
**KNOWLEDGE MANAGEMENT ENCOURAGING INNOVATION IN
SMEs' SECTOR THROUGH ACCELERATION REAL BUSINESS
SOLUTION (RBS) TOWARDS BUSINESS PERFORMANCE**

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Abstract

Purpose, this study, aims to exam in the impact of knowledge management on innovation.. Based on a reiew of the literarture was to explore the role of knowledge management in encouraging innovation in SMEs. Therefore, knowledge management is a necessity and also a system in a company. Knowledge management has become one of the sources of competitive advantage and contributes to the company maintaining the company's position in the context of increasing competition. In order to create new knowledge those accelerate the process of innovation, because innovation capabilities become increasingly important at this time because the process of innovation is an attempt for the company to improve business performance and growth of the company. As for implementation of knowledge management through activity called real business solution (RBS) based on the synergy between knowledge creation and corporate entrepreneurship will potentially deliver multiple results.

Keywords: Business performance; RBS; Knowledge management; Corporate entrepreneurship; Knowledge creation.

Introduction

In the framework of globalization are continuous rolling it will be a challenge for some countries, especially in Asia which deal with the AEC (Asian Economic Community) in 2015, How the company faces a challenge to facilitate the?, Then the answer to the question the question is the reason why knowledge management needed, while for companies classified as learning organizations, the knowledge management has become a necessity. The reality much has been in SMEs of knowledge management and also innovation perspective (Beesley & Cooper, 2008; Hussain et al., 2010). Needs of the enterprise knowledge management has been emphasized by Nonaka and Takeuchi (1995), who said that "in the economy when the only thing that is certain is uncertainty, the source of which is sure to create lasting competitive advantage is knowledge. Successful companies are those that are able to create new knowledge, distribute it to all the individuals in the organization and quickly use it to create new products and technologies. If in a dynamic business environment, companies are successful is a bold act differently from other companies. This company will always seek the emergence of new ideas better through a process of continuous learning and courage. Knowledge has become a source of competitive advantage and the company plays an important role maintaining the company's position in the context of increasing competition. Therefore, knowledge creation and knowledge allotment is inevitable for SMEs to compete in environment fluctuation (Damanpour & Aravind, 2012; Kim & Lui, 2015). Thus the ability of innovation is

becoming increasingly important nowadays because it is believed the process of innovation as an engine of development and growth of the company. However, innovation does not just show up without an active effort from the company. There are as innovation precursor of empirical study have been conducted on knowledge management ([Plessis, 2007](#); [Chilton & Bloodgood, 2010](#))

Then, it has also been revealed to uncover the knowledge allotment practices of SMEs ([Chen et al., 2016](#); [Tether & Tajar, 2008](#); [Ferraris et al., 2017](#); [Scuotto et al., 2017](#); [Vrontis et al., 2017](#)) and according to [Bonte & Keilbach \(2005\)](#), beside that importantly, there is a little attention for discover informal about knowledge allotment among SMEs .

Knowledge Management

Definitions of knowledge management are different with reason and and what they propose ([Greiner et al., 2007](#)). [Gloet and Terziowski \(2004\)](#), reflected knowledge management as acceptance and formalization of knowledge, facilitate advanced performance, and inspire innovation with increase on customer needed. According to [Viitala \(2004\)](#) knowledge management is one very interesting topic at the moment, so many companies began to manage knowledge in organizations, since knowledge is known as an important resource in gaining *sustaining competitive advantage* ([Heeseok & Byounggu, 2003](#); [DeTienne & Jackson, 2001](#); [Staples et. al., 2001](#); [Meso & Smith, 2000](#)). According to [Wulantika \(2012\)](#) that Knowledge Management (KM) is the organization's activities in managing knowledge as an asset, which in many existing distribution strategy is well founded knowledge to people who treat and in a short time, until they can interact with each other, and apply knowledge in a variety of daily work in order to enhance organizational performance. Various academics and business practitioners began to try to grow and develop management knowledge through research and application in business practices.

This study is based on the opinions about the definition of knowledge management [Groff and Jones \(2003\)](#), [Wigg \(1999\)](#), [Tiwana \(2002\)](#) and [Groff and Jones \(2003\)](#) suggested that the definition of knowledge management, "is taken as knowledge management tools, techniques and strategies to retain, analyze, organize, improve and share business expertise. "Knowledge management is the tools, techniques, strategies to store, analyze, organize, enhance and share business experiences. According to [Wigg in Liebowitz \(1999\)](#), "KM is the systematic, explicit and deliberate building, renewal and application of knowledge to maximize an enterprise's knowledge-related effectiveness and returns from its knowledge assets." Knowledge management is the development of a systematic, slow, renewal and application of knowledge to maximize the effectiveness of the company's knowledge and gain knowledge assets. Knowledge Management is dynamic and diverse skills that advance the human capital of an organization to be more competitive. ([Sáenz, 2012](#)).

Knowledge Management in the organization must adapt to the existing processes with the aim of each department. According to Triadjati in [Sugandi \(2010\)](#), knowledge management is very helpful for the company to reduce the cycle time and increase flexibility is also the ability to adapt.

To facilitate the understanding of knowledge management, knowledge management understanding needs to be known. According to Fernandez and Sabherwal in (Aldi, 2005) defines knowledge as a result of reflection and experience of a person, so that knowledge is always held by an individual or group. Knowledge inherent in the language, rules and procedures, and concepts. Knowledge has long been important to organizations as they strive to gain and maintain a competitive advantage according to [Nezafati et.al, 2009](#). It is the major source of economic growth of the country and of the success of individual corporations according to ([Nezafati et.al.,2009](#)).

The personal feelings, intuition, physical experience, body language, and technical instructions (rule of thumbs) are included in this type of tacit knowledge. The difference between tacit knowledge and explicit knowledge. can be see at Table 1.

Table 1: Differences Tacit and Explicit Knowledge

Tacit Knowledge	Explicit Knowledge
Knowledge experience (body skill)	Knowledge of rationality (mind)
Simultaneous knowledge (here and now)	Sequential knowledge (there and then)
Analog knowledge (practice)	Digital knowledge (theory)

Source: [Nonaka and Takeuchi \(1995\)](#)

According to Nonaka and Takeuchi in [Dewi \(2013\)](#), that the company's success in Japan is strongly influenced by the success of the company is implementing knowledge management in it, in the process of transformation, Nataka and Takeuchi model of knowledge conversion consists of four: (a) tacit knowledge to explicit knowledge, then this process is called externalization; (b) tacit knowledge to tacit knowledge, then this process is called Socialization, (c) explicit knowledge to explicit knowledge, then this process is called Combination; and (d) explicit knowledge to tacit knowledge, then this process is called Internalization. Through, knowledge management, organizational identify knowledge that owned and use it to improve performance and produce a variety of innovations.

Innovation

In general, innovation is defined as an idea, practice or object that is considered as something new by an individual or other unit of adoption. Thus, innovation can be seen as an attempt to achieve a certain goal. According to [Widianingsi \(2013\)](#); that innovation is designed in a belief that all something possible, innovators use imagination them to make things that are not possible be possible the idea that brilliant may sound good in the beginning, but required a long journey to bring it up to a final product through a research process. According to [Goh \(2005\)](#),innovation is the process of finding or implement something new into a new situation. Innovation will be realized it is necessary to the management of tacit or explicit knowledge through integration performed accurately called SECI. But this study have shown the significant contribution of

the innovative strategies on customer satisfaction (Chen & Huang, 2007). Therefore, that innovation, must be exploited by carefully can yield optimal of benefits and especially on SMEs (Hussien et al., 2019).. According to Nonaka and Takeuchi (1995) see in Figure 1

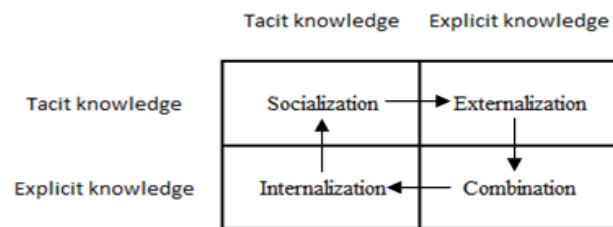


Figure 1. Process SECI

Source: Nonaka and Takeuchi (1995)

Knowledge Creation

According to Supriyadi & Budiahardjo in Febransyah and Napitupulu (2010) suggested that knowledge creation organization is called the organization knowledge creation scale is an organization's overall ability to create new knowledge spread throughout the organization and make it happen in the form of a product, system or service. According to Park (2006), allotment of knowledge is part of knowledge management. The procedure of attaining novelette concepts and learning by doing is sobriqueted creation of knowledge (Saenz et al., 2009)

Socialization, explaining between tacit knowledge sharing, generally without involving the formal things, such as organizational culture sharing between members of the old organization to the new members with the aim of members who are able to adapt to a new organizational culture. A concrete example of tacit to explicit knowledge changes, for example if companies want to implement the use of new machines in the production process, the company sent representatives to learning. Things may be done first is to do the observing, observing, and practicing the machine during training.

Externalizing / articulation, convert tacit knowledge into explicit knowledge typically uses metaphors can be understood together. for example observations, and the observations of the machine barn converted in the form of writing that is easily understood, and can be discussed with colleagues.

Internalization, change explicit knowledge to the tacit knowledge. jargon is the most popular to explain the internalization of learning by doing. for example with experience can operate the machine bare improve understanding tacit knowledge.

Combination, combining inter explicit knowledge held by individuals another with the explicit knowledge that belongs to oneself concrete example is that business schools MBA, and MM. For example, that more people who can take advantage of the machine was made standard operating procedures or the use of the user guide for more people to learn.

Corporate Entrepreneurship

Literature review of corporate entrepreneurship Represents a challenging task: its tends to be study at different levels within organizations, and different perspectives based on the outcome of the entrepreneurial process. According to Ireland et. Al. (2006) and Timmons and Spinelli, (2003) is the process of identifying opportunities and making value added through innovation without depending on the resources they have today, which is carried out in a well-established company. Knowledge creation and corporate entrepreneurship will be able to raise the performance and growth of the company if it is integrated both will create synergies that deliver multiple results.

Real Business Solution (RBS)

RBS is one of the courses is available in the Postgraduate of Entrepreneurship in Universitas Surabaya. The study program is designed to produce graduates who are able to perform start-up, scale-up business and sustainable in the business world, and also equip students with entrepreneurial mindset to support his career. The learning process is to do a company visit and activities designed for specifically for the semester 1-3 and each semester 6 times a visit .While the materials or the agenda of visits to institutions or companies have previously been communicated to the institution or company, especially to top management and also include a rundown of the agenda.

Visit Agenda:

1. Presentation of the company profile and the existing problems within the company
2. Field visits and conduct observations and questions to get a solution.
3. Students discuss in groups to solve problems
- 4 . Presentation of each group, to provide a solution

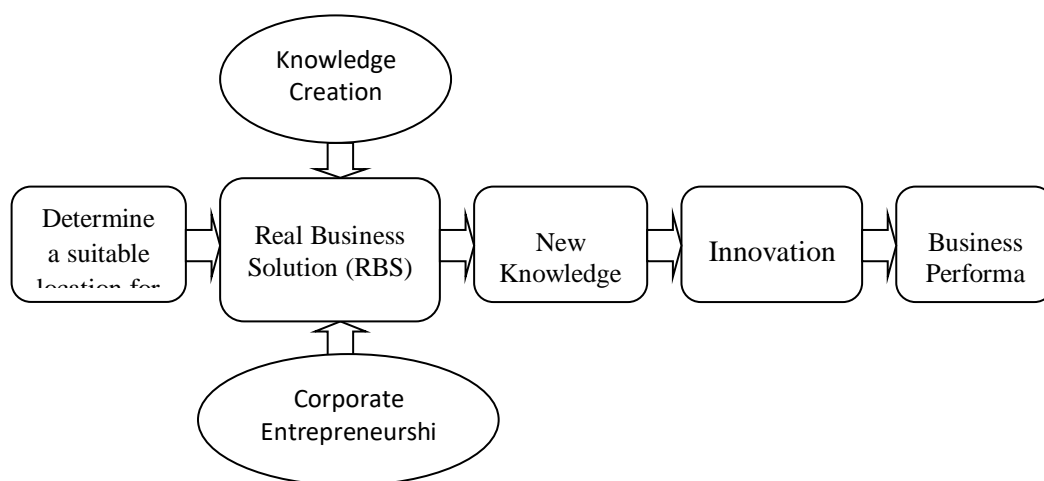


Figure 2 Implications of Innovation in Business Performance

Source: Modification from (Soo et al., 2002)

Based on the best solution among the students agreed with the company, then the students made in detail to the implementation process, see Table 2.

Table 2. Input of RBS materials.

Case study is prepared by company	Case study: obtained when performing RBS
Presentation company profile	Getting input from materials company profile.
Giving students the opportunity to visit the location / department operational	Observation during field visits
Some problems have been prepared and then distributed to students based on group	Some cases may be from observations of current students during the field visit
Provide an opportunity for each group in front of the Manager / Director to provide a solution.	Conducting discussions in front of the Manager / Director to provide solutions
The company received reports from each group to give an assessment.	Students are required to make a report to be submitted to the company group.

Business Performance.

According Natarayan and Shekhar (2001) suggested that the dynamic performance of the business can be achieved through: (a) the business processes that focus on the customer; (b) measurement of good performance; (c) the placement of people in accordance with the role; (d) high quality at lowest price level; and (e) information technology plays an important role.

Business performance can be understood as a medium to measure the results achieved by the company over a period of time. From the assessment of the performance of the business will be known whether the improvement efforts that had been undertaken by the company to bring a positive impact to the company's various companies have different ways - different in measuring business performance. However, the measurement of the performance can basically be classified into two main parts, the measurement of financial performance and measurement of marketing performance (Ferdinand, 2000).

In measuring financial performance can be used two indicators Return on assets (ROA) and Return on Sales (ROS). ROA is the ratio between the net profit earned by the total assets owned by the company. While ROS is the ratio between the net profit earned by the total sales made by companies (Farrell, 2000)

Terms of RBS Task.

1. RBS is obliged to apply as a student.
2. Reports in hard copy collected maximum 1 week after company visit
3. Assessment tasks are performed by the company.
4. Before the task is sent to the company, then the sorting will be done first, if not worthy of being returned to their group to be repaired. If within 2 days the task is not refundable means that the task is accepted.

Benefits for both University or Students and Company**Table 3. Benefits of RBS**

For Company	For University or Student's
Getting a new input as measures for improvement.	For the University has done a link and match between (college and Industry)
Easy to implement	For students got new and valuable knowledge)
New idea and does not require a very long time	Adding competency the student for doing the business.
If you use a consultant is relatively expensive	Adding networking in business
As a promotional tool for the company's most effective through a student with the word of mouth.	There are opportunities for work together to do business

Conclusion

Top management needs to be formulated carefully to develop entrepreneurial will also accelerate the process of innovation. In order for new knowledge creation process can run smoothly then the management needs to be facilitated through a structured and planned program. Emphasizing the importance of knowledge management to realize optimal business performance. Entrepreneurship and knowledge management is a dynamic process and the integrated and requires effort and commitment of the management in the implementation (Zhao, 2005). Integration between entrepreneurship and innovation is very vital for the success of the company

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