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The Influence of Knowledge Management and Innovation on Firm Performance at Company X

Agus Arianto Toly , Vanessa Leo, Vania Michaela Winarko   01-13

PDF

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Women's Empowerment as a Moderator Variable in the Role of Sharia Microfinance Inclusion in Strengthening the Family Economy

Toto Sukarnoto, Yadi Janwari , Ending Solehudin , Setia Mulyawan   14-26

PDF

DOI: https://doi.org/10.32996/jefas.2023.5.6.2

Forecasting North Kalimantan Provincial Budget for Infrastructures Analysis through Economic Recovering Program

Arkas Viddy, Rafiqoh, Andi Asrifan   27-32

PDF

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| RESEARCH ARTICLE

The Influence of Knowledge Management and Innovation on Firm Performance at Company X

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| **ABSTRACT**

Competition in the company increases along with walking time, accompanied by the growth in the flower amount increasingly in fast companies. For that reason, management knowledge and innovation can bring the company to its heyday because the performance provided becomes quality. This pushes the researcher to conduct a study titled "The Influence of Knowledge Management and Innovation on Firm Performance at Company X". The Type of company chosen in the research is a manufacturing company engaged in the management of goods for use by consumers. The company is located in Jakarta. The purpose of the study is to obtain knowledge about whether or not knowledge management and innovation influence Company X's firm performance. The research methods used are quantitative and descriptive, with 100 selected respondents by random sampling. Data collection techniques included spread questionnaires, interviews, and observations. The data collected was analyzed through SEM-PLS, and it is known that knowledge management and innovation have a 43% positive influence on company X's firm performance.

1. Introduction

Business competition between companies in the current free market era is increasingly tight. Conditions like this encourage companies to be able to develop appropriate business strategies to improve company performance. Good company performance will, of course, reflect superior company values. Changes that occur dynamically and quickly are also one of the challenges that today's companies must face. To be able to survive in the business environment, of course, companies must use various methods such as product innovation, improving service quality, improving production processes, improving organizational systems, and implementing cost efficiencies (Aldi, 2005).

Although it is the market that sets the price signals that influence resource allocation, it is the people who make decisions about what activities to perform within the company, how those activities will be executed, what resources are needed, and how they are allocated to various activities that ultimately play a role (Penrose, 1959). This provides the view that internal processes and insights will influence the growth of company value and performance more than external market prices and cost signals. However, internal processes are hampered by a considerable level of uncertainty caused by a lack of information needed to execute. This is because complete and important information is not distributed in any way asymmetric (Clarke & McGuinness, 1987).

 Manufacturing companies are companies engaged in the management of goods so that consumers can use products released. The amount of company manufacturing in Indonesia is also increasing Lots, with the amount reaching 29 thousand companies. With this, it is clear that competitors' companies manufacture more a lot. For that, every company must be capable of developing its existence through diverse efforts to create advantages and characteristics of typical products and to use interesting attention

and loyalty of consumers in the middle of many competitor companies in the same field. With this, the company's goals can be done effectively and efficiently (Kusuma, Purwanto, & Utama, 2021)

This is because the company's inability to adapt to conditions full of competitors can push the company to failure and go out of business. After all, the company's performance becomes undirected and of poor quality. For this reason (Sari & Laily, 2022), every company must be able to continue to make various efforts so that its existence remains strong and the company's goal of continued success can be achieved. Several things, such as knowledge management and innovation, play a role in improving company quality so that company performance increases. This is in line with the results of research presented by Joshua Octara Venthio and Ilzar Daud, where they stated that knowledge management and innovation can significantly influence employee performance, which impacts organizational performance.

Apart from that, Anggito Abimanyu and Yudha Prakasa, through their research conducted in 2022, also stated that knowledge sharing, which is also an aspect of knowledge management and innovation capability, has an influence on significant improvement or is referred to as acceleration of a business, which in this case are SMEs in the city of Malang. In the era of disruption, where technology is increasingly sophisticated, business actors are taking advantage of it to continue offering their business through various platforms.

Previous research on the influence of knowledge management by Yousif Al-Hakim and Hassan (2013) stated that Knowledge Management strategies directly influence organizational performance and indirectly influence innovation. Research conducted on the telecommunications sector in Iraq

This is supported by research by Carolina and Angel (2011), which shows that both knowledge management strategies influence innovation and organizational performance directly and indirectly. López-Nicolás and Meroño-Cerdán (2011) also conducted the same research, whose results support research from Yousif Al-Hakim and Hassan (2013) and Carolina and Angel (2011).

In contrast to the research of Yeşil, Koska, and Büyükbeşe (2013), which focused on knowledge sharing on innovation capabilities and innovation performance, it gave results showing that knowledge sharing did not affect innovation capabilities and innovation performance. Research by Noviyanti and Mulyanto (2015) also supports research by Yeşil, Koska, and Büyükbeşe (2013), which shows that knowledge management has an effect on innovation, but innovation has no effect on performance.

According to Saragih, knowledge management contained in Khofifah Fitria Sari's research in 2022 is defined as a series or sequence of activities to identify, create, explain, or disseminate knowledge that can be reused and studied again by members of the organization. Meanwhile, innovation is defined as a process of human activity or thought that aims to discover new things, where these new things will be related to various processes such as input, process, and output, which are expected to provide various benefits to human life.

Strategic choices such as knowledge management and innovation can be implemented by companies to face various business challenges such as shifts in customer demand, rapid technological changes, as well as efforts to optimize business competitive advantages compared to competitors (Al-Sa'di, Abdallah, & Dahiyat, 2017). Penrose (1959) argues that employee knowledge in a company is based on skills, experience, and their ability to absorb new knowledge. Therefore, even though knowledge is a resource in itself, the way knowledge is managed and used will influence the quality of services that can be utilized from each resource owned by the company.

Knowledge is the source of the most important power in the A company (Ling, Yih, Eze, Gan, & Ling, 2008). The knowledge that can utilized effectively, right? Not only will it produce superior competition, but it will also improve the performance of the organization (Zaeid, 2012). So you can obtain big benefits from existing and discovered knowledge - necessary knowledge owned company must manage its knowledge through knowledge management (Munir, 2011).

Knowledge management innovation is also one mechanism important for supporting the performance company (firm performance) to become more competitive and capable of surviving in today's global business world (Salaman & Storey, 2002). Innovation is said to be an important force in improving organizational performance and can increase economic growth and development. To be able to survive and provide added value, companies must, of course, have innovations that can provide additional value from the products they produce.

With this, *knowledge management* and innovation are considered capable of improving company performance because, with knowledge management, the company is considered capable of doing various stages of information until finally sharing *with* employees and having an impact on improving employee performance (Maulana, Sularso, & Titisari, 2018). Apart from that,

innovation is also considered capable of improving the quality of a company because it can encourage it to do various new, unique, and creative things so that it can attract a larger market share, especially at company X, which is located in Surabaya.

However, the information above has not been done in-depth research on company X, so it is important to research it so that the research results can be used for the progress of company innovation on firm performance at company X''. This research aims to gain knowledge regarding whether or not there is an influence that knowledge management and innovation have on firm performance at the company.

2. Literature Review
2.1.1 Resource-Based View
Resource-based view (RBV) is a theory management strategy that focuses on how the source internal power of a company can become source superiority competitive. The main component from the resource-based view is sourcing capable power to produce superiority and compete, as you can always exist or be sustainable. Source the power in question is source valuable, unique, rare, difficult power For imitated, and not There is his replacement (Barney, 1991). In the context of KM, RBV illustrates that knowledge is one from various source core resources owned by the company. Knowledge can cover explicit knowledge (explicit knowledge) that is written and easily accessible, as well as hidden implicit knowledge (tacit knowledge) in the experience, skills, and expertise of the individual.

By adopting RBV, the company can manage knowledge in a way effective with the methods of identifying, collecting, storing, sharing, and using knowledge To create superiority competitive. Through the application of KM, companies can increase creativity, innovation, and efficiency in their business processes.

2.1.2 Knowledge Management
Knowledge management is defined as a series of techniques and strategies used to maintain, analyze, organize, improve, and share knowledge and experience (knowledge sharing) (Abimanyu & Prakasa, 2022). With knowledge management, it is hoped that it will be able to increase the company's various efficiencies as well as develop the various knowledge it has so that it has an impact on the quality of the company (Sari & Laily, 2022). There are five stages or steps in doing knowledge management, including identifying a problem encountered in the company, doing various preparations, forming a strong and trustworthy team, implementing various audit principles on the knowledge possessed by company stakeholders, determining the main features of the company, building various boundaries for the management of owned knowledge and doing knowledge sharing. With this, it is hoped that every company will be able to get itself out of stagnation and even decline so that its success and ability to compete with competitors will increase (Maulana, Sularso, & Titisari, 2018).

2.1.3 Innovation
Innovation is the application of new organizational methods in business practices, workplace organization, or external relations (Byukusenge & Munene, 2017). According to Cardinal in Du Plessis, M. (2007), innovation occurs through a process of technical, physical, and knowledge-based activities, which are central to forming product development routines. Another definition of innovation is the process of translating ideas or discoveries into goods or services that create value to meet customer needs and expectations (Kuhn & Marsick, 2005).

Innovation is an important thing that a company must have. Because, through innovation, various new products will emerge (Napitupulu, Johan, Budiadnyana, Hutagalung, & Nadeak, 2021). Therefore, innovation is defined as improvements to a service, product, or process done at work so that various updates are created to improve the quality of products or services within the company to increase efficiency and effectiveness at work.

2.1.4 Firm Performance
Firm performance is defined as various important things that a company has because it is related to the quality of the company (Dabić, Lažnjak, Smallbone, & Švarc, 2018). Company performance can also be interpreted as a form of evaluation or assessment of a company where, through firm performance, the company's financial condition will also be known. Firm performance should not be ignored because it strongly relates to investors' choice to invest capital in a company.

Manufacturing companies are companies that work to process raw goods into finished goods that are ready for use by consumers (Lundvall & Nielsen, 2007). Currently, the number of manufacturing companies is quite large, so the number of competitors is increasing. Therefore, every manufacturing company must be able to innovate the products they make so that they are unique, high quality, and attract consumer satisfaction, which leads to loyal customers.

2.2 Development Hypothesis
2.2.1 Relationship between Knowledge Management and Firm Performance

The importance of Knowledge Management (KM) lies in its capabilities To create method new in sharing explicit and implicit knowledge. Share asset intellectual become source valuable in increasing superiority competitiveness and performance organization (Ndlela & Toit, 2001). In addition, an organization can maintain Power over the competition by effectively creating, acquiring, documenting, transferring, and applying knowledge To overcome problems and take advantage of existing opportunities (Sambamurthy & Subramani, 2005). Organizations with high levels of KM are usually more willing to Study. To increase their ability, they face changes and succeed in reducing duplication, developing creative ideas, and improving performance in a way (Lin & Lee, 2005).

Additionally, the acquisition and sharing of knowledge among individuals and group organizations is influential in quality taking decision. Therefore, it's very important for an organization To involve employees in the KM process, utilise knowledge and expertise, create value and support the effectiveness of the organization (Scarbrough, 2003). Tseng and Lee (2014) argue that The success of a KM program depends on its capabilities To influence the performance of the organization.

Studies have found that knowledge management influences firm performance. Barney (2007) argues that knowledge will increase performance when managed with good. In addition, companies that implement knowledge management have customized the performance; they find that ability performance increases as well as performance more business Good (Seba & Rowley, 2010). Therefore, the researchers have developed the following hypothesis:

H1: knowledge management provides influence positive on firm performance

2.2.2 Relationship between Innovation and Firm Performance

Innovation is factor crucial For increasing performance and value organization (Montes, Moreno, & Morales, 2005). Therefore, an innovative organization shows a growth economy and more productivity than those who are not innovative (Cainelli, Evangelista, & Savona, 2010). The organisation can achieve superiority in operational performance, like cost, quality, delivery, and flexibility, through the utilization of source power and effort in increasing innovative products and processes (Keah-Choon Tan, 2007). Several empirical studies show a strong positive relationship between innovation and performance. For example, research by Kafetzopoulos and Psomas (2015) concluded that the level of innovation is positively related to productivity and performance. Another study by Hassan et al. (2013) stated that innovation (both product and process) is positively related to production performance due to implementing new operational and business methods.

Saunila et al. (2014) show that more successful organisations in innovation have higher operational and financial performance than others. A study by Evangelista and Vezzani (2010) shows that product innovation provides operational benefits by using new technology to improve product performance. They also found that process innovation improved performance through efficiencies and productivity gained through implementing more effective means of production, resulting in reduced response times, improved quality, and reduced costs. Another finding by Ou et al. (2010) stated that process innovation effectively improves internal production operations, reduces costs and increases operational performance. Thus, product innovation also plays a role in increasing the ability to respond effectively to change through developing new capacities that contribute to improving operational performance(Montes, Moreno, & Molina, 2004)

According to research by Jiménez-Jiménez and Sanz-Valle (2011), innovation is one of the main drivers of long-term success in companies that face external environmental turmoil, especially in dynamic markets. Furthermore, Brown and Eisenhard (1995) state that a company's ability to cope with increasing complexity and high-speed change will help it to survive in a competitive environment. Not only that, according to Brown and Eisenhard (1995) and Miles and Snow (1978), companies will be better able to respond to challenges more quickly and exploit new products and market opportunities better if the company can innovate compared to non-innovative companies. Therefore, the researchers have developed the following hypothesis:

**H2: Innovation has a positive influence on firm performance**

Based on the theory above, it is known information that performance companies are influenced by several factors, including knowledge management and innovation. This is because, increasingly, with Good management knowledge, the employees or other employees will own shared knowledge and quality so that they can perform best for the company. Additionally, with innovation owned by employees, the uniqueness of Innovation is also supported by the company, so it can give loyalty to employees to companies who want to be raised. This can, of course, positively and significantly influence improving the quality of the company's work.

This, as stated by Fajar Maulana, Andi Sularso, and Purnamie Titisari, is that knowledge sharing, which is included in the knowledge management section, can influence company performance where the research was done with a focus on improving ISO 9001:2008 quality management (Maulana, Sularso, & Titisari, 2018).

3. Methodology
3.1 Analysis Model
This study's analysis model uses quantitative descriptive data with knowledge management and innovation as variable independent and firm performance as variable dependent. The analysis model we use is as follows:
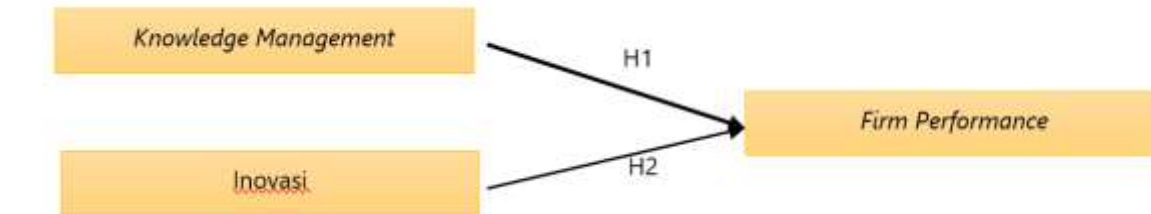
Figure 1. Analysis model

3.2 Definition Operational Variable
Based on the theory above, the definition of each variable can explained as follows:

3.2.1 Knowledge Management
Knowledge Management is an independent variable from this study. This variable was measured using a Likert scale with 5 points ranging from 1, very not agree, up to 5, strongly agree. About operationalization For the Knowledge Management variable, the researcher adopted question items by Dahiyat (2017), as shown in the table:

Variable	Dimensions	Question
Knowledge Management		Company x periodically meets with its customers to find out what their future needs will be.
		Company x has a process for finding out information about suppliers.
		Company x has a system that allows them to learn "tips for success" from other companies.
		Company x has a process that allows them to discover new knowledge from the knowledge they already have.
		Periodically, Company X tries to find new business ideas and approaches.
		Company x holds regular coordination meetings to inform all employees about their latest innovations.
		Company x has a formal process that allows knowledge to be conveyed to all departments within the company.
		There are employees at Company X who belong to several divisions and act as intermediaries between divisions at the same time.
		There is an employee at Company X who is responsible for collecting and conveying to internal parties input from all employees.
		Company x has a system that is easy to modify if it is necessary to apply new knowledge.
		Company x management emphasizes to all employees the importance of

		utilizing the knowledge they have.
		Company x can discover and implement appropriate knowledge to compete.

3.2.2 Innovation

Innovation was the independent variable of this research. This variable was measured using a Likert scale with 5 points ranging from 1 strongly disagree to 5 strongly agree. Regarding operationalization for the Innovation variable, researchers adopted question items by Dahiyat (2017), as shown in the table below:

Variable	Dimensions	Question
Innovation		Company x always improves the quality of components and materials used as basic production materials regularly.
		Company x tries to reduce the costs of components and materials used as basic production materials regularly.
		Company x always improves and adds new product features to increase benefits and customer satisfaction.
		Company x manages to create a new product that is made from different ingredients from the usual product.
		Company x abandoned a process that was not beneficial in the production process.
		Company x periodically reduces costs associated with production processes, engineering, and machinery.
		Company x regularly continues to improve the quality of production, techniques, and machines used.
		Company x abandoned a process that was not beneficial in the product delivery process.
		Company x regularly reduces costs related to the product delivery process and logistics.
		Company x regularly continues to increase the speed of product delivery.

3.2.3 Firm Performance

Firm Performance was the dependent variable of the study. This variable was measured using a Likert scale with 5 points ranging from 1, not agree, up to 5, strongly agree. Regarding the operationalization of the Innovation variable, researchers used the question items below:

Variable	Dimensions	Question
Firm performance		Profit target 2019 - 2022
		Profit Achievements 2019 - 2022

From profit targets and profit achievements, we grouped and determined Likert scale values according to the following criteria:

category		criteria
1	Far below target	>-60%
2	not enough from the target	-20% to 59%
3	approaching the target	-19%to 19%
4	exceed target	20% to 59%
5	greatly exceeded the target	>60%

3.3 Samples and Procedures

This research is descriptive quantitative research. Data collection techniques are interviews, observation, and distribution of questionnaires to 100 respondents selected by random sampling to ensure equal selection opportunities for all individuals. The criteria we use are manufacturing companies located in the city of Surabaya,

4. Results and Discussion

4.1 Data Analysis

4.1.1 Testing the Measurement Model (Outer Model)
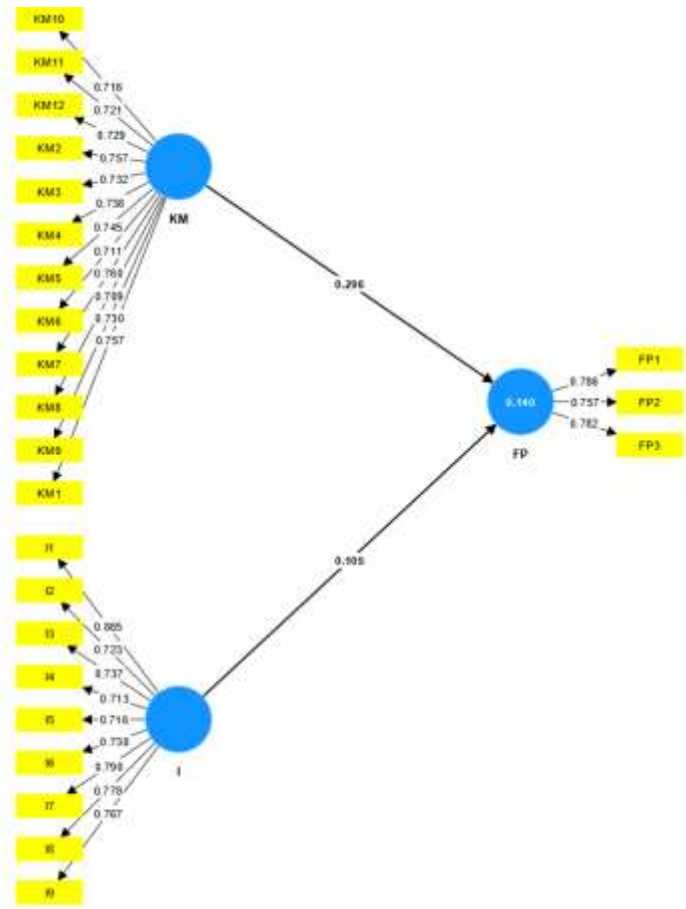

Figure 4.1 Testing the Measurement Model

a.   *Convergent Validity*

Measurement Model showing like ama variable observed variable or variable manifest presenting variable latent For measured. Convergent validity can be measured with the use of parameter outer loading and AVE (Average Variance Extracted). Size reflexive individuals said correlated If the mark more than 0.5 with the desired construct be measured (Ghozali & Latan, 2015).

Table 4.1 Outer Loading Values Knowledge Management, Innovation, and Firm Performance

	Outer loadings
FP1 <- FP	0.818
FP2 <- FP	0.820
FP3 <- FP	0.832
I1 <- I	0.882
I2 <- I	0.791
I3 <- I	0.825
I4 <- I	0.782
I5 <- I	0.794
I6 <- I	0.761
I7 <- I	0.808
I8 <- I	0.844
I9 <- I	0.817
KM10 <- KM	0.732
KM11 <- KM	0.772
KM12 <- KM	0.721
KM2 <- KM	0.796
KM3 <- KM	0.767
KM4 <- KM	0.766
KM5 <- KM	0.811
KM6 <- KM	0.722
KM7 <- KM	0.769
KM8 <- KM	0.724
KM9 <- KM	0.728
KM1 <- KM	0.786

Source: Primary data processed, 2023

Based on table 4.2, values outer loading all > 0.7, then it can be concluded valid, and nothing is issued.

b. Discriminant Validity
    Discriminant validity is used For the test validity of a model. Discriminant validity looks through the cross-loading value and shows a big correlation between the construct with indicators and indicators of the construct others. The standard value used for cross-loading must be more than 0.7 or compare the square root of each construct's average (AVE) value with the construct other in models. If the AVE root of every construct is bigger than the mark correlation between construct and construct other in the model, then it has its own good discriminant validity value.

Table 4.3 Cross-Loading Value

	FP	I	KM
FP1	0.818	0.501	0.517
FP2	0.820	0.510	0.503
FP3	0.832	0.518	0.524
I1	0.568	0.882	0.637
I2	0.443	0.791	0.624
I3	0.478	0.825	0.631
I4	0.523	0.782	0.596
I5	0.488	0.794	0.575
I6	0.553	0.761	0.609
I7	0.434	0.808	0.515
I8	0.523	0.844	0.644
I9	0.482	0.817	0.654
KM10	0.374	0.484	0.732
KM11	0.477	0.576	0.772
KM12	0.441	0.548	0.721
KM2	0.562	0.647	0.796
KM3	0.468	0.591	0.767
KM4	0.502	0.669	0.766
KM5	0.566	0.582	0.811
KM6	0.381	0.427	0.722
KM7	0.459	0.610	0.769
KM8	0.368	0.522	0.724
KM9	0.508	0.563	0.728
KM1	0.499	0.571	0.786

Source: Primary data processed, 2023

Based on Table 4.3, cross-loading values on each item have a value >0.7, and on each item, it marks the biggest moment connected with variable latent compared to when connected with variable latent other. This thing shows every variable manifests in research. This has appropriately explained variables and proven that discriminant validity all discriminant items are valid.

c. Composite Reliability
   Besides looking from outside loading every construct as test validity, in measurement models Also done test reliability. A reliability test is done To prove accuracy, consistency, and precision instrument in measuring something constructed. In PLS–SEM with the use of SmartPLS, to measure reliability, something construct can be done in two ways: with Cronbach's Alpha and Composite reliability. However, using Cronbach's Alpha for test reliability will provide a low value (underestimate), so more recommended for using Composite Reliability.

Table 4.4 Testing Reliability and Validity

	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
FP	0.762	0.763	0.883	0.678
I	0.935	0.938	0.946	0.660
KM	0.933	0.937	0.942	0.575

Source: Primary data processed, 2023

From the table above, it can be seen that mark all variables in testing reliability made Good use of Cronbach's Alpha and Composite reliability value >0.7, and testing validity by using AVE (Average Variance Extracted) value >0.5. Because of that, you can conclude that the variables tested are valid and reliable, so you can next Test the structural model.

4.1.2 Structural Model Analysis (Inner Model)
Evaluation of structural models or inner models aims To predict the connection between variable latent. The structural model evaluated with a big percentage of variance explained that is with see R-square value for construct latent endogenous, and AVE predictiveness using procedure resampling like jackkniffing and bootstrapping to obtain stability of the estimates.

a. R-Square (R^2)

Table 4.5 R^2 value

	R-square	R-square adjusted
FP	0.442	0.430

Source: Primary data processed, 2023

In the research model, the resulting R-square value is 0.442. The influence of KM (Knowledge Management) and I (Innovation) on FP (Firm Performance) is 0.442, with a mark-adjusted R-square of 0.430. So, it can concluded that all construct exogenous (KM and I) in a way simultaneously affects FP by 0.430 or 43%.

b. Hypothesis testing

Figure 4.2 Structural Model Testing
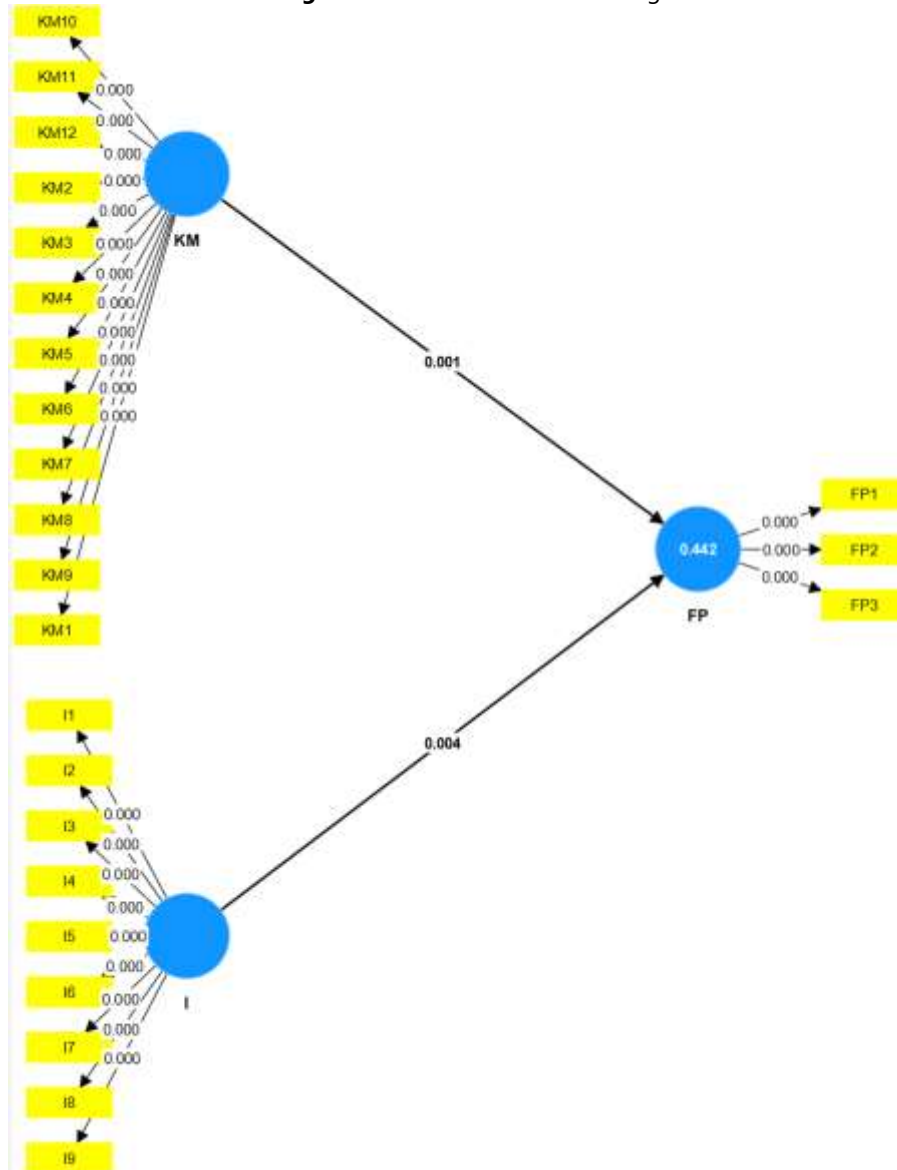
Source: Primary data processed, 2023

To know the connection between variables, do method bootstrapping. Approach bootstrap represents nonparametric For precision of the estimate. In the PLS method, the retrieval decision For accepting or rejecting A hypothesis is based on mark significance (P Value) and T-table value. In the application SmartPLS, value significance can be known with see mark coefficient parameters and values t-value significance >1.96 and or p-value <0.05 at a significance level of 5%, then H1 is accepted, Ho is rejected, and vice versa. The tested hypothesis in the study is as follows:

Table 4.6 Path Coefficient

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values
I -> FP	0.343	0.340	0.120	2.859	0.004
KM -> FP	0.367	0.379	0.113	3.252	0.001

Source: Primary data processed, 2023

From the table above, it can be seen that constructing exogenous Knowledge Management (KM) has a positive influence (O = 0.367) on constructing endogenous Firm Performance (FP). T value – statistics on connection construct. This is 3.252 > 1.96, and the p-value is 0.001 < 0.05. Because that's a hypothesis first to state that there is a positive and significant influence knowledge management towards variable firm performance **proven.**

From the table above, it can be seen that construct exogenous innovation (I) has a positive influence (O = 0.343) on construct endogenous Firm Performance (FP). T value – statistics on connection construct This is 2,859 > 1.96, and the p-value is 0.004 < 0.05. Because that's a hypothesis, both stated that innovation has a positive and significant influence on variable firm performance**.**

4.2 Discussion
4.2.1 Influence Knowledge Management towards Firm Performance
From the table above, it can be seen that constructing exogenous Knowledge Management (KM) has a positive influence (O = 0.367) on constructing endogenous Firm Performance (FP). T value – statistics on connection construct This is 3.252 > 1.96, and the p-value is 0.001 < 0.05. Because that's a hypothesis first to state that knowledge management's positive influence on variable firm performance is proven accepted.

Many problems are faced in Indonesia, such as low ability human resources and lack of knowledge, resulting in underperformance of the business good. Business performance refers to the extent to which the company reaches the goals, vision, mission, and targets that have been set (Abdullah, 2018).

For each performance-optimal business, the company needs to consider two main influences on business: internal and external. Factor internal covers human resources, and temporary factor external covers aspects of social culture, economics, and roles in institutional government. Good knowledge of management companies by employees can increase efficiency in the operation business. Management knowledge aims to facilitate learning organization and promotion culture study between employees, encourage them to increase their knowledge and skills in work them. Success in management knowledge will help increase the quality company.

Besides that's, important management knowledge also located in increasing efficiency in deciding on an organization or company. When employees acquire the necessary knowledge and skills from the company, they can decide quickly and precisely that's finally a profitable company. Significance management knowledge will continue to develop along with increasing competitive competition. From the results of the study of various characteristics of respondents, such as type, gender, age, education, age of company, and length of time working at the company, it can concluded that, in a general way, employees' management available knowledge increases the performance of company they each.

4.2.2 Influence of Innovation on Firm Performance
From the table above, it can be seen that construct exogenous innovation (I) has a positive influence (O = 0.343) on construct endogenous Firm Performance (FP). T value – statistics on connection construct This is 2,859 > 1.96, and the p-value is 0.004 < 0.05. Because that is a hypothesis, both stated that innovation's positive influence on variable firm performance is accepted.

In an era of globalization, competition in business is fiercer. Factor main influence competition This is the development of fast technology. Because of that, every company is expected To become more innovative and capable of understanding the market. As we see it, the company can identify what consumers need now and in the future. Owner business moment This must monitor changes in the environment business so we can compete with the company.

According to Hurley & Hult (1998), innovative product results from significant changes in variation products and fast technology. Innovation is a method For introducing new products and processes. Innovation also becomes a solution For following the development of fast technology. Owner or MSME managers in Yogyakarta have created or developed appropriate new products and processes with the desired consumer. This can increase the performance of the business company. Findings This aligns with the study by Satwika and Dewi (2018), which shows that innovation influences business performance.

Innovation in business processes can increase mark business ourself. Innovation also brings experience new for workers or employees, which influences the ability and capacity to work. The company can continue to innovate to develop its business. However, innovation only succeeds if the company's HR supports it. Innovation can sometimes be challenging if the employee needs support or support. However, the results show that in various characteristics, respondents like type, gender, age, education, Age Company, and length of time working at the company, employees, in a way, support innovation in work. Support This on finally own positive impact on performance business company in place they were working.

5. Conclusion
Among Competitors, Company X has a lot of them. Therefore, company X needs to make diverse efforts or strategies so that the existing company is still awake. Among them, through knowledge management with diverse stages, it has innovation in its products. Results show that management knowledge and innovation have a positive influence on firm performance, so products released are capable of competing in the realm nationally and even internationally with quality guaranteed products.

Therefore, entrepreneurs should Keep increasing the quality through management knowledge, specifically company manufacturers. Also, possible innovation is done by company stakeholders through diverse efforts like training or training, giving rewards, and others, as you can trigger enhancement of creativity And loyalty among employees. Besides that, the researcher also hopes that the study results can be used as a wrong reference or base in making new company policies and as a Wrong reference For the subsequent study.

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