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TACIT KNOWLEDGE SHARING AND ENTREPRENEURIAL ORIENTATION ON ORGANIZATIONAL PERFORMANCE OF MICRO BUSINESSES IN MALAYSIA

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Abstract. Micro enterprises formed the majority of business establishments in Malaysia and contributed significantly to the nation's economy. Most knowledge-sharing studies focus on large, medium, and small enterprises as they are seen as more important. Very little researches dedicate to microenterprises, although it is crucial to the economy. The partial-least square analysis of one hundred and six micro-enterprises found that tacit knowledge sharing has a more substantial impact on organizational performance through entrepreneurial orientation. Tacit knowledge sharing is widely used in microenterprises and has a significant influence on organizational performance in Malaysia. Limitations and implications for future studies are discussed.

Keywords: Tacit Knowledge Sharing, Entrepreneurial Orientation, Organizational Performance, Microenterprises.

Introduction

Microenterprises constitute more than 94% of total Small and Medium Enterprises in Malaysia (SME Corp, 2020). In supporting the national economy, the participation of homegrown companies is essential to the development of the nation (Khaw, 2019). Microenterprises are companies with fewer than five employees (SMECorp, 2020). Despite the considerable prevalence of micro-establishment in some countries, many perform poorly with low productivity (Eslava, Haltiwanger, and Pinzon, 2018). However, the economic history of countries like Japan, Taiwan, and South Korea showed that supporting and weeding microenterprises would lead to more productive companies and turned them over to high-performing companies. Resource-Based Theory promotes that internal resources, either tangible or intangible, are a direct source of competitive advantage for the company (Davis & Simpson, 2017). Therefore, the companies should focus on their internal resources, especially knowledge that resides in the organization, to create

their competitive advantage. Tacit knowledge sharing occurs when members of the organization share their experiences (Mayfield, 2010). Much of the literature focuses on the tacit knowledge held by individuals rather than collective tacit knowledge. As tacit knowledge is valuable depending on the content of the knowledge, sharing one's knowledge with another could increase or add value to the knowledge itself (Leonard & Sensiper, 1998). Tacit knowledge sharing (TKS) is considered the main contribution to innovation in the organization (Wipawayangkool & Teng, 2016). Studies have shown that tacit knowledge sharing is widely practiced in small and medium enterprises, especially microenterprises (Ngah & Ibrahim, 2011; Ngah et al. 2018). On top of that, entrepreneurial orientation is deemed an essential element to improve organizational performance (Rezaie & Ortt, 2018). Entrepreneurial orientation (EO) comprises three main elements: proactiveness, risk-taking, and innovativeness (Covin & Lumpkin, 2011). There is broad empirical evidence supporting a positive relationship between EO and firm performance (Lomberg et al., 2016). Camisón, Puig-Denia, Forés, Fabra, Muñoz & Martínez (2016) denote that tacit knowledge sharing and entrepreneurial orientation as internal resources and capabilities are crucial for sustainable competitive advantage. The main goal of the company is to improve its organizational performance. Therefore, organizational resources and capabilities should be in place to increase productivity and profitability (Lo, Wang, Wah, & Ramayah, 2016; Lo, Mohamad, Ramayah, & Wang, 2015).

Therefore, the main objective of this study was to determine the influence of tacit knowledge sharing on Microenterprises' performance under the mediation of entrepreneurial orientation. Specifically, the study aimed at determining the:

(1) influence of tacit knowledge sharing on organizational performance, (2) influence of entrepreneurial orientation on organizational performance, and (3) mediating effect of entrepreneurial orientation on the relationship between tacit knowledge sharing and Microenterprises' performance.

The findings would assist microenterprises in realizing the impact of their internal resources and capabilities for their advantage.

Methods used in the research (Materials and Methods)

A quantitative research design was used in this study to determine the relationship between an independent variable (tacit knowledge sharing), mediating variable (entrepreneurial orientation), and dependent variable (organizational performance) of microenterprises (Morgan, 2014). The items used to measure the constructs were adopted from prior research work such as Choi and Lee (2002) for tacit knowledge sharing, Covin and Wales (2012) for entrepreneurial orientation, and organizational performance measurement was adopted from Gold et al. (2001). All items were measured using a five-point Likert-type scale with anchors from "strongly disagree" to "strongly agree". The questionnaire included items worded with proper negation and a shuffle of the items to reduce the monotony of questions

measuring the same construct. A survey methodology approach was taken to test the relationships in the research model. Face-to-face surveys have become an essential research tool for data collection. This method is considered the best because the researcher would be able to answer questions from respondents.

Partial Least Square (PLS) was used in this study. PLS is a second-generation multivariate technique (Hair et al., 2012), which can simultaneously evaluate the measurement and structural models with minimal error variance (Hair et al., 2013). A common method variance needs to be examined in tackling multicollinearity as the data was collected via self-reported questionnaires. Both the predictor and criterion variables are obtained from the same person (Podsakoff et al., 2003, Amin et al., 2016). According to Podsakoff and Todor (1985), self-reported measures from the sample samples will raise an issue of same-source bias or general method variance. Thus, there are few remedies to address this issue, and Harman's single factor test was used in this study. All the principal constructs were entered into a principal component factor analysis (Podsakoff and Organ, 1986). Evidence method bias exists when a single factor emerges from the factor analysis, or one general factor accounts for the majority of the covariance among the measures (Podsakoff et al., 2003). In this study, the result showed that the total variance extracted by one factor is 43.04%, and it is less than the recommended threshold of 50%, which confirms that common method bias is not a problem in this data.

Results and Analysis

Respondent profile. A quantitative survey approach was administered, and one hundred and six questionnaires were collected from microenterprises business owners.

Table 1

Companies' profile			
Variable	Category	Frequency	%
Company Status	Sole-Proprietor	52	49.1
	Family-owned	16	15.1
	Partnership	28	26.4
	Others	10	9.4
Business Establishment	< 2 years	23	21.7
	2 – 4 years	39	36.8
	5 – 8 years	22	20.8
	8 – 10 years	8	7.5
	10 years	14	13.2
Annual Sales Turn-over	< RM200,000	58	54.7
	200,001 – 300,000	26	24.5
	300,001 – 500,000	9	8.5
	500,001 – 1 mil	6	5.7
	1.1 mil – 3 mil	1	0.9
	>3 mil	6	5.7

The majority of microenterprises are sole-proprietor (49.1%), family-owned about 15%, and partnership is 26.4%. Most micro-enterprises have been in the business for between 2 – 4 years (36.8%). A total of 54.7% of companies recorded an annual sales turnover of less than RM200k. Table 1 shows the company's profile.

Measurement Model

The *measurement model* or *outer model* presents the outer model results to examine the loadings, reliability, and validity of the measures used to represent each construct (Chin, 2010). The approach of PLS threshold values is suggested by Hair, Ringle, and Sarstedt (2011). Table 2 shows the measurement model. According to Hair et al. (2016), there are three steps for evaluating the measurement model: individual item reliabilities, convergent validity, and discriminant validity. In assessing the measurement model, convergent validity, which is the degree to which multiple items measuring the same concept agree, was tested. Hair et al. (2017) suggested that the factor loadings, composite reliability, and average variance extracted were used to assess convergence validity.

Convergence Validity

Convergent validity is the degree to which multiple items to measure the same concept agree (Hair et al., 2017). As suggested by Hair et al. (2017), we used the factor loadings, composite reliability (CR), and the average extracted (AVE) to access convergent validity. The recommended values for loadings are set at > 0.5 , the AVE should be > 0.5 and the CR should be > 0.7 . Few items have been deleted due to low loadings. The loadings for all items exceeded the recommended value of 0.5 (Hair et al., 2017) therefore are significant.

Table 2

Convergent Validity Analysis

Variable	Cronbach's Alpha	Composite Reliability	AVE*
Entrepreneurial Orientation	0.862	0.906	0.708
Organizational Performance	0.906	0.929	0.724
Tacit Knowledge Sharing	0.944	0.951	0.548

*Average Variance Extracted

The Cronbach's alpha and composite reliability values as in Table 2, which depict the degree to which the construct indicators indicate the latent, exceeded the recommended value of 0.7 (Hair et al., 2010). The average variance extracted, which reflects the overall amount of variance in the indicators accounted for by the latent construct, also exceeded the recommended value of 0.5 (Hair et al., 2010). Therefore, the measures of all the variables/constructs have good levels of convergent validity.

Discriminant Analysis

Discriminant validity assessment is a prerequisite to analyze

relationships between variables (Henseler, Ringle & Sarstedt, 2015). Besides, discriminant analysis is the degree to which items differentiate among constructs or measure distinct concepts (Hair et al., 2017). For this study, the Heterotrait-monotrait (HTMT) ratio of correlation was used to assess the discriminant validity, which is considered superior to other methods (Henseler et al., 2015). HTMT is recommended as it can achieve higher specificity and sensitivity compared to the cross-loading criterion. HTMT values close to 1 indicates a lack of discriminant validity. Some authors suggest a threshold of 0.85 (Kline 2011), whereas others propose a value of 0.90 (Teo et al. 2008). If the value of the HTMT is higher than this threshold, there is a lack of discriminant validity. Table 3 shows the result of HTMT. All the values were lower than the threshold. Thus it demonstrated adequate discriminant validity.

Table 3

Discriminant validity of constructs

Variable	1	2	3
Entrepreneurial Orientation			
Organizational Performance	0.727		
Tacit Knowledge Sharing	0.882	0.624	

Structural Model

In Partial Least Square, few steps need to be taken to validate the structural model. Firstly, to assess the collinearity issues. All the inner VIF value for the independent variable is less than 5 and 3.3 which indicate collinearity is not a concern (Hair et al., 2017). The next step is to assess the significance and relevance of the structural model relationships. Table 4 shows that all path coefficients are significant with a p-value < 0.000.

Figure 1 presents the structural model of this study, and Table 4 presents the structural model results. The most commonly used to evaluate the structural model is the coefficient of determination (R^2 value). This coefficient measures the model's predictive accuracy and is calculated as the squared correlation between a specific endogenous construct's actual and predicted values (Hair et al., 2014). Using bootstrapping technique with a re-sampling of 500, the path estimates and t-statistics were calculated for the hypothesized relationships. The effect size (f^2) evaluation was carried out to assess the relative impact of a predictor construct on an endogenous construct (Cohen, 1988). The results indicate that both tacit knowledge sharing (0.0795) and entrepreneurial orientation (0.490) contributed 44.5% (R^2) variance explained in organizational performance. These findings are also supported by the Q^2 value (Geisser, 1974; Stone, 1974) of the predictive relevance. After running the blindfolding procedure (Henseler et al., 2009) with an omission distance D 7, the Q^2 value of organizational performance (0.305), which is well above zero, indicating the predictive relevance of the PLS path model.

The analysis found that tacit knowledge sharing ($\beta = 0.799$, $p < 0.000$) was positively related to entrepreneurial orientation. On the other hand, tacit knowledge sharing was not significantly related to organizational performance ($\beta = 0.207$, $p = 0.135$).

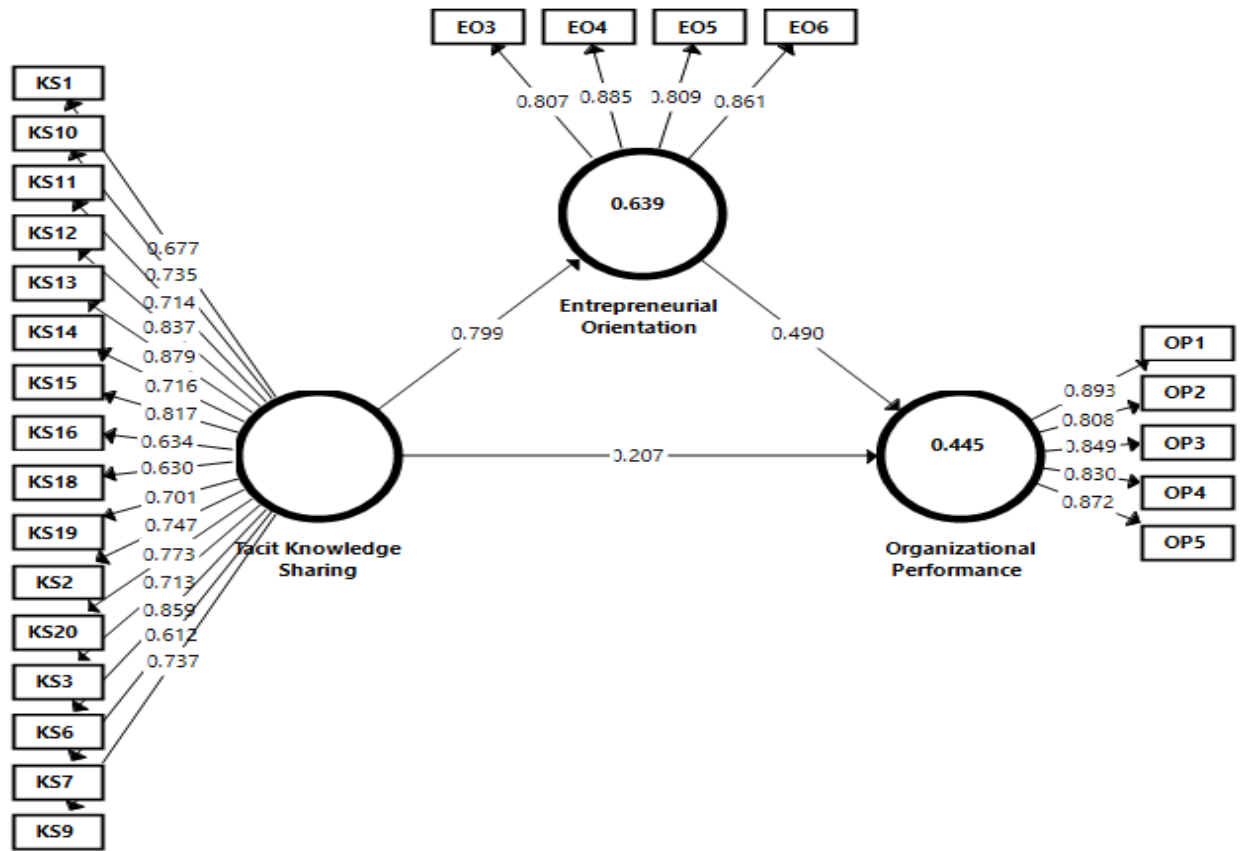


Figure 1: The Structural Model

The bootstrapping procedure was used to test the mediating effect of entrepreneurial orientation and showed that the indirect effect ($\beta = 0.392$, $p < 0.000$) was significant, indicating a mediating effect.

Table 4

The Relationship of Variable

Denomination	β	SD	T Statistics	P Values
Entrepreneurial orientation -> Organizational Performance	0.490	0.141	3.485	0.001
Tacit Knowledge Sharing -> Entrepreneurial Orientation	0.799	0.042	19.074	0.000
Tacit Knowledge Sharing -> Organizational Performance	0.207	0.138	1.496	0.135
Tacit Knowledge Sharing -> Entrepreneurial Orientation -> Organizational Performance	0.392	0.115	3.397	0.001

Discussion

The objective of this study was to examine the effect of tacit knowledge sharing on organizational performance with entrepreneurial orientation as a mediating variable of microenterprises. The first objective is to investigate the TKS and OP of microenterprises which showed a significant positive result. This result is supported by a previous study by Ngah et al. (2018) and Muthuvello et al. (2017). This study found that entrepreneurial orientation significantly influences organizational performance (Jeong et al., 2019). Besides, tacit knowledge sharing had a significant relationship to entrepreneurial orientation; therefore, the second objective is achieved. This finding is similar to a previous study by Baskaran (2018) that examined the relationship between knowledge management and entrepreneurial orientation in Indonesia. Finally, entrepreneurial orientation showed a significant effect on the relationship between tacit knowledge sharing and organizational performance. The finding is supported by a similar study by Zbierowski, (2018). This is perhaps that micro-enterprises do use tacit knowledge sharing to create the flow of knowledge in the organization; however, the effect on organizational performance is not that encouraging. It is interesting to note that entrepreneurial orientation plays a vital role in facilitating tacit knowledge sharing impact on organizational performance.

Conclusion and suggestion

This study had presented entrepreneurial orientation as a mediator between tacit knowledge sharing and organizational performance of microenterprises. Tacit knowledge sharing is routine practice in microenterprises, and it is said as the main activity for innovation. Entrepreneurial orientation of risk-taking, proactiveness, and innovativeness is another crucial element to help micro-enterprises increase productivity and performance. Microenterprises should focus on making their tacit knowledge sharing more effective, especially in creating innovation of its products or services. Being small is an advantage of microenterprises in regulating their internal activities and capabilities to its advantage. This study is not without limitations. The interview should be carried out to understand the standard knowledge sharing practices and investigate how entrepreneurial orientation can be further strengthened in a micro-enterprises environment. Future studies should address areas like innovation competencies, innovation intelligence in microenterprises. The findings can assist policymakers and government agencies set an approach to assist microenterprises by providing more impactful training and development.

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