

The Impact Of Knowledge Sharing And Innovation On Performance: The Mediation Role Of Innovation

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ABSTRACT

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Management research maintains organizational performance during the Covid-19 pandemic by requiring it to act effectively and efficiently in managing the business based on relevant knowledge. Efforts are needed to support the organization by maintaining the key to success based on knowledge sharing and innovation in improving business performance, therefore the organization can survive during the crisis. This study aims to investigate the mediating role of innovation on the relationship between knowledge sharing and business performance. The population of this research were Cafes and Restaurants in Payakumbuh City with a sample of 110 owners or managers. Data were collected through a questionnaire. Partial least squares structural equation modeling method (PLS-SEM) with SmartPLS 4 was used to analyze the data. The results of this study confirm that knowledge sharing has a positive effect on innovation. Knowledge sharing and innovation have a positive effect on business performance. The study also found a mediating effect of innovation on the relationship between knowledge sharing and business performance. The findings of this study state that knowledge sharing plays a role in improving the performance of cafes and restaurants either directly or through intermediary innovation.

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1. Introduction

The development and growth of a country's economy is associated to its national income, and the most widely used as a measure of national income is Gross Domestic Product (GDP) [1]. Micro, small and medium enterprises (MSMEs) are able to play an important role as one of the drivers of regional economic growth in order to increase per capita income for the country's economic development [2]. The development of MSMEs in Indonesia reached 64 million of all businesses operating in Indonesia or reached 99.9 percent [3]. The contribution given by the MSMEs sector to the Gross Domestic Product (GDP) in Indonesia is 60 percent, making MSMEs a driver of the Indonesian economy that has the opportunity to develop in the future [4]. MSMEs are also able to absorb 99.9 percent of workers which can reduce the unemployment rate in Indonesia [5]. Therefore, the success of MSMEs business performance has a major contribution in supporting the Indonesian economy.

The existence of the corona virus pandemic (Covid-19) in 2020 caused the development of MSMEs in Indonesia experienced a decline [6]. The implementation of Covid-19 control policy disrupts the operations of MSMEs which has a direct impact on the economic turnover of MSMEs. Evidence was found that many MSMEs have difficulty obtaining raw materials, found it difficult to distribute their products, and faced low product demand during the pandemic, therefore MSMEs are faced a decrease in income and profits and then have lower profit margins during this crisis [7]. Based on a survey conducted by the Indonesian Service Business Development Association, 36.7% of MSMEs did not get sales in their business, while 26% experienced a decline in sales of more than 60% [8].

The condition of MSMEs throughout Indonesia is currently facing the same problems, including in Payakumbuh City, West Sumatra. Evidence found that the MSMEs most affected in Payakumbuh City

during the Covid-19 pandemic were cafes and restaurants. The most affected MSMEs are those engaged in the culinary field, such as restaurants, rice traders and market traders [9]. The development and performance of Cafes and Restaurants in Payakumbuh City still tends to be low due to the impact of the Covid-19 pandemic. Large-scale social restrictions has an impact on the consumer demand for products or services and their access has decreased significantly, affecting the incomes and sales of such cafes and restaurants [10]. This causes the development of Cafes and Restaurants in Payakumbuh City experienced a decline in performance.

Crises such as the COVID-19 pandemic threaten business functions and performance [11]. During the pandemic consumers rarely visit and tend to stay away from venues such as cafes and restaurants because consumer behavior has changed, which is more concerned with cleanliness and social distancing [12]. Cafes and restaurants need to putting effort to adapt to this new conditions that brought up by the pandemic and allow efficient working through adaptation of knowledge in order to survive [13]. This condition also requires cafes and restaurants to understand and innovate their products and services based on these changes [14]. Therefore, to encourage Cafes and Restaurants in Payakumbuh City, it is necessary to maintain the key to organizational success based on knowledge sharing and innovation in improving business performance.

The changing market conditions during the pandemic make the knowledge shared within an organization will be very useful for identifying market opportunities [15]. Management research during the Covid-19 pandemic maintains the performance of local products, which requires organizations to act effectively and efficiently in managing resources based on relevant knowledge [16]. Knowledge sharing is likely to continue and develop, as people with higher knowledge will share their knowledge with those with less knowledge or experience, therefore knowledge sharing is very important in current uncertain times [17]. Companies that are able to mobilize their employee to share knowledge to members, groups, and companies will create and develop better opportunities [18]. Therefore, in order to survive in the midst of a crisis, it is necessary to make changes based on knowledge [19].

All companies in the business world will face competition, technological change, and repeated crises, therefore innovation is a necessity to survive in these conditions [20]. Innovation has been identified as a strong influence on the resilience of company during the Covid-19 pandemic [21]. Hence, the ability of innovation is an important driver in improving company performance [22]. Product and service innovation is one of the keys to the success of companies in improving performance [23]. Innovation activities will help Cafes and Restaurants to improve their ability to create unique products that can increase their competitive advantage and then improve company performance [24]. In addition, changes in consumer behavior require Cafes and Restaurants in Payakumbuh City during the pandemic to innovate not only in products, but also in services, such as providing online transactions, online channels, online media, and collaborated with food delivery services [25].

In the case of the Covid-19 pandemic, evidence was found that many Cafes and Restaurants have been affected by the Covid-19 pandemic, because they rely on customer visits to their stores. The impact of the pandemic has led to reduced demand due to customer's concern of catching the infection. Therefore, they are forced to quickly adapt to drastically changing situations and innovate, therefore customers can continue to use their services, for example, propose safety measures based on health protocols and introduce changes that will help customers feel safe and limit the spread of the virus [25]. The cafes and restaurant also started to innovate their services after learning about market conditions through knowledge sharing by offering online shopping with home delivery and providing takeaway and drive-through options [26].

Therefore, innovation and performance have been understood to be promoted by knowledge sharing [27]. Innovation also can be developed through knowledge sharing among employees in the organization [22]. Proper knowledge will increase useful innovative ideas and encourage the creation of new ideas for the advancement of work and then improve the overall performance of the organization [28]. Sharing real organizational experiences and accumulated knowledge with others will increase creativity and innovation, then ultimately improve company performance [15]. Based on these phenomena and problems, the purpose of this study is to examine and analyze the impact of the relationship between knowledge sharing, innovation on the business performance and the mediating role of innovation in Cafes and Restaurants in Payakumbuh City.

Knowledge Sharing, knowledge sharing is the process of collecting, understanding, and conveying information obtained from internal and external organizations [15]. Knowledge sharing is a manifestation of organizational actions to acquire, receive, share, and apply information and knowledge obtained from one

individual and transferred to others in order to increase knowledge [16]. Knowledge sharing relates to the individual's willingness to share knowledge with others, such as voluntary share, exchange, consultation with colleagues, and active communication [29]. The purpose of knowledge sharing is to develop new knowledge by combining existing knowledge in different ways or increasing the ability to exploit existing knowledge [13]. Knowledge sharing indicators are as follows [27]: 1) Exchange important information; 2) Obtain valuable information; 3) Share business experience; and 4) Learn a lot.

Innovation is the company's ability to deal with changes in the economy, technology, resources, and changes in company expectations for innovations that are useful for producing and developing new products or services to customers [30]. Innovation in organizations is the process of transforming opportunities into ideas that marketable to customers [31]. Innovation is considered as the ability to create creativity in order to solve problems and create opportunities [32]. Therefore, entrepreneurs must have the ability to innovate in order to survive [33]. Innovation indicators are as follows (Siregar et al., 2020): 1) Product Innovation; 2) Improve or revise existing services; 3) Adapt existing product/service to meet specific customer requirements; and 4) Responds to environmental changes.

Business performance is a way within the organization to manage resources to maintain the survival of the organization and achieve the end result of the organization's goals [35]. Therefore, to determine the company's success in achieving its goals, the company can measure it through the final results of the company's business performance [36]. Organizational performance is utilized by organizations to obtain improvements in the decision-making process, adaptation to the work environment, organizational learning, and creative performance [37]. Company performance is the result of the company's actions with reference to the standards set by the company within a certain period of time [33]. Business Performance indicators are as follows [38]: 1) Market expansion; 2) Sales growth; and 3) Profit growth.

Knowledge Sharing on Innovation, Knowledge sharing can encourage increased innovation through the transformation of individual knowledge into organizational knowledge that generates new ideas in developing innovation [22]. Knowledge sharing can change the important experiences of small businesses and accommodate ideas and generate them in the early stages of innovation [39]. The previous study stated that knowledge sharing has a significant effect on the innovation capability and performance of small and medium enterprises [15]. Knowledge sharing will be positively related to the innovation of SMEs [27]. Accordingly, the following hypothesis is proposed: Hypothesis 1 (H1). Knowledge sharing positively influences Innovation.

Innovation on Business Performance, Innovation is the ability to develop and respond to new product developments in accordance with market demand and respond to technological activities carried out by competitors, therefore innovation becomes an important key in improving performance [22]. SMEs with good innovation will have more opportunities to improve their performance, therefore SMEs are recommended to focus over on refinements in innovation in order to improve the performance of SMEs [31]. Innovation encourages companies to create attractive products, therefore the better the company's ability to innovate, the higher the company's performance [36]. The previous study stated that innovation positively and significantly impact on the performance of SMEs [40]. Accordingly, the following hypothesis is proposed: Hypothesis 2 (H2). Innovation positively influences business performance.

Knowledge Sharing on Business Performance, Knowledge sharing can enhance an organization's knowledge-based resources or lead to improved performances through the use of information, understanding, insight, practice, and experience [22]. Knowledge sharing is a shared understanding in collecting and providing information to employees, consumers, and other related parties by using knowledge networks to achieve better organizational performance [15]. Knowledge sharing improves the efficiency and effectiveness of small businesses to manage time and budget for better performance [39]. The previous study stated that knowledge sharing is effective in improving business performance [16]. This implies the higher the knowledge sharing, the higher company's performance. Accordingly, the following hypothesis is proposed: Hypothesis 3 (H3). Knowledge sharing positively influences business performance.

Innovation Mediates the Relationship between Knowledge Sharing and Business Performance Previous studies have also found that knowledge sharing has a positive and significant impact on innovation and ultimately results in increased business performance [15]. The previous study stated that knowledge sharing plays an important role in improving small business performance through intermediary of innovation [39]. Knowledge sharing has a positive effect on the performance of SMEs through innovation [27]. Good

knowledge sharing has a significant effect on improving business performance mediated by innovation [41]. Accordingly, the following hypothesis is proposed: Hypothesis 4 (H4). Innovation mediates the relationship between knowledge sharing and business performance. Conceptual Framework

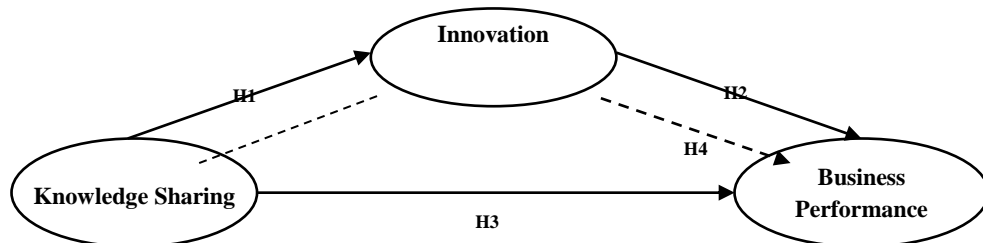


Figure 1. The Conceptual Model
Source: [39]

2. Research Method

This study uses quantitative methods to determine the effect of mediating innovation on the relationship between knowledge sharing and business performance. In terms of time, the data in this study were collected in 2021, therefore the time horizon used is one shot. Determination of the sample used in this study is a non-probability sampling method with purposive sampling technique [42]. The respondents of this study are cafes and restaurants in Payakumbuh City, while the research unit is the manager/owner. Source of data is primary data collected by distributing structured questionnaires to respondents. The number of samples in this study were 110 cafes and restaurants. Measurement The research instrument was measured using a five-point Likert scale (score 1 to 5) by respondents subjectively. This study uses Partial Least Square Structural Equation Modeling (PLS-SEM) with SmartPLS 4 to test the hypothesis.

3. Result and Discussion

3.1 Outer Model (Validity and Reliability Test)

The outer model test is used to measure the relationship between latent variables and their indicators. The outer model test consists of convergent validity, discriminant validity, and reliability. Convergent validity is useful for assessing indicators based on the correlation between item scores/component scores. Convergent validity for the output Outer Loading is shown in Table 1 below.

TABLE 1
OUTER LOADING

Item	BP	IN	KS
BP1	0.930		
BP2	0.956		
BP3	0.973		
IN1		0.867	
IN2		0.816	
IN4		0.856	
KS1			0.862
KS2			0.944
KS3			0.926
KS4			0.847

Source: Results of primary data processing using SmartPLS 4 (2022)

Table 1 shows that all values in the Outer Loading output are greater than 0.7, meaning that all statements are valid. The Outer Loading value which is greater than the minimum acceptable outer loading

criteria, which is 0.7 is considered valid and sufficient for the measurement model [43]. The AVE and the reliability test are shown in Table 2 below.

TABLE 2
VALIDITY AND RELIABILITY TEST

Constructs	Cronbach's Alpha	Composite Reliability	AVE
BP	0.949	0.967	0.908
IN	0.810	0.884	0.717
KS	0.917	0.942	0.802

Source: Results of primary data processing using SmartPLS 4 (2022)

The AVE value must be greater than 0.5 to be considered valid, and the reliability test will be reliable if the Cronbach's Alpha and Composite Reliability values are greater than 0.7 [43]. Table 2 shows that the AVE value is greater than 0.5, and Cronbach's Alpha and Composite Reliability values are greater than 0.7. All items meet the criteria, therefore they are convergently valid and reliable. The next stage is to test the discriminant validity of the Cross Loading in Table 3 below.

TABLE 3
CROSS LOADINGS

Item	BP	IN	KS
BP1	0.930	0.716	0.701
BP2	0.956	0.729	0.806
BP3	0.973	0.789	0.844
IN1	0.563	0.867	0.542
IN2	0.483	0.816	0.519
IN4	0.848	0.856	0.747
KS1	0.684	0.603	0.862
KS2	0.819	0.748	0.944
KS3	0.765	0.709	0.926
KS4	0.676	0.552	0.847

Source: Results of primary data processing using SmartPLS 4 (2022)

The output Cross Loading is assessed based on the correlation value of the indicator to the variable which is greater than the correlation value of the indicator to other variables [43]. Table 3 shows that all items have a maximum value with their respective variables compared to the correlation value of the indicator to other variables, therefore it have met the Cross Loading requirements and is considered valid.

3.2 Inner Model (Structural Model)

The inner model measures the relationship between all latent variables in the study [43]. The R-Square (R^2) value of the latent variable is shown in Table 4 below.

TABLE 4
R SQUARE (R^2)

Constructs	R Square (R^2)
Business Performance (BP)	0.748
Innovation (IN)	0.540

Source: Results of primary data processing using SmartPLS 4 (2022)

Table 4 describes the value of R Square (R^2) business performance of 0.748. This shows that knowledge sharing and innovation contribute to business performance by 74.8% and the remaining 25.2% is stated by other variables outside the research model. Then the value of R Square (R^2) for innovation is 0.540, meaning that knowledge sharing contributes to innovation by 54%, while the remaining 46% is explained by other variables outside the research model.



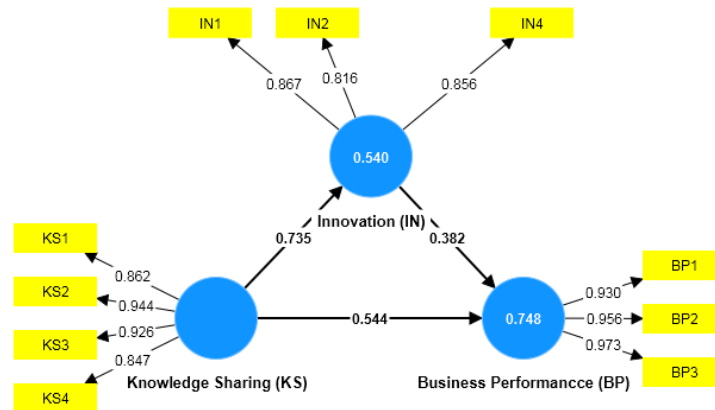


Figure 2. Final Measurement Model

Sources: Results of primary data processing using SmartPLS 4 (2022)

Figure 2 shows the 3rd indicator of the innovation variable that does not meet the outer loading criteria because it has a value less than 0.7, namely ($0.677 < 0.7$) has been removed from the model after re-estimation. Then, processing can be continued to determine the hypothesis test.

3.3 Hypothesis

The degree of freedom ($df = 110 - 3 = 107$) for the model equation is 1.65922, with a significance level of 95% ($\alpha = 5\%$) one tail. The t statistic must be greater than t table, therefore the hypothesis can be accepted [43]. Hypothesis testing is conducted using Bootstrapping on SmartPLS 4. The following table is an explanation of the direct and mediation results.

a. Direct Test

TABLE 5
DIRECT HYPOTHESIS

Paths	Original Sample	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics	T Table	Explanation
KS-IN	0.735	0.747	0.049	14.879	1.65922	Significant
IN-BP	0.382	0.377	0.118	3.251	1.65922	Significant
KS-BP	0.544	0.550	0.133	4.084	1.65922	Not Significant

Source: Results of primary data processing using SmartPLS 4 (2022)

As shown in Table 5, the data analysis in Hypothesis 1 shows that knowledge sharing has a significant influence on innovation, this is justified by the t-count value being bigger than the t-table value ($14.879 > 1.65922$). Then the results of data analysis show that the original sample value is positive, namely 0.735, which means that the direction of influence between knowledge sharing on innovation is positive. Thus, Hypothesis 1 is supported. This results support by the previous study that the higher the knowledge sharing within the company, the higher the innovation [22]. Others study also support this result which states that knowledge sharing positively and significantly in enhancing innovation [27] [15] [39].

As shown in Table 5, the data analysis in Hypothesis 2 shows that innovation has a significant influence on business performance, this is justified by the t-count value being bigger than the t-table value ($3.251 > 1.65922$). Then the results of data analysis show that the original sample value is positive, namely 0.382, which means that the direction of influence between innovation on business performance is positive. Thus, Hypothesis 2 is supported. This results support by previous study which stated that the better the innovation in the company, the higher the performance [32]. Others study also support this result which states that there is a positive effect of innovation on business performance [44][22][31].

As shown in Table 5, the data analysis in Hypothesis 3 shows that knowledge sharing has a significant influence on business performance, this is justified by the t-count value being bigger than the t-table value ($4.084 > 1.65922$). Then the results of data analysis show that the original sample value is positive, namely

0.544, which means that the direction of influence between knowledge sharing on business performance is positive. Thus, Hypothesis 3 is supported. This result is supported by previous study that the more knowledge sharing is carried out, the positive effect on business performance [15]. Others study also support this result which states knowledge sharing has a significant effect on performance [22][16][39].

b. Mediation Test

Variance Accounted For (VAF) is useful for determining whether the mediating variable is categorized as full mediation or partial mediation [43]. The formula below shows the calculation of VAF in this study.

$$VAF = \text{Indirect Effect} / (\text{Direct Effect} + \text{Indirect Effect})$$

$$VAF = 0.281 / (0.544 + 0.281) = 34\%$$

In the results of the VAF calculation, this illustrates that innovation is categorized as partial mediation because the VAF value is between 20% to 80%, which is 34%.

TABLE 6
MEDIATION RESULT

Hypothesis	Original Sample	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics	T Table	Explanation
MO->IN->BP	0.281	0.280	0.087	3.288	1.65936	Significant

Source: Results of primary data processing using SmartPLS 4 (2022)

As shown in Table 6, the data analysis in Hypothesis 4 shows that innovation indeed mediates the relationship between knowledge sharing and business performance, this is justified by the t-count value being greater than the t-table value (3.288 > 1.65922). The mediaton effect of innovation is indicated to have a partial effect on the relationship between knowledge sharing and business performance, due to the VAF value is between 20% to 80% which is 34%. Therefore, innovation partially mediates the relationship between knowledge sharing and business performance of the Cafes and Restaurants in Payakumbuh City. Thus, Hypothesis 4 is supported. This indicates knowledge sharing variable is able to influence the business performance variable without going through the innovation variable as a mediator variable. This results support by previous study that good knowledge sharing has a significant effect on improving business performance mediated by innovation [41][27]. Others study also support this result which states that knowledge sharing plays an important role in improving small business performance through intermediary of innovation [22][39].

4. Conclusions

The success of Cafes and Restaurants in Payakumbuh City in competing during the Covid-19 pandemic is the result of innovation and knowledge sharing which are key factors for the success of improving performance. The results of this study indicate that knowledge sharing plays a role in improving the performance of cafes and restaurants either directly or through intermediary innovation. Cafes and restaurants that are involved in knowledge sharing tend to accept and give each other in creating collaboration, thus encouraging the ability to innovate. Management methods related to knowledge and innovation activities can be input during the Covid-19 pandemic to encourage the excellence of cafes and restaurants and improve business performance. Therefore, Cafes and Restaurants in Payakumbuh City need to facilitate various knowledge activities through various trainings held by the government or other parties such as food industry associations, also hold regular meetings and invite experts to get the latest information and business strategies to improve performance. The effects of the pandemic are causing consumers today to prefer to shop online even though large-scale social restrictions have been lifted. Therefore, innovations must be made by Cafes and Restaurants in Payakumbuh City on their products and services that are adjusted to market needs. Such as by providing online transactions, such as Gopay, Dana, Link Aja, etc., thus customers can easily transact remotely. Then also cooperate with transportation services to serve consumers such as Gojek, GoFood, Payokurir, etc, which play a role in delivering orders to consumers. This service improvement will provide satisfaction to consumers, therefore consumers will make repeat purchases in the future.

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