

The Effect of Information Sharing, Knowledge Sharing, and Social Capital on Business Performance Mediated by Innovation (Study on Small Food Industry in Pekanbaru City)

Rani Sagita Hilmawati, Samsir*, Iwan Nauli Daulay, & Prima Andreas Siregar

Faculty of Economics and Business, Universitas Riau, Pekanbaru, Indonesia

* samsir@lecturer.unri.ac.id

Article Info	Abstract
Received : 2022-12-14 Accepted : 2023-03-01 Published : 2023-03-01	The present study aims to explore the impact of information sharing, knowledge sharing, and social capital on the performance of small food businesses in Pekanbaru city, Indonesia, while examining the mediating effect of innovation. Through cluster sampling, a sample of 236 small food industry actors was selected from a population of 611 participants in Pekanbaru city. The primary data was collected using a questionnaire and analyzed using the partial least squares method. The results showed that information sharing had a positive but not statistically significant effect on innovation, yet a positive and statistically significant effect on business performance. Knowledge sharing was found to have a positive and statistically significant effect on innovation and a positive but not statistically significant effect on business performance. Social capital had a positive and statistically significant impact on both innovation and business performance, while innovation had a positive and statistically significant effect on business performance. Additionally, the results indicated that the impact of information sharing and knowledge sharing on business performance through innovation was positive but not statistically significant. The impact of social capital on business performance through innovation was positive but not statistically significant.
Key words: information sharing; knowledge sharing; social capital; innovation; business performance; small food industry implementation of internal control; information technology; quality of accounting information system	

INTRODUCTION

The current business environment is undergoing rapid transformation, requiring businesses to remain competitive and cater to increasingly complex consumer demands. The industrial sector, tiny and medium-sized enterprises (SMEs), is witnessing substantial growth and playing a critical role in the economy. As the Ministry of Industry of the Republic of Indonesia (2019) reported, the number of SMEs in Indonesia has surpassed 4.4 million. It accounts for 99.9% of all business units, employing up to 10.5 million individuals and contributing 65.5% of the entire industrial sector.

Pekanbaru, located in the province of Riau, serves as a hub for government and business activities, providing numerous opportunities for growth and development. The industrial sector is a significant contributor to the economic activity in Pekanbaru City, with 49,158 industries and large micro and small businesses (Riau Province Central Bureau of Statistics, 2018). Despite its relatively small size, the small industries in Pekanbaru continue to expand even during the Covid-19 outbreak, as shown by the increasing trend in recent years (Tables 1 and 2). One industry that has shown growth is the small food industry, which has shifted from small-scale operations to those with substantial processing.

This study aims to investigate the various positive influences of information sharing, knowledge sharing, and social capital on innovation and business performance in the context of small and medium-sized enterprises (SMEs) in Pekanbaru, Indonesia. The study aims to observe

the positive influence of information sharing on innovation and business performance, the positive influence of knowledge sharing on innovation and business performance, and the positive influence of social capital on innovation and business performance. The study will also investigate the relationship between innovation and business performance and how information sharing, knowledge sharing, and social capital can impact business performance through innovation.

The research is interesting as it sheds light on the crucial role of information sharing, knowledge sharing, and social capital in driving innovation and enhancing business performance in the industrial sector, particularly in SMEs. The findings of this research have the potential to provide insights for policymakers, business owners, and entrepreneurs in promoting the growth and development of the industrial sector and improving community well-being.

Additionally, the research will contribute to the existing literature on the relationship between information sharing, knowledge sharing, social capital, innovation, and business performance by providing empirical evidence from the Indonesian context. The findings of this research can provide a reference for similar studies in other countries and industries, promoting the advancement of knowledge in this field.

Table 1. Development of the Number of Small and Medium Industries Per District in Pekanbaru City in 2018-2020

No.	DISTRICT	2018	2019	2020
1	Tampan	302	313	334
2	Payung Sekaki	393	405	427
3	Bukit Raya	221	224	227
4	Marpoyan Damai	250	254	263
5	Tenayan Raya	205	208	216
6	Limapuluh	92	93	94
7	Sail	46	46	46
8	Pekanbaru Kota	107	111	111
9	Sukajadi	246	252	256
10	Senapelan	130	133	138
11	Rumbai Pesisir	94	98	104
12	Rumbai	53	54	55
Pekanbaru		2139	2191	2271

Source: Riau Province Central Bureau of Statistics, Pekanbaru in Numbers 2021

The table above provides data on the number of small industries in Pekanbaru, Indonesia, districts for the years 2018, 2019, and 2020. The data is presented in the form of the number of industries in each district and the total number of industries in Pekanbaru. The data reveals that, despite the small size of the districts, the number of small industries in Pekanbaru has continued to grow over the past three years, even during the Covid-19 outbreak.

In 2018, the district with the highest number of small industries was Payung Sekaki, 393, followed by Tampan, 302 and Bukit Raya, with 221. In 2020, the district with the highest number of small industries remained Payung Sekaki with 427, followed by Tampan with 334 and Bukit Raya with 227.

The data in the table shows a general growth trend in the number of small industries in each of the districts over the three years, with some districts experiencing a slower growth rate than others. However, overall, the data indicate a positive growth trend in Pekanbaru's small industrial sector, which is significant for the local economy.

The data in the table highlights the continued growth and development of the small industry sector in Pekanbaru over the past three years, which is positive for the local economy. The data suggest that, despite the challenges posed by the Covid-19 outbreak, the small industry sector in Pekanbaru remains vibrant and continues to provide prospects for growth and development for business actors and entrepreneurs.

Table 2. Number of Food Small and Medium Industries (SME) Per District in Pekanbaru City in 2020

No.	District	Small and Medium Food Industries (in size)	
		Small	Medium
1	Tampan	125	1
2	Payung Sekaki	69	2
3	Bukit Raya	67	-
4	Marpoyan Damai	95	-
5	Tenayan Raya	77	1
6	Limapuluh	30	-
7	Sail	13	1
8	Pekanbaru Kota	20	2
9	Sukajadi	36	-
10	Senapelan	35	-
11	Rumbai Pesisir	32	-
12	Rumbai	12	-
	Pekanbaru	611	7

Source: Integrated and Accountable Electronic Industrial System of Riau Province (SEPAT RIAU), 2021

The table presents the number of small food and medium industries in each district in Pekanbaru, Indonesia, as of 2020. The data shows that Tampan has the highest number of small industries, with 125, while Payung Sekaki and Pekanbaru Kota have the highest number of medium industries, with 2. Notably, most districts have only small industries, except for Pekanbaru Kota and Payung Sekaki, which both have 2 medium industries. In total, Pekanbaru has 611 small industries and 7 medium industries. Small and medium food industries is more prevalent in Pekanbaru, with the majority is being small.

The competition in the business world continues to increase yearly, making the market high-intensity, dynamic, and unpredictable. As a result, companies are pressured to continuously improve their supply chain management, knowledge sharing, social capital, and innovation to enhance their business performance, add value to their offerings, and stay ahead of the competition. Despite these efforts, Small and Medium Enterprises (SMEs) still face many challenges, including limited business capital, inadequate knowledge of business development, lack of product innovation, difficulties in product distribution, limited online market presence, weak branding, and manual business management (Handayani & Agustina, 2021). The performance of SMEs is also impacted by human resources, production and operations, and market and marketing challenges, making it necessary for companies to leverage information sharing, knowledge sharing, social capital, and innovation to thrive in the market.

Interviews with small food industry business actors in Pekanbaru revealed that some businesses need more effective communication with suppliers and irregular supply patterns. Some firms need to rely on specific events networks or cooperation opportunities without relines and face the challenge of generating new ideas and products while conventional commercial marketing practices persist. Furthermore, the absence of a flow of knowledge is attributed to the owner's failure to transfer their expertise to their staff (Suci, 2009).

On the other hand, studies have shown that practical management skills, including good communication and timely decision-making, can increase SMEs' sales growth, assets, and profits (Suci, 2009). Information exchange between SMEs and their network of stakeholders, including suppliers and dealers, has also been found to have a favorable and significant impact on the organization's performance (Almira et al., 2021). Applying knowledge sharing in companies is highly profitable, leading to faster identification of opportunities and quicker innovation without incurring high operational costs (Nawawi in Suwarno & Silvianita (2017). However, this finding contradicts an earlier study which showed that information sharing does not affect innovation capacity or performance (Yeşil et al., 2013).

Social capital is another crucial factor that can contribute to the success and longevity of SMEs, as it allows companies to build trust with their stakeholders, thereby making it easier for them to acquire assets, access loans, and receive support from the community in carrying out their activities (Walenta, 2019). Research has shown that increasing social capital, such as trust, good relationships, cooperation, and business networks, can positively impact business performance (Ramadhan & Sukarno, 2021). However, this finding contrasts with another study that found social capital to have a good but insignificant effect on the performance of MSMEs (Walenta, 2019).

Finally, organizations must be able to choose and implement innovative strategies to compete in the market and address the erratic changes in demand to improve their overall performance (Hardiana & Setiawan, 2021).

LITERATURE REVIEW

Information Sharing

Information sharing has been widely recognized as a crucial aspect of modern business practices. As Huda, Aminuddin, and Wusko (2018) noted, a constant flow of official and informal communication between partners can lead to a series of improvements in planning and supervision. In practice, information sharing is expected to help organizations gather, maintain, and convey the data needed for decision-making, reducing industry congestion. This study builds upon the findings of Huda et al. (2018) by exploring information sharing for money, production, and design. The ongoing exchange of information is believed to benefit all parties involved.

Knowledge Sharing

Hendrawan, Suchyowati, Rayendra, and Indriyani (2020) define knowledge sharing as a mechanism for group members to exchange their knowledge, techniques, experiences, and ideas. The process of exchanging information is known as knowledge sharing and encompasses both tacit and explicit knowledge. Sharing knowledge involves transmitting one's intellectual capital while collecting knowledge involves consulting others on their intellectual capital (Hooff & Ridder in Hendrawan et al., (2020). This study extends the work of Putra (2019) by adapting assessments from Law and Sinkovics and exploring the sharing of task-related knowledge, improved task efficiency through knowledge sharing, and the development of knowledge-sharing platforms such as the internet.

Social Capital

Social capital refers to the capacity of a society to work together based on shared commonalities, forming a vital economic and social force (Walenta, 2019). Fanani and Fitrayati (2021) highlight the importance of social capital in entrepreneurial activities. Building social network links with the community, agents, and customers can lead to loyal customers and a broader network for business development. This study builds on the previous research conducted by Fanani and Fitrayati (2021) by examining the ability to develop collaboration, build trust, and participate in local communities as metrics for social capital.

Innovation

Innovation has been defined as implementing modifications or new updates to meet organizational and business objectives (Hardiana & Setiawan, 2021). Supriyanto et al. (2020) note that some companies innovate for the benefits they can bring, such as low-cost products or services or higher prices through product differentiation. This study draws upon the work of Sunarta et al. (2020) by exploring product innovation, process innovation, and marketing innovation as metrics for innovation.

Business Performance

Performance is a comprehensive overview of an organization's level of achievement in realizing its goals, objectives, mission, and vision (Latuconsina & Sariwating, 2020). Samsir (2012) cites Lee and Tsang in exploring sales growth, company asset growth, and company profit growth as

metrics for business performance. This study adapts these metrics for use in the analysis of business performance.

HYPOTHESIS DEVELOPMENT AND RESEARCH FRAMEWORK

The Relationship between Information Sharing and Innovation

Information sharing is a component of supply chain management. For an organization to perform well and be competitive, it is necessary to implement supply chain management practices. Sharing information involves transferring vital and exclusive information through interaction between suppliers, customers, and the organization. This information can include market demand, customer evaluations, product introductions, promotions, price information, and competitor data. When information is shared with suppliers and customers, it becomes a primary source of innovative ideas for product design and improvement (Effendy et al., 2020). Based on this explanation, the first hypothesis in this study is:

H₁: Information sharing has a positive and significant effect on innovation

Relationship between Knowledge Sharing and Innovation

The relationship between knowledge sharing and innovation has been the subject of numerous research studies and analyses. One such study, conducted by Suwarno and Silvianita (2017), found that knowledge sharing is a determining factor in driving innovation. By exchanging information and experiences, employees can form new knowledge that contributes to the growth of innovation and enhances the organization's competitive advantage in the market.

Another study by Asegaff and Wasitowati (2016) highlights the importance of innovative capabilities in organizations that aim to progress. They argue that fostering a culture of knowledge sharing among employees is crucial to enhancing innovative capabilities. It is because knowledge sharing encourages cooperation and mutual acceptance and promotes innovation.

The positive relationship between knowledge management and product innovation was also demonstrated in the research of Samsir et al. (2017). Their study showed that better knowledge management by small and medium entrepreneurs positively impacted product innovation.

These research studies collectively suggest that organizations that possess innovative capabilities and foster a culture of knowledge-sharing among employees are more likely to experience an increase in innovation performance. Based on these explanations, the second hypothesis in this study is:

H₂: Knowledge sharing has a positive and significant effect on innovation

Relationship between Social Capital and Innovation

The role of social capital in promoting innovation is well established, with a significant body of research highlighting its positive impact on firms. Jafri et al. (2014), Harjanti and Noerchoidah (2017), Chen et al. (2017), and Prihadyanti (2010) all found that social capital, in the form of relational, cognitive, and structural factors, has a significant positive effect on a company's ability to innovate. It was further summarized by Purwati et al. (2021), who noted the importance of social capital in supporting innovation.

Social capital takes the form of both formal and informal networks. Its significance for innovation lies in its ability to support knowledge exchange and bring together complementary resources. The exchange of knowledge is critical for innovation, especially in high technology, where knowledge is highly specialized. The networks that form through social capital create bonds between individuals and businesses, making it easier to exchange information and reducing the costs associated with searching for it.

The synergistic impact of networks also plays a crucial role in promoting innovation. By bringing together complementary concepts, expertise, and finance, networks facilitate the connections between ideas and encourage creative thought. Moreover, the networks support innovation development and accelerate its diffusion. As Abrahamson & Rosenkopf (1997) noted in Purwati et al. (2021), networks play a crucial role in innovation.

By facilitating the exchange of knowledge and bringing together complementary resources, social capital enhances a firm's ability to innovate. Companies looking to boost their innovative

capabilities should focus on developing solid social capital through formal and informal networks to support their efforts. Based on these explanations, the third hypothesis proposed as follows:

H₃: Social capital has a positive and significant effect on innovation

Relationship of Information Sharing with Business Performance

The impact of information sharing on business performance has been widely studied, with the results indicating a positive correlation between the two. Mufaqih et al. (2017) found that companies that practice effective information sharing can improve their performance, while Hardiana and Setiawan (2021) stated that companies with better supply chain management (SCM) tend to have improved operational performance.

Huda et al. (2018) conducted research and they found that information sharing has a significant positive effect on company performance, suggesting that the better the information sharing, the higher the impact on company performance. The importance of information sharing in achieving optimal business performance cannot be overstated. Companies must invest in systems and processes that promote effective information sharing within their supply chain networks. Based on these explanations, the fourth hypothesis proposed as follows:

H₄: Information sharing has a positive and significant effect on business performance

Relationship of Knowledge Sharing with Business Performance

In today's business world, the ability to share and exchange knowledge effectively can play a critical role in determining the success and competitiveness of an organization. By fostering an environment where knowledge is openly shared, companies can enhance their employees' innovation and problem-solving capabilities, leading to increased efficiency, productivity and overall business performance.

Asegaft and Wasitowati (2016) highlight the importance of cooperation among colleagues in promoting knowledge sharing. They argue that when employees can share knowledge freely, it creates a more efficient and effective work environment, directly impacting business performance. Furthermore, effective knowledge-sharing practices can foster new ideas and approaches, which can be used to develop new products and services and enhance the organization's overall competitiveness.

Sunarta et al. (2020) took this idea further by exploring the relationship between knowledge sharing and organizational performance more closely. Their research found that there is indeed a significant positive relationship between the two variables. Organizations with effective knowledge-sharing practices are more likely to achieve better performance outcomes than those without them. Thus, the fifth hypothesis in this study is as follows:

H₅: Knowledge sharing has a positive and significant effect on business performance

Relationship between Social Capital and Business Performance

In a recent study by Fanani and Fitrayati (2021), the impact of social capital on business performance was investigated. Social capital refers to an organization or individual's network of relationships and trusts. According to Kim and Aldrich (2005), entrepreneurs can leverage their social capital to gain access to critical resources for starting, growing, and thriving in business. It is supported by the findings of Florin et al. (2003), who noted that social capital within organizational members enables them to share knowledge and exchange ideas more effectively. As a result, organizations with strong social capital are better equipped to collect resources that can improve their performance. Thus, the sixth hypothesis in this study is as follows:

H₆: Social capital has a positive and significant effect on business performance

Relationship between Innovation and Business Performance

Studies conducted by Hardiana and Setiawan (2021) indicate that operational performance is significantly impacted by innovation. Companies that need to be faster to adopt new technologies risk falling behind their competitors and disrupting their business operations. Companies must develop an innovation strategy that allows them to produce high-value products and respond to market demands and uncertainties to remain competitive. In their

research on SCM, TQM, innovation, and operational performance, Hardiana and Setiawan (2021) found that an innovation strategy has a positive effect on operational performance, echoing the findings of Asegaff and Wasitowati (2016), who showed that innovation capability significantly impacts performance. Thus, the seventh hypothesis in this study is as follows:

H₇: Innovation has a positive and significant effect on business performance

The Relationship between Information Sharing and Business Performance mediated by Innovation

According to a study by Yang and Maxwell (2011), information sharing through innovation plays a crucial role in boosting organizational efficiency and performance. The advancements in information and communication technology have made it easier to share information, especially in the public sector, where government agencies understand the importance of information sharing to tackle policy issues. Despite this, information sharing remains a complex task. Here, innovation comes into play, offering a positive and significant influence on information sharing, leading to enhanced business performance. Hence, information sharing through innovation can be viewed as a highly beneficial approach to improving organizational efficiency and performance. Therefore, the eighth hypothesis in this study is formulated as follows:

H₈: Information sharing through innovation has a positive and significant effect on business performance

Relationship between Knowledge Sharing and Business Performance mediated by Innovation

The study by Sulistiyani et al. (2021) found a significant positive direct effect of knowledge sharing on innovative behavior and business performance. The results also showed that the indirect effect of knowledge sharing on business performance was mediated by innovative behavior. Then, Wang and Wang (2012) found that both explicit and tacit knowledge-sharing practices had a positive effect on innovation and performance, with explicit knowledge-sharing having a more significant effect on financial performance and tacit knowledge sharing having a more significant effect on operational performance. Furthermore, Hanif et al. (2016) found that affective commitment mediated knowledge-sharing behavior, innovation performance, and high commitment. The findings suggested that the level of knowledge sharing within organizations positively and significantly influences the organization's innovation performance. Thus, the ninth hypothesis in this study is as follows:

H₉: Knowledge sharing through innovation has a positive and significant effect on business performance

Relationship between Social Capital and Business Performance mediated by Innovation

The role of social capital in enhancing business performance through innovation has been widely researched and debated. The study conducted by Cooke and Wills (1999) examined the effect of social capital on the expansion of small and medium enterprises (SMEs). They found that social capital building was associated with improved business, knowledge and innovation performance. Agyapong et al. (2017) conducted a study that confirmed the positive relationship between social capital and performance and revealed innovation's mediating role in this relationship. Kamewor et al. (2021) further supported these findings by showing the positive and significant impact of social capital on innovation practices among SMEs in Ghana and concluded that the effect of social capital on firm performance is indirectly through the level of innovation practices. Bosma et al. (2004) investigated the impact of human and social capital investment on entrepreneurial performance. They found that specific investments substantially and significantly affect survival, profits, and employment. These studies suggest that social capital through innovation positively and significantly affects business performance. Thus, the tenth hypothesis in this study is as follows:

H₁₀: Social capital through innovation has a positive and significant effect on business performance

This research focuses on the application of information sharing, knowledge sharing, and social capital, as well as innovation owned by the small food industry in Pekanbaru as a tool to develop its business and improve its business performance. This study employs the conceptual framework and hypothesis presented in Figure 1:

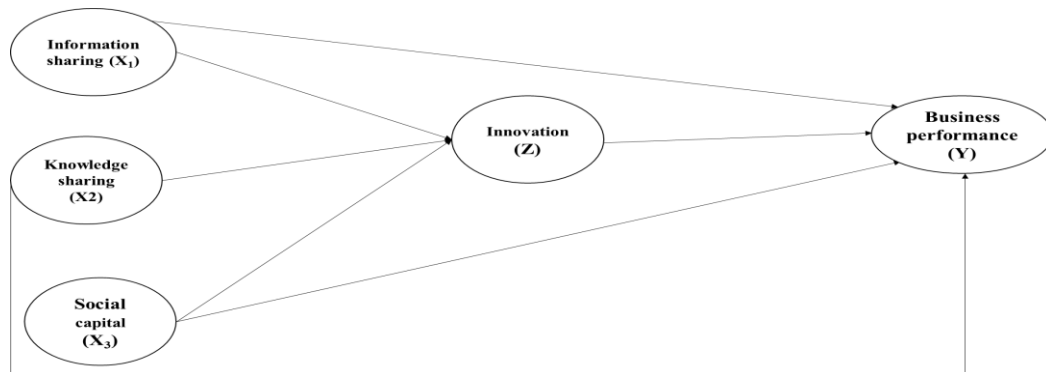


Figure 1. Conceptual framework

METHODS

This study employs a quantitative methodology. This study aims to identify the direct influence of independent variables (Information sharing, knowledge sharing, and social capital and innovation) on dependent variables (Business performance) and the indirect influence of independent variables (Information sharing, knowledge sharing, and social capital via innovation) on dependent variable.

This study focuses on a small food sector in the city of Pekanbaru. This study was conducted between August and September 2022. The population of this study consists of 611 small food industry firm actors in the city of Pekanbaru. Meanwhile, this study's sample consisted of 236 food business actors in Pekanbaru. The sampling technique is a probability sampling technique in which sampling from the population is conducted randomly, and each member of the population has the same opportunities as the cluster sampling technique.

In this study, primary data were collected directly from small food industry business actors in the city of Pekanbaru by the researchers, while secondary data were gained from published sources. In the meantime, data were collected through the distribution of questionnaires and direct interviews with small food industry business actors in the city of Pekanbaru. The questionnaire's evaluations employ a 5-point Likert scale. The following are the measurement markers for each variable:

Information sharing

Information sharing is a constant flow of official and informal communication between partners that adds to a series of improvements in planning and supervision (Huda, Aminuddin, and Wusko, 2018). In practice, information sharing is anticipated to gather, maintain, and convey the data businesses need to make choices efficiently and effectively, hence reducing industry congestion. This study modified measurements from Huda et al., (2018), such as information sharing regarding money, production, and design. Information exchange on an ongoing basis, information can benefit all parties.

Knowledge sharing

According to Hendrawan, Sucahyowati, Rayendra, and Indriyani (2020), information sharing is a mechanism for group members to exchange their knowledge, techniques, experiences, and ideas. The process by which individuals exchange their information is known as knowledge sharing (tacit knowledge and explicit knowledge). Sharing knowledge is transmitting intellectual capital possessed by a person, and collecting knowledge is consulting with others about intellectual capital owned by oneself (Hooff & Ridder in (Hendrawan et al., 2020)

The assessments in this study, adapted from Law and Sinkovics in Putra (2019), include the following: the sharing of task-related knowledge, improving task efficiency through knowledge sharing among colleagues and between employees and owners, developing knowledge-sharing information platforms such as the internet.

Social capital

Social capital is the capacity of a society to work with one another based on shared commonalities, forming a distinctive link that becomes a vital economic and social force (Walenta, 2019). Social capital is a crucial component of entrepreneurial activity building. In order to obtain loyal customers and an extensive network for business development, business actors can create social network links with the community, agents, and customers to establish feedback ties and mutual trust (Stam et al. in Fanani and Fitrayati (2021). This study's metrics are adapted from the previous study conducted by Fanani and Fitrayati (2021), which includes the ability to develop collaboration, build trust, and participate in local communities.

Innovation

Innovation, according to Hardiana and Setiawan, (2021), is a method for implementing modifications or new updates to meet organizational and business objectives. Some companies innovate because it can benefit the company, such as innovations that supply products or services at low costs or that provide differentiation to items to provide higher prices to compensate for increased differentiation expenses (Supriyanto, Ekowati, Machfudz, and Rosyidah, 2020). This study's metrics are derived from Sunarta, Rohman, and Kawedar (2020) and comprise product innovation, process innovation, and marketing innovation.

Business performance

According to Latuconsina and Sariwating (2020), performance is an overview of the level of achievement of an organization's tasks to realize the goals, objectives, mission & vision. The measurements in this study are adapted from the research of Lee and Tsang in Samsir (2012), which consists of sales growth, company asset growth, and company profit growth.

RESULTS

Evaluation of Measurement Model (Outer Model)

Convergent Validity

Measurement of convergent validity is seen from the outer loading and also the Average Variance Extracted (AVE).

Table 1. Cross Loading Result

Indicators	Information sharing	Innovtion	Bus.performance	Knowledge sharing	Social capital
IN1		0,712			
IN2		0,712			
IN3		0,780			
IN4		0,783			
IN5		0,724			
IN6		0,508			
IS1	0,860				
IS2	0,782				
IS3	0,779				
IS4	0,903				
IS5	0,910				
IS6	0,907				
IS7	0,853				
KS1				0,644	
KS2				0,801	
KS3				0,809	
KS4				0,716	

Indicators	Information sharing	Innovation	Bus.performance	Knowledge sharing	Social capital
KS5				0,742	
KS6				0,697	
KU1			0,913		
KU2			0,930		
KU3			0,915		
MS1					0,757
MS2					0,848
MS3					0,767
MS4					0,801
MS5					0,784
MS6					0,517

Source: Result of processed data, 2022

The loading factor is the value generated by each indicator to measure each variable. Hair, Black, Babin, and Anderson (2013) argue that loading values between 0.40-0.70 can still be maintained for the newly developed questionnaire. Chin (1998) states that a loading factor of 0.50-0.60 is still considered sufficient for explanatory research. Based on table 1 of the outer loading results of each indicator, each constituent has a convergent validity value higher than 0.40; it can be concluded that all indicators tested in this study are declared valid.

Average Variance Extracted (AVE)

The Average Variance Extracted is the value owned by each variable. The required value on the AVE is > 0.5

Table 2. Average Variance Extracted (AVE) Result

Variables	Average Variance Extracted (AVE)
Information Sharing	0,736
Innovation	0,503
Business performance	0,846
Knowledge sharing	0,543
Social capital	0,568

Source: Result of processed data, 2022

Table 2 shows that the value of each research variable has a result of 0.5; then, based on these results, it can be said that all variables are valid and have met the test criteria.

Discriminant validity

Discriminant validity is good if each loading value of each indicator of a latent variable has the greatest loading value with other loading values against other latent variables. Discriminant validity can be seen in the Fornell-Larcker Criterion and Cross-Loading results.

Table 3. The Fornell-Larcker Criterion Result

Variables	Information sharing	Innovation	Business performance	Knowledge sharing	Social capital
Information Sharing	0,858				
Innovation	0,387	0,709			
Business performance	0,380	0,369	0,920		
Knowledge sharing	0,629	0,488	0,363	0,737	
Social capital	0,530	0,442	0,384	0,567	0,753

Source: Result of processed data, 2022

Based on table 3, the value of each construct is greater than its correlation with other variables. Then it can be concluded that all variables are valid because the correlation value of

each variable with the variable itself has a greater value than the variable's correlation with other variables.

Cross Loading

Cross Loading is the value of the correlation of the indicator with the indicator variable that must measure the variable. The correlation must be greater than the correlation between the indicator and other variables.

Table 4. Cross Loading Result

Variables	Information sharing	Innovation	Business performance	Knowledge sharing	Social capital
IN1	0,247	0,712	0,268	0,246	0,244
IN2	0,227	0,712	0,233	0,232	0,289
IN3	0,385	0,780	0,276	0,396	0,331
IN4	0,316	0,783	0,313	0,405	0,308
IN5	0,285	0,724	0,315	0,422	0,404
IN6	0,127	0,508	0,114	0,318	0,270
IS1	0,860	0,296	0,248	0,579	0,501
IS2	0,782	0,325	0,254	0,463	0,394
IS3	0,779	0,276	0,258	0,537	0,427
IS4	0,903	0,381	0,346	0,530	0,431
IS5	0,910	0,376	0,354	0,566	0,487
IS6	0,907	0,341	0,405	0,560	0,460
IS7	0,853	0,312	0,376	0,552	0,492
KS1	0,495	0,286	0,356	0,644	0,460
KS2	0,473	0,351	0,259	0,801	0,519
KS3	0,482	0,351	0,268	0,809	0,456
KS4	0,424	0,298	0,252	0,716	0,346
KS5	0,475	0,412	0,274	0,742	0,398
KS6	0,419	0,435	0,191	0,697	0,319
KU1	0,349	0,353	0,913	0,315	0,284
KU2	0,369	0,296	0,930	0,357	0,368
KU3	0,332	0,368	0,915	0,327	0,401
MS1	0,398	0,297	0,338	0,476	0,757
MS2	0,477	0,397	0,344	0,462	0,848
MS3	0,444	0,374	0,243	0,413	0,767
MS4	0,436	0,423	0,299	0,420	0,801
MS5	0,368	0,279	0,316	0,441	0,784
MS6	0,200	0,138	0,148	0,378	0,517

Source: Result of processed data, 2022

Based on table 4, it is found that the indicator of the variable itself has a greater value compared to the indicator value of other variables. Then it can be concluded that all indicators meet the criteria and are declared valid.

Composite reliability

Composite reliability is a valuable index indicating the degree to which a measuring device can be relied upon or trusted. A construct can be deemed reliable if Cronbach's alpha is greater than 0.60 and the composite reliability value is greater than 0.70.

Table 5. The Cronbach's Alpha dan Composite Reliability Result

Variables	Cronbach's Alpha	Composite Reliability
Information sharing	0,940	0,951
Innovation	0,799	0,856
Business performance	0,909	0,943
Knowledge sharing	0,830	0,876
Social capital	0,846	0,885

Source: Result of processed data, 2022

Based on table 5 of the tests above, it can be seen that each variable has a *Cronbach's alpha* value of >0.60 and the *composite reliability* value of each variable is >0.70 , it can be concluded that all constructs are reliable or reliable. Each variable has a Cronbach's alpha value of greater than 0.60 and a composite reliability value of greater than 0.70; hence, they are all reliable.

Evaluation of Structural Model (Inner Model)

A test for determining the specification of the relationship between latent components and other latent constructs, inner model. The inner model evaluation consists of model fit tests, R-Square, the Stone-Geiser Q-Square Test for predictive significance, and the path coefficient.

Table 6. R-Square Calculation Result

Variables	R Square	R Square Adjusted
Innovation	0,281	0,271
Business performance	0,226	0,213

Source: Result of processed data, 2022

R-Square indicates the magnitude of the influence contribution of the variable associated with the dependent variable in the model. In table 6 of the R-Square test results, it was determined that the variables of information sharing, knowledge sharing, and social capital influenced the innovation variable by 0.281, indicating that the variables of information sharing, knowledge sharing, and social capital were able to explain 28% of the variance in the innovation variable. In contrast, variables outside the scope of this study explained the remaining variance.

The variables of information sharing, knowledge sharing, and social capital influence the variable of business performance by 0.226, which indicates that the variables of information sharing, knowledge sharing, and social capital explain 0.23% of the variance in business performance. In contrast, the remaining variance is influenced by variables outside the scope of this study.

Table 7. Predictive Relevance Calculation Result (Q^2)

Variables	SSO	SSE	$Q^2 (=1-SSE/SSO)$
Information sharing	1652,000	1652,000	
Innovation	1416,000	1234,468	0,128
Business performance	708,000	582,176	0,178
Knowledge sharing	1416,000	1416,000	
Social capital	1416,000	1416,000	

Source: Result of processed data, 2022

The objective of predictive relevance (Q^2) is model validation. A Q^2 value greater than zero implies a well-generated observation value. If the value is less than zero, the model indicates that the resulting observation value is unacceptable.

Table 8. Model Fit Calculation Result

	Saturated Model	Estimated Model
SRMR	0,080	0,080
d_ULS	2,621	2,621
d_G	1,351	1,351
Chi-Square	1642,767	1642,767
NFI	0,674	0,674

Sumber: Result of processed data, 2022

Fit model testing is performed to see how well the studied model fits the data. In table 8 of the data, the NFI (Normal Fit Index) score is 0.674, which indicates that the conducted research model is 67% accurate when converted to a percentage.

Hypothesis Testing

The hypothesis test explains the direction of the relationship between an independent variable and its dependent variables. The required t-value > 1.97 and p-value < 0.05 for the provision of the hypothesis is accepted.

Based on the direct influence table below, it can be seen that the p-value of information sharing on innovation is $0.590 > 0.05$, so the first hypothesis is rejected. The value of the p-value of information sharing on business performance is $0.027 < 0.05$, then the second hypothesis is accepted. The p-value of knowledge sharing to innovation is $0.002 < 0.05$, then the third hypothesis is accepted. The p-value of knowledge sharing on business performance was $0.512 > 0.05$, so the fourth hypothesis was rejected. P-value social capital against innovation is $0.006 < 0.05$, then the fifth hypothesis is accepted. P-value social capital to the business performance of $0.037 < 0.05$, then the sixth hypothesis is accepted. The p-value of innovation to business performance is $0.004 < 0.05$, then the seventh hypothesis is accepted.

Table 9. Path Coefficient of Direct Effect

Variables	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Information sharing -> Innovation	0,067	0,059	0,125	0,540	0,590
Information sharing -> Business performance	0,177	0,180	0,080	2,222	0,027
Knowledge sharing -> Innovation	0,318	0,341	0,100	3,166	0,002
Knowledge sharing -> Business performance	0,060	0,064	0,091	0,656	0,512
Social capital -> Innovation	0,226	0,230	0,082	2,769	0,006
Social capital -> Business performance	0,169	0,166	0,081	2,094	0,037
Innovation -> Business performance	0,197	0,196	0,067	2,925	0,004

Source: Result of processed data, 2022

Note: Bold numbers indicate the hypothesis is accepted

Table 10. Path Coefficients of Indirect Effect

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Information sharing -> Innovation -> Business performance	0,013	0,013	0,026	0,511	0,609
Knowledge sharing -> Innovation -> Business performance	0,063	0,065	0,029	2,190	0,029
Social capital -> Innovation -> Business performance	0,044	0,045	0,023	1,938	0,053

Source: Result of processed data, 2022

Note: Bold numbers indicate the hypothesis is accepted

Based on the table of indirect influences above, it can be seen that the value of p-value Information sharing through innovation on business performance is $0.609 > 0.05$, so the hypothesis of negligence is rejected. The value of p-value Knowledge sharing through innovation to business performance is $0.029 < 0.05$, then the ninth hypothesis is accepted. P-value social capital through innovation to business performance is $0.053 > 0.05$; then the tenth hypothesis is rejected.

DISCUSSION

The Effect of Information Sharing on Small Food Industry Innovation in Pekanbaru City

According to the study's findings, information sharing has a good but insignificant effect on the innovation of the small food business in Pekanbaru. Mcdermott and Handfield in Effendy, Sugandini, Istanto, and Arundati (2020) state that informal information exchange between customers and suppliers facilitates interaction and alliance for innovative product creation. Sharing information between manufacturers and customers can improve mutual trust and positively affect innovation performance.

This study demonstrates that sharing knowledge by small food sector business actors in Pekanbaru does not affect innovation and growth. Because the application or activity of exchanging information is not executed optimally in the field, for business actors who are not or have not been ideal in sharing information about their firm, the evidence suggests that they can innovate in their products, processes, and marketing because they are aware of the need to innovate. The information exchanged by business actors in the city of Pekanbaru is still of a broad kind, encompassing raw materials, shipping, and availability of items (goods), product prices, and the launch of new products. Rarely do their company partners communicate product value information; hence the aspect of information sharing does not inspire business actors to innovate.

The Effect of Information Sharing on the Performance of Small Food Industry Businesses in Pekanbaru City

Test results indicate that knowledge exchange has a favorable and significant effect on the performance of the small food business in Pekanbaru. According to Huda et al. (2018), information sharing enables supply chain members to collect, maintain, and communicate the information required for successful decision-making and thus reduces industrial bottlenecks.

Suppliers, customers, and business partners frequently share information regarding raw materials, shipping, and product demand to streamline their business' manufacturing and distribution processes. The sharing of information that they do is extremely beneficial to the smooth operation of their firm in the manufacturing and distribution fields, ensuring that their business performance remains constant and positive. Consistent with the findings of Huda et al. (2018) and Almira et al. (2021), information sharing has a favorable and substantial impact on business performance. The more efficient the sharing of information, the greater the corporate performance. The study's findings demonstrate that the adoption of information sharing can improve the operation of small food industry enterprises in Pekanbaru. This result indicates that sharing knowledge improves the survival and growth of business actors.

The Effect of Knowledge Sharing on Small Food Industry Innovation in Pekanbaru City

According to studies conducted, knowledge sharing has a favorable and considerable impact on the innovation of the small food business in the city of Pekanbaru. Suwarno and Silvianita, (2017) show that knowledge sharing is an element that affects innovation development. Through the exchange of information and experience, new knowledge will be created that can be used to produce innovation gradually and expand market competitiveness.

Knowledge sharing between coworkers, employees, and business owners, as well as talks within the same industry, stimulates innovation in business procedures, goods, and marketing. With business actors discussing managing and capturing current business prospects, this is one aspect that encourages business actors to reinvent their businesses gradually, how they attempt to modernize their production methods, product packaging and designs, marketing strategies,

and even their information systems so that the acquired knowledge can be used to generate inventions.

Following the findings of Indranata, Baskara, and Imawan (2022), knowledge sharing has a favorable and significant impact on innovation capacities. In contrast to the research conducted by Yeşil et al. (2013), which focuses on the influence of information sharing on innovation capability and performance, the obtained results indicate that knowledge sharing has no effect on innovation capability and performance. The findings of this study indicate that information sharing has an impact and influence on the innovation of Pekanbaru's small food business. The more actively corporate actors share knowledge, the more innovation they are motivated to produce.

The Effect of Knowledge Sharing on the Performance of Small Food Industry Businesses in Pekanbaru City

The study found that information sharing had a favorable but insignificant influence on the performance of small enterprises in the food industry in the city of Pekanbaru. According to Asegaff and Wasitowati (2016), it is common for colleagues to share knowledge and information without being asked to enhance their abilities and expertise. Good cooperation between coworkers will promote the sharing of expertise, particularly in developing new goods, which will boost efficiency and affect corporate performance.

Some corporate actors still do not share expertise because they believe doing so would be unnecessary and time-consuming. In addition, some firms cannot engage in activities planned by the government to expand small businesses in the city of Pekanbaru for various reasons, including the inability to quit their business and a lack of free time, and the absence of knowledge. Consequently, small food sector company actors in the city of Pekanbaru can maintain their business performance regardless of whether or not they communicate business information.

This study's findings contradict the findings of Sunarta et al. (2020), which concluded that Knowledge Sharing has a favorable and significant impact on organizational performance. The research findings on small industrial firms in the city of Pekanbaru indicate that knowledge sharing only affects the performance of small food industry businesses in Pekanbaru; knowledge sharing is necessary for their business performance to continue.

The Effect of Social Capital on the Innovation of the Small Food Industry in Pekanbaru City

The study found that innovation has a good and significant impact on the innovation of the small food business in Pekanbaru. Social capital is a large capital owned by businesses by establishing more quality relationships with other parties, conducting recurring transactions with partners, and maintaining a high level of trust between partners to achieve better performance, innovative products and services, and higher profitability with a low risk of failure (Jalali et al., 2013).

In order to retain customer satisfaction and meet market demand, company actors are encouraged by their business partners to continue modernizing their marketing strategies, maintaining product quality, introducing new items, and accelerating production. This study's findings are consistent with previous research conducted by Purwati, Budiyanto, Suhermin, and Hamzah (2021), which concluded that social capital has a favorable and significant effect on innovative skills. The results of this study indicate that social capital affects the creativity of small firms in the food industry in the city of Pekanbaru. When company capital increases, innovation increases, and when it decreases, innovation diminishes.

The Effect of Social Capital on the Performance of Small Food Industry Businesses in Pekanbaru City

The study's findings indicate that social capital has a positive and statistically significant effect on the performance of small firms in the food industry in the city of Pekanbaru. Sumekar and Wismar'en (2022) described social networks among individuals, groups, and organizations as a source of social capital in promoting corporate performance enhancement.

Business actors feel that establishing trust is crucial for the survival of their enterprise. In addition, fostering cooperation and contact with the local community assists corporate actors in developing and maintaining their operations. This study's findings concur with Fanani and Fitrayati (2021) findings that social capital has a favorable and statistically significant effect on the performance of MSMEs. In contrast to the research conducted by Walenta (2019), which found that social capital has a favorable but not statistically significant effect on the performance of MSMEs.

The Effect of Innovation on the Performance of Small Food Industry Businesses in Pekanbaru City

The study's findings indicate that innovation has a positive and significant impact on the performance of small enterprises in the food industry in Pekanbaru. In order to boost firm performance, Hardiana and Setiawan (2021) highlighted that businesses must be able to identify and build innovative methods that can be used to combat competition and market desires with uncertain demand variations.

Small food industry business actors in Pekanbaru have developed distinct items for their firms. In marketing, business players have used social media to reach a large market with their products. In the field, business actors have been able to track the evolution of existing technologies, allowing them to manage their businesses. Under the findings of Sumekar and Wismar'en (2022) innovation has a considerable impact on the performance of small and medium-sized enterprises (SMEs).

The Effect of Information Sharing through Innovation on the Performance of Small Food Industry Businesses in Pekanbaru City

Based on the results shown above, it is clear that direct influence has a bigger impact on business success than indirect influence, indicating that Information Sharing through innovation has a positive but insignificant effect on business performance. Without innovation elements, information sharing has had a favorable and considerable impact on the performance of Pekanbaru's small firms in the food industry. The results of this study indicate that innovation is unable or inappropriate to moderate the relationship between information-sharing factors and business performance.

The Effect of Knowledge Sharing through Innovation on the Performance of Small Food Industry Businesses in Pekanbaru City

Based on the results shown above, it is known that the results of direct influence are smaller than indirect influences, indicating that indirect knowledge Sharing through innovation has a positive and significant influence on business performance. This study's results align with research conducted by Sunarta et al. (2020) that knowledge sharing has a positive and significant effect on organizational performance through innovation. The results of this study show good knowledge sharing in their business, making business actors innovate and develop other innovative ideas so that their business is more developed and has strong competitiveness.

The Effect of Social Capital through Innovation on the Performance of Small Food Industry Businesses in Pekanbaru City

Based on the results shown above, it is known that the results of direct influence are greater than indirect influences, indicating that indirect social capital through innovation has a positive but not significant influence on business performance. This study's results differ from previous research conducted by Jalali et al. (2013) and Purwati et al. (2021), that social capital has a positive and significant effect on business performance through innovation. This result shows that social capital has had a positive and significant influence on the performance of small food industry businesses in Pekanbaru City without innovation variables.

CONCLUSION

The study results show that information sharing affects innovation positively in the small food industry in Pekanbaru City, but it is not significantly so. Business performance is positively and

significantly impacted by information sharing. The study also finds that knowledge sharing positively and significantly impacts innovation but only positively affects business performance. Social capital is found to have a positive and significant impact on both innovation and business performance. The study also shows that innovation positively and significantly affects business performance. The influence of information sharing and social capital on business performance through innovation is positive but insignificant, while knowledge sharing is positive and significant.

Suggestion

The study suggests several steps for the small food industry in Pekanbaru City to enhance its operations. Business actors are encouraged to exchange information about raw materials and general information to boost product innovation and value. They are also encouraged to participate in government-led initiatives and internal and external discussions to generate ideas. The study recommends that business actors pay attention to their engagement with local communities and expand their cooperation to create a strong network. They are also encouraged to be proactive in product innovation and use new production technologies effectively. Finally, the government is advised to support small food enterprises by making it easier to obtain licenses, providing training, and assisting those with minimal capital.

Managerial Implications

The study provides valuable insights for small food industry actors in Pekanbaru City to improve their operations. Encouraging information sharing among business actors can positively impact innovation and business performance. Encouraging knowledge sharing and utilizing new production technologies can also enhance business performance. Building a solid network with local communities and participating in government-led initiatives can provide additional support for the small food industry.

Limitations of the Current Study

One limitation of the current study is that it focuses only on the small food industry in Pekanbaru City and may need to be generalizable to other industries or geographic locations. Additionally, the results of the study may be subject to bias due to the use of self-reported data from the participants. The study may also be limited by the potential for omitted variable bias, as there may be other factors affecting innovation and business performance that should have been included in the analysis. Further research could address these limitations by conducting a more extensive, comprehensive study and considering additional variables that may affect the results.

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