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ABSTRACT

Objective: The objective of this article is to analyse 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 variable: knowledge management, competitive advantage, and business performance.

AUTHORS

Wijaya, Putu Yudy; Suasih, Ni Nyoman Reni

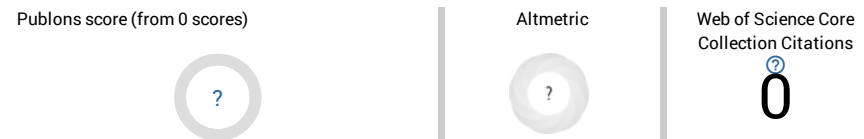
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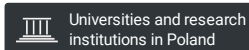
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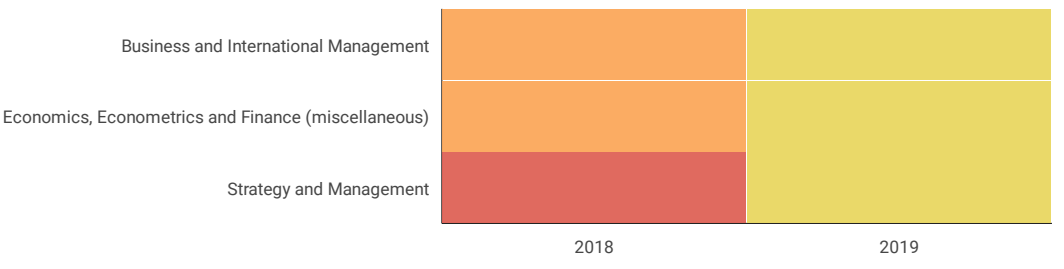
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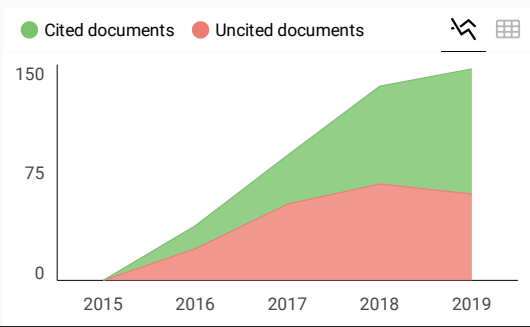
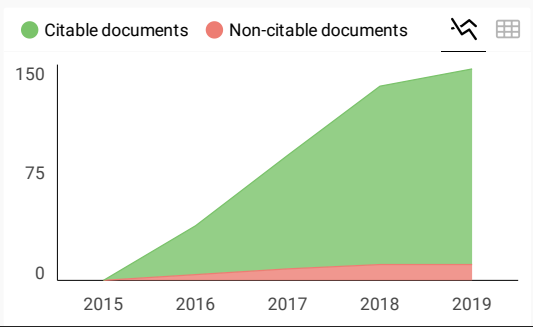
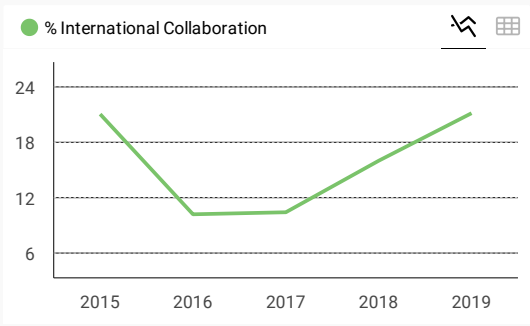
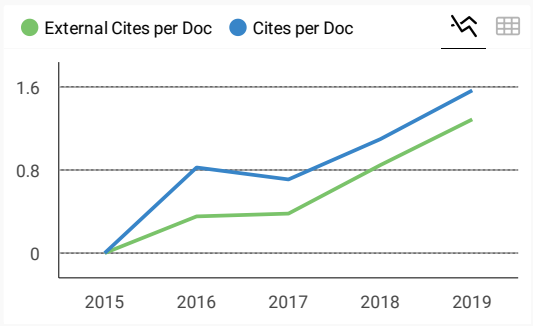
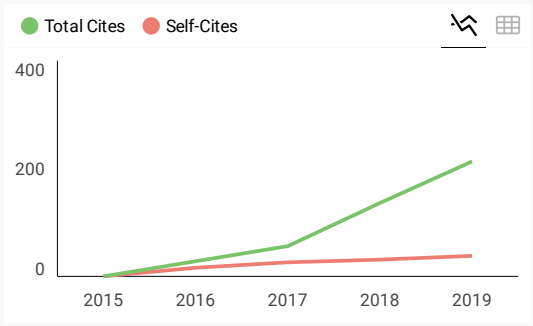
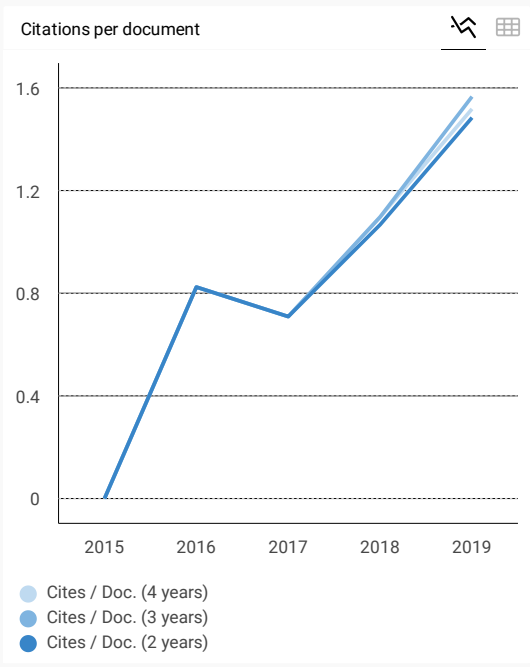
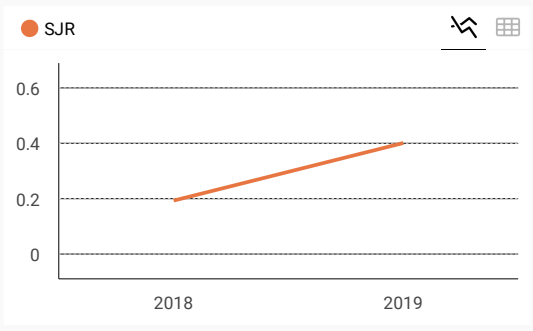
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The Effect of Knowledge Management on Competitive Advantage and Business Performance: A Study of Silver Craft SMEs

Putu Yudy Wijaya, Ni Nyoman Reni Suasih

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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 & Methods: 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 that 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

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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 products are 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 ornaments in Bali Territory comes from the silver workmanship industry. The head of Industry and Trade Office of Bali Province said that from the value of Bali silver handicraft exports during 2012-2018 has experienced a downward trend. The results 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 on 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, transfer, store, share, and apply knowledge related to culture and business strategy (Aurubaiee *et al.*, 2015; Byukusenge *et al.*, 2016). Human resources or knowledge management is one source that is able to create sustainable competitive advantages (Kamya *et al.*, 2010; Kaveh *et al.*, 2015). Experience, intelligence, and

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

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

65 A few investigate comes about state that knowledge management has been consid-
66 ered a key figure in business performance since it relates to diverse assets so that it can
67 offer assistance decision-makers in numerous ways (Alrubaiee *et al.*, 2015; Carneiro,
68 2000; Goel & Rich, 1997; Keen, 1991). Knowledge management has a direct and significant
69 impact on the performance of both financial and non-financial businesses (Al-Sa'di
70 *et al.*, 2017; Migdadi *et al.*, 2017; Oztekin *et al.*, 2015; Sarkindaji *et al.*, 2014). Knowledge
71 is always needed in business, as information to understand the condition of customers,
72 suppliers, employees, competitors, and the entrepreneurial environment in order to
73 have competitiveness (Byukusenge *et al.*, 2016).

74 Today the business faces intense competition among business people and risks los-
75 ing customers easily. This is because business people do not understand and respond to
76 rapidly changing market trends. The role of knowledge is needed to change the business
77 era to move to knowledge management practices (Ha *et al.*, 2016).

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

86 This research place knowledge management as the only exogenous variable, so that
87 its effectiveness on business performance can be known, especially in the creative indus-
88 tries. Creative industries have different characteristics from other industries, where the
89 creative industries use creativity that comes from knowledge as the main factor in creat-
90 ing products. Therefore, research on knowledge management is very necessary and
91 original.

92 Research on knowledge management is indeed not much, but now it has begun to
93 be developed. When compared with previous research, this study tries to map the ef-
94 fects of knowledge management on the creative industry (silver crafts) on competitive
95 advantage and performance. Even this research uses financial and non-financial aspects
96 to measure business performance. Abu-Jarad *et al.* (2010) expressed that an organiza-
97 tion's commerce execution is the organization's capacity to realize its objectives and
98 goals utilizing financial, productive and viable assets.

99 This study aims to explore the factors that influence knowledge management to cre-
100 ate competitive advantage and corporate performance in silver handicraft SMEs in Gian-
101 yar 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 performance³ By receiving a resource-based view (RBV) as an establishment hypothesis and 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.

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LITERATURE REVIEW

Based on some empirical evidence of knowledge management¹ ²² a positive and significant effect on competitive advantage (Adams & Lamont, 2003; Kamyra *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 environment³⁰ so that the business wants to remain competitive (Byukusenge *et al.*, 2016). Several studies have been conducted on the role⁵ of knowledge management on business performance, including ²¹ those 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 great⁵ knowledge management procedures. ⁴

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 previous²⁵ studies 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.

142

143 These empirical results allowed to assume the following research hypotheses:

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

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

154 These empirical results allowed to assume the following research hypotheses:

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

155 Competitive advantage is able to explain the mediating relationship between the ef-
156 fect of quality on organizational performance (Lakhal, 2009). The usage of a quality ap-
157 proach can give an organizational competitive advantage in terms of taken a toll, unwa-
158 vering quality, development, and time-to-market measurements. The higher level of
159 competitive advantage compared to competitors will certainly cause organizational per-
160 formance to increase. The results of the same study were also stated by Kamboj & Rah-
161 man (2017) explaining that competitive advantage is capable of being a partial mediation
162 between the effect of the relationship of marketing capabilities on company perfor-
163 mance.

164 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.

165 MATERIAL AND METHODS

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

170 This research stage includes the following stages: (1) compiling a research gap; (2)
171 setting goals; (3) developing a conceptual framework and hypothesis; (4) determine the
172 research method; (5) compile and test the instrument; (6) collecting data; (7) analyzing
173 data; (8) interpret the results and test hypotheses; (9) compile conclusions and recom-
174 mendations. The process of collecting data uses a perceptual approach to facilitate
175 measurement. In the early stages of the study carried out a preliminary study which was
176 then followed by the distribution of questionnaires compiled based on the literature
177 review. The results of the research obtained were then analyzed to test the research
178 hypothesis using quantitative analysis.

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Population, Sample, and Data Collection

183 Gianyar Regency is the centre of the silver handicraft industry in the Province of Bali, so
 184 this research was conducted on silver craft SMEs in Gianyar Regency. The research sub-
 185 jects were entrepreneurs in the small and medium industry (SMEs), especially silver
 186 handicraftsmen who are currently the leading exports in Gianyar Regency.

187 Based on data from the Industry Office of Gianyar Regency in 2017 there were 235
 188 business units of silver craft SMEs in Indonesia, especially in Gianyar Regency as popula-
 189 tions. Determination of the number of samples in this study using the formula Issac
 190 and Michael (level of significant 0.05) to obtain a total sample of 146 business units of
 191 silver craft SMEs in Gianyar Regency. Then the simple random sampling technique is
 192 used, wherein the sample is taken randomly.

193

Measures

194 The construction of latent variable constructs of knowledge management, competitive
 195 advantage, and business performance is often a polemic for many researchers. To con-
 196 struct a variable construction, it is necessary to study various concepts, previous re-
 197 search, and adapt it to the conditions of the research object. This construction is used as
 198 the basis for the preparation of the questionnaire which is the research instrument. This
 199 research instrument has met the validity test criteria with product moment correlation
 200 (Pearson correlation) and reliability test with Cronbach's Alpha. All of the measures are
 201 based on five-point Likert scales. Knowledge management variables are exogenous vari-
 202 ables, while business performance variables are endogenous variables, and competitive
 203 advantage variables are mediator variables. In detail, the dimensions and indicators of
 204 each variable are presented in Table 1.

205

Table 1. Operational Definition of Variables

Variable	Dimension	Indicator
Knowledge management (X)	Knowledge acquisition (X1)	<ul style="list-style-type: none"> Knowledge from employees (X11) Training for employees (X12)
	Knowledge sharing (X2)	<ul style="list-style-type: none"> Information sharing (X21) Developing of new ideas (X22)
	Knowledge application (X3)	<ul style="list-style-type: none"> Knowledge practical (X31) Management of knowledge and resources (X32)
(References: Al-Sa'di <i>et al.</i> , 2017; Alrubaiee, L, Hanandeh & Ali, 2015; Byukusenge <i>et al.</i> , 2016; Darroch & Mcnaughton, 2002; Huang & Li, 2009; Kamyra <i>et al.</i> , 2010; Kumarawadu, 2008; Migdadi <i>et al.</i> , 2017; Obeidat <i>et al.</i> , 2016; Oztekin <i>et al.</i> , 2015; B D Sarkindaji <i>et al.</i> , 2014; C. L. Wang <i>et al.</i> , 2009)		
Competitive advantage (Y)	Efficiency (Y1)	<ul style="list-style-type: none"> Cost efficiency (Y11) Productivity (Y12)
	Product uniqueness (Y2)	<ul style="list-style-type: none"> Product shape (Y21) Product design (Y22)
	Quality (Y3)	<ul style="list-style-type: none"> Product quality (Y31) Product display (Y32)

	Competitive price (Y4)	<ul style="list-style-type: none"> • Product price (Y41) • Price comparison (Y42)
	Flexibility (Y5)	<ul style="list-style-type: none"> • Product variants (Y51) • Product adaptation (Y52)
(References: Apak & Atay, 2014; Aziz & Samad, 2016; Chiou <i>et al.</i> , 2011; Diab, 2013; Ismail <i>et al.</i> , 2010; Kumarawadu, 2009; Kuncoro and Suriani, 2018; Rahman & Ramli, 2014; Sachitra, 2016; Ward <i>et al.</i> , 1998; Wijaya <i>et al.</i> , 2019)		
Business performance (Z)	Financial (Z1)	<ul style="list-style-type: none"> • Liquidity (Z11) • Profitability (Z12)
	Customer (Z2)	<ul style="list-style-type: none"> • Number of customers (Z21) • Customer satisfaction (Z22)
	Operational (Z3)	<ul style="list-style-type: none"> • Product operations (Z31) • Operational management (Z32)
	Learning and growth (Z4)	<ul style="list-style-type: none"> • Learning for employees (Z41) • Employees satisfaction (Z42)
(References: Al-Sa'di <i>et al.</i> , 2017; Alrubaiee <i>et al.</i> , 2015; Byukusenge <i>et al.</i> , 2016; Ha <i>et al.</i> , 2016; Kamboj & Rahman, 2017; Kipasha, 2013; Kuhl <i>et al.</i> , 2016; Migdadi <i>et al.</i> , 2017; Oztekin <i>et al.</i> , 2015; Kindaji <i>et al.</i> , 2014; Tseng & Lee, 2014; Valmohammadi & Ahmadi, 2015; Wang & Wang, 2012; Yousif Al-Hakim & Hassan, 2013; Yusof & Bakar, 2012; Wijaya <i>et al.</i> , 2019)		

206 Source: Article mapping by authors (2018)

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Statistical Methods

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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.

222

RESULTS AND DISCUSSION

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Results of Outer and Inner Model Testing

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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.

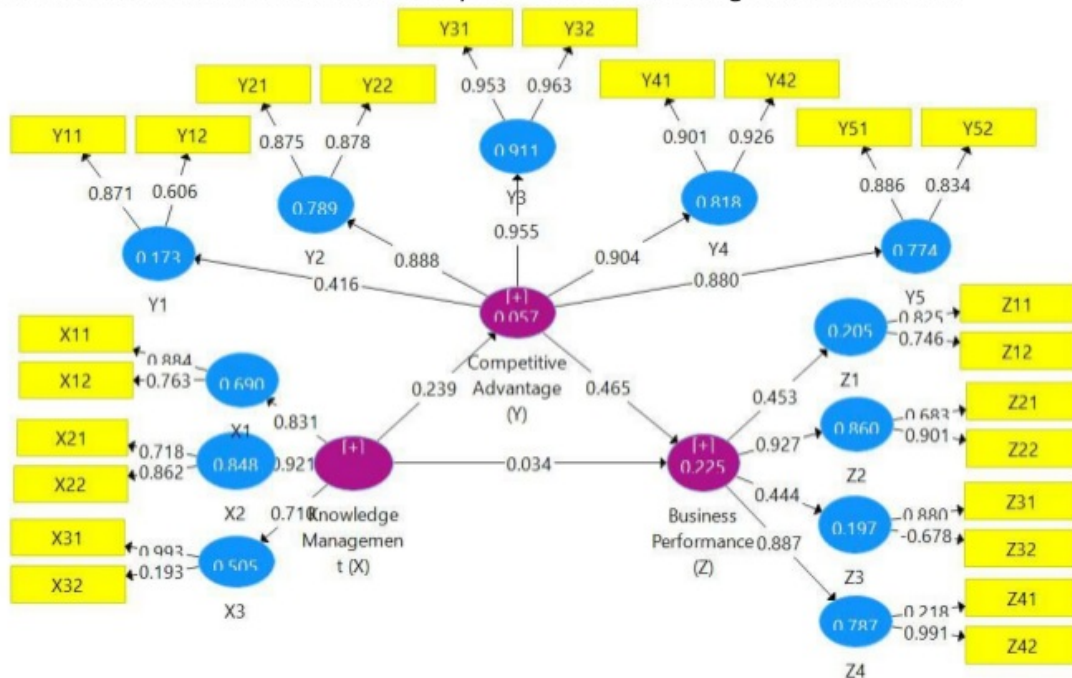
The SEM-PLS investigation procedure is carried out two stages of investigation, specifically: testing the external demonstrate and internal demonstrate. External show testing points to test the legitimacy and reliability of pointers in building measurements, as

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

233

234 27 Outer Model Testing

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



237 **Figure 1. Outer model before elimination the invalid indicators**

238 Source: Output of SmartPLS (2019)

239

240
 241 Indicators that do not meet the testing criteria for outer model are indicators of
 242 knowledge and resource management (X32) in the knowledge management variable (X),
 243 as well as indicators (Z32) and (Z41) in the business performance (Z) variable. Then the
 244 three indicators are eliminated from the model and the outer model is tested again.

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

248 Inner Model Testing

249 The following step is to test the internal demonstrate by considering the R-square es-
 250 teem (R²) on endogenous factors (trade execution). The comes about of information
 251 investigation appear that the R-square esteem is 0.220, which suggests that 22.0% of the
 252 variety within the commerce execution of silver craftsmanship SMEs in Gianyar Rule can
 253 be clarified by information administration and competitive advantage. The remaining
 254 78% is clarified by other variable exterior the research model.

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

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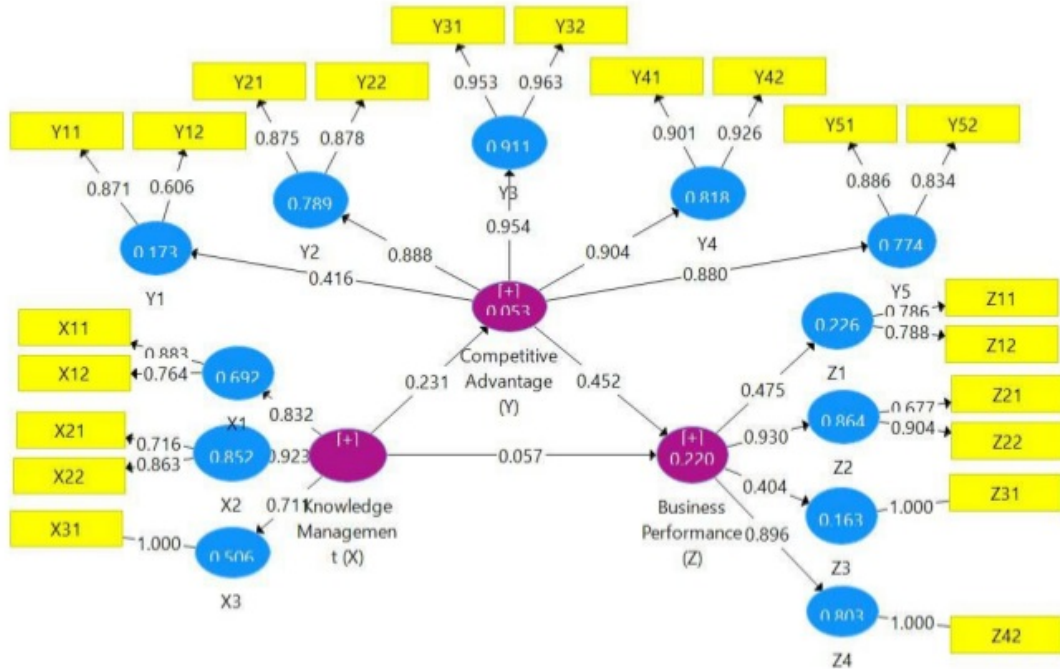


Figure 2. Outer model (after elimination the invalid indicators)

Source: Output of SmartPLS (2019)

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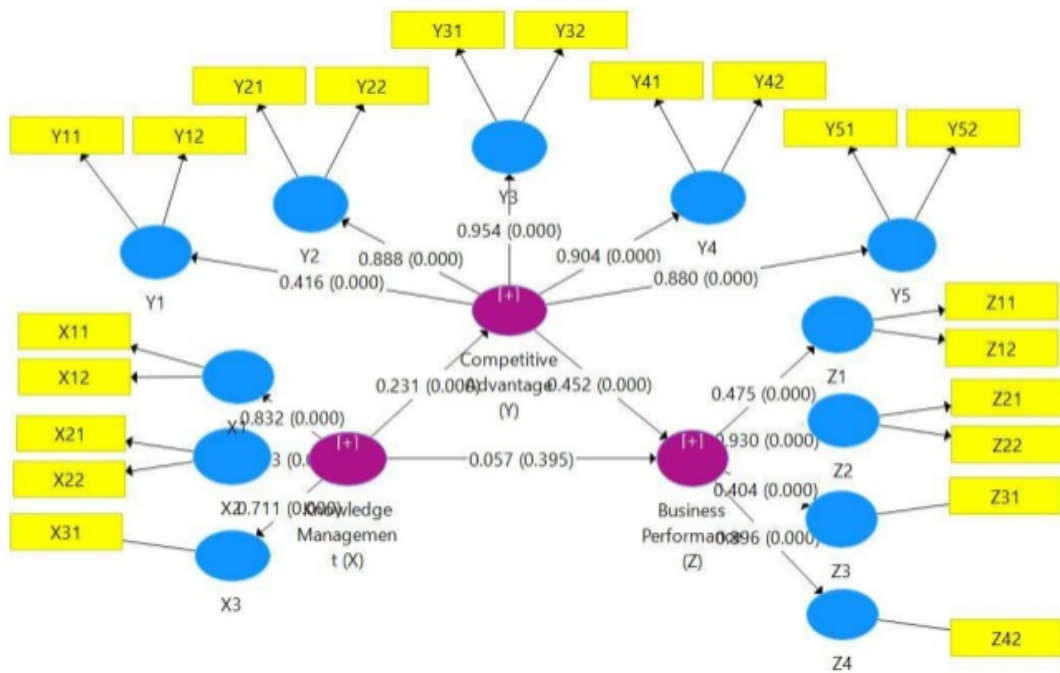


Figure 3. Inner model

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Source: Output of SmartPLS (2019)

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

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

272 Source: Output of SmartPLS (2018)

273

274 Figure 3 and Table 2 show the results of data analysis that knowledge management
 275 directly has a positive and significant effect on competitive advantage (p-value 0,000
 276 <0.05). While knowledge management directly turns out to have no significant effect on
 277 business performance (p-value 0.395 > 0.05). Competitive advantage directly has a posi-
 278 tive and significant effect on business performance (p-value 0,000 <0.05). Likewise the
 279 influence of knowledge management indirectly on business performance through com-
 280 petitive advantage is positive and significant (p-value 0.014 <0.05). Given that the direct
 281 effect of knowledge management on business performance is not significant, the indirect
 282 effect of knowledge management on business performance through competitive ad-
 283 vantage is full mediation.

284

285

Discussion

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

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

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

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

311 The results of this study support previous studies by Carneiro (2000) and Kamy et
 312 al. (2010); Kaveh et al. (2015). Knowledge management must be able to combine ad-
 313 vancement endeavors, IT overhauls, and knowledge advancement to attain a set of ca-
 314 pabilities to make strides competitiveness. Knowledge management has been considered
 315 as a key figure in organizational execution, since it is related with distinctive assets that
 316 can offer assistance choice producers in numerous ways (Carneiro, 2000).

317 The capacity of silver craft SMEs businesses convey things that have competitive-
 318 ness, quality, uniqueness, taken a toll, and thing flexibility will certainly be able to com-
 319 pete inside the promote. Things that are one of a kind both in arrange and outline will
 320 certainly be in ask by clients. The capacity of silver craft SMEs players to convey things
 321 at reasonable costs, able to compete with competitors, intense thing quality, and in
 322 understanding with client orders/desires, will certainly allow fulfillment to clients, so that
 323 these conditions will increase bargaining and exhibit share.

324 The results of this study contradict previous studies which have consistently sup-
 325 ported significant and positive influence between knowledge management on SMEs
 326 business performance. The research results from Alrubaiee et al. (2015), Al-Sa'di et al.
 327 (2017), Migdadi et al. (2017) found that companies with more knowledge management
 328 have higher performance.

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

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

344 having a sustainable competitive advantage are resources that are able to provide posi-
345 tive performance values for the company. Knowledge management as one of the organi-
346 zation's internal resources that can produce competitive advantage, so that it has a posi-
347 tive impact on company performance.

348 The comes about of this consider back past investigate conducted by Mzoughi *et al.*
349 (2008) which state¹⁰ that competitive advantage can improve business performance.
350 Ismail *et al.* (2010) found that competitive advantage had a significant effect on organi-
351 zational performance in manufacturing companies in Malaysia based on firm age.
352 Kamukama *et al.* (2011) also states that competitive advantage can improve business
353 performance in microfinance institutions in Uganda. Competitive advantage can produce
354 customer retention, building relationships, and satisfaction which results in better com-
355 pany performance (Kamboj & Rahman, 2017).

356 Based on the comes about of information examination, it is known t¹¹ that competitive
357 advantage intercedes essentially the impact of knowledge management on the business
358 performance of silver make SMEs business visionaries in Gianyar Regency. Given that
359 knowledge management straight forwardly has no noteworthy impact on business per-
360 formance, this relationship is full mediation.

361 The comes about of this think about back past investigate conducted by Kamboj &
362 Rahman (2017) expressing that showcasing capabilities are fundamental for the im-
363 provement and imple-mentation of promoting procedures, which empower companies
364 to realize client excellence with respect to client maintenance, relationship building, and
365 fulfillment which comes about in more corporate execution great. A¹⁰ clarified by
366 Majeed (2011) that the competence or knowledge of the managers will be able to make
367 a competitive advantage of the company and its execution, where these focal points lead
368 the company to attain high profit.

369 These results indicate that optimizing knowledge will be able to produce products
370 that are competitive. Competitive products can be viewed in terms of efficiency, item
371 uniqueness, item quality, competitive costs, and item adaptability. Full mediation shows
372 the important role of competitive advantage as a mediator. Visionary silver entrepre-
373 neurs will certainly be oriented to produce products that³⁶ ve competitiveness in the
374 market, as well as strive to produce pro²ducts quickly and be able to adapt according to
375 the wants and needs of the market. The ability of silver craft SMEs businesses to produce
376 unique products in terms of design and form is inseparable from the role of knowledge
377 possessed by business actors. To produce a unique and quality product design, practice is
378 required routinely and continuously. When the product has a competitive advantage, it
379 will certainly improve business performance, because it can be accepted by the market.

380

¹ CONCLUSIONS ²

381 Based on the results of the study, it ¹ can be concluded that knowledge management in
382 silver craft SMEs in Gianyar Regency turned out to have a significant positive effect on
383 the innovation of silver craft SMEs in Gianyar Regency. The knowledge sharing dimension
384 is the most dominant predictor reflecting knowledge management variables. Knowledge
385 sharing that occurs between employees or with leaders will certainly facilitate employ-
386 ees in completing ordered products, because they get new ideas about the process and
387 products according to the desired product orders. The development of new ideas will

388 certainly bring about a good process or product innovation for silver craft SMEs in Gian-
389 yar Regency. ² ¹

390 Knowledge management in the silver craft SMEs in Gianyar Regency proved to have
391 a significant positive effect on the competitive advantage of the silver craft SMEs in
392 Gianyar Regency. The quality dimension is a dominant dimension that strongly reflects
393 competitive advantage compared to other dimensions. Silver handicraft products are
394 high value products, so excellence in quality both in terms of quality or product durabil-
395 ity, and the appearance of attractive products, and the compatibility between design and
396 material are important for the customer. To be able to produce a quality product re-
397 quire ² good ideas, ideas and knowledge.

398 Competitive advantage has a positive and significant effect on business performance
399 in silver craft SMEs in Gianyar Regency. That means silver craft SMEs that have superior
400 competitiveness are certainly able to improve the company's business ² performance.
401 Silver craft SMEs capable of creating items at reasonable costs, solid item quality, and in
402 understanding with client orders/desires, will certainly deliver fulfillment to clients, so
403 that these conditions will increment the ¹⁶ item of deals.

404 ² Competitive advantage significantly mediates the effect of knowledge management
405 on the business performance of silver craft SMEs business in Gianyar Regency. It turns
406 out that the competitive advantage ¹⁶ possessed by the silver craft SMEs in Gianyar Regen-
407 cy is able to fully mediate the relationship between knowledge management and busi-
408 ness performance. The ideal execution of information will be able to create items that
409 are competitive in terms of productivity, item uniqueness, item quality, competitive
410 costs, and item adaptability. When the product has a competitive advantage, it will cer-
411 tainly improve business performance, because it can be accepted by the market.

412 The silver craft SMEs is expected to further enhance knowledge management ³⁵ av-
413 ior, including by increasing knowledge sharing by participating in exhibition events at the
414 local, national and international levels. In addition, business players in silver craft SMEs
415 need to improve training for employees or new craftsmen in terms of design, quality,
416 and technology in production process, so as to produce regeneration of silver craftsmen
417 who have superior competitiveness. Regarding the competitive advantage of silver craft
418 SMEs businessmen it is expected that they always create products that have competi-
419 tiveness, in terms of efficiency, uniqueness, quality and price. In addition, business actors
420 must always pay attention to market tastes. The silver craft SMEs businessmen to find
421 out and register their intellectual property rights for their products are mainly creativity-
422 based products with ever-changing innovations, because that is one of the important
423 forms of protection today.

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

432 could include the knowledge absorption variable in research models related to
433 knowledge management.

434 Given the findings of this study that the role of knowledge management is relatively
435 small in relation to other variables, further research needs to be considered to examine
436 other variables related to SMEs as exogenous variables that influence innovation and
437 competitiveness. Future studies need to consider industry classifications based on com-
438 pany size, company age, SME type, process type, technology type, as control variables.
439 The construction of this research variable is arranged based on various results of further
440 research, so that it can be used as a reference for further research.

441

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