THE IMPACT OF TRUST, KNOWLEDGE SHARING, AND AFFECTIVE COMMITMENT ON SME INNOVATION PERFORMANCE

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ABSTRACT – Small and medium-sized enterprise (SME) performance can enhance SME sustainability and competitiveness. This study aims to examine the impacts of trust, knowledge sharing, and affective commitment on SME innovation performance. The present study uses regression analysis by surveying 56 small business owners or managers in West Sumatra, Indonesia. It was found that trust, knowledge sharing, and affective commitment are related to SME innovation performance. Therefore, it is a moment to renew commitment to innovate by promoting trust and collaboration even during difficult situations. This study has contributed to the trust-knowledge sharing model by examining factors affecting SME innovation performance during the COVID-19 recovery phase.

INTRODUCTION

Innovation can be defined as a mechanism of the business actors adapt in a dynamic environment to enhance consumer loyalty (Biégas, 2018). It requires business entities to show their differences and uniqueness (Edeh et al., 2020). Usmed et al. (2021) stated that intense competition, including digital technology, have pushed SMEs to innovate. SMEs have become the backbone of Indonesia’s economy. Therefore it is imperative to strengthen their business organisations (Games et al., 2020). SMEs have contributed as many as 60% to Indonesia’s gross domestic product (Kemenkop UKM, 2021; Pratama et al., 2021). Innovation is needed either in micro, small, medium, or even large sizes (Abouzeedan, 2011), because innovation can support market expansion and business growth (Silva et al., 2017), and even sustainable competitive advantage (Fernando & Wah, 2017).

Since most businesses focus on SMEs in Indonesia, their impact will assist the country in enhancing economic well-being, and these SMEs will be able to compete with other business types (Gui et al., 2021). In West Sumatera, the Department of Cooperative and Small and Medium Enterprise stated the number of SMEs reported as many as 593,100 in the quarter of third 2021. In the efforts to enhance the contribution to the country, Wahyono et al. (2021) added that it is important for the SME sector to innovate to contribute positively to Indonesian economic development and reduce the unemployment rate (Samir, 2020).

In the midst of the COVID 19 situation, most people often spend their time playing with their gadgets. They easily compare the uniqueness and differentiation of the product (OECD, 2020), so they tend to behave sensitively on product innovation (Shakurpa et al., 2021). Additionally, Lita et al. (2018) stated a lack of market demand for small-medium size business products due to a lack of innovation. Most of them believe that their customers buy continuously as a result of their loyalty to existing products. Still, in the end, they did not realise that not doing innovation will result in customers loss, and it is difficult to add new customers (Hadi Putra & Santoso, 2020; Wahyono et al., 2021). In this case, Hidayat et al. (2021) argued that the human resources aspects play a crucial role in enhancing business continuity. Therefore, SMEs need to have continuous innovation that requires creativity and innovative behaviour from people within organisations, leading to creativity and innovative behaviour from people within organisations, leading to better SME performance (Lei et al., 2019). Further, SME innovative performance will lead the consumers to the repurchase intention (Alhabsy, 2021).

Scholars believe that trust will support this mission by enhancing SMEs’ innovation performance in the context of Indonesia during pandemic crises (Jalali et al., 2021; Pratono, 2021). Newly, Seepana et al. (2021) found that innovation performance is influenced by trust among workers, indicating confidence and willingness to engage in a strong relationship with another person within SME sectors. In addition, trust and knowledge sharing will lead to innovation performance (Clegg et al., 2002). Previous research shows that a higher level of trust has benefited SMEs and societies. So it is in terms of successful collaboration, creativities, and innovativeness (Clegg et al., 2002; Kulangara et al., 2016; Lei et al., 2019; Michalski et al., 2019; Xavier et al., 2011).

This study aims to investigate the effects of trust, knowledge sharing, and affective commitment on SME innovation performance in the context of Padang, West Sumatra. Padang has become a source of innovation in Indonesia, but there are limited studies on this topic in West Sumatran SMEs.
HYPOTHESIS DEVELOPMENT

SME innovation performance is also heavily dependent on the creativity and knowledge of the workers (Castillo & Lema, 2020). Zhang (2017) argue knowledge is a critical asset and an important source of innovation. In this case, knowledge sharing and the conditions for knowledge exchange become major challenges in enhancing innovations performance (Samir, 2020). Naeem et al. (2019) further explain that knowledge assets, due to their intangibility, are difficult to imitate and replicate. Hence, ownership of knowledge assets is thus seen as a source of long-term sustainable competitive advantage to maintain sustainable innovation (Qu et al., 2015). However, the process of knowledge sharing should not have been taken for granted. More often than not, it has to be developed through organisational structure and organisational culture (Olaisen & Revang, 2017). It means that knowledge sharing is a result of fundamental changes in organisations. Knowledge sharing can strengthen employee’s capabilities to implement business innovation (Dey & Mukhopadhyay, 2018). In addition to that, Yuliani et al. (2021) stated that the desire of the worker to innovate their performance depends on their commitment to their organisation, which leads to a high level of innovation in organisation (Patulak et al., 2013). More often than not, affective commitment results from employee satisfaction (Raveendran & Gamage, 2019).

Affective commitment is defined as a strong intention of the people in organisations to maintain their membership at their current workplace for long-term goals (Allen & Meyer, 1990). Furthermore, the workers will proactively give their best for organisations and they have a strong will to show their creativity and share innovative ideas to assist their companies (Jalali et al., 2021). Raveendran and Gamage (2019) found a strong link between affective and performance. In addition, several studies supported our research model (Michalski et al., 2019; Olaisen & Revang, 2017), which stated that trust, knowledge sharing, and commitment had influenced performance.

This study is expected to contribute positively to the development of SMEs in West Sumatra, especially in terms of business innovation and human resources. In so doing, we may postulate:

- **H1:** Trust is significantly and positively related to SME performance
- **H2:** Knowledge sharing is significantly and positively related to SME performance
- **H3:** Affective commitment is significantly and positively related to SME performance

METHODS

The present research employs a quantitative approach with the convenience sampling technique to the SME owners/managers of Padang. Further, we received 56 feedbacks of the questionnaires from SME owners/managers. In the distribution process, the convenience sampling technique was used to ease in reaching participants at the right places and times. Then it has been conducted by implementing COVID 19 health protocol policy. The data were analysed by regression analysis using SPSS Version 26, and PLS-SEM version 3.3.7 for model and hypothesis testing. Furthermore, the present study follows suggestions by Hair et al. (2010), which stated that the p-value should < 0.05 to be considered significant.

In terms of variables measurement, trust was measured based on four items developed by Scott and Bruce (1994), and knowledge sharing was measured by five items developed by Chen and Huang (2009). Further, the affective commitment was measured through twelve items from Meyer et al. (1993), and innovation performance was measured by five items from Henderson and Clark (1990). The present study uses the *Likert* scale (1 = Strongly disagree to 5 = Strongly agree) on each item to ease participants in filling out the questionnaires (Sekaran & Bougie, 2016).

FINDINGS

The data were collected from 56 SME managers/owners in Padang, West Sumatra. 53% of them are men and 46,4% are women aged less than 24 years (37%) and over 31 years (47,8%). They were operated on no longer than ten years (58%) and 11 to 20 years (30,4%), and 11,6% of them were operated above 20 years. We also have identified several types of SMEs and the number of participants on each, such as food and beverage, clothing, and tourism. The detailed information can be seen from table 1:

<table>
<thead>
<tr>
<th>Table 1. Types of SMEs</th>
<th>Worker Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial</td>
<td>6 persons</td>
<td>10,7%</td>
</tr>
<tr>
<td>Service</td>
<td>5 persons</td>
<td>8,9%</td>
</tr>
<tr>
<td>Food and Beverage</td>
<td>17 persons</td>
<td>30,3%</td>
</tr>
<tr>
<td>Clothing</td>
<td>14 persons</td>
<td>25,0%</td>
</tr>
<tr>
<td>Construction</td>
<td>3 persons</td>
<td>5,4%</td>
</tr>
<tr>
<td>Tourism</td>
<td>11 persons</td>
<td>19,7%</td>
</tr>
</tbody>
</table>

Source: Primary Data (2021)
The majority of SMEs in the present study come from the food and beverage industry (16 participants), clothing (14 participants), and tourism, with 11 participants. In general, SMEs income can be categorised into three categories. These are SMEs earned monthly less than IDR 25 million (64.3%), IDR 50 to 100 million (19.6%), and over than IDR 100 million (16.1%). Based on our observation, the most impacted sectors by COVID-19 in Padang were manufacturing, clothing, and tourism. Their incomes have decreased to 60%, and even 90% in tourism sectors.

Table 2. SMEs Market Orientation

<table>
<thead>
<tr>
<th>Local Market</th>
<th>Worker Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service</td>
<td>30 persons</td>
<td>53.8%</td>
</tr>
<tr>
<td>Construction</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Food and Beverage</td>
<td>15</td>
<td></td>
</tr>
<tr>
<td>Clothing</td>
<td>7</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>National</th>
<th>Worker Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial</td>
<td>16 persons</td>
<td>29.1%</td>
</tr>
<tr>
<td>Tourism</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Food and Beverage</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Clothing</td>
<td>7</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>International Market</th>
<th>Worker Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial</td>
<td>10 persons</td>
<td>17.1%</td>
</tr>
<tr>
<td>Tourism</td>
<td>8</td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary Data (2021)

Table 2 shows SME main market. 46% of the SMEs cover both national and international markets. This may indicate that a significant number of SMEs in this study are willing to innovate, signified by their market expansion. We also argue that this may represent their openness to changes.

Table 3. GoF Model

<table>
<thead>
<tr>
<th>Item</th>
<th>r-Count</th>
<th>Valid</th>
<th>Item</th>
<th>r-Count</th>
<th>Valid</th>
<th>Trust</th>
<th>Cronbach' Alpha</th>
<th>Reliable</th>
</tr>
</thead>
<tbody>
<tr>
<td>T1</td>
<td>0.821</td>
<td>Yes</td>
<td>AC5</td>
<td>0.555</td>
<td>Yes</td>
<td>Trust</td>
<td>0.885</td>
<td>Yes</td>
</tr>
<tr>
<td>T2</td>
<td>0.902</td>
<td>Yes</td>
<td>AC6</td>
<td>0.649</td>
<td>Yes</td>
<td>Knowledge Sharing</td>
<td>0.721</td>
<td>Yes</td>
</tr>
<tr>
<td>T3</td>
<td>0.898</td>
<td>Yes</td>
<td>AC8</td>
<td>0.529</td>
<td>Yes</td>
<td>Affective Commitment</td>
<td>0.812</td>
<td>Yes</td>
</tr>
<tr>
<td>T4</td>
<td>0.830</td>
<td>Yes</td>
<td>AC9</td>
<td>0.440</td>
<td>Yes</td>
<td>Innovation Performance</td>
<td>0.862</td>
<td>Yes</td>
</tr>
<tr>
<td>KS1</td>
<td>0.702</td>
<td>Yes</td>
<td>AC10</td>
<td>0.661</td>
<td>Yes</td>
<td>(Constant)</td>
<td>(Constant)</td>
<td>(Constant)</td>
</tr>
<tr>
<td>KS2</td>
<td>0.791</td>
<td>Yes</td>
<td>AC11</td>
<td>0.626</td>
<td>Yes</td>
<td>Trust</td>
<td>0.544</td>
<td>1.388</td>
</tr>
<tr>
<td>KS3</td>
<td>0.729</td>
<td>Yes</td>
<td>AC12</td>
<td>0.527</td>
<td>Yes</td>
<td>Knowledge Sharing</td>
<td>0.544</td>
<td>1.389</td>
</tr>
<tr>
<td>KS4</td>
<td>0.801</td>
<td>Yes</td>
<td>IP1</td>
<td>0.816</td>
<td>Yes</td>
<td>Affective Commitment</td>
<td>0.913</td>
<td>1.096</td>
</tr>
<tr>
<td>AC1</td>
<td>0.608</td>
<td>Yes</td>
<td>IP2</td>
<td>0.805</td>
<td>Yes</td>
<td>Innovation Performance</td>
<td>(Constant)</td>
<td>(Constant)</td>
</tr>
<tr>
<td>AC2</td>
<td>0.600</td>
<td>Yes</td>
<td>IP3</td>
<td>0.761</td>
<td>Yes</td>
<td>(Constant)</td>
<td>(Constant)</td>
<td>(Constant)</td>
</tr>
<tr>
<td>AC3</td>
<td>0.691</td>
<td>Yes</td>
<td>IP4</td>
<td>0.849</td>
<td>Yes</td>
<td>Unstandardized Residual</td>
<td>(Constant)</td>
<td>(Constant)</td>
</tr>
<tr>
<td>AC4</td>
<td>0.631</td>
<td>Yes</td>
<td>IP5</td>
<td>0.783</td>
<td>Yes</td>
<td>Asymp. Sig</td>
<td>0.932</td>
<td></td>
</tr>
</tbody>
</table>

**Note:** r-Count > r-Table (0.263) is stated valid. r-Table (0.263) is a prerequisite for the samples of 56 and Alpha 5% (Copeland, 1997). Cronbach’ Alpha > 0.7 is stated reliable (Hair et al., 2010). VIF score required is ranging 1 to 10, and Tolerance > 0.1 no multicollinearity (Snee, 1981). The score of Asymp. Sig > 0.05 (Alpha) signifies normal distribution (Hair et al., 2010).

**Information:** AC7 is excluded and stated invalid due to r-Count (0.095) < r-Table (0.263).

Source: SPSS Vs. 26 (2021)

Table 3 shows that the r-Count greater than 0.263 (r-Table) on each (Copeland, 1997), in which the score of each construct has been found ranged from 0.440 to 0.902, suggesting unidimensionality could be assumed. Alpha coefficients were computed for each construct and the results have shown that they ranged from 0.721 to 0.885, therefore reliability can be assumed. Further, as can be seen from Table 4, the Heterotrait-Monotrait Ratio of correlation (HTMT) shows that none of the HTMT criteria are higher than the criteria of 0.85 (Henseler et al., 2014). Therefore discriminant validity can be assumed (Table 3). Therefore, all of the retained multiple-item constructs had acceptable measurement properties and the models that were outlined in Fig. 2 could be estimated.

Table 4. Heterotrait-Monotrait Ratio (HTMT) Results

<table>
<thead>
<tr>
<th>Affective Commitment</th>
<th>Innovation Performance</th>
<th>Knowledge Sharing</th>
<th>Trust</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.646</td>
<td>0.820</td>
<td>0.800</td>
<td></td>
</tr>
</tbody>
</table>

**Note:** HTMT perquisite is < 0.85 (Hair et al., 2010).

Source: Data Analysis (2021)
In terms of hypothetical testing, it was found that trust is significantly and positively related to SME innovation performance, with a t-value of 2.332 > 1.64, and sig. 0.024 < 0.05 (Hypothesis 1 is supported). The results of this study support previous results by Kulangara et al. (2016) and Xavier et al. (2011), which found that innovation performance that workers often carry out is highly dependent on their level of interpersonal trust. The higher workers trust on their colleagues and leaders, it will automatically lead to courage and confidence to do something new for the purpose of efficiency and effectiveness (Kulangara et al., 2016; Xavier et al., 2011). This is important because trust also creates openness and sincerity in employee interpersonal relationships that will foster a collaborative atmosphere and a culture of knowledge sharing to support sustainable creativities and innovation (Kulangara et al., 2016).

In this case, the fact that the majority of the respondents are still relatively young, between 24 to 40 years old, is highly likely that they have a strong adaptation and openness to changes. In turn, this can enhance SMEs innovative behaviors especially in terms of products innovation. We argue that offering new products or services represents the innovation performance of SMEs. Meanwhile, we also conclude if interpersonal trust represents support and provides opportunities for workers to be more innovative in their work, provide advice, and propose new ideas to the SMEs owners. We also detect the flexibility of business owners towards their employees as a result of their trust. This flexibility may be based on SME market orientation.

In terms of Hypothesis 2, it was found that knowledge sharing is significantly and positively to SME innovation performance, with a t-value of 2.607 > 1.64, and sig. 0.012 < 0.05. In this case, H2 is supported. Again, the majority of respondents are young people. They tend to discuss each other easily, including in the link between followers and leaders to get chemistry with colleagues, leaders, and owners. This is in line with previous studies such as from Han (2019). Accordingly, Qiu et al. (2015) stated that intellectual property as a part of knowledge sharing would affect SME innovation performance. In brief, knowledge sharing can play a crucial role in enhancing openness to changes in SMEs that can be signified by the emergence of new ideas, changes, and future updates.

In terms of Hypothesis 3, it was found that affective commitment is significantly and positively related to SME innovation performance with a t-value of 2.486 > 1.64 and sig. 0.016. This study supports previous results by Olaisen and Revang (2017) and Raveendran and Gamage (2019) that affective commitment has a significant and positive effect on innovation performance that results in self-engagement, which leads to more creative and innovative SMEs. The affective commitment of SMEs managers and workers in Padang may be due to the majority of the respondents being predominantly men. Accordingly, Silvestre et al. (2018) stated that males would be more strongly committed to their work than women because men are responsible for their lives and families.

**CONCLUSION**

Our study has found that trust, knowledge sharing, and affective commitment are significantly related to SME innovation performance. The COVID-19 pandemic impacts demand uncertainty and new norms that most people are unfamiliar with the policy and health screening procedure. We argue that innovation performance has played significant indicators to examine the SMEs ability to sustain in the market. Our study has found that all independent variables (trust, knowledge sharing, and affective commitment) are significantly and positively related to SME innovation performance. SMEs in this study need to enhance trust and promote knowledge sharing and affective commitment. This confirms that perhaps this is a moment for SMEs to renew their commitment to innovation-related activities (Fernando et al., 2019; Fernando et al., 2021). In terms of theoretical contribution, our findings have contributed to the trust-knowledge sharing model by examining factors affecting SME innovation performance during the COVID-19 recovery phase.
Our result also contributed to the practical implication. Pandemic crises may have accelerated this process. In the past, more often than not, SME managers/owners are heavily dependent on their creativity and innovation. In this case, SME managers and owners need to aggressively promote openness to changes and collaboration within their organizations. In a broader sense, SMEs need to have a horizontal structure without a significant gap between followers and leaders. This may indicate the importance of both knowledge workers and skilled workers as they can provide newness that will be appreciated by SME managers/owners. Our study does not include the health screening procedure as a domain in the model. We suggest that future studies can consider the intervention of standard operating procedure (SOP) as the driver of innovation performance.

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REFERENCES


**CONFLICT OF INTEREST**

There is no conflict of interest which found during the article proceeded.
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