

Collaborative Agility

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Submission date: 07-Jan-2020 03:00PM (UTC+0700)

Submission ID: 1239728210

File name: Collaborative_Agility_Capital_A_Conceptual.pdf (17.7M)

Word count: 7504

Character count: 43034



Collaborative Agility Capital: A Conceptual Novelty to Support Knowledge Management

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Abstract. Research that examines the correlation of human resource management practices and knowledge management showed inconsistencies in findings, and differences in perspective in understanding those two variables. Previous studies confirmed the effect of HRM practices on knowledge management in organizations. However, a number of studies did not show a significant effect between the two. Therefore, a study of the development of socio-cultural factors is needed to strengthen this practice. The authors propose the concept of collaborative agility capital developed from a synthesis of social exchange theory and resource-based theory of organization. This competency is expected to contribute meaningfully to improve the quality of knowledge management process in the organization. This article also provides direction on research to test this conceptual novelty.

Keywords: Collaborative agility capital · Knowledge management · HRM practices · Social exchange theory · Resource-based theory of organization

1 Introduction

The study that examined the correlation between Human Resource Management (HRM) practices and knowledge management showed inconsistencies and different perspectives in understanding those two variables. A number of studies confirm the effect of HRM practices on knowledge management in organizations. However, some studies do not show significant effect between the two. The research of Lin [21] showed that when knowledge management moves to a higher position, the company should develop HR-oriented practices to motivate and encourage their interaction. Similarly, other studies have placed HR management as part of the infrastructure used by companies to support their knowledge management activities [13]. This is in line with the research of Cabrera and Cabrera [6], confirming that companies can create a conducive environment for the creation or knowledge sharing through HRM practices such as team work, promotion, socialization programs, performance appraisal, and compensation. Furthermore, Chen and Huang [9] also analyzed the role of mediation of

knowledge management capacity (acquisition, transfer, and application) in the correlation between strategic HR practices (training, compensation, performance assessment, selection and participation) and innovation performance (technical, administrative). Likewise, Lopez-Cabrales et al. [23] also found the intervening effect of employee knowledge uniqueness in the correlation of the number of collaborative HRM practices and innovation performance.

Several studies showed different findings. The research of Afacan Findıklı et al. [2] showed a difference in the effect of HR practices on knowledge management capacity. The researcher examined the HRM practices variable which included training, compensation, performance appraisal, staffing, and employee recruitment. The study showed only performance and compensation assessments have a significant effect on knowledge acquisition, knowledge application and knowledge sharing. Then, training practices only have a significant effect on the application of knowledge. So, training practices do not have a significant effect on the acquisition of knowledge as well as knowledge sharing. Moreover, in relation to the application of knowledge, training practices have the least effect of training compared to the practice of performance appraisal and compensation. Meanwhile, staffing practices and employee recruitment have no significant effect on the three knowledge management dimensions (knowledge acquisition, knowledge sharing, and knowledge application).

The study of Chen and Huang [9] also showed the inconsistency results. This study aims to examine the role of knowledge management capacity in the correlation of strategic human resource practices and innovation performance from a knowledge standpoint. This is based on the idea that innovation depends on the organization's human capital, including the skills, knowledge and attitudes of employees, which can be affected and sharpened through existing HR management practices. However, knowledge in the company that is attached to the individual in it is not easily transferred to other employees. Transfer of knowledge requires the capacity to manage knowledge and motivation as well as the willingness of employees to share and apply it. The variable of HRM Practices examined included staffing, participation, compensation, training, and performance appraisal functions, while the variable of Knowledge Management Capacity included dimensions of knowledge acquisition, knowledge application, and knowledge sharing. The results showed that staffing and participation have a positive and significant effect on knowledge acquisition, application and sharing. However, training only has a positive and significant effect on knowledge acquisition and application. Likewise, compensation only has a positive and significant effect on application and knowledge sharing. Meanwhile, the practice of performance appraisal has no significant effect on the three dimensions of knowledge management.

Research Prieto Pastor et al. [25] which examined the correlation of HR management and knowledge management also provided different findings. HRM practices are expected to have an effect on the ability, motivation, and opportunities of employees to participate in knowledge management, making it possible to share, maintain and create knowledge within the organization. HRM practices that are expected to have an effect on employee capabilities include training and development practices, while motivation includes valuation practices and rewards, and employee opportunities include providing support for trustworthy collaborative relationships. The results showed that HRM practices aimed at motivating and giving employees the opportunity to behave as

the company's expectation, significantly affecting knowledge sharing and maintenance of knowledge. Then, both mediate the correlation between motivation and opportunities and knowledge creation. However, HRM practices aimed at increasing employee capabilities do not have a significant effect on knowledge sharing, knowledge maintenance, and knowledge creation. So, knowledge sharing and knowledge maintenance are not also variables that mediate training and development practices with knowledge creation.

Knowledge Sharing depends on the capability of employees to share knowledge. This capability can be improved through appropriate HRM practices. Therefore, it is important to take it into account when designing HRM practices that are capable of supporting knowledge sharing capabilities among employees. Abdul-Jalal et al. [1] examined whether employee perceptions of the capability of knowledge sharing have an effect on the success of knowledge sharing. It resulted that a combination of ability, motivation and opportunity is a key mechanism to support the flow of knowledge within the company. The researcher stated that the opportunity to share knowledge depends on HRM practices that enable social exchange to support the development of formal and informal employment relationships.

Companies engaged in the service industry whose competitive advantage is gained through the creation of new knowledge show that their knowledge process does not only transfer knowledge from people to documents [16], however, more focus on personalization strategies i.e. to improve social processes to facilitate sharing of tacit knowledge among members of the organization. The knowledge personalization strategy emphasizes human factors, not technology. That is why socio-cultural factors are needed to increase knowledge management activities.

2 Concept Development

The presentation in the previous paragraph underlies the idea of the need to examine concepts related to socio-cultural factors in the correlation of HRM practices and knowledge management. Some efforts to encourage socio-cultural factors are needed to increase the willingness of employees to participate in knowledge acquisition. As Hislop [19] stated, HRM practices can affect socio-cultural factors that have an effect on the desire of employees to support the company's knowledge management activities.

This study develops the concept of collaborative agility capital developed from a synthesis of social exchange theory and resource-based theory of organization. This concept is related to collaborative interpersonal interaction behaviour in the context of learning process. Collaborative interactions between individuals in organizations will facilitate the creation of new knowledge to support the organization's ability to face external challenges. Such behaviour not only minimizes the company's dependence on certain potential individuals, but also increases the capability of knowledge creation through the flow of knowledge at the level of individuals, groups, and organizations. Therefore, it is clear that there is a connection between social network and learning process.

2.1 Collaborative Capital in the Perspective of Social Exchange Theory

Collaborative capital is a concept derived from the theory of social exchange which was coined by George C. Homans in the mid 20th century or the 1950s, and later developed by, one of them, Peter M Blau. Homans's exchange theory rests on the assumption that people engage in behaviour to get reward or avoid punishment, in other words they minimize costs and increase profits. Exchange of behaviour to obtain rewards is a basic principle in simple economic transactions. Homans saw all social behaviour and economic behaviour as a form of exchange to get rewards. Rewards referred here include extrinsic rewards such as salary/wages, facilities, and intrinsic rewards such as satisfaction with work results, friendship relationships, and job prestige.

Clear articulation of exchange orientation for the first time was given by Peter Blau [15]. He stated that individuals are basically driven by hedonic motivations, in which all actions are directed towards seeking pleasure and reducing painful things. To get rewards and reduce penalties, they must carry out various behaviours. Thus, social life is based on a series of transactions in which compensation and costs depend on the exchange of behaviour with other individuals.

Social exchange theory is a supporter in the synthesis of theories that produce new concepts in this study. Social exchange theory is the basis for developing social capital in the context of the organization. Social relation both in the form of formal and informal among individuals is the capital to implement collaboration that supports the effectiveness of an interactive learning process. The existence of trust in these relationships has the potential to increase collaboration and encourage information sharing, both among employees and managers and among organizational units.

Social exchange theory and the norms of reciprocity on the basis of trust lead to the quality of resource exchange among members of the organization, contributing to collaborative capital [27]. The concept of collaborative capital is actually social capital according to Putnam version. In contrast to social capital in Burt's view, which focuses on private goods, Putnam views social capital as public property. Thus, the social exchange that occurs will avoid opportunism and increase collective action between the two parties. In relation to knowledge management activities, those attitudes and actions are important for the organization.

2.2 Agility Learning in the Perspective of Resource-Based Theory of Organization

Resource-based theory of organization states that competitive advantage can be achieved through the empowerment of human resources. In one hand, organizations that achieve their goals to compete using assets and resources that are valuable, rare, and difficult to imitate will be able to achieve competitive advantage [3, 4]. The ability of organizations to attract potential human resources consistently and effectively, develop and renew their capabilities, increase their commitment in achieving organizational goals, generate ideas for continuous improvement, and maintain their existence, will perpetuate them. On the other hand, organizations which ignore those all which do not consider their human talents as valuable assets will lose in competition.

Human resources are considered valuable assets because they are a source of knowledge while being able to access knowledge and conduct learning in a sustainable manner. Such individuals are said to be high potential talents that must be managed by the organization. High-Po talent is not just a learning ability and high competence, but also agility and consistency to continue learning that is able to increase the knowledge needed and valuable for the organization in responding to the challenges of change. That is why resource-based theory of organization underlies talent management.

Talent management is a continuous process that covers all processes of human resource activities leading to selection, outreach, maintenance and development [14, 26]. The management of these employee talents is expected to support organizational agility in dealing with market complexity and the dynamics of change. Employee talents are a source of knowledge because of their ability to access external knowledge, generate ideas/knowledge, transfer and apply the knowledge within their organization [11, 32]. So, in order for companies to remain competitive, the company may as well, must consistently manage the acquisition and application of knowledge among its employees; also ensure the transfer of knowledge among them through increasing social capital. Jones [20] stated that to build social capital, management of employee talent becomes an important thing that must be done by the company.

In its later development, talent is defined as high potential and high performance [31]. High potential is someone who has the ability, engagement and aspiration to develop, while high performance is associated with individuals who have a high level of expertise, leadership behaviour, creativity, and initiatives based on self-confidence. Some authors recommend that a critical component of talent management is the development of a structured process to identify high potential [8, 18]. At present and in the future, organizations need high potential that has an open character, a desire to learn and experience something new, and tolerance for high ambiguity, innovation, and flexibility in carrying out complex strategies. Such individuals are a figure of learning agility which is currently seen as a high potential key indicator [11, 29].

Human resources as a source of competitive advantage must support their organizations with the willingness and ability to learn something new, tolerance for ambiguity, flexibility, innovation, mobile, and education [5, 12]. The key words are not just “ability to learn” and “increased competence”. This is because both of them only improve individual abilities, openness to experience, motivation to learn, and seek self-development opportunities. However, the way to have continuously and skillfully “ability to learn” to support the organization is able to deal with change and seize opportunities. Paauwe and Boselie [24] and Lombardo and Eichinger [22] assert that action is learning agility.

2.3 Collaborative Agility Capital

In the context of developing human resources, organizations become potential workplaces to support the learning process. The learning process is expected to provide opportunities for potential individuals to develop their competencies (knowledge, expertise, and abilities) through existing social networks. This social network can be considered as a supporter of the learning process, because learning is not an individual

activity but there are elements of interaction in it. Therefore, there is a clear link between talent management, learning, and social networks.

Collaborative capital is a concept derived from social exchange theory. This theory explains that social life is colored by a series of exchange transactions between one individual with another. There is a phenomenon of cooperation, mutual help behaviour, the formation and acceptance of norms, and reciprocal actions. This explains the development of social capital theory which is a network of relationships that allows the flow of knowledge resources to be exchanged.

Social capital both internally and externally increases opportunities for employees to capture knowledge from inside and outside the organization. Although the employee network ties create opportunities for sharing knowledge with colleagues, adequate norms and trust are needed to exploit these opportunities [34]. This shows that trust is a fundamental dimension of Social Capital. The research also explores the mechanisms underlying the effect of Social Capital on Knowledge Sharing (interactive condition).

In an organizational context, social exchange theory is used as a basis for understanding the feelings of obligation and pro-organizational members of the organization. The greater the diversity of exchange relations between employees, the lower the feeling of being obliged to reciprocate the actions of coworkers, and the lower the identification of themselves with groups or organizations. As stated by Wikaningrum [33], the diversity of exchange relationships often causes negative impacts on communication and interpersonal attraction. Communication problems can reduce group cohesiveness, and low personal attractiveness has an effect on organizational outcomes through the level of desire to maintain membership in the organization.

Based on the previous description, it can be concluded that the study of interpersonal relations is not sufficiently discussed at the individual level, therefore, it is important to examine at the level of relations. At this level, there is a two-way interaction between the receiver and sender in resource exchange activities. This is what is meant by collaboration, which is an interactive and continuous exchange relationship among coworkers. Meanwhile, collaborative capital shows the quality of the exchange relationship.

The quality of the exchange relationship between individuals in the organization will support the effectiveness of an interactive learning process. The results of learning increase the capacity of individuals who have four aspects of dexterity as coined by Lombardo and Eichinger [22]. First is agility in human relations that describes a person's ability to recognize themselves, learns from experience, treats others constructively, and calmly faces the pressure of change. Second, dexterity results which describe someone who achieves under the harsh conditions, inspires others to perform more, and their existence which is able to build the trust of others. Third is mental agility which is related to one's ability to face complexity, ambiguity, and explains thoughts to others. Finally, dexterity changes reflect to someone who has curiosity, enthusiasm to come up with ideas, and engage in activity building skills. This shows that the agility of learning will have an effect and benefit for other individuals. If all individuals in the organization undergo the learning, and collaboration between them occurs, then beneficial resource exchanges will be more effective.

3 Research Direction

The implementation of human resource management practices has a role in encouraging employee behaviour and positive attitudes towards learning activities. As a statement of Hatch and Dyer [17] and Streumer [30] that HRM practices also has a positive effect on learning behaviour. So that, it has an impact on the ability of employees to respond to business changes quickly and flexibly. The dynamics of change require exploration of knowledge. However, knowledge creation requires social interaction and continuous learning among individuals. Both will facilitate the movement of knowledge from the individual level to the level of groups and organizations, and potentially transfer explicit and tacit knowledge. This becomes the background of the correlation between learning competencies and knowledge creation in organizations.

Collaborative agility capital as a conceptual novelty in this study is defined as an agile learning competency. It is supported by a balanced and sustainable quality of resource exchange. This competency is characterized by respect, trust, willingness to learn, inspiring, flexible, partnership, and learning speed. They have the potential to improve knowledge management process, especially knowledge acquisition and knowledge transfer. Furthermore, it is necessary to test the contribution of collaborative agility capital in strengthening the relationship of HRM practices and knowledge management.



Fig. 1. Proposed empirical model

Further research needs to be implemented to test empirically the concept of collaborative agility capital, as the research model in Fig. 1. Testing this research model can be applied to the settings of the banking industry which can be based on these reasons. First, banking is a knowledge-intensive organization where the knowledge workers interact highly with external stakeholders. Second, the principle of operationalizing the work has been standardized and must be obeyed by all employees. Third, the level of potential employee turnover is quite high in the banking industry. Fourth, the dynamics of change and intense competition appear in the era of financial technology (fintech). The four of them increase banking interests to transfer knowledge at the individual level to organizational knowledge. This is not only to minimize organization dependence on certain individuals, but also to encourage the learning process among employees.

The data analysis will be conducted using path analysis to test the regression equation mediating variable. HRM practices variable uses the concept developed by Chuang [10], i.e. with the three dimensions which include motivation, opportunity, and competency-



Fostering Absorptive Capacity and Self-efficacy on Knowledge Sharing Behavior and Innovation Capability: An Empirical Research

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Abstract. This study aims to examine the effect of absorption capacity and self-efficacy on knowledge sharing behavior in improving the SMEs' innovation capability. The sample of this study was 106 SMEs in Central Java. Primary data collection is done by using questionnaire and interview instruments. The results showed that absorption capacity had a significant effect on knowledge sharing behavior and innovation capability. In addition, self-efficacy has a significant effect on knowledge sharing behavior and innovation capability, while Knowledge sharing behavior has a significant effect on innovation capability.

Keywords: Absorption capacity · Self-efficacy ·
Knowledge sharing behavior · Innovation capability · SMEs

1 Introduction

Knowledge sharing is one of the knowledge management activities in SMEs that play a role in increasing knowledge resources, especially owners of SMEs. Knowledge sharing is an important process in modern organizations because the success of knowledge sharing will result in shared intellectual capital and increasingly quality resources. Thus, it is necessary to strengthen knowledge sharing behavior in SMEs in order to be able to increase intellectual capital in encouraging increased innovation in increasingly dynamic global competition. Many SMEs have knowledge, especially related to the creative fashion industry, but are rarely shared among fellow entrepreneurs, both through formal and informal meetings, so that each of them innovates according to their mastery of knowledge. Low knowledge sharing behavior will lead to low innovation capabilities in products and processes, marketing innovation and innovation in the field of financial management. Some studies have examined the factors that influence the knowledge sharing behavior in various manufacturing and service industries. The current study examines knowledge sharing behavior as a mediation of self-efficacy and capacity to absorb knowledge of innovation capability in Fashion SMEs. By increasing knowledge capacity and fostering self-efficacy, it will encourage an increase in knowledge sharing behavior for employees in organizations that impact on the innovation of small and medium enterprises (SMEs).

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L. Barolli et al. (Eds.): CISIS 2019, AISC 993, pp. 981–990, 2020.

https://doi.org/10.1007/978-3-030-22354-0_94

Innovation is an important factor in improving organizational performance especially small and medium enterprises (SMEs). Liao et al. [1] and Daniel and Raquel [2] stated that innovation activities mostly focus on improving technology and product development. The importance of innovation capability in achieving organizational competitive advantage encourages many researchers to test several antecedent factors of innovation capability. Innovation capability is built through intangibles assets, especially the concept of knowledge sharing in organization. Knowledge is important for human resources. If knowledge in the form of tacit knowledge possessed by each member of the organization is not shared with the organization, it will be difficult for employees to improve their performance, due to difficulties in innovating. Some of the weaknesses of SMEs in Indonesia is that the low innovation capability [3] The low level of innovation is due to the lack of knowledge sharing among employees in the organization and with other organizations.

The knowledge absorption capacity is related to efforts to find, acquire, change, and transfer expertise from knowledge sources to knowledge-based systems. Knowledge absorption is the first activity in the form of receiving knowledge from the external environment and changing so as to be used in organization. Buckley et al. [4] stated that the knowledge absorption is the transfer of knowledge resources of the company with the aim of gaining knowledge to learn. The higher the knowledge absorption capacity possessed by each member of the organization, it will facilitate the occurrence of knowledge sharing behavior in SMEs. Yang and Farn [5] found that the knowledge absorption had a significant effect on knowledge sharing activities. The knowledge absorption capacity is a major success factor in enhancing knowledge sharing behavior and innovation capability of SMEs. In addition, Sulistyono and Ayuni [6] found that the absorption capacity of knowledge was able to increase the innovation.

Some empirical studies show a positive relationship between self-efficacy and a person's tendency to be involved in sharing information. Kankanhalli et al. [7] argue that perceived expertise will increase one's confidence in what they can do. In the context of knowledge, when a person has confidence in the ability of his knowledge, he will tend to be brave enough to share the knowledge to fellow colleagues in the organization. Self-efficacy is one component of the Theory of Planned Behavior (TPB). According to Rahab et al. [8], self-efficacy is an individual assessment of their ability to manage and implement the actions needed to achieve performance. Rachna and Cevahir [9] showed that self-efficacy has a significant effect on innovation. In addition, Irene et al. [10] and Xi Zhang [11] found that there was significant influence between self-efficacy and knowledge sharing activities. This study aims to examine the effect of self-efficacy and knowledge absorption capacity in enhancing knowledge sharing behavior and innovation capability in SMEs. Several studies on the factors that influence the knowledge sharing behavior and innovation capability have been carried out by several researchers, but most of them rarely use self-efficacy as one component of the Theory of Planned Behavior (TPB) as an antecedent of knowledge sharing behavior in SMEs. Many researches have been done on established manufacturing and service organizations. Therefore, this study contributes the role of knowledge sharing behavior as a mediator between self-efficacy and knowledge absorption capacity on innovation capability.

2 Literature Review

2.1 Knowledge Absorption Capacity as a Determinant of Knowledge Sharing Behavior

Some researchers have defined the absorption capacity of knowledge varies. The knowledge absorption capacity is a way to acquire, change, and transfer expertise from a knowledge source to a knowledge-based system. Another definition of knowledge absorption capacity is an activity related to finding, obtaining, changing, and transferring expertise from knowledge sources to knowledge-based systems. Knowledge absorption is the first activity in the form of receiving knowledge from the external environment and changing so as to be used in organization. Buckley et al. [4] stated that the knowledge absorption is the transfer of knowledge resources of the company with the aim of gaining knowledge to learn. Yang and Farn [5] found that the knowledge absorption affects knowledge sharing activities. Agarwal et al. [12] concluded that knowledge absorption has a significant effect on knowledge sharing. The study results of Li-fen Liao [13] and Monica Hu et al. [14] concluded that knowledge sharing has a positive effect on increasing organizational innovation.

H1: Knowledge absorption capacity has a significant effect on knowledge sharing behavior.

2.2 Self-efficacy as a Determinant of Knowledge Sharing Behavior

Several empirical studies have reported a positive relationship between information self-efficacy and a person's tendency to be involved in sharing information. Kankanhalli et al. [7] argue that perceived expertise increases a person's confidence in what they can do. This perception, in turn, inspires individuals to share knowledge in organization. Self-efficacy is an important factor developed from social cognitive theory and represents an individual's assessment of his ability to perform certain actions or behaviors [15]. High efficacy individuals will tend to be stronger in facing obstacles and more active in acquiring and sharing knowledge [16]. Ahearne et al. [17] describe self-efficacy as a belief in an individual's ability to organize and carry out an action to achieve the necessary goals. To facilitate knowledge sharing environments, institutions need to create, disseminate and adopt knowledge. In the perspective of knowledge sharing, people will have a higher tendency to share his knowledge if he feels how important social norms are. Xi Zhang [11] also concluded that self-efficacy had a significant effect on knowledge sharing activities explicitly and tacit. Based on TPB's theory, if in organizations especially SMEs, the more self-efficacy employees have, it will increase knowledge sharing behavior. Chen et al. [10] found that there was a significant effect between self-efficacy and knowledge sharing activities.

H2: Self-efficacy has a significant effect on knowledge sharing behavior.

2.3 Knowledge Absorption Capacity as a Determinant of Innovation Capability

Knowledge absorption capacity possessed by employees in the organization will facilitate interaction and knowledge sharing in an organization which then has an impact on increasing innovation capability. Liao [18] found that knowledge absorption significantly affected innovation. Studies conducted by Muscat and Deery [19] found that knowledge absorption capacity is very important in predicting organizational capabilities. The study conducted by Cohen and Levinthal [20] found that increasing the knowledge absorption capacity will have an impact on increasing innovation.

H3: Knowledge absorption capacity has a significant effect on innovation capability.

2.4 Self-efficacy as a Determinant of Innovation Capability

Innovation capability is the implementation and creation of technology that is applied to new systems, policies, programs, products, processes and services to the organization. Innovation capability is also the ability to absorb and use external information to be transferred to new knowledge [20]. Innovation capability is a comprehensive set of characteristics from organizations that facilitate and encourage innovation strategies. Innovation is an important organizational capability because the success of new products is an engine of growth and has an impact on increasing sales, profits, and competitive power for many organizations [21]. The study conducted by Jen et al. [22] found that high self-efficacy will produce innovation, due to direct involvement in interacting to produce creative ideas.

H4: Self-efficacy has a significant effect on innovation capability.

2.5 Knowledge Sharing Behavior as a Determinant of Innovation Capability

Researchers have defined knowledge sharing based on their perspectives on knowledge sharing and research contexts [23]. Bartol and Srivastava [24] define knowledge sharing as individuals who share information, ideas, suggestions, and expertise that are organizationally relevant to each other. Knowledge sharing is also interpreted as an act of sharing experiences, events, thoughts or understanding of anything in the hope of gaining more insight and understanding about something for curiosity [25]. Hooff et al. [26] stated that knowledge sharing is a process between two individuals to share knowledge by bringing knowledge and gaining knowledge, so the knowledge sharing behavior involves sharing information between two or more individuals. Liao [13] also explained that knowledge sharing activities have a positive effect on improving organizational innovation. In addition, Monica Hu et al. [14] found a positive relationship between knowledge sharing and innovation activities. Furthermore,

H5: Knowledge sharing behavior has a significant effect on the innovation capability.

3 Methods

The sample of this study was Batik SMEs in Central Java with 106 respondents. Batik is a craft in the field of clothing that has high artistic value and has been part of Indonesian culture for a long time and has been recognized by UNESCO as an Intangible Cultural Heritage. Batik is one of the creative fashion industries in Indonesia that has contributed greatly to improve the Indonesian economy. The majority of batik fashion SMEs is in the Central Java, Indonesia. Sampling uses a purposive sampling method based on the consideration of Batik SMEs that have been operating for at least five years and still exist today. Primary data collection is done by using questionnaire and interview instruments. Questionnaires were given to SME owners. Knowledge absorption capacity measured by five items adapted from Liao et al. [18]. A Sample item is “I actively use various sources of information to support the completion of work. Measurement of self-efficacy was measured by four items adapted from [10]. A Sample item is “I feel confident I can express ideas”. Knowledge sharing of items adapted from Liao et al. [18]. A Sample item is “I often share the new information to my colleagues”. Innovation capability was measured by four items adapted from Andreeva and Kianto [27]. A sample item is “I often use new ideas to get things done” (Table 1).

Table 1. Result of outer loading

	Original sample	T Statistics (O/STDEV)	P Values
X1.1⇐ X1	0,927	51.243	0.000
X1.2⇐ X1	0,943	65.201	0.000
X1.3⇐ X1	0,895	35.655	0.000
X1.4⇐ X1	0,925	35.848	0.000
X1.5⇐ X1	0,922	71.503	0.000
X2.1⇐ X2	0,922	76.666	0.000
X2.2⇐ X2	0,934	85.317	0.000
X2.3⇐ X2	0,929	67.708	0.000
X2.4⇐ X2	0,910	42.558	0.000
Y1.1⇐ Y1	0,870	24.625	0.000
Y1.2⇐ Y1	0,897	34.341	0.000
Y1.3⇐ Y1	0,794	14.483	0.000
Y2.1⇐ Y2	0,926	58.870	0.000
Y2.2⇐ Y2	0,910	10.978	0.000
Y2.3⇐ Y2	0,791	13.840	0.000
Y2.4⇐ Y2	0,770	51.243	0.000

P-values ≤ 0, 05
Note: X1: Knowledge Absorption Capacity
X2: Self-efficacy
Y1: Knowledge Sharing Behavior
Y2: Innovation Capability

important role in enhancing knowledge sharing behavior and innovation capability of SMEs. If the owners of SMEs have a perception of ease in gaining knowledge, it will be easier to share knowledge.

5 Discussion

Knowledge absorption capacity has a significant and positive effect on knowledge sharing behavior. The results of this study support previous studies by Yang and Fam [5] and Agarwal et al. [12]. In the context of knowledge sharing, strong self-efficacy becomes the main determinant in shaping optimism towards knowledge sharing [28]. For SME owners, efforts must be made to rely on the knowledge, skills, and resources, so that among SME owners can share information in encouraging increased innovation capabilities [15, 29]. Absorption capacity in obtaining high knowledge will facilitate the process of knowledge sharing in organizations. This study supports previous research by Li and Tao [30] who found that self-efficacy has an important effect in knowledge sharing. The results of this study also showed that self-efficacy had a significant effect on knowledge sharing. This is in line with the findings of Xi Zhang [11] who also concluded that self-efficacy had a significant effect on knowledge sharing activities explicitly and tacit. In addition, this also supports the findings of Chen et al. [10] and Xi Zhang [11] who stated that there is significant effect between self-efficacy and knowledge sharing activities. However, the research findings contradict the findings of Rahab et al. [8], Kwakye et al. [31] who found an insignificant relationship between self-efficacy towards knowledge sharing activities. Absorption capacity is very important in improving innovation capability. The higher a person in the organization, he will get a lot of knowledge, both explicit and tacit and even it can be absorbed and stored, it will increase the innovation capability in an organization. The results of this study support the findings of Liao et al. [18]; Muscat and Deery [19] and Cohen and Levinthal [20] that knowledge absorption capacity is very important in predicting organizational capabilities. The results of this study also show that high self-efficacy in the organization will improve the innovation capability. SME owners who have strong self-confidence and believe in their ability to carry out actions that will be adopted will be easier to innovate. This supports the findings of Jen et al. [23] who found that high self-efficacy will result in innovation, due to direct involvement in interaction resulting in creative ideas. Bandura [15] stated that perceived self-efficacy affects individual decisions about what behaviors should be done, the level of effort they will take in pursuit of the goals adopted, and the level of goal behavior that they set for themselves. The stronger the perceived efficacy, it will be the higher the individual's efforts to carry out activities. Knowledge sharing behavior has a significant effect on innovation capability. The results of this study support the findings of Liao [13] that knowledge sharing activities have a positive effect on improving organizational innovation. In addition, the results of this study also support the results of Monica Hu et al. [14] who found that knowledge sharing activities had a significant effect on innovation.

6 Conclusion

This study discusses the importance of the factors of absorption capacity and self-efficacy in improving the knowledge sharing behavior and innovation capabilities of SMEs. To overcome the obstacles faced by SMEs in improving innovation is by improving knowledge sharing behavior both formally and informally among SME owners and business associations. Knowledge is the main source for developing organizational innovation. Thus, it is necessary to strengthen the self-efficacy of each SME actor in order to have the trust and confidence to share knowledge with other parties among SME owners. A large number of studies also argue that one's self-efficacy can encourage them to share knowledge because they are more willing to share knowledge that will be valuable to others. This kind of thing needs to get the attention of SME players in order to encourage increased innovation capability. In addition to the factors of self-efficacy, this study also states the importance of knowledge absorption capacity in improving knowledge sharing behavior and innovation capability. The higher knowledge sharing among SME owners has the ability to absorb high knowledge that will facilitate to share knowledge with other parties so that it will encourage innovation capability.

7 Managerial Implication

SMEs need to improve the innovation capability through the creation of a good atmosphere related to the willingness of each individual to share knowledge, especially tacit knowledge. Managers cannot impose the willing to share tacit knowledge, but efforts are needed to improve the self-efficacy of employees in the organization combined with the knowledge absorption capacity. This study examines the importance of increasing knowledge sharing behavior among batik fashion SME owners in improving innovation capability through the ability to absorb knowledge and self-efficacy. This study only used one component of the theory of planned behavior in improving knowledge sharing and innovation capability. Therefore, future research needs to add subjective attitude and norm variables, so that Theory of Planned Behavior implementation is more holistic on SMEs with knowledge management. The sample of this study is still limited to the owners of the batik fashion SMEs whose numbers are still relatively limited, so that future research needs to be studied broader and uses wider range of SMEs.

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PAGE 1

PAGE 2

PAGE 3

PAGE 4

PAGE 5

PAGE 6

PAGE 7

PAGE 8

PAGE 9

PAGE 10

PAGE 11

PAGE 12

PAGE 13

PAGE 14

PAGE 15

PAGE 16

PAGE 17