The Importance Of Trust In Knowledge Sharing Among Micro, Small, And Medium Enterprises

Adriana Madya Marampa, Pramono Hari Adi, Ade Irma Angreani, Woori Vivi Wulandari

Abstract: Trust is highly important in sharing knowledge within a business, particularly in micro, small and medium enterprises. MSMEs should be capable of building trust. This trust is built between employees and between owners and employees. In order to be able to share knowledge well, this trust needs to be supported by transformational leadership. The data was collected from 160 MSME employees in Purwokerto and Bandung. This research used SEM-PLS. The findings indicated that there was a significantly positive correlation between trust and knowledge sharing and found the significant influence of transformational leadership on knowledge sharing. The contribution of this research was that transformational leadership could increase the trust to share knowledge.

Index Terms: Trust, Transformational Leadership, Knowledge Sharing, SMES, Purwokerto and Bandung, Indonesia.

1. INTRODUCTION

Micro, small and medium enterprises are among the businesses with great potentials and opportunity to grow within the economy in Indonesia. The role played by these micro, small and medium enterprises (MSMEs) in the national economy is relatively great. The number reaches 99.9 percent and its manpower absorption reaches 97 percent (liputan6.com). Micro, small and medium enterprises (MSMEs) were among the resilient economic actors in Indonesia in the face of monetary crisis which hit the country in 1998. This gives an evidence that MSME actors had better chance of surviving than major businesses and also a proof that MSMEs are highly important businesses to be developed in Indonesia. This research was conducted to employees of MSMEs in Purwokerto and Bandung. In this research, the issue is the lack of trust among employees of MSMEs to share knowledge. A MSME’s development and growth cannot be separated from the employees working for them. Those employees working for MSMEs is basically not as many as those working for corporate companies. Employees need to build trust at work. The trust here is highly important element to own while working. The trust here is the one from leaders to employees and the one between employees themselves. A leader would be happy if she/he can have trustworthy employees. The trust between one worker and his/her partners in an organization would be helpful in knowledge sharing. Trust is an important element of a relationship and it can be built through partnership among organizations (H. W. Lee and Yu 2011). Trust is defined as a positive condition, confident even if it is subjective, expectation of one’s behavior or something under a situation which involves risks for the party the trust is placed on (Panteli and Sockalingam 2005). Trust needs to be built between employees to allow them to work well. Trust also needs to be built at work to enable knowledge sharing.

This trust at work has been proven to have a significant and strong influence on various organizational phenomena, including work satisfaction, stress, organizational commitment, productivity, and, most relevantly knowledge sharing (Renzl 2006). Similarly, trust is considered as the important organizational factor which support knowledge sharing in an organization (McNeish, Jit, and Mann 2010). Le (2018) defined that the trust as a process of exchanging the information between individual and the organizations to create the innovative knowledge base for one to another. Simmons, knowledge sharing is also process of sharing all types of knowledge including explicit and tacit knowledge through discussion, interactions between employees and training workshops (Ibrahim and Heng 2015). Additionally, Gibbert dan Krause (2002) defined the knowledge sharing as desire of individuals in the organization to share with others knowledge that they acquire, innovate or create. Knowledge sharing in an organization, particularly micro, small and medium enterprises is different from that in a major business. Knowledge sharing in MSMEs is basically done informally and at a corporate business it is done formally. Knowledge sharing is hard to do, depending on individual willingness to share (Lam and Lamberton-Ford 2010). Knowledge sharing is defined as ‘providing or receiving information on tasks, knowledge and feedback on products or procedures (Cummings, 2004: 352). In micro, small and medium enterprises, a leader plays a significant role in encouraging employees to share knowledge. Leaders can be a model to their employees on how they can share knowledge. Transformational leadership in some cases is an expansion of transactional leadership. Prior studies are highlighted the impotence of transactional leadership that emphasizes on transaction or exchange that happens between entrepreneurs, leaders, and followers (B. M. R. E. R. Bass 2006). However, transformational leadership is considered as the most effective leadership style and has a significant effect on the performance of followers (Le and Lei 2018). A transformational leader establishes supportive environment in the organization which shapes the employees’ attitude towards knowledge sharing by developing a set of skills, assumptions, values, and innovative capabilities (Phong, Hui, and Son 2018). Knowledge sharing is defined in this research as an exchange of explicit and tacit knowledges which are relevant to the team’s tasks (P. Lee et al. 2010).
2. LITERATURE REVIEW AND DEVELOPMENT OF HYPOTHESIS

2.1. Trust
Trust is the willingness of a party to be vulnerable to an action from another party based on the expectation that this other party would take a certain important action from the trustor, regardless of the ability or confirmation of that other party (R. C. Mayer, Davis, and Schoorman 1995). The trust concept in management shows employees’ confidence to the achievement of the organization’s goal and leads the organization as well as the belief that the organization’s actions would be useful for the employees (Renzl 2006; Ahmad & Ahmad 2019). Trust is a general intention of behavior to take a risk and the outcome is taking the risk, for example an employee can trust his/her manager and therefore is willing to admit his fault. However, until he/she admits his/her fault, there is no risk taking (Roger C. Mayer and Gavin 2005). Trust can be seen as another process of important behavioral intervention, attitude, and good relationship being either supported or weakened. For example, an employee might want to communicate with leaders in public, yet without trust this communication might be limited (at best) or wrong (at worst) and avoidance of information which is personally risky. The dimensions of trust are prevention-based, calculus-based, relational and institutional trusts (Ahmad & Ahmad 2018; Warah 20101). Trust is an important element in human relationship (Warah 20101).

2.2. Definition of Knowledge Sharing
Knowledge sharing refers to all types of communication of knowledge including explicit and tacit knowledge through socialization, interaction, and training (Ibrahim and Heng 2015). Knowledge sharing is the heart of socialization, externalization, combination, and internalization (SECI) model frequently referred to as spiral model in the knowledge creation theory (Curado and Vieira 2019). Knowledge sharing is one of employees’ main contributions to strengthen organization’s knowledge and can lead to high performance (Oyemomi et al. 2019). Knowledge sharing implies that each process of knowledge sharing consists of bringing (or contributing) knowledge and obtaining (or collecting knowledge) (Van Den Hooff and Ridder 2004). Knowledge sharing requires interaction between employees and this interaction depends on relationship involvement (H. W. Lee and Yu 2011). Knowledge sharing between employees is very important in case of achieving sustainable competitive advantage (Cabrera and Cabrera 2005). Knowledge sharing between co-workers is highly important for an organization. Relevant knowledge sharing has the potential to decrease costs, optimize processes and and its weakness is that it could put the organization in danger and even make the process ineffective (Rutten, Blaas - Franken, and Martin 2016). Knowledge sharing as a part of knowledge production occurs more in a form of discussion while working together to solve problems, define problems together discussing a knowledge sharing option to find a common solution (Bakker et al. 2006). Knowledge sharing refers to a process where team members share ideas related to tasks, information, improvement and suggestions with one another (Eze et al. 2013). Trust is one of the main driving forces to improve KS (Smith 2006).

2.3 Transformational Leaders
Prior studies defined the transformational leaders that raise the desires of followers to achieve, self-development and promote the development of any group or organizations (Bernard M. Bass and Article 1990). Similarly, the transformational leaders serve as agents of transformational challenging with a strong vision for future (Nemanich and Vera 2009). However, Transformational leadership mostly emphasizes on the inspirational aspects of leader-follower relationship (Brown and Moshavi 2002) and behave charismatically to inspire their followers to identify themselves with them (realized their influence). They inspire followers for higher goals achievements, to do more than they originally (means inspirational motivation) (J. Liu, Siu, and Shi 2009). However, transformational leadership style in the organization can enhance supportive behavior among the employees and team members by creating innovative ideas and shared the knowledge (Eisenbeiss, van Knippenberg, and Boermer 2008). That’s why, the transformational leadership is considered as one of the most effective leadership styles and has a positive effect on performance of the followers and organizations (Le and Lei 2018). Transformational leadership has direct and indirect results related to the work of followers and has practical implications for leadership development programs (Walumbwa, Hartnell, and Oke 2010). Transformational leadership involves followers and they inspire them to commit to a shared vision and goals for the organization. The behavior most frequently associated with transformational leadership includes the articulation of a convincing strong vision of the organization which helps to achieve the individuals and organization goals and encourage them by provide individual intellectual support (Wang et al. 2005). Similarly, Shiva and Suar (2010) highlighted that the transformational leaders can motivate their followers by inspiring them, offering and directing in the challenges, and creating space for individual’s development. However, the transformational leadership is considered the most effective factor in creating and sharing effective knowledge at both individual and organizational levels (Bryant 2003).

H1: There is a significantly positive relationship between Trust and Knowledge Sharing.

The concept of trust in management shows employee’s confidence in achieving the goals of the organization and its leaders and the belief that the organization’s actions will benefit employees (Renzl 2006). Trust plays an important role in knowledge sharing between individuals and explains its effective behavior for transferring knowledge between employees in an organization (Lucas 2005). Some studies shows that the positive relationship between trust and knowledge sharing (Y. Liu and DeFrank 2013). Moreover, a trust-based relationship between two parties will help to reduce the level of risk and uncertainty in the process of transferring knowledge (Foos et al., 2006). Therefore, higher confidence level in the relationship with employees or group, they will positively participate in knowledge sharing (Cheng, Yeh, and Tu 2008). Several studies have
shown a correlation between transformational leadership and knowledge sharing (Phong, Hui, and Son 2018). Coun, Peters, and Blomme’s (2019) research findings show the significant relationship between transformational leaders and knowledge sharing.

H2: There is a significantly positive relationship between Leadership Transformational and knowledge sharing.

3. RESEARCH METHODOLOGY

This study based on the quantitative research. Quantitative research is a study which is based on quantitative data. Data were collected from the employees of MSMEs in Purwokerto and Bandung Indonesia by distributing the 200 questionnaires randomly and only 160 Questionnaires were return. The sample was taken by using Stratified Random Sampling technique and analyzed by using SEM-PLS 3.08.

3.1. Analysis of Data

The data were analysed by using smart PLS in three stages, such as analysis of outer model, analysis of inner model, and hypothesis testing. The outer model is helps to ensure that the data is feasible to be used as a measurement (means to test the validity and reliability). The analysis of outer model can be seen from several indicators, such as construct validity, convergent validity, and the values of cronbach alpha. The Measurement Model was evaluated by seeing the result of indicator validity and construct reliability.

3.2. Construct Validity Testing

The indicator validity can be seen from the value of Loading Factor (LF) produced. As a rule of thumb, if the value of LF indicator ≥ 0.7, it is said to be valid. Nevertheless, in the development of a new model or indicator, the value of LF ranging between 0.5 – 0.6 is still acceptable (Yamin and Kurniawan, 2011:202). Meanwhile, Wijaya and Mustafa (2012:124) explain that the critical value of LF has varied criteria, yet several experts recommend a minimum value of 0.4. LF testing can also be seen from the print out of Calculate PLS Bootstrapping command. Any indicator which has a value of T Statistic ≥ 1.96 (some rounding it to 2) is said to be valid. An indicator can also be said to be valid if it has a P Value ≤ 0.05. From Table 4.2, all indicators can be seen as having values of T Statistic ≥ 1.96 and P-Value < 0.05, hence all indicators which form the constructs are declared valid to be used to test the hypothesis in the structural measurement stage.

1. Construct Reliability Test

The evaluation of construct reliability value is analysed using Cronbach’s Alpha and Composite Reliability values.

The composite reliability and average variance extracted of all constructs are presented in Table 2. The Cronbach’s alpha values for Knowledge Sharing, Transformational Leadership, and Trust are 0.709, 0.856, and 0.723, respectively, all exceeding the minimum recommended level of 0.6. The average variance extracted values for these constructs are 0.821, 0.903, and 0.844, respectively, all exceeding the minimum recommended level of 0.5. These values indicate that all constructs are reliable and convergent valid.

A. Analysis of Outer Model

The Outer Model specifies the relationship between dependent variable and independent variables and their indicators. Similarly, it also defined that in outer model how each indicator relates to its dependent and independent variable. For this purpose, these tests applied to outer model such as:

1. Convergent Validity

To analyze the convergent validity, the threshold value is >0.7. The AVE value indicates the convergent validity. An indicator is considered to have a good convergent validity if it has an AVE value greater than 0.5. The final value of AVE can be seen in table. It can be seen that the AVE value in the figure is above 0.5 for all variables.

2. Cronbach Alpha

A construct is declared reliable if the values of cronbach alpha are greater than 0.7. The reliability test is strengthened with Cronbach’s Alpha. The expected value is > 0.6 for all constructs. Average Variance Extracted (AVE). The expected AVE value is > 0.

| TABLE 2 | Composite Reliability and Average Variance Extracted |
|-----------------|-----------------|-----------------|-----------------|
|                | Cronbach’s Alpha | rho_A | Composite Reliability | Average Variance Extracted (AVE) |
| Knowledge Sharing | 0.709 | 0.719 | 0.821 | 0.536 |
| Transformational Leadership | 0.856 | 0.857 | 0.903 | 0.699 |
| Trust | 0.723 | 0.767 | 0.844 | 0.646 |

B. Inner Model Test

The inner model can be evaluated using three ways. These three ways are by seeing the R2, Q2 and GoF.

| TABLE 3 | R Square and R Square Adjusted |
|-----------------|-----------------|-----------------|
|                | R Square | R Square Adjusted |
| Knowledge Sharing | 0.306 | 0.284 |

C. Goodness of Fit (GoF) Test

The result of GoF test is obtained from the multiplication of communailities average root value with r-square average
root value. From the result of GoF calculation above, a value of 0.403 is obtained, thus it can be concluded that the model has a great GoF and the greater the GoF value, the more better it describes the research sample.

The inner model can be tested by seeing the value of \( Q^2 \) (predictive relevance). To calculate \( Q^2 \), the following formula can be used.
\[
Q^2 = 1 - (1 - R^2)
\]
\[
Q^2 = 1 - (1-0.284)
\]
\[
Q^2 = 0.284
\]

Finally, it can be done by finding the value of Goodness of Fit (GoF). Unlike the CB-SEM, the value of GoF in PLS-SEM should be found manually.

\[
\text{GoF} = \sqrt{\text{AVE} \times R^2} \quad \text{Tenenhaus (2004)}
\]

\[
\text{GoF} = \sqrt{0.608 \times 0.284}
\]

GoF = 0.41

According to Tenenhaus (2004), to validate the combined performance between measurement model (outer model) and structural model (inner model), a value range between 0 and 1 can be used with the following interpretations, 0-0.25 being small GoF, 0.25-0.36 being moderate GoF, and above 0.36 being great GoF.

D. Hypothesis Testing

Figure 1: Hypothesis Testing

At the evaluation stage, the structural model would be analyzed by seeing the significance of correlation between constructs as shown by the t statistic value generated from output of options Calculate PLS → Bootstrapping. The extent of influence between constructs and interaction effect (moderation) is measured using path coefficient value. A path coefficient with T Statistic value \( \geq 1.96 \) or P Value \( \leq 0.05 \) is stated as significant.

E. Structural model (inner model) evaluation

After testing the measurement model (outer model), the next step is to test the structural model (inner model) to figure out whether or not a hypothesis is accepted or rejected. This research will use a significance value of \( \alpha \) 0.05 or 5%. The correlation between variables can be considered as significant if the P value is less than the predetermined significance value (P < 0.05)

4. RESULT ANALYSIS

Result analysis is done based on the result of structural model evaluation previously done, i.e. the significance value of correlation between variables to determine the hypothesis nil (Ho) is accepted or rejected. If the value of P is less than 0.05, Ho is rejected and the alternative hypothesis (Ha) is accepted, and if it is greater than 0.05, then Ho is accepted. The significance value of interaction or moderation effect is shown by t statistic 2.234 \( \geq 1.96 \). Thus, it can be concluded that Leadership Transformational moderates the influence on knowledge sharing. Meanwhile, the extent of influence coefficient between the hypothesized constructs is shown by the path coefficient value. Partially, it can be concluded that:

1. Leadership Transformational has a significant influence on knowledge sharing since the t statistic is 2.438 \( \leq 1.96 \) or P-Value 0.015 \( \leq 0.05 \).
2. Trust has a significant influence on knowledge sharing since the t statistic is 2.098 \( \geq 1.96 \) or P-value is 0.036 \( \leq 0.05 \).

<table>
<thead>
<tr>
<th>Variables</th>
<th>B Value</th>
<th>Sample Means</th>
<th>ST. DV</th>
<th>T-Value</th>
<th>P-Value</th>
<th>Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>LT-&gt;KS</td>
<td>0.276</td>
<td>0.278</td>
<td>0.113</td>
<td>2.438</td>
<td>0.015</td>
<td>Accepted</td>
</tr>
<tr>
<td>LT-&gt;KS</td>
<td>0.172</td>
<td>0.188</td>
<td>0.077</td>
<td>2.234</td>
<td>0.026</td>
<td>Accepted</td>
</tr>
<tr>
<td>Trust-&gt;KS</td>
<td>0.270</td>
<td>0.290</td>
<td>0.129</td>
<td>2.098</td>
<td>0.036</td>
<td>Accepted</td>
</tr>
</tbody>
</table>

5. CONCLUSION

1) Based on the result of data analysis above, it can be concluded that transformational leadership can have a significant influence on knowledge sharing since the t statistic is 2.438 \( \leq 1.96 \) or P-Value 0.015 \( \leq 0.05 \). Thus, the hypothesis which states that leadership has a positive influence on knowledge sharing is acceptable. This is consistent with Bryant (2003) who suggests that there is a significant correlation between transformational leaders and knowledge sharing since it more effectively creates knowledge sharing at individual and group levels.

2) Based on the result of data analysis above, it can be concluded that trust has a significant influence on knowledge sharing since the t statistic is 2.098 \( \geq 1.96 \) or P-value is 0.036 \( \leq 0.05 \).

3) Thus, the hypothesis which states that trust has a positive influence on knowledge sharing is acceptable. This is in line with Smith (2006) who states that trust is one of the main driving force to share knowledge.

6. RESEARCH LIMITATION AND IMPLICATION

The limitation of this research is that the dimensions of each variable need to be developed in detail. This research is conducted only in two cities in Indonesia, thus it does not significantly represent what actually happens in Indonesia. We find that it is important for leaders to be able to build trust between MSME employees to allow them to share knowledge. This research can be applied to other businesses other than MSMEs.
REFERENCES


