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## THE ROLE OF ABSORPTIVE CAPACITY MODERATION ON THE EFFECT OF KNOWLEDGE SHARING AND MSMEs EMPLOYEE PERFORMANCE IN KEBEN BANGLI DISTRICT

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**ABSTRACT:** This study aims to determine the moderating role of absorptive capacity on the influence of knowledge sharing on employee performance. This research is located in Bangli City which involved 90 respondents who acted as craftsmen at MSMEs Eka Wind Chime Bamboo Handy craft. Descriptive Statistics and Moderated Regression Analysis (MRA) are data analysis techniques used in this study. The results found in this study are proven that absorptive capacity as a moderating variable influences knowledge sharing on employee performance. Based on the research results, it can be concluded that absorptive capacity is able to fully strengthen knowledge sharing on employee performance. This shows that knowledge sharing has a positive and significant effect on employee performance, so that if knowledge sharing increases, it will increase employee performance, and the resulting moderating effect is to strengthen relationships, in other words if there is absorptive capacity, knowledge sharing will have a positive effect on employee performance. the MSMEs Keben Bangli Regency will be further strengthened.

**Keywords:** *knowledge sharing, absorptive capacity, employee performance*

### I. INTRODUCTION

Every company needs human resources who are able to work better, so it is necessary to have human resources who have high performance. Performance is the result of work in quality and quantity achieved by an employee in carrying out his duties in accordance with the responsibilities assigned to him (Mangkunegara, 2002). In addition, organizational performance is a measuring tool for assessing and evaluating the success or failure of organizational goals. Performance is defined as a description of the level and results of the achievement of an implementation process both activities, programs and policies in order to realize the things that have been stated in the formulation of the organization's strategic scheme, namely goals, objectives, vision and mission to build a good organization (Bastian, 2001 )

Simanjuntak (2005) states that there are three factors that affect employee performance. The first individual factor is the skill and ability to do a job. The second factor is the organizational support factor. In carrying out their duties, employees need the support of the organization where they work. The third factor, namely management support, company performance and the performance of each person also greatly depends on the managerial ability of the management or leaders of the company, either by building a work system and industrial relations that are safe and harmonious, or by developing worker competence, as well as fostering motivation. all employees to work optimally. In the process of strategy formulation and company factors, there are many things that influence and encourage employee performance, including acquiring knowledge.

Knowledge is a source of internal strength that is difficult for competitors to adapt so that it can be used as a competitive advantage for the company. In addition, knowledge is different from other resources that decrease when used, knowledge will increase when used and will be increasingly valuable by the organization or company (Aldi, 2005). Various kinds of knowledge and information are a basic means that will make an important contribution in the application of new knowledge to create employee performance, knowledge sharing can encourage or improve employee performance in organizations (Calantone & Stanko, 2007; Khedhaouria & Jamal, 2015; Lin & Chang, 2016; Tangaraja et al., 2015). Employees who are given the opportunity to exchange knowledge with other employees are able to accelerate the creation of organizational goals (Allameh, 2018), and the organization or company can live sustainably.

Knowledge is organized information so that it can be used for problem solving and decision making (Turban et al., 2004). One way to gain knowledge is by increasing the company's absorptive capacity. Flatten et

al. (2011) in his research on the influence of Absorptive Capacity on employee performance at MSMEs that the company's Absorptive Capacity will affect the size of the employee's performance. This shows that employee performance is a description of how Absorptive Capacity is owned by the company. Therefore, it arises, namely Absorptive Capacity which will affect employee performance. Cohen (2000) defines Absorptive Capacity as a company's ability to recognize, obtain and adapt to information that is in the external environment of the company (acquisition), then analyzes and adjusts existing knowledge (assimilation), then combines existing knowledge with new knowledge obtained from the environment. external (transformation), in the end take advantage of all the knowledge available in the company for company goals.

From the data it is known that Bangli Regency has the highest number of MSMEs, namely 43,948. However, with a large number of MSMEs, the export activities of Bangli Regency MSMEs are still relatively small. Currently, small industry managers think or think that absorptive capacity only applies to medium and large industries, so that many MSMEs ignore the absorption capacity outside the company or organization. In reality, conditions that occur in the field are not as expected. Some MSMEs have gradually decreased in terms of product quality and number of businesses. The problem experienced by small industries is the lack of work quantity for employees, this occurs due to a lack of absorption from outside the company, so there is a problem, namely the inability to complete work as determined by the company, this is due to limited knowledge, which causes employee performance to be low.

Furthermore, in this study tries to provide solutions in the form of insights about the important role of knowledge management as a support for the creation of employee performance. The concept of Knowledge management emphasizes organizational learning which explains that the organization must be ready to carry out learning on an ongoing basis.

## II. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

The knowledge gained by individuals in the organization will increase with knowledge sharing. Mangkunegara (2002: 67) suggests that potential ability (IQ) and reality ability (knowledge and skill) are factors that affect employee performance. Knowledge or knowledge is very important for every employee in carrying out their duties, because with the embedded knowledge in each employee, these employees can carry out their respective duties as expected by the organization, so that it will have a good impact on the employee's performance.

The test results show that the knowledge sharing mechanism correlates with employee performance. This means that as knowledge sharing increases between individuals, their performance will be enhanced (Cummings, 2004). Also, knowledge sharing has a significant positive impact on employee performance, which is consistent with previous research because individuals in organizations will be able to expand their knowledge assets by sharing internal or external knowledge resources. knowledge sharing helps solve problems, develop new ideas, and implement processes and policies by providing the necessary knowledge (Pulakos et al., 2002). The results obtained indicate that chain transfer has a positive relationship with employee performance. This proves that the transfer of knowledge between knowledge owners and the people who need it (which is a type of knowledge sharing) will improve employee performance through increasing their knowledge and skills. Increasing knowledge sharing activities will have an effect on increasing individual performance (Wening&Harsono, 2016). The research hypothesis based on these descriptions is: H1: Knowledge sharing has a significant positive effect on Employee Performance.

Absorptive Capacity itself has a positive effect on improving employee performance. To have a lasting impact, these practices should contribute to developing employee performance. The Absorptive Capacity Process acts as an important driving force for developing employee performance in a number of ways. First, this process serves as a catalyst for exchanging and external knowledge possessed by individual employees in the form of past experiences and lessons (Duffield & Whitty, 2016).

This knowledge contributes to employee memory (i.e. explicit and articulated knowledge (Alavi&Leidner, 2001) and forms the bedrock for mutual understanding of goals and challenges. In addition, Absorptive Capacity gives individuals mutual access to related information from their internal and external knowledge networks. (Duffield & Whitty, 2016). High levels of Absorptive Capacity greatly increase the capacity to absorb new knowledge and combine it with existing knowledge, which translates into greater innovation capability (Ali & Park, 2016; Ali et al., 2017; Cohen , 2000; Leal-Rodríguez et al., 2014; Zahra & George, 2002). The research hypothesis is based on these descriptions, namely:

H2: Absorptive Capacity has a significant positive effect on Employee Performance.

Cohen (2000) states that company performance is related to learning the ability of an organization or company (absorption). Kocoglu et al. (2015) explained that the concept of absorption comes from macroeconomics, where it refers to the ability of an economy to effectively utilize capital resources. Cohen (2000) and Minbaeva et al. (2014) defines absorption as "the ability of a company to recognize new value information, external, assimilate, and apply it for commercial purposes". Zahra & George (2002) provide a

comprehensive definition of absorption which they describe as a set of organizational procedures and processes by which organizations acquire, assimilate, transform and exploit knowledge to create dynamic organizational capabilities.

Absorption has also been recognized as an essential component for organizations to maintain, grow and compete in their market. Minbaeva et al. (2014) stated that the concept of absorption has been used as a key concept to understand the conditions for effective learning. There is no doubt that capacity absorption has become one of the most repeatedly mentioned and investigated terms in organizational management over the past two decades. In addition, lack of absorbcency is a major barrier to sharing internal knowledge. Thus, only when an individual has the ability to recognize, assimilate and apply knowledge, can the individual be promoted by sharing knowledge. Thus, absorption can be seen as a moderating variable between knowledge sharing and employee performance. Absorptive Capacity has a positive effect on Knowledge Sharing and Employee Performance. The research hypothesis based on these descriptions is:

H3: Absorptive Capacity moderation has a significant positive effect on Knowledge Sharing and Employee Performance.

### III. METHODS

This research was conducted in Bangklet Village, Kayubihi District, Bangli Regency, while the considerations that have been made to choose Bangli Regency as the location of the research are seeing the many UMKM Keben industries in Bangli Regency, which have distinctive characteristics and diverse motives and enthusiasts from local communities to foreign nationals. As well as the various results from these UKM are also marketed outside Bangli Regency, so that it attracts researchers to conduct the research.

The population in this study were 90 employees of UKM Keben Bali, Bangklet Village, Kayubihi District, Bangli Regency. The sample is a portion of the population whose characteristics are studied. A good sample is a sample, the conclusion that can be imposed on the population is a sample that is representative or can describe the characteristics of the population. The technique of determining the sample using saturated sampling technique. The definition of saturated sampling is a sampling technique when all members of the population are sampled, this is done when the population is relatively small, less than 30, or research that wants to make generalizations with very small errors. Another term saturated sample is census, where all the population is sampled. So the sample in this study was 90 employees.

Moderator regression analysis is a regression analysis that involves the moderator variable in building a relationship model. The moderator variable plays a role as a variable that can strengthen or weaken the relationship between the predictor variable and the response variable. If the moderator variable is not in the relationship model that is formed, it is called a regression analysis only, so that in the absence of a moderator variable, the analysis of the relationship between the predictor variable and the response variable can still be done.

Moderating Regression Analysis (MRA) or interaction test is a special application of linear multiple regression where the regression equation contains an element of interaction (multiplication or more independent variables) with the following equation formula (Liana, 2009: 93):

$$a. Y = a + b_1X_1 + b_4Z + b_5X_1Z + \epsilon_1$$

$$b. Y = a + b_2X_2 + b_4Z + b_6X_2Z + \epsilon_2$$

$$c. Y = a + b_3X_3 + b_4Z + b_7X_1Z + \epsilon_3$$

Information:

Y = predicted value

a = Constant

b<sub>1</sub> = Regression coefficient for X<sub>1</sub>

b<sub>2</sub> = Regression coefficient for X<sub>2</sub>

b<sub>3</sub> = Regression coefficient for X<sub>3</sub>

b<sub>4</sub> = moderating variable coefficient

b<sub>5</sub> = Moderated regression coefficient for X<sub>1</sub>

b<sub>6</sub> = Moderated regression coefficient for X<sub>2</sub>

b<sub>7</sub> = Moderated regression coefficient for X<sub>3</sub>

X<sub>1</sub> = The first independent variable

X<sub>2</sub> = The second independent variable

X<sub>3</sub> = third independent variable

Z = moderating variable

ε = residual value

### IV. RESULT AND DISCUSSION

In this study, the Interaction Test (Moderated Regression Analysis) technique was used which is a special application of linear multiple regression. This study also tested Absorptive capacity to moderate the effect of Knowledge Sharing on Employee performance at UMKM KebenBangli Regency. In this study, the influence of Knowledge Sharing, Knowledge Sharing on Employee performance through the SPSS 21.0 for windows program is calculated in Table 1.

**Table 1. Moderated Regression Analysis**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-0.244	0.567		-0.4300	0.668
X	1.023	0.223	0.968	4.582	0.000
M	0.625	0.216	0.579	2.895	0.005
XM	0.156	0.077	0.665	2.032	0.045

Primary Data, 2020

Based on the results of Moderated Regression Analysis in Table 6, the structural equation that is formed can be formulated as follows:

$$Y = -0,244 + 1,023X + 0,625M + 0,156 XM$$

The Moderated Regression Analysis equation can be interpreted as follows:

X = + 1,023 indicates that Knowledge Sharing has a positive effect on Employee performance at UMKM KebenBangli Regency, if Knowledge Sharing increases, Employee performance will increase by 1.023.

M = + 0.625 indicates that Absorptive capacity has a positive effect on Employee performance at UMKM KebenBangli Regency, if Absorptive capacity increases then Employee performance will increase by 0.625

XM = + 0.156 Knowledge Sharing and Absorptive Capacity interaction has a coefficient of 0.156, which means that with Absorptive capacity, the positive influence of Knowledge Sharing on Employee performance is strengthened

Determination analysis was carried out to determine the extent of the variation of the independent variables, namely X (Knowledge Sharing), M (Absorptive capacity) on the Employee Performance (Y) variable. based on the results of the spss which can be seen in Table 2.

**Table 2. Determination Analysis**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.710 <sup>a</sup>	0.505	0.487	0.68373

Primary Data, 2020

Based on Table 2, it can be seen that the value of r square ((r ^ 2) = 0.505. The analysis uses the following formula:

$$D = r ^ 2 \times 100\%$$

$$D = 0.505 \times 100\%$$

$$D = 50.5\%$$

Based on these results, it is known that the value of R2 = 50.5 percent, which means that 50.5 percent of Employee performance at UMKM KebenBangli Regency is influenced by Knowledge Sharing, Absorptive Capacity variables, and the remaining 49.5 percent is influenced by other variables that are not researched in this study.

Based on the results of the F Sig value analysis. amounting to 0,000 it can be said that H1 is accepted because of the F Sig value. 0.000 < 0.05. The conclusion is Knowledge Sharing, Absorptive capacity, simultaneously have a significant effect on Employee performance at UMKM KebenBangli Regency, the model used in this study is feasible and can be used for the next analysis.

Based on the results in Table 6, Knowledge Sharing has a Beta value of 1.023 and a Sig. amounting to 0,000, it can be said that H1 is accepted because of the Sig. 0.000 < 0.05. The conclusion is that Knowledge Sharing has a positive and significant effect on Employee performance. In other words, the increasing Knowledge Sharing, the Employee performance at UMKM KebenBangli Regency will increase. So that the first hypothesis is accepted.

Based on the results in Table 6, Absorptive capacity has a Beta value of 0.625 and a Sig. of 0.005, it can be said that H2 is accepted because the Sig. 0.005 < 0.05. The conclusion is that Absorptive capacity has a positive and significant effect on Employee performance, in other words, the increasing Absorptive capacity, the Employee performance at UMKM KebenBangli Regency will increase. So that the second hypothesis is accepted.

Based on the results in Table 6, the Absorptive capacity interaction has a Beta value of 0.156 and a Sig value. amounting to 0.045, it can be said that H3 is accepted because of the Sig.  $0.045 < 0.05$ . The conclusion is that Absorptive Capacity moderates the influence of Knowledge Sharing on Employee Performance at UMKM KebenBangli Regency. Where the resulting moderation effect is to strengthen the relationship, in other words if there is a variable Absorptive capacity, the influence of Knowledge Sharing on Employee performance at UMKM KebenBangli Regency will be further strengthened, so that the third hypothesis is accepted.

The results of the hypothesis in this study indicate that Knowledge Sharing has a positive and significant effect on Employee performance, in other words the increasing Knowledge Sharing, the Employee performance at UMK Eka Wind Chime Bamboo Handy Craft will increase. Results are supported and seen from table 4.6 regarding the description of respondents' answers to Knowledge Sharing, at point 1 with an average of 3.04 and 6 with an average of 3.03 being above the average of 2.94 with a statement that employees always receive knowledge from colleagues, and actively share skills with fellow colleagues. The statement states that the higher the sharing of knowledge, the more it will affect employee performance. So that the first hypothesis is accepted. The knowledge gained by individuals in the organization will increase with knowledge sharing.

The test results show that the knowledge sharing mechanism correlates with employee performance. This means that as knowledge sharing increases between individuals, their performance will be enhanced (Cummings, 2004). As well as sharing knowledge has a significant positive impact on employee performance, which is consistent with previous research because individuals in organizations will be able to and expand their knowledge assets by sharing internal or external knowledge resources. Sharing knowledge helps problem solving, developing new ideas, and implementing processes and policies by providing the necessary knowledge (Pulakos et al., 2002). The results obtained indicate that chain transfer has a positive relationship with employee performance. This proves that the transfer of knowledge between knowledge owners and the people who need it (which is a type of knowledge sharing) will improve employee performance through increasing their knowledge and skills of Matzler and Mueller, 2011. Increasing knowledge sharing activities will have an effect on increasing individual performance (Wening&Harsono, 2016).

The results of the hypothesis in this study indicate that Absorptive capacity has a positive and significant effect on Employee performance, in other words if the Absorptive capacity increases, the Employee performance at UMK Eka Wind Chime Bamboo Handy Craft will increase. The results are supported and can be seen in table 4.7 regarding the description of the respondent's answer to absorptive capacity, at point 9 with an average of 3.04, at point 8 with an average of 3.01, and at point 1 with an average of 3.00. The three points of the statement are above the 2.99 average, so that the second hypothesis is accepted. Absorptive Capacity itself has a positive effect on improving employee performance. To have a lasting impact, these practices should contribute to developing employee performance.

The Absorptive Capacity Process acts as an important driving force for developing employee performance in a number of ways. First, this process serves as a catalyst for exchanging and external knowledge possessed by individual employees in the form of past experiences and lessons (Duffield & Whitty, 2016). This knowledge contributes to employee memory (i.e. explicit and articulated knowledge (Alavi&Leidner, 2001) and forms the bedrock for mutual understanding of goals and challenges. In addition, Absorptive Capacity gives individuals mutual access to related information from their internal and external knowledge networks. (Duffield & Whitty, 2016). High levels of Absorptive Capacity greatly increase the capacity to absorb new knowledge and combine it with existing knowledge, which translates into greater innovation capability (Ali & Park, 2016; Ali et al., 2017; Cohen , 2000; Leal-Rodríguez et al., 2014; Zahra & George, 2002)

The results of the hypothesis in this study indicate that Absorptive capacity moderates the effect of Knowledge Sharing on Employee performance at UMK Eka Wind Chime Bamboo Handy Craft. Where the resulting moderation effect is to strengthen the relationship, this can be seen from table 4.7 a description of the respondent's answer to Absorptive capacity which has the highest average value at statement 9 indicator points obtained an average value of 3.04, which periodically the owner Employees hold special meetings to gain new knowledge, in other words, if there is Absorptive capacity, the positive influence of Knowledge Sharing on Employee performance at UMK Eka Wind Chime Bamboo Handy Craft will be further strengthened. Where Absorptive capacity is a pseudo moderator variable due to the value of the b2 and b3 coefficients in the Moderated Regression Analysis equation, namely the b2 coefficient is significant and the b3 coefficient is significant so that the third hypothesis is accepted.

Cohen (2000) states that company performance is related to learning the ability of an organization or company (absorption). Kocoglu et al. (2015) explained that the concept of absorption comes from macroeconomics, where it refers to the ability of an economy to effectively utilize capital resources. Cohen (2000) and Minbaeva et al. (2014) defines absorption as "the ability of a company to recognize new value information, external, assimilate, and apply it for commercial purposes".

Zahra & George (2002) provide a comprehensive definition of absorption which they describe as a set of organizational procedures and processes by which organizations acquire, assimilate, transform and exploit



knowledge to create dynamic organizational capabilities. Absorption has also been recognized as an essential component for organizations to maintain, grow and compete in their market.

Minbaeva et al. (2014) stated that the concept of absorption has been used as a key concept to understand the conditions for effective learning. There is no doubt that capacity absorption has become one of the most repeatedly mentioned and investigated terms in organizational management over the past two decades. In addition, lack of absorptivity is a major barrier to sharing internal knowledge. Thus, only when an individual has the ability to recognize, assimilate and apply knowledge, can the individual be promoted by sharing knowledge. Thus, absorption can be seen as a moderating variable between knowledge sharing and employee performance. Absorptive Capacity has a positive effect on Knowledge Sharing and Employee Performance.

The results of this research provide evidence on the development of Knowledge Management knowledge regarding Knowledge Sharing, Absorptive capacity, and Employee performance. Employee performance is the achievement of tasks by a person in a company or organization both qualitatively and quantitatively according to their respective duties and responsibilities. Employee performance at UKM Eka Wind Chime Bamboo Handy Craft can be improved by means of Knowledge Sharing (sharing knowledge) between employees and supported by Absorptive Capacity. Thus, the results of this study provide empirical support and can be stated to strengthen the results of previous studies. In addition, the results of this study can practically be a reference for other researchers who want to research on Knowledge Sharing, Absorptive Capacity, and Employee Performance. Theoretically, this research also provides an understanding that Knowledge Sharing and Absorptive Capacity can significantly affect Employee performance, when Knowledge Sharing increases, it can strengthen Employee performance, with the presence of Absorptive capacity in companies that has the potential to increase Employee performance.

## V. CONCLUSION

Knowledge Sharing has a positive and significant effect on Employee performance at Eka Wind Chime Bamboo Handy Craft UKM. so that hypothesis 1 is accepted. This shows that if Knowledge Sharing increases, it will increase Employee performance. Absorptive capacity has a positive and significant effect on Employee performance at Eka Wind Chime Bamboo Handy Craft UKM, so hypothesis 2 is accepted. This shows that if the employee's absorptive capacity increases, the employee performance will increase. Absorptive capacity moderates the effect of Knowledge Sharing on Employee performance at Eka Wind Chime Bamboo Handy Craft UKM, so hypothesis 3 is accepted. Where the resulting moderation effect is to strengthen relationships, in other words if there is Absorptive capacity, the positive influence of Knowledge Sharing on Employee performance at Eka Wind Chime Bamboo Handy Craft will be further strengthened.

The management at Eka Wind Chime Bamboo Handy Craft UKM must continue to increase Knowledge Sharing and Absorptive capacity in the company so that it will increase Employee performance at Eka Wind Chime Bamboo Handy Craft UKM. In terms of Knowledge Sharing, when viewed from the description of the respondent's answer to the statement that has the lowest average, it is at statement point 8, which states that employees are less active in submitting suggestions and work problems with fellow colleagues. This is also seen from the indicators used that the knowledge collecting that is owned is still low. What the company must do is teach employees to actively express opinions and suggestions while discussing work problems with fellow colleagues in order to meet the company's targets properly and on time.

In the Absorptive capacity variable, when viewed from the description of the respondent's answer to the statement that has the lowest average, it is at statement point 7, stating that there is still a low understanding of the activities in the business being carried out. And it is seen from the indicators used that the indicators of exploitation in the company are still low and will create changes or improvements. What must be done is to provide jobs in accordance with the fields of each employee so that they can clearly carry out activities in accordance with their work.

For further research, it is hoped that it will be able to add variables that can affect employee performance, and be able to expand the scope of research that is not only limited to Eka Wind Chime Bamboo Handy Craft UKM or can also change the research location which is not only focused on a research location, so that provide a view that is more and can be implemented in general.

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