



The Impact of Knowledge Management on SMEs Performance in the city of Bandung

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Research Highlights

Micro, small and medium enterprises (SMEs) have a large role in economic activities. SMEs are the largest provider of employment, an important player in the development of local, national and international economic activities and community empowerment. Lacking of knowledge about the latest production technology and how to run quality control on products, meaning that here knowledge has an important role for the performance of SMEs. Therefore, the core of the research study is focused on one of the factors that influence the performance of SMEs, namely knowledge management. Based on this, the main problem revealed in this study is how the impact of knowledge management on the performance of SMEs. This research was conducted on SMEs in the city of Bandung. This study consisted of two variables, namely Knowledge Management (X) and SMEs Performance (Y). Knowledge management in this study consisted of four processes (Knowledge creation, knowledge storage, knowledge transfer/sharing and knowledge utilization) while SMEs Performance used a balanced scorecard approach (financial perspective, internal perspective of business processes, customer and stakeholder perspectives, and learning and growth perspective). The method used in this study is a survey method in the form of an explanatory survey. Data collection techniques by means of questionnaires with Likert scale models, which were analyzed using simple regression. And the respondents in this study were SMEs in Bandung, which numbered 99 UKM. Based on the results of the study, it can be seen that knowledge management has a positive and significant influence on the performance of SMEs in the city of Bandung. Where Knowledge Management Capabilities (Knowledge creation, acquisition, knowledge storage, knowledge transfer / sharing, knowledge utilization) are proven to have a positive and significant influence on the performance of SMEs (financial perspective, internal perspective of business processes, customer and stakeholder perspectives, and learning and growth perspective).

Keywords: Knowledge Management, Knowledge Management Capabilities, SMEs Performance



Research Objectives

Micro, small and medium enterprises (SMEs) have a large role in the nation's economic activities. In Law No. 20 of 2008 states that SMEs aim to grow and develop their businesses in order to build a national economy based on equitable economic democracy. According to (Iqbal et al., 2016), The SME sector consists of small businesses and medium-sized companies that contribute to an important part of the world economy, in developed countries and developing countries, the size of the small and medium economy as the best role is important. Small and medium enterprises (SMEs) form the potential economic backbone of many regions and make a greater contribution to jobs than large companies (Chin et al., 2014).

One of the obstacles for SMEs (Sarwono, 2015) namely Human Resources (HR): Lack of knowledge about the latest production technology and how to run quality control on products, meaning that here knowledge has an important role for the performance of SMEs. As stated by (Kimaiyo et al., 2015) mentioned that all knowledge management processes are very important to improve company performance. So we will focus on linking knowledge management to the performance of SMEs in financial and non-financial measures using the balanced scorecard approach.

Methodology

Based on the type of research, which is quantitative descriptive carried out through data collection in the field, the research method used is explanatory survey method with the aim to explain the relationship between the variables studied by testing the hypothesis through statistical data processing and testing.

The research population was obtained from the data of the number of SMEs in Bandung City as many as 12,270. Then the sampling in this study was taken randomly. To determine the minimally representative sample size for testing the hypothesis, determine the sample of the existing population, using the Slovin formula. Thus the author in this study uses a sample of 99 samples that have been rounded.

The significance test of the correlation coefficient is done by t test (t test). The results of the correlation significance test determine whether the researcher must make a decision to reject the null hypothesis (H_0) and accept the alternative hypothesis (H_1) or accept H_0 and reject H_1 after comparing the results of the t test (empirical) and t-table (theoretical): (a) If $p < 0.05$ or t count $<$ t table then H_0 is not rejected; and (b) If $p < 0.05$ or t count $>$ t table then H_0 is rejected.

Results

**Table 1 :** Regression Coefficient, t_{count} and probability value

	Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	44.196	5.958		7.418	.000
	Knowledge Management	1.322	.085	.846	15.635	.000
2	(Constant)	54.430	7.078		7.690	.000
	Knowledge creation/acquisition	4.991	.427	.765	11.696	.000
3	(Constant)	65.552	5.817		11.269	.000
	Knowledge storage	4.466	.361	.782	12.372	.000
4	(Constant)	59.425	6.386		9.306	.000
	Knowledge transfer/sharing	4.794	.393	.778	12.205	.000
5	(Constant)	48.176	6.483		7.431	.000
	Knowledge utilization	4.103	.299	.813	13.744	.000

a. Dependent Variable: SMEs performance

Based on these results, research has answered the questions contained in the formulation of the problem, namely how the influence of knowledge management on the performance of SMEs in the city of Bandung. This research has proven that knowledge management (knowledge acquisition, knowledge storage, knowledge transfer / sharing, knowledge utilization) has proven to have a positive and significant influence on the performance of SMEs (financial perspective; internal perspective of business processes; customer and stakeholder perspectives; and learning and growth perspective) where the p value $<0.05 = 0.000 <0.05$ so that H_0 is rejected, so that the more effective the implementation of knowledge management, the higher the performance of SMEs obtained, and vice versa.

Findings

Based on the results of hypothesis testing shows that knowledge management has a positive and significant influence on the performance of SMEs, meaning that if knowledge management is high then the performance of SMEs will be high and vice versa if knowledge management is low then the performance of SMEs will be low. This result is in line with previous research (Gharakhani and Mousakhani, 2012) which states that knowledge management has a positive and significant effect on the performance of SMEs. Another research (Ha et al., 2016) states that knowledge management has a positive and significant influence on the performance of SMEs.

Acknowledgement



This research was funded and supported by Indonesia Endowment Fund for Education (LPDP). In this great chance, researchers want to say thanks to LPDP for all the help.

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