

The Role of Knowledge Sharing and Collaboration in Improving UMKM Performance Through Innovation Performance

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Abstract. *This study aims to determine the role of knowledge sharing and collaboration in improving MSME performance through innovation performance. Knowledge sharing is considered an important step for knowledge management in an organization. This study is also based on the role of collaboration which is considered important for interaction between organizations and which is important for information to create innovation. Innovation performance in the current era is able to encourage increased MSME performance. Respondents used in the study were 100 MSME batik owners in Lasem District, Rembang Regency. The data analysis technique used was Smart PLS type 3.3.3. The results of this study indicate that knowledge sharing and collaboration have a positive and significant effect on increasing innovation performance. Then knowledge sharing does not have a positive effect on MSME performance, while collaboration has a positive and significant effect on MSME performance. Innovation performance has a positive and significant effect on MSME performance. The importance of innovation that must be carried out by MSMEs in the current era to improve MSME performance. MSMEs that carry out knowledge sharing and are willing to collaborate, especially to find new ideas or ways to reduce uncertainty related to the introduction of innovation markets, are very important for MSMEs to improve their performance.*

Keywords: *Collaboration; Innovation; Performance.*

1. Introduction

In today's era, the era that has changed the current state of the world requires innovation in every process of its activities. Progress changes a lifestyle that is very different when compared to the previous lifestyle and also affects daily activities related to activities outside the home, especially in the fields of education, business, and so on. This phenomenon is a challenge for business actors, including MSMEs. MSMEs are one of the sources of the Indonesian economy, but MSMEs are usually characterized by having limited resources, informal strategies, flexible structures that reduce the resilience of MSMEs and have a high risk of competing with each other (Konsti-Laakso et al., 2012). Responding to these challenges,

innovation is a strategic choice for the MSME sector (Rosenbusch et al., 2011). According to (Classen et al., 2012), the Strategic Cooperation sector said that in the current situation it is necessary to think more about how to act, namely by innovating and utilizing and being able to empower innovation performance. Therefore, it is important for business actors to innovate or provide added value to MSME products.

Organizations continue to strategize for their success with encouragement from internal and external stakeholders. Recently innovation has become the center attention in business circles (Calabrese et al., 2021). Innovation consists of any new practices added to an organization, including equipment, products, processes, policies, and projects. Innovations related to products, services and production technologies are related to basic activities and are related to products or processes (Fariborz, 1991).

According to (Latifi et al., 2021) stated that the problems of Micro, Small and Medium Enterprises are due to internal problems, namely low quality of human resources, lack of skills, and lack of entrepreneurial spirit, as well as lack of digital usage capabilities in management processes and market information. Therefore, companies need to maximize innovation performance, even when they are in the current crisis stage (Hermundsdottir & Aspelund, 2021). Productivity, effectiveness, and efficiency are very important for an organization. Therefore, this study will help improve innovation performance by including the role of MSMEs.

2. Research Methods

The type of research is explanatory research and is conducted with a quantitative approach. According to Sugiyono (2017), explanatory research is a study that aims to investigate whether there is an influence or relationship between independent variables and dependent variables, whether the influence or relationship is strong or weak. This type of research aims to test the hypothesis in order to strengthen or reject the hypothesis of the research results. This quantitative approach is based on the positivist philosophy used to study a particular population or sample and collect data using research variables (Sugiyono, 2017). So, this study aims to analyze the influence and relationship between variables consisting of independent variables, namely Knowledge Sharing (X1), Collaboration (X2). Then the dependent variable is Innovation Performance (Y1), MSME Performance (Y2).

3. Results and Discussion

The Influence of Knowledge Sharing on Innovation Performance

Based on the statistical results, it states that the indicators that have a score

The highest of the knowledge filter variables is sharing knowledge without being asked, which is 4,086. And the innovation performance indicator that has the highest score is creating new products and new services, which are 4,038 each. This means that the more often MSMEs collect knowledge from other individuals, collect successful experiences from other

individuals, share knowledge without being asked, and share experiences between company individuals, the stronger the knowledge sharing. With strong knowledge sharing, it will increase innovation performance in the form of creating new products, new work process innovations, and new services.

Based on the results of testing hypothesis 1 in this study, Knowledge Sharing has a strong, positive and significant influence on Innovation Performance. Knowledge Sharing is a culture in an organization about learning and creating knowledge (Ahokangas et al., 2021). So when an organization is accustomed to doing knowledge sharing, it can find out how MSMEs innovate.

The results of this study indicate that MSMEs that have a habit of knowledge sharing tend to have a willingness to collect knowledge from other individuals, collect successful experiences from other individuals, share knowledge without being asked, and share experiences between individuals in the company. The relationship between Knowledge Sharing and Innovation Performance is based on previous research that innovation is generated from the exchange of knowledge and experience between parties in an organization. (Baumane, 2022).

The results of this study support previous studies on Innovation Performance conducted on MSMEs. Knowledge sharing is an important element in an organization in obtaining important information in running a business. MSMEs interpret that communication through knowledge sharing is one of the important elements in creating new innovations. When in an MSME organization, employees gather to share knowledge, experiences, and other stories have had a good impact on advancing MSME businesses. The willingness of employees to share knowledge can generate new ideas. So, it can be concluded that the higher the knowledge sharing carried out by the organization, the higher the Innovation Performance will be.

The Influence of Knowledge Sharing on MSME Performance

Based on the statistical results, it states that the indicator that has the highest score from the knowledge sharing variable is sharing knowledge without being asked, which is 4,086. And the MSME performance indicator that has the highest score is 4,031. With strong knowledge sharing, it cannot improve MSME performance. This means that knowledge sharing in improving MSME performance is better not implemented. The results of this study were unable to prove previous research (Mazidah and Laily 2020) which explained that there is a positive relationship between knowledge sharing and performance UMKM. So, it can be concluded that, the better the UMKM actors are in collaborating by having the ability to collect knowledge from other individuals, collect successful experiences from other individuals, share knowledge without being asked, and share experiences between individuals, the company is not able to improve the performance of UMKM.

The Influence of Collaboration on Innovation Performance

Based on the statistical results, it is stated that the indicator that has the highest score from the Collaboration variable is the willingness to participate, namely

And the innovation performance indicator that has the highest score is creating new products and new services, which are each 4.038. This means that the higher the behavior of MSMEs in collaborating, sharing resources, participating, and establishing relationships with other MSMEs, the stronger the inter-organizational collaboration. With strong collaboration, it will increase Innovation Performance in the form of creating new products, new work processes, and new services.

Based on the results of testing hypothesis 3 in this study, Collaboration has a strong, positive and significant influence on Innovation Performance. Collaboration is a collaboration between companies to share resources and capabilities to meet dynamically changing market demands (Eslami, M., 2020). So that when between organizations that are accustomed to collaborating, they can find out how MSMEs

The results of this study indicate that MSMEs that collaborate with other MSMEs tend to have a willingness to work together, a willingness to share resources, a willingness to participate, and a willingness to establish relationships. The relationship between Collaboration and MSME performance is based on Lawson & Samson (2001) that the willingness of two or more business actors to work together to improve MSMEs. The willingness of MSME actors in collaborating can improve performance. So, it can be concluded that the higher the collaboration carried out by the organization, the better the performance of MSMEs.

The Influence of Innovation Performance on MSME Performance

Based on the statistical results, it states that the indicator that has the highest score from the innovation performance variable is creating new products and new services, which is 4,038. And the MSME performance indicator that has the highest score is the business goals and targets achieved by 4,031. This means that the higher the innovation of MSMEs in creating new products, new work processes, and new services, the stronger the innovation performance. With strong innovation performance, it will improve MSME performance in the form of increased sales, profits, business capital, customers, business goals and targets achieved, and profit ability to meet business needs.

Based on the results of testing hypothesis 5 in this study, innovation performance has a strong, positive and significant influence on the performance of MSMEs. Innovation Performance is the result of a company bringing new products or new methods (reach) to the market (Ismanu & Kusmintarti, 2019). So when MSMEs are able to have good innovation, they can find out how to improve MSME performance.

The results of this study indicate that MSMEs that innovate tend to have the ability to create new products, new work processes, and new services, willingness to cooperate, willingness to share resources, willingness to participate, and willingness to establish relationships. The

relationship between innovation performance and MSME performance is based on previous research that innovation will improve MSME performance (Deichmann & Stam, 2015).

4. Conclusion

The formulation of the problem in this study is "How to improve the performance of MSMEs through innovation performance?". The results of the study indicate that Knowledge Sharing and Collaboration can improve Innovation Performance, Knowledge sharing cannot improve the performance of MSMEs directly, collaboration can improve the performance of MSMEs, and innovation performance can improve the performance of MSMEs in batik MSMEs in Lasem Rembang. Based on the results of data analysis that have been carried out using questionnaires that have been distributed to respondents, namely MSME owners in Lasem Rembang, it can be concluded that: 1. *Knowledge Sharing* has a significant positive effect on Innovation Performance. When in an MSME organization, employees gather to share knowledge, experiences, and other stories, it has had a good impact on advancing MSME businesses. The willingness of employees to share knowledge can generate new ideas. 2. *Knowledge Sharing* influential negative on the performance of MSMEs. When in an MSME organization, employees gather to share knowledge, experiences, and other stories, it does not have an impact on the performance of MSME businesses. The willingness of employees to share knowledge does not improve the performance of MSMEs. 3. *Collaboration* has a significant positive effect on Innovation Performance. 4. When between MSME organizations, MSME actors gather to collaborate, share resources, participate, and establish good relationships, it can have a good impact on advancing MSME businesses. MSME behavior in collaboration can create new ideas. 5. *Collaboration* has a significant positive effect on MSME performance. When in an MSME organization, MSME actors gather to work together, share resources, participate, and establish good relationships, it can have a good impact on improving MSME performance. MSME behavior in collaborating can make business goals and targets achieved. 6. *Innovation performance* has a significant positive effect on the performance of MSMEs. When MSMEs can create new products, new work processes, and new services, it can have a good impact on improving the performance of MSMEs. The performance of new innovations in MSMEs can make business goals and targets achieved.

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