



Knowledge Management on Bandung MSMEs in the Digital Era

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Abstract. In the present, many MSMEs (micro, small, and medium enterprises) are facing challenges in maintaining their businesses. The problem is, these MSME actors come from different backgrounds and knowledge, making it difficult to find qualified personnel during the Covid-19 pandemic when marketing targets are international in scale. To overcome these problems, you can use one approach, namely the knowledge management model. This model is supported by a simple organizational structure that also provides solutions to increase the knowledge of MSME actors. Previous research related to knowledge management patterns in creative MSMEs proposed by Siswanto (2019), the insights and information faced today show how MSME actors maintain the sustainability of their business. This study's aim is to find out how the implementation of knowledge management for MSMEs in Bandung. 5569 MSMEs were surveyed by documenting the characteristics and application of their knowledge management. The results showed that there are still many MSMEs in Bandung that are included in cluster 1, namely traditional and domestic service providers. This shows that the level of competitiveness of MSMEs in Bandung is still low.

Keywords: MSMEs · Knowledge Management · Bandung

1 Introduction

During the Covid-19 pandemic, MSMEs in Indonesia are still able to penetrate the markets of Europe, Asia, the United States, and the Middle East (Indonesia.go.id, 2020). However, one of the export barriers experienced by MSMEs in Indonesia is the low accessibility of productive resources, especially those related to financing or capitalization; information related to export-supporting programs and activities, export-related policies and permits; and knowledge of market conditions, technology, and business networks of export products (Kaukab, 2016). So MSMEs need information related to these things to increase export success. Currently, Bandung has tens or even hundreds of thousands of MSMEs that do not have a complete information center that contains the conditions and needs of MSMEs that will assist in making decisions related to what programs are needed in the development of their fostered MSMEs, especially for the internationalization of MSMEs. Therefore, research is needed to be related to the knowledge management of MSMEs and their readiness.

Knowledge management studies are one of the main points because they are closely related to the success of companies, in this case MSMEs. It explains how MSMEs manage their knowledge (Brush & Vanderwerf, 1992) in increasing the potential for innovation and becoming faster than their competitors (Grant, 1996; Prusak, 2001). Problems were experienced by internal MSMEs business owners, persons in charge, production, and marketing departments maintaining the sustainability of their business. One way is to share knowledge such as product innovation, target market, marketing methods, customer needs, and others. Knowledge management is necessary to increase business profits and mastery of knowledge. This knowledge sharing does not only apply to internal but also external parties. Knowledge sharing can also guarantee the creation of new knowledge and innovations so that MSMEs can compete. The conclusion is that MSMEs need to apply knowledge in the organization so that it has an impact on increasing the value and performance of their MSMEs. In addition, external actors such as public and private companies, governments, and experts can share knowledge with MSMEs, and MSMEs can also share knowledge related to their business with external parties. It aims to support and help MSMEs innovate, came up with creative business ideas, and accelerate the internationalization of their MSMEs. Furthermore, the success of knowledge management also needs to be supported by the existence of information technology. It can help in searching, accessing, and obtaining information more quickly. In addition, it can also support cooperation and communication between internal parties of MSMEs and external parties in creating business opportunities and minimizing competition.

2 Method

The method used in this study is a descriptive research method with a qualitative approach. The reason why using this method is to know about the needs that exist in MSMEs in Bandung, at which researchers need to make observations directly. When using this method, the researcher will obtain complete data that can be analyzed and described clearly so that the results match with the real conditions. The data sources used in this study are primary data and secondary data. The primary data are data which were obtained from direct observations and interviews. While secondary data were obtained from some literature studies. In this study, researchers used data collection techniques based on observation, interviews, and literature studies. The first step is to identify the findings in the research object, namely MSMEs in Bandung. Furthermore, these results will be analyzed descriptively regarding to the characteristics of knowledge management, and also the internationalization factors of MSMEs. These characteristics and factors include access to capital, activity programs, policies, licensing/legality, certification, training, and etc.

3 Result and Discussion

This research conducts on 5569 MSMEs in Bandung. The method used is to distribute questionnaires to obtain data related to the characteristics and application of knowledge management to MSMEs. In addition, researchers also conducted interviews with several

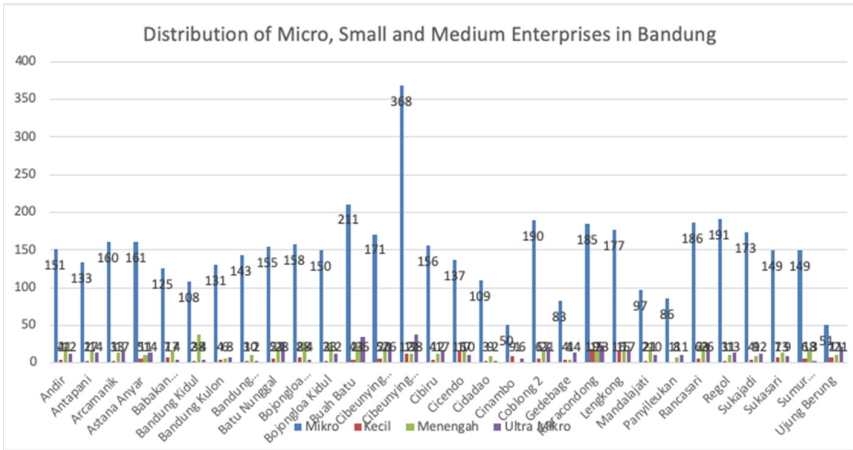


Fig. 1. Distribution of MSMEs in Bandung by Subdistrict and Business Type

MSMEs who were invited to Digital Marketing training such as Website Creation training, Canva Application training for Editing, Whatsapp for Business Training, English for Business Training, and others. Based on the survey, data on MSMEs from various sub-districts in Bandung can be obtained and seen in Fig. 1. The figure shows that Micro and Ultra Micro Enterprises dominate the MSME category in Bandung. Micro and Ultra Micro Enterprises are businesses owned by individuals and individual entities. This micro-business category is a business that has an asset under 50 million and a turnover of under 300 million per year. Grocery stores, street vendors, and shops selling pulses are a small part of the examples of microenterprises. While examples of micro-businesses include *laundry kiloan*, home culinary business, fashion online, souvenir business, delivery, and wedding dowry, selling cut chicken, unique packaged drink business, *warmindo*, food and beverage franchise, and organic vegetable business.

The application of Knowledge Management to MSMEs has fundamental differences when it is compared to large organizations/companies. It can be seen from the following explanations. When making business decisions, most MSMEs in Bandung are only conducted by business owners. In other words, they are still centralized categories. This is due to the limited level of management in the business run by these MSMEs (Wong & Aspinwall, 2004). The concept of a “one-man show” still occurs where business operationalization is still very dependent on the business owner, so there is no leadership delegation process. One side of this has a positive impact, that MSMEs will be faster in making decisions (Ghobadian & Galler, 1997). In addition, MSME owners will also be the main drivers in implementing knowledge management. In line with previous research from Astuti & Kusumawijaya (2013), it shows that MSMEs do not have an organizational structure. The structure they have is still simple. The organizational structure in MSMEs is also flat or not complex, causing the decision-making process to be simpler and faster.

Resources in each MSME have a small number because they usually have difficulty in finding qualified and experienced employees/staff. In addition, MSMEs also sued to face problems when they maintain human resources with special skills due to limited career

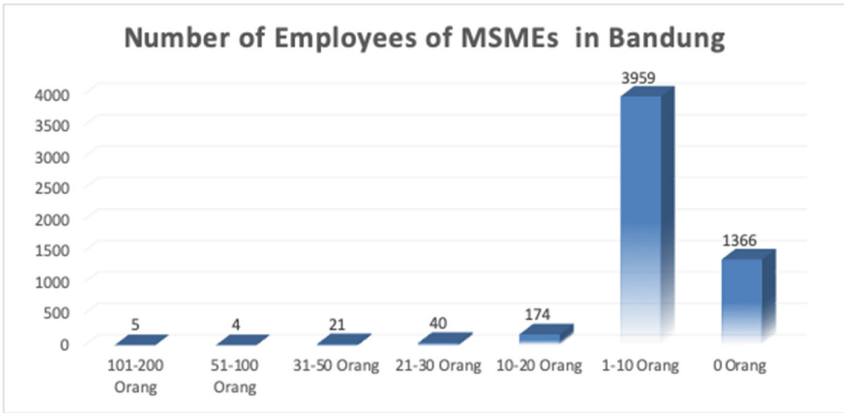


Fig. 2. Number of MSMEs Based on Number of Employees Category

opportunities. It is experienced by many MSME owners where their employees/staff often move to better jobs, such as moving to a factory or another company that provides a salary higher than the MSME. The employee/staff stated that working in MSMEs is only used as a steppingstone to be able to move to a larger organization. Ionela et al. (2011) stated that the emergence of employees who know it could pose a threat to these MSMEs unless the MSMEs can capture, modify, and transfer knowledge throughout the organization. Based on a survey conducted on 5569 MSMEs in Bandung, only 4.4% of the total number of MSMEs have more than 10 employees, while the remaining 95.6% have employees less than 10. It shows that 24.5% of the 95.6% of MSMEs do not have employees. So, the business is run by the owner (Fig. 2).

Based on Salojärvi (2005), the maturity level of Knowledge Management from MSMEs can be categorized into 4 types, namely: Cluster 1, Cluster 2, Cluster 3, Cluster 4 with Table 1 details.

Based on previous research (Umar: 2006) and the results of interviews with several MSMEs, show that in the development of Knowledge management, there were several problems that hindered both internal and external factors. Problems that occur from internal factors include:

1. There is still very low awareness and willingness of entrepreneurs to apply science and technology to their business,
2. There is limited capital to make technological improvements,
3. The ability of entrepreneurs to take advantage of existing opportunities is also still very low, and
4. Weak access and limited information about certain sources of technology and knowledge.

While the problems that occur from external factors are

1. Incompatibility between programs carried out by the government and those needed by business actors,

Table 1. Maturity Level of Knowledge Management in MSMEs

<p>Cluster 1: Traditional small businesses, combine relatively low growth and low knowledge management maturity.</p>	<p>Cluster 2: Domestic service providers, grow rapidly, but they do not employ a high level of KM-related activities.</p>
<ul style="list-style-type: none"> • Old and small • Low development capacity • Domestic manufacturing or service companies with a low level of international contact • Product-based manufacturing business • Core competencies: Professional knowledge, knowledge of outsourcing services, and production of specialized products • The most important intangible assets: Personnel, technology, flexibility in business • The most important success factors: Customer orientation and service attitude, knowledge of the business area, competence, and commitment of personnel 	<ul style="list-style-type: none"> • Relatively young and small • Low development capacity • Domestic service companies • Core competencies: Professional knowledge, innovative products, and process knowledge • The most important intangible assets: Personnel, technology, and service concepts • The most important success factors: Knowledge of the business area, competence and commitment of personnel, and quality, brand, or product image
<p>Cluster 3: Established industry, “Established Industry”, spend resources on KM activities, but they do not grow.</p>	<p>Cluster 4: Young innovators, rapidly growing companies that are actively involved in knowledge management</p>
<ul style="list-style-type: none"> • Old and middle • Relatively high development capacity • Domestic or international, most often manufacturing enterprises • In most cases, customer service-based, often also product-based business ideas • Core competencies: Knowledge of the business as a whole, professional knowledge, and innovative products • The most important intangible assets: Personnel, customers, and networks • The most important success factors: Knowledge of the business area, competence and commitment of personnel, systematic planning and management, and customer orientation and service attitudes 	<ul style="list-style-type: none"> • Young and small or medium-sized • High development capacity, innovation as a key element • Half of it is IT, the rest are manufacturing and service branches • Mostly located in the city • In most cases, customer service-based business ideas • Core competencies: Knowledge of the business as a whole, knowledge of outsourcing. Professional knowledge, and innovative products • The most important intangible assets: Personnel, customers, and networks • The most important success factors: Knowledge of the entire business area, competence and commitment of personnel, and customer orientation and service attitude.

2. Limited accompanying personnel in the field, thus making government programs less effective,

3. Limited MSME development programs and spread that have not yet reached all MSMEs in the city of Bandung, and
4. The financing scheme for MSMEs is still limited.

These problems are one of the factors that cause MSMEs in the city of Bandung to have low competitiveness.

4 Conclusion

The success of Micro, Small, and Medium Enterprises (MSMEs) is always related to how MSMEs manage knowledge. A knowledge-based economy has required MSMEs to be able to use knowledge efficiently and increase their innovation potentially faster than their competitors. Therefore, MSMEs need to be able to implement knowledge management to create, support, and improve their competitive advantage. Currently, the development of knowledge management is rapidly becoming an integral part of business activities to realize competitive advantages. It requires MSMEs to be able to implement knowledge management. However, MSMEs have special characteristics that are different from large organizations, the implementation of knowledge management in MSMEs should pay attention to the situation and needs of these MSMEs. The implementation of knowledge management has challenges for MSMEs because it requires time and effort before a return is obtained on the investment made. Even though MSMEs also have limited resources, like time, financial, and human resources. Based on the results of the distribution of questionnaires to 5569 MSMEs in Bandung, the conclusion is that there are still many MSMEs in Bandung included in cluster 1, namely traditional and domestic service providers. It shows that the level of competitiveness of MSMEs in the city of Bandung is still low.

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