < 0.05, it can be concluded that partner knowledge, relational skills, and internal communication have a partially significant effect on SME's performance.

Coefficient of Determination

Table 6. Coefficient of Determination

Model	R	R Square	Adjusted R Square
1	0.772	0.586	0.553

Source: Processed data (2025)

Based on the analysis results in the table above, the determination coefficient value (R Square) is 0.586 or 58.6%. This value is obtained from the square of the correlation coefficient ($0.772 \times 0.772 = 0.586$), which shows that the independent variables, partner knowledge, relational skills, and internal communication together affect SME's performance by 58.6%. Meanwhile, the remaining 41.4% is influenced by other factors not included in this study. This indicates that although the variables in this model have a fairly strong influence on SME's performance, there are still other external factors that contribute and can be the subject of further research.

CONCLUSION

Based on the results of statistical testing, this study concludes that variables regarding partner knowledge, relational skills, and internal communication have a significant influence on SME's performance. As mentioned in previous studies, in the theory of network capability, network capabilities can help organizations access strategic resources so that they gain knowledge to support business performance. This research extends the understanding of how partners' knowledge can be a source of advantage for SMEs; relational skills can facilitate effective knowledge exchange and build trust between organizations, and strong internal communication strengthens the capacity of organizations to absorb and apply external knowledge and ultimately influence SME performance.

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