KNOWLEDGE MANAGEMENT ORIENTATION, MARKET ORIENTATION, AND SME'S PERFORMANCE: A LESSON FROM INDONESIA'S CREATIVE ECONOMY SECTOR

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ABSTRACT

Aim/Purpose	Two research objectives were addressed in this study. The first objective was to determine the effect of knowledge management orientation behaviour on business performance, and the second objective was to investigate the mediating effect of market orientation in the relationship between knowledge management orientation behaviour and business performance.
Background	In business strategic perspective, the idea of knowledge management has been discussed widely. However, there is a lack of study exploring the notion of knowledge management orientation especially in the perspective of Indonesia's creative economy sector.
Methodology	One hundred and thirty one participants were involved in this study. They were economy creative practitioners in Indonesia. Data were analysed by using Partial Least Squares.
Contribution	Upon the completion of the research objectives, this study contributes to both theoretical and practical perspectives. From a theoretical standpoint, this study proposes a conceptual model explaining the relationship among knowledge management orientation behaviour, market orientation, and business perfor-

mance in Indonesia's creative economy sector. As this study found a significant effect of knowledge sharing in market orientation and market orientation in business performance, the study showed the mediation role of market orientation in the relationship between knowledge sharing and business performance. From a practical perspective, this study implies a guideline for business practitioners in enhancing business through the application of knowledge management orientation behaviour.

Findings	The results show that organizing memory, knowledge absorption, and knowledge receptivity has a direct significant effect on business performance. However, in affecting business performance, knowledge sharing must be mediated by market orientation.
Recommendations for Practitioners	Based on the results of the study, practitioners should enhance their behaviour in implementing knowledge management in terms of increasing business performance. In addition, it is suggested that business practitioners must be market driven, as market orientation was found to have an important role in affecting business performance.
Recommendations for Researchers	Future researchers might integrate other constructs such as innovation, marketing capabilities, or organizational learning with this current conceptual model to have more comprehensive insight about the relationship between knowledge management orientation and business performance.
Impact on Society	This study suggests that business practitioners must have knowledge management driven behaviour as well as market orientation to enhance the performance of their business.
Future Research	Future research might add other variables to make the conceptual model more comprehensive and also replicate this study into different industrial settings.
Keywords	knowledge management orientation, market orientation, business performance, economy creative, small and medium enterprises

INTRODUCTION

Data published by the Indonesia Creative Economy Agency (2017) indicated that the creative economy is one of the leading sectors contributing to Gross Domestic Product (GDP). In 2015, the creative economy sector contributed GDP around 62.6 billion US Dollars, which was an increase of 4.38% from 2014. This contribution was 7.38% of the whole Indonesian GDP. Apart from its contribution to GDP, the Indonesia Creative Economy Agency (2017) showed that the creative economy sectors employed 16 million people. This number is around 14% of the total labour force.

As one of the leading sectors, business organisations in the sector of creative economy need to have a high level of performance to maintain their sustainability. Since the introduction of a knowledge-based view, physical and tangible resources are no longer considered to be the main elements in creating business competitiveness (Grant, 1996). Business organisations that might exploit and implement the knowledge owned by the organisation seek to be more competitive than their competitors (Wong & Aspinwall, 2005).

Empirically, scholars have shown the importance of knowledge management in relation to business performance (H. Lee & Choi, 2003; S. Lee, Gon Kim, & Kim, 2012; Rasula, Vuksic, & Stemberger, 2012). These studies explained that the better the knowledge management applied by a business organisation is, the better the business performance will be. The application of knowledge management strategy in a business organisation cannot be separated from the behaviour of individuals within the

organisation. C. L. Wang, Ahmed, and Rafiq (2008) developed the notion of knowledge management orientation behaviour to facilitate the concept of knowledge management at the behavioural level. Knowledge management orientation behaviour is an individual's behavioural orientation in applying knowledge management (Wang et al., 2008). The idea of knowledge management orientation behaviour is applicable to the creative economy sector, as managing knowledge is highly needed for this sector in order to enhance creativity. Hence, scholars (Bueren, Schierholz, Kolbe, & Brenner, 2004; Darroch, 2005; H. Lee & Choi, 2003) have argued that knowledge management orientation behaviour is an appropriate notion to enhance business performance, especially in the area of creative economy.

In business strategy studies, the effect of knowledge management on business performance has been recognised widely. However, only a few studies have discussed the effect of knowledge management orientation behaviour on business performance (C. L. Wang, Hult, Ketchen, & Ahmed, 2009; Yazhou & Jian, 2013). Thus, to have better view of the relationship between knowledge management orientation behaviour and business performance, there is a need to conduct an investigation about the relationship between the two variables in various industry settings.

To fill this research gap, this study has investigated the effect of knowledge management orientation behaviour on business performance from the perspective of the creative economy sector in Indonesia. Particularly, this study has focused on the effects of the knowledge management orientation behaviour dimensions (i.e., organising memory, knowledge sharing, knowledge absorption, and knowledge receptivity) on business performance. To enrich the understanding about the relationship between the knowledge management orientation behaviour dimensions and business performance, this study has inserted the idea of market orientation as a mediating variable. This mediating variable will explain the indirect effect of knowledge management orientation behaviour on business performance through market orientation.

Based on the study background, this study aims to test the effect of knowledge management orientation behaviour's dimensions on business performance and to scrutinise the mediating effect of market orientation on the relationship between knowledge management orientation behaviour and business performance. Upon the completion of this study, both theoretical and practical contributions were provided. For the theoretical contribution, this study built a theoretical model explaining the relationship between knowledge management orientation behaviour, market orientation, and business performance. In addition, this study investigated the mediating role of market orientation. From a practical standpoint, this study contributed by offering an insight for creative economy practitioners to use to enhance their performance.

LITERATURE REVIEW

THE EFFECT OF KNOWLEDGE MANAGEMENT ORIENTATION ON BUSINESS PERFORMANCE

The concept of knowledge management orientation is derived from the basic concept of knowledge management. Knowledge management involves coordinating activities as well as creating, sharing, storing, and applying knowledge in the scope of an integrated and systematic organisation to achieve organisational goals (Mousakhani & Rouzbehani, 2017). Johnson (1998) explained that knowledge could be divided into tacit and explicit knowledge. Tacit knowledge is the information in the individual's head that is difficult to share with other through written or oral communication, while explicit knowledge is the information that can be searched and found easily by business organizations (Kane, 2012)

Nunes, Annansingh, and Eaglestone (2006) suggested that some reasons for companies applying knowledge management include giving a quick response to customers, creating a new market, and implementing new technology. C. S. Lee and Kelkar (2013) contended that the implementation of

knowledge management is a key to success when seeking to gain a competitive advantage. In line with this, scholars (Darroch, 2005; Rasula et al., 2012) found that knowledge management plays an important role in affecting organisational performance.

As knowledge management takes place at the organisational level, scholars (Hussein, Rahayu, Prabandari, & Rosita, 2017; C. L. Wang et al., 2008) developed the concept of knowledge management orientation behaviour on the level of the individual's behaviour. C. L. Wang et al. (2008) suggested that knowledge management orientation behaviour is the degree to which a business organisation implements knowledge management that is organised and systematic. This concept is considered as a suitable and reliable measure to determine the behaviour-orientation of knowledge management.

Previous studies (C. L:Wang et al., 2008; C. L. Wang et al., 2009; Yazhou & Jian, 2013) have explained that knowledge management orientation is a multi-dimensional construct. It has four dimensions, namely, organising memory, knowledge sharing, knowledge absorption, and knowledge receptivity. From the perspective of business performance, knowledge management orientation has been proven to have a significant effect on business performance (C. L. Wang et al., 2008; C. L. Wang et al., 2009; Yazhou & Jian, 2013). However, these studies did not test the effects of each dimension on business performance.

Organisational memory is business organisation's activities to do with organising the knowledge that is owned (C. L. Wang et al., 2008). Specifically, Moorman and Miner (1997) explained that organisational memory consists of activities such as processing, using, and storing information. As a single construct, organising memory has been determined to have a significant effect on business performance (Cross & Baird, 2000; Moorman & Miner, 1997). As it is in the dimension of knowledge management orientation behaviour, memory has a high factor loading (C. L. Wang et al., 2008). This high factor loading means that organisational memory is an important indicator of knowledge management orientation. Hence, it is predicted that organising memory has a significant effect on business performance.

As an element of knowledge management orientation, knowledge sharing plays an important role in affecting business performance. Knowledge sharing is about the fundamental means through which employees can mutually exchange their knowledge in terms of creating an organisation's competitive advantage. In addition, knowledge sharing is turning organisational knowledge into group or individual knowledge through internalisation and socialisation (Z. Wang & Wang, 2012). The study of Du, Ai, and Ren (2007) and Z. Wang and Wang (2012) indicated that knowledge sharing has a significant effect on business performance.

Knowledge absorption is another knowledge management orientation behaviour dimension. C. L. Wang et al. (2008) suggested that knowledge absorption is about the ability of the organisation to recognise new knowledge, to assimilate it, and to implement it into its business process. In a business organisation, knowledge is not only developed through internal sources but also through absorption from external sources. The study of Yao, Yang, Fisher, Ma, and Fang (2013) suggested that there is a significant effect from knowledge absorption on business performance. Similar to Yao et al. (2013), Yazhou and Jian (2013) found there to be significant effect from knowledge absorption on business performance.

Knowledge receptivity is the fourth dimension of knowledge management orientation. C. L. Wang et al. (2008) explained that knowledge receptivity is the ease with which an organization takes on knowledge internally. The study of Hussein et al. (2017) on Indonesia's creative sector showed that knowledge receptivity was the dimension most explaining knowledge management orientation. As an important dimension of knowledge management orientation, knowledge receptivity was found to have a strong effect on business performance (Yazhou & Jian, 2013).

Based on the previous studies and literature review, it is predicted that knowledge management orientation has a significant effect on business performance. Specifically, this study has proposed:

H1: organising memory has an effect on business performance
H2: knowledge sharing has an effect on business performance
H3: knowledge absorption has an effect on business performance
H4; knowledge receptivity has an effect on business performance

THE MEDIATING EFFECT OF MARKET ORIENTATION

From the perspective of marketing strategy, the notion of market orientation has been recognised widely. Scholars have suggested that a business organisation must be market driven to win the competition. Business performance is the most interesting issue for practitioners and researchers alike. Some studies have explored the determinants of business performance in different types of industries, especially related to profitability or market-based measures of financial performance such as profit, market share, return on investment, and sales volume (Venkatraman & Ramanujam, 1986).

Scholars have suggested that market orientation plays an essential role in enhancing business success (Y.-K. Lee, Kim, Seo, & Hight, 2015; Yaprak, Tasoluk, & Kocas, 2015). The value of focusing on market orientation in a dynamic environment will help an organisation to attain a competitive advantage and better business performance. Performance reveals a business's competitive position, which distinguishes it from its main competitors, for example, increasing awareness and responding to competitive pressure (Zou & Cavusgil, 2002).

A market-oriented business employs three dimensions of market orientation, namely, generating market information, disseminating the information, and utilising the information to determine collective and individual decisions and behaviours (Kohli, Jaworski, & Kumar, 1993). A business has to consider the components of marketing orientation, namely, customer orientation, competitor orientation and inter-functional coordination in order to create superior performance (Chung, 2011).

From the perspective of business strategy studies, market orientation was found to have a significant effect on business performance. Some empirical studies have determined a positive association between market orientation and business performance (Campo, Díaz, & Yagüe, 2014; Kirca, Jayachandran, & Bearden, 2005; Y.-K. Lee et al., 2015; McClure, 2010). According to the marketing view, market orientation is one of the key factors that satisfies customer needs and wants (Levitt, 1960), particularly in environmental uncertainty, which reflects on the business ability to deliver superior products for external and internal customers (Y.-K. Lee et al., 2015).

Knowledge management orientation behaviour cannot be separated from the notion of market orientation. Previous studies have indicated that knowledge management orientation has a significant effect on market orientation (C. L. Wang et al., 2008; C. L. Wang et al., 2009). As knowledge management orientation has a significant effect on market orientation and market orientation is predicted to have a significant effect on business performance, there is a possibility that market orientation mediates the effect of knowledge management orientation behaviour, especially to do with its dimensions and business performance. Thus, this study has proposed:

H5: market orientation mediates the effect of organising memory on business performance
H6: market orientation mediates the effect of knowledge sharing on business performance
H7: market orientation mediates the effect of knowledge absorption on business performance
H8: market orientation mediates the effect of knowledge receptivity on business performance

Based on the review of the literature, this study has proposed a conceptual model explaining the relationships between knowledge management orientation behaviour and business performance. Figure 1 shows the conceptual model proposed by this study.
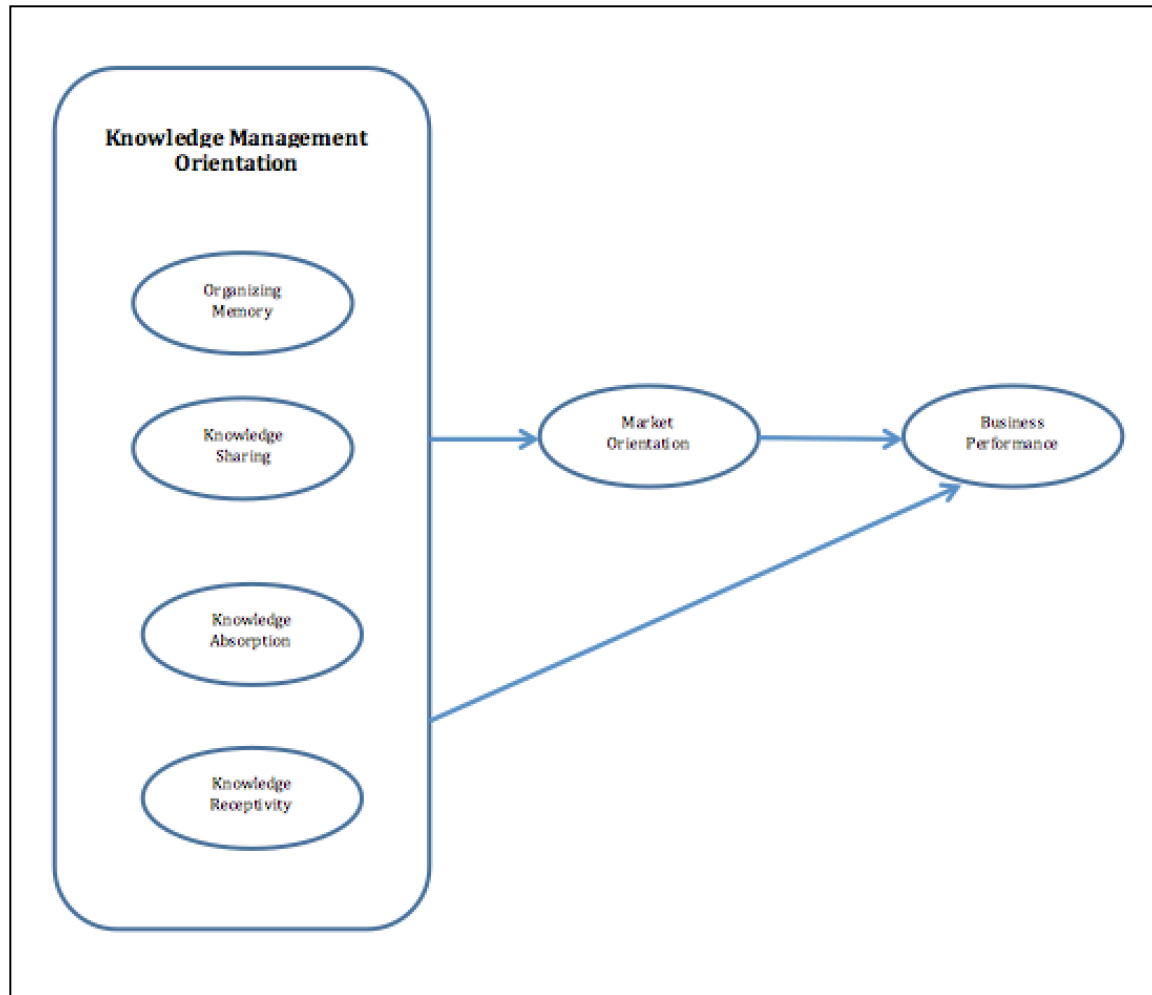
Figure 1. Conceptual Model

METHODS

POPULATION AND SAMPLE

The respondents of this study were the owners of small medium enterprises (SMEs) in the sector of creative economy in the Malang city region of Indonesia. Two hundred self-administered questionnaires were distributed, while only 131 questionnaires were usable for this study, yielding a 65.5% response rate. This sample is considered to be appropriate, as Chin and Newsted (1999) suggested that the minimum suitable sample size is 10 times the number of indicators from the dependent variable, with the largest number of independent variables. For this study, business performance has five indicators and is the dependent variable with the largest number of independent variables (five independent variables); hence, the minimum sample size for this study was 50 samples (5x10).

For this study, the demography profiles of the respondents emerged as 67.939% were male, 32.824% were aged between 41 and 50, 73.282% had less than 10 employees and around 52% had been running the business for between 1 and 5 years. Table 1 has summarised the demographics of the respondents

Table 1. Demography of Respondents

Variables	Indicators	Frequency	Percentage
Gender	Male	89	67,939
	Female	42	32,061
Age	<21	2	1,527
	21 - 30	24	18,321
	31 - 40	37	28,244
	41 - 50	43	32,824
	51 - 60	16	12,214
	>60	9	6,870
Number of employees	<10	96	73,282
	11 - 20	21	16,031
	>21	14	10,687
Length of business	<1	23	17,557
	1 - 5	68	51,908
	6 - 10	28	21,374
	>10	12	9,160

MEASURES

The questionnaire used in this study was divided into two sections. The first section asked about the demography of the respondents, and the second section examined the variables tested, namely, organising memory, knowledge sharing, knowledge absorption, knowledge receptivity, market orientation, and business performance. In measuring the variables, the five point Likert scale used in this study ranged between strongly disagree (1) and strongly agree (5).

The measurements were adapted from previous studies. The dimensions of knowledge management orientation (organising memory, knowledge sharing, knowledge absorption, and knowledge receptivity) were adapted from C. L. Wang et al. (2008) and Hussein et al. (2017), market orientation was adapted from Kohli et al. (1993), and business performance was adapted from Yazhou and Jian (2013).

DATA ANALYSIS

Partial Least Square (PLS) with smartPLS 2.0 was used in this study to analyse the data. In analysing the data with PLS, three steps were undertaken as suggested by Chin (2010). They are outer model evaluation, inner model evaluation, and the hypothesis test.

Outer model evaluation was conducted through examining convergent validity, discriminant validity, and reliability. Convergent validity was assessed through the score of factor loading. Hair, Black, and Babin (2010)suggested that the factor loading for each indicator should be at least 0.5. Discriminant validity was determined by comparing the score of factor loading and its cross loading (Hair et al. 2010). The score from factor loading must be higher than the score of cross loading. Reliability was tested through the score of composite reliability (Nunnally & Bernstein, 1978). The score of composite reliability should be higher than 0.7.

Inner model evaluation or structural model was evaluated through two indicators, namely, the coefficient of determination (R^2) and Goodness of Fit (GoF) index. For the value of coefficient determination, there was no particular cut-off value. Hair et al. (2010) suggested that the higher the score of

R^2, the better the model. While there is no cut-off value for R^2, Daryanto, Ruyter, and Wetzels (2010) suggested that the baseline for GoF is that GoF small = 0.1; GoF medium = 0.25 and GoF large = 0.36.

The last step in PLS analysis was testing the proposed hypotheses. In testing the hypothesis, the alpha was set at the level of 5% (t = 1.960). The following section will discuss the results of the PLS analysis.

RESULTS

OUTER MODEL EVALUATION

As mentioned earlier, the outer model evaluation was tested through examining convergent validity, discriminant validity and reliability. For the initial analysis, the result of convergent validity indicated that BP_1, BP_4, KA_1, KR_1, KS_7, OM_2, OM_6 have a factor loading below 0.5. Thus, these items were removed from the model. The second analysis showed better convergent validity results, as the factor loading for each item was above 0.5. For this study, factor loading varied between 0.569 and 0.901.

DISCRIMINANT VALIDITY

Following Hair et al. (2010), the score of factor loading (in bold) must be higher than the score of cross loading. For this study, the score for each factor loading was higher than the cross loading score. Thus, there were no discriminant validity problems found in this study. Table 2 shows the results of discriminant validity evaluation.

Table 2. Cross Loading Analysis

	BP	KA	KR	KS	MO	OM
BP_2	**0.848**	0.333	0.432	0.270	0.259	0.452
BP_3	**0.621**	0.287	0.280	0.141	0.247	0.145
BP_5	**0.852**	0.334	0.382	0.146	0.282	0.297
KA_2	0.332	**0.789**	0.328	0.332	0.267	0.355
KA_3	0.297	**0.708**	0.325	0.270	0.119	0.312
KA_4	0.294	**0.766**	0.466	0.446	0.306	0.290
KR_2	0.329	0.340	**0.726**	0.205	0.160	0.403
KR_3	0.357	0.402	**0.650**	0.134	0.187	0.290
KR_4	0.225	0.265	**0.674**	0.236	0.359	0.364
KR_5	0.361	0.335	**0.645**	0.270	0.136	0.398
KR_6	0.439	0.275	**0.725**	0.248	0.217	0.427
KR_7	0.281	0.454	**0.637**	0.189	0.193	0.501
KR_8	0.262	0.357	**0.645**	0.385	0.149	0.483
KR_9	0.258	0.242	**0.626**	0.205	0.205	0.232
KR_10	0.323	0.381	**0.748**	0.199	0.241	0.409
KS_1	0.150	0.352	0.257	**0.580**	0.293	0.495
KS_3	0.129	0.242	0.142	**0.663**	0.224	0.233
KS_4	0.284	0.311	0.330	**0.745**	0.189	0.442
KS_5	0.098	0.359	0.169	**0.736**	0.324	0.201
MO_1	0.336	0.301	0.295	0.394	**0.855**	0.279

	BP	KA	KR	KS	MO	OM
MO_2	0.248	0.296	0.278	0.373	**0.903**	0.201
MO_3	0.276	0.215	0.206	0.184	**0.848**	0.206
OM_1	0.285	0.128	0.303	0.233	0.100	**0.655**
OM_3	0.208	0.320	0.231	0.260	0.071	**0.572**
OM_4	0.222	0.174	0.345	0.205	0.230	**0.630**
OM_5	0.240	0.299	0.364	0.275	0.133	**0.630**
OM_7	0.267	0.302	0.431	0.310	0.205	**0.569**
OM_8	0.272	0.332	0.393	0.477	0.233	**0.636**
OM_9	0.243	0.290	0.390	0.430	0.148	**0.674**

BP: Business Performance; OM: Organizing Memory; KS: Knowledge Sharing,
KA, Knowledge Absorption, KR: Knowledge Receptivity; MO: Market Orientation

RELIABILITY

In evaluating the reliability, this study relied on the score of composite reliability. The statistical estimation showed that the value of composite reliability for each item was above 0.7. Thus, there was no reliability problem found in this study. Table 3 summarises the score of factor loading and composite reliability for each item.

Table 3. The Summary of Factor Loading and Composite Reliability

Construct	Items	Factor Loading	Alpha	VIF
Business Performance	BP_2	0.850		
	BP_3	0.620		
	BP_5	0.852	0.821	
Market Orientation	MO_1	0.857		1.208
	MO_2	0.901		
	MO_3	0.847	0.902	
Knowledge Absorption	KA_2	0.789		1.561
	KA_3	0.708		
	KA_4	0.766	0.799	
Knowledge Receptivity	KR_2	0.726		1.584
	KR_3	0.650		
	KR_4	0.674		
	KR_5	0.645		
	KR_6	0.725		
	KR_7	0.637		
	KR_8	0.645		
	KR_9	0.627		
	KR_10	0.748	0.883	
Knowledge Sharing	KS_1	0.600		1.479
	KS_3	0.614		
	KS_4	0.703		
	KS_5	0.726	0.779	

Construct	Items	Factor Loading	Alpha	VIF
	OM_1	0.655		1.567
	OM_3	0.571		
	OM_4	0.630		
	OM_5	0.630		
	OM_7	0.569		
	OM_8	0.637		
Organizing Memory	OM_9	0.674	0.816	

INNER MODEL EVALUATION

The inner model evaluation was tested through examining the score of coefficient determination (R^2) and Goodness of Fit (GoF) Index. For this study, the score of coefficient determination was 0.176 and 0.304. There was no particular baseline for coefficient of determination. While the coefficient of determination does not have a cut-off value, Daryanto et al. (2009) proposed that the baselines for GoF are small = 0.1, medium = 0.25 and large = 0.36. The calculation of GoF yielded a score of 0.404. Since the GoF index for the model tested in this study exceeds 0.36, the model proposed in this study should be considered robust. Table 4 summarises the results of the estimation of the GoF Index.

Table 4. GoF Index Estimation

Constructs	AVE	Q^2	R^2
Market Orientation	0.754	0.131	0.176
Business Performance	0.610	0.153	0.304
Average	0.682		0.24
GoF Index = $\sqrt{AVE x \overline{R^2}}$ = 0.404			

To confirm the robustness of the model built, this study also estimated effect size (f^2) as proposed by Cohen (1992). The interpretations proposed by Cohen (1992) were adopted, with 0.02 indicating a small effect, 0.15 a medium one and 0.35 meaning that a larger effect was discovered. For this study, the effect size for each independent variable on market orientation as the dependent variable varied between almost zero and 0.067. The effect size for business performance as the dependent variable varied between 0.004 and 0.051. The effect size estimation showed that the effect size for the independent variables on the dependent variable was classified as small. However, as the scores of R^2, Q2 and the GoF index were acceptable, the hypothesis test could be conducted. Table 5 summarises the effect size for each construct.

Table 5. Effect Size

Independent	Dependent	Effect Size (f^2)
Organizing Memory	Market Orientation	Approximately zero
	Business Performance	0.023
Knowledge Sharing	Market Orientation	0.067
	Business Performance	0.004
Knowledge Absorption	Market Orientation	0.008
	Business Performance	0.031
Knowledge Receptivity	Market Orientation	0.020
	Business Performance	0.051
Market Orientation	Business Performance	0.030

HYPOTHESIS TEST

Hypothesis 1 predicted the effect of organising memory on business performance. The statistical estimation showed that there was a significant effect from organising memory on business performance ($\beta=0.184$;t=2.372). This means that Hypothesis 1 is supported. While organising memory has a significant effect on business performance, this study did not find a significant effect of knowledge sharing on business performance as proposed by Hypothesis 2 ($\beta=-0.094$;t=1.141). Similar to organising memory, this study revealed that both knowledge absorption ($\beta=0.191$;t=2.850) and knowledge receptivity ($\beta=0.253$;t=2.839) have a direct effect on business performance respectively. Thus, Hypotheses 3 and 4 were supported.

Hypotheses 5-8 propose the indirect effect of knowledge management orientation behaviour on business performance mediated by market orientation. In testing the mediation effect, this study followed the suggestion of Baron and Kenny (1986). It was suggested that an indirect effect would exist if a predictor has a significant effect on a mediator, and a mediator has a significant effect on a criterion. For this study, it was found that knowledge sharing has a significant effect on market orientation, and that market orientation has a significant effect on business performance. Hence, it can be concluded that knowledge sharing has an indirect effect on business performance through market orientation. This finding means that Hypothesis 6 was supported. Table 6 summarises the hypotheses test.

Table 6. The Summary of Hypotheses Tests.

Hypothesis	Path	β	t-statistic	
Hypothesis 1	OM --> BP	0,184	2,372	Supported
Hypothesis 2	KS --> BP	-0,094	1,141	NS
Hypothesis 3	KA --> BP	0,191	2,85	Supported
Hypothesis 4	KR --> BP	0,253	2,839	Supported
Hypothesis 5	OM --> MO --> BP	-0.002	-0.181	NS
Hypothesis 6	KS --> MO --> BO	0.053	2.391	Supported
Hypothesis 7	KA --> MO --> BP	0.019	1.377	NS
Hypothesis 8	KR --> MO --> BP	0.031	1.737	NS

BP : Business Performance; OM: Organizing Memory; KS: Knowledge Sharing, KA, Knowledge Absorption, KR: Knowledge Receptivity; MO: Market Orientation

DISCUSSION AND CONCLUSION

Two research objectives were developed in this study. Pertaining to the first research objective, four hypotheses were developed. These hypotheses tested the direct effect of the knowledge management orientation dimensions of business performance. While the first research objective investigated the direct effect of the knowledge management orientation dimensions on business performance, the second research objective tested the indirect effect of the four dimensions on business performance, mediated by market orientation. Four hypotheses were developed to answer the second research objective. The following section will discuss the findings of this study, its implications and contributions. Figure 2 summarises the tested model
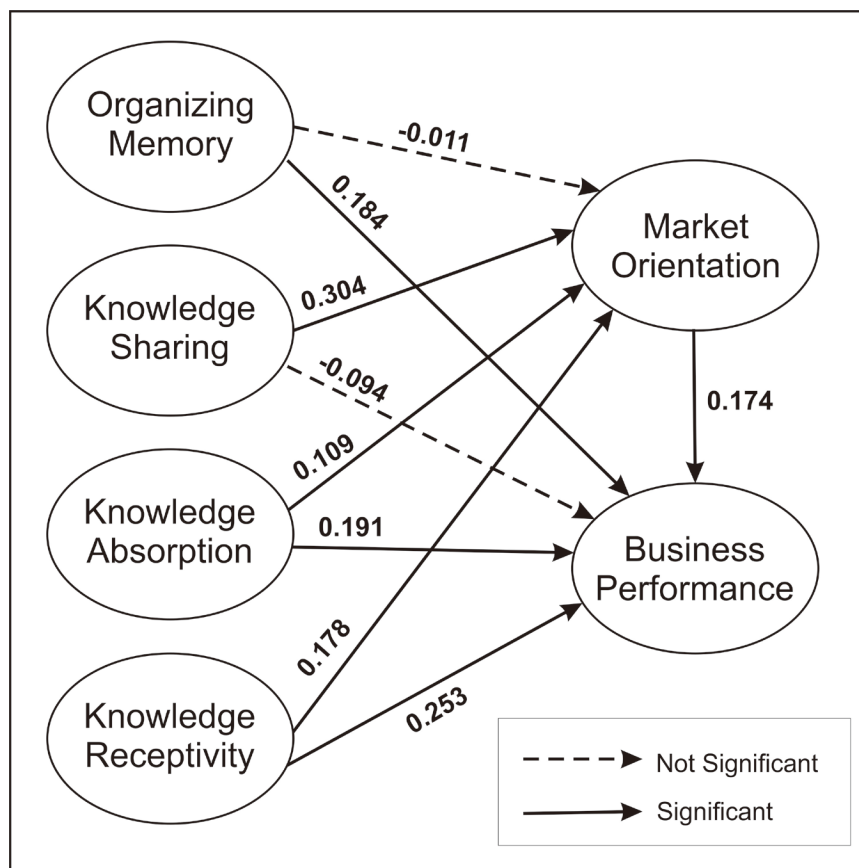
Figure 2. Summary of Tested Model

The effect of organising memory on business performance was predicted in this study. The statistical estimation confirmed the conceptual model by indicating that there is an important role of organising memory in shaping business performance. This finding theoretically strengthens the previous studies (Cross & Baird, 2000; Moorman & Miner, 1997), which found the significant effect of organising memory on business performance.

Similar to the relationship between organising memory and business performance, this study indicated the direct effect of both knowledge absorption and knowledge receptivity on business performance. The significant effect of knowledge absorption on business performance is similar to the findings of Yao et al. (2013) and Yazhou and Jian (2013), who also found the significant effect of knowledge absorption on business performance. This significant effect means that a business organisation internally focusing on identifying and implementing new knowledge into the business will have a good level of business performance. As to the dimension of knowledge management orientation, this study found the significant effect of knowledge receptivity on business performance. This finding validated the study of Yazhou and Jian (2013), which indicated the direct effect of knowledge receptivity on business performance. This finding is importance for knowledge management literature, as previous studies (C. L. Wang et al., 2008; C. L. Wang et al., 2009) have confirmed that knowledge receptivity was the dimension of forming knowledge management orientation behaviour.

While this study did not find a direct effect of knowledge sharing on business performance, this study indicated an indirect effect of knowledge sharing on business performance mediated by market orientation. As knowledge sharing does not have a direct effect on business performance, the mediating effect provided by market orientation is called a fully mediating effect (Baron & Kenny, 1986).

This full mediation effect means that in affecting business performance, knowledge sharing must be mediated by the notion of market orientation.

Upon the completion of the two research objectives, there are some contributions provided by this study. First of all, this study built a comprehensive theoretical model explaining the relationship between knowledge management orientation behaviour, market orientation, and business performance. This study is considered to be comprehensive because this study combined the idea of knowledge management orientation, market orientation, and business performance into a single conceptual research.

The second theoretical contribution is about the use of knowledge management orientation behaviour dimensions in predicting market orientation and business performance. By testing the effects of the knowledge management orientation behaviour dimensions on market orientation and business performance, this study theoretically showed that only organising memory, knowledge absorption, and knowledge receptivity have a direct effect on business performance.

The third theoretical contribution provided by this study was about the mediation role of market orientation in the relationship between knowledge sharing and business performance. This indirect effect also explained the insignificant direct effect of knowledge sharing on business performance. In affecting business performance, knowledge sharing must affect market orientation, and market orientation will affect business performance.

Apart from theoretical contributions, some practical contributions are also provided by this study. From a practical standpoint, this study is important for business practitioners in the creative economy sector to enhance business performance. This study showed that to improve business performance, business practitioners must be oriented to the market as well as having behaviour orientation on knowledge management. Second, this study gives an insight for business practitioners into the way to enhance market orientation. To have better orientation to the market, business practitioners can apply knowledge sharing behaviour as this study has indicated that knowledge sharing has a significant effect on market orientation.

LIMITATIONS AND FUTURE RESEARCH

While providing some contributions, this study has also recognised some limitations. The first limitation is about the generalisability of the samples. The respondents recruited were the business owners or managers of SMEs in the creative economy sector located in Malang Raya, in the East Java Province of Indonesia. Hence, the results cannot be generalised to other areas and sectors. Future studies can replicate this study by conducting it in other areas or other industrial settings. Second, was that this study focused on knowledge management orientation dimensions, market orientation, and business performance to have better insight into the relations between knowledge management orientation and business performance. Future studies might insert other variables such as innovation, entrepreneurial marketing, or marketing capabilities. The last limitation is about the translation of the questionnaire. The questionnaire was designed in English and translated into Bahasa Indonesia. This translation process might create distorted meanings, as some expressions in English cannot be translated in the same sense into Bahasa Indonesia. However, to reduce meaning distortion, this study requested four Bahasa Indonesia native speakers who had a good level of competency in English to do translation and back translation.

ACKNOWLEDGEMENT

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