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ANTECEDENTS OF WOMEN'S INNOVATION CAPABILITY IN MEDAN: THE MEDIATION ROLE OF KNOWLEDGE MANAGEMENT CAPABILITY

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Abstract

The role of Small Micro Entreprises (SMEs) in supporting the country's economy means that SMEs are increasingly being paid attention and really important by the government. As many as 64.5 percent of the total small, micro and medium enterprises MSMEs) in Indonesia are women. The innovation capability of micro, small and medium enterprises MSMEs) is a major factor in business sustainability. However, in reality, women entrepreneur only focus on product and service creation activities without providing any innovation. Most MSMEs produce products that suit their production capabilities without paying attention to the needs and wants of consumers who of course expect innovation and something in the products produced. The purpose of this paper is to analyze the influence of factors that affect knowledge management capability (KMC) as well as analyzing the mediating factors that influence the relationship of factors such as information technology relatedness, knowledge sharing and human resource management capability on innovation capabiity. This research is a quantitative research with descriptive statistics. The analytical tool used is a structural equation model of partial least squares (PLS). This research was conducted on women entrepreneur in Medan Using a proportional random sampling technique, 200 respondents of employees were selected. The results of this study are as follows: (1) information technology relatedness, knowledge sharing and human resource management capability have a significant effect on knowledge management capabilty; (2) knowledge management capability, information technology relatedness and human resource management capability have a significant effect on innovation capability; (3) knowledge management capability have a significant effect on innovation capability; (4) information technology relatedness has a significant effect on innovation capability through knowledge management capability; (5) knowledge sharing has a significant effect on innovation capability through knowledge management capability; (6) human resource management capability has a significant effect on innovation capability through knowledge management capability.

Keywords: ***Innovation; Innovation Capability ; Small Medium Enterprises ; Women Entrepreneur; Knowledge Management Capability***

INTRODUCTION

The small micro enterprise (SMEs) sector in Indonesia has significant potential for growth, driven by the country's large and growing population, rising middle class, and increasing demand for goods and services (World Bank, 2020). According to the Indonesian Ministry of Cooperatives and Small & Medium Enterprises, SMEs comprise 99.58% of all businesses in Indonesia, employing over 99 million people (Kementerian Koperasi, 2020). However, the sector also faces significant challenges, including access to finance, limited market access, and outdated technology (World Bank, 2020). The lack of access to finance is a major barrier to growth for SMEs in Indonesia, with many businesses struggling to secure loans or other forms of capital (Liswanti,

2019). This has led to a reliance on informal financing channels, such as personal loans from family and friends, which can be costly and limit the growth potential of SMEs (Liswanti, 2019).

In recent years, the Indonesian government has implemented various initiatives to support the growth of SMEs, including the establishment of the SME development agency, Badan Pengembangan Ekonomi Kreatif (Bapek), and the launch of the national integrated SME development program (Kementerian Koperasi, 2020). These initiatives aim to provide SMEs with access to finance, training, and technology, as well as promoting market access and innovation (Bapek, 2020). Despite these efforts, the growth of SMEs in Indonesia remains limited by the country's complex regulatory environment (World Bank, 2020). The regulatory framework can be confusing and often contradictory, making it difficult for SMEs to navigate and comply with regulations (Borah, 2018). This has led to a reliance on informality, with many SMEs operating outside of the formal sector (Liswanti, 2019).

In conclusion, the development of SMEs in Indonesia is crucial for the country's economic growth and poverty reduction efforts. However, the sector faces significant challenges, including access to finance, limited market access, and outdated technology. To address these challenges, the Indonesian government needs to strengthen the regulatory framework, improve access to finance, and promote innovation and market access for SMEs.

In recent years, Indonesia has witnessed a significant surge in women-led entrepreneurship, with a growing number of women entrepreneurs venturing into various industries. The growth of womenpreneur in Indonesia is a result of various factors such as government initiatives, increasing access to education and financing, and changing societal attitudes towards women's role in the economy (Andriani & Krawiec, 2016). Indonesia's government has been actively promoting women's entrepreneurship through various programs and policies. For instance, the Indonesian government launched the Women Entrepreneurship Program (WEP) in 2016, aimed at providing training, mentorship, and financing to women entrepreneurs (Indonesia Ministry of BAPPENAS, 2017). Additionally, the government has relaxed regulations to facilitate women's participation in entrepreneurship, allowing them to obtain loans and credit more easily (Syria, 2018).

Economic empowerment of women through entrepreneurship has been recognized as a key driver of economic growth and development (Ahl & Ibragimova, 2014). In Indonesia, women entrepreneurs have been contributing significantly to economic development by creating jobs, generating income, and contributing to the GDP (Bank Indonesia, 2020). In addition, women-led enterprises have been recognized as a key factor in household income and poverty reduction (International Labor Organization, 2018). Despite the growth of womenpreneur in Indonesia, there are still several challenges that women entrepreneurs face, such as limited access to financing, lack of networks and support systems, and stereotypical societal attitudes towards women's role in entrepreneurship (Kartasubrata & Waharini, 2018). Women entrepreneurs in Indonesia also face challenges related to education, skills, and experience, which can limit their access to capital, technology, and marketing information (Aniyar, 2019).

To address these challenges, there is a need for further education and training programs, mentorship initiatives, and financing opportunities tailored to meet the unique needs and goals of women entrepreneurs (Kusumawati & Hartono, 2020). Government and private sector organizations can play a key role in providing support and resources to women entrepreneurs, helping them to overcome the barriers to entrepreneurship and achieve their potential. In conclusion, the growth of womenpreneur in Indonesia presents an exciting opportunity for the country to achieve economic development and prosperity. While challenges remain, there is a need for further support and resources to help women entrepreneurs overcome these barriers and achieve their goals.

To increase the business capability for women entrepreneur, the most important thing that needed is innovation capability. Innovation capability are essential for the growth and sustainability of women-led businesses. This is attributed to the increasing demand for products and services that cater to diverse needs (Kelley et al., 2015). By possessing innovative capabilities, women

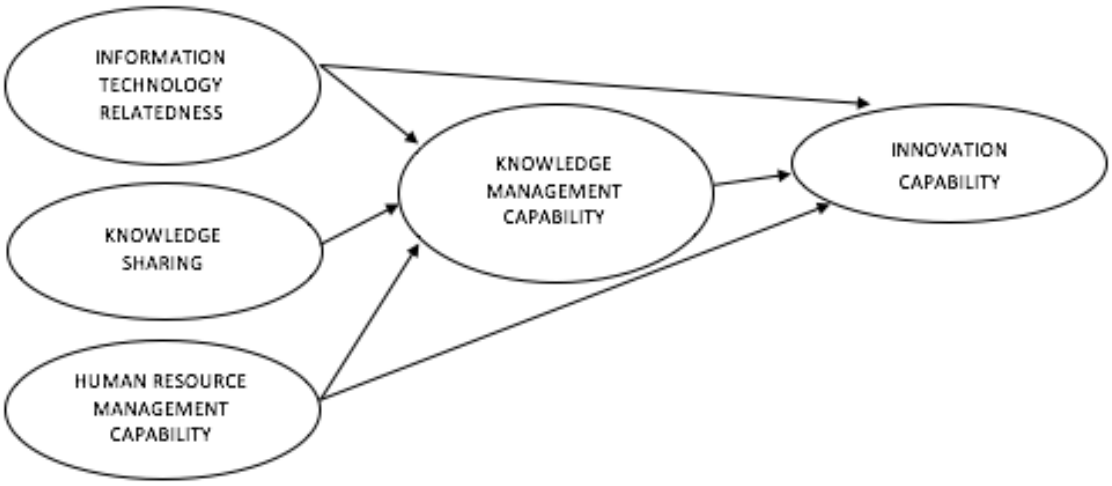
entrepreneurs can adapt to market changes and capitalize on emerging opportunities. Moreover, innovation fosters resilience and competitiveness (Shane & Venkataraman, 2000). Consequently, cultivating innovative capabilities is vital for women entrepreneurs to succeed in today's dynamic business environment. Innovation capability will be achieved with support of The availability of explicit and tacit knowledge within an organization can significantly impact innovation capability (Snell & Tsai, 2000). A higher knowledge management capability allows employees to access, share, and utilize relevant information, leading to improved idea generation and implementation. This, in turn, enhances the organization's ability to innovate and respond to changing market conditions. Studies have shown that companies with strong knowledge management systems tend to have higher levels of innovation and achieve better business outcomes (Choi & Lee, 2013). Therefore, investing in knowledge management can be a key strategy for organizations seeking to improve their innovation capabilities. Knowledge management capability will be formed with information technology relatedness, knowledge sharing and human resource management capability. Therefore, this paper will analyze the influence of factors that affect knowledge management capability (KMC) as well as analyzing the mediating factors that influence the relationship of factors such as information technology relatedness, knowledge sharing and human resource management capability on innovation capability.

METHOD

This research falls into the category of explanatory research, which aims to explain the position and relationships between the involved variables (Sugiyono, 2014). The data for this research will be sourced from primary data collected through a questionnaire distributed via Google Forms to respondents through social media. The collected data will be processed and analyzed to obtain the desired research results. The population for this study comprises a women entrepreneur in Medan. The sampling technique used in this study is purposive sampling. Purposive sampling is a method where the researcher selects subjects based on specific criteria relevant to the research objectives (Sugiyono, 2014). Data for this study will be collected through a survey using Google Forms. Data testing will be performed using Smart-PLS 4.0. With a sample size of 200 respondents, the PLS-SEM approach is considered appropriate. PLS-SEM, or Partial Least Squares Structural Equation Modeling, is an analysis technique used to predict causal relationships between latent variables (Cepeda-Carrión et al., 2022).

The model used in this study is as follows:

Figure 1: Research Model



because the AVE value of a construct is greater than the squared correlations between that construct and other constructs. In this study, the values based on the Fornell-Larcker and Cross Loading criteria have met the specified standards. Therefore, it can be concluded that this study has fulfilled the criteria for discriminant validity.

Table 1: Discriminant Validity

	ITR	KS	HRMC	KMC	IC
ITR	**0.850**				
KS	0.419	**0.904**			
HRM	0.718	0.502	**0.873**		
KMC	0.603	0.416	0.639	**0.847**	
IC	0.595	0.671	0.839	**0.737**	**0.781**

Source: Author`s Data Analysis

Table 2: Path Coefficient

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	TStatistics (|O/STDEV|)	P Values
ITR -> KMC	0.267	0.380	0.149	2.536	0.011
KS -> KMC	0.294	0.288	0.140	1.977	0.043
HRMC -> KMC	0.199	0.189	0.098	2.010	0.041
KMC -> IC	0.330	0.330	0.139	2.459	0.012
ITR -> IC	0.450	0.458	0.137	3.357	0.002
KS -> IC	0.411	0.298	0.099	2.879	0.013
HRMC -> IC	0.309	0.419	0.128	3.183	0.001

Source: Author`s Data Analysis

Figure 2: Research Structural Model

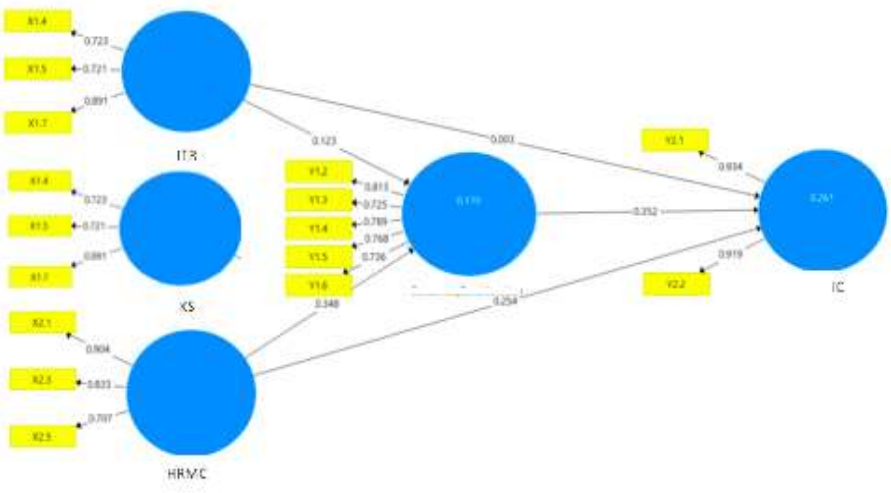


Figure 2 in this study shows the path analysis processed using SmartPLS 3.0. Table 2 presents the results of the structural model testing, which demonstrates the causal relationships in the research model. The results of hypothesis testing for the all hypothesis in this study are accepted because it has a p-value below 0.05.

Conclusion

In conclusion, information technology relatedness, knowledge sharing and human resource management capability are the antecedents for knowledge management capability. Information technology (IT) relatedness has a profound impact on an organization's knowledge management capability. By adopting IT systems tailored to their industry, companies can effectively capture, store, and disseminate knowledge (Fielt et al., 2016). This facilitates collaboration among employees and fosters a culture of innovation, leading to improved knowledge creation and sharing. IT relatedness also enables the integration of internal and external knowledge sources, enhancing the organization's absorptive capacity (Lane et al., 2006). Furthermore, IT relatedness facilitates the identification and exploitation of new business opportunities, driving organizational innovation and competitiveness.

The next antecedent is knowledge sharing. Knowledge sharing can positively influence an organization's knowledge management capability by promoting collaboration, creativity, and innovation (Alavi & Leidner, 2001). Encouraging open communication and social interactions facilitates the creation and dissemination of knowledge, enhancing organizational learning (Paquette & Lafond, 2006). This shared understanding among employees leads to increased team effectiveness, problem-solving capabilities, and adaptability, ultimately contributing to better decision-making and competitiveness (Davenport & Prusak, 1998). However, barriers to knowledge sharing must be addressed to maximize its benefits.

And the last antecedents for knowledge management capability is human resource management capability. The human resource management capability positively influences an organization's knowledge management capability (Dumay, 2009). Effective talent acquisition and retention enable the organization to capitalize on the experiences and expertise of its employees, thereby fostering a culture of innovation and learning (Ghoshal & Bartlett, 1994). Moreover, employee development programs facilitate skill-sharing, collaboration, and knowledge transfer, ultimately enhancing the organization's overall knowledge management capability (Kübler & Fähnrich, 2013). Knowledge management capability, information technology relatedness and human resource management capability have a significant effect on innovation capability as well as knowledge management capability have a significant effect on innovation capability. And for the indirect effect, the results are information technology relatedness has a significant effect on innovation capability through knowledge management capability; knowledge sharing has a significant effect on innovation capability through knowledge management capabilityand human resource management capability has a significant effect on innovation capability through knowledge management capability.

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