

The Power of Inter-Stakeholder Relationships in the Absorption of SME Knowledge in the Covid-19 Era: Mixed Methods Perspective

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Abstract. *The purpose of this study is to analyze the antecedents of SME performance factors from a knowledge perspective and explore the contribution of key stakeholders and their roles in improving the performance of fashion UKM in Central Java and explore how fashion UKM interpret knowledge and how knowledge absorption is carried out. In the current COVID-19 pandemic era, all business activities have shifted to online. This change has had a serious impact on SME actors. This study helps SME actors improve their organizational performance in the COVID-19 pandemic era by utilizing knowledge as the main asset driving innovation. SME actors can gain knowledge through relationships between stakeholders and the ability to absorb knowledge that can improve SME performance in the COVID-19 pandemic era. The strength of relationships between stakeholders has a positive impact on knowledge contributions. The knowledge received is used as the main asset in improving innovation performance and SME performance. This must be associated with the role of absorptive capacity as a moderation to strengthen the relationship between knowledge transfer and innovation. The method used is mixed methods with a concurrent embedded design type. The sample in this study was 127 (questionnaires) and 8 (interviews) in UKM in the fashion sector in Central Java, especially in the cities of Semarang, Pekalongan, Rembang, and Jepara that have been operating for at least three years, using digital technology for their business activities, have a turnover of at least ten million, and have at least 5 employees. The data collection method used was through questionnaires and interviews which would then be analyzed using statistical and thematic analysis techniques. The results of the study showed that the strength of the relationship between stakeholders facilitates the process of donating knowledge. Knowledge donation has an effect on the creation of innovation that is assisted by the ability to absorb knowledge possessed by UKM. Thus, the role of dynamic stakeholder relationship quality and absorptive capacity can improve SME performance.*

Keywords: Absorptive Capacity; Altruistic Knowledge Donating ; COVID-19 pandemic; Dynamic Stakeholder Relationship Quality; Innovation; Organizational.

1. Introduction

The spread of the COVID-19 virus is still a concern for various countries, especially those that have confirmed positive cases of infection in their countries. In Indonesia, the total number of positive COVID-19 cases recorded is 45,029 people, while in Central Java, the total number of positive COVID-19 cases recorded is 2,569 people on Sunday (6/21/2020). As a result, lockdowns and work from home were imposed, resulting in all activities stopping, where many companies and other business units experienced a decline in organizational performance. With the implementation of large-scale social restrictions, economic activities, especially production, distribution, and sales, were disrupted, which ultimately contributed to the performance of UKM.¹

Moody's Investor Service predicts that Indonesia's economic growth in 2020 will slow down to 4.8% of Gross Domestic Product (GDP). In a crisis situation like this, the UKM sector really needs special attention because it is the largest contributor to GDP. In this pandemic situation, according to the Ministry of Cooperatives and UKM, there are around 37,000 UKM in Central Java that have reported that they have been very seriously affected by this pandemic, marked by: around 56% reporting a decrease in sales, 22% reporting problems with financing, 15% reporting problems with product innovation and distribution, and 4% reporting difficulties in obtaining raw materials.²

This problem must be faced by UKM in order to maintain their businesses. Carrying out this major task in optimizing organizational performance in the midst of a pandemic really requires the role of stakeholders in utilizing networking or networks as a bridge to connect with the community, relate and communicate with stakeholders in helping to exchange information about obstacles and solutions during this pandemic. And the communication used by UKM is online. In this study, the stakeholders to be studied include; competitors, consumers, distributors, government, banking and fashion associations. On the other hand, there are obstacles for UKM in improving organizational performance, namely UKM are a type of business that is still small and in a narrow scope so that there is an inability for UKM to establish relationships with fellow units, competitors, consumers, distributors, government, banking and fashion associations. These obstacles result in the inability of UKM to build information sharing activities, knowledge and experience because they do not join the community, UKM are very limited in knowledge and the knowledge they have has not been documented. Stakeholders who are actively involved in working with UKM in planning, developing, co-creating, or improving products / brands can help improve innovation performance in the organization and help improve organizational performance. UKM that

¹Ali, M., Seny Kan, K.A., & Sarstedt, M. (2016). Direct and configurational paths of absorptive capacity and organizational innovation to successful organizational performance. *Journal of Business*.

²Bontis, N., Crossan, M. and Hulland, J. (2002), "Managing an organizational learning system by aligning stocks and flows", *Journal of Management Studies*, Vol. 39 No. 4, p. 437-469.

have dynamic relationship quality with stakeholders will contribute to our current understanding of how entrepreneurs can leverage networks with their stakeholders to share knowledge without being asked to plan and implement innovative entrepreneurial strategies collaboratively that will improve organizational performance.³

Little is known by UKM about the role of dynamic stakeholder relationship quality and altruistic knowledge donating that can be used to improve organizational performance in UKM during this pandemic. The role of stakeholders in supporting the success of SME performance and from several results that have been studied, some of them do not explain the extent of the contribution and role of stakeholders to SME performance. This problem occurs because UKM have different characters in each country and in reality UKM are still greatly influenced by the strength of the external environment in that country. And there has not been much previous research that discusses altruistic knowledge donating because this is a fairly new concept.⁴

2. Research Methods

The research method used in previous studies mostly used a quantitative approach and very few used a qualitative approach. This study combines both approaches using mixed methods. At the quantitative stage, this study analyzes the variables of the performance factors of fashion UKM in Central Java from a knowledge perspective. At this stage, it focuses more on the relationship between variables and each other and the results obtained are in the form of statistics. At the qualitative stage, this study will investigate the role of key stakeholders in fashion UKM in Central Java, because the contribution of key stakeholders is believed to be the main trigger for accelerating the rate of SME performance in the midst of this pandemic.⁵

3. Results and Discussion

3.1.The role and contribution of key stakeholders to the performance of fashion UKM in Central Java.

The role and contribution of stakeholders in improving SME performance is very important in the sustainability of SME performance, especially during COVID-19. The role and contribution of stakeholders helps UKM in making it easier to do their business. External parties are very closely related to the success of SME businesses and it can be said that it will not run smoothly if there is no role and contribution from stakeholders. In the first research question of this

³Bresciani, S., Thrassou, A., & Vrontis, D. (2013). Change through innovation in family businesses: Evidence from an Italian sample. *World Review of Entrepreneurship, Management and Sustainable Development*, 9(2), 195. <https://doi.org/10.1504/WREMSD.2013.052359>.

⁴Chen, I. Y. L (2007). The factors influencing members' continuance intentions in professional virtual communities — A longitudinal study. *Journal of Information Science*, 33(4), 451–467.

⁵Miles, Matthew B dan Amichael Huberman. 2007. Analisis Data Kualitatif Buku Sumber tentang Metode-Metode Baru. Terjemahan Tjetjep Rohendi Rohisi. Jakarta: Universitas Indonesia.

study, all informants responded very well and argued that the role and contribution of stakeholders greatly influenced SME performance, such as helping the sustainability of their business and helping to maintain their business during COVID-19.⁶

3.1.1. Stakeholders in the Continuity of SME Operational Business

a. Vendor

Vendors (suppliers) are business entities that provide production materials or materials that function to meet the needs of users. In other words, vendors are production houses for UKM in making products. Vendors who produce fashion products and become moodboards to help create product designs. Several sources chose vendors as parties who have relationships for the continuity of the operational business of UKM because their businesses are not yet fully self-produced and still take raw materials from several vendors. And according to the sources, this vendor is the most important in this fashion business.⁷

Table aVendors as Parties Who Have Relationships for the Continuity of SME Operational Business

Source person	Statement
N1	<i>"In my opinion, the parties that have a relationship for the continuity of my SME operations are suppliers, production houses/vendors, consumers. Because if I don't have these three parties, the business I run will not be able to survive and run, especially in the era of the COVID-19 pandemic."</i>
N4	<i>"Convection (vendor) and consumers, because the two have an important relationship for operational continuity."</i>
N5	<i>"What I think plays an important role is the tailor (vendor/production). The vendor I work with has a lot of employees and I sew my products there and then I market them. I still look for my own fabric/materials myself."</i>
N6	<i>"The parties that I have contact with for the sustainability of Sundayrose are several vendors who produce t-shirts. Vendors also work from cutting materials to screen printing and sewing (production is entered into the vendor)".</i>
N8	<i>"And I think these vendors are the most vital in my fashion business. The vendors are fabric vendors, tailors and also other needs for raw materials."</i>

Based on the results of the presentation of the resource persons in table 3.1.1, it can be concluded that the role and contribution of vendors greatly influence the continuity of the operational business of UKM in the fashion sector. The resource persons still make products with the help of vendors because there are some UKM that have not yet run their own production. Vendors help UKM in the fashion sector in the production process, but some are also assisted in the design process and selection of raw materials. It can be seen that the role and contribution of vendors can affect the performance of UKM, especially during COVID-19, which indirectly greatly helps/facilitates UKM in the production process.

b. Supplier

⁶Zahra, S., & George, G. (2002). Absorptive capacity: A review, reconceptualization, and extension. *Academy of Management Review*, 27 (2), 185–203.

⁷Zahra, S. A., Sapienza, P. J., & Davidsson, P. (2006). Entrepreneurship and Dynamic Capabilities: A Review, Model and Research Agenda*. *Journal of Management Studies*, 43 (4), 917–955. Doi:10.1111/j.1467-6486.2006.00616.x.

The supplier referred to here is a supplier of goods products which is interpreted as a supplier who supplies raw material products to be processed into finished products. There are several sources who collaborate with suppliers because their business is not ready for their own production and there are also some whose products are half their own production and the other half are still taken from suppliers.. The role and contribution of suppliers is very large for UKM, especially in the fashion sector, because there are always businesses that do not produce their own products but buy products from suppliers and then innovate them. then resold. This is very helpful for UKM in the fashion sector during the COVID-19 pandemic, because working with suppliers can help make it easier (simple) compared to self-production and certainly requires a lot of funds too. So the alternative is for UKM in the fashion sector to work with suppliers to maintain and run their business.⁸

Table bSuppliers as Parties Who Have Relationships for the Continuity of SME Operational Business

Source person	Statement
N1	<i>"In my opinion, the parties that have a relationship for the continuity of my SME operations are suppliers, production houses/vendors, consumers. Because if I don't have these three parties, the business I run will not be able to survive and run, especially in the era of the COVID-19 pandemic."</i>
N2	<i>"The parties related to Omah Muslim itself are the founder, suppliers of finished or semi-finished goods such as fabrics, ready-made clothes or ready-made pants, then photographers and models for the sustainability of Omah Muslim, expeditions because this is related to COVID-19 so everything is online now."</i>
N3	<i>"In our opinion, the parties that have a relationship with our business environment are suppliers, competitors and customers because these three have a significant role in the continuity of our business."</i>
N7	<i>"So far I have only established suppliers. Because my business is not ready for self-production and it drains more energy and mind. And from suppliers it is simpler."</i>

Based on the results of the presentation of the resource person in table b, it can be concluded that the role and contribution of suppliers are very important in the continuity of the operational business of UKM in the fashion sector. Suppliers help UKM in the fashion sector who are not yet able to produce their own products. And the presence of suppliers also lightens the burden of UKM in the production process which requires larger funds, product ideas, product designs, etc. In other words, working with suppliers makes SME operational activities simpler and easier.

c. Consumers

The role and contribution of consumers are indeed very influential in the continuity of the operational business of UKM. Without consumers, the business will definitely not run even if the product has high quality, a good service system, the product is different from others. It is very useless if there is no role of consumers in a business. The role and contribution of consumers are not only buying products but also consumers help in providing information

⁸Vas, C.R., Selig, P.M. and Viegas, C.V. (2019), "A proposal of intellectual capital maturity model (ICMM) evaluation", *Journal of Intellectual Capital*, Vol. 20 No. 2, p. 208-234.

related to current trends, product review results so that UKM know the good and bad, and much more.⁹

Table cConsumers as Parties Who Have Relationships for the Continuity of SME Operational Business

Source person	Statement
N1	<i>"In my opinion, the parties that have a relationship for the continuity of my SME operations are suppliers, production houses/vendors, consumers. Because if I don't have these three parties, the business I run will not be able to survive and run, especially in the era of the COVID-19 pandemic."</i>
N3	<i>"In our opinion, the parties that have a relationship with our business environment are suppliers, competitors and customers because these three have a significant role in the continuity of our business."</i>
N4	<i>"Convection (vendor) and consumers, because the two have an important relationship for operational continuity."</i>

Based on the results of the presentation of the resource person in table c, it can be concluded that the role and contribution of consumers are the most important things in the continuity of business operations because without consumers, the business will not be able to run and it can be said that it will not be successful. The role and contribution of consumers can be said to be an asset in running a business, for example buying products, providing information related to current trends and product reviews, good or bad. This can be a basis for reference in running a business.

d. Competitors

According to sources, competitors are also said to be parties who have a relationship for the continuity of the operational business of their UKM. Business competitors are not always seen as bad, in fact competitors are also very helpful for UKM in sharing or sharing information related to problems that arise and disrupt the continuity of their business. And also competitors indirectly share the latest information or new knowledge for the sake of the continuity of the business together.¹⁰

Table dCompetitors as Parties Who Have Relationships for the Continuity of SME Operational Business

Source person	Statement
N3	<i>"In our opinion, the parties that have a relationship with our business environment are suppliers, competitors and customers because these three have a significant role in the continuity of our business."</i>

Based on the results of the presentation of the resource person in table d, it can be concluded that in addition to the role and contribution of suppliers and consumers, competitors also have a large role and contribution to the continuity of the operational business of UKM. According to the resource person, competitors help in exchanging information and

⁹Teixeira, E.K., Oliveira, M. and Curado, C. (2018), "Knowledge management process arrangements and their impact on innovation", *Business Information Review*, Vol. 35 No. 1, p. 29-38.

¹⁰Dodgson, M., Gann, D., & Phillips, N. (2014). *The oxford handbook of innovation management*. Oxford: Oxford University Press. DOI:<http://dx.doi.org/10.1145/2500750>.

knowledge, personal and business experiences and discussing the problems faced. Therefore, according to the resource person, competitors are also very closely related to the success of UKM.

3.1.2. Key Stakeholder Contributions to SME Knowledge Collection

a. Vendor

In knowledge gathering, vendors have been shown to make a significant contribution to SME performance. The role of vendors is also important for the continuity of the product production process and the gathering of knowledge such as how to sew a good product, choosing good quality fabrics, providing input on product design, raw material providers and providing new knowledge about product care. This indirectly makes UKM gain new knowledge.¹¹

Table a Vendor Contribution

Source person	Statement
N1	<i>"Contribute to each other, without vendors and suppliers the business I run cannot run, and without consumers the business I run will not survive, because one party is related to another. So from these three parties it is very important for the sustainability of the business that I am currently doing".</i>
N4	<i>"The convection that makes clothes, then the customer who buys the clothes. Then for the collection of knowledge, namely by looking at the current trend by seeing the interest in what model of clothes they are currently needing".</i>
N5	<i>"My business continues to share with vendors starting from collars, sleeves (long, short, etc.), and the models of clothes that I make."</i>
N6	<i>"Vendors also provide more knowledge transfer to explain the quality of various materials and provide references to materials owned by this vendor for the type of business that I am developing. For example, a fabric vendor, this fabric vendor provides examples of fabrics that are suitable for the products I sell. That is what my vendors usually convey. And the vendor also determines the basic price which can later determine the amount of profit for my own products and my business."</i>
N8	<i>"Vendors have to develop products – what materials to use, what screen printing ink to use (knowledge from the vendor). As for the design, etc., that is still from me and assisted by a moodboard."</i>

Based on the results of the presentation of the resource persons in table 4.20, it can be concluded that vendors have a great contribution to the performance of UKM and the collection of knowledge in UKM. The knowledge provided by vendors to UKM in the fashion sector is very helpful and adds insight into the production process from the selection of raw materials to finished products.

b. Supplier

Suppliers make a big contribution to UKM that are not yet brave or not ready to produce their own products. With suppliers, UKM find it easier to get and sell products, especially during the COVID-19 pandemic. All UKM definitely want to get their capital back in a simple way.

¹¹Ind, N., Iglesias, O., & Schultz, M. (2013). Building brands together: Emergence and outcomes of co-creation. *California Management Review*, 55(3), 5–26. <https://doi.org/10.1525/cmr.2013.55.3.5>.

Therefore, many UKM still take materials or products from suppliers. How to order materials or products is also easy, now everything can be accessed using social media.¹²

Table bSupplier Contribution

Source person	Statement
N1	<i>"Contribute to each other, without suppliers the business I run cannot run, and without consumers the business I run will not survive, because one party is related to another. So from these three parties it is very important for the sustainability of the business that I am currently doing".</i>
N2	<i>"If the owner, founder and distributor contribute to business management, both in planning and finance, if the expedition is related to the distributor of goods, if the photographer and model are related to our social media, how to market the products we have to make them more beautiful. Next is the supplier, well the role of this supplier is to stock the goods we have, whether in the form of cloth, clothes and pants, etc. "</i>
N3	<i>"Suppliers provide materials for production, customers are the ones who buy, so without buyers the business will not run, besides that, there are competitors as a center of knowledge because with competitors we can see the market share through current trends."</i>
N7	<i>"Without suppliers, I would not have reached this point. Because my suppliers always provide pictures and videos of products. And now online sales are going global by simply uploading pictures and videos from suppliers. And if there are new models, suppliers always inform us."</i>

Based on the results of the presentation of the resource person in table b, it can be concluded that suppliers have a large contribution to UKM that have not yet carried out their own production. In collecting knowledge, the role of suppliers is more to provide information about products that are currently trending (clothes, pants, fabrics, etc.) and provide photos or videos of products.

c. Consumers

Consumer contribution is not only about consuming products but in collecting knowledge, UKM also need responses regarding products that have been consumed. This is very important to provide SME insight in improving business reviews, products and overall consumer experience regarding products, services, etc.

Table cConsumer Contribution

Source person	Statement
N1	<i>"Contribute to each other, without suppliers the business I run cannot run, and without consumers the business I run will not survive, because one party is related to another. So from these three parties it is very important for the sustainability of the business that I am currently doing".</i>
N3	<i>"Suppliers provide materials for production, customers are the ones who buy, so without buyers the business will not run, besides that, there are competitors as a center of knowledge because with competitors we can see the market share through current trends."</i>
N4	<i>"The convection that makes clothes, then the customer who buys the clothes. Then for the collection of knowledge, namely by looking at the current trend by seeing the interest in what model of clothes they are currently needing".</i>

¹²Hsu, I.-C and Sabherwal, R. (2012), "Relationship between intellectual capital and knowledge management: an empirical investigation", *Decision Sciences*, Vol. 43 No. 3, p. 489-524.

Based on the results of the presentation of the resource person in table c, it can be concluded that consumers have a very large contribution to the success of UKM and the collection of knowledge. It can be seen that a business cannot be separated from the role of consumers because consumers have an important role in business continuity. The role of consumers is not only to buy or consume products but also as a source of information related to current trends and can provide reviews of products that have been consumed so that they can be used as a basis for reference to improve product quality.

d. Competitors

Competitors' contributions are proven to help UKM in SME performance and knowledge collection. The definition of competitors is not always negative but in this study competitors actually have contributions related to the continuity of SME operational business.¹³

Table dCompetitor Contribution

Source person	Statement
N3	<i>"Suppliers provide materials for production, customers are the ones who buy, so without buyers the business will not run, besides that, there are competitors as a center of knowledge because with competitors we can see the market share through current trends."</i>

Based on the results of the presentation of the resource person in table d, it can be concluded that competitors also have a contribution to the performance of UKM and the collection of knowledge. According to the resource person, competitors are one source of knowledge because with the presence of competitors, UKM can see market share, sales trends, learn from the success of other UKM and as motivation or encouragement in running their businesses so that they can make new innovations to be different from other UKM.

3.1.3. Stakeholders Who Contribute Most to the Continuity of SME Operational Business

a. Vendor

Vendors are stakeholders who contribute the most to the continuity of SME operational business. In this case, vendors play an important role because UKM need vendors as production. There are still some UKM that do not have many employees for production.¹⁴

Table aMost Contributing Vendors

Source person	Statement
N4	<i>"In my opinion, vendors and if assessed with a score, I give a score of 10 because all have the most important contribution to business continuity."</i>
N5	<i>"Vendors are very important, because for example, I have made the clothes model that I want, but the vendor also directs me to make the model suitable (neat stitching) and comfortable to wear."</i>

¹³Janssen, O., & Van Yperen, N. W. (2004). Employees' Goal Orientations, the Quality of Leader-Member Exchange, and the Outcomes of Job Performance and Job Satisfaction. *Academy of Management Journal*, 47(3), 368–384. Doi: 10.5465/20159587.

¹⁴Kaplan, R. S. and Norton, D. P. (1996). The balanced scorecard: Translating strategy into action, Harvard Business School Press, Boston, Mass.

N6	<i>"I think vendors contribute greatly to our business, because they produce all the products for this business."</i>
N8	<i>"Vendors are the driving force behind this business and vendors are also the ones who determine the basic price which can later determine the amount of profit from my own products and my business."</i>

Based on the results of the presentation of several sources in table a, it can be concluded that vendors are the parties that contribute the most to the performance of their UKM. Vendors are said to be the main drivers of their business, in the production/product manufacturing process. Vendors contribute greatly because some sources have not been able to produce their own products, therefore UKM need vendors for the continuity of their business.

b. Supplier

Table bMost Contributing Supplier

Source person	Statement
N2	<i>"If assessed with a score of 1-10, apart from the owner, founder and employees, they are definitely important, if it is for expeditions, photographers and models, suppliers, then the most important is the supplier with a score of 9, because if the goods provided do not match our quality, then this will disappoint consumers."</i>
N3	<i>"If assessed with a score of 8, it is because the party that contributes the most is the supplier team where they directly participate as a party that has an important role as a provider of our production material needs."</i>
N7	<i>"I think the supplier is very influential in the continuity of my business. Because all my products are from there and the supplier also always provides new information about the product."</i>

Based on the results of the presentation of several sources in table b, it can be concluded that suppliers are stakeholders who contribute the most to the continuity of the operational business of UKM. According to several sources, they still take some or all of the materials/products from suppliers. This is done because it is easier than having to produce it yourself. The contribution of suppliers is indeed very important to meet the needs of UKM and consumers.¹⁵

c. Consumers

In addition to vendors and suppliers, it turns out that consumers are also stakeholders who contribute the most to the continuity of SME business operations. Consumers are very important actors in a business.¹⁶

Table cMost Contributing Consumers

Source person	Statement
N1	<i>"In my opinion, if assessed with a score of 1-10, the most contributing stakeholder is the consumer with a score of 9/10. Because consumers themselves are the most important factor in a business, for example, without consumers buying, our business could go bankrupt because there is</i>

¹⁵Johnson, R. B., Onwuegbuzie, A. J., & Turner, L. A. (2007). Toward a Definition of Mixed Methods Research. *Journal of Mixed Methods Research*, 1(2), 112–133. Doi: 10.1177/1558689806298224.

¹⁶Kim, D.Y., Kumar, V., and Kumar, U. (2018), "Relationship between quality management practices and innovation", *Journal of Operations Management*, Vol. 30 No. 4, p. 295-315.

no income for production costs and without demand from consumers, production houses and suppliers will not operate."

Based on the results of the presentation of several sources in table c, it can be concluded that consumers are the stakeholders who contribute the most to the sustainability of the operational business of UKM. Consumers are the main actors in the business world because consumers are the ones who buy the products we have sold. Even though we have made products with good quality and provided good service, without consumers, all of that is in vain. Market demand also comes from consumers and without demand, UKM will not run smoothly.

d. Impact of SME Knowledge Development Without Stakeholders

From all the presentations of the speakers, all were of the opinion that the role of stakeholders in the continuity of the operational business of UKM is very important and also in terms of knowledge, stakeholders play a very important role in the process of gathering knowledge in UKM.¹⁷

Table dStatement from the Resource Person Regarding Stakeholders

Source person	Statement
N1	"In my opinion, if there is no relationship with the 3 stakeholders that I explained earlier, such as consumers, suppliers and production houses, then the UKM that I develop may not be able to survive and develop, because the three are related to each other. In addition, it also causes various problems within the SME itself, such as financial, etc. "
N2	"If there is no relationship with stakeholders regarding the development of knowledge, then our UKM can be said to be stuck there and cannot develop further, so this will hinder the sustainability of the Muslim house itself."
N3	"If there is no relationship, then knowledge development will not be created in an SME."
N4	"If there is no connection, then the development of my brand knowledge cannot develop and it could even kill my brand."
N5	"If there were no vendors, my business might not run smoothly even though it should be possible without vendors."
N6	"We cannot develop products without vendors because our focus is not only on production, we also have to focus on marketing and branding itself."
N7	"I think if I don't have a supplier then maybe this business won't last because I think it's very important."
N8	"If there is no relationship with the vendor, my business process will be a mess. We don't understand the right materials for this shirt design and we can't determine the right materials and the right price too."

Based on the results of the presentation of the resource persons in table d, it can be concluded that if there is no relationship with stakeholders in the development of knowledge in UKM, what will happen is that the business will be stuck or move in place because there is

¹⁷Kostopoulos, K., Papalexandris, A., Papachroni, M., & Ioannou, G. (2011). Absorptive capacity, innovation, and financial performance. *Journal of Business Research*, 64(12), 1335–1343. <https://doi.org/10.1016/j.jbusres.2010.12.005>.

no new knowledge obtained. All resource persons are of the opinion that if there are no stakeholders, their business will develop towards a better direction. Therefore, the role of stakeholders in the development of knowledge is indeed very important. Stakeholders indirectly provide knowledge about the production process, good service, new market share, the latest trends, motivation, sharing experiences of business success, sharing obstacles that occur in UKM. This can be used as a basis for reference for UKM towards a better direction.¹⁸

3.2.The Meaning of Knowledge and Its Absorption among Fashion UKM in Central Java

Knowledge is an important organizational resource that provides sustainable competitive advantage in a dynamic and competitive economy (Davenport & Prusak, 1998; Foss & Pedersen, 2002; Grant, 1996; Spender & Grant, 1996). UKM must also consider how to transfer and acquire knowledge from experts who have it and novices who need to know (Hinds, Patterson, & Pfeffer, 2001). That is, organizations need to emphasize and be more effective in obtaining and implementing knowledge-based resources in the organization (Damodaran & Olphert, 2000; Davenport & Prusak, 1998; Spender & Grant, 1996). It can be concluded that knowledge is the most important asset that must be in UKM as a material to develop their business.¹⁹

3.2.1. Knowledge Positioned in UKM

In the operational business activities of UKM are closely related to knowledge. Knowledge helps the sustainability of SME performance to develop and improve SME performance. The existence of relationships with external parties (stakeholders) will make it easier for UKM to share knowledge (obtain and share knowledge) related to existing problems. This shows the importance of knowledge for UKM in the fashion sector.²⁰

Table 3.2.1 SME Knowledge Positioned in the Organization

Source person	Statement
N1	"Knowledge as the center of science, because with knowledge, the business we develop will always survive and always innovate."
N2	"Knowledge is important because it is a source for advancing business efforts, because the knowledge here is broad, we can know about new trends, so we can know how to develop the business."
N3	"Knowledge in UKM is positioned as the most important asset, where with knowledge, the business we are running will continue to run and always develop compared to other people's businesses."

¹⁸Maltz, A. C., Shenhar, A. J. and Reilly, R. R. (2003). Beyond the Balanced Scorecard: Refining the Search for Organizational Success Measures, Long Range Planning 36(2), p. 187–204. Market-based valuation. ACM Trans. Manage. Inf. Syst. 4, 2, Article 6 (August 2013), p.23.

¹⁹Liu, C. T., Guo, Y. M., & Lee, C. P. (2011). The effects of relationship quality and switching barriers on customer loyalty. *International Journal of Information Management*. <https://doi.org/10.1016/j.ijinfomgt.2010.05.008>

²⁰Liao, S.-P., Fei, W.-C and Chen, C.-C. (2007), "Knowledge sharing, absorptive capacity and innovation capability: an empirical study of Taiwan's knowledge-intensive industries", *Journal of Information Systems*, Vol. 33 No. 3, p. 340-359.

N4	<i>"Knowledge is an important asset because it can be the sustainability of my own brand, so that my brand doesn't die and can continue to run."</i>
N5	<i>"I position knowledge as a valuable asset in the continuity of my business, knowledge is very important for the quality of my products."</i>
N6	<i>"So far, for the continuity of the business, knowledge is important, for example, even though input or ideas from vendors are not too many, they are very important for our new knowledge in determining what good product materials are like, what good cuts are, etc. As long as they are willing to provide input, we will keep it."</i>
N7	<i>"I think knowledge is important and one of the assets for my business. Because business is not only about having a business but must prioritize knowledge to innovate products and develop products."</i>
N8	<i>"In running my business, I position knowledge as a very important thing. What I get from the vendors and from my consumers. In the sense of knowledge in terms of product care for consumers."</i>

Based on the results of the presentation of all sources in table 3.2.1, it can be concluded that knowledge is important, knowledge is the center of knowledge to develop a business and knowledge is a valuable asset in the continuity of its business. The existence of knowledge helps UKM to increase insight related to new things that have never been obtained and develop SME business activities.

The forms of knowledge presented by the resource persons are varied, namely: (1) Knowledge makes the business that is developed will always survive and always innovate, (2) Knowledge is important to advance UKM in terms of development and innovation, (3) Knowledge is used to develop products and product quality, (4) Knowledge is used to determine good product materials and what good design is like, and (5) Knowledge is used to provide direction on product care for UKM and consumers. The important point can be drawn that knowledge is the greatest asset of UKM to improve their organizational performance.²¹

3.2.2. How UKM acquire and develop knowledge

It is known that knowledge is important in the continuity of the operational business of UKM. Behind all that there must be a way to gain knowledge and develop the knowledge that has been obtained. Therefore, it is important for UKM to know this in order to make it easier to gain and develop knowledge. There are many ways to gain knowledge and can be obtained from the role of stakeholders.²²

Table 3.2.2 How UKM Acquire and Develop Knowledge

Source person	Statement
N1	<i>"To develop knowledge in UKM, I usually look at how other UKM perform, how they develop their businesses and upgrade their knowledge, so it can be said to be like ATM knowledge (Observe, Copy and Modify). So we sort out knowledge that seems to have</i>

²¹McDowell, W., Peake, W.O., Coder, L. and Harris, M.L. (2018), "Building small firm performance through intellectual capital development: exploring innovation as the black-box", *Journal of Business Research*, Vol. 88, p. 321-327.

²²Mesmer-Magnus, J. R., & DeChurch, L. A. (2009). Information sharing and team performance: A meta-analysis. *Journal of Applied Psychology*, 94, 535-546.

	<i>good value and is suitable, then we can modify it or as an additional reference as additional capital knowledge in the UKM that we are developing."</i>
N2	<i>"Our way of developing knowledge from social media, we learn a lot from social media, both what are the current happening trends, then what are the popular products, which are the good suppliers, then what is the business management like, so we can see all of that through social media and also from the knowledge I get from college."</i>
N3	<i>"Usually we always follow the trends of today's children, such as looking at social media because there is a lot of information on social media such as TikTok and Instagram that is packaged in an interesting way."</i>
N4	<i>"Searching for information through the latest and newest news so that we can see the need for new products, because our products are related to the environment."</i>
N5	<i>"Look for references, ask about the market with other businesses (what's trending?)".</i>
N6	<i>"Looking for references on social media, often attending seminars where the speakers are in the same field as me and visiting many other brands that are much better than us and so far I have implemented this new knowledge."</i>
N7	<i>"Because this is a family business, the first source of knowledge is from the family and after that from the mistakes that exist or things that are not quite right, I will develop a better realm. After that, I look for references from social media for what fashion is trending, how to run social media properly and correctly, and then marketing methods are also from social media."</i>
N8	<i>"References from other businesses (from social media) that are engaged in the same field which are certainly better than my business. And also observing from competitors, what they do to consider business operations".</i>

Based on the results of the presentation of all sources in table 3.2.2, it can be concluded that UKM gain knowledge from many sources and are also related to the role of stakeholders. All sources provided clear and easy-to-understand responses so that they get important points. How UKM gain knowledge, namely: (1) Through social media. What is done is to look for references on social media related to product design, feed design, instastory and Instagram captions, (2) Through other UKM. What is done is to see how other UKM work in terms of developing businesses that have been run and gain knowledge from sharing experiences and information, (3) Through seminars. What is done is to attend seminars with the same theme as the business being run. By attending seminars, UKM gain more benefits and knowledge that has been given by the speaker, (4) Through family. This is done because the business is inherited from the family so that the knowledge obtained was first from the family and then developed by the new management.²³

3.2.3. Benefits of Knowledge in SME Business Continuity

The knowledge that has been obtained by UKM through various means must of course be implemented so that the knowledge gained is more useful for the continuity of the operational business of the business. After the knowledge is implemented, it has its own value to improve the performance of UKM. This further explains that the knowledge gained must

²³ Oliveira, M., Curado, C., Balle, A.R. and Kianto, A. (2020), "Knowledge sharing, intellectual capital and organizational results in UKM: are they related?", *Journal of Intellectual Capital*, Vol. 21 No. 6, p. 893-911. <https://doi.org/10.1108/JIC-04-2019-0077>.

be implemented according to its portion and utilized as well as possible to obtain maximum results for SME performance.²⁴

Table 3.2.3 The Use of Knowledge for SME Business Continuity

Source person	Statement
N1	<i>"Once we have gained knowledge, we use that knowledge as a medium to introduce UKM to the public, for example, we do branding, promotion, advertising, etc. according to our abilities."</i>
N2	<i>"If we have gained knowledge, then we apply it in the business management process, for example, we have new knowledge about managing TikTok social media, then we immediately apply it on how to edit it, its insights, algorithms and knowledge related to the legality of Muslim homes, so these steps make Muslim homes legal in the eyes of the law, if the knowledge is about what is trending, then we apply it to increase knowledge in Muslim homes."</i>
N3	<i>"If we have gained knowledge, we apply it in the product innovation process, for example, we have knowledge about the current model through TikTok, we immediately apply how to make the product more attractive."</i>
N4	<i>"So we use it for product innovation, for example, creating new product designs that are currently hits, but we remain true to our vision, which is to still have a message to preserve the environment."</i>
N5	<i>"With the knowledge I gain, I definitely implement it in the continuity of my business. For example, I exchange information about the latest model and color trends with other businesses. I understand what models are trending and what colors are being used by many people. From there, I innovate or develop into fashion products that I want and consumers want."</i>
N6	<i>"Learning about Facebook Adds to achieve marketing targets by knowing the steps to run it with product development (design, etc.) then researching what the market is like after that creating content". This is one of the knowledge that I got from my colleague who is already an expert in his field. And it is very useful in running my business. That's why this knowledge is very important for the continuity of my business operations."</i>
N7	<i>"The experience that really sticks and I remember until now is the knowledge about how to recruit employees. From the experience that I got and I saw when my parents were still running this business, in recruiting employees they were still careless. After I got hold of it and had the power to know, I developed the recruitment process by implementing a 3-month internship system that previously did not exist in our business. I did this system to find out how the performance was at the beginning and evaluated it to decide whether or not to be made a permanent employee."</i>
N8	<i>"After I get new knowledge, I will definitely consume it myself to deepen my knowledge in this fashion field. The knowledge that I have gained is the foundation to develop my business for the better in the future."</i>

Based on the results of the presentation of all sources in table 3.2.3, it can be concluded that UKM have implemented the knowledge obtained for their business activities. There are several responses regarding the usefulness of knowledge (in the form of examples) in their business activities, namely: (1) Implemented in product innovation, (2) Implemented in the SME work system, for example the recruitment process, and (3) Implemented in the use of social media or e-commerce. In essence, the sources have obtained new knowledge which is then implemented into their business activities to improve SME performance.

²⁴Reagans, R., & McEvily, B. (2011). Network structure and knowledge transfer: The effects of cohesion and range. *Administrative Science Quarterly*, 48(2), 240–267.

3.3. Strength of Relationships between Stakeholders in Forming Knowledge Sharing Attitudes

Based on the results of testing the first hypothesis in this quantitative research, *dynamic stakeholder relationship quality* has a strong, positive and significant influence on *altruistic knowledge donation* which is proven by the path coefficient which has a significant positive value. This is also supported by the results of the informant's statement in the qualitative method. The strength of the relationship owned by SME owners with related stakeholders, namely vendors, suppliers, consumers and competitors, has a positive impact on the continuity of donating knowledge voluntarily. The process of donating knowledge is formed due to the creation of interactions and having good quality relationships with stakeholders in the continuity of SME business operations. An interactive relationship is also obtained from social media and workshop/seminar events so that networking can be formed between stakeholders. The better the quality of the relationship with stakeholders, the easier it is to share the knowledge they have with UKM to develop their businesses.²⁵

UKM must shift the focus that does not only rely on parties within the organization but also on the social dynamics among the stakeholders involved, because stakeholders can be said to be suppliers of knowledge and the existence of relationships between stakeholders facilitates the process of transferring and sharing knowledge, resulting in high levels of production in UKM (Backer et al, 2018).

The role of stakeholders is very important for the continuity of business operations, especially in knowledge. Indirectly, stakeholders have donated their knowledge to UKM. Each stakeholder plays a role in the development of SME knowledge, such as explaining what high-quality products are like, what good raw materials are used, product maintenance, and so on. This knowledge is very useful for innovation and development of UKM towards a better direction. The results of this study indicate that UKM that have strong relationships between stakeholders will find it easier to donate knowledge to UKM and will certainly find it easier to obtain knowledge that is ultimately used to improve SME performance.²⁶

3.3.1. Knowledge Sharing Attitude in Improving Innovation Performance

Based on the results of testing the second hypothesis in this study, *altruistic knowledge donating* has a strong, positive and significant influence on *innovation performance* which is proven by the path coefficient which has a significant positive value. This is also supported by the results of the informant's statement in the qualitative method. An innovation is formed from knowledge and when UKM will develop their business activities, knowledge capital is needed. The role of the attitude of sharing knowledge between other UKM greatly influences the desire of UKM to update their knowledge. UKM voluntarily share knowledge and exchange information/ideas so that it can be said that UKM have become knowledge

²⁵Rajesh, R., Pugazhendhi, S. and Ganesh, K. (2011), "Towards taxonomy architecture of knowledge management for third party logistics service provider", *Benchmarking: An International Journal*, Vol. 18 No. 1, p. 42-68.

²⁶Podrug, N., Filipovic, D. and Kovac, M. (2017), "Knowledge sharing and firm innovation capability in Croatian ICT companies", *International Journal of Manpower*, Vol. 38 No. 4, p. 632-644.

trendsetters. When this happens, the desire of UKM to update their knowledge and are motivated to be at the forefront. From this motivation, innovations will emerge to update their business activities. The process of sharing knowledge can form a new reference that is very influential in creating innovations such as improving skills to spur the creation of an innovation.²⁷

UKM utilize the role of stakeholders as a source of new knowledge. This form of motivation makes UKM more curious about the latest trends. This can be seen from UKM' desire to always develop products every month and always upgrade the quality of their products so that they can show their novelty. In the end, an innovation was formed regarding product design, new service improvements and things that have not been implemented in their business. The influence of knowledge contributions on the success of innovation was found to be significantly more positive than the influence of knowledge collection on the success of innovation (Ononye & Igwe, 2019). And the statements of the sources lead to renewal because every UKM shares its knowledge, so there is a desire to gain more knowledge.²⁸

3.3.2. Knowledge Absorption Facilitates the Creation of Innovation

Based on the testing of the third hypothesis in this study, the moderating role of absorptive capacity significantly strengthens the relationship between *altruistic knowledge donation* towards innovation performance as evidenced by the path coefficient which has a significant positive value. This is also supported by the results of the informant's statement in the qualitative method. The role of absorptive capacity as a refinement of the desire of UKM to always update knowledge. UKM have the capacity to absorb input to produce output. Absorption of knowledge makes it easier to obtain or produce new knowledge to be used in developing new ideas and concepts in order to improve innovation performance. UKM have been able to absorb knowledge so that UKM have a better understanding of new knowledge that can produce new ideas and develop new products.²⁹

The new knowledge gained is then slowly implemented and developed into an innovation. An innovation created from the strength of relationships between stakeholders and the use of social media as a business reference tool is the role of knowledge absorption. This shows that knowledge absorption provides benefits in processing understanding of the results of knowledge gained through social media, workshops/seminars and other UKM related to fashion, namely product design, material quality, product quality, product care and utilizing technology properly which can be used as a reference for performance in UKM. The new

²⁷Szulanski, G., Cappetta, R., & Jensen, R. J. (2004). When and how trustworthiness matters: Knowledge transfer and the moderating effect of causal ambiguity. *Organization Science*, 15, 600–613.

²⁸Reagans, R., & McEvily, B. (2011). Network structure and knowledge transfer: The effects of cohesion and range. *Administrative Science Quarterly*, 48(2), 240–267.

²⁹Saez, J., Aramburu, N. and Blanco, C.E. (2012), "Knowledge sharing and innovation in Spanish and Colombian high-tech firms", *Journal of Knowledge Management*, Vol. 16 No. 6, p. 919-933.

knowledge that has been obtained is then implemented so that it produces new products that are different from others and that is a special attraction for consumers.³⁰

3.3.3. The Role of Innovation in Improving SME Performance

Based on the results of testing the second hypothesis in this study, innovation performance has a strong, positive and significant influence on *organizational performance* which is proven by the path coefficient which has a significant positive value. This is also supported by the results of the informant's statement in the qualitative method. The innovation capabilities possessed by UKM have been able to accept changes related to consumer demand. This capability makes it easier for UKM to update new products, services, markets, and work processes. Thus, it can improve organizational performance during the COVID-19 pandemic so that it can obtain financial benefits from high sales levels. This is due to the high level of demand because the products sold follow trends and also business activities such as services and work processes are always updated. So this can also increase the growth of SME sales which can be used to slowly improve the performance problems of UKM. From an innovation, UKM are able to improve their business performance in the midst of the COVID-19 pandemic simply by forming relationships between stakeholders that are useful for obtaining new knowledge. This knowledge is used as an asset/capital to improve SME performance.³¹

4. Conclusion

The role of stakeholders is very influential in the continuity of operational business activities. The importance of establishing dynamic quality relationships with stakeholders facilitates knowledge transfer. Networking is likened to a solution in gaining knowledge, therefore UKM will benefit from the relationship or in other words, the better the interaction relationship with stakeholders, the more knowledge is provided. The strength of the relationship between stakeholders has a positive impact on knowledge contributions. These contributions include knowledge related to production, marketing, service and sales activities. The knowledge contribution provided is not merely given, but with the strength of the relationship between stakeholders, the knowledge contribution will be easily provided. UKM that are oriented towards new knowledge have a very good impact on the creation of innovation. The easier it is for stakeholders to share knowledge, the more motivation arises to always want to update their knowledge. New knowledge will affect the ability of UKM to innovate easily. Knowledge donating has a big influence in improving innovation performance. This is because the form of motivation to become a trendsetter comes from the willingness to share knowledge which is a facility in updating knowledge that can develop innovation for SME actors. UKM believe

³⁰Setia, P., & Patel, P. C. (2013). How information systems help create OM capabilities: Consequents and antecedents of operational absorptive capacity. *Journal of Operations Management*, 31(6), 409–431. Doi:10.1016/j.jom.2013.07.013.

³¹Soo, C., Tian, A.W., Teo, S.S.T. and Cordery, J. (2016), "Intellectual capital – enhancing HR, Absorptive capacity, and innovation", *Human Resource Management*, Vol. 56 No. 3, p. 431-454.

that it is important to have a high level of knowledge absorption capacity. They have the absorptive capacity to identify and acquire new knowledge, and assimilate knowledge obtained from external sources. In essence, this ability helps to deepen new knowledge and then implement it into the operational business activities of UKM. This allows UKM to develop the capacity to absorb knowledge to maintain competitive advantage. Innovation owned by UKM is done by making something different or better in products, processes or procedures to increase the value and performance of UKM. An innovation helps in improving SME performance. With the creation of innovation, UKM are able to create new or better operational business activities than before, such as developing products that are in accordance with current trends. This will significantly increase consumer buying interest so that finances increase, market share increases, sales growth increases and new product development also increases. With the increase in operational business activities of UKM, SME performance will also increase because it is assisted by an innovation.

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