the effect of Knowledge Management on Competitive Advantage and Business Performance A Study of Silver Craft SME's

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The Effect of Knowledge Management on Competitive Advantage and Business Performance: A Study of Silver Craft SMEs

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ABSTRACT

Objective: This paper aims to analyze the effect of knowledge management on the performance of silver craft SMEs through competitive advantage as a mediator. This study also explores the dimensions and indicators of each latent variables (knowledge management, competitive advantage, and business performance).

Research Design & MG-thods: This research use quantitative methods with SEM-PLS analysis techniques. The population in this study is silver craft SMEs in Indonesia, with 146 silver craft SMEs as sample. Data collected by questionnaire and FGD.

Findings: This study found that knowledge management directly has no significant effect on business performance, but through competitive advantage, the effect of knowledge management on business performance of silver craft SMEs is positive and significant.

Implications & Recommendations: The comes about of this research show that knowledge management ought to be connected to form items with competitive points of interest so t 32 it can make strides the execution of the silver make SMEs trade. The expecting knowledge management incorporates knowledge acquisition, knowledge sharing, and knowledge application.

Contribution & Value Added: This research surveys commerce execution not as it were from the budgetary perspective, but too non-financial perspective. Research on knowledge management within the SMEs division is additionally still uncommon.

Article type: research article

Keywords: business performance; competitive advantage; knowledge manage-

ment; SEM analysis; SMEs

JEL codes: L25, L26, L61, M21, M31

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INTRODUCTION

Small and medium enterprises (SMEs) play an imperative part in supporting a country's financial development, both in created and creating nations counting: New Zealand, India, Sri Lanka, China, Malaysia, Indonesia (Apak & Atay, 2014; Darroch, 2005; Ha et al., 2016; Huang & Li, 2009; Kumarawadu, 2009; Kuncoro & Suriani, 2018; Meutia & Ismail, 2013; Budhi et al., 2020). SMEs have the advantage of being able to absorb large numbers of workers, using relatively large local resources, as a chain for distributing development results, and supporting various types of industrial sectors (Tan et al., 2016). Barriers to the development of SMEs in Indonesia can be grouped into two namely external and internal obstacles. External barriers include: (1) limited access to business financing, caused by high cost of funds, and guarantees; (2) high infrastructure costs due to high logistics costs because of poor quality of roads, ports, airports, funding and legal issues; and (3) inefficient bureaucratic services, caused by high levels of corruption, and the ratio of civil servants compared to high population. Internal barriers include: (1) institutional and human resources; (2) marketing and technology; and (3) intellectual capital (Budhi et al., 2020).

Indonesia is a country that has many SMEs, the amount are 64.194 million units of the SMEs (Ministry of Cooperation and SMEs of the Republic of Indonesia, 2018). SMEs in the creative industries (including crafts) are growing rapidly. Indonesian silver jewelry product 19 re already recognized in the international market putting the country as the world's 7th largest exporter of silver jewelry with a market share of some 5.17%. Most of Indonesian silver jewelry products are exported to Asian and European (Directorate General of National Export Development, 2016). The most well known silver crafting center in Indonesia is located in Celuk Village, Sukawati District, Gianyar Regency, Bali Province (Directorate General of National Export Development, 2012).

Bali as one of the world tourist destinations is able to support the existence of SME's crafts. Jewelry craft SME's is one of the five main commodities exported by Bali Province. Most plannents in Bali Territory comes from the silver workmanship industry. The head of Industry and Trade Office of Bali Province sayed that from the value of Bali silver handicraft exports during 2012-2018 has experienced a downward trend. The real lts of the initial observations are known that one of the obstacles faced is the lack of skills of employees, as well as low competitiveness.

Within the worldwide time, knowledge as one of the imperative resources of a company organization, and must be successfully recognized, gotten, stored, shared and connected within the most productive way to attain economical competitive advantage (Kaveh et al., 2015; Sarkindaji, 2014). SMEs appear to depend more 8 n the advancement of their inner hones to bolster advancement (Wijaya et al., 2019). Knowledge is seen as the most vital competitive asset. Given the significance of knowledge, business visionaries are energized to create their capacities in overseeing information so that they ended up more competitive and imaginative (Ha et al., 2016). Knowledge management is an integrative systematic process to clearly coordinate organizational activities, identify cognitive needs to ansfer, store, share, and apply knowledge related to culture and business strategy (Airubaiee et al., 2015; Byukusenge et al., 2016). Human resources or knowledge management is one source that is able to calcale sustainable competitive advantages (Kamya et al., 2010; Kaveh et al., 2015). Experience, intelligence, and

knowledge are intangible factors associated with this source (Madan & Khanka, 2011). Intangible assets in the form of knowledge management owned by business actors are unique advantages because it is difficult to imitate other business actors. Effective knowledge management enables SMEs to improve their business behavior.

Knowle 41e acquisition, sharing has an impact on competitive advantage. Concern for knowledge plays an important role in increasing competitiveness (Kamya et al., 2010). Utilizing company resource-based expertise and dynamic perspectives are absolutely necessary to create competitiveness (Adams & Lamont, 2003).

A few investigate comes about state that knowledge management has been considered a key figure in business performance since it relates to diverse assets so that it can offer assistance decision-makers in nual erous ways (Alrubaiee et al., 2015; Carneiro, 2000; Goel & Rich, 1997; Keen, 1991). Knowledge management has a direct and 5 gnificant impact on the performance of both financial and non-financial businesses (Al-Sa'di et al., 2017; Migdadi et al., 2017; Oztekin et al., 2015; Sarkindaji et al., 2014). Knowledge is always needed in business, as information to understand the condition of customers, suppliers, employees, competitors, and the entrepreneurial environment in order to have competitiveness (Byukusenge et al., 2016).

Today the business faces intense competition among business people and risks losing cus mers easily. This is because business people do not understand and respond to rapidly changing market trends. The role of knowledge is needed to change the business era to move to knowledge management practices (Ha et al., 2016).

Valmohammadi & Ahmadi (2015) found that knowledge management practices did not affect the organization's business performance, especially seen from the perspective of customers and internal business. Tanriverdi (2005) found a decently frail relationship between the company's monetary execution and its ca6 city to form, share, coordinated and utilize knowledge. Byukusenge et al. (2016) found that knowledge management had non-significant effect on business performance in business. Knowledge gained from short courses, conferences, exhibitions, qualified staff, sharing to all employees cannot be used directly to generate profits, sales growth, and market share.

This research place knowledge management as the only exogenous variable, so that its effectiveness on business performance can be known, especially in the creative industries. Creative industries have different characteristics from other industries, where the creative industries use creativity that comes from knowledge as the main factor in creating products. Therefore, research on knowledge management is very necessary and original.

Research on knowledge management is indeed not much, but now it has begun to be developed. When compared with previous research, this study tries to map the effects of knowledge management on the creative ind 14 y (silver crafts) on competitive advantage and performance. Even this research uses financial and non-financial aspects to measure business performance. Abu-Jarad et al. (2010) expressed that an organization's commerce execution is the organization's capacity to realize its objectives and goal utilizing financial, productive and viable assets.

are competitive advantage and corporate performance in silver handicraft SMEs in Gianyar Regency, Bali. This study emphasizes that the competency development of employ-

ers is good from internal factors, namely knowledge management in enhancing competitive advantage and business performanc By receiving a resource-based view (RBV) as a establishment hypothesis aand upheld by Porter Theory (competitive advantage), the system is proposed by highlighting the key variables that can drive the performance of SMEs. Competitive advantage is the advantage over a competitor by advertising customers more noteworthy esteem, either at a lower cost or by giving items that give way better buyer benefits and administrations.

This research use quantitative methods with SEM-PLS analysis techniques. The population in this study is silver craft SMEs in Indonesia. Data collected through questionnaire instruments that have been tested for validity and reliability and through FGD.

In this introduction area, the foundation and targets of the think about are presented, moreover, within the writing audit segment, the concept of the comes about of past thinks about related to them is utilized and is utilized as a premise for creating speculations. The research method area presents investigate plans, populaces and tests, as well as information collection and analysis technique. Results and discussion presents the comes about of information examination and dialog of the comes about of the investigation which are at that point displayed within the conclusion segment with restrictions and recommendations.

120 LITERATURE REVIEW

Based on some empirical evidence of knowledge management 22 a positive and significant effect on competitive advantage (Adams & Lamont, 2003; Kamya et al., 2010; Kaveh et al., 2015), while the influence of competitive advantage on business performance is positive and significant based on research results done by Meutia & Ismail (2013), Mzoughi et al. (2008); Rahman & Ramli (2014).

These empirical results allowed to assume the following research hypotheses:

H1: Knowledge management is positively and significantly effect on the competitive advantage.

Business always needs knowledge as information to understand the condition of customers, suppliers, employees, competitors and the entrepreneurial environment to that the business wants to remain competitive (Byukusenge et al., 2016). Several studies have been conducted on the role of knowledge management on business performance, including 21 se carried out by Al-Sa'di et al. (2017), Alrubaiee et al. (2015), Migdadi et al. (2017), found that knowledge management processes have a positive and significant influence on organizational performance. The comes about of past considers were moreover backed by the discoveries of Sarkindaji et al. (2014) which clarifies that organizations in interest of maintainable competitive advantage must create and combine grea knowledge management procedures.

Al-Sa'di et al. (2017), Alrubaiee et al. (2015), Migdadi et al. (2017), found that knowledge management processes have a positive and significant influence on organizational performance. The results of previous 25 dies were also supported by the findings of Sarkindaji et al. (2014) which explains that organizations in pursuit of sustainable competitive advantage must develop and combine good knowledge management strategies.

143 Thes prirical results allowed to assume the following research hypotheses:

H2: Knowledge management is positively and significantly effect on the business performance.

Achieving the position of competitive advantage and improving the company's performance against its competitors are the two main objectives of the business organization that the company must try to achieve. To achieve competitive advantage is not enough just to be with their business competitors, but also beyond it (Ismail *et al.*, 2010). Companies that have advantages in terms of product, price and quality will certainly be able to have competitiveness so that products can be absorbed by customers in the market. This certainly can increase sales, as well as advertise extension so as to progress the company's business performance. This condition is supported by several results of research found by Meutia & Ismail (2013), Mzoughi *et al.* (2008), Rahman & Ramli (2014) state that competitive advantage can significantly improve business performance.

These prirical results allowed to assume the following research hypotheses:

H3: competitive advantage is positively and significantly effect on the business performance.

Competitive advantage is able to explain the mediating relationship between the effect of quality on organizational performance (Lakhal, 2009). The usage of a quality approach can give an organizational competitive advantage in terms of taken a toll, unwavering quality, development, and time-to-market measurements. The higher level of competitive advantage compared to competitors will certainly cause organizational performance to increase. The results of the same study were also stated by Kamboj & Rahman (2017) explaining that competitive advantage is capable of being a partial mediation between the effect of the relationship of marketing capabilities on company performance.

These empirical results allowed to assume the following research hypotheses:

H4: Competitive advantage is significantly mediating the effect of knowledge management on the business performance.

MATERIAL AND METHODS

This study uses explanatory research design with a quantitative approach. According to Rahyuda (2016) that explanatory research is done by explaining the symptoms caused by the object of research. The research variables studied are quantitative, meaning the types of data are based on quantitative data (Rahyuda, 2016).

This research stage includes the following stages: (1) compiling a research gap; (2) setting goals; (3) developing a concept 29 ramework and hypothesis; (4) determine the research method; (5) compile and test the instrument; (6) collecting data; (7) analyzing data; (8) interpret the results and test hypotheses; (9) compile conclusions and recommendations. The process of collecting data uses a perceptual approach to facilitate measurement. In the early stages of the study carried out a preliminary study which was then followed by the distribution of questionnaires compiled to test the research hypothesis using quantitative analysis.

Population, Sample, and Data Collection

anyar Regency is the centre of the silver handicraft industry in the Province of Bali, so this research was conducted on silver craft SMEs in Gianyar Regency. The research subjects were entrepreneurs in the small and medium 7 dustry (SMEs), especially silver handicraftsmen who are currently the leading exports in Gianyar Regency.

Base 10n data from the Industry Office of Gianyar Regency in 2017 there were 235 business units of silver craft SMEs in Indonesia, especially in Gianyar Regency as populations. Determination of the number of samples in this study using the formula 11 Issac and Michael (level of significant 0.05) to obt 39 a total sample of 146 business units of silver craft SMEs in Gianyar Regency. Then the simple random sampling technique is used, wherein the sample is taken randomly.

Measures

The construction of latent variable constructs of knowledge management, competitive advantage, and business performance is often a polemic for many researchers. To construct a variable construction, it is necessary to study various concepts, previous research, and adapt it to the conditions of the research object. This construction is used as the basis for the preparation of the questionnaire which is the research instrument. This research instrument has met the validity test criteria with prod 28 moment correlation (Pearson corelation) and reliability test with Cronbach's Alpha. All of the measures are based on five-point Likert scales. Knowledge management variables are exogenous variables, while business performance variables are endogenous variables, and competitive advantage va 24 les are mediator variables. In detail, the dimensions and indicators of each variable are presented in Table 1.

Table 1. Operational Definition of Variables

Table 1. Operation	iai Delilitadii di Valiables	
Variable	Dimension	Indicator
Knowledge	Knowledge acquisition	Knowledge from employees (X11)
management (X)	(X1)	Training for employees (X12)
	Knowledge sharing (X2)	Information sharing (X21)
		Developing of new ideas (X22)
	Knowledge application	Knowledge practical (X31)
	(X3)	Management of knowledge and resources
		(X32)
(References: Al-Sa	'di et al., 2017: Alrubaiee.	L. Hanandeh & Ali. 2015: Byukusenge et al., 2016:

(References: Al-Sa'di et al., 2017; Alrubaiee, L, Hanandeh & Ali, 2015; Byukusenge et al., 2016; Darroch & Mcnaughton, 2002; Huang & Li, 2009; Kamya et al., 2010; Kumarawadu, 2008; Migdadi et al., 2017; Obeidat et al., 2016; Oztekin et al., 2015; B D Sarkindaji et al., 2014; C. L. Wang et al., 2009)

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Competitive	Efficiency (Y1)	Cost efficiency (Y11)
advantage (Y)		Productivity (Y12)
	Product uniqueness	Product shape (Y21)
	(Y2)	Product design (Y22)
	Quality (Y3)	Product quality (Y31)
		Product display (Y32)

	Competitive price (Y4)	Product price (Y41) Price comparison (Y42)		
	Flexibility (Y5)	Product variants (Y51)		
		Product adaptation (Y52)		
(References: Apak	& Atay, 2014; Aziz & Sama	ad, 2016; Chiou et al., 2011; Diab, 2013; Ismail et al.,		
2010; Kumarawad	2010; Kumarawadu, 2009; Kuncoro and Suriani, 2018; Rahman & Ramli, 2014; Sachitra, 2016;			
Ward et al., 1998;	Wijaya et al., 2019)			
Business per-	Financial (Z1)	Liquidity (Z11)		
formance (Z)		Transport (Z12)		
	Customer (Z2)	Number of customers (Z21)		
		Customer satisfaction (Z22)		
	Operational (Z3)	Product operations (Z31)		
		Operational management (Z32)		
	Learning and growth	Learning for employees (Z41)		
2	(Z4)	 Employees satisfaction (Z42) 		
(Peferences: ALSa	'di et al 2017: Alrubaige e	et al. 2015 : Byukusanga et al. 2016: Ha et al. 1816:		

(References: Al-Sa'di et al., 2017; Alrubaiee et al., 2015; Byukusenge et al., 2016; Ha et al., 1316; Kamboj & Rahman, 2017; Kipesha, 2013; Kuhl et al., 2016; Migdadi et al., 2017; Oztekin et al., 2015; 13 kindaji et al., 2014; Tseng & Lee, 2014; Valmohammadi & Ahmadi, 2015; Wang & Wang, 2012; Yousif Al-Hakim & Hassan, 2013; Yusof & Bakar, 2012; Wijaya et al., 2019)

Source: Article mapping by authors (2018)

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Statistical Methods

Factual investigation in this ponder comprised of expressive investigation and inferential examination. Graphic investigation is utilized to analyze information by depicting or portraying information that has been collected because it is without expects to form conclusions that apply to the common or generalized (Sugiyono, 2013).

Inferential factual examination methods with way examination approach are utilized to test the speculation. Handling information utilizing the way investigation approach utilizing SEM-PLS (Auxiliary Condition Modelling-Partial Slightest Square) with a moment arrange corroborative calculate examination (Ghozali, 2012). Agreeing to (Latan & Ghozali, 2012), assessment of models in PLS is done by evaluating the comes about of the estimation demonstrate, specifically through corroborative calculate examination by testing the legitimacy and unwavering quality of idle builds. At that point, taken after by assessment of basic models and testing of centrality to test the impact between builds or factors.

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RESULTS AND DISCUSSION

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Results of Outer and Inner Model Testing

A demonstrate built on a coherent hypothetical premise was built to test the hypothesized. SmartPLS program form 3.2.8 was utilized for the investigation. The primary step was to survey the unwavering quality and legitimacy of the estimation demonstrate. After that, a basic demonstrate was utilized to test the speculations.

The SEM-PLS investigation procedure is carried out two stages of investigation, specifically: testing the external demonstrate and internal demonstrate. External show testing points to test the legitimacy and relia-bility of pointers in building measurements, as

well as measurements in building each variable. Testing the inward demonstrate is to decide the relationship between inquire about factors.

ter Model Testing

The results of the outer model analysis as shown in Figure 1 show that there are three indicators that are invalid because they have an outer loading smaller than 0.6.

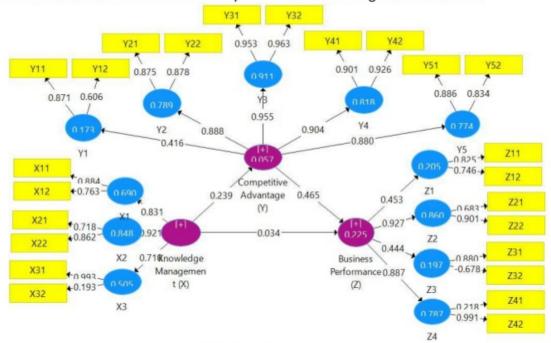


Figure 1. Outer model before elimination the invalid indicators Source: Output of SmartPLS (2019)

Indicators that do not meet the testing criteria for outer model are indicators of knowledge and resource management (X32) in the knowledge management variable (X), as well as indicators (Z32) and (Z41) in the bus 2 less performance (Z) variable. Then the three indicators are eliminated from the model and the outer model is tested again.

The output of the second phase of the outer model test as shown in Figure 2. Based on the output in Figure 2, it is known that all indicators have met the validity criteria for the outer model.

Inner Model Testing

The following step is to test the internal demonstrate by considering the R-square esteem (R2) on endogenous factors (trade execution). The comes about of information investigation appear that the R-square esteem is 0.220, which sagests that 22.0% of the variety within the commerce execution of silver craftsmanship SMEs in Gianyar Rule can be clarified by information administration and competitive advantage. The remaining 78% is clarified by other variables exterior the research model.

The another internal show test step is to assess the way coefficient both specifically and in a roundabout way, as displayed in Figure 3.

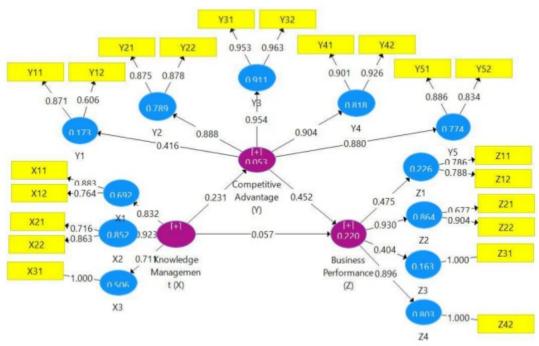


Figure 2. Outer model (after elimination the invalid indicators)
Source: Output of SmartPLS (2019)

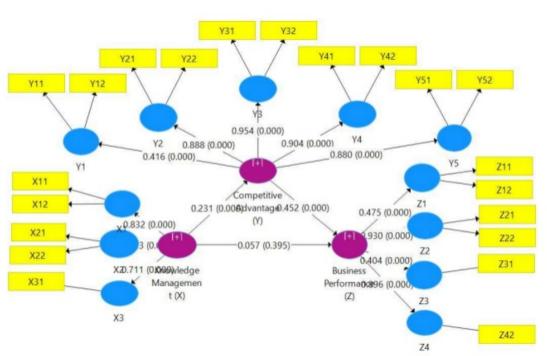


Figure 3. Inner model

Source: Output of SmartPLS (2019)

Table 2. Path Coefficient (Direct and Indirect Effect) and Results of Hypotheses

Path	Path Coefficient	T Statitics	P Values	Hypotheses Result
Direct effects:				
Knowledge management →	0.231	3.610	0.000	H1-
competitive advantage				Supported
Knowledge management →	0.057	0.852	0.395	H2-Not
business performance				Supported
Competitive advantage → busi-	0.452	5.216	0.000	H3-
ness performance				Supported
Indirect effects:				
Knowledge management →	0.104	0.206	0.014	H4-
competitive advantage → busi-				Supported
ness performance				
R2	22,0%			

Source: Output of SmartPLS (2018)

Figure 3 and Table 2 show the results of data analysis that knowledge 38 anagement directly has a positive and significant effect of competitive advantage (p-value 0,000 <0.05). While knowledge management direct turns out to have no significant effect on business performance (p-value 0.395 > 0.05). Competitive advantage directly has a positive and significant effect on business performance (p-value 0,000 <0.05). Likewise the influence of knowledge management indirectly on business performance through 18 mpetitive advantage is positive and significant (p-value 0.014 <0.05). Given that the direct effect of knowledge management on business performance is not significant, the indirect effect of knowledge management on business performance through competitive advantage is full mediation.

Discussion

Knowledge acquisition is carried out by the silver craft SMEs by hiring new employees, as well as attending training and seminars as sources to obtain new knowledge, in an effort to improve competitiveness. Most of the silver handicrafts are not only fixed on one group of employees to complete product orders from customers. They generally employ several groups of artisans/employees in working on product orders. It aims to minimize production costs and reduce the cost of material inventory, so that costs become efficient. The silver craft SMEs businessmen facilitate employees/artisans to take part in training, seminars, short courses, such as 3D design training using computer software from experts. It is proven to be able to produce unique products, both in terms of form and design, so that they have competitiveness in the market.

Sharing knowledge and information between business operators in silver handicrafts and partners is often done, especially when receiving product orders. One form of knowledge and information sharing activity is through discussion of the types and variety

of silver handicraft products that are in accordance with market tastes. The lack of access to information from business operators in silver handicrafts compared to their customers requires them to do knowledge sharing more often. The aim is for business operators in silver craft SMEs to adapt quickly to market tastes.

Knowledge m⁸ agement is a management of knowledge management that produces an idea or ideas. Based on the results of interviews with several business players in the silver craft SMEs, the ideas, ideas, or knowledge possessed by the silver craft SMEs businessmen were not able to directly improve business performance. The idea or idea must be able to be realized in the form of quality products and accepted by the market. Some of the silver craft SMEs businesses rarely do knowledge sharing because they fear that the knowledge they have is known or understood by others, so that the expertise to produce products is copied by others.

The results of this study support previous studies by Carneiro (2000) and Kamya *et al.* (2010); Kaveh et al. (2015). Knowledge management must be able to combine advancement endeavors, IT overhauls, and kary vieldge advancement to attain a set of capabilities to make strides competitiveness. Knowledge management has been considered as a key figure in organizational execution, since it is related with distinctive assets that can offer assistan choice producers in numerous ways (Carneiro, 2000).

The capacity of silver craft SMEs businesses (2 convey things that have competitiveness, quality, uniqueness, taken a toll, and thing flexibility will certainly be able to c21-pete inside the promote. Things that are one of a kind both in arrange and outline will certainly be in ask by 2 ents. The capacity of silver make SMEs players to convey things at reason-able costs, able to compete with competitors, intense thing quality, and in understanding with client orders/desires, will certainly allow fulfillment to clients, so that these conditions will increase bargains re 12 and exhibit share.

The results of this study contradict previous studies which have consistently supported significant and positive influence between knowle 23 management on SMEs business performance. The results from Alrubaiee et al. (2015), Al-Sa'di et al. (2017), Migdadi et al. (2017) found that companies with more knowledge management have higher performance.

Whereas the comes about of this research about are in agreement with the investigate of Tanriverdi (2005) and Byukusenge *et al.* (2016). Tanriverdi (2005) found an inconsequential relationship between the capacity to form, share, coordinated and utilize knowledge on the company's monetary execution. Byukusenge *et al.* (2016) expressed that knowledge gotten through distinctive implies (brief courses, classes, presentations, qualified staff), at that point knowledge is shared with all representatives for utilize. Such knowledge cannot straightforwardly cause noteworthy varieties in benefits, deals development, and advertise share in SMEs. The relationship between knowledge management and commerce execution that's less critical is caused by SMEs supervisors anticipating the surge of information and knowledge from the company by not sharing knowledge so that it has an affect on business performance.

The Resource-Based Value (RBV) theory explains that pany resources as a source of sustainable excellence must have four things, namely: 1) valuable resources, 2) rare resources, 3) inimitable (imperfectly imitable resources), and 4) cannot be strategically equivalent substitutes (non-constitutability) (Barney, 1991). Human resources capable of

having a sustainable competitive advantage are resources that are able to provide positive performance values for the company. Knowledge management as one of the organization's internal resources that can produce competitive advantage, so that it has a positive impact on company performance.

The comes about of this consider back past investigate conducted by Mzoughi *et al.* (2008) which state 10 hat competitive advantage can improve business performance. Ismail *et al.* (2010) found that competitive advantage had a significant effect on organizational performance in manufacturing companies in Malaysia based on firm age. Kamukama *et al.* (2011) also states that competitive advantage can improve business performance in microfinance institutions in Uganda. Competitive advantage can produce customer retention, building relationships, and satisfaction which results in better company performance (Kamboj & Rahman, 2017).

Based on the comes about of information examination, it is known that competitive advantage intercedes essentially the impact of knowledge management on the business performance of silver make SMEs business visionaries in Gianyar Regency. Given that knowledge management straight forwardly has no noteworthy impact on business performance, this relationship is full mediation.

The comes about of this think about back past investigate conducted by Kamboj & Rahman (2017) expressing that showcasing capabilities are fundamental for the improvement and imple-mentation of promoting procedures, which empower companies to realize client excellence with respect to client maintenance, relationship building, and fulfillment which comes about in more corporate execution great. A 10 t clarified by Majeed (2011) that the competence or knowledge of the managers will be able to make a competitive advantage of the company and its execution, where these focal points lead the company to attain high profit.

These results indicate that optimizing knowledge will be able to produce products that are competitive. Competitive products can be viewed in terms of efficiency, item uniqueness, item quality, competitive costs, and item adaptability. Full mediation shows the important role of competitive advantage as a mediator. Visionary silver entrepreneurs will certainly be oriented to produce products that 36 ve competitiveness in the market, as well as strive to produce products quickly and be able to adapt according to the wants and needs of the market. The ability of silver craft SMEs businesses to produce unique products in terms of design and form is inseparable from the role of knowledge possessed by business actors. To produce a unique and quality product design, practice is required routinely and continuously. When the product has a competitive advantage, it will certainly improve business performance, because it can be accepted by the market.

CONCLUSIONS

Based on the results of the study, it is be concluded that knowledge management in silver craft SMEs in Gianyar Regency turned out to have a significant positive effect on the innovation of silver craft SMEs in Gianyar Regency. The knowledge sharing dimension is the most dominant predictor reflecting knowledge management variables. Knowledge sharing that occurs between employees or with leaders will certainly facilitate employees in completing ordered products, because they get new ideas about the process and products according to the desired product orders. The development of new ideas will

certainly bring about a good process or product innovation for silver craft SMEs in Gianyar Regency.

Knowledge management in the silver craft SMEs in Gianyar Regency proved to have a significant positive effect on the competitive advantage of the silver craft SMEs in Gianyar Regency. The quality dimension is a dominant dimension that strongly reflects competitive advantage compared to other dimensions. Silver handicraft products are high value products, so excellence in quality both in terms of quality or product durability, and the appearance of attractive products, and the compatibility between design and material are important for the customer. To be able to produce a quality product requir good ideas, ideas and knowledge.

Competitive advantage has a positive and significant effect on business performance in silver craft SMEs in Gianyar the gency. That means silver craft SMEs that have superior competitiveness are certainly able to improve the company's business 2 erformance. Silver craft SMEs capable of creating items at reasonable costs, solid item quality, and in understanding with client orders/desires, will certainly deliver fulfillment to clients, so that these conditions will increment the

Competitive advantage significantly mediates the effect of knowledge management on the business performance of silver craft SMEs business in Gianyar Regency. It turns out that the competitive advantage possessed by the silver craft SMEs in Gianyar Regency is able to fully mediate the relationship between knowledge management and business performance. The ideal execution of information will be able to create items that are competitive in terms of productivity, item uniqueness, item quality, competitive costs, and item adaptability. When the product has a competitive advantage, it will certainly improve business performance, because it can be accepted by the market.

The silver craft SMEs is expected to further enhance knowledge management has avior, including by increasing knowledge sharing by participating in exhibition events at the local, national and international levels. In addition, business players in silver craft SMEs need to improve training for employees or new craftsmen in terms of design, quality, and technology in production process, so as to produce regeneration of silver craftsmen who have superior competitiveness. Regarding the competitive advantage of silver craft SMEs businessmen it is expected that they always create products that have competitiveness, in terms of efficiency, uniqueness, quality and price. In addition, business actors must always pay attention to market tastes. The silver craft SMEs businessmen to find out and register their intellectual property rights for their products are mainly creativity-based products with ever-changing innovations, because that is one of the important forms of protection today.

This research is only limited to one type of creative industry that has a character not the same as other types of industries, so it cannot be generalized to other industries. In addition, the assessment of business performance in this study was assessed through perception, not through financial ratios. This is because the characteristics of the silver handicraft SMEs business are mostly in the scale of small businesses that do not have detailed records of business performance. This study only captures conditions in one time period, so it is necessary to consider time periods in a longitudinal manner. This study also did not include the knowledge absorption variable, therefore further research

could include the knowledge absorption variable in research models related to knowledge maggement.

Given the findings of this study that the role of knowledge management is relatively small in relation to other variables, further research needs to be considered to examine other variables related to SMEs as exogenous variables that influence innovation and company size, company age, SME type, process type, tec 33 logy type, as control variables. The construction of this research variable is arranged based on various results of further research, so that it can be used as a reference for further research.

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