
Tacit Knowledge Sharing as a Catalyst for Innovation Capability in Small and Medium Enterprises (SMEs) in the Malaysian Furniture Industry

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Faculty of Entrepreneurship and Business, Universiti Malaysia Kelantan
Locked Bag 36, 16100 Pengkalan Chepa
Kota Bharu, Kelantan, Malaysia
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Intan Nadiyah Mohd Nor (Corresponding Author)
College of Creative Arts, Universiti Teknologi MARA,
Shah Alam, 40450, MALAYSIA
Email: nadia17_mohdnor@yahoo.com

Mohamad Hariri Abdullah
College of Creative Arts, Universiti Teknologi MARA,
Shah Alam, 40450, MALAYSIA
Email: mhariri@uitm.edu.my

Hema Zulaika Hashim
College of Creative Arts, Universiti Teknologi MARA,
Shah Alam, 40450, MALAYSIA.
Formgiving Research Group, College of Creative Arts,
Universiti Teknologi MARA, Shah Alam 40450, MALAYSIA
Email: hema@uitm.edu.my

Nur Syazana Osman
Universiti Kuala Lumpur, Malaysia Italy Design Institute,
56100, MALAYSIA
Email: nursyazana@unikl.edu.my



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Abstract – In the shift to a knowledge-based economy, SMEs in the Malaysian furniture industry need to improve their innovation capability to meet the dynamic challenges and opportunities of the information age and secure a competitive advantage. Empirical research shows that a variety of factors play a crucial role in determining the innovation capabilities of the firm. The aim of this conceptual paper is to investigate how tacit knowledge sharing influences the innovation performance of SMEs in the Malaysian furniture industry, and to examine the mediating role of innovation capability at both individual and organizational levels. The conceptual framework was constructed after synthesizing the existing literature and highlights the essential role of tacit practices such as knowledge donation and collection are critical in cultivating a culture of knowledge sharing that significantly influences innovation performance at both individual and organizational levels. The paper hypothesizes that innovation capability could serve as a mediator between tacit knowledge sharing and innovation performance, emphasizing the need for SME owners and managers to prioritize tacit knowledge to achieve better innovation outcomes. The conceptual framework is grounded in Resources-Based View theory, which elucidates the interactions between variables. The theoretical and practical implications of this model are also discussed.

Keywords: “Malaysia furniture industry”, “SMEs”, “tacit knowledge sharing”, “organization innovation capability”, “individual innovation capability”.

1. Introduction

The Malaysian furniture industry, which is fundamental to strengthening the Malaysian brand and fashion sector has proven to be a significant economic force in the competitive global market. The year 2019 was a milestone of growth, with the domestic market reaching RM8.9 billion (MTIB, 2020) and furniture exports have escalated to RM10.52 million, with wood-based products contributing RM22.1 million, representing a significant 83% of the country's total export, thereby reinforcing Malaysia's status as a leading furniture exporter with a substantial portion of its production reaching over 160 countries worldwide (Yusof et al., 2023; Yi et al., 2021). This success is largely dependent on the contributions of SMEs, which boost GDP, encourage entrepreneurial ventures, and employ approximately 105, 000 people (MTIB, 2020). As articulated by Manaf et al., (2020) the Malaysian government has strategically moved towards a knowledge-based economic paradigm in parallel with the country's evolution from an industrial to an information-based economy. This transformative journey, underscored by the complex synergy between human capital, societal changes, and technological advancement, requires adaptations to accelerated product life cycles and has subsequently necessitated the implementation of robust and visionary government strategies. Complementing these findings, Ratnasingam et al., (2020) posit that the Third Industrial Master Plan (IMP3), which spans from 2006 to 2020, is emblematic of these government-led initiatives, aimed at helping Malaysian industry to rise in the global arena through the promotion of innovation, with a particular focus on the furniture sector. This strategic intent is in line with Malaysia's desired identity as a pioneer in manufacturing in the Asia continent. Furthermore, Loong et al., (2022) emphasize that this ambition places significant expectations on furniture manufacturers to proactively collaborate with government agencies such as the Ministry of International Trade and Industry (MITI), the Malaysian Investment Development Authority (MIDA), and the Federation of Malaysian Manufacturers (FMM). Such collaboration is critical to refining manufacturing methods and encouraging product innovation, thereby strengthening the sector's competitive advantage.

However, the transformation is fraught with challenges, mainly due to the financial constraints and other systemic challenges faced by SMEs that hinder their ability to drive innovation at both individual and organizational levels (Ratnasingam et al, 2021). Yi et al., (2021); and Abu and Mansor (2019) describe these issues, as nothing that these financial barriers hinder the recruitment or development of skilled workers, thwart Industry 4.0 adoption efforts, and limit engagement in innovation practices. Ratnasingam et al., (2020) reinforce this perspective, by detailing how systemic challenges, such as policy volatility and inconsistencies in the supply of raw materials, further exacerbate the situation. Furthermore, Laila et al., (2022) argue that inadequate innovation platforms and small innovation portfolios exacerbate SMEs to develop innovation has complicated these issues. According to Ratnasingam et al., (2018) due to these challenges, the prevailing practice of original equipment manufacturer (OEM) in the furniture industry has led to a stagnant environment where innovation and value creation are limited. While this approach has brought short-term profits, it has also hindered the industry shift towards more lucrative and value-adding original design manufacturing (OBM). This entrenched dependence on OEM is a key challenge that contributes to the industry's meager productivity rates in internalizing R&D and implementing innovation independently. In addition, such practices hinder the integration of advanced technologies, slowing down the industry's efforts to become a net exporter of high-quality, branded furniture. These challenges not only affect the industry's

innovation capabilities but also have repercussions throughout the entire economic supply chain, including the associated society, and ultimately affect the government's financial ability to further stimulate the local economy (Zou & Zhong, 2022).

In the face of these challenges, the industry must exploit its inherent capabilities, to maintain productivity and efficiency. Innovation must be embraced as a core strategy to gain a competitive advantage within an environment dominated by relentless technological progress and volatile consumer expectations (Ramadhan & Farida, 2023). This approach is essential for achieving strategic gains through enhanced quality, innovative product development, cost-efficiency, and market differentiation, all of which are vital for the industry's resilience and future prosperity. Torres-Barreto et al., (2021) and Börjesson & Elmquist, (2011) highlighted, that a robust innovation capability is highly valued, difficult to replicate, and central to business performance, which has led to extensive research focused on identifying factors that facilitate innovation at the individual and organizational level (Rehman et al., 2021). Furthermore, the emphasis on innovation capability is in line with the views of Lawson and Samson (2001) they argue that the strategic ability to innovate in a highly competitive environment not only serves as leverage but is also a key competitive differentiator, particularly during periods of instability. Therefore, it is this dedicated, long-term strategic focus on building innovation capability that can create a sustainable competitive advantage (Leopoldo et al., 2016). This reflects the scientific endeavor to decipher the determinants that strengthen a company's innovation potential.

The issues highlighted in this study have prompted the industry to actively seek competitive advantages to ensure its survival amidst increasing uncertainty. Recent research by Lei et al., (2021) emphasizes that innovation capability is a dynamic competency and one of the primary organizational tools for a firm to effectively adapt to external unpredictability and sustain long-term competency. In addition, Rogers, (2003); and Zaltman et al., (1973), defined innovation capability as an essential prerequisite for improved organizational performance, longevity, and competitive superiority. This capability embodies the knowledge and skills needed for new product development and the enhancement of existing products, offers a sustainable competitive advantage, and facilitates strategic implementation (Lawson & Samson, 2001; Lazarenko et al., 2021; Tahat, 2021). Notably, this capability is tacit and embedded in experiential learning within the organization, underpinning the adage "innovation is power" (Kamasak & Bulutlar, 2010). Adding to this conceptualization, du Plessis (2007) emphasizes the role of knowledge management as a multifaceted area that encompasses the life cycle of knowledge acquisition, development, sharing, and utilization, which is fundamental to the dynamics of an organization. Among these aspects, Grant (1996) highlights the significance of a knowledge-based approach in shedding light on organizational innovations and trends, emphasizing its implications for management practices. Ma et al., (2022) and Zhang & Wang (2018) further elaborate on how knowledge sharing involves not only the transfer of existing knowledge but also creative learning interactions among individuals and organizations.

In line with Malaysia's National Entrepreneurship Policy 2030, which strives for a sustainable, inclusive, and progressive economy driven by innovation and knowledge (Fong, 2023), this research deserves much attention. While previous studies acknowledge the role of knowledge-sharing in stimulating innovation in SMEs, the specific intricacies of tacit knowledge-sharing practices that link individual and organizational innovation capabilities

and their impact on innovation performance in Malaysian furniture SMEs are still unexplored in the literature. Moreover, the effects of knowledge donation and collection on individual and organizational innovation capabilities are inconsistent in the existing studies. Therefore, the main objective of this research is to address this gap by exploring the theoretical underpinnings and providing a conceptual framework that encompasses all four components. This research focuses on the context of Malaysian SMEs in the furniture industry.

2. Literature Review and Hypothesis Development

2.1. Knowledge Sharing

The sharing of knowledge is a crucial process in knowledge management and a value-adding activity in business strategy (Rehman et al., 2021). There are two types of knowledge sharing in an organization - tacit or explicit knowledge, depending on the needs of the problem at hand (Polanyi, 1996). The concept of sharing tacit and explicit knowledge is recognized as a critical concept and is frequently cited as an essential precursor to innovation and organizational performance (Soniewicki, 2022). This concept involves building and regulating network relationships based on mutual trust, communication, and commitment, and to implement this process, they must be understood, transformed, and brought together (Gubbins & Dooley, 2021). In the context of organizations, individuals may gain knowledge from their own experiences and other people's experiences. Considering the constant interaction between employees, individuals may share the acquired knowledge with their colleagues through feedback, explanation, support, or guidance.

Moreover, previous studies have shown that knowledge donation and collection, which are utilized in this research, are the two rudimentary foundations of knowledge sharing and play an important role in strengthening an organization's capacity for innovation (Podrug et al., 2017). These two knowledge-sharing practices were derived from the idea that the knowledge-sharing process involves two parties, relating to the knowledge carrier and the knowledge receiver, respectively (Hendriks, 1999). Knowledge donation refers to the willingness and ability of individuals to share their intellectual capital or that of the organization with others through consultation and communication, while knowledge collection refers to the process of using knowledge that has been shared or donated by others (Fayyaz, 2021). Knowledge collecting and knowledge donation are two practices used by employees to gain and transfer new information to make everyone's knowledge more comprehensive (Herjanto, 2023; Ismail & Maryanti, 2022). These practices are part of the knowledge-sharing process that can lead to innovation and improved performance within an organization.

2.2. Tacit Knowledge Sharing

Tacit knowledge refers to knowledge that is characterized by its intuitive, inarticulate, and then subjective nature, which makes it exceedingly challenging to codify and elicit without the explicit permission of the person possessing the knowledge (Polanyi, 1966). Therefore, it is commonly acknowledged that the primary form of tacit knowledge transfer is through informal communication and social interaction among employees, which is widely considered to be the foundation of all organizational knowledge (Nonaka & Takeuchi, 1995). This is particularly evident in the field of innovation, where a significant amount of work-related knowledge is tacit, making the sharing of this knowledge even more important to

achieve higher collective performance. The dimension of tacit knowledge sharing is highlighted in the study of Ibrahim et al., (2022), namely the frequency of knowledge sharing through the exchange of knowledge or the sharing of information (in the form of ideas, experiences, facts, procedures, expertise, skills, and formulas) with other individuals, groups, or organizations through dialogs, observations, and individual personal experiences in his or her thoughts, behaviors, and perceptions. Amber (2019) further emphasizes that the dissemination of tacit knowledge is often perceived as a voluntary endeavor because it is usually not documented in manuals, databases, or files and is informal and unbureaucratic.

2.3. Innovation Capability and Innovation Performance

In today's competitive business environment, organizations differentiate themselves by cultivating innovative capabilities that are difficult for their competitors to replicate, and this can be seen as a mechanism for organizations to sustain high levels of innovation performance (Situmorang & Indriani, 2023). Innovation capability is widely recognized as a crucial internal resource that can lead to exceptional organizational performance (Modarres et al., 2022). Moreover, based on the concept of dynamic capabilities, Bhupendra and Sangle (2021) define innovation capability as the ability of an organization to transform knowledge into new products or to improve product performance in anticipation of market demand, to leverage technologies to create novel opportunities and processes that provide more value to the organization and stakeholders. This underscores the importance of innovation capability as one of the critical capabilities an organization should possess and should be examined at both the individual and organizational levels.

2.4. Individual and Organizational Innovation Capability

Employee innovation capability is the capacity of employees to develop new concepts and improve existing concepts, leading to the formation of innovative processes, commodities, or amenities that support organizational goals (Taecharungroj & Millington, 2022). This underscores the importance of innovation capability as one of the critical capabilities and company should possess and should be examined at both the individual and organizational levels. The study findings and taxonomy by Hervas-Oliver et al., (2016) found that individual innovation capability consists of five dimensions, namely technological changes, experience, knowledge changes, situation, and process innovation. Nonaka and Takeuchi (1995) emphasized the importance of employee initiative in knowledge creation, arguing that knowledge is co-created through interactions between employees at different levels. An organization cannot acquire new knowledge, or at least knowledge has minimal impact on organizational effectiveness unless it is shared and understood by different individuals and groups. Individual and organizational capabilities are interdependent, as individual innovation capability is a critical element of organizational innovation capability. Consequently, improving and developing individual innovation capabilities and skills can improve organizational innovation performance.

2.5. Resources-Based View Theory

The Resources Based View (RBV) theory postulates that a company's performance and competitive advantage are based on the strategic use of its internal resources, both tangible and intangible, and capabilities which is valuable, rare, inimitable, and non-interchangeable (collectively known as VRIN criteria), can create a sustainable competitive advantage (Barney 1991; Pankaj 2010; Conti & Chiarini 2021). Saunila (2016) and Kamarulzaman et al.,(2021) emphasize the importance of these resources in organizations, especially SMEs,

with the means to excel and sustain superior outcomes. Jalali and Jaafar (2019) acknowledged the critical role of intangible resources, especially tacit knowledge, and used RBV to identify the mix of resources that drive competitiveness. Hsu & Wang (2012) explain the need for managers to develop and implement competitive strategies that address the unique conditions of these intangible assets and use them to optimize firm performance and exploit market opportunities. This narrative is further enriched by Wadood et al., (2022) and Saunila (2016) who underscore the pertinence of intangible resources in nurturing innovation capabilities at both individual and organizational levels within SMEs in the Malaysian furniture industry. Resources-Based View theory elucidates the instrumental role of a firm's unique resources, particularly those that are intangible like tacit knowledge, in establishing and maintaining a competitive edge. The compelling association between intangible assets and innovation capabilities at SME levels, especially in a dynamic sector like the Malaysian furniture industry, underscores their potential to catalyze both individual and organizational growth, thereby fortifying the firm's position in the market. Together these studies converge on the pivotal role of tacit knowledge sharing as a primary driver for innovation performance, mediated through the development and utilization of innovation capability, thus illuminating the pathway for Malaysian furniture SMEs to achieve and sustain competitive ascendancy. This theory accordingly supports the conceptual framework proposed in Figure 1.

2.6. Hypotheses Development

Relationship between tacit knowledge sharing, individual innovation capability, organizational innovation capability, and firm innovation performance.

Knowledge sharing is an essential process in organizations that usually occurs between individuals (Caimo & Lomi, 2015). In the context of knowledge management, the sharing of tacit knowledge has been recognized as a critical factor in improving individual innovation capabilities (Lathong et al., 2021). This recognition is based on the understanding that tacit knowledge, which refers to non-codified and disembodied knowledge, plays an important role in promoting innovation and the ability of individuals to develop new ideas and solutions (Işık et al., 2021). The assessment of innovation capability is conducted at the individual level rather than at the organizational level as a cohesive unit since the individual makes a significant contribution to the continuous innovation process that affects the entire work group and the organization as a whole (Latong et al., 2021; Hewko, 2022). The creation and dissemination of tacit knowledge results from the process of socialization, the sharing of experiences, and the interactive skills of individuals to communicate with their colleagues (Von Krogh, 1998). Effective knowledge creation and sharing through internal and external stakeholder interactions enhances an individual's critical thinking and creativity by acquiring valuable tacit knowledge (Zhou et al., 2021). Furthermore, Tri (2018) emphasizes sharing tacit knowledge allows individuals to learn from others' skills, perspectives, and experiences with successes and failures, including their ideals, principles, and feelings which are not readily accessible through formal training or explicit knowledge sources. This, in turn, allows them to see things from different perspectives and opens new avenues for individual and organizational growth. Otundo, (2023) further emphasizes that the success of tacit knowledge sharing promotes knowledge creation, enhances the ability to innovate continuously, and encourages individuals to think critically and creatively to create value. Therefore, based on these theoretical foundations, it was hypothesized that:

H1: *Tacit knowledge-sharing practices including knowledge collecting and knowledge donating have positive effects on individual innovation capability.*

H2: *Individual innovation capability has a positive effect on innovation capability.*

The contribution of tacit knowledge sharing to organizational innovativeness has been widely studied in the existing literature (Larrtey et al., 2022; Kucharska and Erickson, 2023). Previous research has shown that tacit knowledge sharing can support organizational innovation by improving problem-solving, fostering creativity and innovation, leveraging collective intelligence, and being difficult to imitate (Grant, 1996). Rumanti et al. (2019) argue that sharing tacit knowledge can be an effective strategy for collaboration and learning, allowing organizations to leverage the collective wisdom of their employees. By pooling their tacit knowledge, companies can tap into the collective intelligence of their employees to drive innovation. As a result, companies that foster better sharing of tacit knowledge are inclined to have greater degrees of innovation capability. This finding aligns with the conclusions of several previous studies that examined how companies leverage tacit knowledge. For example, the study conducted by Boamah et al., (2023) delves into the impact of tacit knowledge sharing on the operational success of construction companies. The research emphasizes the significance of sharing tacit knowledge among employees to improve operational efficiency and overall performance by exploring how tacit knowledge sharing influences the daily work activities and productivity of construction firms and highlights the value of tacit knowledge in improving organizational outcomes. Similarly, Sin Kwang Plastic Resources in Malaysia is a company that has transformed from a family business into an Original Equipment Manufacturer (OEM) for Japanese companies. This study highlights the use of tacit knowledge to improve innovation within a technology-driven cluster supplying Japanese multinational corporations (MNCs) and highlights the benefits and strategies associated with utilizing tacit knowledge among employees to enhance innovation capabilities (Kean, 2023). Furthermore, Google company encourages its employees to actively disseminate their expertise and accumulated experiences through various channels, including internal blogs and forums (Alwis et al., 2004). From these empirical studies, it can be concluded that tacit knowledge can be the source of a variety of opportunities and potentials for companies to increase creativity. They argue that the sharing of tacit knowledge is important for the creation of knowledge that contributes significantly to a firm's ability to innovate and that it can improve firm performance. Therefore, based on these theoretical foundations, it can be hypothesized that:

H3: *Tacit knowledge-sharing practices including knowledge collecting and knowledge donating have a positive effect on organization innovation capability.*

H4: *Organizational innovation capability has a positive effect on innovation capability*

The relationship between innovation capability and innovation performance has been extensively deliberated in the innovation literature. According to Boateng et al. (2019), organizational innovation capability was found to have a greater impact on overall performance. In addition, Rajapathirana and Hui (2018) study concludes that the ability to innovate has a noteworthy and constructive influence on organizational innovation, leading to better innovation performance. The results of the study by Alaskar, (2023) show that innovation capability positively mediates the relationship between IT infrastructure, information quality, and firm performance. The empirical results of the study by Baláž, (2023) on the impact of innovation on firm performance are mixed, but innovation

capabilities are seen as critical to maintaining competitive advantage, creating value for customers, and gaining greater market share. These arguments lead to the assumption that companies with stronger innovation capabilities are more likely to have better customer value, improve production performance, and achieve better overall business performance. Therefore, this research hypothesizes the following:

H5: *There is a positive relationship between innovation capability and firm performance*

3. Methodology of Study

The methodology of the study on the impact of tacit knowledge sharing on the innovation performance of SMEs in the Malaysian furniture industry, and the mediating role of innovation capability at the individual and organizational levels, begins with a meticulous analysis of a comprehensive literature review. This initial step involves the exploration of previous studies that have addressed tacit knowledge sharing, individual and organizational innovation capability, and innovation performance in various contexts, from high-tech firms to large, medium, and small organizations with different mechanisms and practices. This review uncovers notable gaps in the existing literature, which facilitates the formulation of empirically grounded hypotheses. These hypotheses are consistent with previous empirical findings and scholarly work that shed light on related dimensions and outcomes of tacit knowledge dynamics. Based on the identified discrepancies between the current literature and the research hypotheses, a conceptual framework is established that views tacit knowledge sharing, including knowledge collecting and knowledge donating, as a predictor of individual innovation capability and organizational innovation capability, both of which contribute to improving innovation performance in furniture SMEs. The methodology ensures that the development of the conceptual framework is underpinned by a rigorous review and synthesis of theoretical and empirical evidence, which collectively form the research model of the study. The framework is based on the belief that innovation capability is an important mediating variable in the relationship between tacit knowledge sharing and innovation performance, thereby the study emphasizes the significance of promoting tacit knowledge sharing as a strategic tool, that is critical for fostering innovation within the dynamic global market.

4. Findings and Discussion

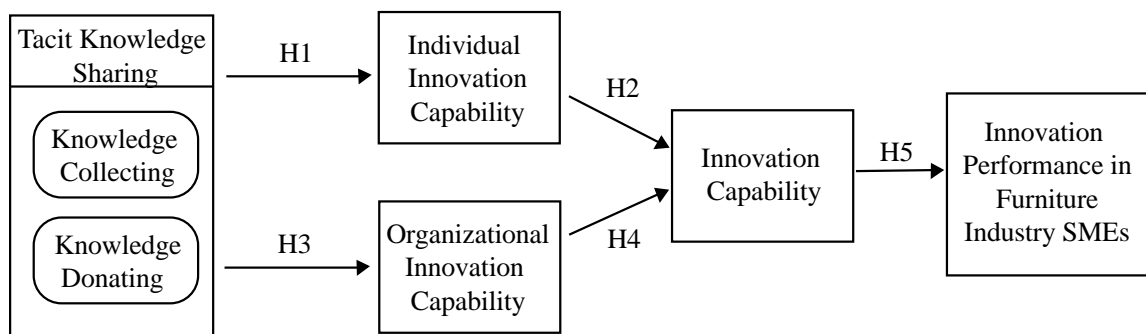
In the Malaysian furniture industry, particularly among SMEs, this research highlights the significance of tacit knowledge sharing as a driver for sustainable growth and achieving economies of scale in the face of intense global competition. Through an in-depth theoretical examination of how tacit knowledge encompassing both knowledge donating and collecting is shared in these SMEs, this study gains insights into its direct contribution to improving innovation capability at both individual and organizational levels. According to Işık et al., (2021); Von Krogh, (1998); Zhou et al., (2021) and Tri (2018) tacit knowledge sharing is a critical mechanism for innovation, enabling employees to absorb and utilize uncoded experiential knowledge from their peers. This exchange goes beyond the mere acquisition of explicit information and promotes a deeper and intrinsic form of learning. At an individual level, it cultivates a workforce that not only has knowledge but is also able to apply that knowledge creatively to overcome challenges and develop new solutions. This finding is align with Otundo, (2023), stresses that effective sharing of tacit knowledge fosters the generation of new knowledge creatively, motivates individuals to engage in critical thinking,

ultimately leading to the creation of value outcomes. Such a knowledge-rich environment fosters individual innovation capabilities and equips employees with advanced problem-solving skills that are essential in today’s unpredictable market landscape. At the organizational level, the dissemination of tacit knowledge serves as the cornerstone of collaboration and collective learning. As Rumanti et al. (2019) emphasize that by harnessing the collective knowledge that resides within the organization’s employees, companies can create an ecosystem that fosters innovation. This collective intelligence serves as a springboard for organizational innovation, streamlining processes, and developing new products that meet the changing demands of the global marketplace. In summary, sharing tacit knowledge is not only a beneficial practice but a strategic imperative for Malaysian SMEs in the furniture industry. This study highlights the role of tacit knowledge-sharing in improving the innovation capabilities of individuals and organizations alike. It shows that the sharing of unwritten, experience-based knowledge, enriches employees’ ability to think creatively and innovate. At the organizational level, sharing tacit knowledge creates a fertile environment for collaborative innovation, and enables firms to leverage the hidden expertise of their employees to gain a competitive advantage in the marketplace. SMEs in the Malaysian furniture industry can thus benefit greatly by fostering a culture that actively encourages and facilitates the sharing of tacit knowledge at all levels of the organization, thus promoting sustainable innovation and growth.

4.1. Conceptual Framework

Based on the comprehensive analysis of the existing literature and the discrepancy between the hypotheses discussed above, a conceptual framework (**Figure 1**) was developed that proposes tacit knowledge sharing, including knowledge collecting and knowledge donating as a predictor of individual innovation capability and organizational innovation capability, leading to improved innovation performance SMEs in the furniture industry. In this framework, innovation capability is a mediating variable in the relationship between tacit knowledge sharing and innovation performance.

Figure 1: Conceptual Framework



5. Conclusion

In conclusion, the present study provides strong theoretical evidence for the importance of tacit knowledge sharing in fostering innovation at the individual and organizational levels. The far-reaching influence of tacit knowledge on employee’s innovative behavior and the promotion of a culture of continuous improvement throughout the organization has been explained. This informal sharing of expertise, when embedded in the daily practices of SMEs in the Malaysian furniture industry, acts as a catalyst for creative problem-solving and

product development. Adopting and encouraging these practices is critical to ensure long-term competitiveness and innovation performance. The positive impact of tacit knowledge sharing is strongest when it is conducted as a continuous process rather than a one-time event, suggesting that a sustained commitment to these practices is essential. Therefore, SMEs in the Malaysian furniture industry should actively emphasize and cultivate these practices to leverage this strategic tool to improve innovation capabilities and maintain competitiveness in an increasingly competitive market. In this way, they will be better equipped to meet the challenges of the dynamic global economy and achieve sustainable growth.

6. Theoretical Implication

This study highlights that the sharing of tacit knowledge significantly influences the innovation performance of SMEs in the Malaysian furniture industry. It highlights that individual innovation capability fostered by internalizing tacit knowledge, is crucial for personal creativity, while at the organizational level, it promotes a strong innovation culture. The theoretical framework presented in this study encourages a reconceptualizing of innovation in SMEs as a process that is significantly enhanced by the sharing of tacit knowledge, both directly and indirectly, through the mediating role of innovation capability. This highlights the need for firms in the Malaysian furniture industry to invest not only in the explicit acquisition of knowledge but also in the more subtle and often undervalued transfer of tacit knowledge, to create a holistic approach to fostering innovation in line with the Resources-Based View (RBV) theory, which proposes that companies effectively utilize their existing resources and seek new capabilities to foster opportunity and innovation. Therefore, RBV theory is favored for its ability to help companies strategically manage resources to improve innovation outcomes.

7. Practical Implication

SMEs in the Malaysian furniture industry can enhance their innovation performance by actively promoting the sharing of tacit knowledge among employees and throughout the organization. By harnessing the accumulated personal know-how and experience of their employees, these companies are likely to generate a more creative and innovative environment. Furthermore, innovation capability plays a mediating role at both the individual and organizational levels in translating tacit knowledge sharing into concrete innovative outcomes. At the individual level, this capability manifests itself as the ability of employees to use their unique skills and insights to innovate, while at the organizational level, innovation capability reflects the collective ability to use the shared tacit knowledge for continuous improvement and the development of new products or processes. Therefore, SMEs should not only prioritize investment in skills development but also create systems and cultures that enable individual employees and the organization as a whole to effectively leverage their innovation capabilities. This dual approach can lead to a sustainable competitive advantage in the rapidly evolving furniture market. Implementing these strategies can help overcome the current challenges facing the industry.

8. Limitations and Suggestions for Future Research

A limitation of the present study is that it focuses on SMEs in the Malaysian furniture industry, which could limit the generalizability of the findings to other sectors or geographical contexts. Furthermore, considering that this study is founded on the synthesis of existing literature, it may not capture the nuanced, real-time dynamics of tacit knowledge

sharing and innovation capability, potentially overlooking the complexities and ongoing evolution of these processes. Future research could expand the scope by examining similar relationships across industries and countries to improve generalizability. Longitudinal studies are suggested to capture the temporal dynamics and long-term effects of tacit knowledge sharing on innovation performance. Furthermore, the inclusion of objective measures or triangulation of data sources could provide a more comprehensive understanding of the processes of tacit knowledge-sharing. Studies could also examine the specific mechanisms and contextual factors that influence the effectiveness of tacit knowledge sharing, such as organizational culture, leadership style, and the impact of technology on communication and collaboration practices. Examining how these factors interact with employee engagement and motivation could provide deeper insights into optimizing knowledge transfer processes. It would be beneficial for future research to investigate how different levels of trust, workforce diversity, and types of incentives affect the willingness to share tacit knowledge and thus influence innovation capability and performance.

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