

## Knowledge-Based Business for the Sustainability Msmes in Indonesia's New Normal Era



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**ABSTRACT:** This study aims to determine the ability of MSME actors to manage their knowledge about the concept of knowledge-based business, to the sustainability of their business in the current new normal. This study uses quantitative methods. Data collection techniques are carried out by surveys and literature studies. This study uses a sample of 300 SMEs in Indonesia. The data analysis used was validity test, reliability test, descriptive statistical test, and SEM (Structural Equation Modeling) analysis test. The results of the survey and test data found that knowledge acquisition, knowledge conversion, and knowledge protection had no effect on MSME business sustainability as measured by the quality of their products. Meanwhile, the application of knowledge has an effect on the sustainability of MSME businesses as measured by the quality of their products. Knowledge acquisition, knowledge conversion, and knowledge application have no effect on MSME business sustainability measured through product innovation. Meanwhile, knowledge protection has an effect on the sustainability of MSME businesses as measured by product innovation. MSME actors currently really need the help of knowledge to design new business concepts as well as large enough capital to be able to bounce back.

**KEYWORDS:** management accounting, knowledge management, business suitability.

### INTRODUCTION

The Covid-19 virus has disrupted the world's economic chain and caused an international economic crisis. The era of globalization, which was marked by free trade that had been driving the economy, has now become quiet and global supply chains are in chaos. As a result, the production and consumption of the world's people are disrupted. The current state of affairs is the biggest test of more than 75 years of international cooperation that demands that together we find solutions that can help all levels of global society, especially those who are most vulnerable or least able to help themselves. The MSME sector is considered the most vulnerable sector to the economic crisis due to the Covid-19 pandemic. (Durst & Edvardsson, 2012; Durst & Ferenhof, 2014).

Facing this pandemic period, MSME actors are required to change their way of thinking and mental attitude. MSME actors with a superior entrepreneurial mentality can always see opportunities, even in times of crisis (Durst & Ferenhof, 2014). Therefore, the COVID-19 pandemic is not to mourn fate, but it is time to change the mindset, be creative, innovative and collaborate to welcome the post-pandemic future towards the new normal era. The Covid 19 pandemic must also be addressed by providing new knowledge, skills, and innovations, changing ordinary routines, leading to extraordinary routines and the most important thing is preparing steps for business sustainability. *Intellectual capital* is skills, knowledge, and technology with potential value for the sustainability of an organization (Andrew Huang, Chen, & Stewart, 2010; Stewart, 1997).

MSMEs need knowledge and information to maintain their business sustainability in order to participate in today's competitive market. Looking at the current condition of MSMEs (Micro, Small and Medium Enterprises) in Indonesia, it seems that not many people are aware of the importance of knowledge-based business by optimizing their intellectual capital, even though the existence of MSMEs is highly expected to grow the economy and have high competitiveness. This is because, MSMEs are one of the industrial sectors that provide the largest contribution to the country's economic growth. MSME actors must be able to optimize their intellectual capital so that they can face competition and be able to survive at all times along with the development

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of science and technology today (Jaya, 2019; Sahela, Susanti, & Adjie, 2021; Seleim & Khalil, 2011; WT Wang, 2011; Zhicheng, Zhuoer, Shing, & Wah, 2016).

This implemented intellectual capital is an accumulation of the sum of all intangible assets that are important for micro, small and medium enterprises and are used to maintain innovative products for the sustainability of an organization. (Muchran, 2020; Serenko, Hardie, Bontis, Booker, & Sadeddin, 2010). Intellectual capital is a very important asset for the development of the business world today and in the future, because it is unique, intangible, but is recognized as the main driver of business processes. (Agostini, Nosella, & Filippini, 2017). Intellectual capital or intellectual capital is now recognized as a factor that influences the progress of an organization. Likewise for Micro, Small and Medium Enterprises that intellectual capital is considered very important for business development which can ultimately improve welfare. The fundamental reason why companies in Japan become successful is not only because of their skills and experience, but also being able to manage their knowledge base in an organization (Holland, Henningsson, Johanson, Koga, & Sakakibara, 2012; Nonaka & Takeuchi, 1995).

The ability of a country in the field of science and technology is one of the most important competitive factors today (Zaied, 2012). MSMEs at this time should also respond appropriately to market changes, be long-term oriented, efficient in the use of technology, environmentally friendly, have technological innovations, and are in line with the principles of preserving natural resources and the environment. The presence of information technology, especially the internet, will change current and future business models, namely by providing new opportunities and challenges that are more different than conventional methods. (Hsu, Chang, & Luo, 2017). Access to digital communication can increase access to trade, marketing, job opportunities, income opportunities, and be able to provide added value to the wider community which will ultimately have an impact on the sustainability of a business. (Hsu et al., 2017; Matos, Vairinhos, Selig, & Edvinsson, 2018; Singh, Olugu, & Musa, 2016).

The existence of competition certainly makes micro, small and medium enterprises have to prepare capital which will be used as an important role to improve the weaknesses that exist in the company. (Zhicheng et al., 2016). This capital is not only in the form of the amount of money needed, but also the readiness of business actors when facing fluctuating market situations and conditions. All micro, small and medium enterprises can carry out production activities and other business activities when they have capital and vice versa (Bonn & Fisher, 2011). Business actors also cannot seize the market well if the existing capital is very minimal. This condition shows that capital readiness can affect production activities and other business activities, thus making micro, small and medium enterprises indirectly difficult to be able to seize the market with the goods and services offered. (Abad-Segura, González-Zamar, López-Meneses, & Vázquez-Cano, 2020; AY Chang & Cheng, 2019; Hsu et al., 2017; Hudson, Smart, Bourne, Hudson, & Bourne, 2001). This of course has an impact on decreasing turnover for MSME actors.

The attention of researchers to examine intangible assets in the context of knowledge management (KM) and intellectual capital (IC) in MSMEs has now grown in various parts of the world. (S. Chang & Lee, 2008; Nimtrakoon, 2015; Seleim & Khalil, 2011; Serenko et al., 2010; Sydler, Haefliger, & Pruksa, 2014; WT Wang, 2011; Zhicheng et al., 2016). The current new normal conditions also make organizations in a transition era, ranging from capital-intensive to knowledge-based. The pandemic period is a period that is not easy to pass, especially for Micro, Small and Medium Enterprises (MSMEs). When selling products MSME increasingly declining, not infrequently what is done is to close business, until finally gave birth to many new unemployed in Indonesia. On the other hand, some MSME actors have begun to have awareness to increase their attractiveness to partners/investors as a key strategy to spur MSME business growth. Some previous literature related to intellectual capital has been widely carried out on the scope of financial institutions, such as: (Ardhiani & Nasih, 2019; Baroroh, 2014; Holland et al., 2012; Hosain & Khani, 2011; Mcelroy, 2002; Mention & Bontis, 2013; Muchran, 2020; Rahman, Saleh, & Hassan, 2008; Sardo & Serrasqueiro, 2017). Even intellectual financial inclusion has also been carried out and found a novelty that intellectual capital plays a role in the succession of handling economic events, such as financial inclusion. (Hidajat, 2015; Divine, Soewarno, & Jaya, 2021; Pham & Doan, 2020; Ratnawati, 2020; Sahela et al., 2021). Intellectual capital does not only appear in financial statements, but is more general in nature (Ilahiyah et al., 2021). This statement agrees with Bushman, Chen, Engel, & Smith (2004) that Intellectual capital has become the most important capital today. This study was conducted to determine the ability of MSME actors to manage their knowledge (intellectual capital) about the concept of knowledge based business, to the sustainability of their business in the current new normal.

This paper consists of several parts, where the next chapter discusses the theoretical basis and hypothesis development, then in the third part explains the research methods and indicators of variable measurement used. The next section describes the test results and discussion and the last section of this research will present the scientific findings and the novelty of this research.

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### THEORITICAL FRAMEWORK AND HYPOTHESIS DEVELOPMENT

This chapter will describe the theoretical basis used as the development of the concept of this research thinking. This chapter will also discuss the structure of the hypothesis derivation starting from the explanation of logical thinking and some previous studies as supporters. The theoretical basis used in this research, among others.

#### A. Intellectual Capital: Knowledge-Based Business

Knowledge Based View assume that knowledge is a very significant strategic resource for a particular organization (Rahimli, 2012; Seleim & Khalil, 2011). This view is based on findings about organizational performance, especially knowledge-intensive organizations. (Matos et al., 2018). Organizations must learn to acquire and integrate technology and enterprise initiatives to support the knowledge implementation process properly (Andreeva & Garanina, 2016). An organization must also focus on a creative and motivated workforce that is intellectually professional, thereby contributing to a value-adding strategy in an aggressively changing environment, such as the current new normal era. Thus, it is important for companies to develop intellectual management guidelines in order to build and maintain its competitive advantage for the long term (Burcher, Serido, Danes, Rudi, & Shim, 2021; Rahimli, 2012; Rexhepi, Ibraimi, & Veseli, 2013; Riahi-Belkaoui, 2005).

#### B. MSME Business Sustainability

MSMEs in Indonesia are faced with new challenges that are important and cannot be ruled out as a result of the current Covid-19 pandemic, namely the aspect of business sustainability. During this pandemic, most MSME business actors are trying to survive by carrying out a number of strategies. The strategies adopted include prioritizing business by focusing on core business, changing services from offline to online, pivoting or developing business models while still focusing on their business goals, even most MSME players temporarily change their business models in order to survive. (AY Chang & Cheng, 2019; Gogan, Artene, Sarca, & Draghici, 2016; Rahimli, 2012; Sahela et al., 2021; Saini & Singhania, 2019). MSME actors currently need to immediately get up and adapt to enter the new normal order by preparing a mature plan that is ready to bounce back. The new normal order requires MSME actors to work with standard health protocols and follow changing trends in society, evaluate behavior, consumer satisfaction, after-sales guarantee, and build branding that is connected to online platforms.

### HYPOTHESIS DEVELOPMENT

The explanation of the formulation of the hypothesis that we used has been adjusted to the use of the variables in this study, as follows.

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The application of knowledge management can encourage the increase in intellectual capital of an organization to begin to revolutionize its business strategy based on labor (labor-based business) to switch to a knowledge-based business (business based on knowledge), so that the main characteristics of its business become a science-based entity. (Manning, 2010; Marr, Gupta, Pike, & Roos, 2003; Muthuveloo, Shanmugam, & Teoh, 2017; Salama, 2017; Seleim & Khalil, 2011). The capabilities, skills and capabilities possessed by MSMEs make them continue to innovate to carry out production activities more effectively and efficiently (Durst & Edvardsson, 2012; Durst & Ferenhof, 2014). This learning provides a new concept of an era of knowledge based economy or knowledge based business for the sustainability of MSMEs facing the current new normal era.

Through knowledge management, aware of the organization identify knowledge possessed and use it to improve performance and generate innovations (Durst & Edvardsson, 2012; Mills & Smith, 2011; Schiuma & Lerro, 2008; Serenko et al., 2010; WT Wang, 2011; Zhicheng et al., 2016). Organizations must be aware the importance of knowledge management effective because the cost of ignoring it is very big (Serenko et al., 2010). Implementation of knowledge performance evaluation *management* become more and more important because provide references to direct organization to improve performance and power their competition (Zaied, 2012; Zaied, Hussein, & Hassan, 2012). Therefore, knowledge management is one of the management tools that can be used to support the achievement of organizational goals and demonstrate competitive advantage, so as to create good organizational performance. (Barney, 1997; Erkan et al., 2019; Jardon & Martos, 2012; Rahimli, 2012; Soewarno & Tjahjadi, 2020). Competitive advantage is able to significantly predict the variance in organizational performance (Nemati, Bhatti, Maqsal, Mansoor, & Naveed, 2010).

Effective use of knowledge will not only create competitive advantage, but also improve organizational performance (Zaied, 2012; Zaied et al., 2012). Knowledge management as the management of company knowledge and intellectual assets that can increase the range of organizational performance characteristics and add value by enabling a company to act smarter (Hosain & Khani, 2011). There are four processes in knowledge management (Detienne & Jackson, 2001; Mills & Smith, 2011). The four

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processes are: knowledge acquisition, knowledge conversion, knowledge application, and knowledge protection. Based on the assumptions above, we develop the hypothesis that

- H1** : Knowledge-Based Business (knowledge acquisition) take effect to the sustainability (product quality) of SMEs in Indonesia
- H2** : Knowledge-Based Business (knowledge conversion) take effect to the sustainability (product quality) of SMEs in Indonesia
- H3** : Knowledge-Based Business influential (knowledge application) to the sustainability (product quality) of SMEs in Indonesia
- H4** : Knowledge-Based Business (knowledge protection) take effect to the sustainability (product quality) of SMEs in Indonesia
- H5** : Knowledge-Based Business (knowledge acquisition) take effect to the sustainability (product innovation) of SMEs in Indonesia
- H6** : Knowledge-Based Business (knowledge conversion) take effect to the sustainability (product innovation) of SMEs in Indonesia
- H7** : Knowledge-Based Business (knowledge application) influential to the sustainability (product innovation) of SMEs in Indonesia
- H8** : Knowledge-Based Business (knowledge protection) take effect to the sustainability (product innovation) of SMEs in Indonesia

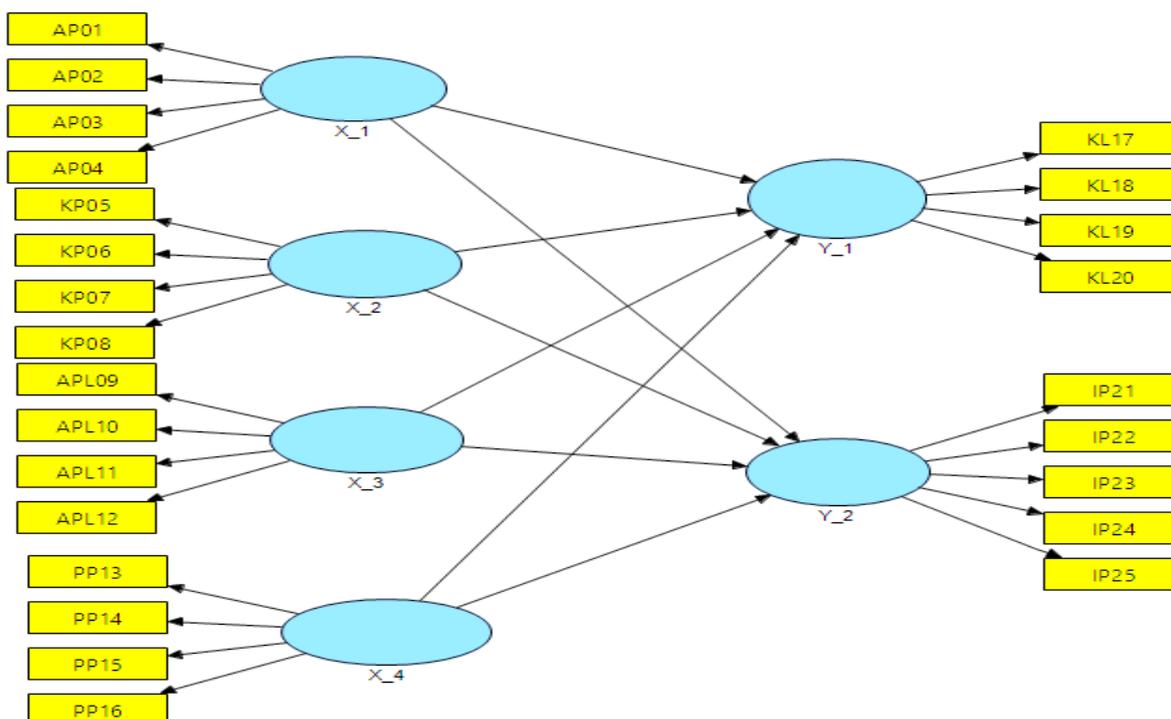


Figure 1. Research framework

### RESEARCH METHOD

The research was conducted using quantitative methods. Data collection techniques using questionnaires and literature study. Thus, the data collected will be classified as secondary data. The measurement and operational definitions of variables are described in table 1 below

Table 1. Research variable measurement indicators

No.	Variable	Definition	Indicator	Measurement	Number of Questions/Statements
1.	<b>Knowledge Based Business (X)</b>	Knowledge based business is a term used to describe today's global business(Manning, 2010).	The indicator of this variable, namely Knowledge acquisition Knowledge conversion Knowledge app Knowledge protection(Mills & Smith, 2011; Zaied et al., 2012)	<i>Likert</i>	1,2,3,4 5,6,7,8 9,10,11,12 13,14,15,16

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2.	<b>Business Sustainability (Y)</b>	<i>Business Sustainability</i> is a condition in which the company can continue to operate in the future, where this is influenced by financial and non-financial conditions (Bonn & Fisher, 2011; Castelo, 2013)	Business sustainability is measured from points of view such as product quality and innovation (Bonn & Fisher, 2011)	<i>Likert</i>	17,18,19,20, 21,22,23,24,25
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The population of this study is all MSME actors in Indonesia who have run their business for at least 10 years, MSME business actors must also be registered at the KPP (Pratama Tax Office) in their respective regions, so that MSME data will be easy to obtain. The sampling method applied purposive sampling technique. The criteria used in determining the suitability of the sample in this study include:

1. SMEs in Indonesia who have been running their business for at least 10 years.
2. MSME actors who already have a NPWP and are registered with their respective KPP (Pratama Tax Office), and
3. SMEs in the food and beverage industry.

Due to the unknown population, it is necessary to calculate the exact number of samples such as the Lemeshow formula (1990), as follows:

$$n = \frac{z^2 \cdot 1 - \alpha / 2^p (1 - p)}{d^2} \quad \text{Information:}$$

n : number of samples

$z^2 \cdot 1 - \alpha / 2$  : normal standard value, (if : 0.05, then Z: 1.960)

(1-P) : estimated population proportion (if P is 0.5, then P(1-P): 0.25)

d : tolerable deviation (10%)

So that:

$$n = \frac{(1,960)^2 (0,25)}{(0,10)^2}$$

$n = 96,4$  The results, which are still in the form of nominal numbers in the form of ratios, make it very difficult to determine the sample, so a rounding of the sample numbers is made to 100 samples (respondents), but to obtain better and more convincing findings, the sample is multiplied to 300 respondents of food and beverage SMEs in Indonesia. Indonesia. Determination of the value of each answer using a Likert scale. The description is as follows:

**Table 2. Likert scale answer criteria weight**

Information	Meaning	Number
SS	Strongly agree	5
S	Agree	4
N	Neutral	3
TS	Do not agree	2
STS	Strongly Disagree	1

Source: Likert (1932).

Analysis of the data used in this study, namely validity test, reliability test, descriptive statistical test, and SEM (Structural Equation Modeling) analysis test. The analytical tool used in this study uses Smart PLS.

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### RESULTS

The results of the data analysis that have been carried out have found several things, including the following.

#### 1) Characteristics of Respondents

Secondary data that has been collected by the researchers were analyzed to determine the characteristics of respondents from general questions, namely gender, age, education, and length of time running MSMEs. The descriptive results of the respondents' characteristics are shown in the following table.

**Table 3. Characteristics of respondents**

No.	Gender	Frequency
1.	Man	105 people
2.	Woman	195 people
<b>Amount</b>		<b>300 people</b>
No.	Age	Frequency
1.	35-40 years old	154 people
2.	> 40 years	146 people
<b>Amount</b>		<b>300 people</b>
No.	Education	Frequency
1.	SMK	276 people
2.	D3	24 people
<b>Amount</b>		<b>300 people</b>
No.	Business Length	Frequency
1.	10-15 years	179 SMEs
2.	> 15 years	121 SMEs
<b>Amount</b>		<b>300 SMEs</b>

Source: Data Tabulation, 2021.

Based on the table above, it can be seen that the number of male MSME respondents was 105 people, less than the number of female respondents as many as 195 people. Respondents consisting of MSME actors are divided into 2 age groups ranging from 35-40 years to > 40 years. MSME actors aged 35-40 years were 154 people while those aged >40 years were 146 people. The educational background of the recorded MSME respondents is divided into 2 categories, namely SMK graduates and D3 graduates. The length of time respondents run their MSME business is also classified into two, where there have been for 10-15 years as many as 179 MSMEs and more than 15 years as many as 121 MSMEs.

#### 2) Validity and Reliability Test

**Table 4. Research Instruments Validity and Reliability Test Results**

Variable	Dimension	Items	Correlation (r)		Coefficient	
			r	Status	Alpha	Status
<b>Knowledge Based Business (X)</b>	Knowledge acquisition	AP01	0.477	valid	0.821	reliable
		AP02	0.945	valid		
		AP03	0.945	valid		
		AP04	0.943	valid		
	Knowledge conversion	KP05	0.951	valid	0.830	reliable
		KP06	0.562	valid		
		KP07	0.956	valid		
		KP08	0.956	valid		
Knowledge app	APL09	0.467	valid	0.767	reliable	
	APL10	0.845	valid			
	APL11	0.845	valid			
	APL12	0.556	valid			

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	Knowledge protection	PP13		0.815	valid	0.796	reliable
		PP14		0.763	valid		
		PP15		0.802	valid		
		PP16		0.598	valid		
<b>Business Sustainability (Y)</b>	Quality	KL17		0.467	valid	0.767	reliable
		KL18		0.845	valid		
		KL19		0.845	valid		
		KL20		0.556	valid		
	Product innovation	IP21		0.772	valid	0.814	reliable
		IP22		0.811	valid		
		IP23		0.895	valid		
		IP24		0.811	valid		
		IP25		0.895	valid		

Source: Data processed, 2021.

Based on Table 3. shows that all question items have a correlation value (r) greater than 0.3, while the alpha coefficient is greater than 0.6. Thus it means that all question items for each variable are valid and reliable for further testing.

### 3) SEM (Structural Equation Model) Test Results

The SEM test phase is carried out by testing the outer model, evaluating the structural model (inner model), and testing the research hypothesis. The test results are as follows.

#### a) Test the outer model and evaluate the inner model

This outer model test uses Composite reliability indicator block data which measures a construct by evaluating the composite reliability value (pc). Dimensions are considered reliable if they have a composite reliability value (pc) above 0.7. The following are the results of calculations using composite reliability (pc):

Table 5. Composite reliability calculation results

Dimension	Composite Reliability	R-Square
Knowledge acquisition_X1	0.916	0.846
Knowledge conversion_X2	0.928	0.878
Knowledge app_X3	0.779	0.610
Knowledge protection_X4	0.835	0.733
Product quality_Y1	0.773	-
Product innovation_Y2	0.923	-

Source: Smart PLS, 2021.

*Inner*The structural model was evaluated using R-Square for the dependent construct, Stone-Geisser Q-Square test for predictive relevance. The results of the calculations that have been carried out find that the R-Square value for the variables Knowledge acquisition\_X1, Knowledge conversion\_X2, Knowledge application\_X3, and Knowledge\_X4 protection is more than 0.2, so it can be interpreted that the latent predictor has a large influence on the structural level.

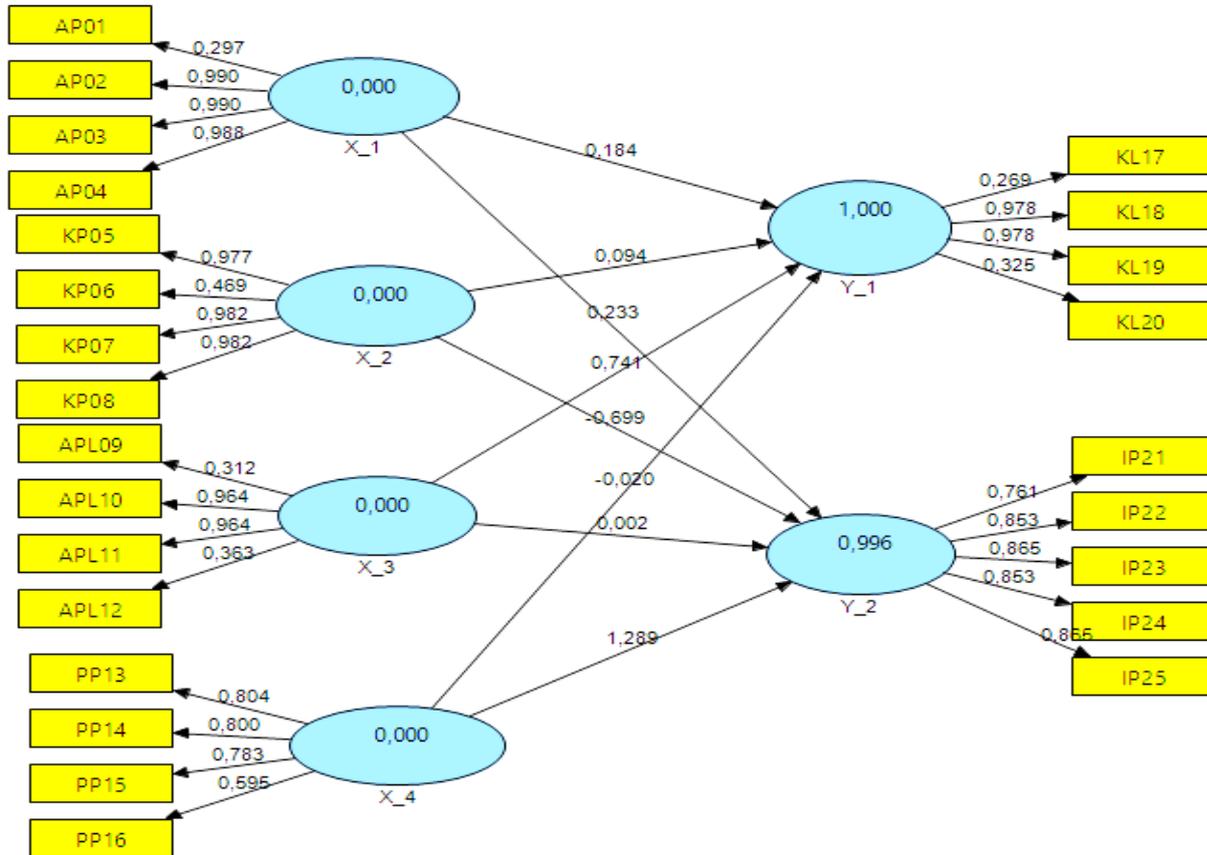
*Inner* Structural models are also evaluated by looking at the Q-Square predictive relevance for the construct model. The following is the result of the Q-Square calculation.

$$\begin{aligned}
 Q^2 &= 1 - (0.846)(0.878)(0.610)(0.733) \\
 &= 1 - 0.332 \\
 &= 0.668
 \end{aligned}$$

The calculation results show the Q-Square value > 0, so the model deserves to be said to have a relevant predictive value.

b) Test the research hypothesis

Figure 1. Data Test Results



Source: Smart PLS, 2021.

Hypothesis testing is done by comparing the t-count value with the t-table value, if the t-count value is greater than t-table, then the relationship between the variables is significant and can be analyzed further. With the amount of data 300, then the value of t table ( $\alpha = 5\%$ ) obtained by 1,967 and the value of t table ( $\alpha = 10\%$ ) of 1,655. The results of hypothesis testing are presented in Table 6. Below.

Table 6. Hypothesis Testing Results

Hypothesis	Influence	coef. Path	t count	Information
H1	X <sub>1</sub> → Y <sub>1</sub>	0.256	1.297	Not Significant
H2	X <sub>2</sub> → Y <sub>1</sub>	0.069	0.931	Not Significant
H3	X <sub>3</sub> → Y <sub>1</sub>	0.695	4.166*	Significant
H4	X <sub>4</sub> → Y <sub>1</sub>	-0.019	0.919	Not Significant
H5	X <sub>1</sub> → Y <sub>2</sub>	-4,825	0.346	Not Significant
H6	X <sub>2</sub> → Y <sub>2</sub>	2,080	1,538	Not Significant
H7	X <sub>3</sub> → Y <sub>2</sub>	3.215	0.147	Not Significant
H8	X <sub>4</sub> → Y <sub>2</sub>	0.000	15,547*	Significant

\* significant at 5% level, t table value at 5% level = 1.967

\*\* significant at 10% level, t table value at 10% level = 1.655

Source: Data processed, 2021.

Based on Table 5, the structural equation is as follows:

$$Y_1 = 1.297AP + 0.931KP + 4.166APL + 0.919PP$$

$$Y_2 = 0.346AP + 1.538KP + 0.147APL + 15.547PP$$

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### Information:

- Y1 = Product quality  
Y2 = Product innovation  
AP = Knowledge acquisition  
KP = Knowledge conversion  
APP = Knowledge app  
PP = Knowledge protection

The interpretation of table 6. can be explained as follows:

- a. Knowledge acquisition has no significant effect on product quality ( $t \text{ count} < t \text{ table}$  ( $1,297 < 1,967$ ) This result indicates that the process of acquiring knowledge of respondents has not been fulfilled properly through the internal and external environment.(Zaied et al., 2012). These results also indicate that the first hypothesis is not accepted.
- b. Knowledge conversion does not have a significant effect on product quality ( $t \text{ count} < t \text{ table}$  ( $0,931 < 1,967$ ), it seems that our respondents have difficulty in converting knowledge to product quality. These results also indicate that the second hypothesis is not accepted.
- c. Knowledge app positive and significant effect on product quality ( $t \text{ count} > t \text{ table}$  ( $4,166 > 1,967$ ) This result indicates that some SMEs have started to apply knowledge application to their knowledge based business concept. These results also indicate that the third hypothesis is not rejected.
- d. Knowledge protection is not significant effect on product quality ( $t \text{ count} < t \text{ table}$  ( $0,919 < 1,967$ ), this indicates that some MSME actors have not fully maintained the quality of their products through information labeling. These results also indicate that the fourth hypothesis is not accepted.
- e. Knowledge acquisition does not have a significant effect on product innovation ( $t \text{ count} < t \text{ table}$  ( $0,346 < 1,967$ ), this result also shows a further relationship from the first hypothesis, where when business actors do not understand the acquisition of knowledge for product quality and product innovation, the products they produce have not able to compete. Furthermore, when competitiveness weakens, the sustainability of its business will be questioned. This finding indicates that the fifth hypothesis is not accepted.
- f. Knowledge conversion does not have a significant effect on product innovation ( $t \text{ count} < t \text{ table}$  ( $1,536 < 1,967$ ), this finding is a continuation of the previous second hypothesis. When the production is monotonous every time, it is certain that there is no attempt to innovate the product. Another thing that makes business actors reluctant to innovate is the fear when the product is not accepted in the market which results in losses until its business continuity is disrupted. This result also indicates that the sixth hypothesis is not accepted.
- g. Knowledge app does not have a significant effect on product innovation ( $t \text{ count} < t \text{ table}$  ( $0,147 < 1,967$ ), this finding indicates that MSME actors are still unable to maximize the application of their knowledge to innovate, so they need assistance or training to increase their knowledge. These results also indicate that the hypothesis seventh is not accepted.
- h. Knowledge protection positive and significant effect on product innovation ( $t \text{ count} > t \text{ table}$  ( $15,547 > 1,967$ ), this finding means that MSME actors have realized that in order to innovate their products it is necessary to protect the knowledge of these products. These results prove that the eighth hypothesis is not rejected .

The findings of this study provide new scientific evidence that not all MSME actors in Indonesia have changed their business concept in the new normal period. Some MSME actors are still afraid to change the business concept because of the high cost of learning the new concept. The cost of learning this new business concept makes them choose to keep the funds as reserve capital waiting for the new normal period to fully restart. Some even have no capital due to the Covid-19 pandemic, so that the sustainability of their business in the current new normal period is no longer there or is bankrupt. The high cost of this knowledge also makes them choose to temporarily close their businesses in the new normal, although there are still a small number of MSME actors who still carry out productivity on a very small scale. The current situation and condition of MSMEs is in dire need of huge capital assistance, in order to be able to meet the sustainability of their business and the salaries of their employees. If the conditions continue to be the same, then it is not surprising that the number of MSMEs in the future will decrease. On the other hand, the government's assistance efforts for MSME actors are still very minimal because the government has been too burdened due to the corruption of aid funds for all Indonesians. This condition is very worrying for the sustainability of MSME entities and the current state of the Indonesian national economy. Corruption in an organization or country is a deadly disease and afflicts many parties. If the conditions continue to be the same, then it is not surprising that the number of MSMEs in the future will decrease. On the other hand, the government's assistance efforts for MSME actors are still very minimal because the government has been too burdened due to the corruption of aid funds for all Indonesians.

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This condition is very worrying for the sustainability of MSME entities and the current state of the Indonesian national economy. Corruption in an organization or country is a deadly disease and afflicts many parties. If the conditions continue to be the same, then it is not surprising that the number of MSMEs in the future will decrease. On the other hand, the government's assistance efforts for MSME actors are still very minimal because the government has been too burdened due to the corruption of aid funds for all Indonesians. This condition is very worrying for the sustainability of MSME entities and the current state of the Indonesian national economy. Corruption in an organization or country is a deadly disease and afflicts many parties. This condition is very worrying for the sustainability of MSME entities and the current state of the Indonesian national economy. Corruption in an organization or country is a deadly disease and afflicts many parties. This condition is very worrying for the sustainability of MSME entities and the current state of the Indonesian national economy. Corruption in an organization or country is a deadly disease and afflicts many parties.

### **CONCLUSION**

#### **IMPLICATION AND LIMITATION**

The results of surveys and tests that have been carried out have found that several new things including knowledge acquisition, knowledge conversion, and knowledge protection have no effect on the sustainability of MSME businesses as measured by the quality of their products. Knowledge acquisition is a process that includes activities of gathering, accessibility, and application of the acquired knowledge (Zaied, 2012; Zaied et al., 2012). When business actors do not understand this, the products they produce are not able to compete globally, even internationally. It seems that our respondents have difficulty when they have to convert their knowledge to the quality of their products, because the background which is still dominated by SMK graduates makes them only able to make products that have been produced so far without any effort to improve the quality of their products, as a result the products are still the same or monotonous. Some MSME actors also have not fully maintained the quality of their products through detailed information labeling. Although several other MSME actors have provided information, in the form of raw materials in their products, there is a need for additional information such as nutritional value, so that the quality of the product is also known by consumers.

Meanwhile, the application of knowledge has an effect on the sustainability of MSME businesses as measured by the quality of their products. These MSME actors tend to be dominated by those who are still young and quick to think for the sustainability of their business in various situations and conditions. The next finding is that knowledge acquisition, knowledge conversion, and knowledge application have no effect on MSME business sustainability as measured by product innovation. Currently, product innovation is urgently needed in order to reach a larger market (Moustaghfir, Schiuma, Moustaghfir, Schiuma, & Schiuma, 2013; Schneider, Günther, & Brandenburg, 2010; Van Horn, 1999; WY Wang & Chang, 2005). Due to the generation of consumers of these products experiencing a shift, this is due to the regeneration of consumers, old consumers will decrease, so MSME actors need to think about their new consumers with their current tastes. This underlies that product innovation is important for business sustainability. Meanwhile, knowledge protection has an effect on the sustainability of MSME businesses as measured by product innovation. MSME actors have realized that in order to innovate the products they produce, it is necessary to protect the knowledge of these products. The high cost required to innovate has also forced some MSME actors to be reluctant to innovate, even though a small number have already innovated. This means that MSME actors who are reluctant to innovate more enjoy stagnant business sustainability and hope that market conditions will be stable, even though market conditions are very difficult to control in the new normal. Current market conditions need to be adjusted to certain conditions.

The implications of these scientific findings can help the wider audience that the situation and condition of the sustainability of MSME businesses in Indonesia is currently in a slump. Although not as severe as in the 1997-1998 monetary crisis, MSME actors currently really need the help of knowledge to design new business concepts as well as large enough capital to be able to bounce back. The roles and efforts that have been designed by the government are always thwarted by the actions of corruptors who are too greedy with their assets and personal interests. This finding also suggests to the public that the role of MSME actors is very important to support the economy of the lower-middle class in order to stay alive and fulfill their needs. There is a need for a new independent controlling agency under the direct leadership of the president to stop the current rate of corruption, because even the existing institutions are filled with various interests when solving corruption cases. When corruption in a country begins to disappear, then assistance from the government will be fully absorbed by the targeted parties, especially SMEs, so that the country will recover all its operations and become the most developed country among other countries.

The limitation of this study is that the respondents used are MSME actors whose educational background is SMK, so they also have difficulty understanding a new business model concept for the sustainability of their business. We try to show the public that the MSME actors that we make as respondents really need the help of knowledge and capital for the sustainability of their

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business. The government's efforts have been good, but have been undermined by corruptors. This lack of knowledge makes us feel that this phenomenon needs to be taken together by various institutions seriously.

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