



# Knowledge Sharing and Workplace Spirituality as The Mediation Between Innovation Climate and Employee Absorptive as Capacity: A Critical Assessment On Business Performance In Village-Own Enterprise (VOE) In Malang, Indonesia

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## ABSTRACT

**Purpose** – Using the Knowledge-Based View (KBV) as the basis for research, the purpose of this study is to examine the factors that influence the business performance of BUMDes/ Village-Own Enterprise (VOE) in Malang Regency in the context of human resource management. This study uses innovation climate, knowledge sharing, workplace spirituality and employee absorptive capacity in the research model.

**Design/methodology/approach**– This study uses a quantitative descriptive method. The collected cross-sectional data used discuss 5 direct and 2 indirect relationships in the model. The model was tested by surveying 96 respondents who are BUMDes employees in Malang Regency. This study uses SmartPLS SEM to analyze the data.

**Finding**– The results showed that all hypotheses of direct relationships were accepted. The Innovation Climate affects knowledge sharing which then encourages employee absorptive capacity. Workplace Spirituality has a positive effect on employee absorptive capacity, while knowledge sharing has a negative effect. The result is that employee absorptive capacity is proven to be a direct predictor of business performance. This study extends the practical, policy and theoretical implications to BUMDes stakeholders.

**Research limitations**– This study limits the generalizability of the findings. Therefore, the scope of the research needs to be increased by conducting different analyzes of each type of BUMDes from more regions to meet the expected generalizations. Furthermore, it is suggested that further research emphasizes more on qualitative aspects.

**Originality/value**– Employee absorptive capacity and business performance are important discussions in various studies. However, very few studies have focused on the context of BUMDes.

**Keywords:** *Village-Own Enterprise, Innovation Climate, Knowledge Based View, Absorptive Capacity.*

## 1. INTRODUCTION

Village economic development is one of the main priorities of policy makers, especially in developing countries such as Indonesia, supported by Arifin, B [1]. This initiative encourages the formation of Village Owned Enterprises (BUMDes) as stipulated in the Minister of Village Regulation Number 4 of 2015 by allowing villages to utilize village income as equity capital to increase the potential for economic revenue in the village through the development of business entities. The large role that BUMDes has does not only have implications for the local economic context but can also encourage national economic growth, supported by Saragi, N [2]. Therefore, in supporting the development of BUMDes, the state allocates Rp. 400.1 trillion for Villages in the 2015-2021, supported by Susilo [3].

Village economic development through BUMDes emphasizes growth, equality, balance, and sustainability by empowering the surrounding community or local villagers. BUMDes provide opportunities for the community to become entrepreneurs, trade, distribute agricultural products or other economic activities, supported by Kania I [4]. Furthermore, BUMDes can also provide job opportunities to the surrounding community through the development of village infrastructure, small business financing, and other empowerment programs organized by village-owned enterprises. In 2018, 56 percent of the total villages in Indonesia had BUMDes. This shows that the development and management of BUMDes has not yet reached an optimal level. In line with this statement, [1] states that the utilization and contribution of BUMDes to economic and social conditions in the community is still relatively low. So it is necessary to have an optimal BUMDes development model so that the positive impact and objectives of the BUMDes can be achieved

Malang Regency is one of the areas that have problems in the development and management of BUMDes. Data from the Malang Regency Village Community Empowerment Service reported that only 113 BUMDes could be developed from 378 villages. On the other hand, there are still 278 villages in Malang Regency that do not yet have BUMDes, so it will be urgent to build and strengthen their network. Furthermore, when viewed based on the category level of BUMDes in Malang Regency, 15% of BUMDes are in the good category, 25% in the fairly good category, and 60% BUMDes category is not good, supported by Naranjo-Valencia [5]. So it can be seen that the majority of BUMDes in Malang Regency have not reached the optimal level. One of the factors that hinders BUMDes is the lack of human resource capabilities in adapting, supported by Yaya R [6]. BUMDes need to have the adaptability to cope with growing competition, a diverse workforce and an increasingly complex work environment, supported by Wahyuningtyas [7]. A growing consensus then states that a key factor in determining organizational success involves employee acceptance and participation in change, supported by Ferhnhaber [8]. Of course, the ability of individuals to absorb knowledge and information is a key capability for BUMDes to understand and take advantage of changes in their business organizations, supported by Sofyani H [9].

Employees who have a high level of absorption of knowledge will expose themselves to continuous learning so that they will be better prepared to welcome change and know better how to take advantage of change, supported by Heidjc [10]. Employees also proactively prepare for future job changes to achieve the best job results and business, supported by Zahra S [11]. Employees who have high knowledge absorption capacity can also use their ability to respond to changes in the environment which is a valuable asset for BUMDes. The knowledge possessed can then be channeled to various aspects of the BUMDes business that require a sustainable source of knowledge. Increasing the absorption capacity of employees is needed, one of which is through increasing the knowledge possessed by employees, supported by Kucharska, W [12] & Malik M [43]. BUMDes risk losing money, time and opportunities when they do not have effective knowledge sharing skills. The practice of sharing knowledge in companies is very important to generate ideas for innovative organizational actions to respond to business opportunities developing in the market [13] and generate rapid reactions to changes in the market environment, supported by Sher P [14]. Sharing research then proposes that knowledge sharing is the creation of new knowledge that will significantly improve organizational performance and the company's ability to adapt, supported by Hung R [15].

In addition, workplace spirituality in an organizational environment can influence staff practices on intellectual knowledge, as well as the capacity to create a culture of knowledge sharing, understanding the value of knowledge, the ability to think better and have a refined mind, supported by Garcia-Zamor [16]. According to Bennett A [17] defines spirituality as the emergence of thoughts in relation to the intellectual problems of the individual soul that reflect his thoughts and actions. In the context of BUMDes, workplace spirituality is an important factor considering that the BUMDes business operational base is at the village community level which has strong interpersonal relationships. In this regard, the adaptability of BUMDes employees cannot work without creating a beneficial spirituality for BUMDes employees, supported by Ratnakar R [18]. Thus, increasing employee capabilities cannot run optimally if they only pay attention to the flow of knowledge distribution, but must include the spiritual life of employees in the workplace that supports an optimal knowledge sharing culture among employees, supported by Gupta M [19].

Furthermore, workplace spirituality and knowledge sharing need to be focused on achieving adaptive employee conditions. One of them is through an innovation climate that is built to ensure that the workplace spirituality and knowledge sharing of employees can create optimal adaptability so that they can encourage the

success of the BUMDes business. The success of learning and improving employee capabilities requires a supportive climate and innovation activity, supported by Newman A [20]. In various literature, the innovation climate has been proven to encourage employee capacity related to creativity, risk tendencies and responsiveness related to environmental changes, supported by Matin-de Castro [21]. Workplace spirituality that is built based on a climate of innovation not only focuses on meeting social and security needs but also the need for innovation that becomes a culture in the workplace, supported by Afsar B [22]. Companies that have a strong internal innovation climate encourage lateral thinking and risk taking, supported by Popa S[23] thus encouraging the creation of effective workplace spirituality and knowledge sharing.

Information about the importance of the innovation climate and the absorptive capacity of employees is very important, but research in the context of BUMDes is very limited, supported by Todorova, G [24]. Research in the context of BUMDes in Indonesia, most studies use qualitative methods and only involve a small number of villages or adopted case studies, supported by Nugroho A [25]; Arifin B [1]; Badaruddin B [26]; Kania I [4]; Sofyani H [9] & Srirejeki K [27]. Most of these studies do not discuss aspects of human resources that contribute highly to BUMDes business performance. From the perspective of BUMDes, this study uses KBV (Knowledge Based View) theory through testable models and propositions about the relationship between innovation climate, workplace spirituality, knowledge sharing and individual absorptive capacity on BUMDes business performance. These findings can help BUMDes management understand the importance of an innovation climate in shaping knowledge sharing and workplace spirituality in the workplace so that employees find meaning in their work and maximize their knowledge so that BUMDes can obtain optimal benefits from the human resource aspect in increasing their competitive advantage. Furthermore, empirically, the results of this study will help to determine an effective human resource strategy in encouraging absorptive capacity to improve the performance of BUMDes in Malang Regency in the future. In the following section, a model for developing BUMDes business performance is developed based on the literature and research hypotheses that determine the direction of the relationship between the proposed constructs.

**RQ<sub>1</sub>:** Does the innovation climate affect knowledge sharing and workplace spirituality?

**RQ<sub>2</sub>:** Do knowledge sharing and workplace spirituality affect employee absorptive capacity?

**RQ<sub>3</sub>:** Does employee absorptive capacity affect the business performance of BUMDes?

## 2. LITERATURE REVIEW

### 2.1 Knowledge Based View

The main theoretical basis of this research is the Knowledge Based View (KBV). This theory suggests that firms should be analyzed based on their knowledge resources, supported by Grant [28]. A company's knowledge is considered as the main resource that determines its competitive advantage. KBV is considered the most appropriate because of its ability to explain the importance of a company's ability to create and transfer knowledge that can result in costly competitive differentiation, supported by Kogut B [29]. KBV offers valuable insights into corporate strategy, in particular, the role of firms as knowledge processing instructions where value is created through conversions between tacit and explicit knowledge and between individual knowledge and corporate knowledge, supported by Nonaka I [30]. Related to KBV, supported by Grant RM [28] argues that a company will be able to build and maintain a competitive advantage as long as it is able to "access and integrate the specialized knowledge of its members". This view integrates two important company resources, namely, company assets and capabilities, supported by Helfat C [31]. KBV thus demonstrates the role of knowledge workers (employees who have specialized knowledge) and organizational knowledge integration and coordination mechanisms that integrate knowledge for its application and make it difficult for competitors to imitate this, supported by Grant RM [28]. Furthermore, supported by Herden TT [32] argues and suggests that the efficiency of a company's knowledge-based competitiveness depends on three elements, namely, the level of general knowledge, the frequency and variability of general and specific knowledge integration, and an organizational structure that saves the communication process required for knowledge integration.

### 2.2 Linking Innovation Climate with Knowledge Sharing and Workplace Spirituality

Organizations must be more adaptable, flexible, entrepreneurial, and imaginative in response to the ever-changing dynamics of a competitive global market, supported by Reeves M [33]. One of the

organizational factors that influence organizational success is the climate of innovation. Climate is defined as a set of shared views about people's perceptions of organizational practices, procedures, and policies, supported by Schneider B [34]. An organizational innovation climate is defined as a set of employee perceptions of the organization's work environment that encourage risk-taking behavior, allocate sufficient resources and provide a challenging work environment to use creative approaches in the workplace, supported by Scoot S [35]. An innovative climate is one in which individual ideas are valued, supported by Demircioglu M [36] and which allows individuals and organizations to thrive, supported by Aarons GA [37]. Therefore, the innovation climate has received much attention by behavioral researchers, supported by Jaiswal N[38]; Ren F[39]; Zuraik A[40] as it plays an important role in shaping the creative behavior, supported by Ye P [41].

Furthermore, Darroch J [42] narrates that knowledge sharing is very important to increase business competitiveness, so that guidelines for sharing knowledge are needed to be built through a climate of innovation. When two or more people exchange knowledge, they both acquire information and experience linear growth, supported by Malik M [43]; Rafique M [44]. However, if both then share their new knowledge with others and accept feedback, reinforcement, and modification questions, the benefits are exponential, supported by Malik M [43]. Through knowledge sharing behavior, employees can maintain their learning flow, have more opportunities to learn from each other and integrate their learning for practical application at the organizational level, supported by Swift PE [45]. However, effective knowledge sharing requires a conducive and appropriate environment. Thus, organizational climate is considered an important determinant of the intention to share knowledge, supported by Edu-Valsania [46]. A study conducted by Zarraga [47] examines that a high innovation climate encourages employees to arouse curiosity which has a positive impact on company effectiveness. According to Chen, G [48] showed that organizational climate not only positively affects employee attitudes towards knowledge sharing but also positively affects intentions to engage in knowledge sharing. Furthermore, Villamizar [49] found that organizational climate was significantly correlated with knowledge sharing.

**H<sub>1</sub>:** Innovation Climate affects Knowledge Sharing.

In addition, Afsar B [50] suggests that different types of innovation climate are associated with different behaviors among employees. According to Usmanova, K , et al. [51], the climate of innovation not only has an impact on the process of sharing knowledge, but also on the conditions of workplace spirituality. Workplace spirituality is a multidimensional phenomenon, supported by Petchasawang [52]. Workplace spirituality refers to "the recognition that employees have an inner life that nourishes and is nourished by the meaning of work that occurs in a societal context, supported by Ashmos [53]. Belwaker [54] define workplace spirituality as an experience that people experience. when looking for meaning in their work and the desire to connect with other human beings. Workplace spirituality consists of an individual's experience with his inner feelings, supported by Rego A [55] and the environment in which he works supported by Jurkiewicz & Giacalone [56].The existence of a climate of innovation is one of empowerment. psychological behavior to create situations that encourage employees to act more innovatively, supported by Hsu [57]. This can affect employees' feelings and minds where the innovation climate brings a more open and meaningful culture. This relationship further increases their self-efficacy, thus encouraging them to find the meaning deeper than their work, supported by Ranasinghe [58]. In addition, Fairholm G [59] considers that the climate of innovation is important because employees spend more time at work regarding their spiritual condition. The climate of innovation helps employees gain mutual trust, respect each other, develop a sense of community and a sense of belonging as important members of the organization. According to Quatro, S. A , et al. [60], employees who feel themselves as important and valuable members of the organization will increase workplace spirituality.

**H<sub>2</sub>:** Innovation Climate affects Workplace Spirituality.

### 2.3 Linking Knowledge Sharing and Workplace Spirituality with Employee Absorptive Capacity

Organizations need to maintain the ability to recognize the value of new information and knowledge about markets, consumers and competitors. Organizations assimilate new knowledge more easily if the new knowledge resembles and is closely related to their previous knowledge, supported by Nonaka I [30], leading to increased absorption capacity. Absorptive capacity is the ability of individuals in

organizations is a major determinant of innovation capability. Zahra, SA [11] reviewed previous studies related to absorptive capacity, finding a significant positive relationship between absorptive capacity and innovation as these factors work together to build an organization's competitive advantage. In this case, absorptive capacity allows companies to adapt to changing environments and improve organization performance with knowledge-intensive strategic maneuvers.

The concept of absorptive capacity is closely related to knowledge sharing, because it is the ability that allows companies to identify external knowledge, assimilate and apply it for business purposes, supported by Cohen, MW [61]. Absorptive capacity and knowledge sharing are interrelated concepts. Absorptive capacity is the capacity to adopt and utilize external knowledge, while knowledge sharing is the behavior of giving one's own knowledge and receiving knowledge of colleagues. Various studies have previously revealed that the absorptive capacity of employees can increase their intention to share knowledge, supported by Balle, A [62]; Kang, M [63]; Lee, J [64]. With a high absorption potential, an individual can acquire and assimilate a variety of external knowledge. This absorbed knowledge can be useful to other colleagues as well as to the individual himself. This is because employees who have high absorptive ability have confidence that their knowledge can help others facilitate knowledge sharing, supported by Bock, GW [65]. Thus, an individual who absorbs new external knowledge becomes the knowledge gatekeeper for an organization, supported by Cranefield [66]. Moreover, through the process of assimilation of diverse external knowledge, an individual becomes accustomed to understanding new knowledge framed in a different language or perspective and learns how to transfer the new knowledge to internal colleagues in a way that is easy for them to understand, supported by Reagans R [67].

**H<sub>3</sub>:** Knowledge Sharing affects Employee Absorptive Capacity.

Workplace spirituality leads to increased work productivity because it creates a pleasant work experience in the workplace, supported by Janfeshan [68]. According to Neck C, et al. [69], organizations that focus on spiritual values tend to provide employees with more opportunities for their personal growth and development. There are many studies that advocate the positive benefits of spirituality in business organizations, supported by Afsar, B [70]; Polley, D [71]; Sharma, P [72]; Vasconcelos, A [73]. Workplace spirituality breeds awareness within the organization, which in turn leads to increased capabilities and efficiency. This can lead individuals to experience awareness at a deeper level, thereby increasing the intuitive ability to develop more directed ideas and explore their abilities and capacities. Simply put, the goal of spirituality is to achieve higher personal potential which leads to greater creativity, capability, and employee motivation, supported by Osman-Gani [74]. Many studies show that workplace spirituality is beneficial to organizational operations as it increases employee job satisfaction, supported by Milliman, [75]; Huang, M [76], encourages engagement with current work and facilitates strong organizational-based self-esteem. They also affect the extent to which the organization allows employees to integrate their abilities that employees have, one of which is related to absorptive capacity. Thus, when employees perceive their work and work environment as meaningful, they will have a more optimal ability to absorb information.

**H<sub>4</sub>:** Workplace Spirituality affects Employee Absorptive Capacity.

#### **2.4 Effect of Employee Absorptive Capacity on Business Performance**

Various studies have analyzed various factors that influence business performance, supported by Fey, C [77]; Olson, E [78]; Sancho, M [79]; Wood, S [80], but very few studies have addressed this context in BUMDes. Furthermore, this study narrows the research focus on the unique aspect of BUMDes human resources, which is related to employee absorptive capacity. Investing in employee absorptive capacity allows companies to acquire important competencies that contribute to the company's competitiveness, supported by Yang, S [81]. From a theoretical point of view, management experts identify two categories of absorption capacity, supported by Cohen MW [61]: (1) Potential absorption capacity, supported by Fosfuri [82] and (2) realized absorption capacity, supported by Jansen [83]. Potenti

absorption capacity is characterized by knowledge acquisition and assimilation, where knowledge acquisition is the company's ability to recognize, assess, and acquire external knowledge, while knowledge assimilation is the company's ability to absorb external knowledge, supported by Ferreras-Mendez [84]. The realized absorption capacity is distinguished by the transformation and exploitation of knowledge. Knowledge transformation can be defined as the ability of a company to develop routines through a combination of existing knowledge and newly acquired and assimilated knowledge, supported by Ali, I [85]. Knowledge exploitation is the process by which a firm enhances, expands, and utilizes existing competencies or generates new ones by acquisition and transformation of external knowledge, supported by Zahra, S [11]. This process allows companies to create relational networks with their stakeholders. By integrating implicit and explicit knowledge, the company's innovative capabilities are enhanced. Therefore, business performance depends on the ability to exploit external knowledge, and how that knowledge is used to develop new goods and services, supported by Flatten [86]; Martinkenaite [87]; and Zou, T [88].

Greater employee absorptive capacity positively affects firm performance because firms with higher levels of absorptive capacity maintain a greater ability to relate new knowledge to commercial purposes, supported by Tsai, W [89]. In addition, firms with higher levels of absorptive capacity are more likely to gain a first-mover advantage in exploiting new technologies, as absorptive capacity facilitates the identification and exploitation of specific technological know-how, supported by Cohen, MW [61]. In recent years, various studies have explored the relationship between employee absorptive capacity and business performance. The results of the study found that absorptive capacity is an important source of company performance, supported by Ahmed, S [90]; Tzokas, N [91] which helps companies gain a competitive advantage.

**H<sub>5</sub>:** Employee Absorptive Capacity affects Business Performance.

**2.5 The Mediating Role of Knowledge Sharing and Workplace Spirituality**

Furthermore, this study also tries to investigate the effect of mediation in supporting the formation of absorptive capacity. By combining the previous arguments, namely H1 to H3, the role of mediating knowledge sharing and workplace spirituality between innovation climate and business performance is suggested. The innovation climate built by BUMDes encourages employees to share knowledge and make work more meaningful. Employees who have high knowledge sharing tend to share more knowledge with colleagues. Knowledge sharing and workplace spirituality then support better business performance. In other words, an innovation climate will make employees aware of various internal knowledge and have meaningful work experience that will make employees more productive so that business performance increases.

**H<sub>6a</sub>:** Knowledge sharing mediates the effect of innovation climate on employee absorptive capacity.

**H<sub>6b</sub>:** Workplace spirituality mediates the effect of innovation climate on employee absorptive capacity.

**3. METHODS**

**3.1 Data Collection**

The data for this study were collected from employees of BUMDes Malang Regency which consisted of 112 BUMDes. A team of authors and two trained research assistants conducted a face-to-face questionnaire-based survey. Data collection was carried out for one week. In total, 102 questionnaires were completed, but 6 questionnaires were later eliminated because several important questions were not answered. The remaining 96 satisfactorily completed questionnaires were analyzed. The sample consisted of 56 men (58.3%) and 40 women (41.6%). Most of the respondents (39.5 percent, n 38) aged 41-50 years, (39.5 percent, n 38) studied up to high school and 75.0 percent (n 66) earned an income of IDR 2,500,000 to 3,500,000 per month.

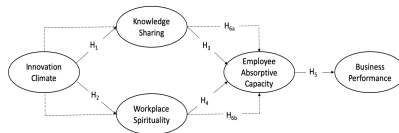
**Table 1.** Demography of Respondents (n=96)

	Demographic	Frequency	Percent (%)
Gender	Male	56	58.3
	Female	40	41.6
Age	21-30	12	12.5

	31-40	27	28,1
	41-50	38	39,5
	>50	19	18,7
Educational Level	SD	4	4,16
	SMP	8	8,33
	SMA	72	27,0
	S1	11	11,45
	S2	1	1,04
	S3	0	0
Household Income	< Rp 1.500.000	2	2,08
	Rp 1.500.001 – Rp 2.500.000	22	22,9
	Rp 2.500.001 – Rp 3.500.000	66	68,7
	Rp 3.500.001 – Rp 4.500.000	4	4,1
	> Rp 4.500.000	2	2,08

**3.2 Measures**

The questionnaire was designed based on the concepts described above, and a seven-point Likert scale (ranging from 1, "strongly disagree," to 7, "strongly agree"). Innovation climate is measured using 4 items taken from the study by Tseng S, M , et al. [92] . Knowledge Sharing was measured using 8 items taken from the study by Wang Z , et al. [93] and Oliviera, M , et al. [94]. Workplace spirituality was measured using 14 items taken from a study by Kolondinsky, R. W , et al. [95]; Menzel , et al. [96] ; and Arokiasamy , et al. [97] Employee absorptive capacity is measured using 5 items taken from the study by Biedenbach, T , et al. [98] Business performance is measured using 5 items taken from a study by Wang Z , et al. [99].



**Figure 1** Proposed conceptual framework

**3.3 Validity and Reliability**

Prior to distributing the questionnaires, several pilot tests were arranged to explore and improve understanding of the research questions in the context of BUMDes. When the structural equation model has many items, the number of items must be adjusted according to the distribution of items, supported by Bandalos, D , et al. [100]. Measurement of reliability in PLS-SEM uses Cronbach's and composite reliability with standard indicator loading of 0.70, while validity uses average variance extracted (AVE) with an acceptable value of more than 0.50, as recommended by Hair, J , et al. [101].

**3.4 Data Analysis**

Data collected using a questionnaire was calculated using the PLS-SEM software package. PLS-SEM is a powerful statistical tool because it can be applied to all data scales, does not require many assumptions, and confirms relationships that do not yet have a strong theoretical basis, supported by Hair, JF , et al. [101]. In relation to data processing, the PLS approach is used as a causal modeling approach and aims to maximize the explained variance of the dependent latent construct.

**4. RESULT**

**4.1 Test of the measurement model**

Table 2 reports and shows the measurement constructs for descriptive statistics (means) and the measurements proposed for this study should be clear about the assumptions of reliability and validity by utilizing PLS-SEM. Based on Hair, J. F , et al. [101] recommendations, composite reliability and Cronbach's determined reliability, so for all items it must be greater than 0.70. In this study, all variables

have a high composite reliability value of more than 0.8. Furthermore, Cronbach's for all variables has a value also greater than 0.8. All of these values are considered acceptable and ensured to be quite reliable. To ensure validity, show that a set of indicators represent the same basic construct, which can be demonstrated through its unidimensionality. The validity of the discriminant variable is proven by calculating the extraction average value (AVE) and the value obtained between variables. That is, the AVE value for all variables is greater than 0.5, indicating that the variables of convergent validity are sufficient. Furthermore, each variable is measured and has a value of more than 0.5. That AVE is a measure of communality for each latent variable, supported by Chen, YS , et al. [102] and shows adequate results because all variants show values above 0.50 respectively. Thus, the measurement of the construct of this research is indicated to be strong.

**Table 2.** Results of the Confirmatory Factor Analysis

Constructs	Items	Loading	Mean	AVE	Cronbach's $\alpha$
Innovation Climate	IC1	0,80	6,18		
	IC2	0,87	5,94		
	IC3	0,73	6,10		
	IC4	0,86	5,57		
			<b>5,95</b>	<b>0,67</b>	<b>0,89</b>
Knowledge Sharing	KS1	0,65	5,90		
	KS2	0,80	5,90		
	KS3	0,65	5,80		
	KS4	0,49	5,86		
	KS5	0,59	5,95		
	KS6	0,79	5,84		
	KS7	0,61	5,95		
	KS8	0,63	5,86		
			<b>5,88</b>	<b>0,54</b>	<b>0,86</b>
Workplace Spirituality	WS1	0,66	5,88		
	WS2	0,80	6,09		
	WS3	0,81	6,11		
	WS4	0,81	6,13		
	WS5	0,82	6,20		
	WS6	0,87	6,10		
	WS7	0,80	6,08		
	WS8	0,85	6,18		
	WS9	0,77	6,16		
	WS10	0,75	6,09		
	WS11	0,50	5,93		
	WS12	0,48	5,86		
	WS13	0,51	6,09		
	WS14	0,83	5,68		
			<b>6,04</b>	<b>0,56</b>	<b>0,94</b>
Employee Absorptive Capacity	EAB1	0,89	6,02		
	EAB2	0,83	5,76		
	EAB3	0,86	5,85		
	EAB4	0,91	5,57		
	EAB5	0,85	5,30		
			<b>5,70</b>	<b>0,76</b>	<b>0,94</b>
Business Performance	BP1	0,88	5,06		
	BP2	0,76	5,78		
	BP3	0,89	5,53		
	BP4	0,91	4,98		
	BP5	0,92	5,94		
			<b>5,46</b>	<b>0,76</b>	<b>0,94</b>

**4.2 Hypothesis Testing**

This study has six relevant hypotheses tested using a statistical approach with PLS-SEM. This study determines the model-fit and path coefficient as the quantities used in determining the overall relationship effect in the model. The sequential partial model was determined to run statistical analysis. Thus, the first hypothesis, testing the relationship between innovation climate and knowledge sharing produces a coefficient of determination (R<sup>2</sup>) of 0.836. Then it was determined that the relationship between innovation climate and knowledge had shown a positive and significant effect (p-value 0.00 < 0.05) and thus H1 was



accepted. The second hypothesis, innovation climate in workplace spirituality was tested and the results showed that it was not significant ( $p\text{-value } 0.87 > 0.05$ ) to conclude that it was rejected for H2. The third hypothesis gives the results of the relationship between knowledge sharing and employee absorptive capacity and shows a positive and significant effect ( $p\text{-value } 0.01 < 0.05$ ), so H3 can be accepted. Furthermore, the fourth hypothesis shows that workplace spirituality on employee absorptive capacity has a significant effect ( $p\text{-value } 0.00 > 0.05$ ), so H4 is accepted. The fifth hypothesis shows that the relationship between employee absorptive capacity and business performance has a positive and significant effect ( $p\text{-value } 0.00 < 0.05$ ), so H5 is accepted. Meanwhile, only the test results of the knowledge sharing mediation relationship can be confirmed ( $p\text{-value } 0.01 < 0.05$ ) H6a is accepted, while the influence of workplace spirituality mediation is rejected ( $p\text{-value } 0.88 < 0.05$ ) H6b is rejected.

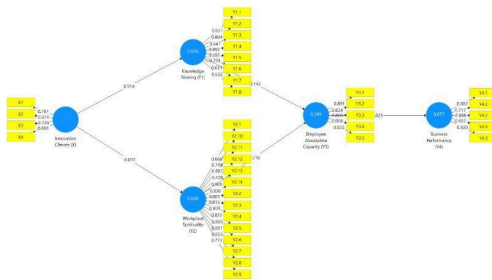
**Table 3.** Statistical Effect and Hypotheses Testing

Variable	Direct Effect (B)	Indirect Effect (B)	T Score	P Values	Conclusion
IC □ KS	0.914		35.237	0.000	Accepted
IC □ WS	-0.017		0.161	0.871	Rejected
KS □ EAC	-0.142		2.349	0.000	Accepted
WS □ EAC	0.516		2.502	0.001	Accepted
EAC □ BP	0.823		24.078	0.000	Accepted
IC □ KS □ BP		-0.129	2.480	0.001	Rejected
IC □ WS □ BP		-0.008	0.154	0.000	Accepted

N = 96

R<sup>2</sup> = KS (0.836); WS (0.00); EAC (0.289); BP (0.676)

\*Sig. p-value < 0.10; \*\*Sig. p-value < 0.05; \*\*\*Sig. p-value < 0.01



**Figure 2** Structural Model Output

**5. DISCUSSION**

The findings of this study offer new insights from KBV, especially on the human resource aspect to develop a business improvement framework in the context of BUMDes. The study findings support five of the seven hypotheses and signify the efficacy of the measurement approach used to capture the focus of the research construct. This study highlights four main outcomes. First, this study shows that there is a relationship between innovation climate and employee knowledge sharing and a mediating relationship between knowledge sharing and the relationship between innovation climate and employee absorptive capacity. Furthermore, the significant effect between knowledge sharing and absorptive capacity was confirmed but showed a negative effect. Then this study establishes a direct relationship between employee absorptive capacity and business performance. Finally, this study shows that there is no relationship between innovation climate and workplace spirituality, and the mediating effect of workplace spirituality is rejected.

First, related to the influence of the innovation climate on knowledge sharing among BUMDes employees. The results of this study support previous investigations which state that organizational climate plays an important role in shaping employee behavior and influencing their perceptions of knowledge management, supported by Chou, C. M., et al.[103]; Ruiz-Moreno, et al.[104]. Successful knowledge sharing requires a productive communication climate Rafique, M., et al.[105]. In the context of BUMDes, the climate of innovation can play an important role because it provides a valuable positive atmosphere in supporting

knowledge sharing. Zarraga and Bonache observed that a high-care environment encourages both transfer and generation of knowledge, supported by Bonasche, J , et al.[106]. According to Bock, G. W , et al. [65], an organizational climate that encourages innovation directly affects employee intentions to maintain knowledge sharing behavior. The strong and positive influence of the innovation climate on knowledge sharing shows that participating in the innovative climate increases employees' sense of and intention to share beneficial knowledge.

Furthermore, this study found a significant and negative direct effect between knowledge sharing on employee absorptive capacity. The results show that when an organization shares knowledge, its employee absorptive capacity will decrease. Various studies have reported various types of knowledge sharing processes such as knowledge seeking and knowledge contribution, supported by Hair, J. F , et al. [107]; knowledge transmission and knowledge absorption, supported by Nonaka, I [108] and knowledge ownership and knowledge acquisition, supported by Bailey, C , et al. [109]. When knowledge sharing, deep thoughts and emotions combine with information that is shared and passed on to others, supported by Al-Husseini , et al. [110] it can strengthen or weaken employee capabilities depending on the knowledge conveyed. In the opinion of Song , et al. [111] the knowledge that is shared does not entirely have a positive influence on employees. This study is in line with research by Ur Rehman , et al. [112], which concluded that knowledge donation has a negative relationship with innovation and exploration. Even so, this study contradicts the research of Akhavan, P , et al. [113] analyzing the reasons for knowledge sharing which has been associated as an antecedent of absorptive capacity. Meanwhile, the mediating effect of knowledge sharing on the relationship between innovation climate and employee absorptive capacity can be confirmed. Various studies have revealed the mediating effect that knowledge sharing can provide in the context of an innovation climate and employee absorptive capacity, supported by Bandsuch M , et al. [114]; Vallabh P [115]; Kurt, Y , et al.[116]. This shows that if BUMDes fosters a climate of innovation, it can increase knowledge sharing among employees, thereby increasing their absorptive capacity. The BUMDes innovation climate will form a contextual environment for knowledge sharing and, at the same time, stimulate the absorptive capacity of BUMDes employees.

Second, the influence of the innovation climate on workplace spirituality cannot be confirmed. Thus, although it has been established that organizational climate influences employee outcomes that affect their perceptions of knowledge management, supported by Chen, G , et al. [48] , outcomes on workplace spirituality may differ. An Innovative climate can give employees the impression that the work they do is meaningful but not enough to encourage the emergence of spirituality in the workplace. Indicators and levels of spirituality in BUMDes may differ from large companies. For example, the perception of connectedness to the organization arising from personal feelings towards work can be a major factor in the emergence of work spirituality in certain types of work, supported by Ibarra-Cisneros M , et al. [117] In BUMDes, the majority of which are tied to the socio-cultural village of spirituality in the workplace, one of which is influenced by aspects of recognition and certain social levels that may not be related to the climate of innovation. Meanwhile, the mediating effect given by workplace spirituality on the relationship between innovation climate and employee absorptive capacity. This happens because although workplace spirituality has a significant effect on employee absorptive capacity, the absence of influence between innovation climate and workplace spirituality weakens the effect of mediation.

Meanwhile, a positive and significant effect was confirmed regarding the relationship between workplace spirituality and absorptive capacity. Workplace spirituality is concerned with employees who understand and express themselves in terms of meaning and purpose in their lives that connect them with others and with their work community, supported by Ashmos , et al. [53] ; Milliman J , et al. [75] . The positive relationship that exists gives employees the opportunity to explore their absorption of valuable knowledge [44] This allows members to integrate their life and energy into the workplace so that their absorption capacity is increased. For example, Ibarra-Cisneros , et al. [117] found that there was a significant relationship between behavior in developing the relationship between trust and employee attitudes in increasing employee knowledge capabilities. Workplace spirituality also provides productive values in terms of greater retention and loyalty, improves social isolation and realizes the power of individual productivity and creativity, supported by Lane P , et al. [118] that can support employee absorptive capacity. They also affect the extent to which the organization allows employees to integrate themselves and their values into their daily work, supported by Lau, A , et al. [119] so that employees who have high workplace spirituality will continuously develop absorptive capacity.

Finally, this study also confirms the positive effect of employee absorptive capacity on business performance. The results of this study support the theory that absorptive capacity must be developed within the company because it is proven to improve business performance. Furthermore, “companies with high absorptive capability have routines that are integrated into tasks, tools, processes, and people to analyze and absorb external knowledge to meet market needs” explained that to be able to compete and improve performance, companies need absorptive capacity.

## **Implications**

### ***Practical Implications***

The findings of this study help BUMDes consider factors that affect business performance in the context of human resources. Empirical evidence from this study shows that an optimal innovation climate positively affects knowledge sharing which then has an impact on employee absorptive capacity. As shown in this study, an innovation climate and workplace spirituality can represent an important opportunity for BUMDes to increase employee absorptive capacity. Furthermore, workplace spirituality also has a significant influence on employee absorptive capacity. Lastly, business performance is proven to be influenced by employee absorptive capacity. In particular, for the BUMDes of Malang Regency, the findings of this study are more than just theoretical suggestions but as suggestions for strategic human resource management. Therefore, BUMDes need to pay attention to and improve the climate for innovation, knowledge sharing and workplace spirituality to strengthen business performance. BUMDes managers need to create a positive climate of innovation in order to stimulate the process of sharing knowledge and spirituality in the workplace. This can be built through innovative activities that are regularly scheduled or the fulfillment of adequate facilities. In addition, it is important to continue to evaluate the innovation climate and the condition of human resources in BUMDes, which can be used as reference material for more optimal human resource development. From a long-term perspective, this strategy can encourage sustainable BUMDes business performance and contribute to sustainable village economic growth.

### **Theoretical Implications**

From a theoretical perspective, this study enriches the human resource management literature in several ways. First, in the context of BUMDes, it not only proves the influence of the innovation climate on knowledge sharing but also proves how knowledge sharing can be a reliable mediating variable. Second, the results of this study also focus on the factors that influence the business performance of BUMDes by adopting the proven influence of employee absorptive capacity. Overall, this study offers interesting implications from studies related to human resource management related to BUMDes so that it can add contributions to the existing literature.

### **Limitations and Research Opportunities**

As with previous studies, our study has certain limitations that provide opportunities for future research. First, due to the limited information available, our study did not include all variables explaining performance. Further research can enrich the model by adding a more varied component of employee capabilities. Second, there is no difference between the levels of development of BUMDes. In future research, it will be interesting to do a separate analysis. Therefore, research analysis can be added by comparing the level of human resource management of BUMDes, both developed and developing. Third, it is suggested that there are more qualitative research interventions such as focus group discussions and in-depth interviews to add theoretical variety.

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