



# Employee Performance Driven by Innovation and Knowledge Sharing

Mutiara Eka Fitri\*, Asep Gunawan, Hevy Febriyansyah

Universitas Muhammadiyah Cirebon

Email : [mutiaraef9@gmail.com](mailto:mutiaraef9@gmail.com)

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## ABSTRACT

### Keywords:

Individual Innovation Capability, Knowledge Sharing, Employee Performance, Beauty Industry

### \*Corresponding Author

This study investigates the influence of individual innovation capability and knowledge sharing on employee performance. Using a quantitative correlational approach, data were collected through questionnaires distributed to 67 employees across six beauty salons. The results of multiple linear regression analysis revealed that both individual innovation capability ( $\beta = 1.124$ , sig. = 0.000) and knowledge sharing ( $\beta = 1.275$ , sig. = 0.000) have a significant and positive effect on employee performance. These findings suggest that employees who are open to new ideas, creative in solving problems, and willing to exchange knowledge with their peers tend to perform better in service-based tasks. The study emphasizes the importance of fostering a work environment that promotes innovation and collaboration to support sustained employee performance. It also highlights the need for future research to consider additional variables such as organizational support or leadership style to better understand performance drivers in similar contexts.

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## INTRODUCTION

In the face of globalization and the increasingly competitive nature of the free market, organizations across various sectors are under pressure to optimize their human resources (HR). HR is critical to the overall productivity and success of any organization, and this holds especially true in the service industry, where customer satisfaction plays a pivotal role in business success. The beauty salon industry, as a growing sector in response to rising consumer demand for personal care services, exemplifies how vital human resource management is to maintaining a competitive edge. As the demand for beauty services such as hair styling, nail art, and eyelash extensions increases, the quality of HR becomes a key determinant in achieving business goals (Purwanti Tri et al., 2023). Therefore, examining the HR dynamics in beauty salons is

crucial, as it holds the potential to enhance not only employee performance but also customer satisfaction and the sustainability of the business itself (Lein & Hakim, 2023). This research is important for providing solutions to HR-related challenges in the beauty industry.

The rapid expansion of the beauty industry, particularly in cities like Cirebon, presents a unique set of challenges. One of the primary problems facing local beauty salons is the lack of skilled employees who can meet the growing customer demands. Many beauty salon staff members struggle with suboptimal performance, which includes limited innovation in their services and inadequate collaboration with colleagues. Interviews and observations have revealed that this issue is prevalent in Cirebon's beauty salons, where employee performance often fails to meet expectations. This is exacerbated by a lack of training opportunities and a reluctance among employees to innovate or share knowledge with their peers. Consequently, salon owners face difficulties in maintaining consistent service quality, which directly impacts customer satisfaction and their ability to meet business targets (Fahmi, 2021; Sabitah, 2022). Addressing these challenges is critical for the sustainable growth of the beauty service sector.

The phenomenon of underperformance in beauty salons in Cirebon City is a notable concern for both business owners and customers. Despite the increasing demand for beauty services, many salons are unable to keep up with industry standards due to internal issues, primarily related to human resource management. Employees often lack the necessary skills, and there is little to no incentive for innovation or knowledge sharing among the staff. This situation results in a stagnant work environment where employees operate in silos, limiting their growth potential. Additionally, a lack of collaboration among salon staff means that valuable knowledge and experience are not exchanged, which could have been used to improve service offerings. These challenges not only affect the efficiency of the service but also contribute to a decline in customer satisfaction. This gap in employee performance, driven by insufficient innovation and poor collaboration, underscores the urgent need for research that explores how these factors can be improved within the beauty salon industry.

Previous studies have highlighted the significant role of innovation and knowledge sharing in improving employee performance across various industries. Aristanto (2017) pointed out that employees who exhibit high innovation capability tend to be more productive and adaptable, which directly influences the quality of their work. Additionally, knowledge sharing has been found to enhance employee performance by facilitating the exchange of expertise and experience, which fosters better problem-solving and creativity

(Kartono, 2020; Rachmi et al., 2020). These studies emphasize that both individual innovation capabilities and knowledge sharing are essential components for improving overall performance in the workplace. However, most of the existing research has focused on large-scale organizations and has not fully explored how these factors influence employee performance in smaller, service-oriented businesses like beauty salons. This gap in the literature demonstrates the need for further research in this area.

Although there is considerable research on the importance of innovation and knowledge sharing in improving performance, very few studies have simultaneously examined these variables within the context of beauty salons, particularly in smaller cities like Cirebon. In addition, most studies focus on large corporations, leaving a gap in understanding how these concepts apply to small businesses in the beauty service industry. This research aims to address this gap by exploring the relationship between individual innovation capabilities, knowledge sharing, and employee performance in beauty salons. Understanding this dynamic is crucial for salon managers who wish to improve their business operations. Previous studies have also overlooked contextual factors such as employee motivation, organizational culture, and local market conditions, which could influence the effectiveness of innovation and knowledge sharing in enhancing performance. By focusing on beauty salons in Cirebon, this research seeks to provide a more nuanced understanding of how these factors can be leveraged to improve employee performance.

This study brings new insights to the existing literature by exploring the combined influence of individual innovation capability and knowledge sharing on employee performance in the beauty service sector. While innovation and knowledge sharing have been studied separately, this research will focus on their interactive effects within the unique context of beauty salons. By investigating this relationship, the study will offer valuable insights that can help salon managers create a more innovative and collaborative work environment. The novelty of this research lies in its application to a specific sector in a small city, where the dynamics of innovation and knowledge sharing may differ from those observed in larger organizations or different industries. Solving this issue is vital for improving employee performance, service quality, and ultimately, customer satisfaction in beauty salons. Addressing this gap will also contribute to the broader field of human resource management in the service sector.

The central research problem of this study is to examine how individual innovation capability and knowledge sharing influence employee performance in beauty salons in Cirebon City. The main argument is that fostering a culture of innovation and collaboration among salon employees can lead to improved

performance and higher customer satisfaction. This is especially important in the context of the beauty industry, where personalized services and customer engagement are crucial for business success. The research will test the hypothesis that salons with higher levels of innovation and knowledge sharing will experience better employee performance, leading to increased customer loyalty and business growth. The findings of this study will provide both theoretical and practical contributions to the field of human resource management, particularly in the service sector, and offer actionable recommendations for salon managers to enhance employee performance.

This research will contribute to the development of human resource management in the beauty service sector by providing a deeper understanding of how innovation and knowledge sharing can improve employee performance. From a theoretical perspective, it will expand the existing literature by exploring the combined effects of these two factors within the specific context of beauty salons in Cirebon. Practically, the study will offer valuable insights for salon owners and managers, providing them with strategies to foster innovation and enhance collaboration among their staff. By addressing the challenges of suboptimal employee performance in the beauty industry, this research aims to contribute to the overall growth and competitiveness of the sector, benefiting both employees and customers alike.

## **METHOD**

This study employed a quantitative approach with a survey method, aiming to measure the influence of individual innovation capability and knowledge sharing on employee performance. This approach is suitable for analyzing associative relationships and for statistically testing hypotheses. A correlational research design was applied, where data were collected using questionnaires distributed directly to employees working in beauty salons located in Cirebon City. Each variable in this study was measured using a five-point Likert scale, ranging from “strongly disagree” to “strongly agree”, allowing the researcher to capture the perceptions and attitudes of respondents in a structured and measurable manner.

The population of the study consisted of all employees working at selected beauty salons in Cirebon, with a total of 67 individuals across six salons. Since the total number of respondents was relatively small, the study used a saturated sampling technique, meaning all members of the population were used as research subjects. The selected salons included Mr Beauty Spa, Reflexology, & Salon Cirebon, Rony Salon, Chory Salon, D'MOZE Salon, Byboss Salon, and Oby Salon. The inclusion of the entire population was expected to enhance the accuracy and reliability of the research findings.

Data collection was carried out using a structured questionnaire, which served as the primary instrument for gathering information regarding the three variables: individual innovation capability, knowledge sharing, and employee performance. The items in the questionnaire were developed based on relevant theoretical indicators and adjusted to be easily understood by salon employees. Prior to full distribution, the questionnaire was tested through validity and reliability assessments. Validity was measured using Pearson Product Moment correlation, while reliability was tested using Cronbach's Alpha, where a value above 0.70 was considered acceptable.

In addition to those tests, the data were also subjected to a normality test to ensure that the data distribution met the requirements for further statistical analysis. The Kolmogorov-Smirnov and Shapiro-Wilk tests were employed to examine whether the residuals of the regression model followed a normal distribution. If the significance value (p-value) was greater than 0.05, the data were considered normally distributed. Graphical analysis such as the Normal Probability Plot (P-P Plot) was also used to visually inspect the normality of the data.

The main data analysis used in this research was multiple linear regression analysis, conducted to determine both the simultaneous and partial influence of the independent variables—individual innovation capability and knowledge sharing—on the dependent variable, employee performance. The analysis also included the calculation of the coefficient of determination ( $R^2$ ) to identify how much of the variation in employee performance could be explained by the two independent variables. To determine the significance of each variable individually, a t-test was applied. All statistical analyses were carried out using SPSS version 26, and the results were interpreted to draw meaningful conclusions in accordance with the research objectives.

## **FINDING AND DISCUSSION**

### **Result**

#### **Characteristics of Respondents**

This study involved 67 respondents working in beauty salons in Cirebon City. The majority of respondents were aged between 20–30 years (49.25%), followed by those over 30 years old (32.84%), and a smaller proportion under 20 years old (17.91%). In terms of gender, most respondents were female (77.61%), while males accounted for 22.39%. Regarding educational background, the majority had completed high school (58.21%), with the remainder holding a diploma (20.90%) or a bachelor's degree (20.90%). Based on work experience, most respondents had been working for 1–5 years (65.67%), followed by those with more than 5 years of experience (25.37%), and a smaller group with less than 1 year of experience (8.96%).

**Table 1. Demographic Profile of Respondents**

Category	Classification	Frequency	Percentage
Age	<20 years	12	17,91%
	20-30 years	33	49,25%
	>30 years	22	32,84%
Gender	Male	15	77,61%
	Female	52	22,39%
Education	High School	39	58,21%
	Diploma	14	20,90%
	Bachelor	14	20,90%
Work Duration	<1 years	6	8,96%
	1-5 years	44	65,67%
	>5 years	17	25,37%

### Descriptive Statistic

This study measured three variables: Individual Innovation Capability (IIC), Knowledge Sharing (KS), and Employee Performance (EP) using Likert-scale indicators. Results are summarized below.

**Table 2. Descriptive Statistic for Research Variables**

Variable	Mean	Interpretation
IIC	3,91	Good
KS	3,95	Good
EP	4,07	Good

Respondents reported generally positive perceptions across all measured variables. Individual Innovation Capability (IIC) was rated favorably, with an average score of 3.91, indicating that respondents perceive themselves as having a good level of creativity and capacity for innovation in their work. Knowledge Sharing (KS) received a slightly higher mean score of 3.95, reflecting a supportive environment where information and experiences are actively exchanged among colleagues. Employee Performance (EP) showed the strongest results, with an average score of 4.07, suggesting that respondents consistently demonstrate effective work behavior, task completion, and goal achievement.

### Instrument Testing

All items in Individual Innovation Capability (IIC), Knowledge Sharing (KS), and Employee Performance (EP) met the validity threshold ( $r > 0.2404$ ), and all variables demonstrated high internal consistency as indicated by Cronbach's Alpha scores above 0.9.

**Tabel 3. Summary of Validity and Reliability Results**

Variable	Valid Items	Valid	Cronbach's Alpha	Interpretation
IIC	6	All	0.957	Reliable
KS	5	All	0.958	Reliable
EP	13	All	0.985	Reliable

### Normality Testing

The normality test showed a Kolmogorov–Smirnov significance value of 0.200, which is greater than 0.05. This indicates that the residuals are normally distributed.

**Tabel 4. Normality Result**

Test Type	Result
Normality	Sig = 0.200 > 0.05 (normal)

The results of the normality test confirmed that the data were normally distributed and thus met the prerequisites for further statistical analysis.

### Hypothesis Testing (Multiple Linear Regression)

Multiple linear regression was conducted to examine the effect of Individual Innovation Capability (IIC) and Knowledge Sharing (KS) on Employee Performance (EP) among employees of beauty salons in Cirebon City. The analysis involved both partial tests (t-tests) to determine the individual effect of each independent variable, and the coefficient of determination ( $R^2$ ) to assess the overall model's explanatory power.

### Partial Test (t-test)

**Tabel 5. t-Test Results**

Variable	$\beta$	t-value	Sig.	Conclusion
IIC	1.124	4.794	0.000	Significant Positive effect
KS	1.275	4.931	0.000	Significant Positive effect

Individual Innovation Capability (IIC) has a significant positive effect on the outcome variable, indicating that higher levels of personal innovation contribute meaningfully to the measured performance. Similarly, Knowledge Sharing (KS) also demonstrates a significant positive influence, suggesting that open and active knowledge exchange among employees enhances overall effectiveness within the beauty salon.

## Determination Coefficient (R<sup>2</sup>)

Tabel 6. R<sup>2</sup> Result

R <sup>2</sup>	Adjusted R <sup>2</sup>	Innterpretation
0.953	0.976	95.3% variance in EP explained by IIC and KS

The coefficient of determination (R<sup>2</sup>) indicates the extent to which variance in the dependent variable in this case, employee performance can be explained by the independent variables included in the model. In this study, the R<sup>2</sup> value was 0.953, and the adjusted R<sup>2</sup> was 0.976. This implies that approximately 95.3% of the variation in employee performance is accounted for by the combined effects of Individual Innovation Capability (IIC) and Knowledge Sharing (KS). The remaining 4.7% of the variance may be influenced by other variables not examined in this model, reflecting a high level of explanatory power from the selected predictors.

### Individual Innovation Capability and Employee Performance

The results confirm that individual innovation capability significantly influences employee performance in beauty salons across Cirebon. The t-test results revealed a strong positive effect ( $\beta = 1.124$ ,  $t = 4.798$ ,  $\text{sig.} = 0.000$ ), indicating that employees with higher levels of innovation capability tend to perform better in their jobs. This suggests that when employees are open to new ideas, actively seek out improvements, and contribute creative solutions in their work environment, their performance is likely to increase.

In service-based industries like beauty salons where customer satisfaction and adaptability are critical individual innovation serves as a personal resource that supports responsiveness, efficiency, and creativity in task execution. Employees who demonstrate innovative behavior not only enhance their own productivity but also contribute to a more dynamic and competitive work environment.

### Knowledge Sharing and Employee Performance

The results confirm that knowledge sharing plays a crucial role in enhancing employee performance within the beauty salon sector in Cirebon City. The t-test results indicate a significant positive effect ( $\beta = 1.275$ ,  $t = 4.931$ ,  $\text{sig.} = 0.000$ ), meaning that employees who engage more actively in sharing knowledge tend to perform better in their roles.

Knowledge sharing not only reflects the exchange of information but also fosters teamwork, operational efficiency, and task effectiveness. In a work

environment that relies heavily on hands-on skills and direct client service—such as beauty salons—continuous knowledge exchange among employees contributes substantially to overall performance improvement.

## **Discussion**

These findings are in line with the conceptual framework proposed by Darmarini et al. (2024), which suggests that individual innovation capability contributes significantly to the improvement of employee performance, especially in service-based industries. Employees who demonstrate openness to new ideas, take initiative in solving problems, and actively create better work processes tend to achieve higher performance levels. This is consistent with Aristanto (2017), who emphasized that innovation capability enables employees to adapt quickly, overcome challenges, and contribute meaningfully to organizational goals.

Moreover, the significant role of knowledge sharing in improving employee performance aligns with the research of Kartono et al. (2020) and Rachmi et al. (2020), who found that knowledge exchange strengthens collaboration, accelerates learning, and promotes a supportive work environment. Employees who actively share insights, techniques, and work experiences foster mutual development that benefits team dynamics and overall service quality. As evidenced by the high mean score of knowledge sharing in this study (mean = 3.95), it is clear that interpersonal communication and openness among coworkers contribute positively to performance outcomes.

However, while knowledge sharing shows strong influence, it also requires a conducive organizational climate that encourages collaboration rather than competition. Darmarini et al. (2024) argue that the absence of recognition or incentive may reduce employees' willingness to share what they know. Therefore, although knowledge sharing is proven effective, it must be supported by managerial practices that promote trust, appreciation, and ongoing professional development.

In conclusion, both individual innovation capability and knowledge sharing play essential roles in enhancing employee performance. These findings underline the importance of fostering innovation culture and knowledge-based collaboration in beauty salons, especially amid increasing service expectations and market competition.

## CONCLUSION

This study concludes that both individual innovation capability and knowledge sharing have a significant and positive impact on employee performance in beauty salons located in Cirebon City. Employees who demonstrate a high level of innovation by being open to new ideas, solving problems creatively, and improving their work processes tend to perform better. Similarly, employees who actively engage in knowledge sharing contribute to improved collaboration, operational efficiency, and service quality, all of which are essential in the context of service-based industries.

The results of this study emphasize the importance of fostering a work environment that encourages both innovation and open communication. These two factors act as key internal resources that help employees adapt, grow, and meet performance demands more effectively. Especially in the beauty service sector, where creativity and responsiveness are highly valued, developing innovation capabilities and cultivating a culture of knowledge exchange can be strategic steps toward achieving sustainable employee performance.

Future studies may explore how organizational support, leadership style, or reward systems moderate the relationship between innovation or knowledge sharing and performance. Expanding the research to different types of service industries or geographic areas could also provide a broader understanding of how these variables function across contexts.

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