

**THE EFFECT OF SOCIAL CAPITAL ON KNOWLEDGE SHARING AND INNOVATION TO IMPROVE
THE PERFORMANCE OF BUSINESS**

(Studies on SMEs Embroidery and Convection in Kudus, Central Java)

Kertati Sumekar

ksumekar@yahoo.com

Mamiék Indaryani

Universitas Muria Kudus, Indonesia

ABSTRACT

The purpose of this study is to verify and analyze the influence of trust, social interaction, social norms, shared vision towards knowledge sharing and innovation and business performance on small medium enterprises embroidery and convection industry in Kudus, Central Java. This study took a sample of 125 respondents. Respondents were owners of small and medium enterprises embroidery and convection industries. Technical analysis using Structural Equation Model (SEM) with AMOS software. This research generally has a positive effect on trust, shared vision, social interactions toward knowledge sharing. Knowledge sharing has positive effect on innovation and business performance, as well as innovations affect business performance. The theoretical findings in this study are: (1) improving business performance can be done by increasing trust, shared vision, and social interaction, through knowledge sharing, (2) to improve the business performance can be done through increasing knowledge sharing and innovation. This study contributes the findings in the theory of social capital as a based theory in collaboration with the social action theory, in explaining the role of knowledge sharing as variable that mediated social capital variables.

Keywords: Business Performance, Knowledge Sharing, Social Capital

INTRODUCTION

The success of small and medium enterprises in the era of globalization is in part depends on the formulation and implementation of their business strategy. Kakati (2003) find that companies resources are a key factor in determining the sustainability of a company; a successful entrepreneur building some varied resources to support their business strategies.

The challenge for an entrepreneur is to earn the trust of some of the relationships of their networks so they can gain trust over time, technology, and their financial worth. Trust is something that is hard to be created. Transactions that are based on social capital is usually not done in writing and usually rare to have to deal with the court, but as said by Portes (1998), business transactions are based on social capital tend to have the following characteristics: an obligation that is not recorded, timeless, and the possibility of dissatisfaction because of excessive expectations.

WHO-World Health Organization (1988) describes social capital by stating as follows: "Social capital represents the degree of social cohesion roomates exist in communities" where inside mingle networking relationships - networks, norms and social trust that gives the mutual benefit of all stakeholders ada. Woolcock (1998) tried to understand social capital as "...the information, trust, and norms of reciprocity inhering in one's social networks", thus the attributes of good social capital is built and utilized the information, confidence and trust, norms to each other, serve each other is essentially the spirit to grow together is the essence of a social capital can be built.

Social capital is nothing else than an organizational network that is built based on the norms along with the system and understanding the value of a shared understanding of what they understand to strengthen co-operation and cohesion of the organization in the long term. Thus, the key words of the conception of social capital are: the development of networks within and outside the organization (Network), the development of social networks (Social Network), Develop mutual understanding (Trust), strengthening of norms of work and relationships between people and between organizations (norms), development of social cohesion (social cohesion), the development of norms of reciprocity (norms of reciprocity) as well as the development and maintenance of cooperation (cooperation) at the level of praxis can be developed and treated as a resource that can generate and improve company performance (Ferdinand, 2005).

According to research Suh (2002), learning orientation do not raise creativity and does not have a significant impact to performance. Further studies of the Woodside (2005) concurred with Hult et. al. (2004) that the study orientation has no direct influence on the performance, as well as Liu et. al (2002) in his study claimed that the study orientation significantly affects performance.

Innovation plays an important role in a business competition, in the face of increasingly fierce competition environment. Look for and highlight the uniqueness is a challenge that must be observed by the SMEs, thus requiring them to continue to be creative and make innovations to market their business to consumers.

Phenomenon of Small and Medium Enterprises in Kudus

Kudus economic activity mostly in the industrial sector but SMEs are include as a potential asset. In order to strengthen a community-based economy, the efforts to empower small and medium industry is a strategic step that must be supported by all parties because it has a very high socio-economic impact.

Although the economic activity of Kudus is mostly in the industrial sector and SMEs but judging from the number of units and the value of the production occurs inequality. In the cigarette industry, and Electronic Paper which is a major industrial export value reached US \$ 50,718,446, with a production value of more than 27.77 trillion, while the garment industry that the number of business units reaching 1,527 units and absorb 24 578 workers did not contribute the same export value once and only 1.13 trillion production value.

Both central and local government in empowering them with the role of SMEs in developing and creating a policy in favor of SMEs. While businesses, communities and the public and other stakeholders elements contribute ideas and facilitation according to their respective capabilities, but remain concentrated in a representative forum. The pattern of development of SMEs in accordance paradigm developed at this time and is still regarded effectively done through SME development program with group and territorial approach (cluster).

Some of the advantages to be gained from a partnership in the cluster are:

1. Through horizontal cooperation, for example, along with other SMEs occupying a similar position in the value chain (value chain) n companies can achieve economies of scale beyond their own individually.
2. Through vertical integration (with other SMEs and with large companies in the supply chain), companies can focus on their core business and to provide opportunities division of external labor.
3. Provide opportunities to learn collectively growing space to improve the quality of products and move into more profitable market segments.
4. The business network and local policy makers, to support the creation of a shared vision of local development and strengthening collective action to improve the competitiveness of SMEs.

The main focus of the development of industrial clusters defined in several sub-sectors that meet one or more of the following criteria:

1. Absorb a lot of manpower.
2. Meet the basic needs in the country.
3. Processing of agricultural products in the widest sense, sources and other natural resources.
- 4 Has the potential for export development.

Kudus local governments prioritize the establishment, development and strengthening of the three types of cluster of 10 national priorities, namely: 1. Food and beverage industry (Kudus porridge), 2. Manufacture of textiles and textile products (batik and embroidery), 3. Industrial goods timber (gebyok and traditional house of Kudus).

Meanwhile, on the other hand, the government, both central and local issue having various facilitation of business climate, among others:

1. Support for the Acceleration of Development of SME Sector and Empowerment on Enhancing the Effectiveness of SME Development Approach One Village One Product (One Village One Product - OVOP) of Presidential Instruction No. 6 Year 2007 and Permenperin No. 78 / M.IND / PER / 9/2007.
 2. Support of Local Government Policy regarding the use of the product nuanced areas (such as the use of batik clothing / striped / border for government workers on certain days).
 3. Some Policy Support others in an effort to facilitate a conducive business climate and can provide business certainty, which is associated with improvements in infrastructure, technology, capital, environmental management, and so on.
- Cluster Embroidery & Convection is an industry folk craft that requires skill, perseverance and patience in the process. Skills Embroidery is one of the treasures of the cultural wealth of the people of the Kudus derived ongoing basis between generations, especially mothers.

One of the efforts undertaken by the Cluster Embroidery and Kudus Convection is:

1. Maintain krancang / overlay delicate embroidery manually.
2. priority to customer satisfaction.
3. Fostering good relationships with suppliers, distributors, retailers and institutions.
4. Always make innovations anticipate the emergence of competitors' new products.

Some programs that have been conducted by the Program Cluster Embroidery & Kudus Convection:

1. Built a Trade center embroidery & convection
2. Training class global design
3. Promotion / exhibition
4. Training motivation
5. Making leaflet / booklet
6. Training of computerized embroidery machine operator
7. Strengthening SME structure Embroidery
8. Provision of raw materials
9. embroidery civilizing society

Industrial Embroidery & Convection in Kudus regency totaling 412 units is an excellent product that has penetrated the national market and for export. Small medium Enterprise locations spread across several districts, among others: Sub City, Undaan, Kaliwungu and District Gebog. Kudus embroidery is unique when compared to other areas of embroidery products, which process is done using simple machines through a partnership with the artisans.

Product Type Embroidery & Kudus Convection include: Baju Muslim, Hijab, Kebaya, Turbans, Veil, Robe, mukena, asesoris, Makromah (tablecloths, coasters, bags, etc.)

Chosen SME sector Convection and Embroidery industry as a research subject because it is believed the existence of this business group has an organizational structure that is more flexible, able to make changes to internal business processes more efficiently, and has the advantage of flexibility innovation and overhead costs. Other than that, the business group also has a fairly transparent organization and simplicity of communication at all levels of the organization, so the internal information dissemination can be known (Neerland & Kvalfors, 2000).

With such a characteristic of this communication in the organization of SMEs can be done efficiently and is able to respond quickly to changes in business environment in question. However, it was realized that SMEs also have various weaknesses, including in the form of limited resources such as finance, human resources, and technology. With these limitations, of course, SMEs have different patterns of operational management of large business groups. The leaders or managers of SMEs are generally still confuse on separateing a personal assets with the assets of the company, they focus on the operational aspects and the daily routine of the day, they do not have a business plan that good enough (yet able to predict their business outlook in the future), let alone have long term business strategy that are clear, focused and directed.

Based on the results of preliminary observations on some SMEs in Kudus show that, the practice of business management practices were oriented to strengthen social capital is still very neglected, both by strengthening the organizational learning process as well as the expansion of business networks. Business people, seem to be more concentrated to the problem in real operational problems they face, especially in physical capital management issues and problems other problems, rather than strengthen social capital.

The willingness and involvement of SME businesses in this area to join and associations active in business associations and professional organizations are still relatively low, so with the level of their willingness to attend the event business contacts and the like, are also still very low. So therefore, the economic benefits of such a purchase collectively towards raw materials and auxiliary materials are limited, transportation cost, saving production costs and marketing costs, saving communication costs, and the costs of other operational practically can not be obtained. This kind of business practice indicates that the ownership of social capital is relatively weak.

This condition is the purpose of this study to learn more about the role of social capital in their influence on the performance of the SME sector innovation Convection and Embroidery industry.

Recognizing that social capital has a dimension value (qualitative dimension) is so large and complex, so this study only studied the social capital more specifically as a process, and associated with the implementation experience of networking and innovation oriented to improve organizational performance in the SME sector convection and Embroidery.

With exposure to the above, this study seeks to answer: "How to develop a model of social capital: trust and social interaction to promote innovation and company performance."

Theoretical basis

1 Social Capital Theory

Social capital (social capital) can be defined as the ability of people to work together to achieve common goals, in various groups and organizations (Coleman, 1999). In more comprehensively Burt (1992) defines, social capital is the ability of people to associate (related) to one another and then become a very important force not only for the economic life but also every other aspect of social existence.

Fukuyama (1995) defines social capital as a set of values or informal norms shared among members of a group that allows the establishment of cooperation between them. As Cox (1995) defines social capital as a rangkian human relations process supported by the network, norms, and social trust that allows efficient and effective coordination and cooperation for mutual benefit and virtue. In line with Fukuyama and Cox, Partha and Ismail S. (1999) defines social capital as the relationships created and norms that shape the quality and quantity of social relations in society in a broad spectrum, namely as a social glue (social glue) which maintain the unity of the group members together. On the same track Solow (1999) defines social capital as a set of values or norms embodied in behaviors that can promote the ability and capability to cooperate and coordinate to make a major contribution to the sustainability of productivity.

As according to Cohen and Prusak L. (2001), social capital is as every relationship is going on and bound by a trust (trust), interrelatedness of understanding (mutual understanding), and shared values (shared value) which binds members of the group to make the possibility of joint action can be done efficiently and effectively. In line with Cohen and L. Prusak, Hasbullah (2006) explains, social capital as everything matters relating to cooperation in the community or nation to achieve a better life capacity, underpinned by the values and norms that become the main elements include some lean trusts (mutual trust), the rules of the collective in a community or nation, and the like.

Social capital theory suggests that the good relations relational dimension, structural and cognitive has a significant role to the formation of innovation within the organization. That role could ultimately affect the performance of the organization as it can reduce transaction costs and employee turnover, successful career, facilitate the exchange of resources, improve efficiency, implify the flow of information, forming intellectual capital, increase creativity and innovation (Wei Zheng, 2008; Adler and Kwon, 2002 ; Nahaphiet and Ghoshal, 1998)

2. Knowledge Sharing

Sharing knowledge is a process where knowledge flows between source and receiver. Any person or organization can become a source unit, the sender, the facilitator or mediator between knowledge source with knowledge of the recipient. In fact, the purpose of knowledge sharing process is successful in transferring knowledge from the source to the receiver.

There are two fundamental approaches in order to share knowledge to be successful. The first approach is based on the ability of the receiver whether it can adopt the source of knowledge and all the elements. The second approach is the ability to internalize knowledge and make it in line with the commitment, satisfaction and the feeling of having the recipient of the knowledge transfer. In general, current theory has identified five fundamental areas which may affect internalisasi knowledge:

1. The relationship between the sources of knowledge to the recipients of knowledge.
2. The form of knowledge.
3. The tendency of the recipient to learn.
4. Capability to share knowledge.
5. The environment in which knowledge is shared. (Matin et. Al. 2010)

The competitive advantage of the company are based on knowledge, a good knowledge of employees within the company as well as the knowledge that is built in the structure and system (Lagerstrom and Anderssons, 2003). The knowledge that resides in a person referred to as tacit knowledge, which is difficult to put in the form of verbal or in the form of codes. Knowledge that can be articulated and read is explicit knowledge. Within the organization, rules and instructions that are expressed in the form of code is one form of explicit knowledge. (Nonaka and Takeuchi, 1995 in L, M, Liao 2006).

In response to the continuity of knowledge sharing within the organization, be it explicit knowledge or tacit knowledge, the emerging dominance of sharing knowledge. Knowledge management is a component of the of knowledge management but focus less on technology within the organization.

McInerney and Day (2007) describes the sharing of knowledge with regard to the relationship between co-workers who support the exchange of information and learning. Sharing knowledge is seen not only as a natural exchange of information but also affects employment, patterns of influence and show how people define their responsibilities

(Willett, 2002). As a consequence, organizations that do not have formal experience in sharing knowledge will fail in their employees in improving intellectual capital for growth and business innovation (O'Neill and Adya, 2007). Sharing knowledge is an activity that depends on the interaction and communication between the individual and the business unit. The success of knowledge sharing depends on the amount and quality of interaction among employees, and the willingness and ability to use that knowledge. Organizations can encourage interaction among employees to share knowledge through company policy. Managers should seriously pay attention to their goals with corporate goals, then translate these objectives into research objectives and technical goals are then submitted to the employee.

3. Empirical Research Model Development

Trust (Trust).

Social capital is regarded as a kind of impersonal and general trust (Putnam, 1993; Fukuyama, 1995). Different from the impersonal trust interpersonal trust. Impersonal trust is the least optimistic expectations of a person regarding the outcome of an event and. This explains the social structure; This can be considered as a set of social expectations that are shared by everyone involved in economic exchange (Zucker, 1986). Inter-personal trust occurs in the setting of setting the relationship between the two actors involved in an exchange and is defined as the degree to which seseorang feel confident and willing. act on the words, the actions of action, and decision-making of others (McAllister, 1995). Impersonal trust is social and normative, while the inter-personal trust in essence is individualized and calculative Following Gintis (2000), trust impersonal is consistent with the meaning of social actors as homo reciprocans and / or homo equalis, while the inter-personal trust in accordance with the classical meaning of homo economicus. Impersonal trust does not exist without the relationship of social relationships, which encourages social actors towards patterns of cooperative behavior. Strengthen relationships of trust impersonal social relations, build social relationships, and together with other types of social norms, social networks are forming the structure of the general public. Trust is the firm belief that the partner will take action to bring the company to a certain advantage (Anderson and Nanus, 1990), or conviction of a party that the other party will fulfill his promise (Moore, 1998). Thus the belief is interpreted as the desire of the parties to cooperate into a trustworthy partner to form a good relationship and mutual benefit between each party partner. Confidence arises when one party has confidence, reliability and integrity of cooperation with partner relationships shown through the various attitudes like consistency, competence, fairness, responsibility, helpfulness and have concern (Morgan and Hunt, 1994; Doney and Cannon, 1997).

The relationship between trust and Innovation.

Trust / trust is believed to lead to lower transaction costs, the success of the negotiations, open communication, collaboration and knowledge sharing (Brelade and Harman, 2000; Ross Wieland, 1996, De Long and Fahey 2000). In conjunction with innovation, trust plays a significant role and positive. Trust helps a lot in the formation of innovation, this is because the relationship of trust between people who work together can help on reduce the effort to be united. Social value is an idea that has been hereditary considered true and important by members of the community (Hasbullah, 2006). For example, the value of 'harmony', 'achievement', 'work hard', 'competition' and the other is an example of an example of the value that is generally known in public life. Social value is always also contain ambivalent consequences. Value harmony, for example, which is widely considered as the trigger of the beauty and harmony of social relationships created, but on the other hand is believed to also continue to produce a reality that hinder competition and productivity. In the group of people who give priority to the values of harmony usually will always be marked by an atmosphere of harmonious, but especially in relation to problem-solving discussions, for example, would not be productive. The strong social capital is also determined by the social value created from a group of people this way. When a group of people giving a high weight on values: competition, achievement, frankness and honesty, then these communities tend to be much faster than in the developed and developing groups of people who always avoid candor, competition and achievement.

Norm is usually considered part of the culture of the organization that regulates behavior through implicit control systems (Russel and Russel, 1992). Norma is an expectation of appropriate or inappropriate about an attitude and behavior (O'Reilly 1989) or the simple explanation is 'what people do' (Cialdini et al, 1990). Norma help the individual to anticipate how others will react to their attitudes and behaviors that help them to be able to adjust their behavior based on these expectations, so the poor behavior will decrease and good behavior will increase (Chartman and Barsade, 1995 in W.Zheng , 2010)

In the context of uncertainty, such as innovation, the norm became the most important signpost for the formal organizational procedures may not be effective (Russell and Russell, 1992). Research O'Reilly (1989) identified three dimensions of the norm that the cause of the emergence of creativity that is taking risks, rewards for change and openness and three-dimensional supporting the implementation of ideas (a common goal, otonomy, and believe in action). Based on Russell and Russell (1992), which identified eight dimensions of the norm follows four innovation processes identified by Zaltman et al (1993) that incorporate knowledge awareness of potential innovation, the

formation of attitudes towards innovation, decision-making and implementation process. Ayers et al. (2001) examined the relationship between R & D and marketing in the company to the success of new products. They concluded that the norms of relations consisting of solidarity, flexibility, and the harmonization of conflict positively associated with the success of new products.

Some of the researchers who conducted the research with the innovation relationship norms have a strong tendency to choose some specific norms for the levels of different innovations. It became the shared assumption among researchers that a certain set of norms is only suitable for a certain degree of innovation (O'Reilly 1989; Russell and Russell, 1992). But the opinion is right or not there is no empirical evidence to support.

Some researchers suggest that social capital based on social norms, which is generally referred to as reciprocity. Reciprocity, based on the assumption that the good that is done today will be back in time when that will come. Putnam (1993) states that any individual who acts within a system reciprocity is usually characterized by a combination of on "short term altruism" (useful for others as a form of philanthropy / altruist) and also as a "long-term self-interest" . Putnam believes that reciprocity can solve the problem of collective action and reconcile personal interest and solidarity. Portes (1998) saw social capital as "primarily the accumulation of obligations from others According to the norms of reciprocity" that social capital basically an accumulation of obligations of others towards us as a result of the norm *keterimbalbalikan* / reciprocity. Portes reciprocity split into two consummatory motivation or manifestation of motivation that are bound to the limitations society specific and instrumental motivations or motivations underlying instrument reciprocal exchange. *Keterimbal reversal* can bind people through shared interests, creating an environment that supports voluntary collective behavior and equalize all the good intentions or good will that is necessary to be able to reconcile the conflict (Newton, 1997)

Social Interaction Ties.

Some researchers focus on social networks among individuals, groups and organizations as a source of social capital which is important because it is essentially social capital is about the relationship between individuals and groups. Social interaction here refers to the meaning of business networking, which is one component of social capital that drive corporate performance.

The relationship between social interaction with Innovation

In research on social networks with innovation, there are four structural characteristics of the tissue most often researched are: the size of the network, structural holes, bonding strength of the network, and centrality. Network size refers to how much a person's contact network. Based on research conducted prior relationship network size positively affects innovation. The larger the size of the network means more people or organizations that belongs to someone for interaction. These interactions will make someone has two basic advantages; The first is the opportunity for someone to get more external information, the second advantage is more and more resources for mutual sharing between businesses and their contact such as sharing knowledge, reduce transaction costs and complement each other (Ahuja, 2000, Hansen et al., 2005, Mc Fadyen and Cannella 2004).

Structural holes is a unique bond between the actors (both actors as an individual, organization, or region) are not related to one another (Burt, 1992). Structural Holes are often also referred to as network range or density. Network range refers to how broad range of businesses in different types of networks that cross the line institutions, organizations or social boundaries. The more variety that belongs to the network, the more thoughts, ideas or information that belongs to the businesses, and also the ability to be able to take advantage of a range of information among networks that are not related to the interests of business actors (Burt, 1992).

The closeness of the bond network (network tie strength) is the relational nature of the relationship that is a combination of the amount of time spent, emotional intensity, intimacy, and services associated with a bond (Grannovetter, 1973, in W. Zheng, 2008). According to Tsai Ghoshal (1998) social interaction to encourage the exchange of resources and the combination of resources that will eventually drive their innovation. Landry et al. (2002) in a study to test the bonding strength of the network owned by the company manufactures with organisasasi both at the regional, provincial, national or international discovered that the frequency in participating in networking activities will contribute to the decision to innovate, and familiarity with stakeholder different contribute to the decision to innovate nor do radical innovations.

Knowledge sharing

Knowledge sharing occurs when an individual disseminate knowledge gained on members, others in the organization. In this context, knowledge is seen as an object that can be transferred from the mind to the person who has knowledge of the mind of people who are looking for such knowledge. Therefore, sharing knowledge with regard to the willingness of individuals individuals to share the knowledge that they have created or acquired (Teresa, et. Al, 2009). Yakhlef (1999) states that what will determine the company's success is the company's ability to manage knowledge assets. The company can not create knowledge without action and interaction of its employees. Hence the importance of the behavior of the employees do share knowledge. Knowledge will give a role to the absorptive capacity in which the activity occurs exchanging knowledge in between employees. The purpose of this test empirically how exactly

knowledge sharing capability with the activity and behavior of our employees share their knowledge, capacity, and formal mechanisms.

Organizational performance

Performance is a measure of the success or the success rate in achieving the company's goals. The level of success that can be seen from the performance marketing, financial performance and the performance of the human resources of the company. Good performance shows the success and efficiency of the company's behavior (Chacrarvarthy, Kaplan Norton in Slater and Olson, 2001). The company's success can be seen from three levels, namely the enterprise level, industrial level and the state level. In this dissertation research, the performance is only measured at the level of success of the company. Some performance measures at the enterprise level can be seen on profitability, sales growth, market share, and the ability of competing, microeconomics level, the second level Macroeconomics level. Research relating to measure the company's performance using measures or indicators that is different, but according to Wiklund (1999), pertumbuhan sales is an indicator of performance prevalent and has become the consensus as a measure of good performance.

Performance measurement in small and medium companies recommended by Miles et al (1998) using an approach of growth for small firms usually have financial statements that are not transparent and difficult to interpret. Aldrich et. all (2004) relating to the social network measure company performance by calculating profitability in a period of 3 years. Ford and Schellenberg (1982) divides the ways to measure the performance of business management into four types: approaches to achieve the objectives, approach systematic approach to resource approach procedures and approaches the composition of members. Venkatraman and Ramanujam (1986) formulated the three-dimensional for performance evaluation that is financial performance, business performance and organizational performance. Lumpkin and Dess (1996) formulated two indicators to evaluate performance of business management, namely financial and non-financial indicators. While Gary Knight (2000) to measure the performance of the business based on market Share, sales growth, and profit growth.

4 Population and Sample

Population

The population in this study is a small company field of Convection and embroidery, with the consideration that the area there are lots of embroidery and garment industries. Industrial embroidery and convection in Kudus regency as many as 415 pieces (Department of Industry, Cooperatives and SMEs, 2010).

Sample Size Determination

Sample size determined in accordance with the opinion of Hair et.al; (1995) which states that a representative sample size for analysis using Structural Equation Modeling (SEM) is in the range 100 to 200.

Method of Sampling

Sampling is to use simple random sampling method. Samples retrieval unit of the population is carried out with the following steps:

1. Method Population distributed proportionally based on the working area which is 9 District in Kudus
2. Each unit of the population in the working area by number, name and address of each.
3. The sample unit of each of the working areas taken in the lottery.

The subjects of this study is the manager / owner of Small Business for the manager / owner of Small Businesses rated the person most responsible and aware about the overall management of Small Business problems regarding both human and capital issues. The total sample of 180 respondents with a proportional distribution. But questionnaires were distributed to the respondents which did not come back (no response) were 55 respondent thus overall samples were 125 respondents

Method of Analysis

To test the model and hypotheses used SEM analysis.

Structural Equation Model Testing Results

Tabel 2 standardized regression weight (loading factor) Full model

No	Causal Interaction	Estimate	S.E	C.R	P	Keterangan
1	Knowledge Sharing <--- Trust	0,298	0,112	2,651	0,008	Significant, Hypotesis accepted

2	Knowledge Sharing	<---	Social Interaction	0,171	0,086	1,991	0,047	Significant, Hypotesis accepted
3	Inovation	<---	Knowledge Sharing	0,145	0,085	1,712	0,087	Significant**, Hypotesis accepted
4	Performance	<---	Inovation	0,322	0,101	3,179	0,001	Significant, Hypotesis accepted

Sources: Primary data are processed

* Significant at 5%

** Significant at 10%

On the table it appears that each of the dimensions of each has a value of loading factor (coefficient) or standardized regression weight or significant estimate the value of Critical Ratio or C.R 2.00. Therefore, all the indicators are acceptable.

a. Hypothesis testing

After testing the feasibility of the model, the next step is to test the hypothesis and the test results can be seen in the table. Testing the hypothesis in this study is an empirical model of testing the null hypothesis that the regression coefficient between the relationship is the same as a zero through t test were prevalent in the regression models (Ferdinand, 2005).

Table 3 Results of hypothesis testing (matrix beta and gamma)

No.	Causal Relation	Loading Factor	t Value	Label
1	Knowledge Sharing ← Trust	0,368	0,001	Significant, Hypotesis accepted
2	Knowledge Sharing ← Social Interaction	0,319	0,008	Significant, Hypotesis accepted
3	Inovation ← Knowledge Sharing	0,222	0,047	Significant, Hypotesis accepted
4	Performance ← Inovation	0,140	0,087	Significant, Hypotesis accepted

* Significant 5%

** Significant 10%

b. Discussion

Testing Hypothesis 1

H1: The higher the level of trust, the higher share knowledge

The result of empirical testing of the hypothesis indicates that the relationship of trust and shared statistically significant.

From interviews known that most business owners convection provides knowledge regarding the manufacture of products and marketing techniques for the average entrepreneur can not work on its own order. If the results of the work in accordance with the desired customer it will increase the turnover of the company. In addition, the average skilled employees, some have more experienced and qualified so there is no feeling reluctant to share knowledge.

Testing Hypothesis 2

H2: The higher the social interaction, the higher share knowledge

Statistical tests of the second hypothesis shows the relationship of social interactions to share knowledge statistically significant.

Based on the answers of respondents open the reason employers are trying to build relationships with others as well as cooperation with other companies is for the ease of finding information. By being able to take action to establish relationships with other companies as well as social networking, the desire to share knowledge will also increase. This

is presumably because employers feel that the presence of each other feedback or reciprocates employer will mutually benefit from shared knowledge.

Testing Hypothesis 3

H3: The higher the sharing of knowledge will enhance innovation

Statistical tests of the hypothesis sixth shows the relationship shared knowledge and creativity of the customer relationship is statistically significant. Sharing knowledge can enhance the creativity of the customer relationship seen from the open answers of respondents that respondents have a strong foundation of religious norms, societal norms are high that the act sincere, sincere, helping each other is a good action. Sharing knowledge into specific way used by employers to be able to maintain relationships with customers and the realization of personal commitment to customers.

Testing Hypothesis 4

H4: The higher the innovation will improve the performance of the company

Statistical tests of innovation and corporate performance relationship is statistically significant. From the findings of the field proved that subscribes relationship can improve performance. From the results of open-ended questions on the innovations made more personal approach between employers and customers. This relationship is based on a lot of the management of customer trust by always committed, honest, did not change the pattern that has been favored, maintain a good name. Personal capacity belongs to entrepreneurs like the right time in ordering and delivery, personal approach by giving a personal touch to each customer by understanding the customer's character, what she likes and what is not desirable.

Conclusion

This study shows that social capital affected knowledge sharing to improve business performance through creativity relationship marketing.

Managerial implications that can be applied by Entrepreneur Embroidery and Convection include:

1. Employers embroidery and convection in order to always maintain ties of kinship among employees with a tolerant, flexible, and work together as a team unit of work. It is at the same time build the belief system within the organization
2. Employers embroidery and convection can build more social interaction both within the company and outside the company. Like to establish a close relationship with pengajian, travel together, gathering for Umrah and others that preserved the loyalty among employees.
3. More intensive creative relationships with customers to establish trust and to maintain a commitment by doing approach to humanism. The specific way in establishing trust with customers can be done for example by always keeping a good relationship with the customer. It is also flexible in transactions such as credit card or bank transfer. By the end of today's technology, the employer can take advantage of Internet technology to connect with customers.

Reference

- Amabile, Teresa M. 1997. Motivating Creativity in Organizations: On Doing What You Love and Loving What You Do. California Management Review. Fall1997, Vol. 40 Issue 1, p39-58.
- Anneli Kasa, 2007, Effect of Different Dimention of Social Capital on Innovation. Faculty of Economics and Business Administration, Narva Road 4 - A 210. TARTU 51009, Estonia
- Bourdieu, P., 1996, " The forms of capital" , in Halsey , A.H. , Lauder Brown and Wells, A.S. (Eds), Education: Culture , Economy, Society. Oxford University Press, Oxford, pp.46-58
- Chen Li-Yueh. 2006. Effect of Knowledge Sharing to Organizational Marketing Effectiveness in Large Accounting Firms That Are Strategically Aligned. The Journal of American Academy of Business, Cambridge vol. 9 num.1 March 2006
- Chow, I. H., 2006, "The Relationship Between Entrepreneurial Orientation and Firm Performance in China", Advance Management Journal, Summer 11-20.
- Chow, Wing S.; Chan, Lai Sheung. 2008. Social network, social trust and shared goals in organizational knowledge sharing. Information & Management. Nov2008, Vol. 45 Issue 7, p458-465. 8p.
- Cohen, Aaron; Gattiker, Urs E. 1994. Rewards and Organizational Commitment Across Structural Characteristics A Meta-Analysis. Journal of Business & Psychology. Winter94, Vol. 9 Issue 2, p137-157. 21p
- Coleman, J.S., 1998, "Social Capital in The Creation of Human Capital", American Journal of Sociology, Vol. 94 (suppl.), pp. S95-S120.
- Covin J.G, D. Slevin ,1989,. "Strategic Management of Small Firms in Hostile and Begin Environment", Strategic Management Journal ,10(1) pp. 75 - 87
- _____, 1991 " A Conseptual model of entrepreneurship as firm behaviour". Entrepreneurship Theory & Practice, 16, pp. 7-24
- Dalkhi , M., de Clereq D (2004). Human Capital ," Social Capital and innovation: A Multicountry study " Entrepreneurship and Regional Development, 16.107-120

- Daniel Motidyang, B.K, 2007, "A Bayesian Believe Network Computational Model of Social Capital in Virtual Communities", Summary of Dissertation . University of Saskatchewan
- Davis, D., Morris, M. and Alien, J. (1991). Perceived Environmental Turbulence and Its Effects On Entrepreneurship, Marketing and Organizational Characteristics In Industrial Firms. *Journal of Academy of Marketing Science*. Vol. 19. No.1. pp. 43-51.
- Denison, F. R. Janovics, .F, Young J. &Cho, II. J.. 2007. "Diagnosing Organizational Culture Validating a Model and Method". Working Paper- International Institute of Management Development. Fausanne. Switzerland
- Fathi N M, Eze U C, Goh G G . 2011. Key Determinants of Knowledge Sharing In An Electronics Manufacturing Firm In Malaysia. *Library Review* Vol. 60 No. 1, 2011 pp. 53-67.
- Ferdinand. A, 2000, *Manajemen Pemasaran Sebuah Pendekatan Strategik*, Badan Penerbit Universitas Diponegoro, Semarang
- _____. 2002, *Structural Equations Modelling dalam Penelitian Manajemen*. Badan Penerbit UNDIP. ISBN 97-9-9156-79-0
- _____. 2005, *Modal Sosial dan Keunggulan Bersaing: Wajah Strategi Pemasaran*. Badan Penerbit Universitas Diponegoro, Semarang
- _____. 2006. *Metode Penelitian Manajemen*. AGF Books.
- Fukuyama, F., 2000. *The Great Depression: Human Nature and the Reconstitution of Social Order*. London: Profile Book.
- Grotaert, C., Narayan, D., Jones, V.N, & Woolcock, M. 2003. Integrated Questinaire for The Measurement of Social Capital (SC-IQ). Washington, DC: The World Bank, Retrieved, January, 2004, from <http://dep.eco.uniroma1.it/-soccap/NV-eng-measurement.htm>
- Gulati. R., Nohria, N., & Zaheer, A, 2000, "Strategic Networks". *Strategic Management Journal*, 21, 203-215
- Hair Jr., J. F., R. E. Anderson, R. L. Tatham & W. C. Black. 1998. *Multivariate Data Analysis* 5th edition, New Jersey: Prentice-Hall, Inc.
- Hair, J.F, Anderson R. E, Tatham R.I, and Black W.C., 1984, *Multivariate Data Analysis*, 4th Edition, Prentice Hall, New Jersey
- Inkpen, Andrew C. 1996. Creating Knowledge through Collaboration. *California Management Review*. 9/1/1996, Vol. 39 Issue 1, p123-140.
- Jawa Tengah dalam Angka (Jawa Tengah in Figure), 2009, Badan Pusat Statistik Jawa Tengah
- Jau-Rong Chen; Tzu-Chuan Chou; Te-Wei Wang. 2010. The Organizational Context, Job Embeddedness, And Effectiveness Of Managing Knowledge Work Teams. *Journal of Applied Business Research*. Sep/Oct2010, Vol. 26 Issue 5, p19-27.
- Kakati, M. 2003. Success criteria in high-tech new ventures. *Technovation*. May2003, Vol. 23 Issue 5, p447.
- Kohli, Ajay K, Jaworski, Bernard J., 1990, "Market Orientation: The Construct, Research, Propotion, and Managemnt Orientation", *Journal of Marketing*, 54 pp. 1-18
- Kotler, Philip, Gary Armstrong, 2000, *Principles of Management Marketing*. Prentice Hall Inc, Englewood Ciifs, New Jersey.
- Leana, C.R, Pil, F. K., 2006, "Social Capital and Organizational Performance: Evidence from Urban Public Schools", *Organization Science*, 17 (3), 3533- 366.
- Leana, C.R, Van Buren H.J., 1999, "Organizational Social Capital and Employment Practices", *Academy of Management Review*, 24 (3), 538-555.
- Lee, C., Lee K., Pennings, J.M, 2001, "Internal Capabilities, External Networks, and Performance: A Study on Technology Based Ventures" *Strategic Magement Journal*, 22 p. 115-640
- Lee. S, Tien. L, Munir Sukoco. B, 2007 " The Effects of Entrepreneurial And Knowlegde Management Capability on Organizational Effectiveness In Taiwan : The Moderating Role of Social Capital ", *International Journal of Management*. Vol. 24. No. 3, 549
- Light, David A. 2004. When Learning Stops. *MIT Sloan Management Review*. Summer2004, Vol. 45 Issue 4, p10-11.
- Lin N., 2001. *Social Capital: A theory of social structure and action*. New York: Cambridge University Press.
- Liu, S.S. Luo X andShe, 2002." Integrating customer orientation, corporate entrepreneurship, and Learning Orientation in Organizations in-transition: Empirical study ". *International Journal of Research in Marketing*, 19: 367-382
- Martin H Z, Alvani S M, Jandaghi G R, Pashazadeh Y. 2010. Designing and Clarifying Knowledge Sharing Model In AdminIstrative Agencies To Improve The Performance. *European Journal of Economics, Finance and Administrative Sciences*.
- Martin, J. A. ,Eisenhardt. KM. 2002 " Cross Business Synergy Sources, process and The Capture of Corporate Value, Herb Kelleher Center for Entrepreneurship", Working Paper Service, No.3, Pp 8-59
- Matin, Hassan Zarei; Alvani, Seyed Mahdi; Jandaghi, Gholam Reza; Pashazadeh, Yusuf. 2010. Designing and Clarifying Knowledge Sharing Model in Administrative Agencies to Improve the Performance. *European Journal of Economics, Finance & Administrative Sciences*. Jul2010, Issue 22, p101-111.

- Mezirow J. 1997. *Transformative Learning: Theory to Practice*. New Directions for Adult and Continuing Education, no. 74, summer 1997 Jossey-Bass Publishers
- Nahapiet, J., Sumantra Ghoshal, 1998. *Social Capital, Intellectual Capital and the Organizational Advantage*. *Academy of Management Review*, 23
- Nahapiet, J., Sumantra Ghoshal, 1997. *Social Capital, Intellectual Capital and the Creation of Value in Firms*. *Academy of Management Best Paper Proceedings*: 35-30.
- Narver John C, Slater Stanley F, 1988, "Additional Thought on the Measurement of Market Orientation: A Comment on Deshpande and Farley", *Journal of Market Focused Management*, Vol. 2, pp. 233-236
- Pennings, J. M., Kyungmook Lee, Arjen V. W. 1998. *Human Capital, Social Capital, and Firm Dissolution*. *Academy of Management Journal*, Vol. 41. No. 4, pp. 425-440.
- Portes, Alejandro, Patricia Landolt, 1996. "The Downside of Social Capital". *The American Prospect* 26 (May-June): 18-21, 94.
- Portes, Alejandro, Min Zhou, 1999. "Self-Employment and the Earnings of Immigrants." *American Sociological Review* 61 (April), 219-230.
- Portes, Alejandro. 1998. *Social Capital: Its Origins and Applications in Modern Sociology*. *Annual Review of Sociology*. 1998, Vol. 24 Issue 1, preceding p1.
- Porter, M, 1980, "Competitive strategy Techniques For Analysing Industries and Competitors", The Free Press, New York
- Sinkula, James M., William E. Baker, and Thomas Noordewier, 1997, "A Framework for Market-Based Organizational Learning: Linking Values Knowledge and Behavior", *Journal of the Academy of Marketing Science*, Vol. 25, No. 4, pages 305-318
- Slater S.F, Narver J.C, 1990, "The Effect of a Market Orientations On Business Profitability", *Journal of Marketing*, p.20-35
- Solow, Robert M., 2000. *Notes on Social Capital and Economic Performance*. Dalam Dasgupta, Partha (Eds). *Social Capital A Multifaceted Perspective*, (pp. 6- 10) Washington D. C: The International Bank for Reconstruction and Development /The World Bank.
- Tan, Lye, Ng, and Lim, 2010, *Motivational Factors in Influencing Knowledge Sharing Among Banks in Malaysia*, *International Research Journal of Finance and Economics* ISSN 1450-2887 Issue 44, pp. 191-201
- Teece, David, J. Pisano, Gary and Shuen, Amy. (1997). *Dynamic Capabilities and Strategic Management*, *Strategic Management Journal*. Vol. 18. No. 7. pp. 509-533.
- Tohidinia, Zahra; Mosakhani, Mohammad. 2010. *Knowledge sharing behaviour and its predictors*. *Industrial Management & Data Systems*. 2010, Vol. 110 Issue 4, p611-631.
- Tsai, W., Ghosal, S., 1998, "Social Capital and Value Creation: The Role of Internafirm Networks", *Academy of Management Journal*, Vol. 41 No. 4, pp. 464-476.
- Tsang, Eric W. K. 1997. *Organizational Learning and the Learning Organization: A Dichotomy Between Descriptive and Prescriptive Research*. *Human Relations*. Jan97, Vol. 50 Issue 1, p73-89.
- Venkatraman, N.,1989, "The Concept of Fit in Strategy Research Toward Verbal and Statistical Correspondence". *Academy of Management Review*, vol. 3, pp. 423-444
- Wang, G.L, Ahmed. P.K, 2002, "Learning Through Quality And Innovation", *Managerial Auditing Journal*, 17/7, pp. 417 - 423
- Wang, Sheng; Noe, Raymond A. 2010. *Knowledge sharing: A review and directions for future research*. *Human Resource Management Review*. Jun2010, Vol. 20 Issue 2, p115-131.
- WeiZheng, 2006. *Social Capital and Innovation – A Synthesis and Direction for Research*. *Academy of Management Annual Meeting Proceedings*. 2006, pV1-V6.
- Yang Jen-te. 2007. *The Impact of Knowledge Sharing On Organizational Learning and Effectiveness*. *Journal of Knowledge Management* Vol. 11 No.2 2007, pp:83-90, Emerald Group Publishing Limited, ISSN 1367-3270.
- Zheng, We,2006, "Social Capital and Innovation, A Synthesis and Direction for research" *Academy of Management Best Conference Paper* Tim: VI
- Zucker, L. 1986. *Production of Trust: Institutional Sources of Economic Structure*, *Research in Organisational Behavior*, pp. 1840-1920.