ANALYSIS OF INTER-ORGANIZATIONAL KNOWLEDGE SHARING NEEDS AMONG MICRO, SMALL, AND MEDIUM ENTERPRISES WITHIN TRADITIONAL MARKET
(Survey on Traditional Market in Malang City)

Rindha Deviana Sari
Imam Suyadi
Srikandi Kumadji
Fakultas Ilmu Administrasi
Universitas Brawijaya
Malang

Abstract

Inter-organizational knowledge sharing is the key to improve the performance of Micro, Small, and Medium Enterprises (MSMEs) performance within traditional market. MSMEs within traditional market plays an important role for Indonesian economic activities and its development for a long time. The purpose of this research is to analyze and to investigate the inter-organizational knowledge sharing needs among MSMEs in Indonesia.

A questionnaire survey was conducted on MSMEs within traditional market enlisted in the Traditional Market Bureau in Malang City. The survey was conducted in ten selected traditional markets including Besar, Blimbing, Kebalen, Tawangmangu, Bunul, Burung, Sawojajar, Sukun, Bunga, and Wilis. Data were analyzed using generalized structured component analysis (GSCA) that represents a component-based approach.

Upon seven variables and out of 99 respondents, the findings show that basically knowledge sharing is critical to be examined among MSMEs within traditional market. The empirical result reveals the urgency of inter-organizational knowledge sharing within traditional market. The better knowledge sharing activities, the better organizational performance can be realized. MSMEs within traditional market need support from many stakeholders such as government, academician, and society. Considering the importance of MSMEs in Indonesia, the finding of this research may be useful for the MSMEs development plan in the future.

Keywords: Knowledge sharing, Micro to medium sized enterprises, Traditional market, GSCA

1. Introduction

Respond to hyper-competition, organization needs to improve their performance through knowledge management, which encourages to creating and using knowledge continuously to gain competitive advantage (Leung, 2009). The implementation of knowledge management requires sharing process to promote its use (Ipe, 2003). Knowledge sharing is critical for organizations success (Davenport and Prusak on Alawi *et al.*, 2007). It leads to faster knowledge deployment to portions of the organization that can greatly benefit from it (Syed-Ikhsan and Rowland on Alawi *et al.*, 2007) and definitely micro, small, and medium enterprises (MSMEs) need a good inter-organizational knowledge sharing to develop its performance. Well-shared knowledge will make MSMEs within traditional market become stronger, survive and reach sustainable competitive advantage.

Knowledge management is a set of practices that allow or enables organizations to better create, understand, and utilize what they know (Karl-Sveiby on Tobing, 2007: 24). Knowledge management is also the art of creating commercial value from intellectual capital. Based on definitions above knowledge management is a part of intellectual capital which really important, particularly in achieving competitive advantage of organization. Accordance with the marketing knowledge management concept, organization emphasis that competitive advantage can be achieved by knowledge-based and market oriented companies (Troilo, 2006). Gummeson on Ellitan and Anatan (2009: 12) also agree that in a competitive business environment nowadays, knowledge management is the controlling key of organization competitive advantage which has to share.

Knowledge is a pointless value if it is not created, shared, and used in organizations (Grover

and Davenport on Ipe, 2003). The value of knowledge increases as it is shared (Quinn, Anderson, Finkelstein on Hsu and Wang, 2008). Knowledge sharing for MSMEs topic is under much discussion and urgent among the developing countries such as Indonesia. The fact motivated this current study to be conducted on Indonesian MSMEs, particularly MSMEs within traditional market. Actually it does generate great value to Indonesian citizen but have not stronger enough to defense the existence toward the modern ones.

MSMEs play a vital role in a country's economic health (Johnston and Loader on Chong, 2010). Ministry Cooperatives and SMEs of Indonesia for instance, reported that from 2005-2009 MSMEs account for more than 90 percent of total business establishments and job field. MSME within traditional markets until the current years still become the pivot of society trade activities, thus unfortunately if traditional market impeding decreases in the future. It is proven by some traditional markets are struggling with the growth of out-of-town supermarkets, the recession and internet shopping. In Indonesia, the development of modern retail market share which is majority foreign-owned increased significantly every year.
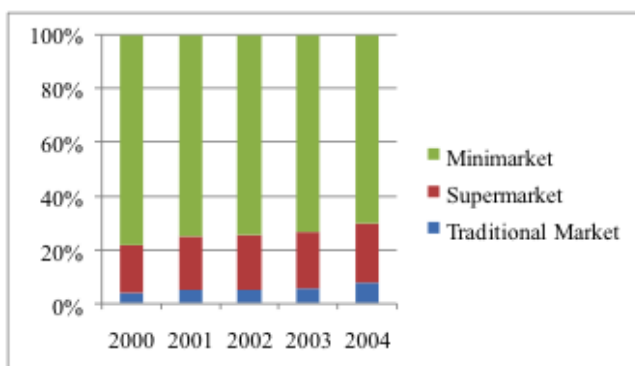

Figure 1. Traditional Markets, Minimarkets, and Supermarkets, as Percentages of All Markets in Indonesia
Source: A.C. Nielsen (2005)

Contrast with the traditional market development owned by the society that getting runs towards the direction of decline. Survival of the traditional market now does not reflect the real competitiveness in the middle of the rapid development of modern retail market (Business Competition Supervisory Commission, 2008: 2). The survey also shows, the modern market in Indonesia grew 31,4 percent per year, while the traditional markets have decreased 8 percent every year. Additionally, The All-Indonesia Provincial Government reported that earnings of traditional

markets in Jakarta dropped to 60 percent. The same condition also happens in the Malang City where the decline retribution earning from traditional market until 50 percent in 2009 and 30 percent in 2010 (Suman, 2011). If it is left continuous, not impossible the traditional market leaving only a name and with the current trend towards expansion in the retail world, which is dominated by modern markets, traditional markets may vanish (The SMEru Research Institute, 2007). To help address this problem, for instance the government issued to hold a new package of practical advice and training for traditional market traders. Data based from Bank of Indonesia (2012), total of traditional market in Indonesia is more than 13.000 cover the number of market traders about 12,6 million people. Compared to modern markets with less amount labor, the traditional market actually has the potency to drive the local economic and absorb labor. Thus apparently that the application of knowledge sharing among MSMEs within traditional market will faster its development and considered as big contribution for the backbone of country overall development.

This study will reveal the inter-organizational needs among MSMEs in traditional markets to analyze how is the inter-organizational knowledge sharing among MSMEs and their effort in leveraging the knowledge sharing for the sake of competitive advantage, then consequently to the sustainable competitiveness. Adapted from Chong *et al.* (2010) and Chen *et al.* (2006), then modified to suit the particular circumstances of the environment to be examined, there are seven areas as the focus of the study including, (1) the importance of knowledge; (2) perception of the importance of knowledge areas; (3) areas in which insufficient knowledge contributes to costly errors or mistakes; (4) knowledge sharing activities; (5) social networks involved; (6) constraints of inter-organizational knowledge sharing; and (7) the effectiveness in leveraging knowledge. All of the items were adapt from the aforementioned work and modified with certain condition in research site, thus only seven areas were eligible.

In subsequent sections is composed as follows. First, give an overview of literature review for the current research. Second, explanation of methodology and present the new research model with eight hypotheses. Third, description the survey instrument developed and the data collected from Indonesia's MSME, followed by testing the model using generalized structured component analysis. Finally, discussion of the results, followed by practical implications, limitations of the findings,

2

and suggestions for future research.

2. Literature Review

The twenty-first century is shaping up to be a knowledge driven society in which the basic economy resource is not material, labor, or capital, but knowledge (Drucker on Achrol, Ravi, and Kotler, 1999). Knowledge is a fluid mix of framed experience, values, contextual information, and expert insight that provides a framework for evaluating and incorporating new experiences and information (Davenport and Prusak on Setiarso *et al.,* 2009: 11). Knowledge management is final conclusion of many exist management concept and also as a new concept which complete and comprehensive, focusing on creating and implementing knowledge in organization (Tjakraatmaja *et al.*, 2006). The essence of knowledge management for business organizations is to build up organizational capabilities, producing competitive knowledge and transferring it into products or services.

Knowledge sharing is defined as the process intended at exploiting existing knowledge and knowledge sharing is hence defined as being about identifying existing and accessible knowledge. In order to transfer and apply this knowledge to solve specific tasks better, faster and cheaper than they would otherwise have been solved (Christensen, 2007: 36). The goal of knowledge sharing can either be to create new knowledge by differently combining existing knowledge or to become better at exploiting existing knowledge.

Knowledge sharing is critical to a firm's success (Davenport & Prusak on Ngah and Jusoff, 2009). Knowledge sharing leads to higher organizational performance (Du *et al*, 2007; Widen-Wulff & Suomi, 2003, 2007, Darroch & McNaughton, 2002 on Ngah and Jusoff, 2009). The major problems of knowledge sharing are to convince, coerce, direct or otherwise get people within organization to share their information (Gupta *et al.*, on Ngah and Jusoff, 2009). For organization, knowledge sharing is capturing, organizing, reusing and transferring experience-based knowledge that reside within the organization and making that knowledge available to others in the business. The interesting characteristic of knowledge is that its value grows when shared (Bhirud *et al.,* on Ngah and Jusoff, 2009). Knowledge sharing in organizations is the process through which one unit is affected by the experience of another. Knowledge sharing in organizations may be viewed as the behavior by which an individual voluntarily provides other members of the organization with access to his or her knowledge and experiences (Oliver; Wide´n-Wulff and Ginman; Hall on Cyr and Choo, 2010). Through the knowledge sharing process among MSME within traditional market, they could develop value as their knowledge well shared.

Actually there are multiple definitions of MSME that have been proposed and utilized by Indonesian Government departments and institutions. Hence, Turner (2003:4) developed and used a single consistent definition to avoid ambiguity. The definition adapts the Indonesian Central Bureau of Statistics definition by merging their categories of micro enterprises (those which employ one to four people), small enterprises (those which employ five to nineteen people), and medium enterprises (those which employ twenty and more workers). In order to construct a single category of MSME within traditional market, thus the chief characteristics according to the working definition preferred as follows:

a. Family workers or a mixture of family and wage workers;
b. The owner of the enterprise works directly in the production;
c. Flexible working conditions;
d. Low profits (less than 1.000 million rupiah);
e. Frequently unlicensed by the government.

It should be recognized that MSME might meet some of these conditions to varying degrees rather than satisfy all of them. Therefore it is important that differences among MSMEs are explicitly recognized by number of workers, all the more so when one understands that enterprises exist in a diversity of environments and fulfill a very board range of roles (Kabra on Turner, 2003: 5). This means that MSME incorporate into their basic organization the imprint of the setting in which they emerge and operate, making the difficult to hammer out a neat definition.

3. Methods

Based on previous research (Chen *et al.,* 2006; Chong *et al.,* 2010), research questionnaire was developed. The questionnaire was adept according to the previous studies and modified with current circumstance of the research location. Hereby the research

3
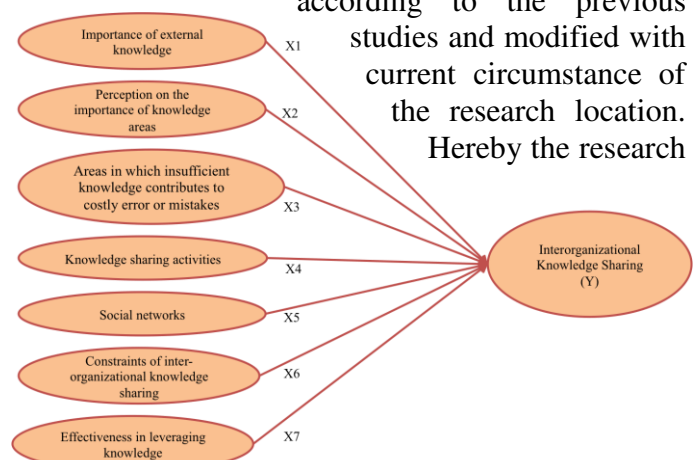
model comprises seven independent variables and one dependent variable.

Figure 2. Research Model

Source: Develop by author (2013)

For selecting the traditional market, stratified random sampling was examined. In this study, the scale used is a semantic differential scale. The use of semantic differential scales in this study aims to determine the respondent's assessment on a series of descriptive scales are bounded on both ends with one of the two polar adjectives. According to Malhotra and Peterson (2006: 300) semantic differential scale is a seven point ranking with the points associated with bipolar labels that have semantic meaning. Respondents marked the most unoccupied spot shows how respondents will describe the object being rated.

The list of MSME was obtained from Malang City Traditional Market Bureau. According to the data, the fit number of population in this research is 13.400. The calculation of population in this research use Yamane formula based on Rakhmad (2002: 82) as follows:

$$n = \frac{N}{N.d^2 + 1}$$

$$n = \frac{13400}{13400.(0,1)^2 + 1}$$

n = 99,25 = 99 respondents

Based on calculation above, already settled that number of sample in this research is 99 respondents. The survey conducted in ten selected traditional markets including Besar, Blimbing, Kebalen, Tawangmangu, Bunul, Burung, Sawojajar, Sukun, Bunga, and Wilis. The data obtained from questionnaire diffusion then proceed and analyzed with descriptive analysis and generalized structured component analysis. Generalized structured component analysis represents a component-based approach to structural equation modeling (Tenenhaus on Hwang and Takane, 2004). Moreover generalized structured component analysis involves two additional equations for model specifications which are the measurement model and the structural model.

4. Findings

By the time passed, traditional market is influence by the seller relationships, whether in the form of frequency of interaction or closeness were notably denser to the inter-organizational knowledge sharing. The density of the inter-organizational knowledge sharing was lack of attention to date, whereas the existence of the traditional market has been decreasing day by day. Likewise, the traditional market actually has the potency to drive the local economic and empower people compared with modern market. By analyze the needs of knowledge sharing within traditional market may reflect the current inter-organizational knowledge sharing activities. The following table describe the respondent characteristics, including gender, age, industry type, and enterprise years of establishment.

Table 1.   Respondent Profile

Profile Characteristics	Percentage
Gender	
Male	48
Female	52
Age	
15 - 24	11
25 - 34	28
35 - 44	19
45 - 54	16
55 - 64	19
65 - 74	4
No answer	3
Industry Type	
Clothes	26
Necessities	15
Foods	9
Accessories	5
Fruits	5
Jewelry	5
Vegetables	5
Cookies	4
Flowers	4
Electronics	3
Equipment	3
Meats	3
Shoes	3
Books	2
CD's	2
Cosmetics	2
Pets	1
Games	1
Tailor	1
No answer	1
Years of Establishment	
< 5	29
5 - 9	24
10 - 19	10
20 - 29	23

30 - 39	9
> 40	2
No answer	3

Table 1 above shows that the majority of enterprises surveyed are clothes (26%) and necessities (15%), the rest having less than 10%. Top three enterprise's years of establishment are less than 5 years (29%), five to nine years (24%), and twenty to twenty nine (23%). All of the enterprises are owned by local people. Each enterprise's owner also works directly in the production, some of them employ family member, which indicate the characteristic of micro, small, and medium enterprise.

Hereby the results of respondent's feedback refer to the calculated percentage and mode of every single indicator used in this research. As for the first construct which is the importance of knowledge, homogeneity that can be explained by variable X1 toward Y using FIT value is 51,8 percent and the rest (48,2%) explained by other variables. It means that this model is nearly excellent because able to explain more than 50% of the data homogeneity. Homogeneity that can be explained by all of variables on the model using AFIT value is 50,7 percent and the rest (49,3%) explained by other variables. Free parameters estimated explained by NPAR value is fit to 9. It means that the reflective indicators simply formed by observed variables, which are associated with two indicators involved in this model is relevant.

Table 2.   Indicator Identification of The Importance of Knowledge (X1) Toward The Inter-Organizational Knowledge Sharing (Y)

Model Fit			
FIT	0.518		
AFIT	0.507		
NPAR	9		
	Estimate	SE	CR
X1->Y	-0.056	0.091	0.61

CR* = significant at .05 level

Table 2 shows the estimate of path coefficients value is -0,056. Bootstrap standard error (SE) value is 0,091. While critical ratio (CR) value is 0,61. It means that the estimate of path coefficients value is negative and the CR value is not significant. This empirical evidence can be use to reject the Hypothesis 1 stated, "The importance of knowledge (X1) will significantly effect toward the inter-organizational knowledge sharing (Y)".

As for the second construct which is the perception on the importance knowledge area, homogeneity that can be explained by variable X2 toward Y using FIT value is 40,3 percent and the rest (59,7%) explained by other variables. It means that this model is good because able to explain more than 40% of the data homogeneity. Homogeneity that can be explained by all of variables on the model using AFIT value is 39,5 percent and the rest (60,5%) explained by other variables. Free parameters estimated explained by NPAR value is fit to 13. It means that the reflective indicators simply formed by observed variables, which are associated with eight indicators involved in this model is relevant.

Table 3.   Indicator Identification of Perception on The Importance of Knowledge Area Variable (X2) Toward The Inter-Organizational Knowledge Sharing (Y)

Model Fit			
FIT	0.403		
AFIT	0.395		
NPAR	13		
	Estimate	SE	CR
X2->Y	0.347	0.080	4.36*

CR* = significant at .05 level

Table 3 shows the estimate of path coefficients value is 0,347. Bootstrap standard error (SE) value is 0,080. While critical ratio (CR) value is 4,36. It means that the estimate of path coefficients value is positive and the CR value is significant. This empirical evidence can be use to accept the Hypothesis 2 stated, "Perception on the importance of knowledge areas (X2) will significantly effect toward the inter-organizational knowledge sharing (Y)".

As for the third construct which is areas in which insufficient knowledge contributes to costly errors or mistakes, homogeneity that can be explained by variable X3 toward Y using FIT value is 46,4 percent and the rest (53,6%) explained by other variables. It means that this model is good because able to explain more than 40% of the data homogeneity. Homogeneity that can be explained by all of variables on the model using AFIT value is 45,2 percent and the rest (54,8%) explained by other variables. Free parameters estimated explained by NPAR value is fit to 13. It means that the reflective indicators simply formed by observed variables, which are associated with four indicators involved in

this model is relevant.

Table 4 below shows the estimate of path coefficients value is 0,230. Bootstrap standard error (SE) value is 0,082. While critical ratio (CR) value is 2,79. It means that the estimate of path coefficients value is positive and the CR value is significant. This empirical evidence can be use to accept the Hypothesis 3 stated, "Areas in which insufficient knowledge contributes to costly error or mistakes (X3) will significantly effect toward the inter-organizational knowledge sharing (Y)".

Table 4. Indicator Identification of Areas in Which Insufficient Knowledge Contributes to Costly Error of Mistakes Variable (X3) Toward The Inter-Organizational Knowledge Sharing (Y)

Model Fit		
FIT	0.464	
AFIT	0.452	
NPAR	13	
	Estimate	SE	CR
X3->Y	0.230	0.082	2.79*

CR* = significant at .05 level

As for the fourth construct which is knowledge sharing activities, homogeneity that can be explained by variable X4 toward Y using FIT value is 45 percent and the rest (55%) explained by other variables. It means that this model is good because able to explain more than 40% of the data homogeneity. Homogeneity that can be explained by all of variables on the model using AFIT value is 43,8 percent and the rest (56,2%) explained by other variables. Free parameters estimated explained by NPAR value is fit to 17. It means that the reflective indicators simply formed by observed variables, which are associated with six indicators involved in this model is relevant.

Table 5. Indicator Identification of Knowledge Sharing Activities Variable (X4) Toward The Inter-Organizational Knowledge Sharing (Y)

Model Fit		
FIT	0.450	
AFIT	0.438	
NPAR	17	
	Estimate	SE	CR
X4->Y	0.362	0.087	4.13*

CR* = significant at .05 level

Table 5 shows the estimate of path coefficients value is 0,362. Bootstrap standard error (SE) value is 0,087. While critical ratio (CR) value is 4,13. It means that the estimate of path coefficients value is positive and the CR value is significant. This empirical evidence can be use to accept the Hypothesis 4 stated, "Knowledge sharing activities (X4) will significantly effect toward the inter-organizational knowledge sharing (Y)".

As for the fifth construct which is social networks involved, homogeneity that can be explained by variable X5 toward Y using FIT value is 50,2 percent and the rest (49,8%) explained by other variables. It means that this model is nearly excellent because able to explain more than 50% of the data homogeneity. Homogeneity that can be explained by all of variables on the model using AFIT value is 49 percent and the rest (51%) explained by other variables. Free parameters estimated explained by NPAR value is fit to 9. It means that the reflective indicators simply formed by observed variables, which are associated with two indicators involved in this model is relevant.

Table 6. Indicator Identification of Social Networks Involved Variable (X5) Toward The Inter-Organizational Knowledge Sharing (Y)

Model Fit		
FIT	0.502	
AFIT	0.490	
NPAR	9	
	Estimate	SE	CR
X5->Y	0.339	0.091	3.73*

CR* = significant at .05 level

Table 6 shows the estimate of path coefficients value is 0,339. Bootstrap standard error (SE) value is 0,091. While critical ratio (CR) value is 3,73. It means that the estimate of path coefficients value is positive and the CR value is significant. This empirical evidence can be use to accept the Hypothesis 5 stated, "Social Networks Involved (X5) will significantly effect toward the inter-organizational knowledge sharing (Y)".

As for the sixth construct which is constraint of inter-organizational knowledge sharing, homogeneity that can be explained by variable X6 toward Y using FIT value is 44,5 percent and the rest (55,5%) explained by other variables. It means that this model is good because able to explain more than 40% of the data homogeneity. Homogeneity that can be explained by all of variables on the model using AFIT value is 43,3 percent and the rest

(56,7%) explained by other variables. Free parameters estimated explained by NPAR value is fit to 17. It means that the reflective indicators simply formed by observed variables, which are associated with six indicators involved in this model is relevant.

Table 7 below shows the estimate of path coefficients value is 0,701. Bootstrap standard error (SE) value is 0,058. While critical ratio (CR) value is 12,08. It means that the estimate of path coefficients value is positive and the CR value is significant. This empirical evidence can be use to accept the Hypothesis 6 stated, "Constraints of inter-organizational knowledge sharing (X6) will significantly effect toward the inter-organizational knowledge sharing (Y)".

Table 7.   Indicator Identification of Constraints of Inter-Organizational Knowledge Sharing Variable (X6) Toward The Inter-Organizational Knowledge Sharing (Y)

Model Fit		
FIT	0.445	
AFIT	0.433	
NPAR	17	
	Estimate	SE	CR
X6->Y	0.701	0.058	12.08[*]

CR* = significant at .05 level

As for the seventh construct which is the effectiveness in leveraging knowledge, homogeneity that can be explained by variable X7 toward Y using FIT value is 42,4 percent and the rest (57,6%) explained by other variables. It means that this model is good because able to explain more than 40% of the data homogeneity. Homogeneity that can be explained by all of variables on the model using AFIT value is 41,1 percent and the rest (58,9%) explained by other variables. Free parameters estimated explained by NPAR value is fit to 9. It means that the reflective indicators simply formed by observed variables, which are associated with two indicators involved in this model is relevant.

Table 8.   Indicator Identification of The Effectiveness in Leveraging Knowledge Variable (X7) Toward The Inter-Organizational Knowledge Sharing (Y)

Model Fit	
FIT	0.424
AFIT	0.411
NPAR	9

	Estimate	SE	CR
X7->Y	0.247	0.226	1.1

CR* = significant at .05 level

Table 8 shows the estimate of path coefficients value is 0,247. Bootstrap standard error (SE) value is 0,226. While critical ratio (CR) value is 1,1. It means that the estimate of path coefficients value is positive and the CR value is not significant. This empirical evidence can be use to reject the Hypothesis 7 stated, "The effectiveness in leveraging knowledge (X7) will significantly effect toward the inter-organizational knowledge sharing (Y)".

Discussions and Implications

This study has attempted to generate additional insights concerning the relationship of inter-organizational knowledge sharing by using seven variables. This research knowledge sharing focused on and addressed the ties of external knowledge as a primary facilitator or inhibitor of knowledge sharing among MSMEs within traditional market. This study presumed that independent variables do reflect all dimensions or traits of knowledge sharing or how people react to them. The testing of the seven hypotheses established that the ties of inter-organizational knowledge sharing relationships, contributes measurably more to the knowledge sharing interaction of micro, small, and medium enterprises within traditional market.

Variable of the importance of knowledge formed by two indicators. According to the result, the respondents taught that the understanding of internal knowledge is more important than the understanding of external knowledge. It proven by the dominance of estimate loading of the understanding of internal knowledge compared to the understanding external knowledge. The respondents tends to feel enough with tacit knowledge they gained during their working experiences. The result means that the respondents are lack of understanding of external knowledge. This is important because prior research suggests that knowledge sharing from external sources has important implications for organizational outcomes (Chong *et al.*, 2010). Knowledge called as a substance because it is accommodates better to the sentiments, the impressions, the institutions, the premonitions that are all part of knowledge and which the idea of representation would not be able to convey faithfully. Knowledge is the object of a continuum that extends from interpreted information to non-representable (Baumard, 1999: 19).

Therefore, MSME's needs for inter-organizational knowledge sharing can be identified by means of the identification of their knowledge insufficiencies about the relevant organizations.

Variable of the perception on the importance of knowledge areas formed by eight indicators. According to the result, the respondents taught that the relationship with suppliers as the most important knowledge to acquire, then customer service and individual performance follow respectively. The top two indicators are comes from external knowledge, it means that the respondents already taught that external knowledge is emerging. However they keep in mind that individual performance is the basic foundation for their enterprise. The other indicators comprise own product / service, the emerging market trend, and the competitors were have positive effect and significant on the respondent's perception toward importance knowledge areas. The respondents perceived that own competencies and capabilities, and the internal processes were have negative effect and significant on perception the respondent's perception toward importance knowledge areas.

Variable of the areas in which insufficient knowledge contributes to costly errors or mistakes formed by four indicators. The supplier relationship contributes the biggest positive effect on type errors or mistakes. This mean the respondents taught that better relationship with suppliers would hand in hand with better performance of the enterprise in terms of type of errors or mistakes. The other indicators comprise the customer relationship, the emerging market trend, and the suppliers relationship follow respectively.

Variable of the knowledge sharing activities formed by six indicators. The result means that the better knowledge sharing activities of the enterprises, the better inter-organizational knowledge sharing will achieved. The interesting characteristic of knowledge is that its value grows when shared (Bhirud et al., on Ngah and Jusoff, 2009). The identification of these activities may reflect MSME's needs for inter-organizational knowledge sharing from another perspective, and also demonstrate their current practices in the area. Therefore to acquire external knowledge, MSMEs need to engage in some activities to interact with external organizations.

Variable of the social networks involved formed by two indicators. The result means that the better social networks involved well maintain by the enterprises, the better inter-organizational knowledge sharing will achieved. The social network may provide opportunities for face-to-face communication, produce strong ties between member organizations through the appropriate application of the two mechanisms – trust and power, and thus work as a channel to transfer both tacit and explicit knowledge between member organizations (Dyer and Nobeoka on Chen et al., 2006). An electronic network may work as another channel to transfer knowledge between organizations (Chen et al., 2006). Organizations need channels to facilitate their knowledge exchange in the inter-organizational knowledge sharing activities. Therefore, the current situation and effectiveness of MSMEs' use of both social and electronic networks to facilitate knowledge exchange between organizations need to be examined.

Variable of the constraints of inter-organizational knowledge sharing formed by six indicators. The result means that the better constraints of inter-organizational knowledge sharing solved, the better inter-organizational knowledge sharing will achieved. Once MSMEs have needs for inter-organizational knowledge sharing, they will carry out specific inter-organizational knowledge sharing processes to acquire the needed knowledge. Knowledge sharing is shaped by many factors, including the culture of the organization, the nature of the technology, and the individual's values and attitudes towards sharing (Oliver; Wide´n-Wulff and Ginman; Hall on Cyr and Choo, 2010). Therefore organizations need to develop inter-organizational knowledge sharing framework which can conceptualize the process of knowledge sharing between organizations for MSMEs, help them to better understand the transfer process, and be able to address the issues of the constraints.

Variable of the effectiveness in leveraging knowledge formed by two indicators. The result means that the more effective to leverage knowledge, the better inter-organizational knowledge sharing will achieved. Propensity to share knowledge is part of the expression of self-identity and subjective norm (Cyr and Choo, 2010). The effectiveness of MSME's inter-organizational knowledge sharing is also a matter of concern and will be measured on whether the acquired external knowledge is effectively used by MSMEs to improve their business (Chen et al., 2006). Therefore, this result may reflect the effectiveness of organization to learn from each other.

5. Conclusion

According to the result of descriptive and inferential analysis, obtained some conclusions as the answer of problem statements and objectives upon this research.

1. The importance of knowledge variable has negative effect and not significant toward the inter-organizational knowledge sharing. This finding shows that the understanding of knowledge will not make the better inter-organizational knowledge sharing. The respondent was lack understanding of external knowledge. They perceived that their own experiences as internal knowledge were enough, thus they do not need any external knowledge to acquire. Whereas prior research stated that external knowledge is very important for organizational success. Thus the MSMEs within traditional market need to get more attention related to the inter-organizational knowledge sharing.

2. The perception on the importance of knowledge areas variable has positive effect and significant toward the inter-organizational knowledge sharing. This finding shows that MSMEs within traditional market already realized some knowledge areas are urgent for their organization. They can decide which knowledge area they perceived as important, thus they were able to give positive attitude for selected knowledge area and they give an effort to acquire it.

3. Areas in which insufficient knowledge contributes to costly errors or mistakes variable have positive effect and significant toward the inter-organizational knowledge sharing. This finding shows that lack of knowledge will be able to create loss for MSMEs within traditional market. The relationship with supplier is the major concern for the respondent, then follow by the customer relationship, the competitors, and the emerging market trend respectively. In order to avoid costly errors or mistakes, MSMEs within traditional market should pursue types of knowledge they needed.

4. Knowledge sharing activities variable have positive effect and significant toward the inter-organizational knowledge sharing. This finding shows that activities to get knowledge from peers, networks, or other resources are important. There are many ways to acquired knowledge. The better knowledge sharing activities, the better organizational performance will be.

5. Social networks involved variable have positive effect and significant toward the inter-organizational knowledge sharing. This finding shows that MSMEs within organization need to nurture the social network and social interaction for the sake of better inter-organizational knowledge sharing. The respondent perceived positive to social networks involved, thus knowledge sharing can be realized.

6. Constraints of inter-organizational knowledge sharing variable have positive effect and significant toward the inter-organizational knowledge sharing. This finding shows that the constraint can be solved by MSMEs within traditional market. Many constraints do exist in MSMEs, but it was not hampering them to conduct inter-organizational knowledge sharing.

7. The effectiveness in leveraging knowledge variable have positive effect and significant toward the inter-organizational knowledge sharing. This finding shows that the more effective to leverage knowledge, the better inter-organizational knowledge sharing will achieved. MSMEs within traditional market perceived positive attitude on their effectiveness in leveraging knowledge, therefore they can conduct inter-organizational knowledge sharing.

References

Achrol, Ravi S., and Kotler, Philip. 1999. Marketing In The Network Economy. *Journal of Marketing,* Vol. 63 Special Issue pp.146-164.

A.C. Nielsen. 2005. *Asia Pacific Retail and Shopper Trends 2005.* Available at http://www.acnielsen.de/pubs/documents/RetailandShopperTrendsAsia2005.pdf. Accessed: 19 July 2012.

Alawi, A. I., Marzooqi N. Y., and Mohammed, Y. F. 2007. Organizational Culture And Knowledge Sharing: Critical Success Factors. *Journal of Knowledge Management,* Vol. 11 No. 2 pp. 22-42.

Bank of Indonesia Library. 2012. Available at http://www.bi.go.id/web/id/Tentang+BI/Perpustakaan/Periodikal/default.aspx?iddl=71954. Accessed: 19 July 2012.

Baumard, Philippe. 1999. *Tacit Knowledge In Organizations.* London: Sage Publications Ltd.

Business Competition Supervisory Commission or *Komisi Pengawas Persaingan Usaha.* 2008. *Saran Pertimbangan Terhadap Rancangan Peraturan Presiden tentang Penataan dan Pembinaan Usaha Pasar Modern dan Usaha*

Toko Modern. Available at http://www.kppu.go.id/ docs/Positioning_Paper/ritel.pdf. Accessed: 19 July 2012.

Chen S., Duan Y., Edwards, J. S., and Lehaney B. 2006. Toward Understanding Inter-Organizational Knowledge Transfer Needs In SMES: Insight From an UK Investigation. *Journal of Knowledge Management*, Vol. 10 No. 3pp. 6-23.

Chong, C. W., Chong S. C., Gan G. C. 2010. Inter-Organizational Knowledge Transfer Needs Among Small And Medium Enterprises. *Library Review*, Vol. 60 No. 1 pp. 37-52.

Christensen, Peter H. 2007. Knowledge Sharing: Moving Away From The Obsession With Best Practices. *Journal of Knowledge Management*, Vol. 11 No. 1 pp. 36-47.

Cyr, Sylvio and Choo, Chun Wei. 2010. The Individual And Social Dynamics Of Knowledge Sharing: An Exploratory Study. *Journal of Documentation*, Vol. 66 No. 6 pp. 824-846.

Ellitan, L., and Anatan, L. 2009. *Managemen Inovasi Transformasi Menuju Organisasi Kelas Dunia.* Bandung: Alfabeta.

Hsu, I. C., and Wang, Y. S. 2008. A Model Of Intraorganizational Knowledge Sharing: Development And Initial Test. *Journal of Global Information Management*, Vol. 16 Issue 3 pp. 45-73.

Hwang, H., Takane, Y. 2004. Generalized Structured Component Analysis. *Journal of Psychometrika,* Vol. 69 No. 1, pp. 81—99.

Ipe, Minu. 2003. Knowledge Sharing In Organizations: A Conceptual Framework. *Human Resource Development Review,* Vol. 2 No. 4 pp. 337-359.

Leung, N.K.Y, Kang, S. H, Lau, Fan. 2009. Ontology-Based Collaborative Inter-Organizational Knowledge Management Network, *Interdisciplinary Journal of Information, Knowledge, and Management,* Vol. 4 pp. 37-50.

Malhotra, Naresh N., and Peterson, Mark. 2006. *Basic Marketing Research, Decision Making Approach.* New Jersey: Pearson Prentice Hall.

Ngah, Rohana and Jusoff, Kamaruzaman. (2009), Tacit Knowledge Sharing and SMEs' Organizational Performance. *Journal of Economics and Finance,* Vol. 1 No. 1 pp. 216-220.

Rakhmat, Jalaludin. 2002. *Metodologi Penelitian Komunikasi.* Bandung: PT. Remaja Rosdakarya.

Setiarso, B., H. Nazir, Triyono, dan S. Hendro. 2009. *Penerapan Knowledge Management Pada Organisasi.* Yogyakarta: Graha Ilmu.

Suman, Agus. 2011. *Ritel Asing vs Pasar Tradisional.* Available at http://www.feb.ub.ac.id/agus-suman-ritel-asing-pasar-tradisional.html. Accessed: January 11, 2012 at 3.30 PM.

Tjakraatmaja, Jann H., Lantu, Donald C. 2006. *Knowledge Management dalam Konteks Organisasi Pembelajar.* Bandung: SMB-ITB.

Tobing, P. L. 2007. *Knowledge Management Konsep, Arsitektur, dan Implementasi.* Yogyakarta: Graha Ilmu.

The Smeru Research Institute. 2007. *Traditional Markets in the Era of Global Competition.* Available at http://www.smeru.or.id/newslet/2007/ news22.pdf. accessed: 19 July 2012.

Troilo, Gabriele. 2006. *Marketing Knowledge Management: Managing Knowledge in Market Oriented Companies.* Northhampton: Edward Elgar.

Turner, Sarah. 2003. *Indonesia's Small Entrepreneurs – Trading on Margins.* London: RoutledgeCurzon.