

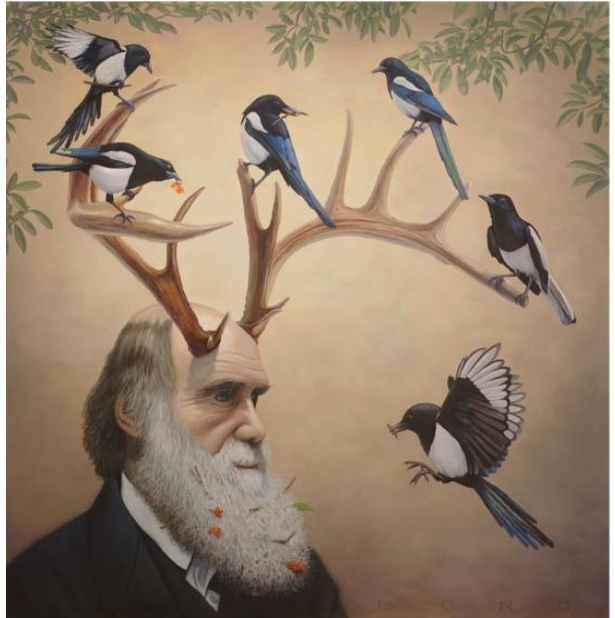
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The knowledge management and competitive advantages of small and medium-sized enterprises

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Abstract

The purpose of this study is to examine the effect of Knowledge Management on Business Performance through Competitive Advantages. Data analysis techniques are done by using SPSS. The results showed that knowledge management has a positive and significant influence on business performance and competitive advantage, and competitive advantage mediates partially (mediation) the influence between knowledge management and business Performance. In conclusion, Organizations that have superior knowledge will be able to combine all of their internal resources in a new way so they can provide more value to their customers.

Keywords: Knowledge, Management, Competitive, Advantage, Business.

La gestión del conocimiento y las ventajas competitivas de las pequeñas y medianas empresas

Resumen

El propósito de este estudio es examinar el efecto de la Gestión del Conocimiento en el Desempeño Empresarial a través de Ventajas Competitivas. Las técnicas de análisis de datos se realizan utilizando SPSS. Los resultados mostraron que la gestión del conocimiento tiene una influencia positiva y significativa en el rendimiento del negocio y la ventaja competitiva, y la ventaja competitiva media parcialmente (mediación) la influencia entre la gestión del conocimiento y el

rendimiento del negocio. En conclusión, las organizaciones que tienen un conocimiento superior podrán combinar todos sus recursos internos de una manera nueva para que puedan brindar más valor a sus clientes.

Palabras clave: Conocimiento, Gestión, Competitivo, Ventaja, Negocio.

1. INTRODUCTION

Indonesia is one of the developing countries which in recent years has focused on Small and Medium-sized Enterprises. SMEs have an important role in overcoming the problem of unemployment because the growth of SMEs can be a source of growth in employment and income. The absorption of labor by SMEs in Indonesia reached 99.74% of the total absorption of national labor and its existence has been able to contribute to the Gross Domestic Product of Rp 1,013.5 trillion or reaching 56.73%. The existence of our increasingly tough SMEs has helped strengthen the structure of the national economy.

As is the case at the national level, regional economic activities in Aceh Province are strongly influenced by the activities and development of Small and Medium Enterprises (SMEs) whose role has a very strategic role. The number of business units, labor force absorbed, and the large value of production and the value of an investment in SMEs in Aceh Province had continued to increase since 2014-2017. In 2014, SME business units totaled 12,909 units, and in 2017 the number increased to 21,042 units. Likewise, the number of workers absorbed increased from 46,898 people in 2014 and increased

to 79,584 people in 2017. The value of investment also increased from Rp 604,709,403 to Rp 1,813,670,029.

The production value in 2014 amounted to Rp1,815,025,205, which subsequently increased to Rp3,116,188,543. However, the increase in the value of investment and production of SMEs does not have such a large influence on the welfare of their workers as well as on the contribution of the regional economy. It shows that the performance of the regional economy in the small and medium industry sector is still low so it needs to be improved and empowered so that it can be used as a leading sector and play a greater role in the regional economy in the future.

Among a number of Small and Medium Industries in Aceh, small businesses that specifically provide and market Aceh motif embroidery have made significant progress, especially in the amount and investment. Although there are quite a lot of them and are able to produce unique products, it turns out that Embroidery SMEs have not provided sufficient income for the entrepreneurs. This has become one of the reasons for the lack of development of embroidery SMEs in Aceh. Another obstacle faced is the level of knowledge management and competitiveness that is still quite low. Knowledge management is very instrumental in creating superior products while managing activities to produce a product.

The development and practice of knowledge management continue to increase dramatically in organizations. Furthermore, based

on the idea that knowledge is the organization's main asset, researchers argue that Knowledge Management leads to positive organizational performance. However, the impact has not been shown thoroughly. Many organizations have experimented with Knowledge Management to improve organizational performance, but have not been fully successful. While other studies conducted by SETYANTI, TROENA, NIMRAN, & RAHAYU (2013) found that knowledge management can have a direct impact on organizational performance. Inconsistent results from this previous study became an interesting research gap for investigation.

Furthermore, the organization's ability to utilize knowledge management and sustainable learning from the current external environment is also believed to be the main source for achieving sustainable competitive advantage. Knowledge can provide empirical support and broaden a resource-based view by explaining the importance of relatively large placements to the internal attributes of an organization to achieve competitive advantage and improve company performance. Knowledge management is a determinant of competitive advantage considered most important for organizations. This statement is supported by several studies which state that knowledge management has a significant effect on competitive advantage.

One of the main requirements as one form of the company's success in a competitive or competitive environment is to recognize how to maintain such competitive advantage. As a result, the influence

of competitive advantage has an impact on performance and this has attracted a number of empirical studies providing evidence of positive effects. Therefore, given the importance of competitive advantage in relation to the company's competitive position, a number of studies have tried to identify the main determinants and consequences of a company's competitive advantage.

Based on this phenomenon, SMEs in the Aceh province as a general phenomenon in Indonesia are not immune from the influence of similar companies from within and outside the country. Therefore, to develop the competitiveness and performance of SMEs in Aceh, a strategy is needed for factors that influence competitive advantage and SME business performance. Therefore, the purpose of this study is to examine the effect of knowledge management on business performance through the effect of mediating effects of competitive advantage on SMEs in the province of Aceh.

2. LITERATURE REVIEW

2.1 Business Performance

Business performance is the output and capacity of all efforts made by the organization to achieve its objectives. This definition refers to the level of achievement of a company's performance or achievements in a certain period of time. This can be achieved if the company has good performance. According to WIKLUND &

SHEPHERD (2005) performance can be seen from company sales, profitability, return on capital, turnover rate, and market share. Whereas according to HILMI, RAMAYAH, & MUSTAPHA (2011) business performance can be measured by seven indicators: a number of complaints, return on investment, financial performance, sales growth, productivity, customer satisfaction, and job satisfaction.

Performance is influenced by many factors that encourage employee behavior, innovation, creativity and attitude in the workplace. This has become a challenging task for managers to maintain a positive and proactive work environment in organizations with changing economic environments and increasing difficulties in business. The application of new ideas and knowledge through initiatives and learning activities will enable market-oriented companies to be proactive, not only in terms of how to serve customers but also in terms of how involved in developing strategies.

This study uses two business performance indicators, that is, financial and non-financial performance. This is similar to the research conducted by PRIETO & REVILLA (2006), which states that business performance is measured by financial and non-financial indicators. The financial indicators are sales profit, cash flow, return on investment, asset/ inventory turnover, and budget effectiveness, while non-financial indicators include: customer satisfaction, employee efficiency, market share, service quality, and product quality.

2.2 Knowledge Management

The literature offers a variety of definitions of knowledge management, including DAVENPORT & PRUSAK (1998) who argued that collective knowledge management will help organizations to compete more effectively in achieving their goals. Furthermore, KHAN (2012), argues that knowledge management is a form of formalization and access to experience, knowledge, and expertise that creates new capabilities that enable superior performance, drive innovation and increase customer value. Meanwhile, KHAN (2012), defining more simply knowledge management is doing what is needed to get the maximum knowledge resources which include knowledge creation, knowledge acquisition, knowledge sharing, and knowledge application. The focus on the dissemination of knowledge in organizations or companies is expected to increase organizational competitive advantage and improve company performance.

Although recent empirical studies show that they have found supports for the direct impact of knowledge on performance. VERA & CROSSAN (2003) concluded that from this study no more leads to greater performance, but relevant knowledge can have a positive effect on organizational or business performance. Because knowledge may have a vague impact on organizational performance, organizational knowledge management is assumed to have a positive impact on business performance.

MEIHAMI (2014) argued that knowledge management could

include a subset of competitive advantage and customer satisfaction, organizational performance, and organizational innovation can make a significant impact. Based on previous research, several researchers who stated that knowledge management had a significant effect on competitive advantage. Therefore, it is hypothesized as follows:

H₁: Knowledge management affects business performance.

H₂: Knowledge management influences competitive advantage.

2.3. Competitive Advantage

MEIHAMI (2014) stated that competitive advantage is a product of competitive strategies, which shows the ability of managers to effectively implement material and material resources to obtain more value and performance from the business competition. MEIHAMI (2014) in his research used the variable of competitive advantage as an independent variable measured in terms of cost leadership, perceived quality improvement, and market response.

HALAWI, ARONSON, & MCCARTHY (2005) state that one of the main requirements for the success of companies in a competitive environment is to recognize how to maintain these competitive advantages. According to MEIHAMI (2014), competitive advantage can be created when making difficult choices about what will be done or not done. Competitive advantage is usually defined as the ability to

return returns on investments consistently above the industry's average. BARNEY (1991) argues that a company is said to have a competitive advantage when the company implements a strategy of creating values that are not the same or different from those applied by current competitors or potential competitors.

A company that has dynamic capabilities that are significant and difficult for competitors to emulate will position themselves to provide superior performance. Competitive advantage and performance are significantly related. As illustrated by an empirical study by HALAWI ET AL. (2005), competitive advantage is proven to be able to predict significantly the company's business performance. Therefore, it is hypothesized:

H₃: Competitive advantages affect business performance

H₄: Competitive advantage mediates the influence of knowledge management on business performance

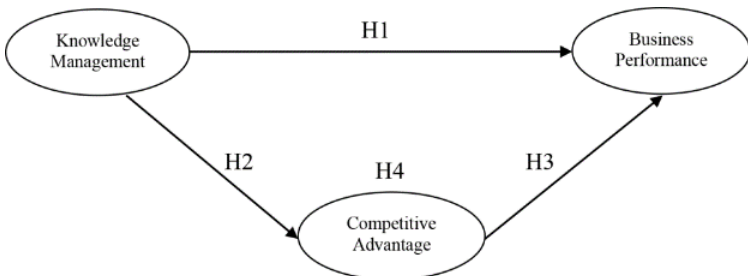


Figure 1: Conceptual Framework

3. METHODOLOGY

The independent variable in this study is Knowledge Management. Competing advantages are as intermediary variables, while Business performance is as a dependent variable. Data collection was done by interview method and circulating questionnaires, the scale used was based on the 1 Likert Scale strongly disagree until 7 strongly agree.

The unit of analysis in this study consisted of embroidery craft small business in Aceh Province. While the observation unit is the owner/ business actor/ manager of an embroidery craft small business. The population in this study are all Micro, Small Business and Medium-sized Enterprises that produce Embroidery in 7 regencies in the Province of Aceh. By using the Slovin formula with the assumption of an error rate of 5%, a total sample of 245 embroidery SME units was obtained. In this study the respondents were represented by two people for each one small business unit, that is, 1 (one) SME director/ owner and 1 (one) company manager. Thus the number of units of observation or respondents in the study was 490 respondents. The data analysis method used is regression analysis using SPSS analysis tools. Test the validity of the instrument using Confirmatory Factor Analysis (CFA) with a loading factor greater than 0.5. Test reliability using Cronbach's Alpha with values greater than 0.6.

4. RESULT

Based on the data obtained, it can be seen that the majority of respondents came from Lhokseumawe with 120 (24.5%) respondents and the least in West Aceh Regency with 44 (9%) respondents. 73 people (14.9%) were male, while female respondents were 417 (85.1%). The average age of the respondents was in the range 41-50 years (39.2%) and the lowest was in the range of > 60 years (0.6%), with the highest level of education, that is, high school totaling 241 people (49.2%) and the least have S1 education totaling 25 people (5.1%). Respondents in our study were on average business owners and managers, amounting to 300 people (61.2%), with 254 people (51.8%) having an average business income of less than Rp 100,000,000/ year, and only 35 people (7.2%) have an average operating income above Rp. 300,000,000/ year.

Table 1: Respondents' Characteristics

Note	Frequency	Percentage
Respondents Origins		
Banda Aceh	74	15.1
Great Aceh	54	11.0
Pidie	50	10.2
North Aceh	66	13.5
Lhokseumawe	120	24.5
West Aceh	44	9.0
Central Aceh	82	16.7
Sex		
Male	73	14.9
Female	417	85.1
Age		
< 30 years	49	10.0

31 – 40 years	74	15.1
41 - 50 years	192	39.2
51 - 60 years	172	35.1
> 60 years	3	0.6
Education		
Junior High School	75	15.3
Senior High School	241	49.2
Diploma III	149	30.4
Undergraduate (S1)	25	5.1
Business Status		
Owner	90	18.4
Manager	100	20.4
Owner and Manager	300	61.2
Income/years		
< 100 million	254	51.8
101 – 200 million	128	26.1
201 – 300 million	73	14.9
> 300 million	35	7.2
Total	490	100%

Before regression analysis for hypothesis testing, reliability testing and validity of the construct will first be carried out. Table 2 below provides a summary of reliability tests based on Cronbach Alpha values higher than 0.6 or higher than those recommended by HALAWI ET AL. (2005). Therefore, all constructs are considered to have adequate reliability. Based on the results of the CFA test, the entire statement is valid, because it shows a number greater than 0.5.

Table 2: Reliability scores of variables

Variable	Number of Items
Cronbach's Alpha	
Knowledge Management	7
0,623	

Competitive Advantage 0,601	6
Business Performance 0,614	10

Table 3: The Influence of Direct and Indirect Effects

Variable	Total	β	T_{count}	Remarks
Business Performance ← Knowledge Management		0.566	10.968	Significant
Competitive Advantage ← Knowledge Management		0.505	11.020	Significant
Business Performance ← Competitive Advantage		0.309	9.897	Significant
Business Performance ← Competitive Advantage ← Knowledge Management	0.722	0.156	2.132	Partial

After the regression analysis is done, it is obtained the results that the influence of Knowledge Management on Business Performance has a positive and significant coefficient of 0.566. It means that if there is an increase in Knowledge Management of one percent, then there will be an increase in Business Performance by 0.566 percent. The value of $t_{count} > t_{table}$ or $10.968 > 1.96$, then the 5% significance level is decided to reject H_0 and not reject H_1 . The Effect of Knowledge Management on Competitive Advantages has a positive and significant coefficient of 0.505. It means that if there is an increase in Knowledge Management by one percent, then there will be

an increase in Business Performance by 0.50 percent. The value of $t_{\text{count}} > t_{\text{table}}$ or $11.02 > 1.96$, then with a significance level of 5%, it is decided to reject H_0 and not reject H_2 .

The Effect of Competitive Advantage on Business Performance has a positive and significant coefficient of 0.309. This means that if there is an increase in Knowledge Management by one percent, then there will be an increase in Business Performance by 0.309 percent. The value of $t_{\text{count}} > t_{\text{table}}$ or $9,897 > 1.96$, then with a 5% significance level, it is decided to reject H_0 and not reject H_3 . The indirect influence of Knowledge Management on Business Performance through Competitive Advantage is significant with an indirect effect value of 0.156 ($t_{\text{count}} = 2.132$) with a total effect of 0.722 and a direct effect of 0.566, thus the Competitive Advantage variable has a role as a partial mediation variable (partial mediated) between variables Knowledge Management and Business Performance. Therefore, it was decided with a significance level of 5% to reject H_0 and not reject H_4 .

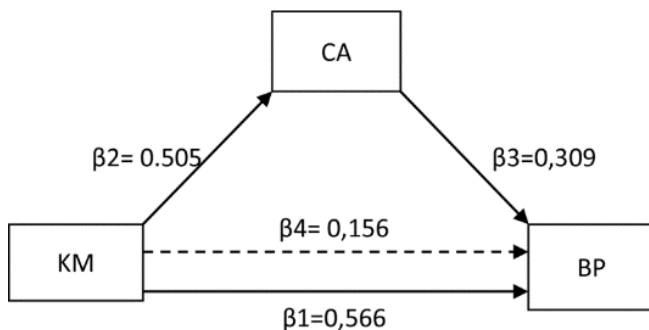


Figure 2: Path Analysis

5. DISCUSSION AND IMPLICATIONS

From the results of research that has been done, it shows that the Knowledge Management variable has a significant effect on Business Performance. These results indicate that to achieve the performance of businesses that compete effectively, companies must be able to acquire new knowledge and position well in the market of their choice. For this, companies must be able to develop the absorption capacity of the ability to use prior knowledge to recognize the value of new information, assimilate it, and apply it to create new knowledge and capabilities. Company managers need to improve their knowledge management by creating the most valuable things for the company and being able to create better methods by using technology, by always exploring new knowledge and applying it in the company, companies can also conduct training in increasing the knowledge of their employees and companies can include its employees attend training held by other companies/ institutions. The findings of this study support the research conducted by SETYANTI ET AL. (2013).

As research conducted by MEIHAMI (2014), this study also found the influence of Knowledge Management on Competitive Advantage. Knowledge Management has become the latest strategy for increasing organizational competitiveness. DRUCKER (2000) stated that knowledge has become the main economic source and the dominant source of competitive advantage. The success of the application of knowledge management will depend on the appropriate organizational structure, including employee empowerment and

teamwork as well as the vision of the business infrastructure information system infrastructure and executive support so that an increase in excellence is needed for the competitiveness of the company (EFRAT, 2018).

6. CONCLUSION

Based on the results of data analysis, several conclusions can be drawn that Knowledge Management is a series of systematic processes that include selecting, organizing, concluding and presenting information in such a way that increases the recognition of people in their fields of interest. With the increase of Knowledge Management, Business Performance will be improved. Competitive advantage is the ability of a company to obtain economic benefits above the profits that competitors can achieve on the market in the same industry. With the increase of Knowledge Management, the competitive advantage will also increase. Organizations that have superior knowledge will be able to combine all of their internal resources in a new way so they can provide more value to their customers. Knowledge-based strategies are expected to be better able to explore the uniqueness of the company.

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