Enhancing MSME Performance: Optimizing Work Engagement and Knowledge Sharing

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Article Info	ABSTRACT
Keywords: Work Engagement Knowledge Sharing, Perfomance	Micro, small, and medium enterprises (MSMEs) play a crucial role in economic growth and job creation. However, their performance is often constrained by internal challenges, particularly in areas such as work engagement and knowledge sharing. While previous research has recognized the importance of these factors in business success, their combined impact on MSME performance remains underexplored, especially in developing economies like Indonesia. This study aims to address this gap by examining the extent to which work engagement and knowledge sharing influence MSME performance. A quantitative research design was employed, collecting data from 90 MSME owners in Medan City. The hypothesis testing results confirm that work engagement and knowledge sharing both have a significant positive effect on MSME performance. Businesses with high owner engagement and active knowledge sharing exhibit higher operational efficiency and improved decision-making, leading to superior overall performance. However, the findings also highlight key barriers such as limited communication infrastructure, lack of trust, and leadership constraints, which may hinder the effective implementation of these factors. To overcome these challenges, MSMEs should foster an inclusive work environment, invest in employee development, and leverage digital tools for knowledge sharing. This study provides valuable insights for MSME owners and policymakers to enhance business sustainability through better engagement and collaboration. Future research should explore the moderating role of digital transformation and leadership styles in strengthening the relationship between work engagement, knowledge sharing, and MSME performance.
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INTRODUCTION

Entrepreneurial ventures are initiated and led by ambitious entrepreneurs who strive to innovate, take risks, develop new products, and market solutions (Ng, W., & A. Rieple, 2014). Small and medium-sized businesses (SMEs) that operate in a variety of industries, such as manufacturing, technology, healthcare, retail, and hospitality, are frequently entrepreneurial endeavors. Because they foster innovation, produce wealth, and create jobs, these businesses are essential to economic growth and development. According to the Ministry of Cooperatives and MSMEs, MSMEs make a significant contribution to the Gross Domestic

Product (GDP) and employment absorption (2022). However, the main challenges facing SMEs are low productivity due to limited human resources, lack of access to technology, and weak knowledge (Tambunan, 2019).To overcome these challenges, work engagement and knowledge sharing are two factors that can contribute to enhancing SME performance (Bakker & Demerouti, 2008; Wang & Noe, 2010; Kwon & Kim, 2020).

Work engagement refers to an individual's active involvement in their work, characterized by energy, dedication, and full commitment to their tasks (Schaufeli et al., 2002). Individuals with high work engagement tend to be more productive, creative, and contribute to innovation, thereby enhancing organizational performance (Saks, 2006; Khan et al., 2011; Kim et al., 2013). An entrepreneur with high work engagement is crucial due to the nature of smaller businesses, which require each individual to play a greater role in business sustainability (Lelani, 2024). Work engagement has become an increasingly important topic in the context of the workplace and human resource management today. Organizations recognize that work engagement has a significant impact on productivity, organizational performance, and long-term success (Aji & Wijaya, 2023).

Knowledge sharing is a fundamental element in improving the performance and sustainability of SMEs (Nonaka & Takeuchi, 1995; Wang & Noe, 2010). Knowledge sharing enables SMEs to leverage collective experience, adopt new technologies, and enhance operational efficiency (Serenko & Bontis, 2016; Hussain et al., 2019). It can also serve as a business strategy directed at business owners. A study by Ghazwani & Alzahrani (2024). knowledge sharing leads to innovation due to increasing performance in business through improving goods and services.

However, several studies indicate that knowledge management among SMEs remains significantly low (Humaira & Sagoro, 2018). The relationship between work engagement and knowledge sharing in improving MSME performance has been proven in various studies. A study by Wang & Wang (2012) found that knowledge sharing contributes to enhancing innovation and operational efficiency in small and medium-sized businesses. Additionally, Srinivas & Yasmeen, (2017) revealed that high work engagement in digital economy-based SMEs contributes to increased product and service innovation. However, there are still some problems with getting SMEs to engage in work and share knowledge. These include a lack of organizational support, a lack of knowledge about how important it is to share knowledge, and a work culture that doesn't encourage collaboration (Davenport & Prusak, 1998; Hislop, 2013).

Therefore, this study aims to explore how optimizing work engagement and knowledge sharing can contribute to improving MSME performance in Medan City. By understanding the interaction between these two factors, MSMEs can develop more effective strategies to enhance their performance. A lot of research, mostly on big businesses and knowledge-based fields (e.g., Bakker & Demerouti, 2008; Wang & Noe, 2010), has looked at how work engagement (WE) and knowledge sharing (KS) affect how well an organization does its job. However, research on how these factors influence micro, small, and medium enterprises (MSMEs) remains limited. Existing literature primarily addresses large-scale businesses where structured knowledge-sharing systems and well-established employee engagement

programs are in place (Saks, 2006; Safitri, 2022). This issue raises an important research gap: how do MSMEs, which operate under different conditions, experience and benefit from work engagement and knowledge sharing?

Despite the growing importance of MSMEs in economic development, few studies have investigated the interaction between work engagement and knowledge sharing in driving MSME performance, particularly in developing countries such as Indonesia. MSMEs face distinct challenges, including limited resources, informal work structures, and digital adoption gaps, which may affect the way engagement and knowledge sharing contribute to performance (Tensay & Singh, 2022).

Furthermore, while previous research has shown that work engagement and knowledge sharing each have their own effects on firm performance (e.g., Albrecht et al., 2015; Kim & Lee, 2013), not much is known about how they work together in an MSME setting. This study addresses these gaps by:

1. Examining the joint impact of work engagement and knowledge sharing on MSME performance to determine whether their effects are complementary or independent.
2. Providing empirical evidence using quantitative methods in the MSME sector, particularly in Indonesia, where research remains scarce.
3. Identifying key barriers that hinder the effective implementation of engagement and knowledge-sharing strategies in resource-constrained environments.

By addressing these gaps, this study contributes to both theory and practice. It offers actionable insights for MSME owners, policymakers, and researchers, helping them develop strategies to enhance business performance through improved engagement and knowledge-sharing mechanisms.

METHODS

The primary data collection method for this study is a structured questionnaire designed to measure MSME performance, work engagement, and knowledge sharing. The questionnaire consists of statements on a Likert scale, ensuring consistency in responses. The measurement scales are adapted from previously validated research instruments to enhance reliability and validity. Specifically, work engagement is measured using Schaufeli et al. (2006), knowledge sharing follows the scale from Wang & Noe (2010), and MSME performance indicators are adapted from Chen at al.(2021)

The study targets 90 MSME owners in Medan City. A saturation sampling technique is applied, meaning the entire eligible population is included as the sample. This approach ensures comprehensive representation of MSMEs that meet the following criteria: (1) business scale is micro, small, and medium enterprises (as per Indonesian government classification); the industry sector is food and beverage; and (3) operational duration is at least two years of business operation to ensure relevant engagement and knowledge-sharing experiences.

Data will be collected through self-administered questionnaires using two distribution methods, namely (1) online survey: the questionnaire link will be shared with MSME owners via WhatsApp, ensuring accessibility and convenience, and (2) paper-based survey: printed

questionnaires will be distributed directly to MSME owners to reach respondents with limited digital access.

Both descriptive and inferential statistics will be employed to analyze the data. Descriptive Analysis: Provides an overview of respondent demographics and key study variables. Reliability & Validity Tests: Ensures the measurement instruments are statistically sound using Cronbach's Alpha (≥ 0.70) for reliability and > Rtable of validity. Doing assumption tests. The last doing Multiple Regression Analysis: Examines the relative impact of work engagement and knowledge sharing on MSME performance. Correlation analysis for Measuring the strength of relationships between work engagement, knowledge sharing, and MSME performance. The following methodology will be used for hypothesis testing:

a. H1: Work engagement and MSME performance are significantly positively correlated.
b. H2: Knowledge sharing and MSME perfomance are significantly positively correlated.
c. H3: Work engagement, Knowledge sharing, and MSME performance are significantly positively correlated.

RESULTS AND DISCUSSION

This part provides an examination of the data gathered throughout the study. The collected data consists of primary data, which refers to information obtained directly from respondents. This data was acquired through a survey distributed to a chosen sample of 90 respondent

Table 1 Demographic Respondents

Description	Frequency	Presentation (%)
Age		
25-30	22	24.5
31-35	27	30.0
36-41	35	38.9
>42	6	6.6
Gender		
Male	47	52.2
Female	43	47.8
Business duration		
< 1 year	4	4.4
1-3 years	25	27.8
4-7 years	47	52.3
>8	14	15.5
Annual Income		
<100 millions	18	20.
100 millions – 300 millions	53	58.8
>300 millions	20	22.2

The study involved a total of 90 respondents, all of whom are MSME owners. Data was gathered through questionnaires distributed both online via Google Forms and in paper-

based format. The collected respondent data includes details on age, gender, business duration, and annual income.

Validity and Reliability Test

In this study, the validity test was conducted by comparing the calculated R value with the overall R table value. The results of this test are presented in the following table. Furthermore, the reliability test aims to determine whether all statements in the questionnaire are reliable by assessing whether the test result values exceed 0.6. The findings from both the validity and reliability tests are summarized in the table below.

Table 2 Validity and Reliability Test Result

Variabel	Statement	R-Count	Cronbach's alpha
Work engagement	WE1	0.760	0.869
	WE2	0.535	
	WE3	0.589	
	WE3	0.539	
	WE5	0.824	
	WE6	0.658	
	WE7	0.690	
	WE8	0.744	
	WE9	0.811	
	WE10	0.744	
	WE11	0.399	
	WE12	0.457	
	WE14	0.622	
	WE15	0.753	
	WE16	0.508	
Knowledge sharing	KS1	0.398	0.898
	KS2	0.536	
	KS3	0.378	
	KS4	0.512	
	KS5	0.589	
	KS6	0.663	
	KS7	0.728	
	KS8	0.817	
Perfomance	P1	0.623	0.888
	P2	0.653	
	P3	0.753	
	P4	0.738	
	P5	0.721	
	P6	0.637	
	P7	0.622	

Variabel	Statement	R-Count	Cronbach's alpha
	P8	0.862	
	P9	0.768	
	P10	0.676	
	P11	0.683	

Based on the results of the validity test, the overall calculated R value is greater than the R table value of 0.207. Therefore, it can be concluded that all statement items for the variable indicators are valid. Additionally, the entire test model may employ these statement items. According to the reliability test, all variables are dependable because the Cronbach's alpha value was higher than 0.60.

Multiple Linear Regression

Table 3 Multiple Regression Test Result

Variable	Unstandardized Coefficients	Standardized Coefficients		t	Sig.
	B	Std. Error	Beta		
	1.019	3.285		.310	.757
WE	.542	.063	.651	8.598	.000
KS	.248	.073	.259	3.417	.001

Based on the multiple regression analysis results, the regression equation can be written: Y = 1.019 + 0.542 WE + 0.248 KS + €. Moreover, the multiple regression analysis indicates that both WE and KS have a significant positive impact on the P. The unstandardized coefficient for WE is 0.542 (β=0.651, t=8.598, p=0.000), suggesting that a one-unit increase in WE leads to a 0.542 increase in the P. Similarly, KS has an unstandardized coefficient of 0.248 (β=0.259, t=3.417, p=0.001), indicating a weaker but still significant effect.

Coefficient Determination

Table 4 Coefficient Determination Result

R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
0.840	0.705	0.698	3.04019	1.975

The R value of 0.840 from the coefficient of determination analysis indicates that the independent and dependent variables in the regression model have a strong association. With an R-squared value of 0.705, the independent variables explain 70.5% of the variation in the dependent variable. The other 29.5% is due to factors that were not included in the model. The modified R square (0.698), which takes into account the number of predictors, shows that the model is still reliable without becoming too perfect. Furthermore, the accuracy of predictions is indicated by the Standard Error of the Estimate (3.04109), where a smaller value often denotes a better fit.

Model ANOVA

Table 5 ANOVA Result

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	1920.605	2	960.302	103.898	.000[b]
Residual	804.117	87	9.243		
Total	2724.722	89			

The regression model is statistically significant in explaining fluctuations in the dependent variable, according to the findings of the ANOVA (Analysis of Variance). The variation that cannot be accounted for by the independent variables is displayed by the Residual Sum of Squares (804.117). The variance that may be accounted for by the independent variables is displayed by the Sum of Squares for Regression (1920.605). The independent variables together have a significant impact on the dependent variable, as confirmed by the model's F-statistic (103.898) and significance value (p-value) of 0.000. The hypothesis, which holds that the WE and KS affect P, is accepted because the p-value is less than 0.05. This implies that a robust explanatory framework for the observed data is offered by the regression model.

Discussion

Work engagement plays an important role in improving the performance of MSMEs. Research (Afiani & Wijaya, 2024; Palimbong et al., 2022) shows that work engagement has a significantly positive impact on the performance of MSMEs. Broader work engagement in the process of improving work outcomes is becoming increasingly important because business owners are expected to be pioneers in the emergence of innovative ideas, products, processes, and business models. The reason is that they often have a better understanding of the daily realities of the business, thanks to their interactions with parties such as employees, customers, suppliers, and the community. SME owners create a work environment and build careful entrepreneurial relationships through effective communication to achieve optimal performance.

Knowledge sharing is the process by which individuals within an organization exchange information, skills, and experiences to achieve common goals. According to Mulyana et al. (2022), knowledge sharing is a continuous process of transferring organizational experiences and knowledge to business processes through communication channels between individuals, groups, and organizations. The implementation of knowledge sharing has a significant impact on performance improvement. A study by Permata et al. (2023) revealed that knowledge sharing has a positive and significant impact on the performance of SMEs in Jambi City. This indicates that knowledge sharing encourages the creation of new ideas and creative solutions, which in turn enhances the competitiveness and performance of SMEs. UMKM owners who are active in knowledge sharing tend to be more innovative, allowing them to adapt to market changes and meet customer needs more effectively. However, the implementation of knowledge sharing does not always go smoothly. Obstacles such as a lack of employee trust, an unsupportive organizational culture,

and technological limitations can hinder the knowledge-sharing process. Therefore, it is important for SMEs to create an environment that supports knowledge sharing through training, the development of a collaborative culture, and the provision of adequate technological infrastructure. Overall, the effective implementation of knowledge sharing in SMEs can enhance innovation, operational efficiency, and adaptability, which ultimately contributes to improved performance.

Work engagement and knowledge sharing are two critical factors that significantly influence the performance of SMEs. Work engagement refers to the emotional and cognitive commitment of an employee to their job, which leads to higher motivation, dedication, and productivity (Robbins & Judge, 2016). In the research, it is focused on SME owners who are engaged and are more likely to contribute actively, take initiative, and align their efforts with organizational goals, which ultimately improves the performance of SMEs. With the involvement of business owners utilizing all their skills, the performance of SMEs will improve (Suseno et al., 2022). Similarly, knowledge sharing plays an important role in improving the performance of SMEs by facilitating the exchange of skills, experiences, and business strategies among employees. The combination of high work engagement and active knowledge sharing creates a dynamic work environment where employees feel valued, motivated, and empowered to share insights that contribute to business success. On one hand, to ensure the delivery of information to employees and business partners, the owner's leadership is necessary to accommodate information so that it is conveyed and capable of providing innovative ideas. (Suseno & Dewi, 2024).

CONCLUSION

This study explores the relationship between work engagement, knowledge sharing, and performance of MSMEs in Medan city. The findings of this discussion highlight that work engagement and knowledge sharing play a crucial role in enhancing MSME performance. Work engagement fosters employee motivation, commitment, and productivity, leading to better efficiency and innovation in business operations. Similarly, knowledge sharing enables MSMEs to leverage collective expertise, improve decision-making, and adapt to market dynamics. The study highlights the crucial initiative of exploring building work engagement and knowledge sharing to maximize their performance and long-term success. In the future, researchers can look into plans and strategies that can be used to get people more involved at work and share their knowledge in the MSME in Medan city. They can also look into how demographic factors and outside factors affect these variables.

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