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THE MEDIATING ROLE OF ABSORPTIVE CAPACITY IN THE RELATIONSHIP OF KNOWLEDGE SHARING AND INNOVATION PERFORMANCE IN MSMES

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ABSTRACT
The purpose of this study is to analyze the mediating role of knowledge sharing in the relationship between knowledge sharing and innovation performance in MSMEs. The research used in the study used explanatory with a quantitative approach. The population in this study were all MSMEs in the fashion sector in Rembang Regency totaling 230 MSMEs. The sampling technique in this study was nonprobability sampling. The method used was purposive sampling where researchers used an assessment of certain criteria in conducting research. The number of samples taken in this study was 70 MSMEs in the fashion sector that have been operating for at least 1 year. Respondents in this study were fashion MSMEs in Rembang Regency. The data analysis technique in this study used Partial Least Square (PLS) with the help of SmartPLS software. The results showed that knowledge sharing has a significant positive effect on innovation performance. Knowledge sharing has a significant positive effect on absorptive capacity. Absorptive capacity has a significant positive effect on innovation performance. Knowledge sharing has a significant positive effect on innovation performance mediated by absorptive capacity.
Keywords: *Absorptive Capacity, Innovation Performance, Knowledge Sharing*

PERAN MEDIASI *KNOWLEDGE SHARING* DALAM HUBUNGAN ANTARA BERBAGI PENGETAHUAN DAN *INNOVATION PERFORMANCE* PADA UMKM

ABSTRAK
Tujuan dari penelitian ini untuk menganalisis peran mediasi Knowledge sharing dalam hubungan antara berbagi pengetahuan dan kinerja inovasi pada UMKM. Penelitian yang digunakan dalam penelitian menggunakan explanatori dengan pendekatan kuantitatif. Populasi dalam penelitian ini adalah seluruh UMKM di bidang fashion di Kabupaten Rembang sejumlah 230 UMKM. Teknik pengambilan sampel dalam penelitian ini adalah *non probability sampling*. Metode yang digunakan adalah *purposive sampling* dimana peneliti menggunakan penilaian kriteria tertentu dalam melakukan penelitian. Jumlah sampel yang diambil dalam penelitian ini sebesar 70 UMKM dibidang fashion yang telah beroperasi minimal 1 tahun. Responden pada penelitian ini adalah UMKM fashion di Kabupaten Rembang. Teknik analisis data dalam penelitian ini menggunakan Partial Least Square (PLS) dengan bantuan software SmartPLS. Hasil penelitian menunjukkan bahwa *Knowledge sharing* berpengaruh positif signifikan terhadap *innovation performance*. Knowledge sharing berpengaruh positif signifikan terhadap *absorptive capacity*. *Absorptive capacity* berpengaruh positif signifikan terhadap *innovation performance*. *Knowledge sharing* berpengaruh positif signifikan terhadap *innovation performance* dimediasi oleh *absorptive capacity.*
Kata Kunci: *Absorptive Capacity, Innovation Performance, Knowledge Sharing*

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INTRODUCTION

One sector that can make a high contribution to the national economy is Micro, Small, and Medium Enterprises (hereinafter abbreviated as MSMEs). Data from the Ministry of Cooperatives and Small and Medium Enterprises (Kemenkopukm) shows that the number of SMEs continues to increase from year to year and can make a major contribution to the national GDP (Gross Domestic Product). Although MSMEs have always experienced rapid development, the Covid-19 pandemic has made the performance of MSMEs decline (Utomo, 2020). One way to increase the growth of MSMEs is through innovation (Jasimuddin & Naqshbandi, 2019). Innovation is one of the most important factors for a company's long-term survival. Innovation in the company starts with new ideas generated, adopted, or modified by individual employees to improve the Company's performance (Kang & Lee, 2017).

Innovation Performance is the creation of new thoughts, knowledge and ideas that can create new products and services (Nham et al., 2020). Innovation has an important role for all companies from various industries, including MSMEs, technology companies, and even state-owned companies. Companies that can implement innovation well then the company has good innovation performance analyzed the formation of innovation in 379 technology companies from China and found that there is one important factor in improving innovation, namely knowledge absorptive capacity (Xie et al., 2018).

Absorptive Capacity is the ability to acquire, assimilate, and then exploit external information for commercial purposes has become an important capability for companies to create competitiveness by developing new products or increasing flexibility (Müller et al., 2021). Information is an important aspect of business strategy not only for large companies but also for micro and small companies. Absorptive Capacity can increase their ability to continue to innovate, while innovation itself is the key to the company's sustainability in attracting and maintaining market share. Moreover, in today's knowledge-based economy, MSMEs need to adopt technology as it enables them to provide better and more competitive services (Triono & Rachman, 2021). So the success of MSMEs can be attributed to how well they manage their knowledge. To increase innovation in MSMEs, it is necessary to develop several capabilities both at the individual employee level and the organizational level, namely knowledge sharing (Chang et al., 2017).

Knowledge sharing is a process in which implicit or explicit knowledge is distributed and communicated to others (Fernandes & Moreira, 2019). The ability to manage information well and the ability to develop knowledge and share knowledge with each member of the organization equally will be able to improve the quality of innovation by the company and the speed of innovation by the company (Md Husin & Haron, 2020). Knowledge sharing reveals two aspects, namely contributing knowledge and collecting knowledge. Therefore, MSMEs, which are a

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business sector that urgently needs quality and rapid innovation because they still have a limited market share, must try to implement knowledge sharing properly (Tassabehji et al., 2019).

Likewise, the Rembang Regency Government, namely the Head of the Head of the Office of Cooperative Trade and SMEs (Dinindakop), said that Rembang MSMEs are trying to provide encouragement and guidance so that MSME players can survive the conditions of the Covid-19 pandemic (Adhitama, 2018). The COVID-19 pandemic has affected many sectors of the domestic and global economy, especially the micro, small, and medium enterprises (MSMEs) sector. This is the background to the problem, that the efforts of the Rembang Regency Government have not brought maximum results (Widodo, 2019).

Several studies on knowledge sharing show different results, such as Kang & Lee, (2017) research showing that knowledge sharing has a positive effect on innovative behavior, knowledge sharing affects ACAP and ACAP affects innovative behavior. Likewise, research by Klongthong et al., (2020) shows that knowledge sharing activities affect innovation speed, innovation quality, competitive advantage, and innovation quality. In contrast to Kosasih dan Budiani, (2008) research, knowledge management does not affect organisational performance.

Based on the results of this study, it shows a contradiction between one researcher and another. With this research gap, a solution is needed in improving innovation performance, namely by adding absorptive capacity variables with consideration because one of the advantages of a company having absorptive capacity is that it can increase its ability to continue to innovate, while innovation itself is the key to the company's sustainability in attracting and maintaining market share. In this study, absorptive capacity is positioned as a mediating variable.

This study also continues the limitations of research from (Silvianita & Pradana, 2022) which discusses the relationship between Absortive Capacity and knowledge management on innovation capability in Telkom University alumni who have entered the workforce or have professional placements. The study suggested examining the effects of knowledge sharing and absorptive capacity on innovation in a small and medium enterprise (MSME) environment. Therefore, this research will examine more deeply one of the knowledge management practices, namely knowledge sharing using absorptive capacity to improve the Innovation Performance of MSMEs.

From previous studies, it can be concluded that there are limitations and further research, therefore this study is interested in continuing the limitations of previous research which raises the concept of the role of knowledge sharing to improve the innovation performance of MSMEs supported by absorptive capacity. Based on the background of the problems described above and some previous research results, this study will take the title "The Mediating Role of Absorptive

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Capacity in the Relationship of Knowledge Sharing and Innovation Performance in MSMEs".

THEORETICAL REVIEW

Innovation Performance

Innovation performance is the creation of new thoughts, knowledge, and ideas that can create new products and services (Nham et al., 2020). Humairoh dan Budi, (2019) discussed innovation in companies in two dimensions, namely product and process innovation, then analyzed and found that innovation can improve quality performance, especially in the application of Total Quality Management (TQM). Margiutomo dan Sundari, (2022) measures innovation performance with four dimensions, namely product innovation, process innovation, marketing innovation, and organizational innovation.

Based on several definitions of experts, it can be concluded that Innovation Performance is Knowledge Sharing is a process where individuals exchange knowledge. The process by which individuals exchange the knowledge and experience they have. Through knowledge sharing, there will be an increase in the value of knowledge owned by the organization. There are several indicators of Innovation Performance according to experts, namely product innovation, process innovation, marketing innovation and organisational innovation.

Absorptive Capacity

Absorptive capacity adalah kemampuan untuk memperoleh, mengasimilasi dan kemudian mengeksploitasi informasi eksternal untuk tujuan komersial telah menjadi kemampuan penting bagi perusahaan untuk menciptakan daya saing dengan mengembangkan produk baru atau meningkatkan fleksibilitas(Jasimuddin & Naqshbandi, 2019). Absorptive capacity dalam perusahaan mencakup tiga dimensi yaitu knowledge acquisition, knowledge assimilation dan knowledge application (Valdez-Juárez & Castillo-Vergara, 2021).

Knowledge Sharing

Knowledge sharing is a broader concept than ordinary knowledge transfer, knowledge sharing has more meaning as a procedure or social interaction to exchange knowledge (Tajpour & Hosseini, 2021). Knowledge sharing is a process in which implicit or explicit knowledge is distributed and communicated to others (Gao & Zhu, 2015). Knowledge sharing, whether spontaneous, structured, or unstructured, is vital for organizational success. Knowledge sharing is one of the activities in knowledge management. An organization should develop a workforce to manage and structure its knowledge. Measurement of knowledge sharing from several literatures mostly uses two dimensions, namely collecting and donating. However, Wang et al. (2017) measured knowledge sharing with 4 indicators, namely sharing reports, sharing methods, sharing an experience or know-how and sharing know where and know whom.

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Research Framework

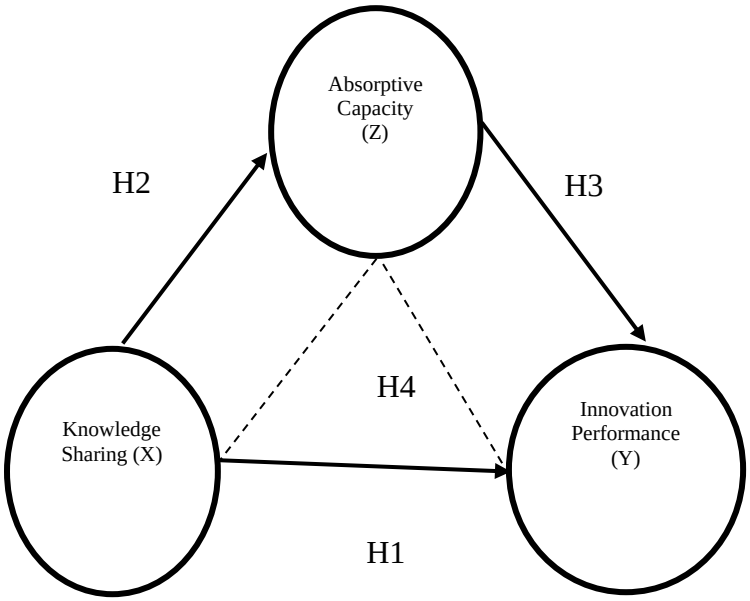

Figure 1. Research Framework

Hypothesis Development

Knowledge Sharing and Innovation Performance

Research conducted by Tassabehji et al., (2019) using Knowledge Sharing and Innovation Capability variables using 19 SME research subjects in the UK. The result of this study is that the Knowledge Sharing Process affects Innovation Capability. Research conducted by Xie et al., (2018) using variables Knowledge sharing, Strategic Orientation, Innovation and Performance and using research subjects 110 SMEs. The results of this study are KS has an effect on innovation, KS has an effect on performance, strategic orientation affects innovation and strategic orientation affects performance.

Research conducted by Nham et al., (2020) used variables Knowledge sharing, Individual, Innovation ability, and Organizational innovation capability. This study used research subjects 392 employees of telecommunications companies in Vietnam. The results of this study are Knowledge Sharing affects Individual IC and Organizational IC and Individual IC mediates Knowledge Sharing and Organizational IC. Based on the explanation above, the hypothesis formulation is concluded as follows:

H1: Knowledge Sharing has a significant effect on Innovation Performance

Knowledge Sharing and Absorptive Capacity

Research conducted by Kang & Lee, (2017) uses variables of Absorptive capacity, Knowledge sharing, and Innovative behaviour with research subjects 138 employees from multinational electronic companies. The results of this study are Knowledge Sharing Affects Innovative Behaviour, Knowledge Sharing Affects ACAP and ACAP Affects Innovative Behaviour. Research conducted by Ahmed et al., (2019)which uses variables of Knowledge governance, Knowledge sharing, Absorptive capacity, and Project Performance. This study uses research subjects 133 PBOs in Pakistan's information technology/software industry with the results of Knowledge Governance affecting Knowledge Sharing, Knowledge Sharing affecting Absorptive Capacity, and Absorptive Capacity affecting Project Performance.

Research conducted by Trinovela & Saragi, (2021) using variables Knowledge management practices, and Absorptive capacity with research subjects 260 SMEs in Portugal. The result of this study is that Knowledge Management Practice has an effect on Absorptive Capacity. Based on the explanation above, the hypothesis is formulated as follows:

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H2: Knowledge Sharing has a significant effect on Absorptive Capacity

Absorptive Capacity and Innovation Performance

Research conducted by Müller et al., (2021)with Absorptive Capacity and Innovation variables with 88 SMEs in Peru as research subjects. The result of this study is that Absorptive Capacity has a significant effect on innovation. Research conducted by Silvianita & Pradana, (2022) using Organisational Learning Orientation (OLO), Absorptive Capacity (AC), and Innovation Ability (IC) variables. This study used research subjects of 239 employees of manufacturing companies in Poland. The results of the study are that OLO affects AC, AC affects KS and ICA, KS affects ICA and KS mediates the relationship between AC and ICA. Based on this explanation, it can be concluded that the hypothesis formulation is as follows:

H3: Absorptive Capacity Significantly Affects Innovation Performance.

H4: Absorptive Capacity Mediates the Effect of Knowledge Sharing on Innovation Performance.

RESEARCH METHOD

The research used in the study used explanatory with a quantitative approach. This quantitative approach is based on the philosophy of positivism which is used to research on certain populations or samples and data collection using research variables (Sugiyono, 2015). This study aims to analyze the influence and relationship between variables consisting of independent variables, namely knowledge sharing (X) then the dependent variable, namely Innovation performance (Y), and the mediating variable Absorptive capacity (Z).

The population in this study were all MSMEs (Micro, Small, and Medium Enterprises) in the fashion sector in Rembang Regency totaling 230 MSMEs (Dinindagkop UMKM Kab. Rembang, 2022). The sampling technique in this study was nonprobability sampling. Due to the unknown population size (Rahi, 2017). The method used is purposive sampling where researchers use certain criteria assessments in conducting research. The number of samples taken in this study was 70 MSMEs in the fashion sector that have been operating for at least 1 year. Respondents in this study were fashion MSMEs in Rembang Regency.

The data used in this study are primary and secondary data. Primary data in this study were obtained from questionnaires given to fashion MSMEs in Rembang Regency. The data obtained is in the form of answers to statements in the questionnaire. The questionnaire was compiled on the basis of indicators of the variables in the study which were carried out using filling out questionnaire statements by respondents.

PLS-SEM analysis is used as a tool to predict and find complex patterns with less stringent data requirements (Sekaran & Bougie, 2017). The data analysis technique in this study uses Partial Least Square (PLS) with the help of SmartPLS software. The advantage of using least squares is that the number of samples required for analysis is relatively small, SmartPLS can test

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SEM models with different scale forms such as Likert scales and other scale models. PLS-SEM analysis includes two models, namely the outer model and the inner model (Edeh et al., 2023).

RESULTS AND DISCUSSION

A. RESULTS

Outer Model Analysis

Convergent Validity

To test convergent validity, the outer loading value or loading factor is used. An indicator is declared to meet convergent validity in a good category if the outer loading value is> 0.7. The following is the outer loading value of each indicator on the research variables.

Table 1. Outer Loading Value

Variable	Indicator	*Outer Loading*	Description
Knowledge Sharing (X)	KC.1	0,815	Valid
	KC.2	0,887	Valid
	KC.3	0,867	Valid
	KC.4	0,857	Valid
	KD.1	0,824	Valid
	KD.2	0,857	Valid
	KD.3	0,897	Valid
	KD.4	0,853	Valid
Absorptive Capacity (Z)	AQ.1	0,881	Valid
	AQ.2	0,896	Valid
	AS.1	0,859	Valid
	AS.2	0,790	Valid
	EX.1	0,864	Valid
	EX.2	0,869	Valid
	TR.1	0,888	Valid
	TR.2	0,836	Valid
Innovation Performance (Y)	IP.1	0,864	Valid
	IP.2	0,876	Valid
	IP.3	0,871	Valid
	IP.4	0,867	Valid

Source: Processed Primary Data, 2023

Based on Table 1, it is known that each indicator of the research variable has many outer loading values> 0.7. However, according to (Chin, 1998) the measurement scale loading value of 0.5 to 0.6 is considered sufficient to meet the requirements of convergent validity. The data above shows that there are no variable indicators whose outer loading value is below 0.5, so all indicators are declared feasible or valid for research use and can be used for further analysis.

Discriminant Validity

Discriminant validity can be known through the AVE (Average Variance Extracted) method> 0.5 so that it can be said to be valid in convergent validity (Fornell and Larcker, 1981). The following is the AVE value of each variable in this study:

Table 2. Average Variance Extracted Value

Variable	*AVE*	Description
Knowledge Sharing (X)	0,736	Valid
Absorptive Capacity (Z)	0,741	Valid
Innovation Performance (Y)	0,756	Valid

Source: Processed primary data, 2023

Based on Table 2, each variable in this study shows the AVE (Average Variance Extracted) value, which is > 0.5. Each variable in this study has a respective value for knowledge sharing of 0.736, absorptive capacity of 0.741, and

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innovation performance of 0.756. This shows that each variable in this study can be said to be valid in terms of discriminant validity.

Composite Reliability

Composite reliability is the reliability of construct measurement is the part used to test the reliability value of indicators on a variable. A variable can be declared to meet composite reliability if it has a composite reliability value> 0.7. Below is the composite reliability value of each variable in this study:

Table 3. Composite Reliability

Variable	*Composite Reliability*	Description
Knowledge Sharing (X)	0,957	Reliable
Absorptive Capacity (Z)	0,958	Reliable
Innovation Performance (Y)	0,925	Reliable

Source: Processed primary data, 2023

Table 3 shows that the composite reliability value of all research variables is> 0.7. For the value of knowledge sharing of 0.957, absorptive capacity of 0.958, and innovation performance of 0.925. This shows that each variable has fulfilled composite reliability so it can be concluded that all variables have a high level of reliability.

Cronbachs Alpha

The second reliability test is Cronbach's Alpha. Cronbach's Alpha is a statistical technique used to measure the internal consistency of psychometric variable indicators.

Table 4. Cronbachs Alpha

Variable	*Cronbachs Alpha*	Description
Knowledge Sharing (X)	0,949	Reliable
Absorptive Capacity (Z)	0,950	Reliable
Innovation Performance (Y)	0,892	Reliable

Source: Processed primary data, 2023

Based on table 4, shows that the Cronbach alpha value of all variables in this study is above> 0.6, which means that the Cronbach alpha value has met the requirements so that all constructs can be said to be reliable.

Multicollinearity Test

Multicollinearity can be detected with a cut-off value that shows a tolerance value> 0.1 or the same as a VIF value < 5, which means that there is no strong correlation between the independent variables. Below is the VIF value in this study:

Table 5. Collinearity Statistic (VIF)

Inner VIF	VIF	Description
X -> Y	4,812	*Non multicollinearity*
X -> Z	1,000	
Z -> Y	4,812	*Non multicollinearity*
		Nonmulticollinearity

Source: Processed primary data, 2023

Table 5 the results of Collinearity Statistics (VIF) to see the multicollinearity test with the results of the knowledge sharing variable on innovation performance of 4.812. The value of the variable knowledge sharing on absorptive capacity is 1,000. And the value of the absorptive capacity variable on innovation performance is 4,812. Each variable has a cut-off value> 0.1 or the same as the

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VIF value < 5, so it does not violate the multicollinearity test.

Inner Model Analysis

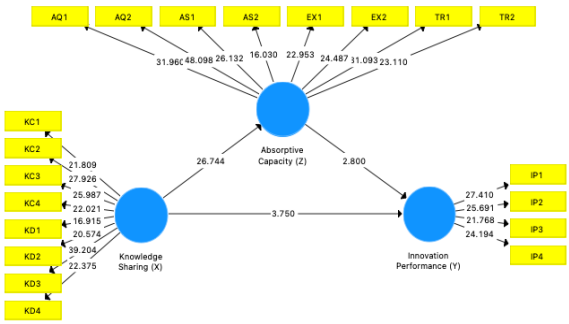

Figure 3. Inner model

The goodness of fit test

Structural model evaluation is carried out to show the relationship between manifest and latent variables from the main predictor, mediator, and outcome variables in one complex model. This model goodness test consists of two tests, namely R Square (R^2) and Q-Square (Q2).

R-Square Value

The R^2 or R-Square value shows the determination of exogenous variables on endogenous variables. A greater R^2 value indicates a better level of determination. R^2 values of 0.75, 0.50, and 0.25 can be concluded that the model is strong, moderate, and weak (Ghozali, 2015). The following is the value of the coefficient of determination in this study.

Table 6. R-Square value

Source: Processed primary data, 2023

Based on Table 6 R-Square is used to see the magnitude of the influence of the knowledge-sharing variable on absorptive capacity, namely with a value of 0.792 or 79.2%, this relationship is strong. The magnitude of the influence of the knowledge-sharing variable on innovation performance is with a value of 0.776 or 77.6%, so this relationship is a strong relationship.

The next test is the Q-Square test. The Q^2 value in structural model testing is done by looking at the Q^2 (Predictive relevance) value. The Q^2 value can be used to measure how well the observation value produced by the model is also its parameter. The following are the results of the calculation of the Q-Square value:

$$\textit{Q-Square} = 1 - [(1 - R^2 1)] \text{ X } [(1 - R^2 2)]$$
$$= 1 - [(1 - 0{,}792)] \text{ X } [(1 - 0{,}776)]$$
$$= 0{,}9535$$

Based on the research results above, the Q-Square value is 0.9535. This value explains the diversity of the research data can be explained by the research model by 95.35%, while the remaining 4.65% is explained by other factors that are outside this research model. Thus, from the results of these calculations, this research model can be declared to have good goodness of fit.

Hypothesis Test

1. Path Coefficient Test

The p value <0.05 indicates that there is a direct influence between variables while the p value> 0.05 indicates that there is no direct influence between variables. In this study, the

	R-Square	***R-square Adjusted***
Absorptive Capacity (Z)	0,792	0,790
Innovation Performance (Y)	0,776	0,771

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significance value used is t-statistic 1.96 (significant level = 5%). If the t-statistic value> 1.96 then there is a significant influence. Hypothesis testing was carried out with the help of SmartPLS (Partial Least Square) 3.0 software. Below is the path coefficient value of the test results.

Table 7. Path Coefisien (Direct Effect)

	Hypothesis	*Original Sample*	*t-Statistics*	*P Values*	Description
Knowledge Sharing (X) -> Innovation Performance (Y)	H1	0.507	3.750	0.000	**Positive Significant**
Knowledge Sharing (X) -> Absorptive Capacity (Z)	H2	0.890	26.744	0.000	**Positive Significant**
Absorptive Capacity (Z) -> Innovation Performance (Y)	H3	0.399	2.800	0.003	**Positive Significant**

Source: Processed primary data, 2023

Based on table 7, the interpretation is as follows:

1. The first hypothesis tests whether knowledge sharing has a positive and significant effect on innovation performance. The table above shows a t-statistic value of 3.750 with an effect of 0.507 and a p-value of 0.000. With a t-statistic value> 1.96 and a p-value <0.05, it can be concluded that the first hypothesis is accepted.
2. The second hypothesis tests whether knowledge sharing has a positive and significant effect on absorptive capacity. The table above shows the t-statistic value of 26.744 with a magnitude of 0.890 and a p-value of 0.000. With a t-statistic value> 1.96 and a p-value <0.05, it can be concluded that the second hypothesis is accepted.
3. The third hypothesis tests whether absorptive capacity has a positive and significant effect on innovation performance. The table above shows the t-statistic value of 2.800 with an effect of 0.399 and a p-value of 0.003. With a t-statistic value> 1.96 and a p-value <0.05, it can be concluded that the second hypothesis is accepted.

Indirect Effect Test

The next step is indirect effect testing which can be seen from the specific indirect effect results. If the P-Values value <0.05 then it is significant. This means that the mediator variable mediates the effect of an exogenous variable on an endogenous variable, in other words, the effect is indirect. If the P-value> 0.05 then it is not significant. This means that the mediator variable does not mediate the effect of an exogenous variable on an endogenous variable. Below is the specific indirect model value.

Table 8. Indirect Effect

Indirect Effect	*Original Sample*	*t-Statistics*	*P Values*	Description
Knowledge Sharing (X) -> Absorptive Capacity (Z) -> Innovation Performance (Y)	0.355	2.858	0.002	**Positive Significant**

Source: Processed primary data, 2023

Based on Table 8, the results show that:

The fourth hypothesis tests whether absorptive capacity mediates the relationship between knowledge sharing and innovation performance. Based on the table above, shows that the t-statistic value is 2.858, which means> 1.96 with a p-value

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of 0.002, which means <0.05. So it can be concluded that knowledge sharing on innovation performance can be mediated by absorptive capacity partially.

DISCUSSION

Based on the above analysis, some interpretations can be explained as follows:

1. The Effect of Knowledge Sharing on Innovation Performance

Knowledge sharing is a broader concept than transferring ordinary knowledge, knowledge sharing has more meaning as a procedure or social interaction to exchange knowledge. Knowledge sharing, whether spontaneous, structured, or unstructured, is vital for organizational success. Through knowledge sharing, there will be an increase in the value of the knowledge owned by the organization.

The results of this study are in line with those conducted by Tassabehji et al. (2019) using Knowledge Sharing and Innovation Capability variables using 19 SME research subjects in the UK. The result of this study is that the Knowledge Sharing Process affects Innovation Capability.

2. The Effect of Knowledge Sharing on Absorptive Capacity

Knowledge sharing is one of the activities in knowledge management. An organization develops a workforce to manage and structure its knowledge. Absorptive capacity is the ability to acquire, assimilate, and then exploit external information for commercial purposes has become an important capability for companies to create competitiveness by developing new products or increasing flexibility.

The results of this study are in line with those conducted by Kang & Lee, (2017) who used the variables Absorptive capacity, Knowledge sharing, and Innovative behavior with research subjects 138 employees from multinational electronic companies. The results of this study are Knowledge Sharing Affects Innovative Behaviour, Knowledge Sharing Affects ACAP and ACAP Affects Innovative Behaviour. Research conducted by Ali et al., (2018) which uses variables of Knowledge governance, Knowledge sharing, Absorptive capacity, and Project Performance.

3. The Effect of Absorptive Capacity on Innovation Performance

Absorptive Capacity is a company's strategic capability that allows it to use different external knowledge sources for innovation. In addition, it is proven that an organization with the aim of increasing organizational innovation must have sufficient absorptive capacity. Innovation performance is the creation of new thoughts, knowledge, and ideas that are able to create new products and services. Discussing innovation in the company in two dimensions, namely product and process innovation, then analyzing and produced that innovation is able to improve quality performance.

The results of this study are in line with those conducted by Ortigueira et al., (2020) with the

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results of his research showing that Absorptive Capacity has a positive and significant effect on Innovation.

4. The Effect of Knowledge Sharing on Innovation Performance Mediated by Absorptive Capacity

Knowledge sharing is a broader concept than transferring ordinary knowledge, knowledge sharing has more meaning as a procedure or social interaction to exchange knowledge. Knowledge sharing, whether spontaneous, structured, or unstructured, is vital for organizational success. Through knowledge sharing, there will be an increase in the value of the knowledge owned by the organization.

Absorptive Capacity is a company's strategic capability that allows it to use different external sources of knowledge for innovation. Innovation performance is the creation of new thoughts, knowledge, and ideas that can create new products and services. Discussing innovation in the company in two dimensions, namely product and process innovation, then analyzing and producing that innovation is able to improve quality performance.

The results of this study are in line with those conducted by Ortigueira et al., (2020) with the results of his research showing that Absorptive Capacity mediates the relationship of knowledge sharing to Innovation.

CONCLUSION

Judging from the results of the analysis that has been done, this research can conclude that Knowledge sharing has a significant positive effect on innovation performance. Knowledge sharing has a significant positive effect on absorptive capacity. Absorptive capacity has a significant positive effect on innovation performance. Knowledge sharing has a significant positive effect on innovation performance mediated by absorptive capacity.

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