

THE INFLUENCE OF KNOWLEDGE-ORIENTED LEADERSHIP ON INNOVATIVE WORK BEHAVIOR IN SMES WITH KNOWLEDGE SHARING AS A MEDIATOR

Florentinus Andika Sayang Bati¹, Dian Ekowati²

^{1,2} Universitas Airlangga, Indonesia

Email: florentinua.andika.02@gmail.com, d.ekowati@feb.unair.ac.id

ABSTRACT

Micro, Small, and Medium Enterprises (MSMEs) have been one of the business sectors significantly affected by the changes brought about by Covid-19. Many MSMEs have successfully overcome the challenging period of the Covid-19 pandemic. Particularly, leadership patterns focusing on knowledge, or knowledge-oriented leadership, have emerged as one of the key factors for MSME leaders to develop their businesses. In addition to leadership patterns, MSMEs also emphasize innovative work behavior within the workplace environment, complemented by communication systems focused on knowledge sharing. This study examines the relationship between leadership patterns and knowledge-focused communication towards innovative behavior within the workplace environment. The research involved 600 MSME employees scattered across Indonesia. The study utilized Structural Equation Modeling (SEM) with the assistance of SmartPLS in data management processes. The findings of this study indicate that knowledge-oriented leadership significantly and positively impacts the development of innovative work behavior within the MSME workplace environment. Furthermore, knowledge sharing significantly serves as a mediator for the relationship between knowledge-oriented leadership and the enhancement of innovative work behavior within the MSME workplace environment.

KEYWORDS SME's, knowledge-oriented leadership, innovative work behavior, knowledge sharing



This work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International

INTRODUCTION

The Covid-19 pandemic has not only brought about significant changes in the healthcare sector but has also caused considerable shifts in the business

How to cite: Florentinus Andika Sayang Bati, Dian Ekowati. (2024). The Influence of Knowledge-Oriented Leadership on Innovative Work Behavior in SMEs with Knowledge Sharing as a Mediator. *Journal Eduvest*. 4 (4): 2025-2039
E-ISSN: 2775-3727
Published by: <https://greenpublisher.id/>

environment and national economy. Numerous alterations have occurred in the business sector following the Covid-19 pandemic, such as changes in both human and goods mobility, crowd restrictions, and shifts in transaction methods. Micro, Small, and Medium Enterprises (MSMEs), as one of the affected sectors, have experienced various changes due to issues like business location restrictions, the country's economic conditions, government regulations, innovation development, crisis adaptation, and many more (Hossain et al., 2022). The most substantial changes affecting MSMEs are observed in micro and small businesses. Many micro and small enterprises still lag behind in the utilization of technology and effective management practices (Agustina et al., 2020).

MSMEs play a significant role in the country's economic growth. MSMEs in every country have a substantial impact on the overall economic growth (Mendy et al., 2020). This is evident from the high employment absorption by MSMEs and the creation of new job opportunities in the country, indicating a favorable economic growth trend within the nation (Frackiewicz, 2018). According to data, MSMEs in Indonesia contribute to 60.5% of the national GDP and provide 99.9% of the jobs in Indonesia. Therefore, issues like Covid-19 pose a significant blow to the national economy, especially as they can lead to a significant increase in unemployment rates.

MSMEs, growing amidst various challenges, require continuous innovation as a means of readiness to face diverse challenges. Innovation within MSMEs is meaningful when it is ingrained across all layers of employees, enabling the easy implementation and execution of innovative ideas or products within the workplace environment. Innovative work behavior (IWB) within MSMEs is considered a beneficial method. IWB is not a written job context but rather a habit that occurs within the workplace environment (Malik, 2022). Generally, IWB involves initiatives, directives, and the implementation of new ideas or products, as well as the procedures or work processes generated by employees within the workplace environment (Erhan et al., 2022). The IWB process, highly conducive to innovation development within the workplace environment, must remain under the control of leaders to ensure that innovative products stay within desired boundaries. MSME leaders need to implement self-determination within the workplace environment to stimulate innovation development (Venketsamy & Lew, 2022). One form of leadership that can focus on fostering good IWB within the workplace environment is knowledge-oriented leadership (KOL).

KOL itself is one of the attributes of strategic leadership (Banmairuoy et al., 2022). KOL becomes a form of good leadership pattern within the workplace environment because it focuses on developing new knowledge and shaping new mindsets for employees within the workplace (Banmairuoy et al., 2022). Simply put, KOL can be understood as a leadership pattern combining transformational and transactional leadership styles (Naqshbandi & Jasimuddin, 2018). Using KOL as a leadership pattern greatly aids in the continuous development of innovation within MSMEs (Zia, 2020). Good leadership patterns, along with an innovative work environment, significantly help MSMEs prepare to face many challenges, both in terms of the national economy and competition.

Good leadership patterns and innovation within the workplace environment also need to be supported by effective knowledge sharing among employees or from leaders to employees. Good communication patterns help employees learn new things faster, with support from colleagues and leaders. MSMEs typically have communication orientations focused solely on leaders, hindering the knowledge transfer process. Therefore, knowledge sharing (KS) becomes essential within MSMEs, especially concerning innovation development. KS is an integral part of knowledge management within organizations (Mustika et al., 2022). KS plays a crucial role in the training process within MSMEs and can facilitate the absorption of new knowledge within the workplace environment (Aleksić et al., 2021). Therefore, with KS support, the development of IWB becomes easier within the workplace environment, especially with leadership patterns focusing on knowledge like KOL.

In this context, this research aims to examine how innovation becomes a crucial point in small business-based operations like MSMEs. The innovation process within the workplace environment is the most critical aspect in determining the final outcome of innovation or innovative products, which aligns with Khan et al. (2020), where leadership style is one of the crucial aspects in the development of IWB within the workplace environment. This study observes the challenges faced by many MSMEs during Covid-19, especially in the process of implementing innovation for every sector within the workplace environment. Besides examining how MSMEs implement IWB systems for innovation development, this study also aims to explore how KS becomes a crucial point in bridging leadership patterns towards innovation within the workplace environment. This study observes that KOL, as a leadership pattern focusing on knowledge, requires an information and communication system that also addresses knowledge. During the Covid-19 phase, many leaders experienced difficulties implementing various changes and adapting work patterns due to innovation demands. Therefore, this research aims to highlight that leadership factors are crucial for the development of IWB within the workplace environment, especially in small business sectors like MSMEs.

RESEARCH METHOD

This study examines the relationship between KOL and the development of IWB in MSMEs. Additionally, the study investigates the role of KS as a mediating variable in the relationship between KOL and IWB in MSMEs. The research model for this study can be seen in Figure 1.

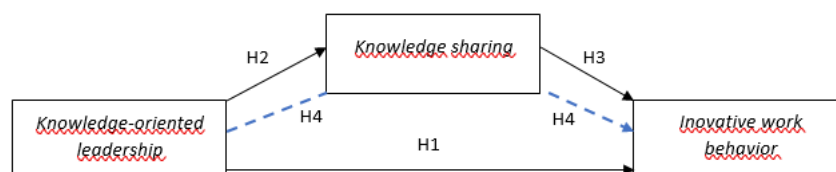


Figure 1. Research Model

As shown in Figure 1, it illustrates the relationship between the variables knowledge-oriented leadership (X), innovative work behavior (Y), and knowledge sharing (Z). This research targets 600 employees in MSMEs across 18 business sectors in Indonesia. The questionnaire for this research specifically targets MSME employees and does not include MSME owners. The total respondents comprise 37.67% male and 62.33% female, with the highest number of respondents in West Java with 142 respondents and North Sulawesi with 1 respondent as the smallest number of respondents.

Measurement in this study for each variable is conducted using a 5-point Likert scale ranging from 1 for strongly disagree to 5 for strongly agree. The questionnaire items consist of 7 questions from Chaithanapat et al. (2022) for the KOL variable (X), 6 questions from Vandavasi et al. (2020) for the KS variable (Z), and 9 questions divided into 3 dimensions from Saeed AlShamsi et al. (2022) for the IWB variable (Y). This study will employ the SEM method to validate data and test hypotheses in the research model. The SEM measurement will be conducted with the assistance of smartPLS 3.0 to test hypotheses in the research. The study is conducted using the second-order method because the dependent variable consists of 3 dimensions, each with 3 questionnaire items. The testing will focus on three essential aspects: outer model testing, inner model testing, and hypothesis testing based on standards set by Hair et al. (2014).

RESULT AND DISCUSSION

Model Analysis

In the factor analysis using the PLS algorithm in SmartPLS, as depicted in Figure 2, it is evident that the outer loading values in stage 1 meet the standard value above 0.7 (J. F. Hair et al., 2014) for each item in the first dimension. Therefore, there is no need to eliminate questionnaire items in each dimension. At this stage, the check focuses only on the first dimension of the dependent variable, IWB.

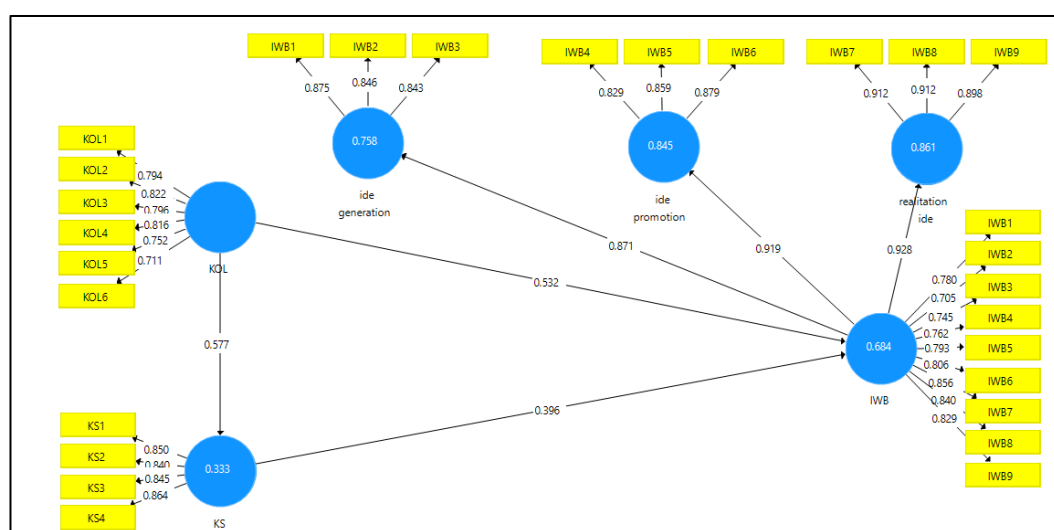


Figure 2. Running model stage 1 before testing

Figure 2 shows that the outer loading values in the first dimension meet the standard requirement (>0.7). Hence, there is no need to eliminate items in the first dimension. However, in the validity check of stage 1, the HTMT values in the running results are above 0.9, indicating the need to examine the correlation between idea promotion and idea realization. Based on the examination of the correlation between idea promotion and idea realization, the largest average value is found for IWB5 and IWB7, which may have similar meanings. Therefore, IWB5 and IWB7 need to be eliminated.

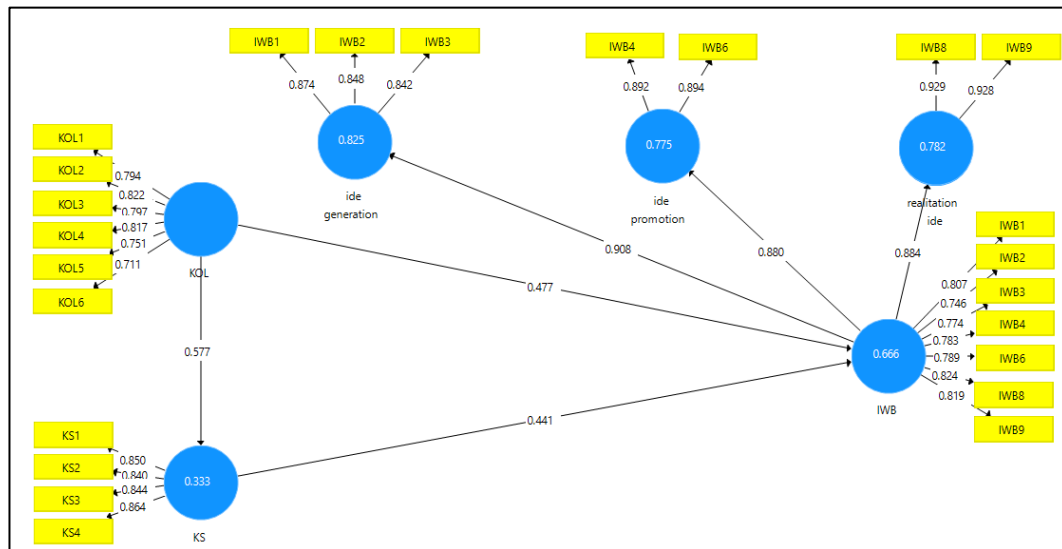


Figure 3. Model Item Elimination Results 1

Based on the elimination results, a new model that is more appropriate is obtained in Figure 3, where elimination has been performed on related items. Since the analysis was conducted using a second-order method that is reflective, both items in the first dimension and the main variables underwent elimination. After the initial check, the appropriate model results were obtained and can be analyzed..

Stage 1

Reliability Test Stage 1

The outer model check was conducted according to the criteria set by Hair et al. (2014), where this check was performed to determine reliability values. In reliability testing, we look at the item loading values, Cronbach’s Alpha (CA), and Composite Reliability (CR) in the running results. Following the guidelines of Hair et al. (2014), which are based on theory and logic, stage 1 evaluates the measurement level of dimensions, where observations are made reflectively.

Table 1. Running Results of CA, CR, and AVE for Stage 1

| Variable | Item | Outer Loading | Cronbach's Alpha (CA) | Composite Reliabilitas (CR) | AVE |
|------------------|------|---------------|-----------------------|-----------------------------|-------|
| idea generation | IWB1 | 0.874 | 0.816 | 0.891 | 0.731 |
| | IWB2 | 0.848 | | | |
| | IWB3 | 0.842 | | | |
| idea promotion | IWB4 | 0.894 | 0.747 | 0.888 | 0.798 |
| | IWB6 | 0.892 | | | |
| realitation idea | IWB8 | 0.929 | 0.841 | 0.926 | 0.863 |
| | IWB9 | 0.928 | | | |

In the first stage of reliability testing, a check was conducted on outer loading where the outer loading value must be greater than 0.7. According to Table 1, all item values in the first dimension of the running results of stage 1 can be concluded as acceptable because they are above 0.7 for each item. In the subsequent reliability test, the CA and CR values were checked, where the CA and CR values are required to be above 0.7. According to Table 1, the CA and CR values are above 0.7, so the reliability test requirement for stage 1 is acceptable.

Validity Test Stage 1

Next is the validation examination, which looks at the Average Variance Extracted (AVE) value, Fornell-Larcker value, cross-loading value, and Heterotrait-Monotrait Ratio (HTMT). The AVE value in this study must be >0.5, and looking at Table 1, the AVE value in the first dimension is >0.5, so the AVE value as the first validity requirement is acceptable.

Table 2 Fornell-Larcker Values for Stage 1

| Variable | idea generation | idea promotion | realitation idea |
|------------------|-----------------|----------------|------------------|
| idea generation | 0.855 | | |
| idea promotion | 0.692 | 0.893 | |
| realitation idea | 0.681 | 0.707 | 0.929 |

Next is the Fornell-Larcker value, as seen in Table 2, where the Fornell-Larcker value must be greater in each dimension than the correlation in other dimensions. Thus, the Fornell-Larcker value in Table 2 as the second validity requirement is considered acceptable.

Table 3. Cross-Loading Values for Stage 1

| Item | Ideaa generation | Ideaa promotion | Realitation ideaa |
|------|------------------|-----------------|-------------------|
| IWB1 | 0.874 | 0.608 | 0.63 |
| IWB2 | 0.848 | 0.536 | 0.556 |
| IWB3 | 0.842 | 0.627 | 0.559 |
| IWB4 | 0.627 | 0.892 | 0.611 |
| IWB6 | 0.608 | 0.894 | 0.652 |
| IWB8 | 0.628 | 0.671 | 0.929 |
| IWB9 | 0.638 | 0.643 | 0.928 |

The next step is checking the Cross-Loading values. Cross-Loading values can be seen in Table 3, where Cross-Loading values only focus on the IWB dimension. There is a requirement for Cross-Loading values, which is that each dimension must have a higher loading value than the others. Therefore, based on the high loading values seen in Table 3, the Cross-Loading values are considered acceptable.

Table 4. HTMT Values for Stage 1

| | idea generation | idea promotion | realitation idea |
|------------------|-----------------|----------------|------------------|
| idea generation | | | |
| idea promotion | 0.885 | | |
| realitation idea | 0.821 | 0.892 | |

The next check is the HTMT value, which can be seen in Table 4 above. The HTMT value has a requirement that each pair of dimensions must have a value lower than 0.9. Thus, based on Table 4, the HTMT value requirement is considered acceptable. Overall, based on the validity analysis in stage 1, it can be concluded that the model is acceptable.

Stage 2

In Stage 1, following the criteria set by Hair et al. (2014), three important parts were examined: reliability test, validity test, and hypothesis testing.

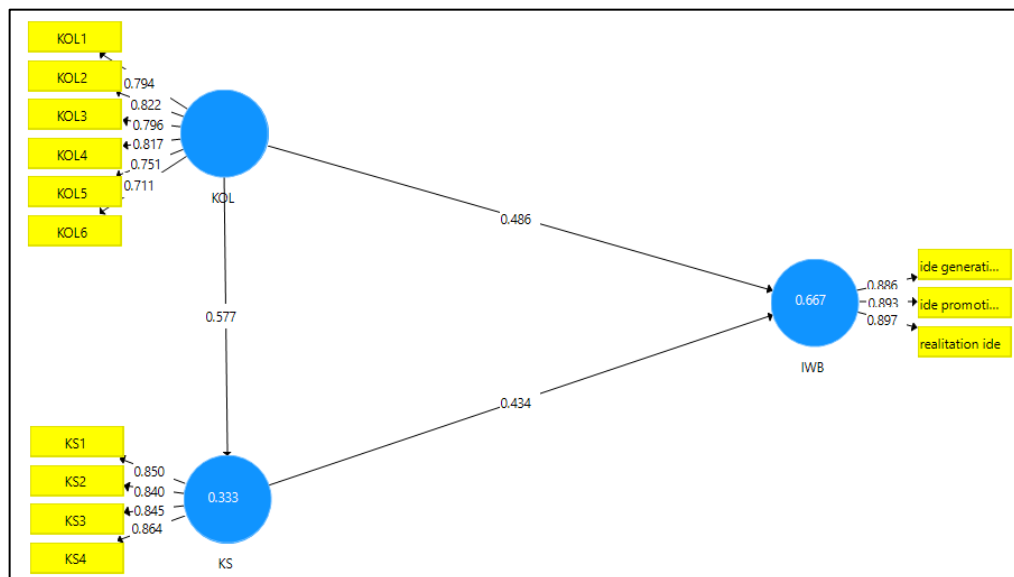


Figure 4. Running model Stage 2

Figure 3 shows that the first dimension of measurement has become items in the IWB variable. Thus, based on the results in Figure 4, the examination can be continued to the next stage, which is the analysis of reliability, validity, and hypothesis testing.

Reliability Test

The reliability test will focus on checking outer loading, CA, and CR values. The three reliability criteria can be seen in Table 5.

Table 5. Outer loading, CA, CR, AVE, R2, and Q2 values for Stage 2

| Variable/item | Value Outer Loading | CA | CR | AVE |
|----------------------------|----------------------------|-----------|-----------|------------|
| KOL KOL1 | 0.794 | 0.873 | 0.904 | 0.613 |
| KOL2 | 0.822 | | | |
| KOL3 | 0.796 | | | |
| KOL4 | 0.817 | | | |
| KOL5 | 0.751 | | | |
| KOL6 | 0.711 | | | |
| KS KS1 | 0.850 | 0.872 | 0.912 | 0.722 |
| KS2 | 0.840 | | | |
| KS3 | 0.845 | | | |
| KS4 | 0.864 | | | |
| IWB idea generation | 0.886 | 0.872 | 0.921 | 0.796 |
| idea promotion | 0.893 | | | |
| realitation idea | 0.897 | | | |

Table 5 shows the outer loading, CA, and CR values obtained from the running data in SmartPLS. The first step in the reliability test model examination will look at the outer loading, where the outer loading value has a criterion of >0.7. The values for each item are above 0.7, as seen in Table 5, meeting the criterion that the outer loading value must be greater than 0.7, so the outer loading value can be accepted. Next, in the reliability test, a check needs to be done on the CA and CR values, where it is known from Table 5 that the CA and CR values are greater than 0.7, meeting the requirement for CA and CR to be above 0.7, so the CA and CR values in Stage 2 are acceptable. Based on the outer loading values, CA values, and CR values, it can be concluded that the reliability test is acceptable.

Validity Test

Next is the validity testing, where validity checking is seen in the testing of AVE, Fornell-Larcker, Cross-loading, and HTMT values. Following the guidelines of Hair et al. (2014), the AVE value in each structure must be above 0.5. Based on Table 5, the AVE values for each variable are above 0.5, so it can be concluded that the AVE values in Stage 2 are acceptable.

Table 6. Fornell-Larcker values for Stage 2

| Variable | IWB | KOL | KS |
|-----------------|--------------|--------------|-------------|
| IWB | 0.892 | | |
| KOL | 0.736 | 0.783 | |
| KS | 0.714 | 0.577 | 0.85 |

The above table shows the analysis results for checking the Fornell-Larcker values. The Fornell-Larcker values in validity testing have a criterion that the value on each construct diagonal axis at the root of AVE must be greater. In Table 6, the Fornell-Larcker values are higher than the other measurement constructs, so the Fornell-Larcker values in Stage 2 can be accepted, and the examination can continue to cross-loading checking.

Table 7. Cross-loading values for Stage 2

| Item | KOL | KS | IWB |
|-------------------------|--------------|--------------|--------------|
| KOL1 | 0.794 | 0.447 | 0.538 |
| KOL2 | 0.822 | 0.453 | 0.586 |
| KOL3 | 0.796 | 0.466 | 0.575 |
| KOL4 | 0.817 | 0.463 | 0.583 |
| KOL5 | 0.751 | 0.411 | 0.558 |
| KOL6 | 0.711 | 0.463 | 0.608 |
| KS1 | 0.472 | 0.850 | 0.572 |
| KS2 | 0.476 | 0.840 | 0.595 |
| KS3 | 0.485 | 0.845 | 0.604 |
| KS4 | 0.525 | 0.864 | 0.651 |
| idea generation | 0.621 | 0.666 | 0.886 |
| idea promotion | 0.63 | 0.628 | 0.893 |
| realitation idea | 0.716 | 0.618 | 0.897 |

The next measurement is the measurement of cross-loading values, where the cross-loading measurement criterion on each item must be higher than any other cross-loading. In Table 7 above, it can be seen that the cross-loading values on each cross-load have higher values, so based on the obtained values, it is concluded that the cross-loading values are acceptable. The next check is the HTMT examination to strengthen the validity of the research model.

Table 8. HTM values for Stage 2

| Variable | IWB | KOL | KS |
|------------|-------|------|----|
| IWB | | | |
| KOL | 0.841 | | |
| KS | 0.818 | 0.66 | |

The HTMT value as the final validity criterion has a requirement that the value must be lower than 0.9 for each pair of variables. According to the table above, the HTMT value is known to have a value lower than 0.9, so in the analysis of the third validity, it can be concluded that the HTMT value is accepted. Based on the validity testing criteria performed in Stage 2, it can be concluded that the validity test in this Stage 2 is accepted.

Structural Model Evaluation

Next is the examination of the structural model, where this examination follows the criteria by Shmueli et al. (2019) to check for multicollinearity among variables by looking at the inner VIF.

Table 9. Inner VIF Values

| Variable | IWB | KS |
|------------|-------|-------|
| KOL | 1.499 | 1.000 |
| KS | 1.499 | |

The ideal inner VIF value is close to 3 or lower than three. Looking at Table 9, each inner VIF value is below 3. Therefore, it can be concluded that the inner VIF values in the model are acceptable, indicating that there is no multicollinearity in this research model.

Model Fit Evaluation

Model fit evaluation looks at two important aspects, namely the R² and Q² values, both of which can be seen in Table 10. The R² value is used to measure and explain the relationship between endogenous variables and also serves as a predictor of the strength of prediction in each sample (J. F. H. Hair et al., 2018). The R² value has an average requirement of 0-1, with values closer to one explaining the variables better. An R² value >0.75 is considered substantial, >0.5 is moderate, and >0.25 is weak. Q² can be explained as an assessment of how well the path model predicts original data. J. F. H. Hair et al. (2018) explain that the larger the Q² value and the smaller the prediction difference, the better the prediction accuracy, with 0 indicating small prediction, 0.25 indicating moderate prediction, and >0.5 indicating large relevance.

Table 10. R² and Q² Values

| | R ² | Q ² |
|------------|----------------|----------------|
| KS | 0.333 | 0.236 |
| IWB | 0.667 | 0.526 |

The table above shows the results of the analysis of R² and Q² values. Based on Table 10 and observing the R² values, it can be concluded that KOL can weakly explain KS (R²<0.25) and moderately explain IWB (R²>0.5). Table 1 shows that KOL can predict KS with a value of 0.236, indicating a small prediction, and KOL on IWB has a large prediction value with 0.526.

Model Fit

The last step before hypothesis testing is the examination of model fit, where model fit examination looks at the SRMR (standardized Root Mean Square) value, which has a requirement that the value must be below 0.10 or 0.8, and also looks at the NFI (Normal Fit) value, which must be between 0 to 1.

Table 11. Model Fit Results

| | Saturated Model | Estimated Model |
|-------------------|------------------------|------------------------|
| SRMR | 0.056 | 0.056 |
| d_ ULS | 0.286 | 0.286 |
| d_ G | 0.142 | 0.142 |
| Chi-Square | 502.939 | 502.939 |
| NFI | 0.893 | 0.893 |

Based on the table above, the model fit in this study meets the specified criteria for both SRMR and NFI, so it can be concluded that the research model fits and is acceptable.

Hypothesis Testing

Hypothesis testing is conducted to find the results of the relationships between variables by looking at the original sample (O) values and the P-value, with the requirement that the P-value < 0.05 and T-statistic > 1.96. The O value determines the direction of the relationship, where -1 to +1 indicates the direction, with values approaching -1 indicating a negative relationship and +1 indicating a positive relationship.

Table 12. Hypothesis Testing Results

| | Original Sample (O) | T Statistics (O/STDEV) | P Values | Decision |
|-------------------------------|----------------------------|---------------------------------|-----------------|-----------------|
| KOL -> IWB | 0.486 | 12.549 | 0.000 | Accepted |
| KOL -> KS | 0.577 | 14.84 | 0.000 | Accepted |
| KS -> IWB | 0.434 | 11.405 | 0.000 | Accepted |
| KOL -> KS -> IWB | 0.250 | 8.811 | 0.000 | Accepted |

Based on the hypothesis results in Table 12, it can be concluded:

1. H1 or hypothesis 1 on the relationship between KOL and IWB with a P-value (0.000<0.05), T-statistic>1.96 (12.549) with a positive direction (0.486) is accepted. This means that KOL significantly and positively influences IWB.
2. H2 or hypothesis 2 on the relationship between KOL and KS with a P-value (0.000<0.05), T-statistic>1.96 (14.84>1.96) with a positive direction (0.577) is accepted. This means that KOL significantly and positively influences KS.
3. H3 or hypothesis 3 on the relationship between KS and IWB with a P-value (0.000<0.05), T-statistic>1.96 (11.405) with a positive direction (0.434) is accepted. This means that KS significantly and positively influences IWB.
4. H4 or hypothesis 4 on the relationship between KOL and IWB through KS as a mediating variable, with a P-value (0.000<0.05), T-statistic>1.96 (12.549) with a positive direction (0.486) is accepted. This means that KOL significantly and positively influences IWB through KS as a mediating variable.

Discussion

Small businesses with limited employees such as SMEs are the type of business that is most vulnerable to various issues, one of which is the Covid-19 pandemic. SMEs, as part of the business landscape, undoubtedly require leader support to make decisions and steps in business development, as well as how leaders perceive and respond to issues promptly (Rahman et al., 2022). Leaders who are sensitive to various issues will certainly prepare various things to ensure the sustainability of the business they run, one way is to think about various innovations that are useful for the business. For SMEs themselves, innovation is one of the important things to survive (Shaik et al., 2023). In addition to how leaders and innovation development factors, a good relationship between leaders and employees is the key to gaining strength in running a business (Tandelilin et al., 2019).

This study examines how three things like knowledge-oriented leadership, knowledge sharing, and innovative work behavior are the key for SMEs to survive and thrive. Based on Table 12, it shows that KOL significantly and positively plays an important role in the development of IWB in the workplace. The findings in this study regarding KOL's role in increasing IWB are consistent with the research by Chaithanapat et al. (2022), where in their study they found that KOL has a significant impact on innovation for SMEs. In addition to the relationship between KOL and IWB, this study also found, in Table 12, that KOL significantly and positively also has an impact on KS for the work environment. Knowledge-focused leadership will have an impact on how the communication system works. This is in line with the research by Son et al. (2020), where their research found that leadership patterns significantly affect KS in the workplace.

In the context of innovation, this study wants to provide an overview that for businesses, innovation is one of the strong keys to how businesses can run and survive. Innovation is not just about products but also about methods, ways, and tools used. This cannot be separated from the role of leaders in facilitating innovation development in the workplace. Innovation development in the workplace is also influenced by how communication between leaders and employees runs smoothly. This study found in Table 12 that KS significantly and positively impacts IWB in the workplace. IWB itself, which is a container for employees to think critically, a container to convey and apply new ideas so that they can be used in the workplace (Malik, 2022), will be effective with KS as a method of exchanging information. The findings in this study are in line with the research by Vandavasi et al. (2020), which found a significant relationship between KS and IWB. Based on the relationships found, the study wants to further examine KS as a mediation in the relationship between KOL and IWB. In Table 12, this study successfully proves that KS can significantly mediate the relationship between KOL and IWB. KS as one form of communication, with a primary focus on knowledge, will certainly have an impact on how leaders improve IWB in their workplace. Communication built on knowledge, with employees voluntarily exchanging information about the knowledge they have, will make it easier for leaders to improve IWB. Information systems that align with goals certainly support leaders in the end.

This study provides insights into current businesses, that businesses especially those based on SMEs, require continuously evolving innovations not only from one orientation, namely leaders, but must originate from the mindset of all

layers of employees in the workplace. Leaders can employ many methods to strengthen relationships between employees or between leaders and employees, by holding regular discussions to generate innovative ideas to solve various problems. In addition, leaders can allow knowledge exchange to take place in the workplace, take turns leading in a small work environment. Furthermore, leaders can look at the external organizational perspective by listening to employee opinions based on their work experience; this can roughly help leaders understand what business is facing at present. These things will help businesses continue to grow both from outside the work environment or its relationship with the external work environment, so that leaders are knowledgeably prepared to face issues without needing to be involved in the issues.

CONCLUSION

The conclusion of this study is that leadership factors such as knowledge-oriented leadership represent a comprehensive leadership concept for newly formed or developing businesses. Innovation is also crucial for businesses, and the relationship between leadership factors and innovation development is significant. Innovation development, in this context, is not just about the outcomes but also about how innovation forms within the workplace environment with the support of leaders and effective communication systems focused on knowledge. This research demonstrates that KOL significantly impacts IWB and KS. Similarly, KS has a significant impact on IWB. This study can provide advice for business owners to focus on maximizing the utilization of their human resources, considering their workforce as valuable innovative assets. As for future researchers, this study provides a foundational direction, suggesting that the MSME sector can be further explored. Research on MSMEs can delve into various branches of analysis, especially in knowledge management. MSMEs are not a narrow sector of analysis; rather, there is much to be learned from the dynamic nature of MSMEs.

REFERENCES

- Agustina, T., Jatmika, D., Asnawi, Wahab, A., & Rusvitawati, D. (2020). Pandemi Covid-19 : Mempercepat UMKM dalam Sistem Informasi. *Seminar Nasional Sistem Informatika*, 4(1), 2283–2291.
- Aleksić, D., Rangus, K., & Slavec Gomez, A. (2021). Microfoundations of SME open innovation: the role of help, knowledge sharing and hiding. *European Journal of Innovation Management*, 25(6), 178–203. <https://doi.org/10.1108/EJIM-10-2020-0411>
- Banmairuoy, W., Kritjaroen, T., & Homsombat, W. (2022). The effect of knowledge-oriented leadership and human resource development on sustainable competitive advantage through organizational innovation's component factors: Evidence from Thailand's new S-curve industries. *Asia Pacific Management Review*, 27(3), 200–209. <https://doi.org/10.1016/j.apmr.2021.09.001>
- Chaithanapat, P., Punnakitikashem, P., Khin Khin Oo, N. C., & Rakthin, S. (2022). Relationships among knowledge-oriented leadership, customer knowledge

- management, innovation quality and firm performance in SMEs. *Journal of Innovation and Knowledge*, 7(1), 100162. <https://doi.org/10.1016/j.jik.2022.100162>
- Erhan, T., Uzunbacak, H. H., & Aydin, E. (2022). From conventional to digital leadership: exploring digitalization of leadership and innovative work behavior. *Management Research Review*, 45(11), 1524–1543. <https://doi.org/10.1108/MRR-05-2021-0338>
- Frackiewicz, E. (2018). Small and Medium Enterprises in the Food and Beverage Sector-The Potential of the European Market. *The Sustainable Marketing Concept in European Smes: Insights from the Food and Drink Industry*, 141–163. <https://doi.org/10.1108/978-1-78754-038-520180007>
- Hair, J. F. H., Risher, J. J., Sarstedt, M., & Ringle, C. M. (2018). The Results of PLS-SEM Article information. *European Business Review*, 31(1), 2–24.
- Hair, J. F., Sarstedt, M., Hopkins, L., & Kuppelwieser, V. G. (2014). Partial least squares structural equation modeling (PLS-SEM): An emerging tool in business research. *European Business Review*, 26(2), 106–121. <https://doi.org/10.1108/EBR-10-2013-0128>
- Hossain, M. R., Akhter, F., & Sultana, M. M. (2022). SMEs in Covid-19 Crisis and Combating Strategies: A Systematic Literature Review (SLR) and A Case from Emerging Economy. *Operations Research Perspectives*, 9(January), 100222. <https://doi.org/10.1016/j.orp.2022.100222>
- Khan, M. A., Ismail, F. B., Hussain, A., & Alghazali, B. (2020). The Interplay of Leadership Styles, Innovative Work Behavior, Organizational Culture, and Organizational Citizenship Behavior. *SAGE Open*, 10(1). <https://doi.org/10.1177/2158244019898264>
- Malik, S. (2022a). Emotional intelligence and innovative work behaviour in knowledge-intensive organizations: how tacit knowledge sharing acts as a mediator? *VINE Journal of Information and Knowledge Management Systems*, 52(5), 650–669. <https://doi.org/10.1108/VJIKMS-09-2020-0158>
- Malik, S. (2022b). Emotional intelligence and innovative work behaviour in knowledge-intensive organizations: how tacit knowledge sharing acts as a mediator? *VINE Journal of Information and Knowledge Management Systems*, 52(5), 650–669. <https://doi.org/10.1108/VJIKMS-09-2020-0158>
- Mendy, J., Rahman, M., & Bal, P. M. (2020). Using the “best-fit” approach to investigate the effects of politico-economic and social barriers on SMEs’ internationalization in an emerging country context: Implications and future directions. *Thunderbird International Business Review*, 62(2), 199–211. <https://doi.org/10.1002/tie.22119>
- Mustika, H., Eliyana, A., Agustina, T. S., & Anwar, A. (2022). Testing the Determining Factors of Knowledge Sharing Behavior. *SAGE Open*, 12(1). <https://doi.org/10.1177/21582440221078012>
- Naqshbandi, M. M., & Jasimuddin, S. M. (2018). Knowledge-oriented leadership and open innovation: Role of knowledge management capability in France-based multinationals. *International Business Review*, 27(3), 701–713. <https://doi.org/10.1016/j.ibusrev.2017.12.001>

- Rahman, M. S., AbdelFattah, F. A. M., Bag, S., & Gani, M. O. (2022). Survival strategies of SMEs amidst the COVID-19 pandemic: application of SEM and fsQCA. *Journal of Business and Industrial Marketing*, 37(10), 1990–2009. <https://doi.org/10.1108/JBIM-12-2020-0564>
- Saeed AlShamsi, S. S., Bin Ahmad, K. Z., & Jasimuddin, S. M. (2022). The relationship between curiosity and innovative work behavior in the aviation industry: the mediating effect of work engagement. *International Journal of Organizational Analysis*. <https://doi.org/10.1108/IJOA-05-2022-3267>
- Shaik, A. S., Alshibani, S. M., Mishra, S., Papa, A., & Cuomo, M. T. (2023). Does learning from innovation failure enhance innovation performance? A quantitative investigation of small businesses. *Technovation*, 127(March), 102818. <https://doi.org/10.1016/j.technovation.2023.102818>
- Shmueli, G., Sarstedt, M., Hair, J. F., Cheah, J. H., Ting, H., Vaithilingam, S., & Ringle, C. M. (2019). Predictive model assessment in PLS-SEM: guidelines for using PLSpredict. *European Journal of Marketing*, 53(11), 2322–2347. <https://doi.org/10.1108/EJM-02-2019-0189>
- Son, T. T., Phong, L. B., & Loan, B. T. T. (2020). Transformational Leadership and Knowledge Sharing: Determinants of Firm's Operational and Financial Performance. *SAGE Open*, 10(2). <https://doi.org/10.1177/2158244020927426>
- Tandelilin, E., Ratmawati, D., Agustina, T. S., & Setyaningrum, I. (2019). Entrepreneur Success in Micro and Small Enterprises (MSEs): Evidence from Indonesia. *Business and Management Research*, 100, 410–414. <https://doi.org/10.2991/icoi-19.2019.70>
- Vandavasi, R. K. K., McConville, D. C., Uen, J. F., & Yepuru, P. (2020). Knowledge sharing, shared leadership and innovative behaviour: a cross-level analysis. *International Journal of Manpower*, 41(8), 1221–1233. <https://doi.org/10.1108/IJM-04-2019-0180>
- Venketsamy, A., & Lew, C. (2022). Intrinsic and extrinsic reward synergies for innovative work behavior among South African knowledge workers. *Personnel Review*. <https://doi.org/10.1108/PR-02-2021-0108>
- Zia, N. U. (2020). Knowledge-oriented leadership, knowledge management behaviour and innovation performance in project-based SMEs. The moderating role of goal orientations. *Journal of Knowledge Management*, 24(8), 1819–1839. <https://doi.org/10.1108/JKM-02-2020-0127>