

Research Article

**Employee Relations, Tacit Knowledge Sharing Activities,
And Employee Performance
in Social Exchange Theory Perspective**

Received: 8th June 2022; Revised: 19th September 2022;
Accepted: 21th September 2022; Available online: 22th September 2022

Ari Pradhanawati, Reni Shinta Dewi, Chusnu Syarif Diah Kusuma

Department of Business Administration, Faculty of Social and Political Sciences,
Universitas Diponegoro, Jl. Prof. H. Soedarto SH Tembalang, Semarang, 1269, Indonesia

Abstract

Modern-day enterprise competition is getting more difficult, in particular in the industry 4.0 generation. SMEs or Small and medium-sized corporations as a part of the pillar in the economic industries, want to assume these conditions. Batik is an SME that has contributed to the economic system. various issues are confronted by way of the batik enterprise, together with SMEs in Batik in Semarang. They face a few barriers, inclusive of increasing the capability of human resources. knowledge sharing is an activity to enhance individual talents, specifically trouble-solving and worker self-assurance. Knowledge sharing is an activity to improve individual skills, especially problem-solving and employee confidence. The purpose of this examination turned into exploring the effect on tacit knowledge-sharing activities, employee performance and employee relations. Also, the article defined the activity of tacit knowledge sharing in mediating the effect of employees relation and employee performance. The type of research was explanatory research. The sample was a hundred employees within the SMEs Batik in Semarang. Statistics evaluation of the use of SEM. The finding showed that there was an effect of employee relations on tacit knowledge-sharing activities. Second, there was an effect of tacit knowledge-sharing activities on employee performance. And, employee relations and employee performance had a positive effect. The results of the mediation effect test showed that employee relations have a positive effect on employee performance through tacit knowledge-sharing activities. The suggestion of this research is Batik UKM in Semarang to create a conducive work environment because the results of the study show that the relationship between employees is a success factor in sharing tacit knowledge. The limitation of this research is that the study was only conducted at the Batik UKM in Semarang, which resulted in a very limited generalization of the research findings. The limitation of this research is that the study turned into best carried out on the Batik UKM in Semarang, which led to a totally limited generalization of the research findings. The difficulty of the have a look is that the observation turned into only carried out at the SMEs Batik in Semarang which makes a completely constrained generalization of the findings.

Keywords: *Employees Relations; Tacit Knowledge Sharing Activities; Employee Performance; Social Exchange Theory; Batik SMEs*

How to Cite: Pradhanawati, A., Dewi, R.S., Kusuma, C.S.D (2022). Employee Relations, Tacit Knowledge Sharing Activities, And Employee Performance in Social Exchange Theory Perspective. Jurnal Ilmu Sosial, 21 (2): 161-180 (doi: 10.14710/jis.21.2.2022.161-180), [Online]

Permalink/DOI: <https://doi.org/10.14710/jis.21.2.2022.161-180>

Corresponding Author: pradhanawatiari@rocketmail.com (Ari Pradhanawati)

INTRODUCTION

Currently business is getting tougher. Businessmen are competing to increase business capacity so that they have a top position in the market. SMEs as one of the pillars of the economy also need to anticipate these conditions. However, many SMEs in Batik in Central Java, especially in Semarang, face some obstacles to the growth of their business. Based on a preliminary study, conducted at the Disperindag (Industry and trade service) of Central Java, the human resources of SMEs are not sufficiently qualified to deal with export demand. Furthermore, competition with textile factories that can make batik printing a more effective and efficient method is increasingly cornering the position of SMEs Batik (Interview with Disperindag Central Java, 2019). Aiming to answer the competition, SMEs not only need to pay concern to external factors but also internal factors. The internal factors - referred to in this study- are employees. Employees are an essential asset of the business because they are the core that runs the business. Worker participation has an effective impact in promoting workers to engage greater inside the organization. Workers offer more in terms of their ideas, effort, and labor to the company, leading them to view the workplace and their jobs in a more positive manner (Pradhanawati, 2018). Therefore, SMEs need to increase the capacity of employees aiming for their performance is improving better.

A strategic effort in improving employee performance is knowledge. Knowledge is the strength of the organization because it is a resource that might not be duplicated by other organizations. Nonaka & Takeuchi (1995) stated that knowledge may be shared with others. Knowledge-sharing activities will encourage the exchange of information so that business organizations can identify competitive advantages (Liebowitz, 2001) which will have an impact on increasing the performance of the employee (Liebowitz, 2001).

According to Liao Fei & Chen (2007), knowledge sharing is an important process because it is an essential resource in modern organizations. Previous studies (Bock & Kim 2002; Connelly & Kelloway 2003) have shown factors that influence knowledge sharing, starting from 'social' issues to characteristics of the employee. The networks of social may appropriate for sharing expertise (Boland & Tenkasi 1995; Chow & Chan 2008; Leonard 1998; von Krogh 1998). In step with research conducted by Davenport (1995) found evidence of the relevance of social interaction inside the introduction of recent expertise. It does not need to involve computers system or documents in aiming the information sharing activities is successful. But, it must be primarily based on the interaction among human. The activity of

sharing knowledge can increase the individual's ability to retrieve information to solve problems (Din & Haron, 2012). It can be realized when employee relations are well-established (Isa, Abdullah, & Senik, 2010). Research conducted by Isa, Abdullah, & Senik (2010) identifies five classes under the structural dimensions of capital that aid and inspire the sharing of tacit know-how inside the context of the challenge They are encounter, relationship, interaction, position, and proximity. This concept is in line with Social Exchange Theory in the scope of human Resource Management. The theory suggests that relationships between individuals will develop employee trust (Whitener, 1997). The novelty of this research is that it emphasizes knowledge sharing in SMEs, where the knowledge that is spread is more tacit. For SMEs themselves, tacit knowledge dominates most of the knowledge in the organization. Dissemination of knowledge will be easier to do if the pattern of relationships that occur between employees also supports the spread or sharing activities.

Based on the background, the study will explain the effect of employee relations, and tacit knowledge-sharing activities on employee performance from the viewpoint of social exchange theory. Furthermore, this research will explain whether tacit knowledge-sharing activities can mediate the effect of employee relations and employee performance.

L. Liao (2008) explains that the perspective of Social Exchange Theory is a derivative of the theory of economic exchange. These said the people will make interchange by calculating what they get with what they pay. If the things that they get are not worth comparing to the things that they pay, then they stop making transactions (L. Liao, 2008). The difference is, that The Economic Exchange Theory focuses on transactions while The Social Exchange Theory focuses on trust. Trust is central to social exchange theory (Cropanzano & Mitchell, 2005; Konovsky & Pugh, 1994; (Luo, 2002)). In addition to trust as the main variable of social exchange theory, there are several other variables, such as continuous exchange, reputation, institutions, and uncertainty (Corcoran, 2013). Trust is commonly understood as an individual's willingness to put their well-being in the hands of others (Wilson and Eckel, 2012).

This is a key factor affecting collaboration within an organization. A high level of trust balances collaboration and competition leads to better performance (Raza-Ullah, 2021). Mormet et al. (Chen and Sriphon, 2022) point out the trust is created between partners when they establish high-quality relationships of social exchange. Therefore, trust is essential to build a social interaction in the workplace. As a result, management's behavior affects the trust and social interaction of the organization, leading to the stability of the organization during the

pandemic. Trust is the basis of relationships among human. The trust enriches and strengthens the relationships among people that they can have. But, a lack of trust greatly limits and diminishes their interactions. This is true of all types of relationships. Trust is a foundation of more than financial well-being. Higher trust is also associated with less violence, political stability, and better health

Lee et al. (2014) state the theory of social exchange explains the individual relationship. Social exchange theory also concludes that mutually beneficial transactions have the potential to make high-quality relationships, although they will occur under certain conditions (Cropanzano & Mitchell, 2005). The theory of social exchange explains how a company or person has the motivation to interact by considering profit and loss (Emerson, John, Harold, & Blau, 1976). Attitudes and behavior in exchange are always measured by the rewards obtained and minus the costs when interacting. It means, that humans are always looking for ways to maximize rewards and minimize costs, whether in individual, corporate or political relationships. Shiau & Luo (2012) showed that people typically expect mutual benefits, such as gratitude, trust, and personal affection.

Since its emergence in the 20th century, the industrial relations concept has been scientifically defined as an alternative to industrial relations. The relations of employee are referred to create a work environment that promotes pleasant interpersonal relationships within an organization to effectively promote the objectives and goals of the organization. Employee relations is the study of employee-employer relationships (Donohoe, 2015). Effective employee relations place a high value on the human element within an organization, which leads to increased engagement, motivation, and productivity of the employee. Yongcai (2010) focuses on the strategic role of relations of employee in organizations and postulates relations of employee as a specialty in development and management of human resource. Moreover, Jing (2013) demonstrates that relations of employee are a coordinated effort by organizations to put in place multiple mechanisms to regulate relationships between employees to achieve the goals of organizational.

The knowledge management concept was first published by Nonaka and Takeuchi in 1991. The concept becomes important to be applied in the current era of knowledge. According to Budihardjo (2016: 136), knowledge management is a practice carried out by companies to enrich knowledge assets. The application of knowledge management is expected to make innovations to provide added value.

There are three types of knowledge in knowledge management. They are self-transcending, tacit, and explicit. This study will focus on tacit knowledge because this type of knowledge can be transferred even though it is difficult to articulate. Polanyi (1958:20) defines tacit knowledge as an individual's exclusive knowledge. This knowledge is obtained through activities and experiences so it is personal and specific (Reychav & Weisberg, 2009).

The sharing of knowledge practice is a systematic process of distributing, sending, and disseminating multidimensional knowledge and context from an organization or person to other organizations or people using various media and methods (Widuri 2018). Sharing of knowledge is an important and inseparable part of management of knowledge and it encourages the spread of individual learning throughout the organization (Andika 2016). Also, it is the most difficult activity for management of knowledge within organizations in the implementation aspect. However, organizations that successfully manage knowledge-sharing activities will achieve good performance in management of knowledge as it is the most influence activity on the success of management of knowledge (Andika 2016). The activity also see as an important instrument that change from individual to group organizational knowledge. It is one of the main knowledge processes in a present dynamic and competitive era for the development of organizations. The practice plays a remarkable role in the innovation and development in many areas of organizations (Mohajan, 2019). Moreover, the practice in an organization is very beneficial and important to be implemented as helps organizations in many ways such as innovations, information updating, creations, and others (Rusuli and Tasmin, 2010). Therefore, understanding the advantages and concepts could facilitate knowledge-sharing and help managers, and information and knowledge professionals to support the practices. Due to this importance, it is expected that organizations may take benefits of the new transformation of information-handling skills for their employees to change into knowledge management capabilities.

Knowledge sharing is the systematic process of disseminating, transmitting, and distributing the context and multidimensional knowledge from an organization or one person to another using various media and methods (Widuri 2018). Andika (2016) argued that, the practice of sharing of knowledge is an integral and important part of management of knowledge. And, it disseminates individual learning throughout the organization (Andika 2016). But, Knowledge sharing is the most difficult knowledge management activity for organizations to implement. However, because knowledge-sharing is the activity that has the greatest impact on the success of knowledge management, organizations that manage their knowledge-sharing

activities perform well in knowledge management (Andika 2016). Knowledge-sharing is an important tool for transforming individual knowledge into group organizational knowledge. It is one of the most important knowledge processes today for organizational development in today's dynamic and competitive era. The practices play an urgent role in the development and innovation in many areas of an organization (Mohajan, 2019). The practice within an organization is very important and beneficial as it helps organizations in many ways, such as innovation, creation, updating information, etc (Rusuli and Tasmin, 2010). Understanding the concepts and benefits, therefore, facilitates knowledge sharing and helps managers, information, and knowledge professionals to support knowledge-sharing practices. Because of this importance, organizations are expected to take benefits of the new transformation of employee information processing skills to transform their employees into knowledge management skills.

Competitive advantage will be achieved if the organization successfully organizes knowledge-sharing activities (Solek-Borowska, 2015). The Knowledge Base View (KBV) explains that to achieve a competitive advantage, knowledge-sharing activities (tacit and explicit) need to be considered (Coppedge 2010; Yu & Qin, 2011). Knowledge management activities are aimed at how to acquiring, using, sharing, storing, retrieving, and developing knowledge (Budihardjo, 2016: 23). The research will emphasize that knowledge-sharing activities can help business organizations achieve their goals. Knowledge sharing is about exchanging information and knowledge, and in turn, knowledge becomes valuable for the involved parties (Krogh, Ichijo, & Nonaka, 2000). Therefore, there are two parties to the knowledge sharing concept, namely the source and the recipient of knowledge (Usoro, Sharratt, Tsui, & Shekhar, 2007). Meanwhile, there are different points of view on understanding tacit knowledge sharing. Zhang, Long, Wang, & Tang, (2015) state that tacit knowledge sharing is a process of promoting knowledge in organizations. Yu & Qin (2011) define tacit knowledge sharing as the owner of tacit knowledge interaction with other people to learn, exchange, and internalize others. In the end, the knowledge would increase. Coppedge (2010) states that the sharing of tacit knowledge is the sharing knowledge process possessed by individuals or organizations to change the work process or how to solve a problem.

The appraisal performance can be measured in a certain period. The measurements provide an overview of employee performance or employee capacity. Employee performance may define as the result or productivity of employees, both financial and non-financial terms, where it is associated to the success of the organization (J., 2014). The performance is related

to the level of individual work productivity (Shooshtarian, Ameli, & Lari, 2013; Zaman, Anis-ul-Haque, & Nawaz, 2014).

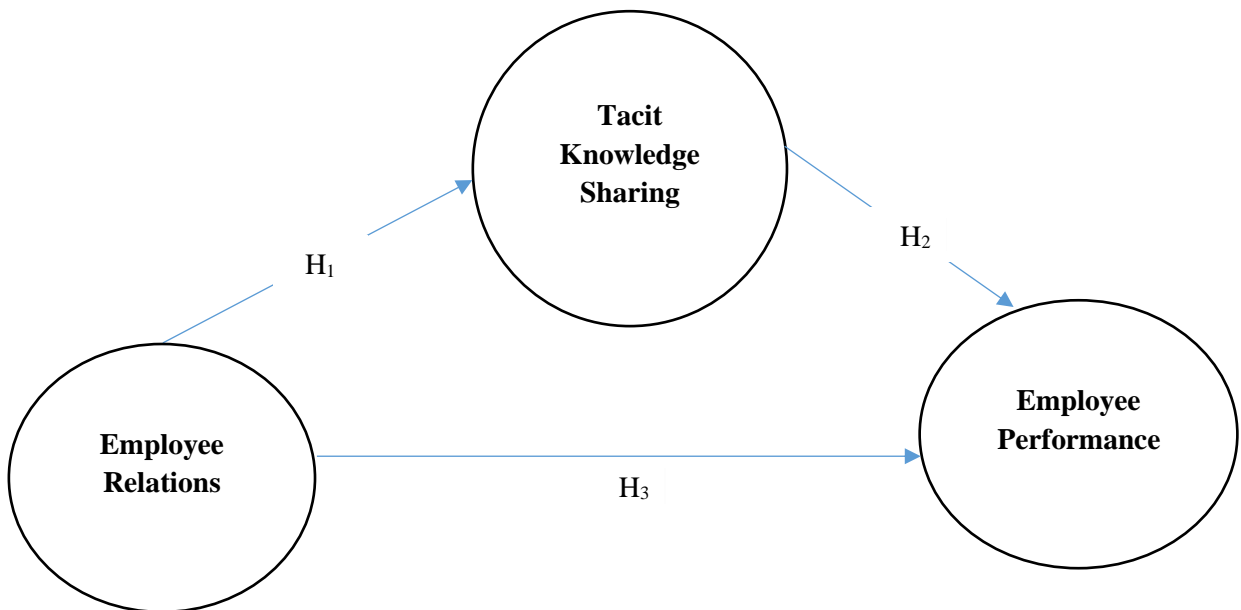


Figure 1. Conceptual Model

Source: Liao, Chang, Cheng, & Kuo (2004) and Ramayah (2011)

According to figure 1, business organizations do not only need to manage external factors to achieve their goals. But, internal business factors also need a concern properly. This internal business factor is related to human resources. Many studies have shown that good human resource management will lead to harmonious relations among organizational members. When these conditions are successfully created, then the relationship will be based on mutual trust. In the end, the members of organization will have a willingness in sharing their experiences and knowledge because the parameter of success in sharing of knowledge does not only rely on technology, but also the factors of employee relations behavior (Liao, Chang, Cheng, & Kuo, 2004).

Knowledge sharing could increase the knowledge possessed by individuals in the organization. Mangkunegara (Mardillah, 2017) suggests that potential ability (IQ) and reality ability (knowledge and skills) are factors affecting the performance of employee. Knowledge is crucial for an employee in performing their duties because knowledge makes the employee perform their duties appropriately to the job desk of the organization. In the end, it will have a good impact on performance of employee. Harmonious relations among employee plays an important role in improving the performance of employee in the organization. Because, it make

them more enthusiastic and responsible at work which ultimately increases work performance (Ramayah, 2011). In addition, employees with positive, both psychological work environment and work relations, are more productive and contribute to the organizational goals (O'Neill & Arendt, 2008; Brown & Leigh, 1996; Kahn, 1990). Moreover, research by Muhammad and Hamdy (2005) claims that there is a relationship between supervisors who support relationships and employee performance in a direct organization. Again, employees are supported to perform their best efforts in performing their jobs when supervisors preserve tough relations with fellow employees at workstations (Gomez et al, 2001). Previous studies confirmed a positive relationship between organizational performance and tacit knowledge sharing (Dyer and Nobeoka, 2000; Masa'deh et al., 2019). But, they did not discuss the effect of employee relations on tacit knowledge sharing as a prerequisite for good organizational performance. For this reason, this study included the variable employee relations as a novelty in the path of the relationship between employee performance and tacit knowledge.

The research hypothesis is:

H1: It is suspected that there is an influence between employee relations and tacit knowledge sharing

H2: It is suspected that there is an influence between tacit knowledge-sharing activities on employee performance

H3: It is suspected that there is an indirect influence between employee relations on employee performance through tacit knowledge-sharing activities.

RESEARCH METHODS

The type of research was explanatory research with a survey. The population was female employees of SMEs in the batik industry cluster in Semarang. The respondents are 100 and were selected as a sample using purposive sampling. The sample categories were (1) employees with minimal 1-year experience of work in the Batik Industry, (2) with an age of a minimum of 17 years old and can make decisions, (3) willing to become respondents. A questionnaire was used as the data collection technique. And, the measurement scale used a Likert Scale. Data analysis used an SEM (Structural Equation Modeling) Analysis with WarPLS Version 6.

The measurement of variables used:

Employee Relation is an interaction between members of the organization in completing and performing work and responsibilities (Liao et al., 2004). The measurement of employee

relations used 5 Likert scales, by adopting dimensions from Liao et al, 2004, namely environment of work, conditions of mutual respect and support, perceptions of fairness, self-satisfaction, relationships with superiors, and independent learning.

Tacit Knowledge Sharing is a knowledge sharing process among organizational members to integrate new knowledge (Liao et al., 2004). In this variable, 4 dimensions were used, including the willingness in sharing work experience and knowledge conditionally and voluntarily (Liao et al, 2004). The scale used 5 points, from the interval of strongly agree to strongly disagree.

Employee Performance is the employee’s achievement in a certain period (Black & Porter, 1991). The dimensions of the study adopted by Black & Porter, 1991, namely the evaluation of the general performance of employees, the ability of employees to interact with others, completion of tasks on time, the quality level of employee performance, and an employee can achieve organizational goals. The measurement used a 5-point Likert scale.

RESULTS AND DISCUSSIONS

According to table 1 shows that All respondents are female employees (100.00 percent) aged between 25 to 55 years (18.00 percent), 26 years to 35 years (28.00 percent), 36 years to 45 years (33.00 percent), aged 46 to 55 years and over (20.00 percent), and the over 55 years (1.00 percent). Meanwhile, the education background of female employees was, un-educated (3.00 percent), elementary school (25.00 percent), junior high school (42.00 percent), and senior high school (31.00 percent). The working experience of female employees varies greatly, from 5 years to over 20 years, but the wages are under the standard of Regency/City Minimum Wage (UMK)

Table 1. Characteristic of Respondent

Description	Frequency	Percentage (%)
Age		
25 – 55 years	18	18,00
26 – 35 years	28	28,00
36 – 45 years	33	33,00
46 - 55 years	20	20,00
> 55 years	1	1,00
Education		
Un-educated	3	3,00

Description	Frequency	Percentage (%)
SD (Elementary High School)	25	25,00
SMP (Junior High School)	42	42,00
SMA (Senior High School)	31	31,00
Working Experience		
< 5 years	33	33,00
5 - 10 years	48	48,00
11- 15 years	6	6,00
16 - 20 years	8	8,00
>20 years	5	5,00
Monthly Wage		
< Rp. 1.000.000,-	44	44,00
>Rp. 1.000.000,- s/d Rp. 2.000.000,00	45	45,00
>Rp.2.000.000,- s/d Rp. 3.000.000,00	6	6,00
>Rp. 3.000.000,- s/d Rp. 4.000.000,00	4	4,00
>Rp. 4.000.000,-	1	1,00

Source: Processed Primary data, 2022

Data analysis

Based on SEM analysis using PLS, the first step of the study will evaluate the external model.

Table 2 showed the results of measurement indicators.

Table 2. Measurement Model

Variable	Item	Loading Factor	AVE	Cronbach's Alpha
Employee Relations	ER2	0,754	0,686	0,885
	ER3	0,856		
	ER4	0,824		
	ER5	0,854		
	ER6	0,849		
	Tacit Knowledge Sharing Activity	KS1		
KS2		0,957		
Employee Performance	EP2	0,849	0,802	0,877
	EP3	0,912		
	EP4	0,923		

Source: Processed Primary data, 2022

Table 2 shows the loading factor has a value higher than 0.5. This means the indicators were valid. Liao, et al (2004) stated that employee relations determine the employees'

willingness in sharing knowledge with others. The employee relations variable is influenced by five indicators, namely (1) the condition of mutual respect and value; (2) conditions of mutual support; (3) perceptions of fairness; (4) relationship with superiors; and (5) self-satisfaction. The score of AVE on the variable of employee relations was 0.686. It indicated the mean score of employee relations is good.

Liao, et al (2004) argued, the knowledge sharing activities in the work environment are believed having a contributing of the company success. The variable consists of two indicators, including (1) willingness in sharing work experience and knowledge voluntarily; and (2) willingness in sharing work experience and knowledge conditionally. The score of AVE in this variable is good because it has a score of 0.916.

Meanwhile, the variable of employee performance is also good as the score of AVE is 0.802. Indicators of employee performance are measured on three items. They are (1) the completion of tasks on time; (2) the quality level of employee performance; and (3) employees can achieve organizational goals.

Based on the structural model evaluation, the result shows that (1) there is an effect between employee relations and tacit knowledge-sharing activities; (2) there is an effect between tacit employee performance and knowledge-sharing activities; and (3) the effect of employee relations and employee performance are mediated by tacit knowledge sharing activities. The details are presented in Figure 2.

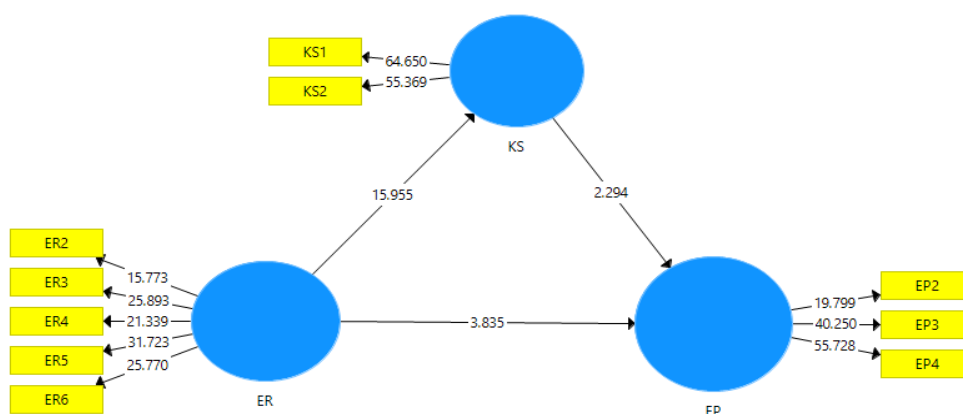


Figure 2. Calculation Results of SEM Models
 Source: *Processed Primary Data, 2022*

Table 3. Direct Effect

	Original Sampling	Sample Mean	Stand. Dev	T. Statistics	P. Values
ER → EP	0.447	0.441	0.117	3.835	0.000
ER → KS	0.722	0.728	0.045	15.955	0.000
KS → EP	0.301	0.312	0.131	2.294	0.022

Source: Processed Primary data, 2022

Table 4. Indirect Effect

	Original Sampling	Sample Mean	Stand. Dev	T. Statistics	P. Values
ER → KS → EP	0.280	0.289	0.175	2.056	0.038

Source: Processed Primary data, 2022

According to tables 3 & 4, SEM analysis reveals that H1, H2, and H3 are accepted. The analysis results show that the employee relations directly, significantly, and positively influence tacit knowledge sharing ($t = 15.955$, $p = 0.000$). Likewise, the path of influence between tacit knowledge sharing on employee performance, indicates that there is a significant and positive influence ($t = 3.855$, $p = 0.000$). As for testing the mediation path, it shows that tacit knowledge sharing is a partial mediating variable between employee relations and employee performance ($t = 2.056$, $p = 0.038$)

Today, organizations are not only focused on offering services and products with high value in the market, but they also support the process of sharing tacit knowledge as a key factor for continuity and success in a business (Prahalad and Hamel, 1990; Yesil and Derli, 2013).

Concerning the relationship between employee performance and tacit knowledge sharing, this study makes contribution to the academic literature by presenting the influence of employee relations as a novelty variable, especially in SMEs. This finding is intended to support the academic literature by presenting an integrative model that brings together the three variables. Also, it has purpose to fill the gap in most of the previous research that neglected the role of employee relations as social capital to enhance the process of sharing tacit knowledge.

This study shows that there is a direct effect of employee relations both on employee performance and tacit knowledge sharing. Therefore, H1 and H2 are supported. This finding is supported by studies of several scholars, such as Liao, et al (2014), which found good conditions

of employee relations, then they will share knowledge and work experience voluntarily and unconditionally. On the other hand, if employee relations are poor, they tend to be reluctant and lazy in sharing their work experience and knowledge. And, the studies of St-Jean and Mathieu (2015) and Pérez-Luño et al. (2018) found out the strong relationships between employees' abilities and sharing of tacit knowledge components (technical and cognitive) as preconditions for performance of good organizational. The direct and positive relationship between the two constructs is supported by the idea that employees' acquisition of the cognitive and technical aspects of tacit knowledge through the process of socialization can improve their background to improve their performance and be a faster response to customer requests.

In the analysis cycle, it find that there is a direct positive relationship between sharing tacit knowledge on employee performance through employee relations. Therefore, H5, H6 and H7 were supported. These findings are supported by the studies Nonaka & Takeuchi (1995) stated that the basic idea of management of knowledge is a shared knowledge. Performance can be shared when employees communicate information, experiences and effective practices to fellows. This knowledge-sharing activity requires intense interaction (Krogh, 2002).

The theory of social exchange states that the activities of human resource require the trust development between individuals. Employee Relations that are completed using mutual trust will foster knowledge-sharing activities (Liao et al, 2014). In line with Liao (2008) that, the theory of social exchange and economic exchange assume that people make an exchange by calculating what they get with what they pay. If the things that they get are not worth comparing to the things that they pay, then they stop making transactions (L. Liao, 2008). The difference is, that the economic exchange theory focuses on transactions while social exchange theory focuses on trust. Trust is central to social exchange theory (Cropanzano & Mitchell, 2005; Konovsky & Pugh, 1994; Luo, 2002). In addition to trust as the main variable of social exchange theory, there are several other variables, such as continuous exchange, reputation, institutions, and uncertainty (Corcoran, 2013). The theory of social exchange explains how a company or person has the motivation to interact by considering profit and loss (Emerson, John, Harold, & Blau, 1976). Attitudes and behavior in exchange are always measured by the rewards obtained and minus the costs when interacting. It means, that humans are always looking for ways to maximize rewards and minimize costs, whether in individual, corporate or political relationships. Shiau & Luo (2012) stated that individuals usually expect reciprocal benefits, such as trust, personal affection, gratitude, etc.

CONCLUSION

The findings show that both tacit knowledge sharing and employee relations affect employee performance. Meanwhile, tacit knowledge sharing becomes a variable of partial mediating on the path of the relationship between employee performance and relations. This result is follow the theory of Social Exchange that individuals establish relationships with other people. When these conditions occur, individuals who establish these relationships can generate personal affection and trust so that they will share their knowledge to perform work more effectively and efficiently. SMEs Batik in Semarang needs to create a conducive work environment. With a supportive work environment, female employee relations could become closer.

The findings are based on a study at SMEs Batik in Semarang. As a result, the generalization of the research findings is very limited. However, the findings may serve as a starting point for further researchs to explore the steps in measuring effectively point to employee performance. Future research can improve and validate the measurement for employee performance evaluation.

ACKNOWLEDGEMENT

We thank all respondents who have provided information related to research topics, especially on the Batik industry in Semarang City.

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