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The Effect of Knowledge Management Ability on Organizational Performance with Organizational Trust as a Mediation Variables

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Abstract

The purpose of this study was to determine the effect of Knowledge Management Ability on Organizational Performance with Organizational Trust as a Mediation Variable in the Presto Milkfish Micro, Small and Medium Enterprises (MSMEs) in the city of Semarang. The population in this study was 117 MSME managers. The variables in this study were Knowledge Management, Organizational Performance, Organizational Trust. The method of data analysis used descriptive analysis and path analysis using SPSS version 21 software. The results showed that Knowledge Management and Organizational trust had an effect on Organizational Performance. Knowledge Management affects Organizational Trust. Furthermore,. Organizational Trust is able to mediate the influence of Knowledge Management on organizational performance. Suggestions for future research are expected to test knowledge management variables with different dimensions such as knowledge sharing and organizational support. From the results of this research, it is hoped that the managerial Umkm will pay more attention to knowledge management and organizational trust in order to achieve optimal organizational goals. To improve knowledge management skills, management needs to attend training and seminars held by the government and other private parties.

INTRODUCTION

The reality of the increasingly competitive business world today requires organizations to have the ability to manage human resources which are a strategic component in organizational success (Alniacik et al., 2013). Human Resources have an important role in the organization. This is because human instincts as social creatures spend part of their time in organization (Aydin et al., 2012). Therefore, it is necessary to have proper human resource management in achieving organizational goals. HR management can be done by retaining potential employees. Finding the right person for the job is an important task that must be fulfilled in achieving a higher quality of work life (Alniacik et al., 2013).

The success of the business and the survival of a company are the goals of every business actor (Hidayat & Murwatiningsih, 2018). Rapid

development has created new challenges for business organizations to be competitive (Ha et al., 2016).

Human resources become a challenge for management, because the success of management and others depends on the quality of human resources (Ranihusna, 2013). Today, business organizations have to face stiff competition among business organizations and risk losing customers easily because most of them have difficulty understanding and responding to changing market trends. In this case, human resource management plays an important role in developing employee knowledge and abilities in improving employee and organizational performance (Hassan, 2012).

Business development is currently increasing rapidly and intense competition between competitors requires companies or organizations to continue to innovate (Kusumawardani & Wu© 2020 Universitas Negeri Semarang

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lansari, 2018). To develop an organization to be more advanced, the orga-nization must focus on its human resources to carry out their functions optimally, especially in the face of environmental changes that occur (Irawan & Sudarma, 2016). Members of the organization have an important role in human resources (Diniyati & Sudarma, 2018). By adding the concept of knowledge management, the organization will get more information about the ins and outs of the organization and supporting information that functions as a support for organizational development.

The growing role of Knowledge has driven businesses to shift from other management practices to knowledge management (Cho & Korte, 2014; Tubigi & Alshawi, 2015). Knowledge Management is considered as the ability to manage knowledge such as obtaining knowledge from both internal and external organizations, turning it into new strategies or ideas, implementing and protecting it (Gold et al., 2001). This knowledge can be obtained through direct experience in managing an environmentally friendly business, experience helping business partners in managing their business, experience in participating in entrepreneurship training and various information in online media (Putri & Sudarma, 2020). Knowledge Management is considered as the ability to manage knowledge such as obtaining knowledge from both internal and external organizations, turning it into new strategies or ideas, implementing and protecting it (Gold et al., 2001). The right human resource employees can create value in an organization (Martono & Putri, 2018).

management Knowledge capability (KMC) contributes to organizational performance in the form of innovation, new product development, and competitiveness (Mohamed et al., 2009; Chang & Chuang, 2011; Cepeda & Vera, 2014). This is because to achieve superior organizational performance relies heavily on tangible assets such as natural resources and intangible assets such as knowledge (Lee & Sukoco, 2007). KMC is defined as the ability of an organization to collect critical knowledge resources and manage their assimilation and exploitation (Miranda et al., 2011) or as the ability to mobilize and apply knowledge management-based resources which are then combined with other resources and capabilities (Chang & Chuang, 2011).

Previous research has linked KMC results to process capability (Ju & Lee, 2006; Sambasivan et al., 2009; Chen et al., 2014; Liu & Deng, 2015) or infrastructure capability (Cepeda & Vera, 2014). Several attributes of organizational performance for both (Gold et al., 2001; Fan et

al., 2009). The combination of these two abilities can provide coherent and systematic knowledge support to organizational activities and can determine organizational KMC (Gold et al., 2001; Lee & Sukoco, 2007).

Research on the relationship between knowledge management abilities and performance is very important because these findings can help companies to better understand the consequences of knowledge management (Liu & Deng, 2015). In addition, there is a lack of studies investigating the relationship between knowledge management skill and non-financial financial performance (Cho & Korte, 2014). Previous research findings are still inclusive with regard to knowledge management skills. Researchers found that not all dimensions of knowledge management ability correlated significantly with performance (Mills & Smith, 2011).

Knowledge management activities require a culture of trust among organizational members (Alaarj et al., 2016). Researchers suggest building a culture of trust (Sandhawalia & Dalcher, 2011). This is because lack of trust is the main reason for not sharing knowledge among organizational members (Gharakhani & Mousakhani, 2015). However, research on the mediating role of trust in the relationship between industrial clusters and the knowledge acquired has been under scrutiny (Niu, 2010).

Micro, Small and Medium Enterprises (MSMEs) are one of the drivers of national economic development. Several indicators prove that this sector plays a very important role in the Indonesian economy, including in 2013 Indonesia had 57.9 million MSME players spread throughout the region (Ministry of Cooperatives and MSMEs, 2013), this number is the largest number compared to the number of similar sectors in other countries. other. With the large number of MSMEs, it can contribute 58.92% of the Gross Domestic Product (PBD) and a contribution to employment of 97.30%. 30% to 57%, then the contribution of employment in this sector reaches 50% to 98%.

The implementation and activities of MSMEs certainly require guidance and development. Basically, the guidance and development of MSMEs can be seen from the operational side, institutional efficiency and development (Purnomo, 2010). Coaching and development of MSMEs is intended to explore the potential and increase this potential so that existing problems can be overcome. Globalization has created new challenges for business people to compete in the business world. Currently, businesses have to

face intense competition in the business market and risk losing customers at any time because entrepreneurs have difficulty understanding and responding to rapidly changing market trends (Ha et al., 2016). Challenges like this are currently being faced by Micro, Small and Medium Enterprises (MSMEs), which are engaged in the processing industry sector.

The growth of the manufacturing sector is an important factor driving the national and regional economies. Given that the processing industry is a sector that has a fairly large workforce absorption. One of the industries that has the potential to absorb labor is the milkfish processing industry in Central Java, especially in the city of Semarang. The prospect of this processing industry business has a pretty good prospect, but on the other hand, development is constrained by capital constraints. Based on data from the Semarang City Industry and Trade Office, it is known that the Presto Milkfish processing industry has the smallest business unit and production value among the Food Processing Industry in Semarang City. Whereas so far, Bandeng Presto has been well known in various parts of the country, especially tourists visiting Semarang as a typical Semarang City souvenir that must be purchased as a souvenir for relatives. In this case it is necessary to increase Knowledge Management to improve organizational performance. Knowledge management capabilities contribute to organizational performance in the form of innovation, new product development, and competitiveness (Chang & Chuang, 2011; Cepeda & Vera, 2014). This is due to the fact that to achieve maximum organizational performance depends heavily on tangible assets such as natural resources and intangible assets such as knowledge (Lee & Sukoco, 2007). Knowledge management is defined as an organization's ability to collect knowledge resources, manage, assimilate and exploit them (Miranda et al., 2011). or as the ability to mobilize and apply knowledge managementbased resources and combined with other resources and capabilities (Chang & Chuang, 2011). Knowledge management here is related to knowledge about financial management from MSMEs.

Maximum knowledge of financial management can help implement Umkm's own performance. From this financial management Umkm can find out the strengths that need to be maintained and the weaknesses that need to be overcome and improved. Knowledge about management can also help to decide what strategy to do next, for example if there is a decrease in

sales, the manager will think about reviewing the products and services of the MSMEs product so that they can decide what steps need to be taken to overcome or improve it.

Knowledge management activities require a culture of trust among organizational members (Alaarj et al., 2016). Researchers suggest building a culture of trust (Sandhawalia & Dalcher 2011). This is because lack of trust is the main reason for not sharing knowledge among organizational members (Gharakhani & Mousakhani, 2015). However, research on the mediating role of trust in the relationship between industrial clusters and the knowledge acquired has been under scrutiny (Gharakhani & Mousakhani, 2015).

Of course, there are many factors that make an institution or agency strive to provide solutions to the deficiencies that exist within the institution or organization. One of them is by increasing competence and knowledge and creating a culture of trust between members which aims to improve organizational performance.

Hypothesis Development The Effect of Knowledge Management on Organizational Performance

Kiessling et al., (2009) further explained that there is a close relationship between knowledge management skills, product improvement innovation, and increased employee skills. When a company has strategic resource capacity, it will be easier to survive, grow, and get an advantage in a competitive market. Therefore, companies must continue to improve their knowledge management capabilities in order to improve their organizational performance (Bharadwaj, 2000; Bollinger & Smith, 2002).

Chih et al., (2008) suggest that knowledge management skills are an important factor affecting organizational performance. If a company can obtain appropriate knowledge and integrate external and internal knowledge, it can be possible to improve organizational performance (Scherer, 2000). Therefore, it can be understood that knowledge management ability has become an intangible resource, while the application of knowledge management has a stronger influence on organizational performance (Talisayon, 2002) If companies can create new knowledge from existing knowledge and reuse it through learning, then organizational performance can be improved (Slater & Narver, 1995; Baker & Sinkula, 1999).

H1: Knowledge management has a positive effect on organizational performance.

The Effect of Knowledge Management on Organizational Trust

Knowledge management activities require a culture of trust among organizational members (Alaarj et al., 2016). Researchers suggest building a culture of trust (Sandhawalia & Dalcher, 2011). This is because lack of trust is the main reason for not sharing knowledge among organizational members (Gharakhani & Mousakhani, 2015).

Knowledge management activities can be enhanced through trust between organizational members (Koohang et al., 2017). In other words, knowledge management activities require members' trust to share knowledge among members, the aim is to maximize activities in the organization. This shows that knowledge management affects organizational trust (Kuo, 2013). H2: Knowledge management has a positive effect on organizational trust.

The Effect of Organizational Trust on Organizational Performance

Organizations in carrying out organizational activities certainly require trust between organizations. The trust of organizational members is shown by their willingness to allow the organization to make decisions for its organization. Organizational trust is a person's desire to be vulnerable to the organization that has employed him (Rawlins, 2008). In addition, organizational trust is also called an employee's decision to trust the organization (McLeary & Cruise, 2015).

Organizational trust can be increased by involving organizational members in decision making. In addition, employees who believe in organizations think that organizations are reliable and can keep their promises (Rawlins, 2008). With the trust possessed by members of the organization, members of the organization will be responsible for the organization to achieve organizational goals. This shows that organizational trust has an effect on organizational performance (Koohang et al., 2017).

H3: Organizational trust has a positive effect on Organizational Performance.

Effect of Knowledge Management on Organizational Performance through Organizational Trust as mediation

The existence of trust is important to encourage knowledge sharing in organizations (Sandhawalia & Dalcher, 2011). Trust facilitates knowledge management processes such

as sharing, transferring and acquiring knowledge (Fields et al., 2014). Lack of trust affects employees' willingness to share implicit and explicit knowledge (Currie & Kerrin, 2010; Fields et al., 2014).

Previous research has found that trust can facilitate an organization's ability to improve relationships, gather information related to market development, technology and build a variety of useful knowledge internally and externally (Romijn & Albaladejo, 2002). Collaboration, interaction, and knowledge exchange are all activated once the organization creates a culture of trust (Mills & Smith, 2011).

Levin et al., (2002) found that trust can play a mediating role for knowledge transfer. It is also determined to partially mediate the relationship between industrial cluster involvement and knowledge acquired (Niu, 2010). In the online business environment, trust has been used as a mediator for the relationship between behavioral goals and individual characteristics, the online environment and information technology (Gefen & Straub, 2004; Kim & Park, 2013). Thus, in this study, trust is expected to play a mediating role

H4: Knowledge management has a positive effect on organizational performance through organizational trust as mediation.

Based on the description of the hypothesis, the research model developed is presented in Figure 1. as follows.



Figure 1. Research Model

METHOD

The type of this research is descriptive research. The design of this study uses quantitati-

ve methods. The population in this study were the managers of the presto milkfish UMKM in the city of Semarang from the selected 38 Umkm who were made into the population with a total of 117 administrators. The number of samples in this study was using solvin calculations with a level of leeway in not careful research of 10%, so that the sample that can be used is proportinal random sampling. The data analysis technique used descriptive analysis method, classic assumption test, hypothesis test, and path analysis using SPSS version 21 software

The research variables in this study consisted of 3 variables, namely the independent variable, the variable, the intervening variable, and the dependent variable. The data collection methods used in this study were questionnaires and literature study. The preparation of questionnaires in this study used a Likert scale with the variables to be measured translated into indicators and each indicator has a gradient. The index used in this study was 5.

Organizational performance is measured by 16 statement items which are divided into 2 dimensions, namely, financial performance and non-financial performance developed by Tseng and Lee (2014) with a Likert scale starting from 1 = strongly disagree to 5 = strongly agree. An example of an organizational performance question item is " My company has total product sales of 400-3000 kg per year ". Knowledge management is measured by 8 question items developed by Gold et al., (2001) with a Likert scale starting from 1 = strongly disagree to 5 = strongly agree. Anexample of one of the question items "I have a process for filtering and interpreting different types of knowledge organizational trust is measured by 6 questions developed by Rawlins (2008) with scale Likert began from 1 = strongly disagree to 5 = strongly agree. An example of an organizational performance question item is "I entrust the organization to make decisions for employees".

RESULTS AND DISCUSSION

In this study, to find out the validity of an indicator then the value of r is calculated. The following results of the faithful validity test of variables can be seen in table 1.

Table 1. Test Results of Variable Validity

| No | R | R table | Explanation | | | | |
|-------------------------|-------------------------------|---------|-------------|--|--|--|--|
| A. Org | A. Organizational Performance | | | | | | |
| 1 | 0.44 | 0.361 | Valid | | | | |
| 2 | 0.463 | 0.361 | Valid | | | | |
| 3 | 0.422 | 0.361 | Valid | | | | |
| 4 | 0.249 | 0.361 | Invalid | | | | |
| 5 | 0.734 | 0.361 | Valid | | | | |
| 6 | 0.732 | 0.361 | Valid | | | | |
| 7 | 0.728 | 0.361 | Valid | | | | |
| 8 | 0.775 | 0.361 | Valid | | | | |
| 9 | 0.823 | 0.361 | Valid | | | | |
| 10 | 0.798 | 0.361 | Valid | | | | |
| 11 | 0.782 | 0.361 | Valid | | | | |
| 12 | 0.75 | 0.361 | Valid | | | | |
| 13 | 0.764 | 0.361 | Valid | | | | |
| 14 | 0.836 | 0.361 | Valid | | | | |
| 15 | 0.816 | 0,361 | Valid | | | | |
| B. Kn | B. Knowledge Management | | | | | | |
| 17 | 0.652 | 0.361 | Valid | | | | |
| 18 | 0.679 | 0.361 | Valid | | | | |
| 19 | 0.56 | 0.361 | Valid | | | | |
| 20 | 0.463 | 0.361 | Valid | | | | |
| 21 | 0.642 | 0.361 | Valid | | | | |
| 22 | 0.582 | 0.361 | Valid | | | | |
| 23 | 0.602 | 0.361 | Valid | | | | |
| 24 | 0.444 | 0.361 | Valid | | | | |
| c. Organizational Trust | | | | | | | |
| 25 | 0.898 | 0.361 | Valid | | | | |
| 26 | 0.92 | 0.361 | Valid | | | | |
| 27 | 0.833 | 0.361 | Valid | | | | |
| 28 | 0.637 | 0.361 | Valid | | | | |
| 29 | 0.563 | 0.361 | Valid | | | | |
| 30 | 0.496 | 0.361 | Valid | | | | |
| | - · · - | | | | | | |

Based on the table above, the results of the validity test of the variable statement items in this study indicate that the 4th statement of the Organizational Performance variable is declared invalid because it has a calculated R value <R table, so that the statement item is not used in this study. Therefore, the statement is omitted because it represents each dimension. Based on the results of the validity test of 30 valid statement items, the decreases are reordered and used to collect research data. The following is a table of instrument

testing after item number 4 is deleted.

Reliability Test Results

In research, the variable is said to be reliable if the Cronbach Alpha value > 0.7. The following reliability test results are presented in table 5.

Based on the results of the reliability test it can be seen that the indicators of the construct

Hypothesis Testing

In this study a regression analysis was conducted to find out the relationship between the independent variables of Knowledge Management, Organizational Trust on the dependent variable of organizational Performance. The hypothesis is accepted if the sig value is <sig table (a = 0.05). Following are the results of the direct hypothesis test presented in table 3.

on organizational performance. (Liu & Deng, 2015; Alaarj et al., 2016)

Direct Effects of Knowledge Management on Orgnizational trust

This significance test was conducted to determine the effect of knowledge management on organizational trust. The results of the calculation output using the SPSS program can be seen as follows.

The results of the statistical test of Knowledge Management on Organizational Trust which can be seen in table 4.13 show that t count is 8.030> t table 2.006 for knowledge management has a positive effect with a sig value of 0.000 < 0.05. This figure indicates that H2 is supported. That is, knowledge management has a positive and significant effect on Organizational

Table 2. Reliability Test Results

| No. | Variable | Cronbach Alpha | Criteria | Explanation |
|-----|----------------------------|----------------|----------|-------------|
| 1 | Organizational Performance | 0.759 | 0.70 | Reliable |
| 2 | Knowledge Management | 0.738 | 0.70 | Reliable |
| 3 | Organizational Trust | 0.705 | 0.70 | Reliable |

Table 3. Direct Hypothesis Test Result

| Variable | T | Sig. | Description |
|---|-------|-------|-----------------------|
| Knowlwdge management > Organizational Performance | 3.252 | 0.002 | Positive, Significant |
| Knowlwdge management > Organizational Trust | 8.030 | 0.000 | Positive, Significant |
| Organizational Trust > Organizational Performance | 2.195 | 0.033 | Positive, Significant |

Direct Effect of Knowledge Management on Organizational Performance

The results of the statistical test of knowledge management on organizational performance show that t count of 3.252> t table of 2.006 for knowledge management has a positive effect with a value of V value 0.002 < 0.05 . This figure indicates that H1 is supported. This means that knowledge management has a positive and significant effect on organizational performance. So, when the knowledge management owned by the owner of MSMEs milkfish Presto in Semrang city is high, it can improve Organizational Performance.

This study shows that the knowledge management ability of umkm owners is very much needed in improving organizational performance both in financial performance and in non-financial performance. The results of this study are also in line with previous research which states that knowledge management has a positive effect

Trust. So, when the knowledge management owned by the owner of Umkm Bandeng Presto in Semrang city is high, it can increase Organizational Trust.

This research shows that the knowledge management skills of umkm owners are needed to increase organizational trust in umkm . The results of this study are also in line with previous research which states that knowledge management has a positive effect on organizational trust (Kuo, 2013)

Direct Effects of Organizational Trust on Organizational Performance

This significance test was conducted to determine the effect of trust. The statistical test results of Organizational Trust on organizational performance showed that t count was 2.195> t table 2.006 for knowledge management had a positive effect with a V value of 0.033 < 0.05. This figure indicates that H 3 is supported. That is, or-

ganizational trust has a positive and significant effect on. Thus, organizational performance, when the organizational trust held by the owner of Umkm Bandeng Presto in the city of Semrang is high, it can improve organizational performance.

This study shows that organizational trust in SMEs is needed in improving organizational performance in SMEs. The results of this study are also in line with previous research which states that Organizational Trust has a positive effect on Organizational Performance (Koohang et al., 2017)

Path Analysis The Effect of Knowledge Management on Organizational Trust

To test the effect of variable intervening used method of path analysis. Path analysis is an extension of multiple linear regression analysis, or path analysis is the use of regression analysis to estimate the causal relationship between predetermined variables based on theory (Ghozali, 2015). The causal variable tested in this study is knowledge management on organizational performance which can be mediated by organizational trust. To measure whether there is an effect of mediation or intervening, a comparison of the path coefficients is used. The path coefficient is calculated by creating two regression model equations, namely the regression equation that shows the hypothesized relationship.

Based on the results, the regression structure formulation can be formulated as follows:

OT = 0.815 MP + 0.832 e1

From this equation, it can be explained that the results of regression equation 1 mean that knowledge management has a positive influence on organizational trust. So it can be concluded that the higher the knowledge management, the higher the organizational trust. To find out the variance of the regression equation 1, the formula el = -2 is used with the result that is el = -0.169 = 0.912 which shows that the value of Varince cannot be explained by the knowledge management variable.

The Influence of Knowledge Management, Organizational Trust on Organizational Performance

Based on the results above, the regression structure equation model 2 can be formulated, namely as follows: The results of regression equation 2 mean that knowledge management affects organizational performance, the higher the knowledge management ability, the higher the organizational performance. Meanwhile, organizational trust has a positive effect on organizational performance. That means that the higher the organizational trust in milkfish Presto SMEs in the city of Semarang, the performance of the organization is also higher. To find out the variance of the regression equation 1, the formula e $2 = -\frac{2}{3}$ is used with the result that is $\frac{2}{3} = -0.169$ = 0.912 which indicates that the value of Varince cannot be explained.

The Effect of Knowledge Management on Organizational Performance through Organizational Trust

The direct effect of knowledge management on organizational performance is b2 of 0.411. For the indirect effect of knowledge management on organizational performance through organizational trust, it can be calculated using the formula $OT = b1 \times b3$, then $OT = 0.815 \times 0.788 = 0.643$. So the total effect of the path coefficient with the formula a is = b2 + (b1 x b3) = 1.053.

From the results presented, it can be seen that the direct effect of knowledge management on organizational performance is 0.411, while the total effect of the path coefficient is 0.434. This means that the total value of the effect of the path coefficient> the value of the direct effect, then H4 is accepted, which states that knowledge management can improve organizational performance mediated by organizational trust. This means that the application of high knowledge management can improve organizational performance. And the application of high knowledge management will increase organizational trust which will ultimately have an impact on the high organizational performance of SMSEs milkfish Presto in Semarang City.

The results of this study are in line with research conducted by Alaarj et al., (2016) which states that organizational trust mediates the relationship between knowledge management and organizational performance. This shows that with the application of knowledge management, employees will feel confident in the organization that supports them and will indirectly believe in the boss or owner of the business and vice versa, the business owner will also believe in the performance of the employees. Thus organizational members are able to instill organizational confidence in their work and workplace which can further improve organizational performance.

In this study, organizational trust can me-

diate the relationship between knowledge management and organizational performance. This is because the owners of SMSEshave been effective in implementing knowledge management, which can be seen from the respondents' answers to the knowledge application indicator because it has a high value which shows that the umkm owners apply the knowledge obtained with a fast response and always learn from the experience they get as material in solving problems and in decision making. This is shown by the continuous training for umkm owners carried out by the Semarang city government.

CONCLUSION AND RECOMMENDATION

Based on the results of research and discussion, it can be concluded as follows. Knowledge management has a positive and significant effect on organizational performance. This means that the higher the knowledge management is applied, the better the organizational performance will be, both financially and non-financially.

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