

# Information Sharing and Customer Involvement on Organizational Performance: The Role of Performance Evaluation

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**Abstract.** The development of the business environment encourages organizations to improve supply chain management in order to compete with competitors. Information sharing and customer involvement in supply chain management plays a role in supporting performance evaluation as well as organizational performance. The research aims to analyze the role of performance evaluation mediation on the influence of information sharing and customer engagement on organizational performance. This study used 66 respondents in Micro, Small, and Medium Enterprises (MSMEs) in the handicraft sector in Yogyakarta. This study explains that information sharing has no effect on organizational performance, information sharing has no effect on organizational performance mediated performance evaluation, customer involvement has an effect on organizational performance, and customer involvement has no effect on organizational performance mediated by performance evaluation.

**Keywords:** Information Sharing; Customer Involvement; Performance Evaluation; Organizational Performance.

## Introduction

Information becomes the main resource of the organization to improve efficiency and client expectations [1]. Information supports supply chain performance such as quality, responsiveness, and cost savings as a result of the effective exchange of information between the purchasing business and its suppliers [2]. Information sharing (IS) in a supply chain refers to how much confidential or important information is made available to all participants. IS happens when a company can access data from many supply chains, leading to collaboration that minimizes supply chain inefficiencies [3]. [4] also affirmed that IS is beneficial for organizations in sharing key information among supply chain members so that organizational performance (OP) improves.

OP is also influenced by customer involvement (CI). CI is the ability of an organization to provide an environment for customers to communicate directly with the organization and the ability to include customers in the production process [5]. CI is also important for the development of products and services [6]. CI improves information, innovation, knowledge customers about OP [7]. An organization's ability to integrate effective supply chain practices with IS improves supply chain performance [8]. Performance evaluations (PE) provide feedback in identifying employee performance gaps [9]. IS and CI with stakeholders and organizational departments also support PE in business plan synchronization [10]. Fair and transparent PE motivate employees to work towards organizational goals [11]. [12] explained that (PE) increases productivity and motivates the workforce to contribute effectively so that OP increases.

Although IS and CI have an influence on OP, [13] explain that IS is not directly associated with OP but is mediated by supply chain partners. Based on the results of previous studies, the researcher also argues that the influence of IS and CI on OP in the supply chain is an indirect influence but is mediated by other variables such as PE. An analysis of the influence of IS on OP mediated by PE, and an analysis of the influence of CI on OP mediated by PE are needed in this study. This study analyzes the influence of IS and CI on OP mediated by PE. This research was conducted on Micro, Small, and Medium Enterprises (MSMEs) in the handicrafts sector in Yogyakarta. Previous research has not examined the influence of IS, CI, PE, and OP on the context of MSMEs in the handicraft sector in Yogyakarta and focused on research in the context of large organizations [14]; [15].

## **Literature Review**

### **Information Sharing**

IS increases organizational competitiveness [16]. Organizations need to understand and use IS to increase profitability. Developing positive IS behaviors will lead to increased productivity among workers [17]. IS accelerates the flow of information, improves the efficiency or effectiveness of the organization, and recognizes customer needs [10]. [18] explain that IS provides visibility to the organization in the future and supporting planning (production, inventory management, and distribution management).

### **Customer Involvement**

CI is the ability of an organization to create interaction with customers directly and involve customers in the production and delivery process of services [19]. CI facilitates customers in the service process to co-design and produce solutions together. As CI levels increase, there is an increase in the customer's ability to influence satisfaction values [20]. CI capabilities allow companies to create an environment for customers to perform two different roles of IS and co-development [21]. CI by companies has been shown to increase customer satisfaction participation and improve company performance [22].

### **Performance Evaluation**

PE is a method of measuring employee performance through documentation and evaluation [23]. PE is a very methodical and periodic procedure to measure the performance and efficiency of each employee's work in relation to pre-set criteria or objectives [24]. PE is very important in order to align employee activities on the path to achieve the set goals [25]. PE

can be done using one of the following methods: goal-based management, psychological assessment, assessment center, 360-degree feedback [26].

### **Organizational Performance**

OP is a concept needed to align organizational goals [27]. Organizations need to use planning, management, and PE to achieve OP [27]. Organizations manage OP based on planned actions and measurements to close measurement gaps in OP [27]. OP is an individual's effort to do work in an organization by practicing the organization's work plan without violating standards.

## **Hypothesis Development**

### **The effect of IS on OP**

IS is one of the core aspects of working collaboratively within an organization [8]. [8] suggests that IS within and between organizations encourages organization members to identify critical problems so that product quality and performance improve. [28] assert that IS definitely improves OP. In addition, IS practices in organizations encourage optimal teamwork [29].

#### **H<sub>1</sub>: IS has an effect on OP**

### **The effect of IS on OP with PE as a mediating variable**

IS reduces the likelihood of coordination errors and failures [10]. IS in the organization as a team supports the practice of PE with a reward system [10]. IS encourages PE to develop appropriate training programs to improve employee capabilities, support the implementation of supply chain management, and improve OP [10].

#### **H<sub>2</sub>: PE mediates on the effects of IS on OP**

### **The Effects of CI on OP**

CI affects OP [30]; [31]. [32] concluded that PE significantly improves financial performance. In addition, PE provides information on product demand patterns as well as supports companies to achieve higher performance [33]. CI provides new ideas to the product development process to reduce uncertainty and improve OP [7].

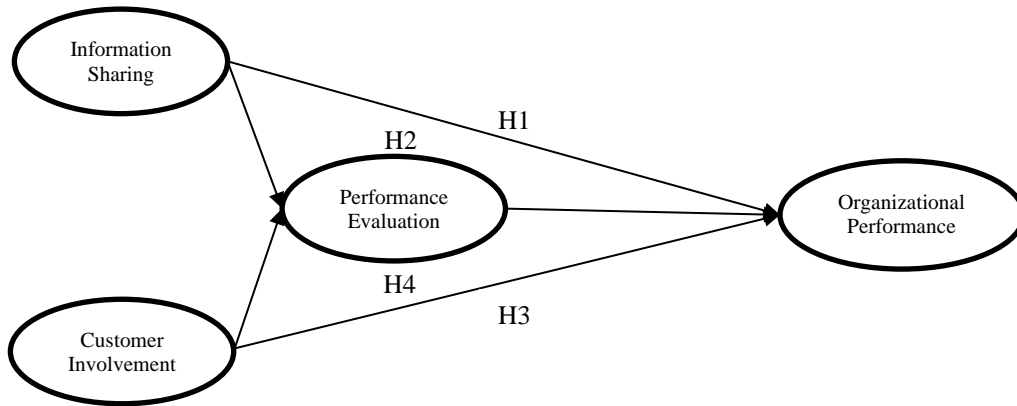
#### **H<sub>3</sub>: CI has an effect on OP**

### **The Effects of CI on OP with PE as a mediating variable**

CI is an essential component of any service [34]. According to [35] OP must be supported by CI to strengthen and improve innovation. PE increases OP in market share and profitability [36]. CI also supports PE in synchronizing the organization's business plan so that the OP gets continuous improvement [10].

#### **H<sub>4</sub>: PE mediates the effect of CI on OP**

Figure 1 shows the conceptual framework of the research with the variables IS, CI, PE, and OP. PE is a mediation variable in this research.



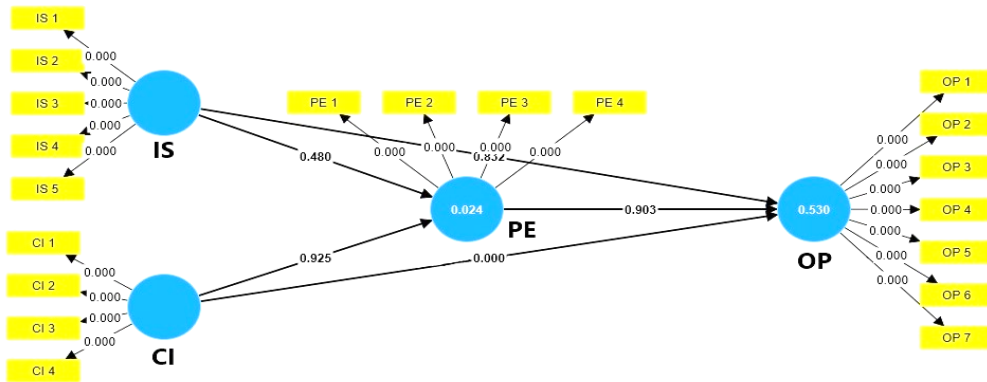
**Fig. 1.** Conceptual Framework

**Research Methods**

This study used 66 respondents from MSMEs in the handicraft sector in Yogyakarta. Questionnaires are used by researchers to collect data from respondents. The statistical test uses Smart PLS 4.0 software. An indicator is considered valid if it has a factor loading value greater than 0.7. The reliable variables are composite reliability values  $\geq 0.70$  and Cronbach’s alpha values  $\geq 0.60$  [37]. The hypothesis is accepted if the p value  $< 0.05$  [37].

**Results and Discussion**

Figure 2 explains the results of the tests in this study. Figure 2 also explains the results of the mediation test.



**Fig. 2.** Structural Model Output

**Table 1.** Convergent Validity Test

Variable	Indicator	IS	OP	CI	PE
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IS	IS 1	0,783	
	IS 2	0,786	
	IS 3	0,836	
	IS 4	0,831	
	IS 5	0,751	
OP	OP 1	0,833	
	OP 2	0,748	
	OP 3	0,847	
	OP 4	0,774	
	OP 5	0,764	
	OP 6	0,806	
	OP 7	0,737	
CI	CI 1		0,847
	CI 2		0,728
	CI 3		0,830
	CI 4		0,781
PE	PE 1		0,784
	PE 2		0,852
	PE 3		0,885
	PE 4		0,782

Table 1 shows indicators in IS, CI, PE, and OP are valid. The variables of IS, CI, PE, and OP had factor loadings greater than 0.7.

**Table 2.** Reliability Test

Variable	Composite Reliability	Cronbach's Alpha
IS	0,897	0,857
OP	0,920	0,898
CI	0,875	0,809
PE	0,896	0,863

Table 2 is the reliability test. Each variable has a composite reliability value greater than 0.7 and a Cronbach's alpha value greater than 0.6.

**Table 3.** Hypothesis Test

Research Hypothesis	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Value
IS→OP	0,035	0,031	0,158	0,221	0,825
IS→PE→OP	0,002	0,002	0,026	0,069	0,945
CI→OP	0,708	0,712	0,106	6.696	0,000

CI→PE→ OP	0,000	0,008	0,022	0,011	0,991
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Table 3 explains that IS has no effect on OP (hypothesis rejected), IS has no effect on OP with PE as mediator (hypothesis rejected), CI has no effect on OP (hypothesis accepted), and CI has no effect on OP with PE as mediator (hypothesis rejected).

### **IS has an effect on OP**

Based on the findings of the study, IS has no effect on OP. The results of this study are in accordance with the results of research from [38]. [13] explained that IS is not directly related to OP but there is a collaborative practice with supply chain partners as mediation. According to [13], IS is important but does not significantly improve organizational performance. Other factors such as management practices, organizational culture, technology, and the external environment determine OP.

### **PE mediates on the effect of IS on OP**

Based on the findings of the study, PE does not mediate the effect of IS on OP. IS emphasizes a culture of transparency, cooperation, and collective problem-solving so as to increase organizational decision-making, but IS does not directly affect PE so that OP decreases [10]. Evaluating the impact of IS on OP requires a holistic approach that considers both quantitative and qualitative aspects, not only through PE aspects [39].

### **CI has an effect on OP**

This study was supported by [30] and [31] which showed the effect of CI on OP. CI provides information related to product demand patterns to support OP [40]. Through CI, suppliers are able to expand capacity and resource base, collaborate with customers to solve problems in the new product development process, support customer demand in the new product development process, reduce uncertainty, and improve OP.

### **PE mediates the effect of CI on OP**

Based on the findings of the study, CI has no effect on PE-mediated OP. CI is important for understanding market needs [5], but CI may not be directly correlated with an increase in OP when mediated by PE. In addition, the time lag in performance measurement and the complexity of customer relationships can further obscure the true impact of CI on PE and OP [41]. CI is able to support PE if the organization has customer value and if it is not achieved then OP decreases [41].

## Conclusion

The results of this study explain that IS has no effect on organizational performance. IS provides potential benefits in improving organizational collaboration and decision-making but OP does not improve immediately. PE does not mediate the effects of IS on OP. However, CI has an impact on OP. CI involves customers in various aspects of the business such as product development, service delivery so that OP increases. In addition, PE does not mediate the effect of CI on OP.

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