

## IMPLEMENTATION OF KNOWLEDGE MANAGEMENT TO INCREASE COMPETITIVE ADVANTAGE TOWARDS EXPORTS (STUDY VISIT AT AIDA FURNITURE, PASURUAN)

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### Abstract

*This study aims to find out how to implement knowledge management as an effort to increase competitive advantage towards exports. This research was conducted at Aida Furniture, Pasuruan, East Java, Indonesia. The research method was carried out using descriptive and qualitative analysis, by conducting direct interviews with company owners and direct observation of the company. This study obtained results indicating that the successful implementation of knowledge management in the Aida Furniture company was determined by leadership and management support, organizational culture, information technology innovation, training and education. This understanding will help companies to identify important issues that must be faced when designing and implementing knowledge management. This lack of understanding causes companies to be slow to compete with others making it difficult to export due to low internationalization performance.*

**Keywords:** *Implementation, Knowledge Management, Competitive Advantages, MSMEs*

### 1. INTRODUCTION

The success of Micro, Small and Medium Enterprises (MSMEs) is related to how these businesses manage their knowledge (Akbar & Nefrida, 2021; Asari, 2020; Korpysa, 2020). The Knowledge-Based Economy has required MSMEs to be able to use knowledge efficiently and increase their innovation potential, faster than their competitors (Akbar et al., 2022; Peng, 2001; Saputra et al., 2020). Increasing economic development to increase the competitiveness of MSMEs depends on the effectiveness of science and technology management. As for science and technology, it is created from individual knowledge that must be managed so that it becomes company knowledge, which ultimately knowledge becomes a company asset. Therefore an MSME company will be sustainable if it uses this information or experience to create MSME competencies. This is where the company will have competence in producing products and services. Thus, these SMEs can be referred to as sense-making. If the knowledge is managed effectively and efficiently, there will be a knowledge conversion from tacit to tacit or to explicit through socialization, externalization, internalization and combination.

Knowledge management is the process of creating, acquiring, understanding, sharing, and using knowledge, wherever the knowledge is located to enhance organizational learning and performance (Di Vaio et al., 2021), including identification, creation, acquisition, transfer, sharing, and exploitation of knowledge (Albassami, Ahmad et al., 2019). Knowledge management is an important component of business strategy (Di Vaio et al., 2021; Grimsdottir & Edvardsson, 2018) because the value of HR is becoming increasingly important for an organization's competitive advantage. With knowledge management core and organizational competencies can be concentrated and developed (Ferber Pineyrua et al., 2021; Khan et al., 2021), which cover aspects of the organization's core business processes in increasing organizational effectiveness.

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One MSME company that uses knowledge management to improve its export performance is Aida Furniture. Aida Furniture Company was founded in 2000 in Pasuruan City, East Java. Initially the company only had two employees, until now the number of employees has reached forty employees. This company is engaged in the export of furniture with export destinations, namely Taiwan and Singapore. The goods produced by Aida Furniture include tables, chairs, benches, cabinets. The raw material for furniture is teak wood sourced from Perhutani. As one of the requirements in order to be able to export, the company already has a Timber Legality Verification Certification. As much as 80% of Aida Furniture's furniture products are sold in the international market and the remaining 20% are sold in the domestic market.

In exporting, companies need several networks including shipping people, local suppliers and modelers. One of the innovation activities carried out by Aida Furniture is participating in expos both at home and abroad. The company also conducts a thorough inspection by the buyer or consumer, so that there are no returns for goods that have been sent to the export market. For each shipment of goods, the company always includes five new products with new designs, so that consumers are always presented with the latest types and models of furniture. From years of experience managing previous furniture exports in Bali, the owner of Aida Furniture really understands the tastes of his consumers.

The decision-making implications of Aida Furniture are centralized and have fewer levels of management. This means that decision making can be faster than large organizations (Sharma & Tarp, 2018). Besides that, the owner of Aida Furniture will also be the main driver of knowledge management implementation. In companies with an MSME scale, management must pay attention to every aspect of the business, which will result in limited time to focus more on strategic issues related to knowledge management. This is different from management in large organizations, which have the power to delegate some responsibilities to employees, so that they have more time to focus on knowledge management strategies.

Aida Furniture has a simple organizational structure, that is flat and not complex, which will facilitate change initiatives among members of the organization because functional integration both horizontally and vertically becomes easier to achieve and reduces obstacles encountered. In contrast to large organizations that have a bureaucratic organizational structure, so they are slow and less flexible in facilitating change. However, the level of specialization in each role is better in large organizations than in SMEs, making large organizations better at implementing knowledge management. MSMEs tend to have a culture that is natural and flows as it is compared to large organizations (Akbar & Adi, 2022; Akbar & Maraini, 2022). Human resources in MSME companies are usually united by common beliefs and values so that MSME are easier to make changes and implement knowledge management. It will also make it easier for Aida Furniture to create a culture of knowledge sharing compared to large organizations.

The beliefs and cultural values of human resources at Aida Furniture can be influenced by the owner. This will be a problem when the owner does not trust his human resources or does not encourage the emergence of a culture of sharing and knowledge transfer. If this happens, then the owner can hinder the development of knowledge. The company is faced with problems in acquiring well-qualified and experienced human resources. Experienced employees tend to choose to work in large organizations that promise higher salaries and bonuses than MSMEs. In addition, companies also face problems in retaining human resources with special skills, due to limited career

opportunities. The emergence of knowledge workers poses a distinct threat to firms unless they can capture, codify, and transfer knowledge throughout the organization.

Therefore, Aida Furniture needs to be able to implement knowledge management to create, support and improve its competitive advantage. For the implementation of knowledge management to run well, companies must understand the various factors that influence the successful implementation of knowledge management so that companies can head to exports and improve their internationalization performance.

## 2. IMPLEMENTATION METHOD

The research method is a scientific way to obtain data with specific purposes and uses (Akbar, 2020). In this study, researchers used descriptive research methods with a qualitative approach. Where researchers try to describe the findings and problems that exist in the object of research through case studies to further qualitativeize existing problems and present solutions to problems that occur. The data sources used in this research are primary and secondary data. Primary data in this study is the result of direct observation and interviews. While the secondary data in this study were obtained from various literature studies. In this study, researchers used data collection techniques based on observation techniques, namely conducting study visits, then interview techniques were also used, besides that they were also supported by library research and triangulation.

This research was conducted at Aida Furniture, Pasuruan, East Java, Indonesia. The approach used in this study is descriptive and qualitative analysis by conducting direct interviews with company owners. This research method seeks to describe the object or subject studied in depth, broadly, and in detail. This research method is used to solve and answer problems by collecting data, classification, analysis, conclusions, and reports. In addition, direct observation was also carried out on the object of research and collecting secondary data owned by the company. In collecting data both primary and secondary, researchers used several tools, namely stationery, questionnaires for interviews, tape recorders for recording interviews, cameras for documentation, and laptops.

The data analysis techniques carried out included: (1) descriptively analyzing the characteristics of the MSME industry at Aida Furniture; (2) analyzing the characteristics of knowledge management at Aida Furniture company descriptively; and (3) analyzing the pattern of knowledge management at Aida Furniture company descriptively. The stages of implementing data analysis were carried out systematically including data reduction, data display, and conclusion drawing (Miles et al., 2018).

## 3. RESULTS AND DISCUSSION

Management plays an important role in influencing the success of knowledge management (Albassami, Ahmad et al., 2019; Di Vaio et al., 2021). It is important for company leaders to be able to act as a role model for the desired behavior in knowledge management, willingness to share knowledge with employees, continuously learn, and seek new knowledge and ideas, increase employee participation in knowledge management, convey change efforts, the importance of knowledge management to employees, maintain employee morale, and create a culture that allows for sharing and creating knowledge (Khan et al., 2021). Thus, leaders have an important role in determining the necessary conditions for effective knowledge management.

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Organizational culture is a very urgent factor for the success of knowledge management (Ferber Pineyrua et al., 2021). Organizational culture is the core beliefs, values, norms and habits that direct the way individuals act in an organization. The culture that supports knowledge management is the high value of knowledge and the encouragement to create, share and apply knowledge. The organizational culture that makes HR unwilling to share knowledge must be changed immediately. The culture of cooperation is an important condition for the transfer of knowledge between individuals and groups. Trust is also a fundamental aspect of the culture that supports the success of knowledge management at Aida Furniture. Development of a culture of innovation by encouraging human resources to generate new ideas, knowledge and problem solving to support the implementation of knowledge management.

Innovation has various roles in supporting an organization's knowledge management process. Innovation enables faster search, access and retrieval of information, and can support collaboration and communication among workers and help companies create business opportunities and reduce competition (Muñoz-Pascual et al., 2019; Nag et al., 2020). The use of information technology can not be ignored can help improve overall organizational efficiency (Akinwale et al., 2019; Valdez-Juárez & Castillo-Vergara, 2021). Therefore, innovation is undeniably the key that makes it possible to implement knowledge management.

The successful implementation of knowledge management is also determined by a clear and well-planned strategy (Ferber Pineyrua et al., 2021). For Aida Furniture, this will be the basis for how the company can use its capabilities and resources to achieve its knowledge management goals. The strategy for implementing knowledge management should be adapted to the situation and context of the organization itself. The strategy should be integrated with the organization's business strategy. Measurement of knowledge management is needed to ensure that the desired goals can be achieved. Measurement allows organizations to track knowledge management progress and determine its benefits and effectiveness. Measurement provides a basis for organizations to evaluate, compare, control and improve knowledge management performance. Measurement is also needed to show the value and suitability of knowledge management implementation to management and stakeholders. To measure knowledge management organizations need to use traditional measures supported by non-financial measures to provide a more holistic approach (Grimsdottir & Edvardsson, 2018).

Developing a suitable organizational infrastructure has implications for organizations to define a set of rules and teams to carry out knowledge-related tasks. This team plays the role of coordinating, managing and compiling training for knowledge management. The knowledge management process is defined as anything that can be done with knowledge in an organization, as a planned coordination to control knowledge effectively.

The knowledge management process will create success for knowledge-based organizations. The coordination of each knowledge management process is crucial (Grimsdottir & Edvardsson, 2018; Peng, 2001). To build a knowledge-based organization, the incentive system should focus on criteria such as knowledge sharing and contribution, teamwork, creativity and innovative solutions. Rewards given by focusing on group performance will show a high level of knowledge exchange among employees. Thus employees will be more easily directed to seek and contribute knowledge, if their incentives are based on goals that they can influence, but cannot

achieve by themselves. Linking rewards solely to individual performance can generate competition that is detrimental to a knowledge-sharing culture.

Treatment of knowledge management practices is an important criterion in performance evaluation and human resource assessment systems. The successful implementation of knowledge management depends on resources. Because the availability of resources is a particular concern in the company, this should be considered before implementing knowledge management. One of the important things in achieving the effectiveness of knowledge management is related to the resources it has. Therefore, companies need to understand how companies acquire, allocate and manage resources for successful knowledge management.

Training and education are one of the factors that influence the success of knowledge management. Organization members need to be aware of the need to manage knowledge and recognize that knowledge is a key resource for organizational survival. Through training, employees will have a better understanding of the concept of knowledge management. Training also helps how employees define and think about knowledge, understand and carry out knowledge-oriented tasks. Managing knowledge is managing people, managing people is managing knowledge (Jemal, 2021). Recruitment of human resources effectively is crucial, because in this process knowledge and competencies are brought into the organization. Employee development seems to be a way to improve and increase the personal value of employees. The skills and competencies of knowledge workers need to be continuously developed to make a valuable contribution to the organization. Effective employee participation has an impact on employee satisfaction, quality improvement and improvement of company internationalization performance in exporting. There is no doubt that employee participation will play an important role in the implementation of knowledge management. Through their function in a knowledge-intensive organization, employees can apply different skills and experiences in work processes and various problem-solving. Thus, encouraging employee participation is important in developing the spirit of group collaboration among human resources, which in turn supports the implementation of knowledge management in companies.

At the stage of the knowledge-sharing process, there is a pattern of knowledge transfer where the stages include socialization, externalization, combination, and internalization. At Aida Furniture, the form of Socialization includes internal training, weekly routine discussions on production knowledge, optimization of raw materials and product innovation, targets and marketing methods. Externalization, including converting experience into tangible results such as product design or layout to simplify the production process. Combination, including the procurement of technology as a tool and the combination of ideas from internal and external actors. While Internalization includes integrating existing knowledge and new knowledge to increase business efficiency and effectiveness.

This pattern produces a knowledge repository which is a place to store and retrieve explicit knowledge (Albassami, Ahmad et al., 2019). The knowledge repository at Aida Furniture is used as a place of knowledge assets which includes a collection of various knowledge regarding raw materials, products, marketing and customers which can be used as a source of knowledge for internal actors and external actors. For internal actors, this place is a source and departure of new knowledge, while for external actors or customers, this place is used as a source of available product information and fulfils requests for additional product features and product variations.

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The results of this study indicate that the implementation of knowledge management within a company is very important. The success of this implementation is determined by leadership and management support, organizational culture, information technology innovation, training and education. This is consistent with previous theory and research which shows that companies that are successful in increasing their competitiveness are characterized by their ability to consistently develop new knowledge, which is disseminated quickly and associated with new products or services (Albassami, Ahmad et al., 2019; Di Vaio et al., 2021; Ferber Pineyrua et al., 2021; Grimsdottir & Edvardsson, 2018; Khan et al., 2021). So it is this knowledge management that will develop product, process or service innovations. So a successful company lies in its deep connection with the intellectual system.

#### **4. CONCLUSION**

The development of knowledge management which is rapidly becoming an integral part of business activities to realize competitive advantage, has required all companies to be able to implement knowledge management. However, because MSMEs have special characteristics that are different from large organizations, the implementation of knowledge management in Micro, Small and Medium Enterprises should pay attention to innovations that are in accordance with market situations and needs.

The successful implementation of knowledge management in Aida Furniture is determined by leadership and management support, organizational culture, information technology innovation, training and education. This understanding will help companies to identify important issues that must be faced when designing and implementing knowledge management. This lack of understanding causes companies to be slow to compete with others, making it difficult to export due to low internationalization performance.

The implementation of knowledge management provides its own challenges for Aida Furniture because it requires time and effort to obtain a return on the investment made. On the other hand, companies have limited resources, both time, financial, and human resources. Another challenge for companies in implementing knowledge management is that most of the existing knowledge is tacit and will never become explicit. This knowledge will remain tacit knowledge because there is no time to turn it into explicit knowledge. To overcome this, companies can develop a culture of knowledge sharing and always have an understanding that the organization's main asset is Human Resources.

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