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**3rd Global Conference on Business and Social Sciences
(GCBSS-2016) on "Contemporary Issues in
Management and Social Sciences Research",
Kuala Lumpur, Malaysia**

Editors:

Kashan Pirzada
Danture Wickramasinghe
Gabriël A. Moens
Kamran Ahmed

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How SMEs Build Innovation Capability Based on Knowledge Sharing Behavior? Phenomenological Approach

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Abstract

The research problem was how Small Medium Enterprises (SMEs) behaviour shared their knowledge with the impact on improving product innovation capabilities. Research using phenomenological approach and Creswell Model Analysis Data. The research findings showed that attitude toward knowledge sharing behaviour to be addressed as a spirit to move forward, obligation, fortune sharing, and efficiency. Motivation of knowledge sharing behaviour were growth, independent, partnership, and consumer's satisfaction. Whist, harmony and patience were meanings of the embedded value of SMEs owners. Perceived behavioural of knowledge sharing behaviour was determined by learning together, willingness, and understanding other. Finally, innovation capability was defined as innovative product, improved production techniques, and improved quality.

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Keywords: Innovation Capability; Knowledge Sharing Behaviour; Phenomenology; SMEs

1. Introduction

Nowadays, knowledge management (KM) has been attended on focus of academics and practitioners. It is increasingly recognized that the development of competencies and knowledge that exist in the organization is the key to success to achieve sustainable competitive advantage (Fierro, Perez, and Whitelock, 2011; Suresh, 2012).

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Implementation of KM will provide benefits, among others: there is more transparent knowledge information, the creation process of knowledge - based added value, the increase of competitiveness, and worker motivation. KM will be effective if every employee in the company has a mutual desire to contribute knowledge within the organization. In tacit knowledge sharing activity; the workers will combine knowledge (ideas, experience, or expertise) through the process of teamwork that will encourage workers to produce innovative products / processes. Whereas explicit knowledge sharing activities will encourage each worker to combine knowledge that has been codified that enable to create new knowledge that can enhance the individual innovation capabilities (Suresh, 2012).

In the Small Medium Enterprises (SMEs) having the strength on motivation, a good working network, unique skills, short informal communication enables knowledge sharing process run more naturally, efficiently and effectively (Ngah and Jusoff, 2009). There are exchanges of ideas and experience among individuals in the SMEs in the knowledge sharing process. The success in knowledge sharing encourages the creation of knowledge, the increase of continuous innovation capabilities, and will finally stimulate individuals to think critically and creatively (Kang, Kim and Chang, 2009). Thus the link between the increase of Small Medium Enterprise's (SMEs) innovation capabilities and knowledge sharing behaviour (KSB) will be an uninterrupted process and form a cycle. Such as developments in the leather craft cluster in Magetan, East Java, Indonesia, well known as the handicraftsmen of leather-made footwear handicraft product, which in the last five years has been able to increase its innovation capabilities to produce a variety of leather bags.

The general aims to answer the research problem as to how the phenomenon of knowledge sharing behavior in SMEs enhances innovation capability. The focus of research is the process of sharing knowledge among the SMEs owners and their workers based on experience gained during running the business. The more operational research objectives are revealing and understanding the attitudes and motivation of owners of SMEs to KSB, values of SMEs' owners, the perceived behaviour that is acceptable to all parties concerned with KSB.

2. Literature Review

2.1. Knowledge Sharing Behaviour

The definition of knowledge varies and there is no consensus regarding to definition. Simply speaking, knowledge management is defined as the process of converting tacit knowledge into explicit knowledge which is then distributed to all members of the company (Huang and Huang, 2012). Currently, knowledge management is defined as an important approach in solving business problems, such as innovation and competitiveness when the organization's performance is measured by the level of innovation and competitiveness (Jantunen, 2005). In this regard, knowledge management is defined as the formulations of knowledge, expertise, and experience which provide new opportunities as well as the ability to enable superior performance and supporting innovation (Nonaka, 1998). Knowledge management is a method for organizations to continually make creation and innovation in order to maintain long term competitiveness. An important factor in implementing KM is knowledge sharing (Mládkova, 2012). KM implementation aims to improve performance by growing culture of KSB, where knowledge is an asset that can be managed, so that it can be communicated and shared (Du and Ren, 2007; Visvalingam & Singh, 2011). Meanwhile, Small and Medium Enterprises (SMEs) having simple organizational structure, flat and simple, an entrepreneurial attitude and natural and smooth flowing culture of natural and flowing as it is, make it very easy for SMEs to create a culture of knowledge sharing (Christine, 2011; Rahab, Sulistyandari, and Sudjono 2011). SMEs that are able to encourage employees to contribute their knowledge to members, groups and companies will have greater opportunities to create new ideas, develop new opportunities that will eventually propel the development of innovation capabilities (Zhou and Uhlaner, 2009; Lim, Hong, and Lee, 2013).

2.2. Innovation Capability

In the terminology of innovation "capability" is defined as: 1) the product's capability to develop products that meet the market; 2) the capability to utilize technology in developing products; 3) the capability to develop new products or improve product performance prior to market needs; and 4) the capability to utilize technology to create new opportunities. The innovation capability concept includes the dimensions of product innovation, process innovation

and management innovation (Lin, 2007; Plessis, 2007). Innovation capabilities can be measured at the individual and at the organization levels. At the individual level, the perspectives of innovation capabilities are grouped into: 1) the perspective of personality characteristics (personality), for example the level of willingness to change from an individual; 2) behavioral perspective, such as the ability of individuals to try something new; and 3) the perspective of output, namely the ability of individuals to make something new (Lin, 2007). At organization level, innovation capability can be measured by the ability to develop new products, the ability to respond to technological changes, and the ability to respond to competitors. Innovation capability is built on three components: 1) an innovative product that is the result of internal learning process involving multiple sources of knowledge; 2) development of product quality, which is achieved through the development of organization's skill in building the organization's ability to manage the knowledge and apply it in the process of product quality improvement; 3) the market growth factor, which will create a need for organizations to skilled workers who are able to build the learning process initiatives on the owned experience, which at the end, will increase the organization's knowledge stock (Adam and Comber, 2013).

2.3. Theory of Planned Behaviour

In the Theory of Planned Behaviour, it is assumed that humans are rational beings and use information that is possible for them, systematically. People think of the implications of their actions before they decide to do or not do certain behaviors. Individual behavior is preceded by the intention to behave. The stronger a person's intention to behave in a certain behaviour, the greater the expectation of the person to successfully do so. This intention is a function of the attitude toward the behavior, subjective norms, and perceived behavioral control. Attitude is positive or negative beliefs to show a certain behavior. Subjective norms are also assumed to be a function of the specific beliefs lead a person to agree or disagree to behave. Perceived behavioral control can be defined as the degree to which individual feels that the presence or absence of a behavior is under his control (Ajzen and Fishbein, 1980).

3. Methodology

This study used an interpretive paradigm with the phenomenological method. The study was conducted in leather handicraft industry cluster in Magetan regency, East Java - Indonesia. The informants are SMEs owners as much as four peoples, who had previously given audiotape recorded consent form. Data were collected by semi-structured interviews, observation, and documentation. The data validity test used triangulation and follow-up interviews (member check), followed by data analysis using Creswell's model of data analysis (Creswell, 2007). Narrative method was used to present the research findings.

4. Findings and Discussion

4.1. Findings

The following discussion of each theme associated with a significant statement of the theme, propositions, as well as the model of the relationship between the theme.

- Attitude toward KSB

The first factor revealed is the attitude towards KSB. Attitudes towards KSB interpreted as the spirit to move forward.

"... for me, I'll keep on making a target, so that it become bigger, no matter how ... "(interview-2.informant-1.7)

KSB was also interpreted as an obligation by the owners of SMEs, although sometimes the action was not always obtain the empathy of others. For owners of SMEs, each of the knowledge and experience they have should be shared with other people, both employees and business partners.

"... It's actually like my job. However it is opposed, I do not care ... "
(interview-2.informant-3.7)

Sharing fortune was also a means of SME owners to express their attitude towards KSB.

"... Obviously I cannot afford it. So it should be divided, all get the shares ... "
(interview-2.informant-4.8)

Lastly, KSB was addressed as a form of efficiency, as stated by following informant.

"... Yes you can, but the time. The time to make the pattern takes at least one day. It's better to be used for finding other orders than making patterns ... "
(interview-2.informant-1.10)

• Motivation in KSB

There were only five owners of SMEs that were able to innovate products, apparently, those five owners have high motivation to KSB. Motivations to KSB were, among others, growth, self-reliance, partnership, and customer satisfaction. Firstly, KSB is motivated by the growth motivation desired by the owner of KSB. The following was the informant's utterance.

"... The second, growth. The growth of this SME ... "(interview-2.informant-2.10)

Second, the KSB motivation was independence, as stated by the informant below.

"... I am the most senior here for bag production. Indeed I want to be able to stand on my own, although it is now still regularly receive orders from the store located on Sawo street and the customers coming here directly ... "(interview-2, informant-3.8)

Furthermore, the partnership was also a means of the SME owner to interpret KSB, as reflected in the statement of one of the informants.

"... Collaboration for the production fluency, ... It should be like that ... "
(interview-2.informant-4:11)

The last one, Finally, KSB motivation was interpreted as a means to realize customer satisfaction, as revealed in the following utterance.

"... We have already got the knowledge, the technology, the market. But we just do not know how good our ability is ... how good is the consumer responses outside ... we observe what the consumers want ... "(interview-2.informant-2.13)

• Embedded Values

KSB's success was also determined by the values embedded in the SME owner. Those values were, among others, harmony and patience. The Meaning harmony was revealed in the following utterance.

"... Keeping the relationship well, negotiated well ... "(interview-2.informant-4:13)

While the meaning of patience was reflected in the second informant's utterance

"... It needs tremendous patience. Not all people have respect on me because I am considered as the youngest ... but having too many theoretical term, even though there are many seniors whose level is above me. The first is patient, must be patient ... "(interview-2.informant-2.15)

• Perceived Behavioural

KSB's success also depended on behavioural factors that can be perceived by all parties. Perceived behaviour is interpreted as a collective learning, willingness, and thoughtfulness. The meaning of collective learning was, among others, revealed by the following utterance.

"... For all of those we learn each other ... "(interview-2.informant-3.13)

Perceived behaviour also means a willingness within each individual involved in KSB, as reflected in the significant statement of the first informant.

"... Participants were free. The important thing for them is to have the intention to be capable of... "(interview-2.informant-2.17)

Finally, success in KSB is determined by the capability to understand other people, as manifested the second informant's statement.

"... The second one, you know. Well, it is kind of...I mastered the person, could direct that person. Knowing either the individual is tough, average, or easy. It is able to master people psychologically. Oh ... Knowing how to handle if the person is tough. So his mind set should be in our hands ... "(interview-2. informant-2.18)

- Innovation Capability

Acknowledged by all informants that innovation capability increased through KSB. Innovation capability was interpreted by informants as the ability to produce innovative products, improvement of production techniques, and will be followed by quality improvement. The meaning of innovative product, among other, was reflected in the statement of the 4th informant.

"... Once my grandfather only made belts. Then the next phase was to begin to make bags but then it stopped. I started it again in 2009 my forward, I produced the bag again. Even the fact was foot wear production has just been started the last 2 years..." (interview-2.informant-4:17)

Further, innovation capabilities are also interpreted as an improvement of production techniques, which among others is revealed by the third informant's narrative.

"... I modified the shoes sewing machine thus the sewing line should be straight ..." (interview-2.informant-3:17)

Finally, the innovation capability of SME owners is defined as an increase in quality.

"... If the technology has been mastered, the quality should follow, from raw materials, supporting materials, to the service ..." (interview-2.informant-2:21)

4.2. Discussion

Furthermore, propositions resulting from significant statement is as follow:

- 1) Knowledge sharing behaviour is formed of a positive attitude and motivation toward knowledge sharing behaviour, values that are adhered in the SME owners, as well as behaviour that is acceptable to all parties:
 - A positive attitude toward knowledge sharing behaviour is driven by the enthusiasm to move forward, obligation, fortune sharing, and efficiency.
 - Motivation toward knowledge sharing behaviour driven by the intension for small business owners to create growth, independence, partnership, and the consumer's satisfaction
 - The values adhered in the SME owner to establish a knowledge sharing behaviour is determined by harmony and patience
 - Perceived behaviour in knowledge sharing behaviour is formed by the willingness, mutual learning, as well as thoughtfulness (understanding others)
- 2) Innovation capability can be formed from knowledge sharing behaviour

Finally, this research resulted in a model of "Innovation Capability Based On Knowledge Sharing Behaviour," which describes the relationship between knowledge sharing behaviour and innovation capability, as follows.

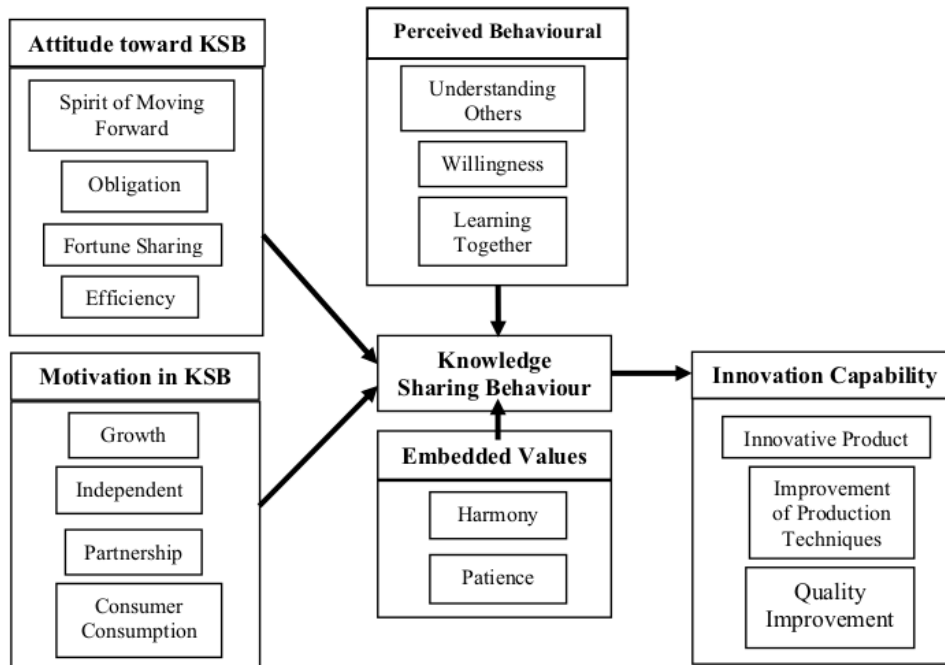


Fig. 1. Innovation Capability Based on Knowledge Sharing Behaviour

5. Conclusions

Based on the findings of this research, it can be concluded that the innovation capabilities of SMEs can be enhanced through the establishment of knowledge sharing behavior among SMEs' owners with employees, and among SMEs' owners in clusters. However, the establishment of knowledge sharing behavior depends on how the attitudes and motivation toward knowledge sharing behavior, values adhered in the SME owner, and behavior that is acceptable to all parties involved in knowledge sharing. Significant statement revealed the existence of the partnership concept, which implies the need for increased partnerships between entrepreneur in the cluster as well as similar clusters in other areas and government policy was needed to support it. The partnership concept revealed in this research also provide the opportunity to conduct the next research which revealed the capability increase of partnership-based SME using mixed method approach.

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