



## RESEARCH ARTICLE

# The Influence Of Knowledge Sharing On Business Performance With Innovation Work Behavior As A Mediating And Knowledge Heterogeneity As A Moderating (Study on Conventional Rural Credit Banks in East Java)

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## ABSTRACT

The aim of the research is to find out whether Knowledge Sharing, Organizational Learning, Innovation Work Behavior have a significant effect on Business Performance at Conventional Rural Banks in East Java with Innovation Work Behavior as a mediating variable and Knowledge Heterogeneity as a moderator variable. This research methodology is a type of quantitative research with an exploratory research approach with a population of 316 BPRs in East Java. The sampling technique was total sampling where the respondents selected were the director of compliance and the general director. The questionnaire was distributed using a Google form containing 59 statement items with a Linkert scale of 1-5 and analyzed using SEM PLS with inner model and outer model test tools. The research results stated that the direct influence of innovation work behavior on business performance was 0.675% and innovation work behavior was able to mediate some of the organizational learning variables by 0.403% and knowledge heterogeneity was able to strengthen knowledge sharing on business performance by 0.045%.

## INTRODUCTION

Competition in the banking business in Indonesia is getting tighter in the era of industrialization, the movement and development of Commercial Banks and Rural Banks, both conventional and sharia, which support economic activities as mediators for collecting funds and channeling public funds. Banks have started developing innovative products for their customers. Innovation has become an important indicator of success for banks, which organizational models they will adapt and which methods they will use to be innovative (Business & Research, 2015). There are various financial ratios used to measure the performance of Rural Credit Banks. namely liquidity ratio, solvency ratio, profitability ratio and activity and no less important credit quality ratio, namely Non Performing Loan (NPL) (Yasin et al., 2023).

Based on data from the Financial Services Authority (OJK), the productive asset quality report for NPL BPR in East Java, especially Sidoarjo, the results of the annual work plan are evaluated for their achievement for good and healthy BPR business performance with the requirement that the NPL is less than 5% according to Bank Indonesia Regulation Number 15/2/PBI/2013, but in reality the cumulative level of BPR NPL achievement is still above 5% with the assessment of BPR business performance categorized as unhealthy BPR, this has an impact on the decline in BPR financial performance (Yasin et al., 2023). The high NPL phenomenon encourages rural credit banks to take corrective actions and improve risk management (Agustin & Hasan, 2022).

Another problem faced is the unpreparedness of human resources, where despite the large amount of training given to directors and BPR managers, the information received cannot be absorbed properly good even difficult to share with employees. Declining skills in mastering technology (fintech) and managing credit quality are factors in the failure of BPR management and declining business performance (Sayekti & KartikaLindawati, 2018). Improving performance related to knowledge management and systematic knowledge sharing processes for individuals in the organization requires employees to have certain knowledge competencies and effective and innovative training such as replacing e-banking systems, e-paper, ebudgeting at the Bank and prudential banking credit analysis during realization (Fatimah, 2019).

As an impact of the decline in business performance, institutional performance according to OJK data has decreased. number of Banks and Bank offices in Indonesia. The most significant decline has been experienced by Conventional Rural Credit Banks in terms of institutional performance, as many as 37 Banks and 10 Bank offices were closed. To overcome this problem, the role of the RBV (Resource Based View) theory is needed, which states that resources and strategic capabilities (capabilities) can help companies achieve competitive advantage. The KBV (Knowledge Based View) theory states the new existence of a company's resource-based view and provides strong theoretical support for intellectual capital. Knowledge has been recognized as one of the most important resources for all types of organizations to achieve competitive advantage (Abdelgader Elhassan *et al.*, 2021). Overall, both KBV and RBV are closely related to the banking world. KBV emphasizes the importance of knowledge and learning in achieving competitive advantage, while RBV emphasizes the importance of unique resources and capabilities in creating competitive advantage.

Knowledge Sharing in the context of banking, occurs in the process of sharing knowledge between individuals, teams, departments, or branches in a banking organization. Knowledge Sharing is a significant source of sustainable innovation (Lin & Shin, 2021). Another outcome of knowledge sharing is knowledge innovation through a network of individuals involved in generating ideas based on their creativity and insights (Singh *et al.*, 2021). The study results postulate that Knowledge Sharing practices significantly improve the overall performance of banks in terms of delivering better product knowledge to customers which ultimately improves customer service, operational performance, and financial achievements (i.e. sales growth, profitability, etc.). The study conducted by (Rehman *et al.*, 2015) also showed results that Knowledge Sharing practices significantly improve overall bank performance in terms of delivering better product knowledge to customers which ultimately improves customer service, operational performance, and financial achievements (i.e. sales growth, profitability, etc.).

Organizational learning and knowledge transfer can build strategic alliances for business performance (Alegre *et al.*, 2013). Organizational Learning is a concept in a dynamic environment and an organizational success strategy (J. Zhang *et al.*, 2022). The concept of Organizational Learning is associated with innovative work behavior and performance in organizations. Research by (Adekanmbi & Ukpere, 2022b) concluded that organizational learning significantly affects adaptive performance in the banking industry, Organizational Learning has a positive relationship with organizational performance. The purpose of organizational learning is to improve the information administration framework to reduce costs in the company through the application of accessible knowledge (Jaber, 2017). Several studies related to business performance and Organizational Learning and innovation state that the company's learning ability plays an important role in generating innovation that implies the generation of acceptance, implementation of new ideas, product processes or services (Z. Zhang *et al.*, 2022).

Innovative work behavior becomes a mediating variable between Knowledge Sharing and business performance and between Organizational Learning and business performance. The business environment becomes more dynamic and challenging where employee innovative work behavior will play a role in aligning the vision and business model with constant technological changes and volatile operating environments (Muchiri *et al.*, 2020). Organizations that rely on innovative behavior to adapt to changing environments to help them continue to build and maintain competitive advantage and improve business performance (Tsai, 2018). The way to make an organization perform well is to stop relying only on the research and development division for innovation, but rather to improve the innovative capabilities of all employees (Bui, 2022).

Organizational Learning and knowledge sharing (another innovative endeavor) have been explored as sources innovative employee behavior because the dissemination of knowledge serves as the initial idea generation. (Michael, *et al*, 2020) mentions innovative work behavior as a multi-stage process, namely the act of seeking, developing and implementing new ideas and solutions. Innovative work behavior becomes a mediating variable between Knowledge Sharing and business performance and between Organizational Learning and business performance.

Knowledge heterogeneity (KH) is the diversity in individual or organizational knowledge and to explore a broader set of relationships between KH and multidimensionality (i.e. dynamics and ambidexterity) of innovation (Tao *et al.*, 2020). Information diversity is different from generic demographic diversity (e.g. gender, age, race, etc.) that focuses on information elements and their distribution within a group. Since information and knowledge are constantly changing in organizations, knowledge diversity, seen as multiple sources of information (ÖZEN, 2022), can change over time; thus, demanding a dynamic conceptualization at different levels of analysis making Knowledge Heterogeneity a moderating variable to fill this gap by basing it on the focus and timing of knowledge processing. When heterogeneous knowledge within a bank is supported by a strong Knowledge Sharing process, it can contribute to improved business performance through product and service innovation leading to better growth and customer satisfaction. First, diversity in knowledge can be investigated from both the individual and collective levels of analysis. Second, it relates to the timing-of knowing, which refers to the point in time and period when individuals and collectives engage in knowledge processing, a more dynamic assessment of the collective knowledge status (Jamalzadeh, 2012).

The development of diversity in knowledge can be investigated from different time orientations and periods (Jankelová & Joniaková, 2021). Research has noted that the benefits of diversity in a collective (e.g. team) can be fully utilized when this collective actively utilizes knowledge/information distributed in the organization so that the Knowledge Heterogeneity variable can be a moderating variable between Knowledge Sharing and business performance. Based on the perspective of cognitive resource theory, knowledge heterogeneity can bring diverse knowledge into the organization, encourage individuals to analyze problems and develop a comprehensive understanding for organizational performance. Therefore, knowledge heterogeneity moderates knowledge sharing on organizational performance, which in turn affects organizational effectiveness (Çınar & Eren, 2015) Several previous studies of Knowledge Heterogeneity only concentrated on team performance, not overall business performance. Previous studies did not review how business performance more comprehensively is not only the result of work but also the quality of work which is the result of knowledge sharing and business performance in which employees are part of it.

The novelty or newness of this research compared to previous research, especially the role of innovation work behavior as a mediator of the relationship between Knowledge Sharing and Organizational Learning on organizational performance by including technology indicators in innovative work behavior and Knowledge Heterogeneity as a moderator of Knowledge Sharing and Business Performance. Previous studies have only focused on team performance (Ding et al., 2022), but this study presents knowledge heterogeneity in overall business performance. Therefore, in this study, Knowledge Heterogeneity is a moderating variable to determine its effect in strengthening the Knowledge Sharing variable and business performance (Sun *et al.*, 2022). The spread and novelty of this topic also become a novelty for researchers to study, so researchers are interested in taking the title Knowledge Sharing and Organizational Learning on Business Performance with Innovation Work Behavior as a mediating variable and Knowledge Heterogeneity as a moderating variable (Study on Conventional Rural Credit Banks in East Java).

The research object taken is the People's Credit Bank which in its activities does not provide services in payment traffic. The reason for choosing this research object is that BPR has a different organizational structure and management practices compared to general banks, by studying BPR, researchers can gain insight into the factors that contribute to the success or failure of small banks in Indonesia (Singh et al., 2021).

Based on various findings of inconsistencies in Knowledge Sharing and Organizational Learning towards business performance in previous research results, it becomes a gap (Research Gap) in this

study, so researchers need to test Knowledge Sharing and Organizational Learning towards business performance. In addition, additional findings of inconsistencies in Innovation Work Behavior through Knowledge Sharing and Organizational Learning towards business performance in previous research results become a research gap (Research Gap) in this study which is positioned as a mediating variable. Knowledge Heterogeneity becomes a novelty in the new construct of this study because with high Knowledge Heterogeneity, Knowledge Sharing can be an effective mechanism to facilitate the decision-making process. The second novelty is in determining indicators strengthened through Forum Group Discussion (FGD).

## RESEARCH METHODS

The approach used in this study is a positivisme approach. The type of research is quantitative research. In this study, the unit of analysis is the Conventional Rural Credit Bank which is part of Perbarindo KRA IV in the East Java region. This study aims to test and explain the influence of direct and indirect relationships between the variables of Knowledge Sharing, Organizational Learning on Business performance and the role of Innovation Work Behavior as a mediating/intervening variable and Knowledge Heterogeneity as a moderator variable.

The population in this study is the banking business unit sector, namely Conventional Rural Credit Banks in East Java which are members of the East Java Perbarindo Association, totaling 316 Conventional BPRs (Sekaran Uma & Bougi Roger, 2016). The sampling technique in this study is the saturated sampling technique. In this study, samples were taken from the entire population of the number of conventional BPRs in East Java totaling 316 samples.

The type of data in this study uses quantitative data. Primary data is used in this study. obtained from a questionnaire filled out by individual business actors of Rural Credit Banks who are members of the East Java Perbarindo Association which includes the President Director/Compliance Director. This study uses a questionnaire or survey which contains statement items based on selected indicators with an interval scale using a Likert scale with 5 scores (Unipolar Likert Scale). This study also uses secondary data related to the required documentation. This study uses data analysis with a descriptive quantitative method with analysis using Inferential Structural Equation Modeling (SEM), because SEM has analytical characteristics that are confirmatory.

## RESULTS

### Mediation Effect

**Table 4. Mediation Path Coefficients Test**

	Original Sample (O)	Average Sample (M)	Standard Deviation (STDEV)	T Statistikcs ( O/STDEV )	P Values
<b>KS -&gt; IWB -&gt; BP</b>	0.127	0.132	0.036	3.510	<b>0.000</b>
<b>LO -&gt; IWB -&gt; BP</b>	0.403	0.406	0.039	10.325	<b>0.000</b>

**Source: Processed primary data results (2024)**

From the table above, it can be seen that both the relationship between Knowledge Sharing (X1) and Business Performance (Y) and the relationship between Organizational Learning (X2) and Business Performance (Y) mediated by Innovation work Behavior (Z) are significant where the P value is 0.000 (<0,05), this means that there is a mediation effect where the mediation variable is said to be a partial mediation variable.

### Moderation Effect

**Table 5. Moderation Path Coefficients Test**

	Original Sample (O)	Average Sample (M)	Standard Deviation (STDEV)	T Statistikcs ( O/STDEV )	P Values
<b>KS*KH -&gt; BP</b>	0.045	0.047	0.026	2.729	<b>0.002</b>

**Source: Processed primary data results (2024)**

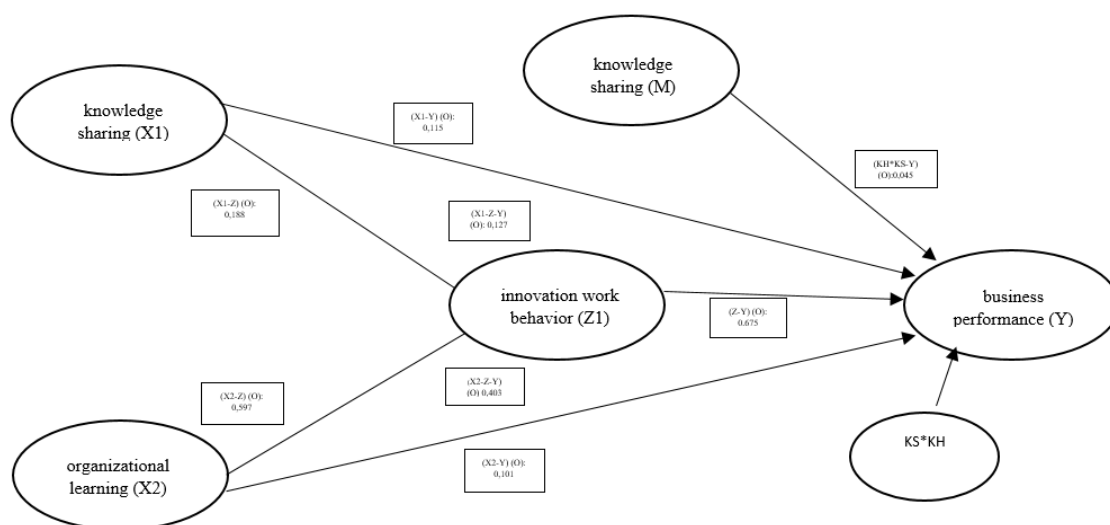
## Hyphothesis Test Results

Hypothesis	Path	Path Coefficient	T Statistics ( O/STDEV )	P Values	Capt
H1	KS -> BP	0,115	3.548	0,000	Sig.
H2	OL -> BP	0,101	2.091	0.019	Sig.
H3	IWB -> BP	0,675	15.169	0.000	Sig.
H4	KS -> IWB	0,188	3.780	0.000	Sig.
H5	OL -> IWB	0,597	12.948	0.000	Sig.
H6	KS -> IWB -> BP	0,127	3.510	0.000	Sig.
H7	OL -> IWB -> BP	0,403	10.325	0.000	Sig.
H8	KS *KH -> BP	0,045	2.729	0.002	Sig.

### Direct Effect

### Indirect Effect

## Research Model Findings



20387

Based on the results of the path coefficient analysis on Partial Least Square (PLS), in Table 6, the results of this study's analysis show that the path coefficient of the influence of Knowledge Sharing, Organizational Learning on business performance shows significant results and has a positive influence. Innovation Work behavior is able to mediate knowledge sharing and Organizational learning on Business performance positively and significantly. Knowledge heterogeneity is also able to moderate the relationship between knowledge sharing and business performance.

### Dominant Effect

**Table 7. Dominant Influence Between Variables**

<b>Hypothesis</b>	<b>Path</b>	<b>Path Coefficient</b>	<b>P Values</b>	<b>Capt</b>
H1	KS -> BP	0,115	0,000	Sig.
H2	OL -> BP	0,101	0.019	Sig.
<b>H3</b>	<b>IWB -&gt; BP</b>	<b>0,675</b>	<b>0.000</b>	<b>Sig.</b>
H4	KS -> IWB	0,188	0.000	Sig.
H5	OL -> IWB	0,597	0.000	Sig.
H6	KS -> IWB -> BP	0,127	0.000	Sig.
<b>H7</b>	<b>OL -&gt; IWB -&gt; BP</b>	<b>0,403</b>	<b>0.000</b>	<b>Sig.</b>
<b>H8</b>	<b>KS *KH -&gt; BP</b>	<b>0,045</b>	<b>0.002</b>	<b>Sig.</b>

Source: Processed primary data results (2024)

The table above informs us that the direct path that has the greatest influence is the variable innovation work behavior on business performance with a beta coefficient of 0.675 or 68%. For indirect influence, the most dominant occurs in the Organizational Learning path on Business Performance with innovation work behavior as a mediating variable of 0.403 or 40%. While the Knowledge Sharing path on business performance is strengthened by the Knowledge Heterogeneity variable as a moderating variable of 0.045

## DISCUSSION

### 1. The Influence of Knowledge Sharing on Business Performance

Based on the results of the analysis obtained, it shows that knowledge sharing has a significant positive effect on BPR business performance. This means that the better the knowledge sharing proves that the better the performance of conventional BPR businesses in East Java. The indicator with the highest average in knowledge sharing is the indicator of sharing suggestions, leaders always give advice to employees to complete work better. While in business performance, the dimension of learning and growth perspective lies in the indicator of employee capability through training. In the context of empirical results in BPR, leaders always share suggestions and share knowledge that produces new ideas about products, marketing strategies and customer service, where this knowledge will improve the company's ability to compete in a dynamic market. This is in line with research by Abbas et al which states that with knowledge sharing employees are more informed and able to apply this information in their work which ultimately increases efficiency, innovation and business performance (Abbas *et al.*, 2019).

### 2. The Influence of Organizational Learning on Business Performance

Based on the results obtained, it shows that organizational learning has a significant positive effect on business performance. This means that the better the organizational learning proves that the better the business performance of conventional BPR in East Java. The indicator with the highest average in Organization learning is the indicator in the exploratory learning dimension, namely the use of data. While the highest average in the exploitative learning dimension lies in the BPR indicator anticipating risk management in every organizational decision. While in business performance, the learning and growth perspective dimension lies in the employee capability indicator through training. The empirical results of this study in terms of organizational learning about more accurate

credit risk assessments or the use of data in new management information systems can be achieved through technical training where periodic training programs for credit staff, customer service and risk management, for example customer collectibility analysis training. Therefore, it is very important to focus on organizational learning and ensure a culture of continuous learning through training programs, knowledge sharing, teamwork behavior (Su *et al.*, 2011).

### **3. The Influence of Innovation Work Behavior on Business Performance**

Based on the results obtained, it shows that Innovation Work Behavior has a significant positive effect on BPR business performance. This means that the better Innovation Work Behavior proves that the better the performance of conventional BPR businesses in East Java. The indicator with the highest average is that leaders always use technology to improve work capabilities, while in business performance, the dimension of learning and growth perspective lies in the indicator of employee capabilities through training. The empirical results in this study are in accordance with the respondents' answers, namely the use of work technology such as the use of information technology to store and distribute important information in decision making such as the Debtor Information System which provides customer collectibility information whether the debtor is worthy of being funded or not. The results of this study support the KBV theory, innovation and creativity drive increased organizational performance resulting from the application of innovative ideas to respond to change and create relevant innovations. In the context of IWB, individuals utilize the knowledge they have to develop new ideas, create solutions and implement innovation in the workplace (Adekanmbi & Ukpere, 2022a).

### **4. The Influence of Knowledge Sharing on Innovation Work Behavior**

Based on the results obtained, it shows that Knowledge Sharing has a significant positive effect on innovation work behavior. This means that the better the Knowledge Sharing, the better the innovation work behavior of the People's Credit Bank in East Java. This is in line with previous research emphasizing the importance of Knowledge Sharing in encouraging innovation work behavior (Arsawan *et al.*, 2022). The indicator with the highest average in knowledge sharing is that leaders always share ideas and suggestions with employees. The indicator with the highest average in innovation work behavior is the use of work technology such as the use of information technology to store and distribute important information in decision making. The empirical results in this study are based on respondents' answers, namely ideas for new products and services in microcredit and flexible payments (restructuring, reconditioning and rescheduling) to avoid bad debts. The results of this study support the KBV theory, knowledge sharing can encourage innovation by facilitating the spread of new knowledge throughout the organization. In the context of BPR, knowledge sharing allows employees to learn from each other's experiences and develop new approaches to problem solving (Adam, 2022).

### **5. The Influence of Organizational Learning on Innovation Work Behavior**

Based on the results obtained, it shows that Organizational Learning has a significant positive effect on innovation work behavior in Conventional BPR. The indicators with the highest average in Organizational Learning are data analysis and data use. The indicators with the highest average in innovation work behavior are the use of work technology such as the use of information technology to store and distribute important information in decision making. Empirical results in BPR, for example, document digitization, changing the digital document management system to reduce paper use, increasing storage efficiency in the warehouse and facilitating access and searching for documents in various transactions in BPR. This study also supports the RBV theory which discusses the importance of human resources as an organizational advantage, organizational learning plays an important role in creating a work environment that supports innovation. This is in line with previous research which states that organizational learning helps employees to be more open to change and more ready to adopt new practices that can improve work behavior innovation (J. Zhang *et al.*, 2022)

### **6. The Influence of Innovation Work Behavior Mediating Knowledge Sharing on Business Performance**

Based on the results obtained, it shows that Knowledge Sharing has a significant positive effect on Business Performance in Conventional BPRs mediated by innovation work behavior. The indicator

with the highest average in knowledge sharing is that leaders always share advice with employees. The indicator with the highest average in innovation work behavior is the use of work technology such as the use of information technology to store and distribute important information in (Yeboah, 2023). The results of empirical research in BPR, this occurs in regular brainstorming sessions where BPR can collect ideas from various employees from various departments to generate new ideas and suggestions for improvement, for example, the customer service team can provide input on digital service features that customers want. The results of this study support the KBV theory that knowledge sharing plays an important role in improving organizational performance by increasing innovation capabilities and operational efficiency in facing market competition. Employees who are active in sharing knowledge tend to show high innovative work behavior (Jin & Suntrayuth, 2022). The innovations generated from IWB then contribute to various aspects of business performance such as operational efficiency, customer satisfaction, and revenue growth (Purnamawati *et al.*, 2022)

## **7. The Influence of Innovation Work Behavior Mediating Organizational Learning on Business Performance**

The results obtained indicate that Organizational Learning has a significant positive effect on Business Performance at Conventional BPR in East Java mediated by innovation work behavior. The indicator with the highest average in Organizational Learning is data analysis and data use. The indicator with the highest average in innovation work behavior is the use of work technology such as the use of information technology to store and distribute important information in decision making. Empirical results in this study in BPR can be shown in data analytics where data analysis tools to monitor operational and financial performance in real time that help management to make faster and more precise decisions based on accurate data. Furthermore, this study confirms that innovative work behavior is an important mechanism that bridges the relationship between organizational learning and business performance (Mai *et al.*, 2022).

Effective organizational learning enables banks to not only survive but also grow in an ever changing business environment (Frare *et al.*, 2022). This not only strengthens the organization's ability to adapt to market changes but also ensures that the company remains competitive in the long term (Ranihusna *et al.*, 2021). The results of this study support the RBV theory which focuses on unique and difficult-to-imitate internal organizational resources to achieve competitive advantage with innovation work behavior being the result of human resource management and development which ultimately creates innovative work behavior in the workplace. Thus, encouraging innovation work behavior through organizational learning can help BPRs to optimize their business performance, ensuring sustainable growth and sustainability (Liu, 2017).

## **8. The Influence of Knowledge Heterogeneity Moderation of Knowledge Sharing on Business Performance**

The results obtained show that Knowledge Sharing has a significant positive effect on Business Performance moderated by Knowledge Heterogeneity. The indicator with the highest average in knowledge sharing is that leaders always share ideas with employees. The indicator with the highest average in knowledge heterogeneity is diversity and various competencies. While in business performance, the dimension of the learning and growth perspective lies in the indicator of employee capabilities through training. The relationship between KBV theory, the heterogeneity of knowledge possessed can increase the variation in ideas generated and shared. Knowledge heterogeneity can strengthen or slow down business performance depending on how to manage differences in knowledge (Ding *et al.*, 2022). Knowledge diversity is able to adapt better to market changes and environmental challenges as a dynamic capability (Zhao *et al.*, 2021).

Empirical results at the research site indicate that there is cross-departmental inclusion in new product development, a multidisciplinary product development team consisting of members from various branches or departments such as marketing, credit, customer service and IT to develop new products such as microcredit products that require input from the marketing team on market needs, risks and IT on technology solutions. The results of this study support and strengthen the KBV theory, the heterogeneity of knowledge owned can increase the variation in ideas generated and shared. By managing the diversity of knowledge well, it can strengthen organizational performance,



organizations can ensure that knowledge sharing not only improves individual capabilities but also supports innovation and better business performance overall (Gan et al., 2023).

## CONCLUSION

Based on the results of the analysis and discussion presented in the previous chapter, it can be concluded that (1) knowledge sharing has a significant positive effect on BPR business performance. This means that the better the knowledge sharing, the better the performance of conventional BPR businesses in East Java. (2) Organizational Learning has a significant positive effect on BPR business performance. This means that the better the Organizational Learning, the better the performance of conventional BPR businesses in East Java. (3) Innovation Work Behavior has a significant positive effect on BPR business performance. This means that the better the Innovation Work Behavior, the better the performance of conventional BPR businesses in East Java. (4) Sharing has a significant positive effect on innovation work behavior. This means that the better the Knowledge Sharing, the better the innovation work behavior of Rural Credit Banks in East Java. (5) Organizational Learning has a significant positive effect on innovation work behavior in Conventional BPRs. This means that The better the Organizational Learning, the better the innovation work behavior of Rural Credit Banks in East Java. (6) Knowledge Sharing has a significant positive effect on Business Performance in Conventional BPRs mediated by innovation work behavior. (7) Organizational Learning has a significant positive effect on Business Performance in Conventional BPRs in East Java mediated by innovation work behavior. (8) Knowledge Sharing has a significant positive effect on Business Performance moderated by Knowledge Heterogeneity. This shows that Knowledge Heterogeneity is able to strengthen the relationship between knowledge sharing and business performance.

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