

Managerial Competence and Performance of Cimahi SMEs Mediated by Knowledge Management Effectiveness

Aam Rachmat Mulyana^{1*}, R. M. Juddy Prabowo², Sri Hastuti³,
Rahardianto⁴, Khaerul Rizal Abdurahman⁵

Departement of Management, Jenderal Achmad Yani University

ABSTRACT: The purpose of this study is to determine the managerial competence that affects the performance of SMEs with Knowledge Management Effectiveness as a moderating variable. There are indicators, namely Impact and Influence, Achievement Orientation, Teamwork and Cooperation, Analytical Thinking, Initiative, Developing Other, Self Confidence, Directiveness/Assertiveness, Information Seeking, Team Leadership, Conceptual Thinking and the Knowledge Management variable being the moderating variable. While the dependent variable is the performance of SMEs. The sample method used is a purposive sample with a sample size of 75 MSME owners. This study uses the Equation Structure Equation Model with the help of SPSS v.21 and Smart PLS 3. This research method is quantitative, namely conducting a primary data search with the object of research by MSME owners registered in the trade office of SME and industrial cooperatives in the city of Cimahi. Based on the results of the partial study, the variable that has a significant effect is Knowledge Management Effectiveness, while Managerial Competence has no significant effect. Meanwhile, if Knowledge Management Effectiveness is tested as a moderating variable, then Knowledge Management Effectiveness has a moderating effect that weakens, and reduces managerial competence.

Keywords: Managerial Competence, Effectiveness of Knowledge Management, Performance of SMEs

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*Corresponding Author : aam.rachmat@lecture.unjani.ac.id

INTRODUCTION

The presence of the COVID-19 pandemic has brought changes to the world with various challenges that were never imagined before. The COVID-19 virus has hampered economic activity and its impact on the level of social welfare is increasingly felt by the community (smeru.or.id, 2021). One of the impacts, MSMEs experienced a decrease in income and turnover. These financial constraints have an impact on employees/workers, because a decrease in operational activities often ends with a reduction in the number of employees/employees (economy.bisnis.com, 2021).

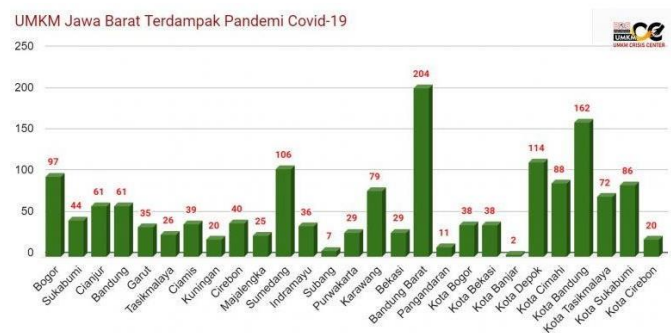


Figure 1. West Java MSMEs Affected by the Covid-19 Pandemic

Source : UMKM Crisis Centre Asosiasi Business Development Services Indonesia (ABDSI) Jawa Barat, 2020

Cimahi City is in 6th place in West Java which has been affected by Covid-19 by 88%. The local government, especially the City of Cimahi, continues to make efforts to strengthen MSMEs again by conducting training and mentoring. The activity was carried out by cooperating with several universities in Cimahi City, one of which was Jenderal Achmad Yani University. The training and assistance is carried out to encourage the competence of business actors or MSME owners to adapt more quickly to the external environment.

Managerial professional competence is directly related to the external environment. In line with changes in the current industrial revolution era, the four future workers need to adjust their skills to maintain employability and benefit from industrial changes (Nikitina and Lapina, 2019). Managers must continually adapt to the changing external environment and be proactive to meet the need to lead a good and growing team. Currently, there are many business actors who have been equipped with knowledge related to this managerial competence, one of which is the Cimahi City Government which fully supports MSME actors to survive during this pandemic. Not only the government takes part in supporting MSME actors but universities, especially in Cimahi, together with lecturers who can simultaneously apply the Tri Dharma of Higher Education, namely Community Service. There is great hope that the performance

of MSMEs can increase, especially in the midst of shocks with the provision of managerial competence of MSME owners. Many factors support the performance of SMEs, this study will examine how much the performance of SMEs after the effectiveness of knowledge management. The knowledge management provided can be through training and mentoring. Based on this background, the researchers conducted this study with the title Managerial Competence and Performance of Cimahi SMEs Mediated by Effectiveness of Knowledge Management.

THEORETICAL REVIEW

Managerial Competence

The competencies required vary from one job to another. Spencer and Spencer (1993) formulate competencies for each field of work, for example technicians and professionals, sales people, helping and human service workers, managers and entrepreneurs. In this research, manager/managerial competency is used. The indicators that a competent manager must possess are as follows: Impact and Influence, Achievement orientation, Teamwork and cooperation, Analytical thinking, Initiative, Developing Other, Self Confidence. Directiveness/ Assertiveness, Information Seeking, Team Leadership, Conceptual Thinking. According to (Bhardwaj & Punia, 2013), the competencies that must be possessed by managers include: communication skills, team-work, proactiveness, vision, self-management, results-orientation, strategy-orientation.

Knowledge Management Effectiveness Definition and Understanding of Knowledge Management

Knowledge management functions to increase the organization's ability to learn from its environment and combine knowledge within an organization to create, collect, maintain, and disseminate organizational knowledge (Laudon in Zafar, 2009). Knowledge management has an important supporting function in coordinating mechanisms to increase the conversion from resources to capabilities (Al-Tahat and AlShoubaki in Al-Refaie and Al-Tahat, 2015). Knowledge management encapsulates the acquisition, clarification, and communication of professional opinions for organizational knowledge (Nurluoz and Birol, 2011). Knowledge management helps to develop a knowledge-based culture that supports the development of innovation (Nawab et al., 2015).

Knowledge Management Process and Stages

Knowledge can be divided into two types (Amriani, 2014) namely Tacit knowledge; namely knowledge in the form of know-how, based on one's

experience, ability, and understanding of a problem and explicit knowledge; namely knowledge that is written, archived, distributed (printed and electronic), and can be used as learning material for others. Management of explicit knowledge is easier because it has been printed in the form of books, blogs, or stored documentation, while managing tacit knowledge is more difficult because it is still stored in the minds of some people.

There are three basic processes in the application of knowledge management (Liebowitz in Amriani, 2014): First, Knowledge Creation Ikujiro Nonaka has created a SECI formulation which explains that tacit knowledge and explicit knowledge can be converted through the Socialization process, namely a sharing process created based on direct interaction and experience. causes the transfer from tacit knowledge to tacit knowledge. Example: Conversations in meetings or discussions, Externalization is a knowledge transfer process based on dialogue and reflection, causing the articulation of tacit knowledge to become explicit knowledge. Example: Writing minutes of meetings, books, magazines, journals, Combination, which is a knowledge transfer process based on the conversion of explicit knowledge into new explicit knowledge through systemization and application of explicit knowledge. Example: Summarizing articles, books, and Internalization, namely the process of transferring knowledge based on learning carried out by members of the organization on explicit knowledge that is distributed throughout the organization through their own experiences so that it becomes tacit knowledge of members of the organization. Example: Lecturer who teaches. Second, Knowledge Sharing is one of the steps in knowledge management that is used to provide opportunities for members of a group, organization, agency, or company to share their knowledge, techniques, experiences, or ideas with other members. Knowledge sharing can be done through regular discussions, workshops, internships, and virtual meetings by utilizing information and communication technology. Third Knowledge Application, Knowledge created through the SECI knowledge conversion process and disseminated to all parts of the organization into knowledge, will then be applied in the organization.

Wulantika (2010) explains that the implementation of knowledge management in organizations involves 3 important and complementary components, namely humans, because successful application of knowledge management must be supported by the availability of competent humans. So the first thing that needs to be developed is the human competence that exists in the organization and ensures that individuals in the organization clearly know their respective roles in managing and carrying out the knowledge management process. Then the Process, because clear knowledge management will facilitate innovation/knowledge creation and facilitate knowledge transfer, it is necessary

to make a good knowledge transfer and flow process through knowledge identification and mapping and social network analysis. And technology, because technology will help collaboration and communication that occurs in the knowledge management process, including by capturing, storing, and facilitating the use of information. Therefore, it is necessary to build collaborative and technology-based supporting facilities. Information society technologies divide knowledge management components into several stages (Pramudyo in Mulyanto, 2008). new ideas, introduction of new patterns, interactions and synergies on different fields, and development of new processes. Organizational knowledge creation is a continuous and interactive process. This process occurs within, between, and across organizations. Both knowledge representation; because to reuse knowledge, knowledge must be represented. Knowledge representation is the process of changing knowledge in various forms, so that knowledge can be accessed, controlled, and transferred independently without being tied to the existence of the individual owner of the knowledge. Representations can vary from a formal codification (such as policies, guidelines, and procedures) to an archive of tacit elements (such as stories and experiences). Third storage of knowledge; related to organizational memory in the form of 'hard' data (such as numbers, facts, pictures, and rules) as well as 'soft' information (such as tacit knowledge, expertise, experience), anecdotes, critical incidents, stories, and details about strategic decisions. It is important to have a mechanism that can store and retrieve all kinds of data, information, and knowledge. Most organizations have various types of information systems (such as inventory control systems and budget systems) for storing 'hard' data, but they usually do not have systems for capturing and storing 'soft' information.

Knowledge Management Effectiveness Indicator

Jennex et al. believes that there are 3 approaches that serve as indicators of the effectiveness of knowledge management in organizations, namely the process measurement approach (successfully implementing knowledge management), the results measurement approach (the success in achieving the objectives of knowledge management), and a combination of process and result measurement. Meanwhile, according to Wood, to measure the effectiveness of knowledge management in organizations, we can judge from the level of satisfaction of its users with the process of acquiring knowledge, creating knowledge, sharing knowledge, and utilizing knowledge in organizations (Enayati and Ghasabeh, 2012).

Organizational Performance

“Performance is defined as the record of outcomes produced on a specified job function or activity during a specified time period”. (Bernadin and Russell, 1998: 239). According to Nelly in Bititci (2008), performance measurement is a process of calculating the effectiveness and efficiency of action which has been applied in various sectors for more than two centuries. Efficient performance is measured by how well resources are used, while effective performance is measured by whether or not the goals are achieved. Performance which is often referred to as performance is also called result. Initially, the company's performance measurement was focused on financial success, but this concept underwent a change where financial performance measurement was considered insufficient to compete in the modern market. Increasing customer demand and an increasingly competitive market requires great responsibility and focus on external activities. The financial accounting system indicates that performance is the result of company activities that provide little guidance on how performance is achieved and improved (Kennerley & Neely, 2003), so the concept of performance measurement that considers the balance between financial and non-financial performance emerged, one of which is the Balanced Scorecard. The concept of the Balanced Score Card is a performance measurement that presents measurements in financial, customer, internal business and growth and learning aspects. This concept was popularized by Kaplan and Norton since 1992, until now this concept is still used, so that the company's performance is measured internally/externally and financially and non-financially. Balanced Scorecard indicators include 1) Financial Perspective, related to profitability thr

Though measurement of operating profit, return on capital employed (ROCE) or economic value added, sales growth and cash flow; 2) Customer Perspective, the main measures are customer satisfaction, customer retention, new customer acquisition, customer profitability, and market share in the target segment; 3) Internal Business Process Perspective, in this perspective the executives identify various important internal processes that must be mastered well by the company; 4) Learning and Growth Perspective, identifying the infrastructure that the company must build in creating growth and improving long-term performance. The main sources of corporate learning and growth are people, systems, and company procedures (Kaplan and Norton, 1996).

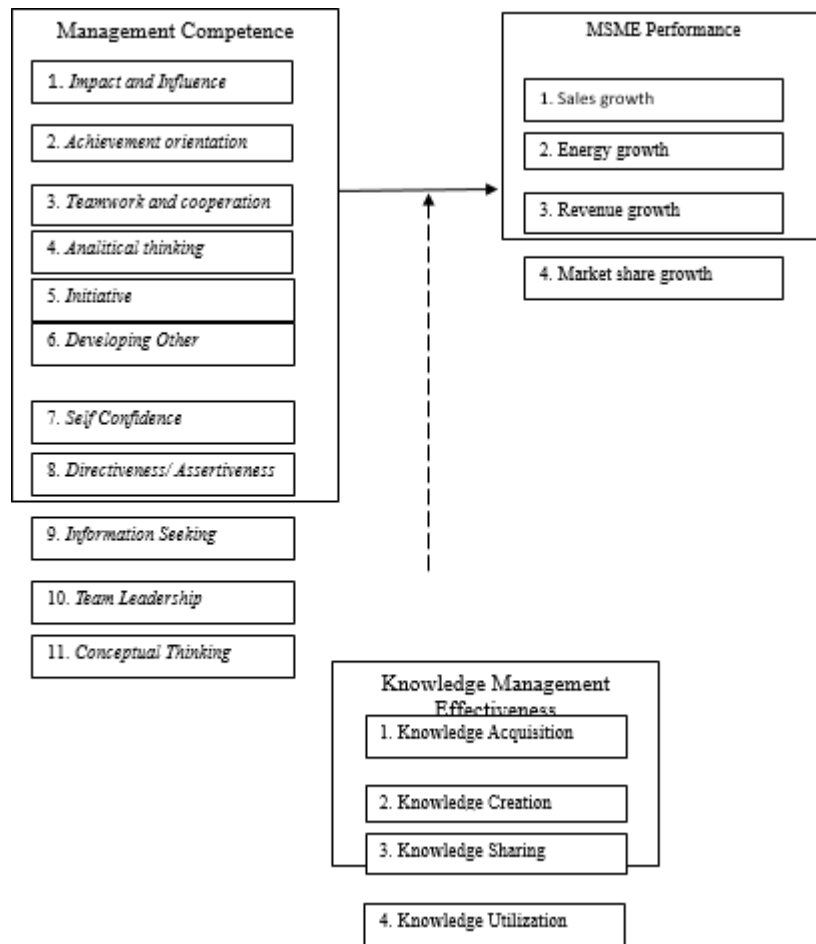


Figure 2. Thinking Framework

METHODOLOGY

The sample method used is purposive sampling. With the criteria of MSMEs that have attended training and assistance from the Cimahi City Government / PT LEN / UNJANI. Based on data obtained from the Department of Trade, Cooperatives, Industrial SMEs, 2,542 have had a Trading Business Permit (SIUP) and 1,698 have a Micro Business Permit) so that the total population that meets the criteria is 4,240 MSMEs but who attend training and mentoring around June to September August 2021 as many as 75 MSMEs which if sampled become :

$$n = \frac{75}{1+(75 \times 10\%^2)} = 42,86 \text{ rounded } 43 \text{ samples} \dots\dots\dots (1)$$

This study uses the Equation Model Structure and the analytical test tools used are SPSS v.21 and Smart PLS. The data were tested using classical assumption tests such as normality test, heteroscedasticity test, autocorrelation

means that the latent Managerial Competence (X) (Impact and Influence, Achievement orientation, Teamwork and cooperation, Analytical thinking, Initiative, Developing Other, Self Confidence, Directiveness or Assertiveness, Information Seeking, Team Leadership, and Conceptual Thinking) contributed 0.292 or 29.2% influence on MSME Performance (Y) moderated by Knowledge management effectiveness (Z). While the remaining 70.8% is the influence of other factors that are not observed.

CONCLUSIONS AND RECOMMENDATIONS

The results of this study indicate that Managerial Competence has no effect on the performance of MSMEs in Cimahi City, the effectiveness of knowledge management affects the performance of MSMEs in Cimahi City, and Managerial Competence does not affect the performance of MSMEs in Cimahi City moderated by Knowledge Management Effectiveness.

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