
Analysis of Knowledge Management, Innovative Leadership and Innovation Capabilities in Organizational Performance (Study on Small and Medium Micro Business in Manado City)

Meitty Wongkar

Student of Doctoral Program of Management Science, Economics and Business Faculty, Sam Ratulangi University

Stanss L. H. V. J. Lopian, Altje L. Tumbel, Willem J. F. Alfa Tumbuan, Imelda W. J Ogi

Lecturers of Doctoral Program of Management Science, Economics and Business Faculty, Sam Ratulangi University

Annotation: Organizational performance refers to the organization's ability to meet the needs of its stakeholders and its own needs for survival. Organizations seek to improve effective strategies that explore opportunities in the market through their ability to take advantage of available resources. Knowledge management, innovative leadership and innovation capabilities are indispensable in improving organizational performance. The purpose of this study is to examine and analyze knowledge management, innovative leadership and innovation ability on the performance of Micro, Small and Medium Enterprises in the city of Manado, the research method used in this study is a qualitative method with data sources obtained from observations and in-depth interviews. with various sources. The results show knowledge management in 4 (four) dimensions of the knowledge infrastructure, namely: General Knowledge, Organizational Structure, Organizational Culture and Environment Physical strength is very strong on the performance of MSMEs in the city of Manado. Meanwhile, 1 (one) dimension displays the average dimensions in improving MSME performance, namely: Information Technology Infrastructure. For Innovative Leadership, it displays 4 (four) strong dimensions in the application of Innovative Leadership in improving organizational performance, 4 (four) dimensions of Entrepreneurship Characteristics, namely: Vision, Innovation, Proactive, Risk Taking. and for the innovation ability of MSMEs in Manado City, it displays 4 (four) strong dimensions in the application of Innovation Capabilities as measured by Innovation Capability in improving organizational performance, the four dimensions are: Knowledge Exploitation Capability, Entrepreneurship Capability, Network Capability and Knowledge and Customer Capability. 3 (Three) dimensions in the application of Innovation Capabilities show an average dimension (Can be improved by MSMEs in the future) namely Risk Management Capability, Development Capability and Changing Management Capability.

Keywords: Knowledge Management, Innovative Leadership, Innovation Capabilities, Organizational Performance, MSMEs.

Introduction

Background

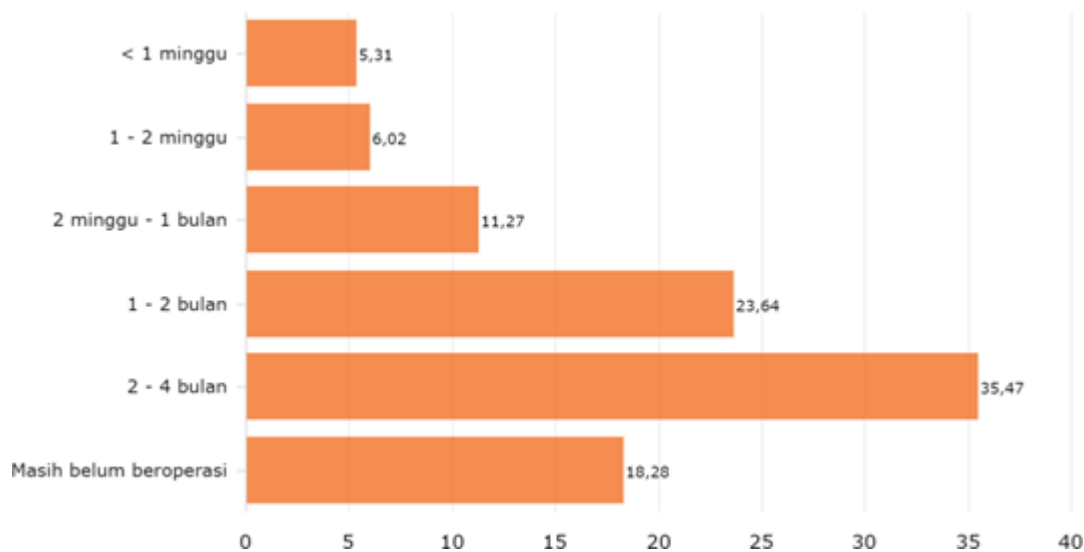
Aziz et al (2020) "Organizational performance refers to an organization's ability to meet the needs of its stakeholders and its own needs for survival" Organizations seek to improve effective strategies that explore opportunities in the market through their ability to utilize available resources.

Azamela et al (2022) Innovation is recognized in the management and business literature as a panacea for organizational growth and performance. Innovative companies have a tendency to outperform their competitors because the products and services offered are varied to meet the needs and expectations of users in terms of value and quality. Again, to survive in a constantly changing environment, constant innovation is required. Institutional leadership is critical to shaping the direction of innovation. The leadership style that supports innovative ideas is considered to positively influence the innovation process. In addition, the constant demands from civil society and stakeholders for transparency, accountability, and service improvement in public institutions are the driving factors for innovation. While inter-organizational collaboration has also been found to be related to an organization's ability to acquire and use external knowledge to improve performance, institutional creativity, is determined by the organization's ability to adapt knowledge, information, and experience from both internal and external sources.

Based on data from the Ministry of Cooperatives and Small and Medium Enterprises (KemenkopUKM) in March 2021, the number of MSMEs (Micro, Small and Medium Enterprises) in Indonesia reached 64.2 million with a contribution to Gross Domestic Product of 61.07 percent or Rp. 8,573.89 trillion. MSMEs are able to absorb

97 percent of the total workforce, and can collect up to 60.42 percent of total investment in Indonesia. This shows that the role of MSMEs is very supportive in the Indonesian economy.

Graph 1. Business Period to Stop MSME Operations in 2021



Source: Mandiri Institute, January 18, 2022

The survey on Enterprises, Micro, Small and Medium Enterprises (MSMEs) by the Mandiri Institute explained that 94.7% of businesses had to stop their operations for more than 1 week during the Emergency PPKM last July - August 2021. The majority of businesses (35.47%) even had to stop their business for 2 - 4 months. There is also, 23.64% of businesses stop operating for 1 - 2 months. In fact, there are 18.28% of businesses that have not run until now since the PPKM (Enforcement of Restrictions on Community Activities)

Table 1. Number of Companies and Workers in Micro and Small Enterprises in 2020

Kabupaten/Kota Regency/Municipality	Jumlah Perusahaan Number of Establishments (unit)	Jumlah Tenaga Kerja Number of Workers Engaged (orang/person)
(1)	(2)	(3)
Kabupaten/Regency		
1. Bolaang Mongondow	6 225	12 085
2. Minahasa	3 743	5 597
3. Kepulauan Sangihe	2 160	3 136
4. Kepulauan Talaud	770	1 316
5. Minahasa Selatan	4 274	8 500
6. Minahasa Utara	1 900	3 973
7. Bolaang Mongondow Utara	1 492	3 175
8. Siau Tagulandang Biaro	347	524
9. Minahasa Tenggara	4 071	6 995
10. Bolaang Mongondow Selatan	3 046	4 857
11. Bolaang Mongondow Timur	683	1 163
Kota/Municipality		
1. Kota Manado	2 233	5 601
2. Kota Bitung	2 707	4 498
3. Kota Tomohon	1 347	2 585
4. Kota Kotamobagu	1 433	3 425
Sulawesi Utara	36 431	67 430

Sumber/Source: BPS, Survei Industri Besar dan Sedang Tahunan/BPS-Statistics Indonesia, *The Annual Large and Medium Manufacturing Establishment Survey*

From data from the BPS (Central Statistics Agency) of North Sulawesi in 2020 the number of companies in the micro and small businesses of Manado City reached 2233 (Two Thousand Two Hundred Thirty Three) Units with a total workforce of 5,601 (Five Thousand Six Hundred One) people in Indonesia. ranked 7th among 11 regencies and 4 cities in North Sulawesi Province, even though the city of Manado is the center of the economy and one of the cities that contributes the largest GDP in North Sulawesi Province. For this reason, it is a phenomenon for researchers to examine the performance of MSMEs in Manado City. For this reason, how are Knowledge Management, Innovative Leadership and Innovation Capability in their influence on organizational performance in MSMEs (Micro, Small and Medium Enterprises) in Manado City.

Research purposes

Based on the research background, this research aims as follows:

1. To analysis the Knowledge Management influence to the Performance of MSMEs in Manado City.
2. To analysis the Innovative Leadership influence to the Performance of MSMEs in Manado City.
3. To analysis the Innovation Capability influence to MSME Performance in Manado City.

Literature Review

1. Performance Organization

Mulyadi (2007) Company performance is the overall success of the company in achieving the strategic targets that have been set through selected strategic initiatives. Organizational performance in simple circumstances is the realization of organizational goals. It is important that the organization has measurable goals as these have been found to be an integral part of

employee engagement and commitment to the organization. Abubakar et al (2019). Performance is known through quality of work, effectiveness of employees in decision making, process development, employee relations with managers, provision of various services and products, innovation, market share, staff skills and also their ability to solve problems quickly with new ones. modern methods and tools of product development and the organization's actual outputs are compared with the targeted or stated outputs. Also, the ability of an organization to access and manage different organizational resources to achieve its goals and objectives Abusweilema and Abualoush (2019).

2. Knowledge Management

Knowledge management is the process of capturing a company's collective expertise wherever it is, in databases, on paper, or in people's heads, and distributing it wherever it can help produce the greatest results. Knowledge management is a conscious strategy to get the right knowledge to the right people at the right time and help people share and put information into action in ways that seek to improve organizational performance. Sohaim et al (2016). Lee and Lan (2009) successful implementation of knowledge management depends on a harmonious amalgamation of infrastructure and process capabilities, including technology, culture, and organizational structure. This is related to Abualoushu et al. (2018) suggesting five main elements for knowledge management infrastructure: (1) general knowledge, (2) organizational structure, (3) information technology infrastructure, (4) organizational culture, and (5) physical environment. However, the key components of the knowledge management infrastructure are general knowledge, physical space, human resource management procedures, IT, and organizational structure. Also, the main components of the knowledge management infrastructure may include information technology, or organizational structure, and organizational culture. General knowledge management infrastructure factors that have been evaluated across previous studies include Organizational Culture (OC), IT Infrastructure (IT), and Organizational Structure (OS).

3. Leadership Inovative

Zuraik (2017) in Osman and Thursday (2019) explains that innovation leadership is a set of leadership behaviors needed to facilitate innovation and to have better innovation performance at the organizational and team levels. Innovation leadership is important to improve the theory of leadership behavior which only emphasizes the ability of individuals or innovative leaders to innovate. Innovation leaders are required to use a different set of strategies to develop the skill sets that are prerequisites for the innovation process. Rae (2017) in Fahad et al (2021) Entrepreneurial leadership inspires organizations and makes it possible to implement mechanisms that promote organizational innovation climate by identifying and exploiting potentials that enhance organizational achievement, address challenges through new-found approaches, and use organizational resources effectively and efficiently. Zainol et al (2018) in their research stated that the four characteristics of entrepreneurial leadership namely vision, innovation, proactiveness, and risk taking are closely and significantly related to the performance of

SMEs. From the related literature review, entrepreneurial leadership characteristics consisting of vision, innovation, proactiveness and risk taking are features that can be found in both leadership and entrepreneurship, their presence in organizational settings can have a positive impact on organizational success, SMEs. Thus, SME actors who are more open to setting clear goals and having a clear set of activities will perform credible both in terms of increasing sales, customer patronage, and many other performance-related constructs. In the same vein, innovative SMEs tend to also perform well because of their ability to launch new products or advance existing ones as well as study the market environment.

4. Innovation Ability

Innovation capability is defined as the company's ability to identify new ideas and turn them into new/improved products, services, or processes that benefit the company (Aas and Breunig, 2017) Rajapathirana and Hui (2018) Innovation can only occur if the company has the capacity to innovate. Innovation capability is considered a valuable asset for companies to provide and maintain excellence and in the implementation of the entire strategy. Nada and Ali (2016) in their research stated that there is a close relationship between the service innovation capabilities of SMEs (Small and Medium Enterprises) and service value creation capabilities (strategic capabilities, managerial capabilities, operational capabilities and adaptive capabilities. Ibarra et al (2020) there are three important elements in running BMI (Business Model Innovation). First, long-term managerial orientation is a key factor for the development of BMI (Business Model Innovation) in SMEs. Second, the five capabilities of BMI (Business Model Innovation) (sensing customer needs, sensing technology choices, conceptualizing and experimenting, collaborating and BMI (Business Model Innovation) strategies), in combination with a management approach, the development of BMI (Business Model Innovation) in SMEs is well established. Third, open innovation (opening the flow of knowledge about market needs and technology potential, as well as collaboration with customers) is a concrete prerequisite for business model innovation.

According to Forsman (2011) in Alex et al.(2019), innovation capacity can be measured using seven elements. The following seven elements are closely related to research: 1) the ability to exploit knowledge; 2) entrepreneurial skills (recognition of opportunities); 3) risk management capabilities; 4) network capabilities; 5) development capabilities (use internally generated ideas); 6) change management capabilities; 7) market and customer knowledge (non-profit industry knowledge and R&D).

Previous Research

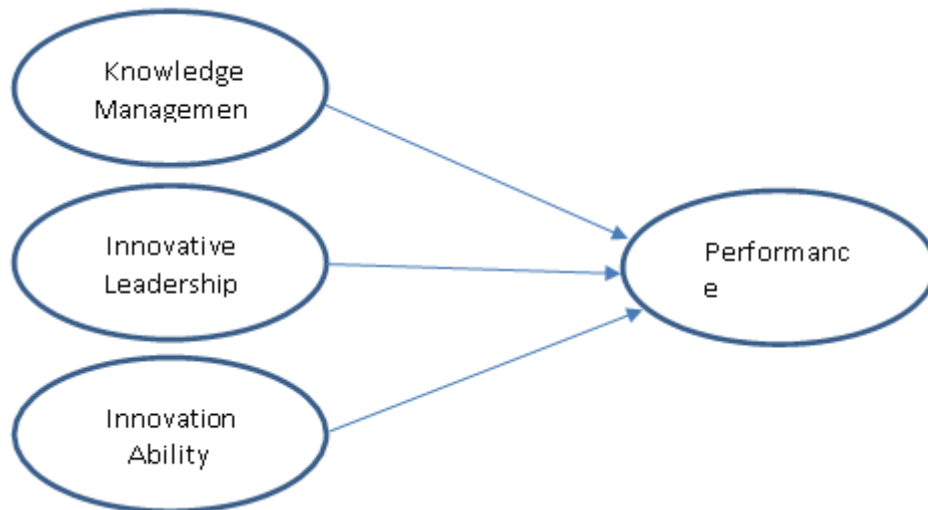
Aziz, Maria, Azima (2020) in his research entitled Development of Knowledge Management System for determining Organizational Performance, Total Quality Management and Culture. The results show that knowledge management infrastructure has a positive effect on the knowledge management process. In addition, the knowledge management process positively impacted intellectual capital and organizational performance and mediated the relationship between knowledge management infrastructure and intellectual capital. However, knowledge management infrastructure is not positively related to organizational performance.

Ariratana, Ngang, Sirisooksilp (2019). In his research entitled The effect of Innovative Leadership on Competency of Creating High Performance Organizations, the research findings show that school administrators not only apply their innovative leadership style to a high level, but they also have high levels of performance in the three main competencies to create high performance organization.

Hamid and Tasmin (2013) in their research entitled the Relationship of Business Innovation Capabilities and Technology Innovation Capabilities on SME Organization Performance: A Conceptual, the results of the study argue that technological innovation capability (TIC) and business innovation capability (BIC) have an impact on company performance in SMEs. (Small and Medium Enterprises) in Malaysia. In addition, the particular framework will assist managers in making better decisions and implementing innovation policies to strengthen the competitiveness of enterprises

Research Model Propositions

In running a business, the factors that support the running of an organization by using the application of Knowledge Management, Innovative Leadership and Innovation Ability. These three factors will affect organizational performance. Knowledge management is very much needed in the implementation of an organizational operation, in its implementation leadership style is also an influential thing to coordinate the running of the business more increasing.



Picture 1. Research Model

Source: Theoretical Studies and Empirical Studies (2022)

Research Methods

Research context

MSMEs (Micro, Small and Medium Enterprises) in Manado City

The contribution of MSMEs to the economy in Manado City, for example in culinary business activities and buying and selling used clothes, bags and shoes online. According to him, the circulation of money generated in these business activities is large enough to have an impact on the movement of the wheels of the economy (Nobel, 2021). In 2020 the number of companies in the micro and small businesses of Manado City reached 2233 (Two Thousand Two Hundred Thirty Three) Units with a total workforce of 5,601 (Five Thousand Six Hundred One). Central Bureau of Statistics of North Sulawesi (2021). The Manado city government strives to improve the welfare of the community through the provision of various business opportunities in the MSME sector. In this case the Office of Cooperatives and MSMEs (Micro, Small and Medium Enterprises) of Manado City as a forum for facilitating MSMEs in Manado City (Suryanigrum et al, 2015)

Research Approach

This research uses a qualitative method approach. Patrik (2019) stated that qualitative research focuses on multi-methods, involving interpretation, naturalistic approaches to the subject matter. This means that qualitative researchers study things in natural settings, trying to understand, or interpret, phenomena in terms of the meanings that people bring to them. Qualitative research involves the use and collection of learned empirical materials – case studies, personal experiences, introspection, life stories, interviews, observational, historical, interactional, and visual texts – that describe routines and problematic moments and meanings in an individual's life.

Research design

This study focuses on 3 (three) questions in accordance with the objectives of this study, namely knowledge management, innovative leadership and innovation ability on organizational performance in MSMEs (Micro, Small and Medium Enterprises) in Manado City. In this study, face-to-face semi-structured interviews were conducted with the leaders of MSMEs (Micro, Small and Medium Enterprises)/Business Owners and their employees to determine their opinions about knowledge management, innovative leadership and innovation capabilities on organizational performance in MSMEs (Micro, Small and Medium Enterprises and Medium) in Manado City. The purpose of choosing a generic qualitative research design is to explore the various opinions of the leaders/owners and employees of MSMEs (Micro, Small and Medium Enterprises) in Manado City according to the topic of this research. The results of the study were interpreted together with other research literature to determine whether the phenomenon, innovative leadership and innovation ability on organizational performance exists and its influence on MSMEs (Micro, Small and Medium Enterprises) in Manado City.

Research Informants

Dhanpat (2020) A qualitative research approach is used in the interpretivist research paradigm. The informants in this study consisted of: 9 (nine leaders / business owners and 6 (six) employees of MSMEs (Micro, Small and Medium Enterprises) in Manado City. Homogeneous sampling was used to choose participants. The participants must know and know well to understand the current state of the organization. The advantage of this sampling method is that the opinions of the participants can be compared more easily. The disadvantage is that not all participants especially the employees do not fully understand and know with it is clear that the current state of MSMEs (Micro, Small and Medium Enterprises) is due to limited experience. That is a requirement that must be possessed by participants aged over 18 years, with business operations of 3 (three) years and above.

Data collection

For data collection, 15 (fifteen) face-to-face semi-structured interviews were conducted between March 2022 and May 2022, and the audio recording was transcribed within 2 (two) weeks after the interview conducted by the researcher. The transcripts were then analyzed using qualitative analysis methods. Elliott (2005:18) in Alex (2019) states that interviews (including semi-structured interviews) are central to the social sciences and data collection methods. The purpose of this conversation is to collect expert opinions in the form of textual data (conversation transcriptions) that are analyzed. Open-ended questions are used to give the interviewee an opportunity to express his opinion about a particular situation, the reason being that more data can be extracted from each participant as the population from which the empirical data is derived is small.

Data analysis

Thematic analysis approach is used to determine the pattern formed in the data. Transcripts were coded and analyzed using a qualitative research analysis program. The code is associated with the research questions and themes and sub-themes identified by Alex et al. (2019)

Research Result and Finding

Finding

In this section, the research findings found in the field are presented for each research question.

Findings related to research question I:

How is the application of Knowledge Management to the Performance of MSMEs (Micro, Small and Medium Enterprises) in Manado City?. Application of Knowledge Management to improve MSME Performance (Micro, Small and Medium Enterprises) in Manado City follows the advice of Abualoushu et al (2018) who suggest five main elements for knowledge management infrastructure: (1) general knowledge, (2) organizational structure, (3) infrastructure information technology, (4) organizational culture, and (5) physical environment. The findings correspond to the 5 (five) main elements for the knowledge infrastructure as follows:

1. General knowledge

The general knowledge ability possessed by business leaders/owners and employees in MSMEs (Micro, Small and Medium Enterprises) in Manado city shows that their mastery is good. Mastery of general knowledge such as marketing in general, for example direct marketing theory is well mastered and its application, based on research interviews with leaders/owners and employees where the researcher interview process incorporates theories that lead leaders and employees to respond and complete it. Most of the general knowledge is good marketing, finance, leadership and innovation are mastered well, of course this will affect organizational performance because MSMEs (Micro, Small and Medium Enterprises) in the city of Manado master knowledge skills even though they are general. Intermediate) always adapt to science.

2. Organizational structure

For the organizational structure in the employee recruitment process, each employee has been given socialization for the organizational structure owned by MSMEs (Micro, Small and Medium Enterprises) in the city of Manado. The scientific understanding of the organizational structure has been mastered by employees. Likewise with the leaders/owners who have designed and compiled the organizational structure. Even the MSME organizational structure (Micro, Small and Medium Enterprises) is posted on the wall in the Human Resources section to provide knowledge to employees. With the knowledge that is mastered in the organizational structure, it is clearer which parts will be the duties and responsibilities so that there will be no overlapping of work. For example, the task of the logistics department is of course those who are tasked with distributing goods so that there will be no expectation of each other to work. Because when the goods do not and have not yet reached the consumer this will affect financial performance because the transaction does not exist, of course, this will affect organizational performance.

3. Information Technology Infrastructure

Mastery of information technology infrastructure by the leaders/owners of MSMEs (Micro, Small and Medium Enterprises) mostly shows mastering the use of information technology in general but the use of information technology for applications is still limited. For example: for the use of information technology, reading financial reports, the understanding of the leaders/owners has not mastered the financial information contained in the application. For employees, the use of information technology infrastructure is still largely limited because the use of technology is only as a communication support between the leadership and employees or employees. and consumers, curiosity to seek information is still low among MSME employees (Micro, Small and Medium Enterprises) in Manado City.

4. Organizational Culture

The knowledge capabilities possessed by the leaders/owners of MSMEs (Micro, Small and

Medium Enterprises) show that in terms of the application of organizational culture in MSMEs (Micro, Small and Medium Enterprises) in the city of Manado the application is good and the level of employee satisfaction is very good so that employees are very motivated to work so that This affects the performance of employees which also affects the performance of the company. The identity of the company whose legality is there, the vision and mission that is always conveyed in every initial work meeting every day, the clear status of the employees and most of them are permanent employees contribute to the good name of the UMKM (Micro, Small and Medium Enterprises). Reward programs provided by companies such as Guarantees by involving employees in BPJS even provide incentives if they exceed sales targets and include employees in training training carried out by the government in this case the Cooperatives and MSMEs (Micro, Small and Medium Enterprises) Office both from the provincial and regional levels. Manado City, evidence of a good organizational culture shown by the leaders/owners of MSMEs (Micro, Small and Medium Enterprises) towards their employees.

5. Physical Environment

In the physical environment, the availability of infrastructure in the city of Manado supports the activities of MSMEs (Micro, Small and Medium Enterprises) in their operations. Positive physical environment such as the location of MSME businesses (Micro, Small and Medium Enterprises) whose transportation system is available with roads whose infrastructure in Manado city is very adequate. also with electricity and communication systems because it is supported by the city of Manado as the capital of North Sulawesi Province to support MSME activities (Micro, Small and Medium Enterprises) in the city of Manado. MSMEs (Micro, Small and Medium Enterprises) to improve their business performance.

Findings related to research question 2:

How is the application of Innovative Leadership to the Performance of MSMEs (Micro, Small and Medium Enterprises) in Manado City? Application of Innovative Leadership to improve the performance of MSMEs (Micro, Small and Medium Enterprises) in Manado City. Following the 4 characteristics of entrepreneurial leadership in Zainol et al (2018) which in their research states that the four characteristics of entrepreneurial leadership are vision, innovation, proactiveness, and risk taking. The findings are in accordance with the following 4 (four) characteristics of entrepreneurial leadership:

1. Vision

The findings of MSMEs (Micro, Small and Medium Enterprises) in the city of Manado show that they have a clear and structured vision drawn up by business leaders/owners, where in the long-term strategic plan (Renstra) they prepare every 5 years they must be renewed, but renewal this has not been done due to the impact of Covid 2019 that has hit our country. Business leaders/owners are more focused on increasing sales rather than looking at all the strategic plans that were prepared from the start. Every leadership style in MSMEs (Micro, Small and Medium Enterprises) that has a clear vision of the direction of the company's goals will improve the performance of the MSMEs (Micro, Small and Medium Enterprises)

2. Innovation

The leadership style in MSMEs (Micro, Small and Medium Enterprises) in the city of Manado is very innovative by showing how to approach employees with innovations that are different from others, for example at every meeting at the beginning of work it is said that the vision and mission of MSMEs (Micro, Small and Medium Enterprises) , provide motivation as a power generator booster to achieve the target that has been targeted. The marketing innovation program with sales is carried out during consumer lunch hours carried out on

strategic roads with the participation of leaders by monitoring employees. Creating a safe work environment by providing resting facilities for employees so that employee satisfaction is guaranteed this greatly affects the performance of MSMEs (Micro, Small and Medium Enterprises) itself

3. Proactive

A proactive approach is shown by the leaders/owners of MSMEs (Micro, Small and Medium Enterprises) by telling them what to do. With an approach, for example during lunch break, the leaders/owners of MSMEs (Micro, Small and Medium Enterprises) mingle with their employees at one dining table. , of course by taking advantage of the lunch talk by exchanging ideas about all things for the betterment of the company, for example, discussing a powerful strategy in competing to improve sales performance, what programs should be made to achieve company goals. Even in establishing emotional bonds every holiday or Sunday, the leaders/owners of MSMEs (Micro, Small and Medium Enterprises) give words according to the beliefs of their employees. For example, giving greetings on Sunday in the WA Group of employees, congratulating the holidays personally via Whatsapp and even participating in togetherness events to celebrate the birthdays of employees who celebrate. This approach will bring employees to feel cared for and satisfied so as to encourage employees to work more with enthusiasm, and this will affect organizational performance.

4. Risk taking

Leaders/owners of MSMEs (Micro, Small and Medium Enterprises) show that they have a strong mental attitude in taking risks by referring to the rules or policies that have been set from the start. Micro, Small and Medium Enterprises) to deal with them both psychologically and financially who are losing money. The leadership style observed by employees in taking risk shows that the leader's ability is very good because it is guided by the rules and policies that have been designed from the start. Dare to take risks means dare to go forward so that targets can be achieved and organizational performance will increase

Findings related to research question 3:

How is the application of Innovation Capability to the Performance of MSMEs (Micro, Small and Medium Enterprises) in Manado City? The application of Innovation Capability follows the innovation capacity measurement method created and tested by Forsman (2011) in Alex et al (2019), innovation capacity can be measured using the following seven elements:

1. Ability to exploit knowledge

The leaders/owners of MSMEs (Micro, Small and Medium Enterprises) and employees show that they have a strong ability to seek, recognize, present new knowledge from outside to be applied within the organization. Information utilization programs to exploit knowledge, especially financial information in applications, show that the curiosity of the owners to study financial information to change the company's strategy in increasing sales turnover and achieving the targeted goals so that the performance of MSMEs (Micro, Small and Medium Enterprises) will always be maintained.

2. Entrepreneurial ability (capturing opportunities)

The entrepreneurial abilities possessed by the leaders/owners and employees show that they are not only limited to seeing and looking for opportunities but also how to capture and take these opportunities. With the program outlined in the strategic plan (Strategic plan) the company is trying to make it happen. prepared from the beginning. With the help and facilities from the government, the company is keen to take this opportunity. For example: involving employees and leaders to participate in training and even participating in

exhibitions/bazaars organized by the local government. By seeing the opportunities offered by the government, for example, there are events/events where MSMEs (Micro, Small and Medium Enterprises) spontaneously take the opportunity to participate in these activities.

3. Risk management capability

In risk management, it shows the capabilities possessed by the leaders/owners of MSMEs (Micro, Small and Medium Enterprises) mostly based on established rules and policies, so that their risk management abilities are already good with the mental abilities of the leaders/owners of MSMEs (MSMEs). Micro, Small and Medium). Meanwhile, employees are too afraid to take risks so that opportunities are often lost. For example, when there are consumers who offer to purchase goods with a down payment system and payment is made when the goods are received, employees often refuse because they do not want to take risks, fearing that there will be no payment in full. Their fear is that they will be cut their salaries by the company.

4. Network capability

The leaders/owners and employees of MSMEs (Micro, Small and Medium Enterprises) demonstrate a strong ability to build networks with consumers or their partners. When there are complaints made by consumers and MSME partners with many and strong network capabilities, everything can be resolved quickly and precisely. For example, when there is a large purchase of a company's MSME (Micro, Small and Medium Enterprises) products and at that time the product is still lacking, with the existing network these deficiencies can be overcome.

5. Development capabilities (use internally generated ideas)

The development capability of MSMEs (Micro, Small and Medium Enterprises) in the city of Manado shows that it is still low due to a lack of capital and low turnover and production of goods. with a loan at a bank with a low interest rate. The ability to develop employees is good because MSMEs (Micro, Small and Medium Enterprises) always approach the Department of Cooperatives and MSMEs (Micro, Small and Medium Enterprises) to participate in human resource development programs through training training and seminars.

6. Change management ability

MSMEs (Micro, Small and Medium Enterprises) in the city of Manado to change management capabilities show that they are not yet strong because they are still too afraid of the risks that will arise from management changes. For example, the ability to change the broader marketing strategy of MSMEs (Micro, Small and Medium Enterprises) will consider the pros and cons, if the business is now able to produce, why expand the market with only a small profit.

7. Market and customer knowledge (Nonprofit industry knowledge and Research and Development (R&D)

The ability for market and customer knowledge shows that MSMEs (Micro, Small and Medium Enterprises) in Manado city have market and customer knowledge, for example, marketing and sales strategies are very easy to do, so there will be no mistakes in marketing products to consumers/customers so that targets can be targeted. achieved so that organizational performance remains good.

Conclusion

Summary of findings and theoretical implications

The purpose of this study is to examine and analyze the application of Knowledge Management, Innovative Leadership and Innovation Ability to Organizational Performance in MSMEs (Micro, Small and Medium Enterprises) in the city of Manado. Organizational performance is measured by 3 main themes, namely the application of Knowledge Management, innovative leadership and ability. innovation. Each element will be discussed in the context of improving organizational performance.

1. Knowledge Management to Improve Organizational Performance

The 5 (five) main elements for knowledge infrastructure follow the suggestions of Abualoushu et al (2018) as follows:

1. **General Knowledge:** The general knowledge ability possessed by business leaders/owners and employees in MSMEs (Micro, Small and Medium Enterprises) Manado city is very good mastery of mastery of general knowledge of course organizational performance will increase because MSMEs (Micro, Small and Medium Enterprises)) always adapt to science.
2. **Organizational Structure:** With knowledge of organizational structure from the beginning that has been conveyed to employees and understanding from the leaders/owners of MSMEs (Micro, Small and Medium Enterprises) of course this is very strong and will affect organizational performance.
3. **Information Technology Infrastructure:** Mastery of Information technology infrastructure by the leaders/owners of MSMEs (Micro, Small and Medium Enterprises) most of them have mastered the use of information technology in general but for the use of information technology for applications is still limited to the mastery of the leaders/owners of MSMEs (Micro Small and Medium Enterprises).) and the use of information infrastructure for employees is still lacking because employees do not understand the importance of information technology infrastructure for improving organizational performance.
4. **Organizational Culture:** The knowledge capabilities possessed by the leaders/owners of MSMEs (Micro, Small and Medium Enterprises) in terms of implementing organizational culture in MSMEs in the city of

Manado are very well implemented because with a good organizational culture, of course, employees will feel treated well and this will improve employee enthusiasm in working so that organizational performance remains good.

5. **Physical Environment:** In the physical environment, the availability of infrastructure, transportation systems, electricity and the location of MSMEs (Micro, Small and Medium Enterprises) in Manado city which greatly supports the operations of MSMEs (Micro, Small and Medium Enterprises) will certainly improve their business performance.

2. Innovative Leadership to Improve Organizational Performance

4 (Four) Characteristics of entrepreneurship in innovative leadership according to entrepreneurial characteristics in Zainol et al (2018) as follows:

1. **Vision:** In the findings, MSMEs (Micro, Small and Medium Enterprises) in the city of Manado have a clear and structured vision drawn up by the leaders/business owners. The leadership style in MSMEs (Micro, Small and Medium Enterprises) in the city of Manado, which has a clear vision of the direction of the company's goals, will improve organizational performance.

2. **Innovation:** The leadership style in MSMEs (Micro, Small and Medium Enterprises) in the city of Manado is very innovative and its implementation is going well.

3. **Proactive:** The proactive approach of the leaders/owners of MSMEs (Micro, Small and Medium Enterprises) in the city of Manado is very good. This approach will bring employees to feel cared for and satisfied so as to encourage employees to work more with enthusiasm, and this will affect organizational performance.

4. **Risk taking:** Leaders/owners of MSMEs (Micro, Small and Medium Enterprises) in the city of Manado have a strong mental attitude to, and this brings an attitude of daring to take risks which means daring to go forward so that targets can be achieved and organizational performance will increase.

3. Innovation Ability to Improve Organizational Performance

The 7 (seven) main elements for innovation ability are measured according to Forsman (2011) in Alex et al. (2019) as follows:

1. **Ability to exploit knowledge:** Leaders/owners of MSMEs (Micro, Small and Medium Enterprises) and Employees have a strong ability to seek, recognize, present new knowledge from outside to be applied within the organization, with this ability, of course, organizational performance will always awake.

2. **Entrepreneurial ability (capturing opportunities):** Entrepreneurial abilities possessed by leaders/owners and employees are not only limited to seeing and looking for opportunities but also how to capture and take these opportunities. With these abilities, of course, it will affect organizational performance.

3. **Risk management capabilities:** In risk management the capabilities possessed by the leaders/owners of MSMEs (Micro, Small and Medium Enterprises) are mostly based on established rules and policies, so that the risk management capabilities they have are good with the mental abilities of the leaders/owners UMKM (Micro, Small and Medium Enterprises).

4. **Network capability:** The leaders/owners and employees of MSMEs (Micro, Small and Medium Enterprises) have a strong ability to build networks with consumers or their partners.

5. **Development capability (use internally generated ideas):** The development capability of MSMEs (Micro, Small and Medium Enterprises) in Manado city is still low due to lack of capital and low turnover and production of goods.

6. **Changing management capabilities:** MSMEs (Micro, Small and Medium Enterprises) in the city of Manado to change management capabilities are not yet strong because they are still too afraid of the risks that will arise from management changes.

7. **Market and customer knowledge (Non-profit industry knowledge and Research and Development (R&D):** The ability for market and customer knowledge is strongly controlled by MSMEs (Micro, Small and Medium Enterprises) in the city of Manado with market and customer knowledge

Knowledge Management in improving Organizational Performance

MSMEs (Micro, Small and Medium Enterprises) in Manado City display 4 strong dimensions in the application of knowledge management in improving organizational performance, the four dimensions in knowledge infrastructure, namely: general knowledge, organizational structure, organizational culture and physical environment. While 1 dimension in the application of knowledge management in improving organizational performance displays the

average dimension (can be improved by MSMEs (Micro, Small and Medium Enterprises) in the future), namely: Information Technology Infrastructure. Throughout this research, it shows that the Leaders/owners of MSMEs (Micro, Small and Medium Enterprises) can increase the utilization of Information Technology infrastructure to improve organizational performance.

Innovative Leadership in Improving Organizational Performance

MSMEs (Micro, Small and Medium Enterprises) in Manado City display 4 strong dimensions in the application of Innovative Leadership in improving Organizational performance, The four dimensions of Entrepreneurship Characteristics are: Vision, Innovation, Proactive, Risk Taking MSMEs (Micro, Small and Medium Enterprises must maintain this leadership style in the characteristics of Entrepreneurship so that organizational performance will always be good.

Innovation Ability to Improve Organizational Performance

MSMEs (Micro, Small and Medium Enterprises) in Manado City display 4 (four) strong dimensions in the application of Innovation Capabilities as measured by Innovation Capability in improving organizational performance, the four dimensions are: Knowledge Exploitation Capability, Entrepreneurship Capability, Network Capability and Knowledge Capability and Customers. Meanwhile, the 3 (three) dimensions in the application of Innovation Capabilities show an average dimension (Can be improved by MSMEs (Micro, Small and Medium Enterprises) in the future) namely Risk Management Capability, Development Capability and Change Management Capability. MSMEs, especially the Leaders/Owners, must be able to increase the dimensions mentioned above.

Limitations and Future Research Directions

Limitations of this study:

1. There is no financial analysis because there are no financial reports that are indicators of organizational performance.
2. The scope of the research area is limited and tied to one place (Manado City)

Future research directions

Can add variables or elements of financial analysis

References

1. Abdul Hamid, R Tasmin (2013) . the Relationship of Business Innovation Capabilities and Tecnology Innovation Capabilities on SME Organization Performance : A Conceptual. Proceedings the 2nd Internasional Conference On Global Optimization and Its Applications (IC0GOIA2013) 2 (August) 121 – 128 <http://eprints.uthm.edu.my/4424/>
2. Abdul Aziz ,Delli Maria, Muhamdad F. Azima (2020) . Development of Knowledge Management System for determining Organizational Performance, Total Quality Management and Culture Journal of Physics: Conference Series. <https://dx.doi.org/10.1088/1742-6596/1529/2/022063>
3. Abubakar Muhamad, Elrehail H, Alatailat, (2019) Knowledge management, decision-making style and organizational performance. Journal of Innovation and Knowledge 104-114 <https://dx.doi.org/10.1016/j.jik.2017.07.003>.
4. Alex Antonites1 Wentzel J. Schoeman1 Willem F.J. van Deventer (2019) . A critical

- analysis of social innovation: A qualitative exploration of a religious organisation. HTS Theologiese Studies/Theological Studies. <http://dx.doi.org/10.4102/hts.v75i4.5282>
5. BPS Provinsi Sulawesi Utara. 2022. Sulawesi Utara Dalam Angka Tahun 2021. Manado : Bps provinsi Sulawesi Utara.
 6. Dorleta Ibarra, Ali z, Bigdeli, Juan I Igartua, Jaione Ganzarian (2020) . Business Model Innovation in Established SMEs: A Configurational Approach. Journal of Open Innovation: Technology, Market, and Complexity. <https://dx.doi.org/10.3390/JOITMC6030076>
 7. Dhanpat Neles .2020. Industry 4.0: The role of human resource professionals <https://www.researchgate.net/publication/341706965>
 8. Fahad A. A Sawaeen, Khairul A.M Ali, Ahmad A.A. Alanezi (2021) . Entrepreneurial Leadership and Organizational Performance of SMES in Kuwait : The Intermediate Mechanisms of Innovation Management and Learning Orientation. Interdisciplinary Journal of Information 16:459-489. DOI:10.28945/4887
 9. Hussein S. Al-Sohaim -Walid Y. Montasser - Abd A. Al Manhawy (2016) . The Effect of Knowledge Management on Organizational Performance through Total Quality Management. International Journal of Scientific & Engineering Research . <https://www.ijser.org/researchpaper/The-Effect-of-Knowledge-Management-on-Organizational-Performance-through-Total-Quality-Management.pdf>
 10. John C. Azamela, Zhiwei Tang , Emmanuel Bruce (2022) . The Impact of Institutional Creativity and Innovation Capability on Innovation Performance of Public Sector Organization in Ghana. Sustainability (Switzerland) (2022) <https://dx.doi.org/10.3390/su14031378>
 11. Kania Suryanigrum, Masye Pangkey, Burhanuddin Kiyai. (2015). Efektivitas Pelaksanaan Program Pengembangan Usaha Mikro Kecil Dan Menengah Usaha Mikro Kecil Menengah (Suatu Studi Di Dinas Koperasi, Usaha Mikro, Kecil. Dan Menengah Kota Manado). Jurnal Administrasi Publik. <https://ejournal.unsrat.ac.id/index.php/JAP/issue/view/986>
 12. Maria R Lee , Yi C. Lan (2019) . A comparative analysis of knowledge management in SMEs. Lecture Notes in Business Information Processing (2009) 20 LNBIP 487-495. https://dx.doi.org/10.1007/978-3-642-01112-2_49
 13. Mohammed A. Abusweilema, Shadi Habis Abualoushb (2019) . The impact of knowledge management process and business intelligence on organizational performance. Management Science Letters <http://dx.doi.org/10.5267/j.msl.2019.6.020>
 14. Mulyadi. 2007. Sistem Perencanaan dan Pengendalian Manajemen. Jakarta: Salemba Empat.
 15. Nader Nada, Zulfigar Ali. (2015) . Service Value Creation Capability Model to Assess the Service Innovation Capability in SMEs. Procedia CIRP (2015) 30 390-395. <https://dx.doi.org/10.1016/j.procir.2015.02.218>
 16. Norlaila W. Osman, Arasina Kamis (2019) , Tang K. Ngang, Saowanne Sirisooksilp (2019) . The Innovation Leadership Skills for Middle-Vocational Leader of Technical and Vocational Education and Training (TVET) in Malaysia. Internasional Journal of Psychosocial Rehabilitation 23(4): 930-942. <http://dx.doi.org/10.37200/IJPR/V23I4/PR190421>

17. Patrik Aspers¹, Ugo Corte. (2019). What is Qualitative in Qualitative Research. *Qualitative Sociology*. <https://dx.doi.org/10.1007/s11133-019-9413-7>
18. Ryan Nobel . (2021). Penggerak Roda Perekonomian, Pemkot Manado Terus Dorong Pertumbuhan 23.375. *New Manado today*. <https://www.manadotoday.co.id/berita-pilihan/penggerak-roda-perekonomian-pemkot-manado-terus-dorong-pertumbuhan-23-375-umkm/>
19. Shadi Abualoush , Jordan shadi, Ra'ed Masa'deh, Khaled Bataineh, khaled adnan (2018). The Role of Knowledge Management Process and Intellectual Capital as Intermediary Variables between Knowledge Management Infrastructure and Organization Performance. *Interdisciplinary Journal of Information* 13:279-30. DOI:10.28945/4088
20. Tor Aas, Karl J. Breunig (2017) .Conceptualizing Innovation Capabilities : A Contingency Perspective.*Journal Of Entrepreneurship, Management and Innovation* . <https://doi.org/10.7341/20171311>
21. Wallapha Ariratana , Tang K. Ngang, Saowanne Sirisooksilp (2019) . The effect of Innovation Leadership on Competency of Creating High Performance.*Kasetsart Journal of Social Science* . <https://dx.doi.org/10.34044/j.kjss.2019.40.2.03>
22. Zainol, Daud, Abubakar (2018) . A Linkage Between Entrepreneurial Leadership and SMEs Performance. *Internasional Journal of Academic Research in Business and Social Science* 8 (4).. <https://dx.doi.org/10.6007/ijarbss/v8-i4/4000>