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STRENGTHENING THE COMPETITIVENESS OF SMEs AS AN EFFORT ACCELERATION OF BUSINESS RECOVERY IN PANDEMIC MOMENT

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ABSTRACT

The purpose of this study was to analyze several antecedent variables that influence MSME business performance and to determine the role of ambidexterity solutions in mediating the relationship between knowledge management and business performance. The population of this study is the owners of craft SMEs in Central Java. Samples were taken using purposive sampling method. Data were collected through questionnaires, and processed using Structural Equation Modeling analysis. Based on the results of the analysis, the two hypotheses that have been proposed show a significant positive effect. Ambidexterity solutions are proven to play a role in mediating the relationship between knowledge management and business performance. The dominant influence between variables is shown from the relationship between ambidexterity solutions to business performance.

KEYWORDS: Knowledge management, ambidexterity solution, business performance, MSME

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INTRODUCTION

Management of knowledge (knowledge management) is crucial in managing knowledge so that it can be easily used or used effectively and efficiently in organizational operations. With knowledge management, organizations are encouraged to become organizations that are ready to transform, be creative and innovative (Sulistiyani et al., 2018). Various dimensions of knowledge management are almost always carried out by actors and members of the organization through various activities such as training, sharing information, developing work processes and new product results, and in the end have the potential to increase sustainable organizational competence. (Sulistiyani & Ferdinand, 2018).

In the Covid-19 pandemic situation, the position of MSMEs has the potential to dominate the domestic market, especially when import needs cannot run as normal. However, this potential is not easy to realize because the faucet for imported raw materials is still open so that domestic production is not optimally absorbed. This makes it difficult for MSME players to penetrate the domestic market for raw materials. The decline in trade volume was also experienced by MSME players who exported abroad. On the other hand, those operating in tourist destinations have also experienced the impact of the pandemic due to travel restrictions that have paralyzed the tourism sector. With the large number of MSME actors, the impact of the pandemic will be felt by them and can then hamper the growth of the national economy. MSME assets before the pandemic were 757 billion, during the pandemic it dropped to only 636.4 billion. Turnover before the pandemic reached 384.5 billion, after the pandemic it fell to 166.8 billion. Debt before the pandemic was 561.6 billion while during the pandemic it rose to 602.9 billion. The number of workers absorbed until before the pandemic was 87,393 people (57.5%), when the pandemic fell to 63,523 people (42.5%). Craft is one of the sub-sectors of the creative industry, but in contributing to national GDP Central Java is still below West Java, East Java, Yogyakarta and Banten.

Knowledge management is crucial in identifying, creating, retrieving, gathering, disseminating and developing knowledge and enhancing the capabilities and performance of individuals and organizations (Sulistiyani et al., 2021). Some research. Previous research stated that knowledge management is believed to encourage increased organizational performance (Limsangpetch et al., 2022). But other researchers (Wijaya & Suasih, 2020). Mentioned that there is no influence between knowledge management.

The Central Java Provincial Government stated that at least 26,568 micro, small and medium enterprises (MSMEs) were affected by Covid-19. Head of the Cooperatives and MSMEs Office of Central Java Province EmaRachmawati said that most of the affected SMEs were engaged in the food and beverage, fashion, and handicraft trade and services sectors. Of the 4.1 million businesses in Central Java, 3.7 million are micro businesses, while there are 3,358 large businesses, 39,125 medium businesses and 354,884 small businesses. (Rizqi, 2020). Therefore, new ways are needed to support MSMEs to recover from adversity, survive and have competitiveness.

In the Covid-19 pandemic situation, the position of MSMEs has the potential to dominate the domestic market, especially when import needs cannot run as normal. However, this potential is not easy to realize because the faucet for imported raw materials is still open so that domestic production is not optimally absorbed. This makes it difficult for MSME players to penetrate the domestic market for raw materials. The decline in trade volume was also experienced by MSME players who exported abroad. On the other hand, those operating in tourist destinations have also experienced the impact of the pandemic due to travel restrictions that have paralyzed the tourism sector. With the large number of MSME actors, the impact of the pandemic will be felt by them and can then hamper the growth of the national economy. MSME assets before the pandemic were 757 billion, during the pandemic it dropped to only 636.4 billion. Turnover before the pandemic reached 384.5 billion, after the pandemic fell to 166.8 billion. Debt before the pandemic was 561.6 billion while during the pandemic it rose to 602.9 billion. The number of workers absorbed until before the pandemic was 87,393 people (57.5%), when the pandemic fell to 63,523 people (42.5%). Craft is

one of the sub-sectors of the creative industry, but in contributing to national GDP, the MSME sector becomes a savior when the economy is turbulent. Like right now, when 393 people (57.5%), when the pandemic fell to 63523 people (42.5%). Craft is one of the sub-sectors of the creative industry, but in contributing to national GDP, the MSME sector becomes a savior when the economy is turbulent. Like right now, when 393 people (57.5%), when the pandemic fell to 63523 people (42.5%). Craft is one of the sub-sectors of the creative industry, but in contributing to national GDP, the MSME sector becomes a savior when the economy is turbulent. Like right now, when corona virus really hit the trade sector which resulted in a slowdown in the global economy, strengthening MSMEs is absolutely necessary. One of the MSME categories is the handicraft industry. The next arts sub-sector is craft or also commonly called craft. Craft is a creative activity related to the creation, production and distribution of products made or produced by craftsmen starting from the initial design to the process of completing the product directly from the craftsmen's hands. The results of handicraft products are handicrafts made of precious stones, natural and artificial fibers, leather, rattan, bamboo, wood, metal (gold, silver, copper, bronze and iron), glass, porcelain, cloth, marble, earth. Clay and lime. Handicraft products are generally only produced in relatively small quantities (Limited edition).

During the pandemic, MSMEs have proven to be critical engines that play a major role in national economic recovery. For this reason, the Government continues to work on formulating strategic policies for MSMEs to achieve prosperity and equity, one of which is increasing access to financing by issuing a Macro prudential Inclusive Financing Ratio or MSME credit ratio for banks (Nursanti, 2021). Based on the gap research and gap phenomenon above, this research wants to contribute to how MSMEs in the handicraft sector in Central Java have the capability to strengthen and improve their organizational performance through an integrated ambidexterity solution. The concept of ambidexterity integrated solution is characterized by understanding the problem, analytical skills, the ability to generate creative ideas, the ability to collect facts that support ideas, the ability to make conclusions and the ability to understand the opinions of others who become an asset in improving the performance of MSMEs. This research will test empirically the sample data of MSME owners in the handicraft sector in Central Java province.

State of the Art Hypothesis Development and Empirical Research Models Influence of Knowledge management and Ambidexterity Integrated Solution

An integrative solution is one that reconciles (which means integrates) the interests of both parties. Integrative solutions are sometimes accompanied by previously known alternatives, but more often there is the development of new alternatives that require creativity and imagination. For this reason it is more correct to say that integrative solutions usually emerge from a creative thinking process. Integrative solutions can be designed by each party individually, by both parties jointly, or by a third party acting as a mediator. Organization members usually come from different knowledge areas, they may have different perspectives and ideas for task problems or decision making (Sulistiyani, 2018). When team members are empowered to make work-related decisions on their own, they need to have sufficient information to ensure that decisions are justified given the context of the decisions. Team members are more likely to share knowledge with one another before and during the decision-making process. Therefore, empowering leadership is the enzyme that stimulates and maintains knowledge sharing (Xue et al., 2011).

H1: The better the knowledge management, the better the ambidexterity integrated solution will be achieved

The Effect of Ambidexterity Solution on MSME Performance

Knowledge is information that can be used by employees for the betterment of the organization (Sulistiyani et al., 2021). If knowledge is shared and transferred in the right time between the right people and used in the right time, it will increase the chances of the organization to improve performance. (Limsangpetch et al., 2022). In addition, it has been found that social interaction between team members contributes to cooperation in achieving integrated solutions and improves team performance (Janhonen and Johanson, 2011).

H2: The better the ambidexterity integrated solution, the higher the performance of SMEs.

METHOD

The population of this research is SMEs in the craft sector, in Central Java; the total population is 262 SMEs. Thus the respondents in this study are the owners of the MSME. In order to meet the suitability of the study with empirical phenomena in the manufacturing industry spread across the Central Java region, the sampling method was carried out using a purposive sampling technique. The sample criteria used in this study are that MSMEs have been established for more than 10 years, and the owner has experience in MSME business, the owner's education is at least high school, and often receives training from various training venues about MSMEs. Some data collection processes are carried out in research these are as follows: Questionnaire, Observation, Literature study. Based on the development of the hypotheses and empirical models that have been presented previously, this study uses a structural equation model so that it requires testing using the Structural Equation Model (SEM), with the AMOS (Analysis of Moment Structure) program. Meanwhile, the role of the ambidexterity solution mediating variable in linking the effect of knowledge management on business performance uses a statistical calculator <https://www.danielsoper.com/>

Results and Discussion

In accordance with the full structural model of craft MSME business performance, the goodness of fit model criteria from AGFI = 0.922, NFI = 0.960, TLI = 0.974, IFI = 0.979 and RMSEA = 0.60 indicate a fit number. So that the model is feasible to use for estimating the relationship between variables. Sobel test results show that there is an influence of ambidexterity in connecting knowledge management and business performance. The Z score results show that 8,739 are greater than the 1.96 cut-off and the 0.000 probability is smaller than the 0.05 cut-off.

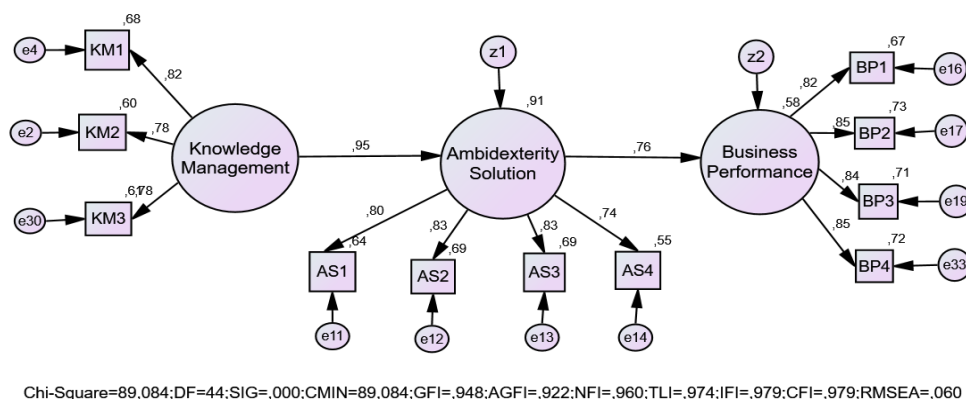


Figure 1 Structural Full Business Performance Model

Table 1. Path Coefficient and Hypotheses Results

Path, Direct Effects			Estimates	SE	P-Value	Results
Knowledge Management	→	Ambidexterity Solution	0.746	0.59	0.000	significant
Ambidexterity Solution	→	Business Performance	0.919	0.76	0.000	significant
Knowledge Management	→	Ambidexterity Solution	Z Score	8,739	0.000	significant
	→	Business Performance				

The results of the table above, show the results of the relationship between exogenous variables on endogenous variables, directly to reveal the structural relationships that occur in this research model, while they will be discussed in full as follows:

The influence of Knowledge management on Ambidexterity Integrated Solution

The effect of knowledge management on MSME performance is 0.746 with an alpha level of 0.000, meaning that there is an influence between the two. Knowledge management can increase value co-creation that is built from the capability or potential of organizational members. Knowledge and skills constitute a portfolio that determines the effectiveness and efficiency of resource integration and the actualization of work values. Work value can be described as a creative work process through well-organized information by mutually recognizing the work competencies of each member of the organization (Sulistiyani & Ferdinand, 2018). Currently, many companies are starting to use knowledge management in their company activities. According to McCormick (2007), abroad, knowledge management has been widely implemented by large companies such as

Shuffle Master, World Bank, Pratt & Whitney, and Southern Co. This is because it is increasingly felt the importance of implementing knowledge management in a company when viewed from the side of the benefits that can be obtained. The benefits that can be obtained can be divided into two perspectives, namely the benefits that can be obtained by individuals and also by companies. The benefits of implementing knowledge management for individuals are described as follows:

First, improve individual ability in problem solving and decision making. This might happen because with knowledge management, every knowledge that exists within the company has been managed properly so that knowledge is easier to obtain and use for analysis of problems that occur which can be used to determine the best decisions that need to be taken in overcoming this.

In developed studies Olaisen and Revang (2017) and Sarkheyli et al (2013) explained that knowledge management is an important resource for competitive advantage in organizations related to the extent of understanding in knowledge management, openness in the distribution of experience, interpersonal trust ties, intensity of sharing and criteria for information being shared. Knowledge management is a necessary condition for achieving effective collaborative practice, it is an important point that management knowledge is turned into an integrated part of a synergic solution (Carlile, 2004);(Levina, 2005).

The Effect of Ambidexterity Solution on Business Performance

The effect of ambidexterity solution on the performance of MSMEs is 0.919 with an alpha level of 0.000, meaning that there is an influence between the two MSMEs are a type of organizational entity where unique and specific individuals join. Each of these individuals has advantages and disadvantages, but this will become strength if collaboration is formed to build organizational learning through management (Wijaya & Suasih, 2020). When an organization is faced with changes in the external environment that are difficult to predict as it is today. As the economy of the Indonesian state and countries in the world have not yet recovered after the Covid pandemic, the country is still faced with a global crisis which has an impact on small to large business activities. So the organization must always be ready to face changes and dynamics of the environment. Organizations must be ready and able to find gaps in various methods so that business activities continue to survive and even continue to innovate (Sulistiyani et al., 2021). Entrepreneurs do not hesitate to look for other business opportunities to support each other's businesses, and continue to work to establish partners (Karnowadi et al., 2021). Work methods in the form of work teams that synergize with each other are the strategy of choice for organizations to share interpersonal potential in order to produce reliable solutions in dealing with the dynamics of these changes (Cabrera et al., 2006; Endang et al., 2021). In order to achieve the creativity of organizational members, it is necessary to provide support for a safe and comfortable work environment, organizational members can balance work life in the family and community (Sulistiyani, 2022);(Sulistiyani et al., 2022).

CONCLUSION

Two hypotheses put forward in this study, both of which have a significant positive effect. The direct effect of ambidexterity solution on business performance has the greatest influence compared to other variables. Ambidexterity Integrated Solution which is proposed as a connecting variable

between knowledge management and business performance is able to mediate the relationship between these variables.

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