Linking Knowledge Search to Innovation Performance in Culinary SMES Sector: The Mediating Role of Digital Orientation

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Riwayat Artikel

Diterima pada 20 Agustus 2024 Revisi 1 pada 28 Agustus 2024 Revisi 2 pada 8 September 2024 Revisi 3 pada 9 September 2024 Disetujui pada 10 September 2024

Abstract

Purpose: The purpose for this research is to explore the role of digital orientation in moderating the effect of knowledge search on innovation performance in culinary SMEs in Rembang Regency.

Methodology: The type of research is quantitative using an explanatory research approach. The number of research samples is 82 culinary SMEs in Rembang Regency by using the purposive sampling method.

Results: The research findings show that knowledge search has a significant effect on innovation performance. However, digital orientation cannot moderate the effect of knowledge search on innovation performance.

Limitation: The use of limited sampling only in the Rembang regency so the findings cannot be generalized. In addition, the number of samples used in the research was too small therefore the scope of the research was limited. In this study, the research variables in the model only include 3 variables so that the research model is limited.

Contribution: Based on the results of this research, culinary SMEs must improve their knowledge search capabilities therefore the innovation can be created optimally and also the implications of knowledge search can build a knowledge base for SMEs. In addition, these results can also be used for future research using the same research model.

Keywords: Culinary SMEs, Knowledge Search, Innovation Performance, Digital Orientation.

How to Cite: Ilhami, S, D., Damayanti, D. (2024). Linking Knowledge Search to Innovation Performance in Culinary SMES Sector: The Mediating Role of Digital Orientation. *Jurnal Akuntansi, Keuangan, dan Manajemen*, 5(4), 417-426.

1. Introduction

Culinary SMEs in Rembang continues to grow rapidly. This growth increases along with the increasing number of people in an area (Al-Haddad et al., 2019). These increasing condition can encourage a high level of competition between SMEs (Amanah et al., 2023). The existing competitive conditions cause SMEs owners to create a unique innovation (Kusa & Danladi, 2024; Saunila, 2020). The uniqueness comes from a difference that arises between one business and another. The innovation carried out will encourage an increase in the attractiveness of the business for consumers (Tapang & Mbarika, 2023).

SMEs in Rembang face innovation challenges in business processes considering that based on BPS data, the number of SMEs has increased significantly by 14.5% (Statistik, 2024). Many business actors find it difficult to develop because of the weak desire to think innovatively and tend to want a safe business. The high risk of making new breakthroughs causes reluctance to innovate. Therefore, a new, more concrete understanding is needed so that innovation behavior can be further developed and implemented properly (Ichdan & Maryani, 2024).

The pressure and demands for SMEs to innovate continue to be carried out. In this condition, the environment will be the basis for creating innovation (Ferlito & Faraci, 2022). Therefore, SMEs have to search for knowledge to obtain knowledge and information that can be processed to create innovation (Azari et al., 2020). A business cannot only survive by relying on internal resources in business but must also be supported by external resources (Svetina & Prodan, 2008). The findings report that external knowledge can encourage the creation of innovation (Dung, 2024; Duong et al., 2022). SMEs must be able to seek knowledge and combine knowledge with existing internal resources. After the merging process, it can be implemented into organizational development such as products, services, or other things. SME owners who provide innovation on the newest ideas. In the innovation process, the business must be willing to invest the resources it has to support innovation processes (Moya-Fernández & Seclen-Luna, 2023). The implementation of these processes will produce innovation performance.

The knowledge search conducted shows that by carrying out these activities, information and knowledge will be obtained that can be used to create new innovations (Damayanti & Rikah, 2022). Through knowledge search activities, SME owners can further enrich their knowledge. Limited knowledge will make it difficult to create unique creations. Existing research (Cen et al., 2023; H. Zhang & Hu, 2017; Yu Zhang et al., 2022) confirms that knowledge search can drive innovation performance. However, on the other hand, other research results show conflicting results stating that knowledge search causes declining innovation (Ferreras-Méndez et al., 2016; Roper et al., 2017a). Previous research has been widely conducted but is only limited to several sectors such as manufacturing, technology, and service companies that have conducted research related to knowledge search and innovation performance (Audretsch et al., 2024; Younge & Tong, 2018). Therefore, more comprehensive exploration is needed, especially for SMEs. Business owners need a strategy to improve innovation performance. The culinary industry needs to gain a better understanding to make it easier to compete and develop. Intensive understanding will boost culinary business owners in efforts to improve innovation performance. The knowledge search process will be faster if using existing technology (Massa et al., 2023). Comprehensive integration between business owners and technology is needed. Therefore, digital orientation can strengthen the effect between knowledge search and innovation performance. The use of digital technology in business processes such as production and marketing has become a necessity for business owners therefore business efficiency and effectiveness can be achieved. However, the use must be balanced with sufficient capabilities to maximize the results obtained by the business.

There have been many studies but there are still many gaps in the literature. First, the lack of evidence related to the interaction between digital orientation, knowledge search, and innovation performance in SMEs, especially culinary. These two studies aim to address the gaps in previous research by developing the exploration of the role of digital orientation in the effect of knowledge search on innovation performance. Therefore, in order to fill the gaps that existed previously, this research aims to analyze the role of digital orientation in moderating the effect of knowledge search on innovation performance. This research can provide empirical evidence related to the influence of knowledge search on innovation performance moderated by digital orientation. The results of the research are useful for Culinary SMEs in increasing innovation.

2. Literature Review And Hypothesis Development

2.1 Theory Planned Behavior

The Theory of Planned Behavior began to develop in 1985, initiated by Ajzen. The concept of this theory emphasizes individual behavior that is directly controlled by intention and also control over the behavior carried out. An individual's behavioral intention is formed based on attitudes, subjective norms and control over perceived behavior (Lihua, 2022). Many factors drive behavior such as psychological, economic, and decision-making processes. Behavioral intentions are based on the individual. The expectations and attitudes of individuals around the individual are called norms. The theory of planned behavior functions as a theory developed to determine attitudes, subjective norms and control over behavior in order to create strategies and policies for the organization. In this case, individual behavior

by developing the implementation of knowledge seeking and digital orientation in improving innovation performance.

2.2 Knowledge Search

The urgency of knowledge for a business makes knowledge an important asset to maintain business continuity. As a business owners, it is not permissible to rely on information and knowledge that only comes from within the organization but must be developed and explored outside the internal business (Roper et al., 2017b). Knowledge search has been defined many times before by several researchers. A strategy that functions to overcome existing business problems by identifying and integrating new knowledge is termed as knowledge search (Tongtong & Xuejing, 2023).

2.3 Innovation Performance

The process of achieving competitive advantage and competitiveness in business can be done by involving innovation. The innovation carried out can be in the form of products or services, business models, or other aspects of management (Lyu et al., 2022). The results of the process of implementing innovation in business are termed of innovation performance (H. Zhang & Hu, 2017).

2.4 Digital Orientation

The digitalization process encourages strong integration between the main elements in the business (Nambisan, 2017). Digital orientation demands integration between external and internal elements so that they merge into one concept. The implementation of digital technology supports processes and activities in the business. Digital orientation includes four frameworks, namely the scope of digital technology, digital capabilities in business, coordination of ecosystems in the digital realm and the configuration of digital architecture in the business. Digital orientation is a combination that exists in the organization to achieve opportunities facilitated by digital technology so that it can achieve competitive advantages both in the short and long term in business (Kindermann et al., 2021; Zheng, 2024).

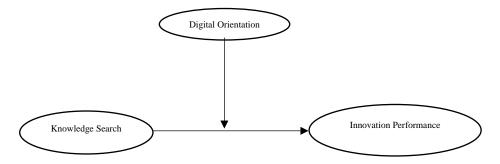


Figure 1. Research Model

2.5 Hypothesis Development

The hypothesis development for this research as Figure 1 as follow:

2.5.1 Knowledge Search and Innovation Performance

Knowledge search is believed to be an activity that can create innovative ideas and the latest unique creations (Ehls et al., 2020). By conducting knowledge search, SME owners can optimize the knowledge that they have therefore they can adapt faster to changes in the existing environment (Liao & Li, 2023). In addition, by conducting knowledge search, business owners also gain knowledge related to new skills therefore the process of creating innovation is carried out faster (Chaochotechuang et al., 2020). The process of seeking knowledge is used to support existing businesses. The search for knowledge is also the basis for developing and changing policies and business strategies that will be taken so that business goals are easier to achieve.

SMEs owners must continuously cultivate innovation capabilities by applying the knowledge and information they have obtained. Several previous studies have proven that knowledge search has an effect on innovation performance (Liao & Li, 2023; Yu et al., 2018). The knowledge search process can

be used to improve the existing knowledge base therefore the innovation exploration process is easier to do. The use of the results of previous knowledge searches encourages business owners to report the process of processing knowledge into a special design that has its own appeal. The design can be in the form of innovations for businesses such as products, marketing or organizations. Therefore, hypothesis 1 in this research is:

H₁: Knowledge search has a significant effect on innovation performance

2.5.2 Digital Orientation as Moderation Variable in the Influence of Knowledge Search and Innovation Performance

The use of technology in business processes will facilitate an activity (El-Achkar et al., 2019). The knowledge search process will be easier with the use of digital technology to obtain broader information and knowledge (Massa et al., 2023). Extensive knowledge searches will further enrich the knowledge possessed. The use of digital technology will also shorten space and time in searching process therefore the knowledge can be obtained optimally (Zamiri & Esmaeili, 2024).

Innovation is a must for SMEs in order to obtain superior competitiveness (Ibarra et al., 2020). The results of the knowledge search process can be used to create innovations. The process of creating innovation will produce innovation performance. The second hypothesis in this research is: H₂: Digital orientation moderates the effect of knowledge search on innovation performance

3. Methodology

The research that has been carried out adopts a quantitative research type. Quantitative research is a type of research that implements the positivist paradigm by referring to a reality towards an observed condition (Sekaran & Bougie, 2016). This research is an explanatory research approach because it has a research objective to describe a causal relationship of the research variables carried out through the stages of testing the research hypothesis (Sugiyono, 2013). The data collection technique used is a questionnaire distributed online and offline. The data collection process was carried out for 2 months from June to July.

This research uses a population that is all owners of culinary SMEs in Rembang Regency namely 454 SMEs. The sampling method adopts the purposive sampling method. This method was chosen because for this research, the researcher applies criteria (specificity) that are guided by the research objectives (Sekaran & Bougie, 2016). The calculation of the sample size used by applying the Slovin formula as follows:

$$n = \frac{N}{1 + N \left(e^2\right)}$$

$$n = \frac{454}{1+454(0.1^2)} = 81,95$$
 rounded to 82 respondents

Note:

n = Research sample size

N = Research population size

e = Error Estimation

There are several criteria for selecting respondents, namely having a minimum of 3 employees, having been operating for at least 1 year. The analysis method chosen is using SEM PLS analysis (SEM with a varianced based SEM or PLS approach). which is processed with Smartpls 4.0 software. In this research, the knowledge search construct uses 2 indicators, namely exploratory search and exploitative search (Cen et al., 2023; Dantsoho et al., 2020; Yu et al., 2018). The innovation performance construct is measured by 3 indicators, namely product, process, and marketing innovation (Yu et al., 2018; Yu Zhang et al., 2022). Furthermore, the Digital Orientation construct uses 4 indicators, namely digital technology scope, digital capabilities, digital ecosystem coordination, digital architecture configuration (Kindermann et al., 2021; Zhu, 2023). This research used a Likert scale in measurement.

4. Results and Discussion

4.1 Results

Table 1 illustrates the convective validity obtained from the data processing results. The level of validity of a construct can be seen from the value of the Average Variance Extracted (AVE) which is greater than 0.5 (Sekaran & Bougie, 2016). In addition to using the AVE value, in order to obtain the validity results of a construct, it can be described through the value of the loading factor. A statement item is said to be valid if it has a loading factor value of more than 0.6 that can be seen also in Figure 1.

Constructs	Items	Loadings	Cronbach Alpha	CR	AVE
Knowledge	KS1.1	0.695	0.865	0.875	0.511
Search	KS1.2	0.774			
	KS1.3	0.613			
	KS1.6	0.750			
	KS1.7	0.758			
	KS2.1	0.670			
	KS2.4	0.723			
	KS2.5	0.719			
Innovation	IP1.2	0.702	0.837	0.838	0.504
Performance					
	IP2.1	0.666			
	IP2.2	0.750			
	IP2.3	0.643			
	IP2.4	0.790			
	IP3.2	0.682			
	IP3.3	0.726			
Digital	DO1.2	0.799	0.724	0.746	0.551
Orientation	DO2.1	0.835			
	DO3.2	0.628			
	DO4.2	0.689			

Source: Data processed using SMART-PLS (2024)

Based on the data presented in Table 1. shows that the magnitude of the AVE value that has been produced meets the AVE standard, namely 0.5. In addition, the magnitude of the cross loading value in each item in the construct has met the threshold of 0.6 (Figure 2). This indicates that all existing question items are valid.

The reliability of a construct can be seen from the acquisition of Cronbach alpha and composite reliability values. A construct can be declared to meet reliability if the magnitude of the value obtained in Cronbach alpha shows a magnitude greater than 0.7 and the composite reliability value obtained is greater than 0.7 (Sekaran & Bougie, 2016).

Based on Table 1, it shows that the magnitude of the Cronbach alpha value is greater than 0.7 and the composite value is 0.7. This reveals that all constructs used in this research have met reliability standards.

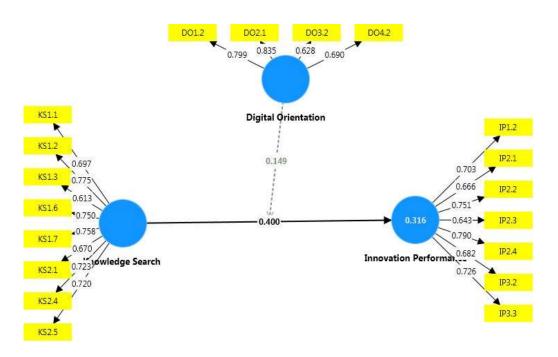


Figure 2. The Loading Factor

Table 2. T-Statistic Results and P-Value

Relationship	Coefficient	T-Statistic	P-Value	Decision
Knowledge Search	0.399	4.825	0.000	Supported
→ Innovation				
Performance (H1)				
Digital Orientation x	0.149	1.844	0.065	Unsupported
Knowledge Search				
→ Innovation (H2)				

A hypothesis can be declared accepted if it meets the criteria, namely having a t-statistic value >1.96 and a p value <0.05. Based on Table 2, it can be explained that the influence of knowledge search on innovation performance has a t-statistic value >1.96 and a p value <0.05 so it can be concluded that knowledge search has a significant effect on innovation performance. However, the moderating role of digital orientation on the influence of knowledge search on innovation performance is rejected because it has a t-statistic value <1.96 and a p value >0.05.

4.2 Discussion

4.2.1 Knowledge Search and Innovation Performance

The research findings reveal that knowledge search has a significant effect on innovation performance. The findings of this research are in line with the findings of research conducted by (Tongtong & Xuejing, 2023; Yanli Zhang et al., 2021) which states that knowledge search has a significant effect on innovation performance. This reveals that if an SMEs owners carries out knowledge search activities, the process of creating innovation is easier (Burgers et al., 2024). Business owners have limitations in terms of the knowledge that they have (Durst et al., 2023). Through knowledge search, business owners can enrich and improve their knowledge therefore the knowledge base will increase. This knowledge base can be used for the innovation activity process. Based on the characteristics of the respondents, it can also be concluded that the majority of businesses studied are only 1-5 years old therefore the information and knowledge obtained are still limited. This is different from businesses that have been running a business for a long time, which will be more agile and richer in terms of obtaining existing knowledge (Kraus et al., 2021). Therefore, the process of intensive knowledge search continues to be carried out to increase innovation therefore it can create competitive advantages (Malerba & McKelvey, 2020).

4.2.2 The Moderating Role of Digital Orientation on the Influence of Knowledge Search on Innovation Performance

The research findings show that digital orientation is unable to moderate the influence of knowledge search on innovation performance. This shows that the digital orientation attitude is unable to strengthen this effect. The knowledge search process carried out by business owners does not yet feel that the use of digital technology is not necessary (Martín-Lucas & García del Dujo, 2023). The limitations of digital capabilities that are owned cause the reluctance of business owners to use technology to conduct knowledge searches (Liu et al., 2023). Business owners use other strategies to increase innovation. The use of digital technology in business processes that is not yet perfect because the business is still in the pioneering stage results in a lack of knowledge and skills. The minimal application is especially when searching for knowledge. The assumption that searching for knowledge directly will be easier and more effective compared to digital technology.

5. Conclusion

This research can prove that knowledge search can encourage the creation of innovation results. It means that the knowledge search behavior can increase the innovation process. The processes that have been carried out will produce a new channel, thereby supporting the improvement of innovation performance. However, digital orientation has not been able to strengthen the effect of knowledge search on innovation performance.

Recommendations

This research has offered the first novelty, a practical contribution to SMEs, especially culinary. In addition, by adding a digital orientation moderation variable to strengthen the effect of knowledge search on innovation performance. Practical implementation that could be used for SME owners to continue to improve their knowledge search capabilities therefore the knowledge they have is optimal increasingly. This will be a database that can be used to improve innovation. In addition, this research has several limitations such as the use of limited sampling only in the Rembang regency so the findings cannot be generalized. In addition, the number of samples used in the research was too small therefore the scope of the study was limited. In this study, the research variables in the model only include 3 variables so that the research model is limited. Further research can highlight phenomena that occur in other regencies. In addition, it can add variables outside the model that can improve innovation performance such as talent management and innovation capacity.

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