

Review Article

# Analysis of the Effect of Knowledge Creation on Creativity in Craft Industry MSMEs in Bandar Lampung

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**Abstract** - Knowledge Creation is generating new insights, ideas, or routines. Creativity is an idea or thought and discovery that brings new or relatively new results that revolve around creative thinking and creative results. Creating new things comes from the imaginative process of self-creation, previous information, and practice, then merging and updating ideas or ideas that have existed before. This research aims to determine the effect of knowledge creation on creativity. The sample in this study amounted to 98 SMEs in the handicraft industry in Bandar Lampung, Indonesia. The data collection method used a questionnaire, and the analysis method of this study used multiple linear regression analysis. The results of this study indicate that socialization, externalization, combination, and internalization affect SMEs' creativity. The SMEs in the craft industry must have quality knowledge to create creativity in business.

**Keywords** - Classic assumption test, Creativity, Knowledge creation, Multiple linear regression, Small & medium enterprise.

## 1. Introduction

Knowledge combines experience, values, contextual information, and expert opinions to evaluate and incorporate new experiences and information (Davenport and Prusak, 1998). Knowledge Creation is bringing up new insights, new ideas, or new routines. The main challenge any organization in a knowledgeable society faces is establishing systematic practices to manage organizational change. Organizations must constantly update knowledge through continuous improvement in each activity, develop new applications of the success gained, and continuous innovation as an organized process (Nonaka, 1995).

Nonaka (1995) describes knowledge creation as the interaction between tacit and explicit knowledge as a spiral that is constantly evolving. Tacit knowledge is the knowledge that remains in the human mind in the form of intuition, judgment, skills, values, and beliefs that are very difficult to formalize and share with others. Explicit knowledge can or has been modified in documents or other tangible forms so that it can be easily transferred and distributed using various media.

Knowledge creation consists of socialization, externalization, internalization, and combination (Nonaka, 1995). Socialization refers to the process of transforming tacit knowledge into new tacit knowledge through social interaction and shared experiences among members of the organization. Externalization refers to transforming tacit

knowledge into new explicit knowledge. Combination refers to the process by which understanding is made from the relationship between knowledge that was not previously related to the domain. Internalization refers to the creation of new tacit knowledge derived from explicit knowledge.

Knowledge creation refers to initiatives and activities carried out toward the generation of new ideas or objects; for example, Styhre et al. (2002) describe the creation of knowledge as the utilization of complex and disjointed events and phenomena to deal with collectively defined problems. Knowledge creation as a process is defined in terms of the method or means by which knowledge is created and can be distinguished from the final result or output. When expressed as output, the creation of knowledge refers to the development of new ideas that reflect significant elaboration or enrichment (Parent and Gallupe, 2000); for example, Johnson (2002) describes the creation of knowledge as the difference between what is known and what should be known regarding the success of the project. Knowledge creation as an output of ideas is defined directly as the product of the process of knowledge creation, such as the representation of ideas. It can be distinguished from its impact on organizational systems or results. As a result, knowledge creation is defined in terms of value-added objects.

Creativity is an idea or thought and invention that brings new or relatively new results that revolve around creative thinking and creative results (Suryosubroto, 2009:220-221). Creating new things comes from the



imaginative process of self-creation, information, and previous practice, then merging and updating ideas or ideas that have existed before. Creativity is essentially related to the discovery of something about something that produces something new by using something that already exists; thus, creativity is limited to the embodiment of something new in reality (Rahmawati, 2010: 3). Changes in the economy have been identified recently, moving from knowledge-based activities of creativity, innovation, entrepreneurship, and imagination (van den Broeck et al. 2008; Okay et al. 2009). More globalization and the effects of technology result in more business opportunities, but markets are also becoming more crowded, and competition is increasing (McMullan and Shepherd 2006). Creativity allows entrepreneurs to act on these opportunities in a way that can generate a competitive advantage for the organization. It can provide the basis for innovation and business growth, as well as have a positive impact on society in general (Bilton 2007). Entrepreneurship occurs in all types and sizes of organizations, from domestic microenterprises to global enterprises. Entrepreneurship can be defined as the process of creating value for the business and social communities by bringing together a unique combination of public and private resources to exploit economic, social, or cultural opportunities in an environment of change.

This study aims to find out the conditions of development of knowledge creation consisting of socialization, externalization, combination, and internalization of creativity. This research focuses on researching MSMEs in the handicraft industry in Bandar Lampung. Micro, Small, and Medium Enterprises currently developing are batik handicraft businesses. However, in this study, it was not only batik MSMEs that were taken but several handicrafts in Bandar Lampung that became the center of attention of the local community and tourists who came. This MSME is also one of the typical crafts of Lampung, which is the local community's livelihood. The innovation and creativity in this craft are no less interesting than the batik crafts in Lampung. Other typical Lampung crafts are tapis cloth and intestinal embroidery.

Batik is a pictorial fabric made specifically by writing or putting the night on the fabric; then, the processing is processed in a certain way with a peculiarity. Indonesian batik, as a whole, technique, technology, and development of related motifs and cultures. UNESCO has designated batik as a Humanitarian Heritage for Oral and Intangible Cultures (Masterpieces of the Oral and Intangible Heritage of Humanity) since October 2, 2009. Tapis cloth is a women's clothing of the Lampung tribe, which is in the form of a sarong fabric made of woven cotton yarn with motifs or decorations of sugi material, silver thread, or gold thread with an embroidery system (Wikipedia, 2019). Intestinal embroidery is embroidery made from satin cloth in the form of chicken intestines with a distinctive motif. Intestinal embroidery is knitted with gold thread, and the

glass and ancient coins accompany some. The motif form of the intestinal embroidery itself comes from natural motifs whose manufacturing process relies on the hand embroidery technique.

## **2. Literature Review and Hypothesis**

### **2.1. Theoretical Review**

#### **2.1.1. Knowledge Creation**

Knowledge is one of the important factors driving the emergence of new product/process ideas (Richard et al., 1993). Therefore, organizations must manage knowledge creation so that the process of creating new products/processes can run continuously. Balestrin et al. (2008) state that knowledge is created by individuals, not organizations. Knowledge is important for a company to achieve its competitive advantage (Nonaka & Takeuchi, 1995; Joshi., 2004).

Creating a condition that can bring up creative ideas from individuals by organizations is known as knowledge creation (Nonaka & Takeuchi, 1995). The SECI model is known as the knowledge conversion model to create new knowledge for the company (knowledge creation process) by converting tacit knowledge into tacit (socialization), tacit to explicit (externalization), explicit to explicit (combination), and finally explicit into tacit (internalization).

The SECI model intersects the four components to generate new knowledge and disseminate it to all members of the organization; here is the SECI Model (Nonaka & Takeuchi, 1995). 1. Socialization (tacit-to-tacit) consists of sharing knowledge face-to-face, in natural interactions, and usually socially. The achievement of this model is through sharing mental models, brainstorming to come up with new ideas, internships or mentoring interactions, and so on. Socialization is one of the easiest forms of knowledge exchange because it is carried out instinctively. 2. Externalization. The process of externalization (tacit to explicit) gives a visible form to tacit knowledge and turns it into explicit knowledge. It can be defined as the process of creating classical knowledge in which knowledge tacitly becomes explicit, using metaphors, analogies, concepts, hypotheses, or models (Nonaka and Takeuchi, 1995, p. 4). 3. Combination. The conversion of knowledge in the Nonaka and Takeuchi models is a combination (explicit to explicit), the process of combining some discrete parts of explicit knowledge into a new form. No new knowledge is self-created; this new combination or representation of existing or already explicit knowledge. In other words, combinations occur when concepts are sorted and systematic in a knowledge system. 4. Internalization. The final conversion process, internalization (explicit to tacit), occurs through the spread and cultivation of newly acquired behaviors and newly understood or revised mental models. Internalization is closely related to learning and doing. Internalization transforms or integrates shared and individual experiences and knowledge into individual mental models.

### 2.1.2. Creativity

Creativity is a person's awareness to get a new perspective and, as a result, bring something new. Creativity is an idea or thought and invention that brings new or relatively new results that revolve around creative thinking and creative results (Suryosubroto, 2009: 220-221). Creativity is essentially related to the discovery of something about something that produces something new by using something that already exists. Thus creativity is limited to the embodiment of something new in reality (Rahmawati, 2010: 3). Creativity as a developmental potential is inseparable from the inherent psychological aspects of mindset, attitude, and mentality. Creativity can also be viewed as a process that involves organizing experiences in such a way as to generate new ideas that were not previously thought of by the person concerned (Mustaji, 2005: 6). Haris (in Mustaji, 2005: 5) suggests that creativity can be seen from three aspects, namely. Ability creativity is the ability to think about and determine something new and create new ideas by combining, changing, or reapplying existing ideas. Behavior creativity is a behavior of accepting change and novelty, the ability to play around with various ideas and various possibilities, and a flexible perspective. Process creativity is a process of hard and continuous work in generating better ideas and problem-solving and always trying to make things better.

## 2.2. HYPOTHESIS

### 2.2.1. The Effect of Socialization on Creativity

The socialization of individuals of existing groups inside and outside the organization, and with different knowledge and expertise, should play a role during the concept phase. Such informal interactions allow team members to develop a general understanding of new product ideas and thus to determine features or characteristics other than those known from existing products (Clark & Fujimoto, 1991). In this phase, the focus is on the efficient implementation of the product concept, the design of all product modules, and the initial prototype assembly to arrive at a new product that will be ready for market launch (Griffin & Page, 1993; Montoya-Weiss & Calantone, 1994).

Based on previous research conducted by Soon, TT; Zainol, F.A. (2013). This research shows the importance of the knowledge-creation process in achieving creativity. The socialization variable in this study explains that this variable is needed to build communication and cooperation between individuals in the organization. Suggestions and ideas from each individual to build creativity should also be considered. So it can be concluded that the hypotheses in this study are:

**H1: Socialization has a positive and significant effect on creativity**

### 2.2.2. The Influence of Externalization on Creativity

The emphasis on externalization in this early phase tends to be counterproductive because formal meetings

with customers or technology experts will likely result in descriptions of customer needs and technological possibilities instead of new and different value propositions. The idea that a strong emphasis on externalization during the concept phase is counterproductive was also predicted by Crawford (1997). Externalization may be effective in this phase because this mode of knowledge creation's formal interaction characteristics favors the project's progress.

This study's results align with previous research conducted by Soon, TT; Zainol, F.A. (2013). In this study, externalization is one of the factors that support the development of creativity. Externalization can come from interaction communities where social interaction between individuals gives rise to sharing developments and new knowledge. Externalities can also come from knowledge activists, who can be several groups or organizations coordinating knowledge-creation efforts in each existing organization. So it can be concluded that the hypotheses in this study are:

**H2: Externalization has a positive and significant effect on creativity**

### 2.2.3. The Effect of Combinations on Creativity

The combination refers to the systematic collection and imaginative analysis, and insight into knowledge to create innovative new product concepts (Crawford, 1997). The variegated exploration and synthesis of diverse knowledge domains will support the concept phase's main objectives to determine the requirements for different new products. The synthesis of reports on consumer trends and the capabilities of new technologies can lead to the specifics of new product characteristics that provide users with a new value proposition.

This study's results align with previous research conducted by Soon, TT; Zainol, F.A. (2013). Researchers explain that the combination of the creation of knowledge affects the creativity of any individual or organization. This combination will refer to the systematic collection, imaginative analysis, and knowledge insight to create innovative new product concepts. So it can be concluded that the hypotheses in this study are:

**H3: Combinations have a positive and significant effect on creativity**

### 2.2.4. The Influence of Internalization on Creativity

Internalization (explicit to tacit) occurs through the spread and cultivation of newly acquired behaviors and newly understood or revised mental models. This mode of knowledge creation requires a deep understanding of the logic or properties of a phenomenon through the simulation of "trial and error" or "learning while working" from the individual (Helfat & Raubitschek, 2003; Leonard & Sensiper, 1998).

This study's results align with previous research conducted by Soon, TT; Zainol, F.A. (2013). In this study, it is shown that internalization is a variable that supports to make creativity can continue to develop. Researchers emphasize that creativity will involve the creation of new products, services, ideas, procedures, or processes that are useful for individuals by working together in complex social systems. So it can be concluded that the hypotheses in this study are:

**H4: Internalization has a positive and significant effect on creativity**

**2.2.5. The Influence of Knowledge Creation on Creativity**

Knowledge creation can arise from individuals working with groups, project teams, informal circles, temporary meetings, email groups, and frontline contacts with customers (Nonaka and Konno, 1998, p. 41). Interaction communities in which social interactions between individuals give rise to the division and development of new knowledge (Nonaka, 1994, p.15). A knowledge activist formulates the process of triggering and creating a space or context for knowledge creation and acts in three roles: as a catalyst for knowledge creation, as a knowledge link of creative initiatives, and as a foresight trader (Krogh et al., 1997, p. 475). Salisbury (2001, p. 305).

This study's results align with previous research conducted by Soon, TT; Zainol, F.A. (2013). This study shows that the creation of knowledge becomes a variable that affects the process of creativity. Creating knowledge provides value to the organization and the potential to create and maintain a competitive advantage. So it can be concluded that the hypotheses in this study are:

**H5: Creation has a positive and significant effect on creativity**

**3. Research and Data Analysis Methods**

This study used a questionnaire with Likert scale measurements. The Likert scale measures the attitudes, opinions, and perceptions of a person or group of people about social phenomena. The analysis method used in this study is multiple linear regression analysis. Sampling in this study with probability sampling technique is simple random sampling. The samples in this study are MSME players consisting of the handicraft industry of batik Lampung, tapis cloth, and intestinal embroidery. The number of respondents obtained amounted to 98 MSME actors.

The creation of knowledge consists of socialization (X1), externalization (X2), combination (X3), and internalization (X4). The measurement of questions on the free variables is as follows: socialization; there are 8 items; externalization, 8 items; combinations of 6 items; and internalization, 4 items. Measurements on the creativity bound variables there are 8 question items. In this study,

the measurement of questions refers to previous studies, namely Choi, B., & Lee, H. (2002), Li, Y. H., Huang, J. W., & Tsai, M. T. (2009), Schulze, A., & Hoegl, M. (2006) and Peng, K.L., Lin, M.C., & Baum, T (2013).

**3.1. Knowledge Creation**

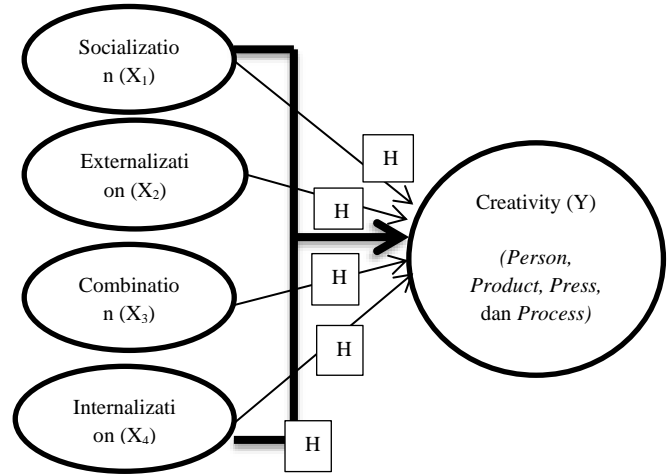


Fig. 1 The Relationship of Knowledge Creation to Creativity

**4. Results and Discussion**

In this study, the type of business respondents was tapis, with a percentage of 55% or as many as 54 people. The age group that dominates the respondents is over 55 years old, with a percentage of 39% or as many as 38 people. Based on the total number of 98 respondents, the dominant gender of respondents is female, with a percentage of 53% or as many as 52 respondents compared to men. Respondents based on the long business life in running their business were 41 respondents or 42% with a business life of 11-15 years from the entire sample. Respondents with business growth were 46 respondents with high sales.

**4.1. Normality Test**

A normality test is performed to determine whether the model's bound variables and free variables have a normal distribution. This study used the Kolmogorov-Smirnov normality test, which was part of the classical assumption test. Based on the results of the normality test, it is known that the significant value is 0.200 > 0.05; it can be concluded that the residual value is normally distributed. The results of the normality test can be seen as follows:

Significance Value	$\alpha = 5\%$	Conclusion
0,200	0.05	Normal Distributed Data

Source: IBM SPSS Statistic 25

**4.2. Validity Test**

This validity test is carried out to see its validity using a confidence level of 95% ( $\alpha = 0.05$ ), with a degree of freedom (df) :  $n-2 = 98-2 = 96$ . So that the r-table used to determine the influence on the results of each indicator item is 1.67. Based on the results of existing studies, it can be concluded that each indicator item is well-used in the research variables. The resulting correlation value is greater than r table 0.167. Each indicator item used in this study is feasible or valid for data collection. The results of the validity test can be seen as follows:

**Table 2. Validity Test**

Variabel	Indikator	r-count	r-table	Conclusion
Creativity (Y)	Y1	0,453	0.167	Valid
	Y2	0,331	0.167	Valid
	Y3	0,199	0.167	Valid
	Y4	0,223	0.167	Valid
	Y5	0,329	0.167	Valid
	Y6	0,392	0.167	Valid
	Y7	0,212	0.167	Valid
	Y8	0,425	0.167	Valid
Socialization (X2)	X1.1	0,364	0.167	Valid
	X1.2	0,493	0.167	Valid
	X1.3	0,340	0.167	Valid
	X1.4	0,290	0.167	Valid
	X1.5	0,422	0.167	Valid
	X1.6	0,361	0.167	Valid
	X1.7	0,290	0.167	Valid
	X1.8	0,351	0.167	Valid
Externalization (X2)	X2.1	0,267	0.167	Valid
	X2.2	0,482	0.167	Valid
	X2.3	0,453	0.167	Valid
	X2.4	0,363	0.167	Valid
	X2.5	0,589	0.167	Valid
	X2.6	0,486	0.167	Valid
	X2.7	0,436	0.167	Valid
	X2.8	0,548	0.167	Valid
Combination (X3)	X3.1	0,371	0.167	Valid
	X3.2	0,428	0.167	Valid
	X3.3	0,203	0.167	Valid
	X3.4	0,741	0.167	Valid
	X3.5	0,657	0.167	Valid
	X3.6	0,720	0.167	Valid
Internazation (X4)	X4.1	0,634	0.167	Valid
	X4.2	0,646	0.167	Valid
	X4.3	0,585	0.167	Valid
	X4.4	0,553	0.167	Valid

Source: IBM SPSS Statistic 25

**4.3. Reliability Test**

Reliability tests show how far these measuring instruments can be trusted to conduct research. In this study, the results obtained were reliable or did not use a confidence level of 95% ( $\alpha = 0.05$ ), with a degree of freedom (df) :  $n-2 = 98-2 = 96$ . So the r-table used to determine is 1.67. Based on the analysis results, an Alpha value of 0.741 was obtained. The result concluded that the Alpha value is greater than the table r. It means that each indicator item on the research variable is reliable. The results of the reliability test can be seen as follows:

**Table 3. Reliability Test**

Reliability Statistics	
Cronbach's Alpha	N of Items
0,459	34

Source: IBM SPSS Statistic 25

**4.4. Multiple Linear Regression Analysis**

A regression coefficient is a number that shows the magnitude of the influence of each independent variable on the dependent variable. From the results of the analysis that has been carried out, the influence of creativity for MSME players in the Handicraft Industry in Bandar Lampung can be explained by the variables of knowledge creation consisting of socialization, externalities, internalities, and combinations.

The socialization-free variable X1 has a regression coefficient (b1) of 0.196, indicating a positive socialization influence (+). This result can be interpreted to mean that socialization in industrial handicraft businesses, if it increases, will cause an increase in the creativity of MSME actors. The externalization-free variable X2 has a regression coefficient (b1) of 0.170, indicating a positive externalization influence (+). This result can be interpreted to mean that the externalization of industrial handicraft businesses if it increases, will cause an increase in the creativity of MSME actors.

The free variable Combination X3 has a regression coefficient (b1) of 0.205, indicating the influence of the combination of positive values (+). This result can be interpreted to mean that the combination of industrial handicraft businesses, if it increases, will cause an increase in the creativity of MSME players. The internalization-free variable X4 has a regression coefficient (b1) of 0.240, indicating a positive internalization influence (+). This result can be interpreted to mean that the internalization of industrial handicraft businesses, if it increases, will cause an increase in the creativity of MSME actors.

The results of estimating multiple linear regression models using the IBM SPSS Statistic 25 program are as follows:

**Table 4. Regression Results with a 5% Confidence Level**

	Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	11,733	4,629		2,534	0,013
	Socialization	0,196	0,094	0,197	2,090	0,039
	Externalization	0,170	0,084	0,199	2,038	0,044
	Combination	0,205	0,090	0,224	2,286	0,025
	Internalization	0,240	0,110	0,205	2,183	0,032

Source: IBM SPSS Statistic 25

$$Y = 0.197 X_1 + 0.199 X_2 + 0.224 X_3 + 0.205 X_4$$

Dimana:

X<sub>1</sub> = Socialization

X<sub>2</sub> = Externalization

X<sub>3</sub> = Combination

X<sub>4</sub> = Internalization

**4.5. Hypothesis Test**

**4.5.1. T-statistical test**

Statistical t-tests are intended to test the significance of the regression coefficient partially. Statistical t-tests examine the relationship or influence between free and bound variables. This t-statistical test uses a confidence level of 95% (α = 0.05), with a degree of freedom (df): n-k-1 = 98-4-1 = 93. So that the t-table used to determine the influence on the result of each variable is 1.66140.

The independent variable of socialization produced a t-statistic of 2,090, where the result was greater than the t-table of 1.66140. So from these results, it can be concluded that socialization has a relationship or influence on the dependent variable, namely creativity. The independent variable of externalization produced a t-statistic of 2,038, where the result was greater than the t-table of 1.66140. So from these results, it can be concluded that externalization has a relationship or influence on the dependent variable, namely creativity.

The independent variable combined produced a t-statistic of 2,286; the result was greater than the t-table of 1.66140. So from these results, it can be concluded that the combination has a relationship or influence on the dependent variable, namely creativity. The independent variable of internalization produced a t-statistic of 2,183, where the result was greater than the t-table of 1.66140. So from these results, it can be concluded that internalization has a relationship or influence on the dependent variable, namely creativity.

**4.5.2. F-statistical test**

The statistical F test is also known as the simultaneous test. The F-test statistic is used to see the influence of all the independent variables on the dependent variable. In other words, this statistical F test is intended to test the significance of the overall variable relationship to the dependent variable with a 95% confidence level (α = 0.05) with the numerator degree of freedom (df1) = k - 1 = 4 - 1 = 3 and the denominator degree of freedom (df2) = n - k = 98 -

4 = 94. So the f-table used to determine the effect on the results of each variable is 2.70.

Based on table 6, the f-statistic is 5.358, where the result is greater than f-table 2.70. So it can be concluded that the independent variables of socialization, externalization, combination, and internalization influence the dependent variable, namely creativity.

**Table 5. T-statistic test**

Variabel	T-Statistic	T-Table	Conclusion
Socialization	2.090	1.66140	There is an influence on creativity
Externalization	2.038	1.66140	There is an influence on creativity
Combination	2.286	1.66140	There is an influence on creativity
Internalization	2.183	1.66140	There is an influence on creativity

Source: IBM SPSS Statistic 25

**Tabel 6. Uji F-Statistik**

F-stastistik	F-tabel	Conclusion
5,358	2.70	The independent variables (Socialization, Externalization, Combination, and Internalization) together influence the dependent variable

Source: IBM SPSS Statistic 25

**4.6. Discussion**

**4.6.1. The Effect of Socialization on Creativity in Craft Industry MSME in Bandar Lampung**

The study results show that socialization has a positive influence and a significant effect on creativity. The hypothesis coefficient value (X1) of 2,090, a positive value (+), has caused a growth in creativity in the craft industry MSME in Bandar Lampung. If it is further improved, socialization in the handicraft industry will affect the creativity level.

This study's results align with previous research conducted by Soon, TT; Zainol, F.A. (2013). This research shows the importance of the knowledge-creation process in achieving creativity. The socialization variables in this study explain that learning is an important factor in the process of knowledge creation. Learning can involve processes of a formal or informal nature, including forms such as discussions, brainstorming, seminars, or online forums and through what can be called a "practice community." In learning, acquire knowledge to solve certain problems based on a foundation of thinking to conclude.

According to soon's research, TT; Zainol, F.A. (2013), to develop abilities in creativity, every organization must build the same vision. In organizations, it is advisable not to replace existing visions, such as organizational determination, confidence, commitment, and clarity of intention. In the absence of a shared vision, significant learning occurs only when there is a crisis. So it is also necessary to build communication and cooperation between individuals in the organization. Suggestions and ideas from each individual to build creativity should also be considered.

#### *4.6.2. The Influence of Externalization on Creativity on Craft Industry MSME in Bandar Lampung*

The study results show that externalization has a positive influence and a significant effect on creativity. The hypothesis coefficient value (X2) of 2,038, a positive value (+), has caused a growth in creativity in the craft industry MSME in Bandar Lampung. Externalization of the handicraft industry, if it is further improved, will be able to affect the level of creativity.

The process of externalization can be defined as the process of creating classical knowledge in tacit knowledge into explicit, to take the form of a metaphor, analogy, concept, hypothesis, or model. Externalization is the act of codifying or transforming tacit knowledge into explicit knowledge, characterized by more formal interactions such as expert interviews or sharing lessons from previous projects. On externalization, individuals can understand the development of new products and increase involvement in the activity of articulating knowledge in substantial concepts and ideas.

This study's results align with previous research conducted by Soon, TT; Zainol, F.A. (2013). In this study, externalization is one of the factors that support the development of creativity. Externalization in the creation of knowledge can come from different entities and in different forms and types. Externalization can come from interaction communities where social interaction between individuals gives rise to sharing developments and new knowledge. The practice community is also a source of knowledge creation, as it says the purpose of the community is to ensure that professionals collaborate to obtain a significant benefit.

#### *4.6.3. The Effect of Combination on Creativity in Craft Industry MSME in Bandar Lampung*

Based on the results of the study shows that the combination has a positive influence and a significant effect on creativity. The hypothesis coefficient value (X3) of 2,286, which is positive (+), has caused a growth in creativity in the craft industry MSME in Bandar Lampung. If it is further improved, the combination of the handicraft industry will affect the creativity level.

The combination involves using social processes to combine various explicit knowledge possessed by the individual. In this combination, individuals can exchange and combine knowledge through mechanisms such as meetings or associations. Reconfiguring existing information through sorting, adding, re-categorizing, and recontextualizing explicit knowledge can lead to new knowledge. The combination process can make innovative ideas more useful, thus crystallizing knowledge into new products or services.

This study's results align with previous research conducted by Soon, TT; Zainol, F.A. (2013). Researchers explain that the combination of the creation of knowledge affects the creativity of any individual or organization. This research hopes to identify factors in the process of knowledge creation that can help achieve creativity, thereby improving performance. Increasing the organization's creativity or venture will allow the organization to develop new products and services to compete. The combined process of knowledge creation can provide a platform for any organization or venture to be creative and innovative. Creativity and innovation are the basic premises for building a knowledge-based economy.

#### *4.6.4. The Influence of Internalization on Creativity in Craft Industry MSME in Bandar Lampung*

Based on the results of the study shows that internalization has a positive influence and a significant effect on creativity. The hypothesis coefficient value (X4) of 2,183, a positive value (+), has caused a growth in creativity in the craft industry MSME in Bandar Lampung. Internalization of the handicraft industry, if it is further improved, will affect the level of creativity.

The internalization process encourages the actualization of new products of innovation or improvement in an organization. Through internalization activities, individuals learn to enrich their experience and accumulate valuable knowledge in an organization. Through internalization, knowledge is transformed into organizational memory and actualized practically, such as through developing new products or manufacturing procedures. An organization uses its human resources to transfer tacit knowledge, which becomes the basis for innovating and becoming a new routine.

This study's results align with previous research conducted by Soon, TT; Zainol, F.A. (2013). In this study, it is shown that internalization is a variable that supports to

make creativity can continue to develop. Researchers emphasize that creativity will involve the creation of new products, services, ideas, procedures, or processes that are useful for individuals by working together in complex social systems. To compete in the environment, the organization or business can change traditional methods to be creative and innovative. Developing creativity can come from new biotechnology, manufacturing processes, new manufacturing products, creative education systems, and other new services.

#### 4.6.5. The Influence of Knowledge Creation on Creativity in Craft Industry MSME in Bandar Lampung

Based on the results of the study shows that knowledge creation has a positive influence and a significant effect on creativity. The hypothesis coefficient value (X5) of 5,3,58, which is a positive value (+), has caused a growth in creativity in the craft industry MSME in Bandar Lampung. If it is further improved, knowledge creation of the handicraft industry will affect the creativity level.

Knowledge creation can arise from individuals working with groups, project teams, informal circles, temporary meetings, email groups, and frontline contacts with customers (Nonaka and Konno, 1998, p. 41). Interaction communities in which social interactions between individuals give rise to the division and development of new knowledge (Nonaka, 1994, p.15). A knowledge activist formulates the process of triggering and creating a space or context for knowledge creation and acts in three roles: as a catalyst for knowledge creation, as a knowledge link of creative initiatives, and as a foresight

trader (Krogh et al., 1997, p. 475). Salisbury (2001, p. 305).

This study's results align with previous research conducted by Soon, TT; Zainol, F.A. (2013). This study shows that the creation of knowledge becomes a variable that affects the process of creativity. Creating knowledge provides value to the organization and the potential to create and maintain a competitive advantage.

## 5. Conclusion

In this study, the variables of knowledge creation consisting of socialization, externalization, combination, and internalization are variables with good categories. So this states that each of these variable indicators influences the creativity of MSME in the handicraft industry. The variables bound to this study are creativity, including (Person, Product, Press, and Process). Based on the results of the answer to the creativity variable, the average value of the creativity variable enters the good category. So in this creativity variable, business actors must be able to express ideas from their thoughts and be confident of producing a work that the community can accept. The parameter significance test results show that the creation of knowledge has a positive influence and a significant effect on creativity. These value of the regression coefficient of socialization respondents (X1), externalization (X2), combination (X3), and internalization (X4), which is of positive value (+), causes growth in creativity in the craft industry MSME in Bandar Lampung. The creation of knowledge in the handicraft industry, if it is further improved, will affect the level of creativity.

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