



How To Develop Innovation Capabilities On Creative Industry

Nikolas F. Wuryaningrat¹, Paulus Kindangen², Greis Sendouw³, Bode Lumanouw⁴

Mahasiswa Program Doktor Ilmu Manajemen FEB Universitas Samratulangi¹

2Fakultas Ekonomi dan Bisnis Universitas Sam Ratulangi^{2,3,4}

ABSTRACT

The sustainable competitive advantage of small and medium enterprises (SMEs) in creative industry could be demonstrated through the innovation capabilities. In knowledge management literature, knowledge sharing is the key effort to develop innovation capabilities.

There are two contrasting theories of Knowledge sharing, Szulanski's theory assumes a knowledge sharing process is 'sticky' and ambiguous, while Nelson considered knowledge sharing to be an automatic process in an organization. This study arguing, employee fit will make impact on trust is a relatively new idea to bridging the two contrasting theories.

Through the study, it was assuming that in order to develop the innovation capabilities of SMEs in the creative industry, knowledge sharing is needed, where trust is a crucial factor in knowledge sharing literature. However, building trust is not a simple matter, it assumed that the employee fit (person job fit and person organization fit) can be useful to build trust in the organization. This research conducted on Bali Province, Special Region Yogyakarta and North Sulawesi Province to represent Indonesia creative industry. 100 data were collected and analyzed with PLS-SEM.

The results of this study can be concluded that the SMEs in creative industry innovation capabilities directly influenced by employees fit. The employee fit also significant influenced on trust, and as expected trust strongly influenced knowledge sharing. Surprisingly, knowledge sharing did not influence on innovation capabilities as expected before. The possibility reason, that knowledge sharing dimensions could not make any significant effect due of the concept of innovation funnel and absorptive capacity, which explained that, the more knowledge could achieve, the less knowledge could absorb.

Keywords: knowledge sharing, innovation capabilities, person job fit, person organization fit, trust

INTRODUCTION

Knowledge is believed to be a productive resource, where those resources be the key to the ability of innovation are runs a large company on the great commission nor small (Nonaka and Takeuch, 1995; Grant, 1996; Darroch, 2005; DuPlesis, 2007; Wuryaningrat, 2013). For that reason, knowledge in a corporation it should be developed. Knowledge sharing to be the chief factor which is extremely important as a passage to optimize the use of knowledge resource (Argote et al. 1999; Lin, 2007). Knowledge sharing will become a new knowledge. This new knowledge to be used to enhance the ability of innovation. There are two theories in knowledge sharing contradict each other. According to Szulanski (1996), knowledge sharing is 'knowledge stickiness' and does not run automatically in a company because the ambiguity. Meanwhile, according to the other opinion stated that knowledge sharing is possible to be the process of "one shot", instant, and low budget because no matter what productivity development and technology defuse will happen (Nelson, 1981).

These two-contrast opinions can be true. Acknowledged indeed knowledge sharing is not an easy process. If we look up to the communication theory (Shannon and Weaver, 1949), communication can be done if the two sides can understand each other. Besides, the existence of unwillingness as of individual so they can be if what she truly knew is also detected by of other people too is an obstacle in itself. If this kind of circumstances happen, then what is mentioned by Szulanski that the knowledge transfer as knowledge stickiness does make sense. On the other side, if the individual trust each other in a organization then it is possible that the person is open to the knowledge. According to Davenport and Prusak (1998) the trust in each other in a organization helps the knowledge sharing process. Davenport and Prusak (1998) also explained



that knowledge sharing is done because of same language, culture, thinking that named common language. If these two scenarios run well, the thing mentioned by Nelson (1981) that knowledge sharing is “one shot” process does make sense.

Bridging the difference, it is predicted that the trust factor seemed to be the key. When there is a form of trustworthiness both between all the elements in an organization will be indicated that the process of knowledge sharing possible could walk more easily in the organization (Bartol and Srivastava, 2002; Tsai, 2002, Minbaeva, 2014). However, it is not easy to build trust among each other, because of little difference between one and another and competencies that possible to trigger the individuals (see McAllister, 1995). Even though there is no human in this world that was born same, and have 100% fits, but every individual can complete each other and fit each other's deficiency. One of the theories that can explain the statement is person-job-fit theory (PJ-fit) and person-organization-fit theory (PO-Fit) (Kristof and Brown, 1996; 2000). PJ-Fit and PO-Fit, speak about every employee in an organization must be an employee that can fit with the job and knowledge description, skill and ability with the individual's value with the organization's value. With the fit of one's ability with the job and the organization value it is possible to ease the job's responsibility. For example, it is harder when the competence in a human resource fit the job in accountant. That is the reason it shows the practice in an organization, with the collage in different field or the level of ability, skill and knowledge will cause the difficulty in trust building process. In this research context, trust is built as the cause of a fit with the knowledge, skill, ability, and values in an organization then it is indicated that will make an easy knowledge sharing for the employees. When the knowledge sharing connected, then the innovation will keep growing.

This reset is done to the research Small and medium enterprises (SMEs) creative industry in Indonesia. In the SMEs competitiveness study report (Bappenas, 2015) the existence of SMEs is an entrepreneur sector that is strong to the economy crisis of a country. Then in the report that released by the Ministry of Cooperation and SMES (2017) stated that SMES creative industry has contribution that keeps growing until 6.46% for the gross domestic growing (PDB), but the value is still under the other ASEAN countries such as Malaysia, Thailand, and Singapore. This reset is expected to give contribution to the Innovation capabilities in creative industry in Indonesia.

LITERATURE REVIEW AND HYPOTHESIS

Knowledge Resource

Knowledge at present time have been considered as a resource which is extremely important for the rest of the organization (Grant, 1996). It can be said that knowledge is the center of successful business (Prahalad and Hamel, 1990; Drucker, 1998). The theory that can explain knowledge as resource is resource-based view theory (RBV) (Wernerfelt, 1984) then the RBV theory developed knowledge-based view theory (KBV) (Nonaka, 1995; Grant, 1996). RBV theory explained that company can be different with the other company or organization because they can use the productive resource very well, including knowledge (Penrose, 1959; Wernerfelt, 1984). In reverse, KBV theory that developed based on RBV theory, which stated that knowledge resource is a resource which is very strategic for the company. Even the other resources could not be used optimally if we do not have the necessary knowledge.

PJ-Fit, PO-Fit and Trust

According to Kristof (1996), P-O Fit is a match between the individual's value and the organization's value. Started from the thinking until the visions and missions of the organization have important role for the individual's values that influence to one's work. Further about the PO-Fit can be used to see the relation direction between personality with the job information and organization interest, so that every individual will be interested to join the organization based on the interest and (Schneider 1987; Lee and Wu, 2011). Company is a place where individuals meet and have the same interest, vision, goals even similar (Caplan, 1987). That is why, in order to achieve the goals is to make the individuals become one in an organization.

PJ-Fit theory stated about the compatibility between individual's attribute with the characteristic or job description. Kristoff and Brown (2000) defined PJ-Fit as the suitability between personality, knowledge, skill, and ability with the job description. In other words, this theory concerns between knowledge, skill and ability (KSA) of the employee with the job description. According to Kristoff and Brown (1996) PJ-Fit can be evaluated from the subjective and objective sides. Evaluation from the subjective side is a perception judgment from the individual about how his or her opinion about the suitability of the ability and the job he or she is having now. Meanwhile from the objective side judgment is a judgment that differentiate the work result with other individual with similar job description.

In this reset trust that used is interpersonal trust. Interpersonal trust is *“The extent to which a person is confident in, and willing to act on the basis of, the words, actions and decisions of another”* (McAllister, 1995). Trust will make individual take risk, when there is trust there will be

a feeling where someone will not take advantage from the trust (McAllister, 1995). Trust also can be formed as what people have expected in getting something and not worrying about it (Deuch, 1973). Interpersonal trust has two foundations, they are: cognitive trust and affection trust (McAllister, 1995). Cognitive trust is a form of trust to other people that people believe to be chosen to have the trust based on honor, knowledge or because other emotional reasons. Affective trust can be connected based on emotional bond with each other. People make or build the affective trust as investment, or care to the collage, this kind of trust gives people belief that people will do the same in return. The ability and reliability of affective trust can be built from the interactions before the individuals join the organization (Lewicki *et al.*, 2006).

Trust is a tool that is very influential on the management of a company, because trust will sharpen business performance and innovation (Hisrich *et al.* 2017). Trust in a company or organization is very good and has a broad positive impact on the organization (McAllister, 1995). Trust will make individuals willing to take risks, when there is trust, a feeling will emerge that other people will not take advantage of the risks they may receive (McAllister, 1995).

If the individual has a match and mutual trust in the organization, it is not impossible that individuals can be very open to their knowledge. According to Davenport and Prusak (1998:96) the existence of trust between individuals or individuals with their organizations helps the process of knowledge sharing in the organization. In addition, it is further explained by Davenport and Prusak (1998: 98) that in knowledge sharing there must be a common language, culture, and mind. In other words, what is called Davenport and Prusak is created as a common language.

Tom, (1971) stated most people will choose their environment where the environment has the same 'personality'. From this statement, companies can be mentioned as a form of organization that contains various individuals is an environment that also requires similarity or similarity of personality. In the process individuals can be chosen in the organization based on the concept.

Meanwhile according to Zhang *et al.* (2013) the newly developed theory of job embeddedness theory explains that attachments in the hearts and minds of employees are closely related to the suitability of individual values with organizational values. According to Vianen *et al.*, (2011) can be concluded when an employee feels suitable with his work and work environment will cause a sense of satisfaction with his work. Further explained by Vianen *et al.* the compatibility can later build trust between coworkers and superiors. PJ-Fit and PO-Fit positively influence the climate of innovation in organizations that is mediated by innovation trust (Afsar *et al.*, 2015). Covella (2017) stated that PJ-Fit and PO-Fit have a positive effect on employee engagement and reduce the risk of employees leaving their jobs driven by organizational trust.

For example, if organizational culture is an organizational culture that reflects the energetic of the organization, what the organization needs is employees who are also energetic. Southwest airlines is a sub-company that treats the cheerfulness and attitude of employees who are ready to sacrifice or want to do good for others, so what the company needs is not only skills, high experience or higher education employees but more on employee personality in accordance with Southwest organization characteristics. When among members of the employee is a collection of people who have the characteristics, they want and are willing to happily help others, it is easier to build trust between employees. This is the thing that mentioned by Davenport dan Prusak (1998) as *common language*. However, if only based on a suitable culture without the support of an adequate KSA and in accordance with the needs of the company, the company will only be filled with people who behave similarly but may not be incompetent.

Some of these opinions are the basis for stating that there is a possibility that PJ-Fit and PO-Fit have a strong influence on trust in the company. This is revealed in hypotheses 1 (1a and 1b), namely:

Hypothesis 1a: PJ-Fit has a significant effect on trust.

Hypothesis 1b: PO-Fit has a significant effect on trust

Trust and Knowledge Sharing

Knowledge sharing is closely related to the creation of new contexts, new views and new knowledge as a form of continuous learning (Kamasak and Bulutlar, 2009; Nonaka *et al.* 2006). Knowledge sharing in organizations can be defined as the process of exchanging knowledge both tacit and explicit to produce new knowledge (Hoof and Ridder, 2004). In detail the form of knowledge sharing is an individual activity of giving ideas, suggestions, suggestions, information, experience and expertise to other team members in the organization (Hoof and Rider, 2004; Bartol and Srivastava, 2002; Davenport and Prusak, 1998). Knowledge sharing is the key to success in the process of translating individual learning into organizational capability (Frey and Oberholzer-Gee, 1997; Nahapiet dan Ghoshal, 1998; Lam dan Lambermont-Ford, 2008). As

already stated in the previous section that knowledge sharing Szulanski (1996) contradicts Nelson (1981), although it is different but through this research, we can find points of interest. The point of suspicion is strongly believed.

Davenport and Prusak (1998: 34) argue that without trust in knowledge resources will fail or not benefit the company. According to Kogut and Zander (1992) organizations are a mechanism for transferring social knowledge. Knowledge created requires individuals who have abilities that are deemed feasible and trustworthy (Nelson and Winter, 1982 in Kogut and Zander 1992).

Trust will make individuals willing to take risks, when there is trust, a feeling will emerge that other people will not take advantage of the risks they may receive (McAllister, 1995:25-26). So that it can be said that through the establishment of trust, the individual in the company makes it possible to give what he has, in this case including the ownership of his knowledge. Individuals who have trusted each other, will not feel loss if they have to lose their knowledge, because they believe that the knowledge they provide will not be used only for personal gain and will not be misused or will get the replacement. Thus, it is concluded that when trust is established then when a co-worker needs the knowledge, he has then responsively he will donate or donate knowledge, or when asked he will immediately give. In this case it seems that trust can fulfill what is said by Szulanski (1996: 32) as an inhibiting factor of knowledge sharing, namely the low relationship. In a study conducted by IBM information and technology companies, it was revealed that the trust factor was 'magic ingredient' was a fundamental factor to encourage knowledge sharing within IBM (Levin *et al.*, 2002:2).

Some previous studies confirmed this. Wu and Sukoco (2010), explained that the behavior of knowledge sharing and other behaviors related to the community of Iphone brand users in Thailand would be strengthened by the strong trust between community members. Chang and Chuang (2011) in the research revealed that the trust that exists in the company will affect the quantity and quality of knowledge sharing. Park and Lee (2013) indicated that team members would share their knowledge when they trusted their colleagues and felt dependent on the existence of their colleagues. Zhang (2014) provides empirical evidence that cognitive and affective beliefs will encourage knowledge sharing, knowledge seeking and adopt knowledge among employees in China. Blass and Martin (2016), explain the lower the level of cognitive and affective trust between employees, the lower the social knowledge sharing activities within the company. Goh and Sandhu (2014) revealed that interpersonal trust has a positive influence on increasing knowledge sharing behavior, especially on the dimension of knowledge collection, and donating knowledge

Hypothesis 2: Trust has a significant effect on knowledge sharing

Knowledge sharing dan Innovation capabilities

According to Schumpeter (in Tidd *et al.*, 2005) innovation is inseparable from the entrepreneurial spirit which is always trying to find innovative ways to gain strategic excellence. Therefore, developing innovations are currently considered as a fundamental part of entrepreneurship and as a key element of business success (Pirich *et al.*, 2001; Covin and Miles, 1999). Innovation requires the knowledge that the company already has and new knowledge gained from various sources of knowledge. The new knowledge gained by this company has a positive impact on opening opportunities to get good innovation performance and capability and input from innovation (Tsai, 2001; DuPlessis, 2007). The definition of innovation is very diverse but refers to one conclusion that is innovation as a form of novelty. Johannessen *et al.* (2001) defines innovation as a form of novelty that aims to create and maintain sustainable competitiveness.

The company's ability to manage knowledge resources can be utilized by companies as a source of faster problem solving. This can happen because knowledge can provide a reactive ability to respond to new information which in turn forms an increase in innovation capabilities (Lin, 2007). Wang and Wang (2012) give empirical proof that tacit and explicit knowledge sharing in information technology companies in China can facilitate corporate innovation. Knowledge sharing between organizational members tends to generate new ideas for developing process and product innovations. In addition, according to Almahamid, (2010) knowledge sharing can improve innovation and competitive advantage, and help small and medium enterprises become more creative and innovative so as to improve organizational performance (Nghah, 2009).

In Indonesia, a similar study also concludes that knowledge sharing, supported by the ability to absorb knowledge, will provide positive benefits for improving the innovation capabilities of SME production sectors in North Sulawesi. (Wuryaningrat, 2013). The results of the study from Mulyana and Wasiowati (2015) in small and medium-sized batik companies showed that both donating knowledge and collecting knowledge significantly affected innovation capabilities. Senduk (2015) explains that the collection and donation of knowledge in the short term does not

affect the ability of innovation in home industries in North Sulawesi, especially Minahasa District, but in the long-term donations and knowledge collection have a positive impact on Innovation capabilities. This is because the learning process cannot be traversed in the short term but the learning outcomes are continuous. At a glance the results of the Senduk are different but in the end the results of the research agree with the results of other research that explains knowledge sharing (donation and collection of knowledge) is positively beneficial for improving innovation capabilities.

As previously explained, knowledge sharing aims to gain knowledge from internal sources or external sources. Thus, to achieve the goal of knowledge sharing. Small or large companies should often relate to knowledge sources such as consumers and suppliers or other sources. Then the donation and knowledge collection activities are expected to increase the wealth of corporate knowledge through their interactions with other individuals. This increase in the wealth of knowledge will enhance the company's innovative capabilities. The innovation capability of the company that was born from knowledge sharing activities was marked by the birth of new creative ideas. This new idea facilitates innovation activities and new business opportunities (Darroch, 2005).

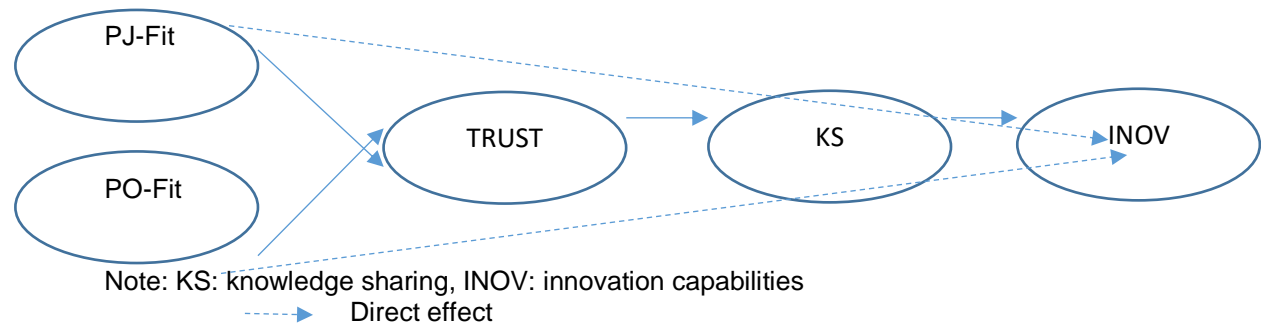
For example, the innovation capability of SME furniture in Yogyakarta is derived from its interaction with consumers to find or produce the latest models that consumers want (Indarti, 2010). System innovation and management, such as just-in-time, make Toyota the ruler of the world automotive market. *Just-in-time* can be well realized by Toyota because of the knowledge sharing activity between producers and suppliers (Dyer and Nobeoko, 2000). Referring to these opinions, then write hypothesis 3.

Hypothesis 3: knowledge sharing has a significant effect on Innovation capabilities.

Hypothesis 4: trust and knowledge sharing mediated the influence of PJ-Fit and PO-Fit on innovation capabilities.

Research Model

Based on the hypothesis built in this study, a research model can be made as follows:



RESEARCH METHOD

This research was designed with quantitative research methods with a survey approach. Respondents in the study are the owners or managers of creative industry SMEs. Sampling with a sample of non-random purposive sampling by making sample criteria to ensure the respondent is in accordance with the purpose of this study (Cooper and Schindler, 2010). The criteria for selecting respondents in this study are as follows: SME creative industries that have existed for more than 3 (three) years, SMES creative industries that have a permanent staff of 5-99 people, the creative industries used in this research are those engaged in the sub-sector the knowledge sharing activity craft products are relatively high (see Indarti, 2010).

To represent Indonesia, Yogyakarta (DIY), Bali and North Sulawesi (Sulut) were chosen. DIY and Bali provinces are a barometer of the creative industry in Indonesia. North Sulawesi Province was chosen because economic growth which reached 6.3% in 2017 was higher than the national average, where one of the supporting factors was the progress of its creative industry (Antaraneews Manado, 2017). The questionnaires were distributed directly to 125 respondents by working with third parties to collect data. Because the data is brought directly by the surveyor then the results are awaited at the same time, then the results of the data collected can also be 125 data. However, only 100 data were used because 25 data were found not to fit the sample criteria. In this research there is a test of mediation variables of trust and knowledge sharing, the criteria of Baron and Kenny (1976) are used to test mediation variables.

Measurement

Person Job Fit dan Person Organization Fit

The operational definition of P-J Fit is compatible or conformity between individual attributes such as knowledge, skills and abilities with characteristics or job descriptions. The indicators are the ability, expertise, knowledge and personality of the individual (Kristof and Brown, 2000). While the operational definition of Po-Fit is the suitability of individual values with organizational values (Kristof, 1996). Constructs of person job fit and person organization fit measurements using a questionnaire developed by Afsar et al. (2015). Pj-fit consists of 4 (four) statement items and 3 (three) statement items for Po-Fit.

Trust

Trust according to McAllister (1995) is the degree to which individuals are willing to put their trust in acting on the basis of the words, actions and decisions of others. Trust constructs have two dimensions of cognitive and affective trust. The construct is a formative construct measured by a questionnaire developed by McAllister (1995), there are 11 (eleven) statement items consisting of 6 (six) statements from the dimensions of cognitive trust, and 5 (five) statements for the dimensions of affective trust.

Knowledge sharing

Knowledge sharing is defined as operational as a process of exchanging knowledge both tacit and explicit to produce new knowledge (Hoof and Ridder, 2004). The knowledge sharing construct is measured by 10 statement items.

Innovation capabilities

The operational definition of innovation capability is the ability to create a novelty that aims to create and maintain sustainable competitiveness (Johannessen *et al.*, 2001). The indicators are new product innovations, new production methods, new services, opening new markets, new sources of resource availability, and new perspectives of organizations. Innovation capabilities is measured by 6 (six) statement items developed by Johanessen *et al.* (2001). This measurement is intended to show the level of innovation carried out by the company. All statements in each item are made in a closed questionnaire using a Likert scale 1 - 5 (1 = strongly disagree to 5 = strongly agree).

Validity and Reliability

The validity test in this study includes convergent validity. This validity is to test whether the research instrument correlates highly with the research construct. Considerations in convergent validity are factor loading values and AVE values. A loading factor higher than 0.5 is an acceptable value, as well as a good AVE value that is higher than 0.5 (Hair *et al.*, 2010:695). Then the reliability test which is part of convergent validity (Hair *et al.*, 2010, its assessment is based on cronbach alpha values above 0.6 and composite reliability above 0.7. The results of convergent validity and reliability tests are presented in table 1 below:

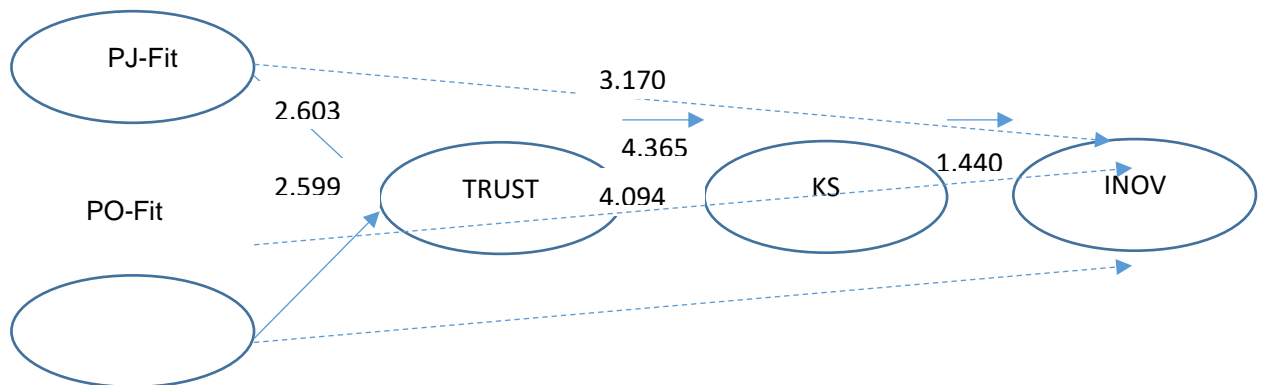
Tabel 1. Convergent Validity and Reliability

Variabel	Remaining item	Factor Loading	AVE	Cronbach Alpha	Composite Reliability
PJ-Fit	4	0.684-0.833	0.584	0,769	0,849
PO-Fit	3	0.701-0.834	0.626	0,703	0,833
Trust	6	0.504-0.828	0.510	0,809	0,858
Knowledge Sharing	10	0.598-0.883	0.532	0,805	0,839
Innovation	5	0.646-0.870	0.508	0,753	0,835

In table 1, the PJ-Fit, PO-Fit variables and knowledge sharing of all statement items can be declared valid because they have a factor loading value and a higher AVE of 0.500. The trust of the 11 item statements of some items must be dropped because it has a factor loading value below and 0.5, and the value of AVE when there are still 11 statements below 0.500. Then the factor loading value that is below 0.500 is dropped by 5 items and the remaining 6 items are statements whose value of AVE and factor loading is above 0.500. Innovation capability of 6 items, one item dropped, then after dropping it results in an AVE value that is above 0.500. Then looking at the results of reliability, all research variables already have a value of alpha alpha and composite reliability above the number 0.700, so that all constructs are declared reliable. Thus, it can be concluded that the collected data can be declared good and feasible to be tested for the hypothesis.

RESEARCH FINDING AND DISCUSSION

To test the research hypothesis, a variant-based Structural Equation Model data analysis technique, partially least square (PLS), was chosen with the SmartPLS 2.0 statistical program. Hair et al. (2012) compare PLS as 'silver bullet' because PLS has good statistical power to test hypotheses with relatively smaller sample sizes. Test this hypothesis to see the value of the critical ratio (t-stat). The t-stat value is higher than 1.960 (two tailed), meaning the result is significant or the hypothesis is accepted. Figure 2 below shows the results of the hypothesis test. Picture 2. Hypothesis Test



In Figure 2 it is shown that PJ-Fit has a significant effect on trust because the t-stat value is higher than 1960. Then with the t-stat value 2.599 above the value of 1960 PO-Fit has a significant effect on trust. Thus, it can be said that hypotheses 1a and 1b can be accepted. Then for hypothesis 2 it can also be accepted because it produces a t-stat value of 4.365, in other words trust has a significant effect on knowledge sharing. Finally, hypothesis 3 is not significant because the t-stat value is below the reference value of 1960, namely the t-stat value 1.440. Then trust and knowledge sharing cannot be a mediating variable because the direct influence of PJ-Fit and PO-Fit on the ability of innovation is actually significant. Baron and Kenny (1976) explained to be a mediating variable, the direct influence of PJ-Fit and PO-Fit on the ability of innovation should not be significant, with significant indirect effects on relationships. Thus hypothesis 4 which states trust and knowledge sharing mediates the influence of the ability of innovation is also not acceptable.

As previously thought that the suitability of knowledge, skill and ability (KSA) of labor with what is needed by the creative industry can lead to trust between the individuals involved. The results of this study can be understood when KSA is in accordance with the needs of the company, the level of trust in the company is getting better. Employees can be trusted and relied upon because their competencies are believed to be able to help the creative industry SMEs. Besides KSA, the results of the study identified that individual values that are in accordance with the values adopted by the creative industry also play a significant role in building trust. Those values are predicted to be able to create compatibility with the mindset and similarity of feelings that form 'common language' (Davenport and Prusak, 1998). It can be concluded to build trust in the company so what is needed is KSA and individual values that are appropriate for building harmonization between knowledge and values of corporate culture.

Then after trust can be built, it is expected that knowledge sharing activity can occur with relative ease. The results of the study provide empirical evidence to ascertain these allegations. Trust is the basis for knowledge sharing that can be established, the reason being that knowledge is actually inherent in humans, so that individuals willing to let go or provide the knowledge they have needed a very strong trust (see Polanyi, 1966). A deceased Steve Job needed a long time and closeness to finally be willing to transfer his knowledge to his trusted person Tim Cook. Not only does belief make a person put himself fully in the person he trusts (McAllister, 1995). It can be concluded that trust will ultimately determine knowledge sharing within the company, in this case the creative industry SMEs.

The results of the study noted interesting results. These results refer to knowledge sharing, which ultimately does not have a significant influence on the company's innovation capabilities, especially in the creative industry SMEs. This result is very different from most of the results of previous studies stating that knowledge sharing will produce new knowledge that is useful for improving innovation capabilities (see previous section).

A possible explanation for the phenomenon of the results of this research can refer to the innovation funnel theory (Wheel and Cartwright, 1992) and the absorptive capacity theory (Coven dan Levinthal, 1990).

The absorptive capacity theory speaks of the assimilation process of knowledge held by the company, where this theory explains that the level of knowledge assimilated into an innovation depends on its ability to absorb its own knowledge. Indarti (2010) explains that the ability to absorb this knowledge is the fruit of innovation. Thus, without the ability to absorb sufficient knowledge, it will not be able to produce fruit of innovation. Then the theory of the ability to absorb knowledge is reinforced by the theory of innovation funnel from Clark and Whellright (1992) which stated that the knowledge that gave birth to innovation was like being on a bottle neck. A lot of knowledge comes in but only a few produce knowledges. If these two theories are connected then the bottle neck is the ability to absorb knowledge.

The difference in the results of this study with many other studies was allegedly due to the low ability to absorb knowledge. Wuryaningrat (2013) explained that knowledge sharing cannot directly influence the ability of innovation without being supported by the ability to absorb adequate knowledge. The next expectation of knowledge sharing that might occur in the creative SME industry seems to be limited to long discussions without any results from the discussion. Many ideas, suggestions and inputs are issued but may not be considered and may not have the courage to run something new. This is similar to the innovation funnel theory; a lot of knowledge is received but only a few produces outcomes. If innovation is a bottle neck, if more knowledge is made, it will lead to more bottlenecks in innovation. Knowledge can still produce innovation but it seems to be stagnating.

One of the solutions that can be given is to enlarge the bottle neck so that knowledge can come out and produce more innovation. It means increasing the ability to absorb knowledge of creative industry SMEs. Then encouraging the creative industry business can begin to be continued slowly by the younger generation who are more creative. As already explained in the profile data section of respondents that the average age of respondents is above head 40, age where the level of creativity has declined considerably (Kasali, 2010) so there needs to be a consideration to gradually transfer business knowledge to the younger generation.

Furthermore, the insignificance of the effect of knowledge sharing on the ability of innovation does not mean that knowledge sharing fails to have an impact on the innovative capabilities of SMEs in creative industries and knowledge as a resource fails to be a fundamental resource. Knowledge sharing is a learning process (Nonaka et al., 2006; Kamasak and Bulutlar, 2009; Indarti, 2010; Senduk, 2015), so that there may be a learning process that is not enough. Senduk (2015) explained that knowledge sharing in the short term does not provide tangible benefits for the growth of home industries in North Sulawesi but in the medium- and long-term knowledge sharing is able to provide good results for home industries. Therefore, a continuous learning process is necessary for the creative industry.

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