

Analysis of Digital Adoption Capability and Perceived Product Advantage on Network Externalities and Sustainable Business Growth on MLM in Indonesia

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Abstract: - The problems of the MLM industry in Indonesia include: MLM companies do not have strategic flexibility and sensitivity to dynamic markets. This study will determine the effect of Training and Development, Compensation and Reward System, Digital Adoption Capability and perceived Product Advantage on Network Externalities and Sustainable Business Growth. The method used in this study is a quantitative research method. The process of collecting data using a questionnaire is carried out once in a certain time span without repetition, namely one shoot cross-sectional, so that a total sample of 319 MLM companies is obtained. The results show that Training and Development has a positive effect on Sustainable Business Growth, Training and Development has a positive impact on Network Externalities, Compensation and Reward System has a positive effect on Sustainable Business Growth, Compensation and Reward System have a positive impact on Network Externalities, Digital Adoption Capability does not affect Sustainable Business Growth, Digital Adoption Capability has a positive effect on Network Externalities, perceived Product Advantages have no effect on Sustainable Business Growth, perceived Product Advantages have no effect on Network Externalities, and Network Externalities have a positive effect on the Company's sustainable business growth. The novelty of this research is that it is found that Research on the MLM Industry has continued to grow in the last 24 years but not significantly, the MLM business globally and nationally continues to grow. The number of articles is still very limited, so references in the MLM industry are limited. The contribution of this research is that MLM companies and their management teams also get additional references to develop a solid framework to increase the growth of sustainable MLM business in Indonesia.

Key-Words: - Training and Development, Compensation and Reward System, Digital Adoption Capability, Perceived Product Advantage, Network Externalities.

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1 Introduction

Multi-Level Marketing (MLM) or often called Network Marketing in Indonesian translated as Network Marketing or Tiered Marketing is a method or method of marketing products or services directly from Producers through Direct Sellers or Agents or Independent Distributors to Consumers without going through store facilities, kiosk or permanent place of business, [1], [2]. According to Dhiraj Jain & Sachdev, [3] Network Marketing or MLM is a marketing strategy used by sellers to sell their products or services through distributor networks or directly to consumers

The problems of the MLM industry in Indonesia include: MLM companies do not have strategic flexibility and sensitivity to dynamic markets, have not reached a wider market reach, and the pattern of developing business partners has not been effective..

Based on existing data and phenomena, it shows that MLM business growth in Indonesia is quite high, but global sales volume is not significant and not maximized, there are also 11 MLM companies that close every year so researchers consider it necessary to conduct a study on how to increase MLM business growth and sustainability. MLM business in Indonesia, as well as what factors influence it, considering that the MLM industry has the potential to support Indonesia's economic growth.

In various MLM studies it is implied that the more people who join an MLM company and use their products, the greater the MLM company's business volume and is an indicator of the success of an MLM business. [4], [5]. Network externality refers to the phenomenon that when the number of users using the same product or service increases, the benefits that each user derives from the product or service also increase, [6]. Various studies say that network externalities affect company performance in the IT and Communication industry, [7], [8], because according to the nature of the MLM business model, the researcher will test the potential influence of network externalities on the business growth of MLM companies which has rarely been empirically tested in the previous MLM industry.

Previous research has revealed that recruitment, training and development of MLM distributors, as well as support to MLM distributors, compensation and reward systems are very important in MLM business development, [1], [9] which are dimensions of HR Practice in various studies, [10], [11]. This study also confirms that the reward and training

systems affect sustainable competitive advantage, [1]. Research says that the implementation of the role of strategic business partners by human resources (HR) has great potential to contribute to the strategic agility that companies need to compete globally successfully. Based on the background of the above problems, this research will discuss the effect of Training and Development, Compensation and Reward System, Digital Adoption Capability and perceived Product Advantage on Network Externalities and Sustainable Business Growth in MLM in Indonesia.

This research is built based on phenomena that occur in the MLM industry, builds a best practice framework to provide alternative solutions to the MLM industry, focuses on network externalities to improve the business performance of MLM companies in Indonesia, which has the potential to be a novelty in this research. Network externalities are new because research on this variable is still rare and focuses only on consumers and the use of communication products. In this study, network externalities will be examined from a different point of view, namely the role of consumers and sellers in distributing existing products and services with broader product and service categories.

2 Literature Review and Hypotheses

2.1 Relationship between Training and Development and Sustainable Business Growth

Previous research conducted on smart manufactures (smart manufacture) in Malaysia using secondary data resulted that the three dimensions of HR practice, namely training and development (training and development), performance appraisal (performance appraisal) and the reward system (rewards system) provide good motivation. strong so that it can provide good performance, [12]. The study was conducted by distributing six hundred questionnaires randomly to selected university employees in Erbil City, Iraq to examine the effect of strategic human resource management (HRM) practices on achieving sustainable competitive advantage, and evaluating the mediating role of human capital development. linear and positive of strategic HRM on sustainable competitive advantage, [13]. The formulation of the hypothesis is as follows:

H 1: Training and Development has a positive effect on the Company's sustainable business growth.

2.2 Training and Development Relations and Network Externalities

To measure HR systems, Kehoe et al., [14], suggest choosing HR practices which are organizational actions, processes, or work structures that directly affect employees and relate to system goals. To choose which HR practices to include in the system, conduct a process of measuring at least six of the most widely adopted practices such as training and development, participation/autonomy, incentive compensation, performance evaluation, selection, and job design. Following the MLM business model, [9], this study uses partner development orientation variables with dimensions of incentive and reward systems, training and development, [1], and company support adopted from HR practices, [12], and examines its effect on the sustainable business growth of MLM companies. The formulation of the hypothesis is as follows:

H 2: Training and Development has a positive effect on Network Externalities.

2.3 Compensation and Reward System and Sustainable Business Growth

In previous research on the MLM industry, it was also found that the distributor reward system and distributor training system positively affect the sustainable competitive advantage of MLM companies in Malaysia, [1]. The training program alone is not enough to achieve a competitive advantage for the company. To produce human resources that can be a source of competitive advantage, it is necessary to combine them with other human resource practices, [15]. According to Boxall & Macky, [16] a competitive compensation structure not only benefits employees, but also improves company performance. It distracts employees from generating more revenue for their organization and empowers them to tackle their departmental agendas. A holistic approach is built to achieve growth by setting business targets for the company. The formulation of the hypothesis is as follows:

H 3: Compensation and Reward System has a positive effect on Sustainable Business Growth.

2.4 Compensation and Reward System and Network Externalities

Network externalities are a special type of external effect. External effects exist whenever the production or consumption of goods or services

results in costs or benefits experienced by third parties without these parties receiving compensation for the costs incurred by each paying for the benefits received. The lack of price inherent in external effects prevents market processes leading to efficient levels of production or consumption of these goods. Various studies further highlight that research on the relationship between reward and retention should not fail to consider how demographic factors among recipient employees might alter that relationship, [17]. Specifically, human resources are knowledge, skills, network personality, and motivation, enabling certain abilities to develop, [16]. The formulation of the hypothesis is as follows:

H 4: Compensation and Reward System has a positive effect on Network Externalities

2.5 The Relationship of Digital Adoption Capability and Sustainable Business Growth

Previous research used data on digital technology use spanning 25 industries in 24 European countries and Turkey during the 2010-16 period to explore covariates of industry-level digital adoption by enterprises across two broad technology sets – cloud computing and back and front office integration. The diffusion of high-speed broadband internet is positively correlated with adoption. Low managerial quality, lack of ICT skills and policies that limit market access, competition in services, hiring and firing, and availability of venture capital are associated with lower adoption of digital technologies, [18]. While the political field has explored the practice of digital adoption in the Labor Party to examine elite perceptions and applications of interactive digital tools, this study has shown evidence of interest among elites in interactivity, [19]. The formulation of the hypothesis is as follows:

H 5: Digital Adoption Capability has a positive effect on Sustainable Business Growth

2.6 Relationship of Digital Adoption Capabilities and Network Externalities

A number of studies have confirmed evidence of the effect of direct network externalities in the digital environment, digital transformation and the influence of network externalities contribute to an increase in the number of subscribers, a reduction in the number of networks (distortion of market competition), and a decrease in telecommunications prices, [20]. Previous research on network externalities is generally in the telecommunications sector, [21], social networking sites, [22], relating to

digital technology. User (or customer) loyalty is an important source of competitive advantage for companies that market their products or services through conventional and/or online channels, and various emerging online service providers, particularly in the area of direct selling MLM. The formulation of the hypothesis is as follows:

H 6: Digital Adoption Capability has a positive effect on Network Externalities

2.7 The Relationship of Perceived Product Excellence and Sustainable Business Growth

Previous MLM research has shown that product innovation does not increase sustainable competitive advantage due to the absence of product exclusivity and special uniqueness because products are easy to obtain from OEM and imported factories. Malaysian MLM Distributors consider that product innovation causes products to be expensive, complicated, difficult to sell, shared, and taught to their downlines, [1]. Previous research on MLM found that perceived product value tends to affect consumer satisfaction, [23]. Products are fairly important for MLM companies to develop their business and increase their competitive advantage, [24]. Based on various previous studies, the researcher developed and tested the importance of perceived product advantage in the MLM industry to increase sustainable business growth. The formulation of the hypothesis is as follows:

H 7: The perceived superiority of the product has a positive effect on the company's sustainable business growth.

2.8 Relationship of Perceived Product Advantage and Network Externalities

The concept of product advantage influences consumer purchasing decisions, forming a strong rationale for product adoption by the market, [25]. Product is an important element in direct selling or MLM [26]. Perceived Product Advantage has also been shown to be an important factor in explaining the adoption and success of product offerings. And it is suspected that the perception of product superiority greatly affects the effects of network externalities which ultimately increase the growth of the MLM business. Product excellence is consistently identified as the most important product characteristic in explaining the adoption and success of a new product. Unique products and products that solve customer problems are also considered important in building product advantages. The concept of product excellence influences consumer purchasing decisions, forming a strong reason for

product adoption by the market, [25]. Perceived quality can be defined as a consumer's assessment of the superiority or superiority of the product as a whole. This perception-based approach views quality as a form of overall evaluation of a product, indicating that quality is a relatively global value, [27]. The formulation of the hypothesis is as follows:

H 8: The perceived superiority of the product has a positive effect on Network Externalities.

2.9 Network Externalities affect the Company's sustainable Business Growth

Previous research has tested network externalities in the IT industry, [28], [22], customer loyalty, [29], digital platforms, [30], and the desire to provide recommendations for product use, do not directly test the effect on performance where causality some tests intrinsically and extrinsically reflect performance, so this study conducted tests to confirm the relationship of network externalities with the business growth of MLM companies. Previous research by Kim et al., [31], empirically compares network externalities' effects on customer recommendations between luxury and necessity products. To verify the hypothesis, data were collected from 539 consumers. Empirical results show that for luxury and necessity products, direct network externalities positively impact customer recommendations, while network externalities indirectly negatively impact customer recommendations. This study extends the theory of network externalities and proves that network externalities are an important way for companies to gain a competitive advantage that improves business performance. This shows that network externalities have 2 dimensions, namely direct and indirect externalities. The formulation of the hypothesis is as follows:

H 9: Network Externalities have a positive effect on the Company's sustainable business growth.

3 Method

The method used in this study is a quantitative research method. The survey was conducted to find answers to research questions through data collection and then further analysis was carried out, [32], the unit of analysis is an official MLM company and has a license to operate in Indonesia, both foreign companies and domestic companies represented by top management Companies such as CEO, General Manager, or Senior Manager who are authorized in making strategic decisions of the

Company. Collecting data using questionnaires is carried out once in a certain period without repetition, namely one shoot cross-sectional.

Based on the reference to the number of samples using the Krejcie & Morgan, [33], methods, the researcher will conduct a survey of all MLM companies in Indonesia, totaling 319 MLM companies officially registered with the Ministry of Trade of the Republic of Indonesia. The purpose of conducting a survey to all so that this research remains valid if there are respondents who do not meet the requirements when filling out the research questionnaire. The questionnaire for each operationalization of the research variable was designed with five alternative answer choices using a Likert scale including: 5 for strongly agree (SS), 4 for agree (S), 3 for Neutral (N), 2 for disagree (TS), and a score of 1 for strongly disagree (STS).

To test the hypothesis, Structural Equation Modeling (SEM) is used which is an analysis of the research model to determine the relationship between variables in research by providing quantitative tests of the theoretical model hypothesized by a researcher, [34].

	BOGOR	2,2 %
	China	0,5 %
	Semarang	2,7 %
	Gorontalo	0,5 %
	South Borneo	0,5 %
	Solo	0,5 %
	Makassar, sulawesi selatan	0,5 %
Company Operating Time	< 5 Years	61,5 %
	5 - 10 Years	19,2 %
	11 - 15 Years	6,6 %
	16 - 20 Years	3,3 %
	> 20 Years	9,3 %
Company Origin	Amerika	8,8 %
	Indonesia	70,3 %
	Malaysia	6,0 %
	Korea	3,8 %
	Taiwan	1,1 %
	Jepang	1,1 %
	China	5,5 %
	Singapore	1,6 %
	Hong Kong	0,5 %
	New Zealand	0,5 %
	Irlandia	0,5 %

4 Analysis and Discussion

Table 1. Demographics of Respondents

Characteristics	Category	%
Respondent Profile		
Gender	Man	83,5 %
	Woman	16,5 %
Age	25 - 30 years	5,5 %
	31 - 35 years	11,0 %
	36 - 40 years	28,6 %
	41 - 45 years old	22,5 %
	> 46 years old	32,4 %
Position	CEO	50,0 %
	Senior Manager	8,8 %
	General Manager	16,5 %
	Marketing Manager	9,3 %
	CMO	8,2 %
	Country Manager	4,4 %
	COO	2,7 %
Firm address	Jakarta head office	57,1 %
	Surabaya head office	15,4 %
	Salatiga head office	0,5 %
	Karanganyar	0,5 %
	Malang	0,5 %
	BANDUNG	2,7 %
	BATAM	0,5 %
	Tangerang-Selatan	4,4 %
	Bekasi	1,1 %
	Depok	2,7 %
	Medan head office	2,7 %
	Yogyakarta	3,8 %

Partial Least Square (PLS) method was used in this study to analyze the response. The same choice was made in other similar studies, as can be seen from Table-1. Apart from taking cues from previous research work, Partial Least Square (PLS) is effective in analyzing the relationship between several variables and is believed to provide more accurate results than simple regression. This method is very helpful in testing the relationship between a set of dependent variables with two or more independent variables. By using PLS, Structural Equation Modeling (SEM) can be used with relatively small sample sizes and also eliminates the need for multivariate normality assumptions.

Table 2. Construct Reliability and Validity

Variable & Indicators	OL	CA	CR	AVE	
Training and Development					
T N: D 1	Because they have received training from the Company, the Direct Seller is ready to do their job.	0,894	0,881	0,926	0,807
T N D 2	In our company, Direct Sellers or members are given skills training to improve their capabilities and abilities.	0,915			
T N D 3	By participating in training, new members can improve the skills needed for sales and recruitment.	0,886			

Compensation and Reward System					
CRS1	Direct Sellers or members of our Company are satisfied with the calculation system for the distribution of commissions and bonuses.	0,856	0,801	0,884	0,718
CRS2	Direct Sellers or members of our Company are satisfied with the scheduling of commission and bonus payments.	0,916			
CRS3	Our company uses a reward system (cash, travel, and other incentives) to increase the motivation of Direct Sellers or members.	0,763			
Digital Adoption Capability					
DAC1	New needs that can be met with new digital business model innovations	0,861	0,857	0,901	0,697
DAC2	There are related parties who carry out digital innovation activities (Companies,	0,685			
DAC3	The added value provided with the new digital business model	0,850			
DAC4	Generated revenue model with new digital business model towards target	0,923			
Perceived Product Advantage					
PPA1	Increased Profit relative to competitors	0,736	0,814	0,878	0,643
PPA2	Annual ROE increase and from the previous year relative to competitors	0,776			
PPA3	Annual ROA increase and from the previous year relative to competitors	0,842			
PPA4	Increased Sales relative to competitors	0,848			
Network Externalities					
NET1	The products of our company have the potential to be used by many people.	0,882	0,862	0,905	0,705
NET2	Our company's products have a large user base	0,817			
NET3	Our company considers many relatives or friends of Direct Sellers who use our company's Products	0,822			
NET4	Our company has a good reputation.	0,836			
Sustainable Business Growth					
SBG1	During the 2017-2019 period, our company had an increasing market share growth.	0,946	0,957	0,967	0,855
SBG2	During the 2017-2019 period, our company had an	0,953			

G2	increasing sales growth rate				
SBG3	During the 2017-2019 Period, our Company had an increased profit margin on sales	0,935			
SBG4	During the 2017-2019 period, the Company always launches new products every year.	0,852			
SBG5	During the 2017-2019 period, there was an increase in the number of new partners in our company	0,933			

A construct is declared reliable if it has a composite reliability (CR) value above 0.70 and Cronbach's alpha (CA) above 0.60. From the SmartPLS output above, all constructs have CR values above 0.70 and CA above 0.60. So it can be concluded that the construct has good reliability. Based on table 4.8 above, it shows that the AVE (Average Variance Extracted) value for all constructs has a value > 0.50. Therefore, there is no convergent validity problem in the tested model.

To test the discriminant validity, the Heterotrait-Monotrait Ratio (HT/MT) was deployed since this method is known has more precise value. Refer to Hair et al., [35], the recommended threshold value is 0.85 to establish each construct indicator is conceptually different. Table 3 (HT/MT Ratio) shows that all HT/MT values are well below the 0.85 thresholds for all variables. Thus, its concluded that all indicators used in this research model have adequate discrimination to measure their respective constructs.

Table 3. Discriminant Validity: HT/MT Ratio

	CRS	DAC	NET	PPA	SBG	TND
CRS						
DAC	0,406					
NET	0,614	0,369				
PPA	0,514	0,245	0,357			
SBG	0,134	0,174	0,336	0,090		
TND	0,652	0,260	0,517	0,479	0,058	

It can be concluded that all indicators in this research model have been well discriminated against and can measure their respective constructs. Each indicator can accurately and specifically measure its construct. There are four parameters to test the reliability and validity of the outer model above, namely the reliability indicator (outer loading), construct reliability (Cronbach's alpha and composite reliability), construct validity (average variance extract), and discriminant validity (Heterotrait-Monotrait ratio).

Since goodness of fit is not used in PLS-SEM as suggested by Hair et al., (2019) this study performed R2 to measure predictive accuracy and the value of the Q2 cross redundancy to measure predictive relevance of the test model. As a rule of thumb, R2 values of 0.75, 0.50, and 0.25 can be considered substantial, moderate, and weak (Henseler et al. 2009; Hair et al. 2011). Network Externalities have R2 = 0.352 and Q2 = 0.411, and Sustainable Business Growth (R2 = 0.545; Q2 = 0.405). Both, Network Externalities and Sustainable Business Growth have moderate prediction accuracy (Hair et al., 2019).

Hypothesis testing with the bootstrap procedure was carried out to determine the effect of the variables and determine whether the hypothesis proposed by this study was supported. The bootstrap approach was used to determine the significance of the data. The cut-off value of the T-statistic > 1.645 (one-sided) with an alpha of 0.05 was used as a criterion to determine whether the hypothesis was supported or not. The results are shown in Table 4. In addition, mediation analysis was also carried out to determine the significance of mediation.

Table 4. Significant and Coefficient

Hypothesis	Standardized Coefficient	T-statistics	P-values	Result
DIRECT EFFECT				
H1 : Compensation and Reward System -> Network Externalities	0,071	4,272	0,000	Hypothesis Supported
H2 : Compensation and Reward System -> Sustainable Business Growth	0,13	3,107	0,045	Hypothesis Supported
H3 : Digital Adoption Capability -> Network Externalities	0,059	3,127	0,002	Hypothesis Supported
H4 : Digital Adoption Capability -> Sustainable Business Growth	0,081	0,833	0,405	Hypothesis Supported
H5 : Network Externalities -> Sustainable Business Growth	0,074	4,844	0,000	Hypothesis Supported
H6 : Perceived Product Advantage -> Network Externalities	0,071	0,747	0,455	Hypothesis Not Supported
H7 : Perceived Product Advantage -> Sustainable Business Growth	0,104	0,013	0,990	Hypothesis Not Supported

Growth				
H8 : Training and Development -> Network Externalities	0,071	3,287	0,001	Hypothesis Supported
H9 : Training and Development -> Sustainable Business Growth	0,091	3,275	0,003	Hypothesis Supported

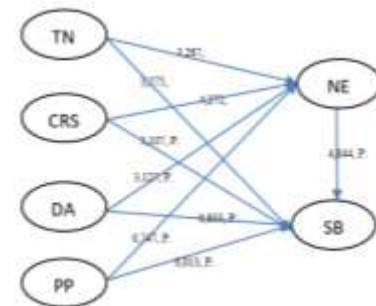


Fig. 1: Conceptual Framework

Information:

- TN : Training and Development
- PP : Perceived Product Advantage
- CRS: Compensation and Reward System
- NE : Network Externalities
- DA : Compensation and Reward System
- SB : Sustainable Business Growth

5 Discussion

5.1 Training and Development has a Positive and Significant Effect on Sustainable Business Growth

It was found that the T-statistical value (3.275) > 1.96 and the original sample value was 0.116 (positive sign). From these results, the hypothesis which states that Training and Development has a positive effect on Sustainable Business Growth is accepted. Ambidextrous Leadership has a positive and significant impact on Digital Business Model Innovation. Previous research in Jordan aimed to identify the role of empowerment practices and Human Resource Management (HR) on organizational performance among 13 Jordanian commercial banks and the results showed that empowerment and HR practices had a positive and significant impact on organizational performance, [36]. Previous research on the impact of human resource management practices on organizational performance in 100 managers of manufacturing companies in Kosovo from the public and private sectors responded to the survey. The results of this empirical study indicate that HRM practices have a positive and significant effect on organizational performance, [37]. We study the effect of an important dimension of human resource management (HRM), that is, employee training, on

firms' performance in sustainable development, [41].

5.2 Training and Development Relations and Network Externalities

It was found that the T-statistical value (3.287) > 1.96 and the original sample value was 0.233 (positive sign). From these results, the hypothesis which states that Training and Development has a positive effect on Network Externalities is accepted. This business is flexible enough to run and does not require much capital in the form of material, it is enough with the will, the consistency that is formed, tenacious, never give up, and the MLM business will continue to grow. Because this business is flexible, it's not wrong if some city dwellers and students become members of this business. Still, social capital is also the main key to developing and surviving this business. In a business, social networking is the most important element, according to Lawang, [38]. Following the MLM business model, [9], this study uses partner development orientation variables with dimensions of incentive and reward systems, training and development, [1], and company support adopted from HR practices, [12] and examines its effect on the sustainable business growth of MLM companies.

5.3 Compensation and Reward System and Sustainable Business Growth

It was found that the T-statistical value (3.107) > 1.96 and the original sample value was 0.04 (positive sign). From these results, the hypothesis which states that the Compensation and Reward System has a positive effect on Sustainable Business Growth is accepted. It distracts employees from generating more revenue for their organization and empowers them to tackle their departmental agendas. A holistic approach is built to achieve growth by setting business targets for the company, [27]. A total reward strategy is a system implemented by a business that provides monetary, rewarding, and developmental rewards to employees who achieve certain business goals. This strategy combines compensation and benefits with opportunities for personal growth in a motivated work environment, [39]. Designing and implementing a total reward strategy requires a large-scale approach that drives organizational change. Executive support and top management are critical to the success of a total rewards strategy, [44]. The reward system has become one of the important factors that will greatly affect how the

business grows, [43]. Every organization uses various rewards to attract and retain people and motivate them to achieve personal and organizational goals. The size of the reward given depends on many things, mainly determined by the level of achievement achieved, [42].

5.4 Compensation and Reward System and Network Externalities

It was found that the T-statistical value (4.272) > 1.96 and the original sample value was 0.305 (positive sign). From these results, the hypothesis which states that the Compensation and Reward System has a positive effect on Network Externalities is accepted. The lack of price inherent in external effects prevents market processes leading to efficient levels of production or consumption of these goods. Various studies further highlight that research on the relationship between reward and retention should not fail to consider how demographic factors among recipient employees might alter that relationship, [17], [40].

5.5 The Relationship of Digital Adoption Capability and Sustainable Business Growth

It was found that the T-statistical value (0.833) < 1.96 and the original sample value was 0.067 (positive sign). From these results, the hypothesis which states that Digital Adoption Capability has a positive effect on Sustainable Business Growth is rejected. While the political field has explored the practice of digital adoption in the Labor Party to examine elite perceptions and applications of interactive digital tools, this study has shown evidence of interest among elites in interactivity, [19]. Qualitative research that provides some advice to policymakers and technology suppliers on how to encourage digitalization adoption among SMEs, and also argues that digital adoption by SMEs stems from critical orientations, namely sales, marketing, process improvement, and product development so as to understand the need for digital adoption, [28].

5.6 Relationship of Digital Adoption Capabilities and Network Externalities

It was found that the T-statistical value (3.127) > 1.96 and the original sample value was 0.185 (positive sign). From these results, the hypothesis which states that Digital Adoption Capability has a positive effect on Network Externalities is accepted. How a digital platform affects network externalities, [30], meaningful managerial implications for online B2B service providers to build a loyal user base through increasing user perceptions of network

externalities, switching costs, and value. User (or customer) loyalty is an important source of competitive advantage for companies that market their products or services through conventional and/or online channels, and various emerging online service providers, [26], particularly in the area of direct selling MLM.

5.7 The Relationship of Perceived Product Excellence and Sustainable Business Growth

It was found that the T-statistical value (0.013) < 1.96 and the original sample value was 0.001 (positive sign). From these results, the hypothesis which states that perceived Product Advantage has a positive effect on Sustainable Business Growth is rejected. Based on various previous studies, the researcher developed and tested the importance of perceived product advantage in the MLM industry in an effort to increase sustainable business growth. In various studies investigating product advantages often focus on elements such as quality, uniqueness, innovation, and performance, [30]. Product excellence is significantly and positively related to the market, [25]. This study examines the perceived superiority of the product in MLM that supports the company's long-term business growth.

5.8 Relationship of Perceived Product Advantage and Network Externalities

It was found that the T-statistical value (0.747) < 1.96 and the original sample value was 0.001 (positive sign). From these results, the hypothesis which states that perceived product superiority has a positive effect on network externalities is rejected. Unique products and products that solve customer problems are also considered important in building product advantages. The concept of product excellence influences consumer purchasing decisions, forming a strong reason for product adoption by the market, [25]. Perceived quality can be defined as a consumer's assessment of the superiority or superiority of the product as a whole. This perception-based approach views quality as a form of overall evaluation of a product, showing that quality is a relatively global value, [45]. In various studies investigating product advantages, they often focus on elements, such as quality, uniqueness, innovation, and performance, [46], product advantages are significantly and positively related to network externalities.

5.9 Network Externalities affect the Company's sustainable Business Growth

It was found that the T-statistical value (4.844) > 1.96 and the original sample value was 0.357 (positive sign). From these results, the hypothesis which states that network externalities have a positive effect on the company's sustainable business growth is accepted, [47]. Empirical results show that for luxury and necessity products, direct network externalities have a positive impact on customer recommendations, while network externalities have an indirect negative impact on customer recommendations. This study extends the theory of network externalities and proves that network externalities are an important way for companies to gain competitive advantage that improves business performance, [48]. This shows that network externalities have two dimensions, namely direct and indirect externalities.

6 Conclusion

Based on the results of hypothesis testing, it shows that Training and Development has a positive effect on Sustainable Business Growth, Training and Development has a positive effect on Network Externalities, Compensation and Reward System has a positive effect on Sustainable Business Growth, Compensation and Reward System has a positive effect on Network Externalities, Digital Adoption Capability does not affect Sustainable Business Growth, Digital Adoption Capability has a positive effect on Network Externalities, perceived Product Advantages have no effect on Sustainable Business Growth, perceived Product Advantages have no effect on Network Externalities, and Network Externalities have a positive effect on the Company's sustainable business growth. From a strategic management perspective, especially from a Resource-Based Theory point of view, companies with unique capabilities and resources can achieve a position of sustainable competitive advantage in volatile business markets and outperform competitors in their industry. This research shows how big the role of network externalities and strategic agility in building and strengthening the performance of a company. So that network externalities can be recognized as very valuable resources, are step-by-step, not easily imitated, and cannot be replaced as is the nature of RBT. Where the development of network externalities is not only in communication products, but also applies to daily use products and physical products that are used by many people.

The limitations of this study include the sampling technique carried out by the convenience technique, namely the sampling is taken as is. Data is collected over a short period of time so it is less likely to see consistency over a longer period. Suggestions for future research can include cultural variables. Culture consists of 5 (five) cultural dimensions, namely: Individualism, Collectivism, Power Distance, Uncertainty Avoidance and Masculinity.

The strategic implication of this research is that this research shows how big the role of network externalities and strategic agility in building and strengthening the performance of a company. So that network externalities can be recognized as very valuable resources, are step-by-step, not easy to imitate, and cannot be replaced. Where the development of network externalities is not only in communication products, but also applies to daily use products and physical products that are used by many people. So that the understanding of network externalities becomes more comprehensive and its existence becomes clearer in the world of management, especially marketing science. This shows that externalities directly and indirectly affect the number of customers who use products or services in MLM, to maintain the sustainability of the company, MLM actors must be able to develop network externalities either directly or indirectly.

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Contribution of Individual Authors to the Creation of a Scientific Article (Ghostwriting Policy)

-Thamrin Selamat is the main author of this article and also plays a role in analyzing the statistical data generated in this study.

-Tirta Nugraha Mursitama is an expert in the field of research management, he is very helpful in providing input and input in this research so that it can produce quality research.

-Asnan Furinto is an expert in the field of economics and research management, she is also an expert in the field of economics so she is very instrumental in providing input on the use of theories in this research in order to produce quality research.

-Pantri Heriyati is an expert in input research methodology; he plays a role in providing input and in this research so that it can produce quality research.

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