ARTICLE

Knowledge Sharing and Innovation in Small Medium Enterprises (SMEs) Moderated by Creative Leadership

Ni Made Novi Diansari* I Gede Riana Ida Bagus Ketut Surya
Department of Management, Faculty of Economics and Business, Udayana University, Indonesia

1. Introduction

Micro, Small and Medium Enterprise (SME) is one of the priority industries in Indonesia which has a great opportunity in the global market because it has its own characteristics. SMEs has proved to be more resilient in facing crises and been able to save the Indonesian economy, and SMEs also become a factor of economic growth as they can recover the economy after the crisis. Until today, Indonesian people have been engaged in SMEs for generations [1].

SMEs in Indonesia currently face many challenges, one of which is innovation. The company will achieve success if it creates an innovation structure and function that is in line with the underlying business mission of the company, particularly by increasing cooperation of every employee in the company [2]. Various kinds of information and experience are basic tools that will bring an important contribution to the application of new knowledge to generate innovation [3, 4].

Knowledge sharing is an important part of innovation and innovation depends on how a company uses the knowledge, abilities and experiences of employees during the process of creating organizational value [5]. Knowledge sharing can reduce knowledge gaps that occur between one employee to the other one [6]. Employees who are given the opportunity to exchange knowledge with the other employees are able to accelerate the creation of innovation in the company [7].

Knowledge sharing shows the availability of relevant

*Corresponding Author:
Ni Made Novi Diansari,
Department of Management, Faculty of Economics and Business, Udayana University, Indonesia;
Email: novidiansari98@gmail.com

DOI: https://doi.org/10.30564/jmser.v3i2.2615
and credible knowledge within the company aiming at achieving an innovation of each individual [8, 9, 10, 11]. Knowledge sharing is not only done among the company’s internal employees but it can also be done with and/or by people outside the company [5]. So, it can be concluded that organizations or companies that share more knowledge tend to create better quality of innovation [12].

Every company needs to innovate, whether it is a large or small company. Therefore, to create an innovation from the knowledge sharing process, the role of a leader is needed [13]. Especially, a creative leader is the one who is required. Creative Leadership is characterized by a leader who is able to come up with new ideas and standards, can inspire workers or employees in the company to realize projects and produce creative and innovative employees who are able to become facilitators to solve problems [14]. Creative leadership is a leadership that can influence employees to make an innovation according to their creative ideas [15].

The concepts of innovation, knowledge sharing, and creative leadership described above are very important to be applied by small industries in the current era. Therefore, this industry requires creative leaders to be able to become role models for all employees in the company, with the existence of creative leadership it is hoped that it will be able to encourage employees to share knowledge to create new innovations. One of the micro, small and medium enterprises that will be discussed in this study is the SME of leather craft industry.

The leather craft industry, especially in Bali area, is a work of exploiting leather whose existence cannot be separated from the influence of modernization, one of which is tourism transformation. The development of leather handicrafts in Bali is seen from the aspects of form, type, and its meaning for the community. This craft shows its very diverse types with economic, social and cultural meanings. The types of leather handicrafts produced include shoes, bags, wallets, belts, jackets and accessories. One of the areas in Bali that has a very developed leather craft SMEs is Badung Regency. This is because Badung Regency has various tourist attractions and supporting accommodations, making Badung Regency the main gate of Bali which is certain to be passed by many tourists, both domestic and foreign. Hence, the opportunity to expand the market for leather handicraft products in Badung Regency is enormous.

The rapid development of the leather craft industry in Badung Regency certainly needs to be balanced with a brilliant innovation. However, whether the creation of these innovations is influenced by knowledge sharing and moderated by creative leadership remains a problem that must be solved. Therefore, based on the above phenomena, this study was conducted to find out whether the role of creative leadership as moderation can strengthen or weaken the influence of knowledge sharing and innovation of the leather craft industry in Badung Regency.

2. Literature Review

Innovation can be understood as an effort to develop, produce, adopt and implement some new ideas, methods, programs, and policies to achieve organizational goals effectively [16]. Innovation has a relation to knowledge sharing. One of the most important advantages of knowledge sharing ability is to innovate by motivating companies to share ideas and facilitate them to understand about the market [17]. The willingness of employees to donate knowledge and collect knowledge is positively related to the company’s innovation ability.

Knowledge sharing is the core and basis of knowledge management [18]. Knowledge sharing is an important process in the progress of organizations today, because it spreads intellectual capital for the entire organization [19]. Sharing knowledge will be more meaningful and effective in supporting innovation [20]. The existence of knowledge sharing activities can affect the increase of employee innovation which in turn will have an effect to improve company performance [16]. Knowledge sharing can help employees disseminate good and relevant information to fellow employees [21].

The company’s ability to innovate and apply knowledge can determine the level of innovation capability [22]. Knowledge sharing has acted as an important driver of innovation; hence, there is a positive correlation between knowledge sharing and innovation [23]. Sharing of knowledge has a positive effect on the speed, quality of innovation and company performance. Knowledge sharing is widely recognized as the primary source for companies to foster innovation capabilities and achieve organizational effectiveness, survival and sustainable competitive advantage [24, 25, 26]. Therefore, it can be concluded that knowledge sharing has a positive effect on innovation.

Various factors influence innovative behavior. One important factor is leadership. A leader can persuade and motivate employees about the need to implement change and innovation. This also ensures that employees will support and react positively to innovation efforts [27]. Creative leadership refers to leading others towards achieving innovative results [28]. A leader with creative leadership has courage and is ready to take the risk of failure and not afraid to get involved in a conflict with the staff [16].

Creative leadership can be considered as a form of a certain mix with creativity. Creative leadership is an abili-
ty to generate new ideas and useful innovations as well as to influence others to complete the ideas of the leader. In other words, it can be said that a creative leader is someone who leads others to reach the achievements of new innovations [15]. Innovation requires creative leadership who has an understanding of resources to develop creativity, freedom for employees in the innovation process [29]. There is a positive relationship between transformational leadership and innovation in organizations. Transformational leadership is considered to be one of the most effective leadership styles that affects the main outcomes of an organization such as: knowledge capital, human capital, managerial performance, and innovation [30]. Transformational leaders create a supportive work environment through inspiration, motivation and individual consideration [30].

A successful and innovative organization is an organization that supports initiative, rewards creative employees, encourages collaboration, does not blame individuals for mistakes, and encourages members to take risks [22]. Flexibility in decision making, having different views, having the courage to take risks because of new ideas and innovation are characteristics of creative leaders, which can make business organizations in a good position [31]. Hence, it can be concluded that creative leadership has a positive effect on innovation.

The role of creative leadership in a company is not only directly related to innovation. Creative leadership also affects knowledge sharing. This is because the creativity of a leader is an important factor in obtaining and collecting various information [30] which will later be able to encourage the creation of a knowledge sharing process between employees to create new innovations in the company. [16] add that the role of creative leadership in the knowledge sharing process is greater than that of the innovation process. Thus, in the process of developing innovation, the role of creative leadership is as a moderator, namely strengthening the influence of knowledge sharing on innovation. This is as suggested by previous research that the role of creative leaders is said to be able to trigger the role of knowledge sharing so that it can have a more significant effect on innovation [20].

H1: Knowledge sharing has a positive effect on innovation.

H2: Creative leadership has a positive effect on innovation.

H3: Creative leadership moderates the effect of knowledge sharing on innovation.

3. Methodology

This research was conducted at 7 SMEs of leather craft industry in Badung Regency with a population of all employees in total was 115 people. The number of samples was determined by using probability sampling techniques. The calculation results obtained a sample number of 53 employees. Quantitative and qualitative data, both from primary and secondary sources, were collected by conducting interviews and distributing questionnaires. This study used a causal quantitative research design. The objects of this research are knowledge sharing, innovation, and the moderating role of creative leadership.

The questionnaire was structured based on 3 (three) variables, namely innovation, knowledge sharing, and creative leadership. The indicator of the innovation variable was adopted from innovation research variables by Rogers [32], namely relative advantage, compatibility, complexity, trialability, observability. The variable of knowledge sharing was adopted from the study proposed by Hwang [31], namely the knowledge collecting and knowledge donating. The variable of creative leadership was adopted from the indicators of research conducted by Jain and Sharma [34], i.e. the ability of creative, inspirational motivation and, individualized consideration.

### Table 1. Characteristics of Respondents

<table>
<thead>
<tr>
<th>No.</th>
<th>Profile</th>
<th>Classification</th>
<th>Number of people</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Gender</td>
<td>Male</td>
<td>31</td>
<td>58.5</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Women</td>
<td>22</td>
<td>41.5</td>
</tr>
<tr>
<td></td>
<td></td>
<td>amount</td>
<td>53</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td>Age</td>
<td>&lt;20 Years</td>
<td>7</td>
<td>13.2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>21-30 Years</td>
<td>27</td>
<td>50.9</td>
</tr>
<tr>
<td></td>
<td></td>
<td>31-40 Years</td>
<td>7</td>
<td>13.2</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td>41-50 years</td>
<td>9</td>
<td>17.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>&gt; 50 Years</td>
<td>3</td>
<td>5.6</td>
</tr>
<tr>
<td></td>
<td>amount</td>
<td>53</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Education</td>
<td>Elementary School</td>
<td>8</td>
<td>15.0</td>
</tr>
<tr>
<td>3</td>
<td>Last education</td>
<td>Junior High School</td>
<td>15</td>
<td>28.3</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Senior High school</td>
<td>24</td>
<td>45.2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Diploma</td>
<td>4</td>
<td>7.5</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Bachelor Degree</td>
<td>2</td>
<td>3.8</td>
</tr>
<tr>
<td></td>
<td>amount</td>
<td>53</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Years of service</td>
<td>1-5 Years</td>
<td>15</td>
<td>28.3</td>
</tr>
<tr>
<td></td>
<td></td>
<td>6-10 Years</td>
<td>29</td>
<td>54.7</td>
</tr>
<tr>
<td></td>
<td></td>
<td>&gt; 10 Years</td>
<td>9</td>
<td>17.0</td>
</tr>
<tr>
<td></td>
<td>amount</td>
<td>53</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

Source: Processed Data, 2020

Before the data was collected as a whole, the data qual-
ity test was carried out on the research instrument using 53 samples to calculate the sample determination from the population, using the Slovin formula [35]. In this test, the value of a reliability was shown through the Cronbach’s Alpha score, where if the score is above ≥ 0.60, then the instrument can be said to be reliable [35]. Furthermore, the collected data were analyzed using descriptive statistical analysis and Moderating Regression Analysis. Furthermore, the profiles of research respondents are described in table 1, below.

4. Results

This study uses the interaction test technique (Moderated Regression Analysis), which is a special application of linear multiple regression. This study also examines creative leadership to moderate the effect of knowledge sharing on innovation in the SME of leather craft industry in Badung Regency. In this study, the influence of knowledge sharing on innovation through the SPSS 21.0 for windows program is calculated in table 2.

Table 2. Results of Moderated Regression Analysis

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>-1.252</td>
<td>1.263</td>
<td>-0.991</td>
<td>0.326</td>
</tr>
<tr>
<td>X</td>
<td>0.816</td>
<td>0.341</td>
<td>0.928</td>
<td>2.395</td>
</tr>
<tr>
<td>M</td>
<td>1.413</td>
<td>0.387</td>
<td>1.472</td>
<td>3.653</td>
</tr>
<tr>
<td>XM</td>
<td>0.207</td>
<td>0.100</td>
<td>1.299</td>
<td>2.064</td>
</tr>
</tbody>
</table>

Based on the results in Table 2, creative leadership has a Beta value of 1.413 and a Sig value of 0.001, it can be said that H3 is accepted because the Sig is 0.001 <0.05. The conclusion is that knowledge sharing gives a positive and significant impact on innovation. In other words, the more doing knowledge sharing, the more innovation of leather craft industry SME in Badung Regency increases. Therefore, the first hypothesis is accepted.

Based on the results in Table 2, knowledge sharing has a Beta value of 0.816 and a Sig. amounting to 0.020, it can be said that H1 is accepted because the Sig. is 0.020 <0.05. The conclusion is that knowledge sharing gives a positive and significant impact on innovation. In other words, the more applying creative leadership increases, the more innovation of leather craft industry SME in Badung Regency increases. So that the second hypothesis is accepted.

Based on the results in Table 2, creative leadership interactions have a Beta value of 0.207 and a Sig. amounting to 0.044, it can be said that H2 is accepted because the Sig. is 0.044 <0.05. The conclusion is that creative leadership strengthens the influence of knowledge sharing on innovation in the SME of leather craft industry in Badung Regency. The resulting moderation effect is to strengthen the relationship; in other words, if there is a creative leadership variable, the effect of knowledge sharing on innovation in the SME of leather industry in Badung Regency will be further strengthened, so that the third hypothesis is accepted.

5. Discussions

Knowledge sharing is one of the methods in the knowledge management cycle that is used to provide opportunities for members of a group of employees within the company to share their knowledge with other employees. The
existence of knowledge sharing activities will affect the development of innovation in individual employees and groups that are useful in the progress of a company. The results of the hypothesis in this study show that knowledge sharing gives positive and significant impact on innovation. In other words, the more doing knowledge sharing, the more innovation of leather craft industry SME in Badung Regency increases. Hence, the first hypothesis is accepted. This is in line with the research results of [16] which states that the existence of knowledge sharing activities can affect the improvement of employee innovation which in turn will improve company performance. Knowledge sharing is an important process in organizational progress because it can spread intellectual capital throughout the organization [19]. Sharing knowledge will be more meaningful and effective in supporting innovation [20].

Hidayat says that sharing knowledge can help employees disseminate good and relevant information to fellow employees [21]. A company’s ability to innovate and apply knowledge can determine the level of innovation capability [22]. Knowledge sharing helps employees to foster an innovation; thus, there is a positive correlation between knowledge sharing and innovation [23]. Knowledge sharing has a positive effect on the speed, quality of innovation, and company performance. Knowledge sharing is widely recognized as the main source for companies to foster innovation capabilities and achieve organizational effectiveness, survival and sustainable competitive advantage [24, 25, 26].

Based on the respondents’ perceptions of creative leadership, the respondents assess that a leader is less able to study the obstacles faced and find solutions to problems faced by the company which can hinder the progress of the company. Besides, a leader in the company cannot place employees in accordance with the capabilities possessed by each individual employee. Therefore, the role of creative leadership is needed by a company, especially SMEs, in order to increase innovation. The results of the hypothesis in this study indicate that creative leadership has a positive and significant effect on innovation, in other words, if creative leadership increases, innovation in the SME leather industry in Badung Regency will increase. So that the second hypothesis is accepted.

Various factors influence the development of an innovation. One important factor is leadership, which will be able to persuade and motivate employees about the need to implement change and innovation. This also ensures that employees will support and react positively to innovation efforts [22]. Creative leadership refers to leading others towards achieving innovative results [28].

Creative leadership has the courage and is ready to take the risk of failure and is not afraid to involve in conflicts between staffs [16]. Creative leadership can be considered as a form of a certain mix with creativity. Creative leadership is the ability to generate new ideas and useful innovations as well as the ability of creative leadership to influence others to complete the ideas of the leader. In other words, we can say that a creative leader is someone who leads others to reaching the achievements of new innovations [15].

Creative leadership is a leadership style based on the concept of working together to develop innovative ideas. Creative leadership tends to create conditions that support creativity and innovation. With the existence of creative leadership which has the ability to gather knowledge so that it can share knowledge and experience with employees. This will increase employee awareness to carry out knowledge sharing activities in order to increase innovation both in individuals and companies.

The results of the hypothesis in this study indicate that creative leadership moderates the effect of knowledge sharing on innovation in the SME of leather craft industry in Badung Regency. The resulting moderation effect is to strengthen relationships, in other words, if there is creative leadership, the positive influence of knowledge sharing on innovation in the SME of leather industry in Badung Regency will be further strengthened. Creative leadership is a quasi moderator variable so that the third hypothesis is accepted.

The role of creative leadership in a company is not only directly related to innovation. Creative leadership also affects knowledge sharing. This is because the creativity of a leader is an important factor in obtaining and collecting various information [20] which later will be able to encourage the creation of a knowledge sharing process between employees to create new innovations in the company. Add that the role of creative leadership in the knowledge sharing process is greater than that of the innovation process [24]. Thus, in the process of developing innovation, the role of creative leadership is as a moderator, namely strengthening the influence of knowledge sharing on innovation. The previous research suggests that the role of creative leaders is said to be able to trigger the role of knowledge sharing so that it can have a more significant effect on innovation [20].

This research was conducted to examine how many contributions can be given to the knowledge management theory. Knowledge management is a necessary process in maintaining competitive advantage, where the goal of knowledge management is to provide knowledge for organizations and this knowledge is made easier to apply in order to achieve organizational goals. Knowledge management is a very important thing that must be understood.
by the entrepreneurs of SMEs in order to develop the business by carrying out knowledge sharing and being supported by creative leadership, in order to be able to create a product innovation of the company, so that the corporate objectives can be achieved. Thus, the results of this study provide empirical support and can be stated to strengthen the results of previous studies. This study also provides an understanding that knowledge sharing and creative leadership can significantly influence innovation, when knowledge sharing increases it can strengthen innovation, with the presence of creative leadership in companies that has the potential to increase innovation.

The results of the research that has been carried out can provide a comprehensive understanding of innovation in small industries or SMEs as evaluation materials for analyzing and dealing with problems related to innovation, knowledge sharing, and creative leadership. From these results, the practical implications of the innovation variable are that the leather handicraft business in Badung Regency has a high average. This can be seen from the businesses of SMEs that have adopted new technologies in gaining new markets and in introducing new products, companies often excel in the market.

Practical implications for the variable knowledge sharing on the employees of the leather handicraft SMEs in Badung Regency have a high average. It can be seen that employees are willing to share their knowledge if requested by other employees. The practical implication of the creative leadership variable is that the SME of leather handicraft business in Badung Regency is able to create superior quality employees in terms of innovation created by a leader who challenges employees with high standards.

6. Conclusions

The results of this study indicate that knowledge sharing has a positive and significant effect on innovation. This shows that the existence of knowledge sharing activities by high employees can lead to the increased innovation in individuals and companies. Creative leadership has a positive and significant effect on innovation. This shows that high creative leadership can lead to the increased innovation. With the existence of creative leaders, they are expected to have an ability to encourage employees by creating innovation in order to create a creative and innovative company. Creative leadership strengthens the influence of knowledge sharing on innovation; in other words, when SMEs apply the type of creative leadership in a company, it can amplify the effect of the activities of knowledge sharing towards innovation in terms of both individuals and companies.

This research implies that a culture of sharing through gathering knowledge is then given to fellow organizational staff to increase innovation. Likewise, creative leadership has an important role in encouraging the creation of a culture of sharing so that SME innovation can be stronger. Furthermore, knowledge management needs to be developed in SMEs so that innovation can develop properly. Knowledge management also needs leaders who apply creative leadership patterns to enhance a culture of sharing knowledge so that SMEs are more innovative.

References


