Development of Knowledge Management Model in Establishing Innovation and Company Performance in UMKM/SME\(^1\) in Indonesia

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Abstract:

Knowledge management is defined as formalization and access to experience, knowledge and expertise that creates new skills that enables prime performance, as well as stimulate innovation and increases the value of SMEs.

The sample data used in this study are thirty SMEs in Surabaya that are part of HIPMI (Association of Young Entrepreneurs in Indonesia), with turnover of not more than IDR fifty billion per year. The sampling technique used is simple random sampling.

The hypothesis testing used is done using Structural Equation Modelling—PLS (Partial Least Square) and the methodology used is causal research analysis which resulted in the finding that knowledge management affects innovation, knowledge management affects company performance and that innovation affects company performance for UKM\(^4\) in Surabaya.

Keyword: Knowledge Management, Innovation and Company Performance, UMKM/SME in Surabaya.

\(^1\) UMKM/SME: Usaha Mikro, Kecil dan Menengah: small, micro and medium enterprises. To be exact, in Indonesia, micro enterprises is defined as businesses with total worth (not including land and work property) of no more than 50 million with maximum total sales of IDR 300 million annually. Small enterprises has total worth of IDR 50-500 million with total sales of IDR 300 million – 2.5 billion annually. Medium enterprises has total worth of IDR 500 million-10 billion with total sales of IDR 2.5 billion-50 billion annually (http://www.etrade.id/2016/05/umkm-definisi-kasifikasi-dan-contohnya.html)

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\(^4\) UKM: Usaha Kecil dan Menengah: Small and medium enterprises