

The Effect of Knowledge Management, Competitive Intensity, Dynamic Capability and Organizational Slack on Organizational Performance Mediated by Organizational Innovation for Fisheries Processing Sector MSMEs of the DKI Jakarta Region, Indonesia

(A Dissertation Research Model)

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Abstract- MSMEs have a role in the successful economic development in Indonesia, as seen from the contribution of MSMEs to the national economy so that it is right for Indonesia to mobilize and promote MSMEs at fish processing sector into attractive finished products such as meatballs, meat floss, dried fish, etc.

Keywords - Knowledge Management, Competitive Intensity, Dynamic Capability, Organizational Slack, Organizational Performance, Organizational Innovation.

I. INTRODUCTION

Indonesia is a maritime country with some of its people working as fishermen, where fishing sector is categorized as a group of Micro, Small and Medium Enterprises (MSMEs). MSME was the most surviving business when an economic crisis occurred in Indonesia. MSMEs contributed 5,440 trillion Rupiahs (at current prices) to the national GDP, absorbing 114.14 million workers, and attracting 1,655.2 trillion Rupiahs of investment with 57.8 million units ^[12].

The contribution of MSMEs to the national GDP in 2013 was 57.6% (at constant prices), where 30.3% came from micro enterprises; 12.8% came from small enterprises; and 14.5% came from medium-sized enterprises (Ministry of KUKM, 2016) ^[29]. MSMEs engaged in fisheries

processing consist of more than 63,934 Fish Processing Units (UPI) but they are still weak in management, overcoming market turmoil, mastery of technology & innovation and minimum human resources knowledge in fish processing (Directorate General of KKP, 2019) ^[12]. Knowledge management plays an important role in increasing organizational resources because it can measure organizational performance accurately (Turulja & Bajgoric, 2018) ^[14].

Knowledge management has an influence on organizational innovation because organizations that have experience of knowledge management can provide increased organizational performance because they have been diligent in learning, are open and have a vision (Kumaravel & Vikkraman, 2018) ^[26]. Competitive intensity explains the phenomenon of companies in dealing with a

competitive environment so as to improve organizational performance (Idarraga & Marin, 2019) ^[23]. Dynamic capability is the organization's ability to make changes in an unstable environment and productively use resources to produce an innovation (Labanauskė & Nedzinskas, 2017) ^[27]. Therefore, changes are needed to present something new which is incorporated into a service process called organizational innovation (Najmi et.al., 2018) ^[32] to maximize organizational performance (Turulja & Bajgoric, 2018) ^[14]. Organizational slack explains the company's ability to have the capacity to survive and adapt to changes in the environment, which have positive effects to improve organizational performance (Idarraga & Marin, 2019) ^[23].

Previous studies have shown that knowledge management, competitive intensity, dynamic capability, organizational slack and organizational innovation can improve organizational performance, so that it is of concern to researchers and practitioners in the field of strategic management. Referring to previous studies, it can be seen that there are varied relationships between these concepts.

MSME entrepreneurs need to know the organization's ability to make changes in an unstable environment and productively use available resources to produce an innovation in turning fish products into high-value foods (Riana et. al., 2014) ^[34]. Entrepreneurs of fisheries management MSMEs need to know the excess fish stocks at catch harvest season. Consequently, it is necessary to know how to store the excess resources owned to meet certain levels of production to respond to high demand at certain times (organizational slack).

II. THEORETICAL BACKGROUND

2.1. Knowledge Managemeeent

The concept of knowledge was introduced by Henry in 1974 which explains the difference in meaning and the transition from data, information to knowledge (Wallace, 2007) ^[43]. Furthermore, Groff & Jones (2003) ^[19] suggests that knowledge management is a tool, technique and strategy for maintaining, analyzing, managing, improving, sharing expertise regarding business experience. King (2009) ^[25] describes knowledge as self-assurance that is justified through the implementation of a series of continuous improvements. Darudiato & Suryadi (2013) ^[10] has a view regarding knowledge management which is a concept that is very important for managing knowledge in organizations. Abdi & Senin (2015) ^[1] said knowledge is a strategic advantage that can make a company have a sustainable advantage. Kumaravel & Vikkraman (2018) ^[26]

state that knowledge is the main asset for organizations to gain competitiveness.

2.2. Competitive Intensity

Haryanto et.al. (2019) ^[21] defines competitive intensity as factors that influence the level of competition. It was further explained that competitive intensity can encourage organizations to strive for high innovation in order to achieve a sustainable competitive advantage against their competitors, so that the organization can produce optimal organizational performance that can ultimately broaden the local market base and be increased for certain local preferences. According to other researchers, competitive intensity is an organization that uses all its efforts in dealing with conditions of very competitive competition (Idarraga & Marin, 2019) ^[23]. Competitive intensity in relation to companies has a relationship with each other, directly or indirectly, namely in resources. So when these companies compete in the same niche market, there is stronger competition, especially when the products and services are homogeneous.

2.3. Dynamic Capability

Dynamic capability is the ability to integrate, build, reconfigure internal and external competencies to overcome the rapidly changing organizational environment (Teece et al., 1997) ^[39]. Eisenhardt & Martin (2000) ^[13] defines dynamic capability as an organizational routine in creating, modifying resources so that they can become more valuable. Helfat et.al. (2007) ^[22] describe managerial actions and managerial intentionality in order to maximize dynamic capability. Teece (2012) ^[40] emphasizes that some elements of dynamic capability are embedded in organizational routines, so developing dynamic capability requires the role of managers who are able to seize opportunities and change the organization's resource base to be more productive. Dynamic capability according to Giniuniene & Jurksiene (2015) ^[18] is an organization's ability to integrate, build, reconfigure the organization's internal and external competencies to cope with a rapidly changing environment. Labanauskė & Nedzinskas (2017) ^[27] describe dynamic capability as the ability of organizations to make changes in an unstable environment and productively use available resources to produce an innovation. Ambrosini & Altintas (2019) ^[8] provides an analysis that dynamic capability is the ability to modify the resource base or the ability to ensure that the substantive capabilities of an organization change over time to match the competition experienced by the organization.

2.4. Organizational Slack

Galbraith (1977) ^[14] proposed organization slack as a theoretical significance regarding its effect and its relationship with other organizational phenomena. Slack allows an interdependent organization without sufficient information and information processing capacity to coordinate activities. Simultaneous achievement of high performance and high slack is required, because such a process requires maximum resources. Galbraith explained that a successful company means adopting a common new product development process, supply chain processes, and pricing processes. Idarraga & Marin (2019) ^[23] said organizational slack refers to the excess resources owned by the organization to meet certain levels of production because it responds to the internal pressure of the organization, in accordance with changes in strategy. To that end, in the face of environmental forces that impact on organizations, organizational slack can be used to improve organizational performance.

2.5. Organization Innovation

Schumpeter (1934) ^[35] suggests innovation in organizations is individuals who successfully personalize innovation and are a real driver of innovation in organizations. Individual motivation has a central position. Schumpeter believes that individuals are entrepreneurs who dare to take uncertainty and risk but get the potential benefits of innovation. Munandar (2016) ^[30] has criteria for business forms in Indonesia, namely : **Micro Business** is a micro business group owned by individuals. **Small Business** is a productive economic business group that is carried out by individuals and is not a branch that is owned, controlled, or is a part either directly or indirectly of a medium-sized business or large business that meets the criteria of Small Business. **Medium Business** is a productive economic business group of individuals or business entities that are not a branch of a company that is owned, controlled, or is a part either directly or indirectly with a small business or large business with a certain amount. Organization innovation is a view that assumes organizations use external ideas and internal ideas to change because organizations try to advance their technology (Alawamleh et.al., 2018) ^[4]. Every change made through innovation activities is a new thing in improving the service process for customers by the organization (Ganguly et.al., 2019) ^[15].

2.6. Organization Performance

Gavrea et.al, (2011) ^[16] states that organizations play an important role in their daily activities. Almarri & Gardiner (2014) ^[5] describes the competitive advantage that an organization can have when resources are used and organizational performance is a measure of organizational achievement in achieving its goals (Maktabi & Khazaei, 2014) ^[28]. Najib & Kiminami (2011) ^[31] said the ability of organizations is an indicator to develop and survive in a dynamic and turbulent environment. Haryanto et.al. (2019) ^[21] explains that organizations that do not have good performance can be left behind by their competitors. Organizational performance is an organizational indicator of how to innovate to survive in a dynamic environment (Turulja & Bajgoric, 2018) ^[41].

2.7. Conceptual Framework

Based on research background, literature review and research development, the authors propose a conceptual framework.

2.8. Research Proposition

The influence of knowledge management on organization innovation

Knowledge management is a series of organizational activities that are relatively aimed at improving knowledge, practices related to organizational knowledge, behavior and decisions and organizational appearance (King, 2009) ^[25]. Knowledge management is the ability of organizations to absorb knowledge and process it and produce something useful for the organization in accordance with the mission and vision of the organization, so it can be said there is a role of knowledge management in every innovation made by the organization (Alsabbagh & Khalil, 2017) ^[6]. On the other hand, attitude is something that reflects someone who is professional is someone who can do work based on knowledge, skills and attitude to be a source of income for life and can achieve the quality standards required by the organization (Ganguly et.al, 2019 ^[15]; Ngoc-Tan & Gregar , 2018 ^[33]). Based on this, a preposition is made:

Preposition₁: Knowledge management has a positive effect on organization innovation

The influence of competitive intensity on organization innovation

Organizations utilize resources in the form of experience and knowledge accumulation to innovate organizations so that the risk of loss and uncertainty is

small (Idarraga & Marin, 2019) ^[23]. The organization seeks to produce high innovation in order to achieve sustainable competitive intensity against its competitors, so that the organization can produce optimal organizational performance (Haryanto et.al., 2019) ^[21]. Research results

from Haryanto et.al. (2019) ^[21] competitive intensity has a positive effect on organization performance. Based on this, a preposition is made:

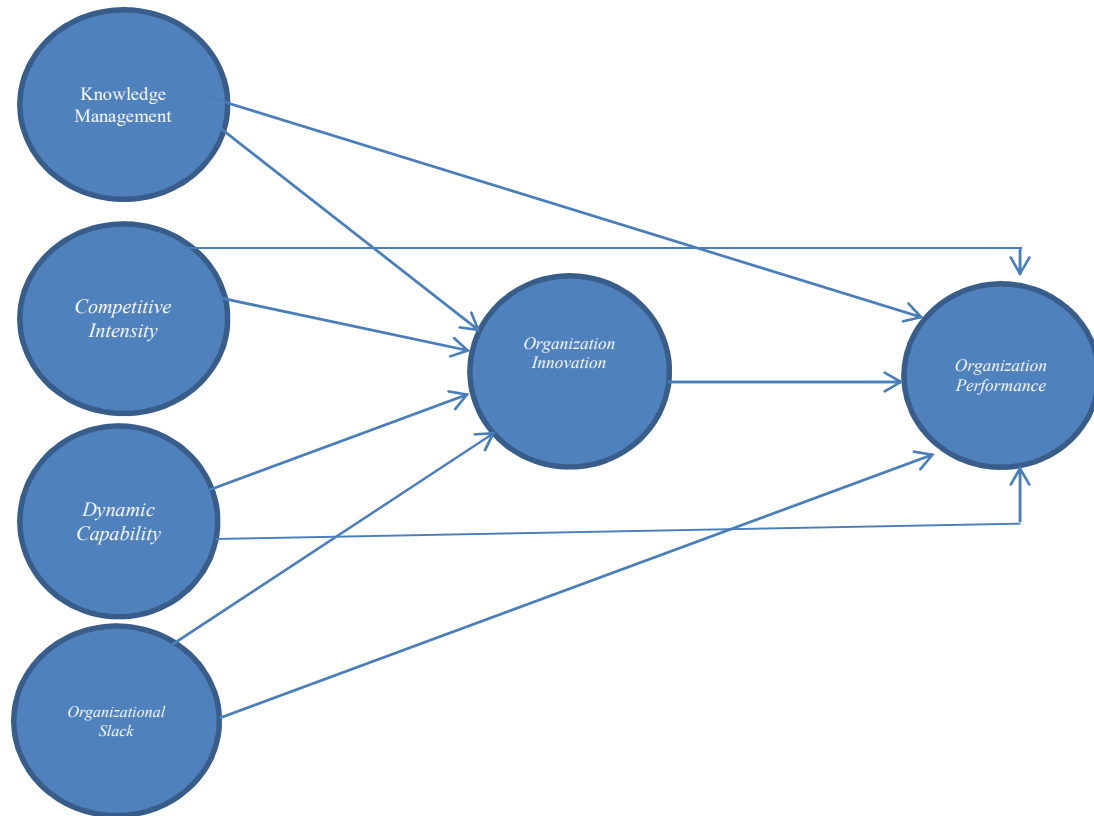


Figure 2.1. Conceptual Framework

Preposition₂: Competitive intensity has a positive effect on organization innovation

The influence of dynamic capability on organization innovation

Dynamic capability is the ability of organizations to change in an unstable organizational environment as a result of competition and productively use organizational resources that are available to produce an innovation towards change in a better direction in accordance with the mission and vision of the organization (Labanauskė & Nedzinskas, 2017) ^[27]. Based on this, a preposition is made:

Preposition₃: Dynamic capability has a positive effect on organization innovation

The influence of organizational slack on organization innovation

Organizational slack is all resources owned by the organization to meet the demands of subunits in the organization that require additional resources to complete the tasks set by management (Idarraga & Marin, 2019) ^[23]. Idarraga & Marin ^[23] has proven through his research that organizations with the capacity to survive and adapt to changes in the environment have a positive effect on organizational slack. Based on this, a preposition is made:

Preposition₄: Organizational slack has a positive effect on organization innovation

The influence of knowledge management on organization performance

Knowledge management can provide increased organizational performance because organizational members have been diligent in learning, open and willing to follow the vision set by the organization (Kumaravel & Vikkraman, 2018 ^[26]; Turulja & Bajgoric, 2018 ^[41]). Knowledge management is important to increase organizational resources (Abdullah, et.al., 2013) ^[2]. Based on this, a preposition is made:

Preposition5: Knowledge management has a positive effect on organizational performance

The influence of competitive intensity on organization performance

The high intensity of competition experienced by organizations can be overcome by using innovation to avoid technological obsolescence and proactively anticipate market changes so that it can enrich and expand product reach, improve market position and can maximize return on investment (Abebe & Angriawan, 2014 ^[3]; Idarraga & Marin, 2019 ^[23]). Based on this, a preposition is made:

Preposition6: Competitive intensity has a positive effect on organizational performance

The influence of dynamic capability on organization performance

Helfat et.al. (2007) ^[22] explains the importance of managerial actions and managerial intentionality in order to maximize dynamic capability. Teece (2012) ^[40] emphasizes that some elements of dynamic capability are embedded in organizational routines, so developing dynamic capability requires the role of managers who are able to seize opportunities and change the organization's resource base to be more productive. Based on that, dynamic capability can maximize organizational performance (Ambrosini & Altintas, 2019) ^[8]. In their research, Najmi et al. (2018) ^[32] conducted an analysis that dynamic capability is the ability of an organization to make changes in an unstable environment and productively use the resources that are available so that it can produce better organizational performance and is expected by the organization. Based on this, a preposition is made:

Preposition7: Dynamic capability has a positive effect on organizational performance

The influence of organizational slack on organizational performance

Idarraga & Marin (2019) ^[23] said organizational slack is an excess of resources owned by the organization to meet certain levels of production because it responds to internal organizational pressures, in accordance with changes in strategy. To that end, in the face of environmental forces that impact on organizations, organizational slack can be used to improve organizational performance (Idarraga & Marin, 2019) ^[23]. Idarraga & Marin (2019) ^[23] has proven through the results of his research that organizational slack has a positive and significant effect on innovation. This results in better innovation thanks to the resources needed to acquire, adapt, and improve processes and products, and to state that innovative activities developed by MSMEs. Based on this, a preposition is made:

Preposition8: Organizational slack has a positive effect on organizational performance

The influence of organization innovation on organization performance

Organizational internal management is needed so that employee performance can be maximized, then innovation from internal organizational management is needed to improve employee performance and influence on employee performance and its effect on overall organizational performance by placing a perspective of recommendations to ensure orientation in the organization's internal environment. (Alawamleh et.al., 2018) ^[4]. Alawamleh ^[4] understands the talents and creativity of employees in order to innovate from the organization, so an effective management plan is needed through an innovative approach both internally and externally. Based on this, a preposition is made:

Preposition9: Organization innovation has a positive effect on organizational performance

The influence of knowledge management on organizational performance mediated by organizational innovation

Innovation can occur as a result of combining new knowledge with existing knowledge by reconfiguring organizational capabilities and competencies, in generating product added value, thus including the processes associated with the process of creating and acquiring new knowledge by integrating in a collection of knowledge, sharing it and apply it in value-added outputs for organizations (Al-Sa'di et.al., 2017) ^[7]. Furthermore, it can

be said that there is a role for knowledge management in facilitating and enhancing product and process innovation towards organizational performance in the companies surveyed (Al-Sa'di et.al., 2017) ^[7]. It turns out to improve organizational performance there is the role of product and process innovation so that it becomes a mediation between knowledge management and organization performance (Cabrilo & Dahms, 2018) ^[9]. In improving organizational performance, management must focus on process and product innovation, but process innovation is primary, it influences knowledge management to improve organizational performance (Al-Sa'di et.al., 2017) ^[7]. Knowledge management seeks to improve innovation capabilities, fostering market competitiveness in a rapidly changing environment with the aim of maximizing organizational performance (Cabrilo & Dahms, 2018) ^[9]. Based on that preposition is made:

Preposition₁₀: Knowledge management has a positive effect on organizational performance mediated by organizational innovation

The influence of competitive intensity on organization performance mediated by organization innovation

Competitive intensity experienced by organizations is overcome through innovation to avoid technological obsolescence and anticipation of market changes (Abebe & Angriawan, 2014) ^[3]. Organizations can utilize their experience and accumulated knowledge to innovate organizations in order to avoid the risk of loss and uncertainty (Idarraga & Marin, 2019) ^[23]. The organization seeks to produce high innovation in order to achieve sustainable competitive intensity against its competitors, so that the organization can produce optimal organizational performance (Haryanto et.al., 2019) ^[21]. Based on this, a preposition can be made:

Preposition₁₁: Competitive intensity has a positive effect on organization performance mediated by organization innovation

The influence of dynamic capability on organization performance mediated by organization innovation

Service activities to consumers determined by the organization based on the innovation of the dominant orientation of company services supported by technology capabilities can fully mediate the relationship between dynamic capability and organizational performance (Wilden & Gudergan, 2017) ^[44]. Based on this, a preposition can be made:

Preposition₁₂: Dynamic capability has a positive effect on organizational performance mediated by organizational innovation

The influence of organizational slack on organization performance mediated by organizational innovation

Organizational slack is all resources to meet the demands of subunits in organizations that require additional resources to complete the assigned tasks (Idarraga & Marin, 2019) ^[23]. Organizational slack is an excess of resources owned by the organization to meet certain levels of production because it responds to internal organizational pressures, in accordance with changes in strategy. For this reason, in the face of environmental forces that have an impact on organizations, organizational slack can be used to improve organizational performance (Idarraga & Marin, 2019) ^[23]. Najib & Kiminami (2011) ^[31] also proved through his research using the path analytical method, that the innovation of MSMEs in the food processing industry group significantly affected the organizational performance of MSMEs. Based on this, a preposition can be made:

Preposition₁₃: Organizational slack has a positive effect on organizational performance mediated by organization innovation

III. METHODOLOGY

The population of this research is the fisheries processing sector MSMEs in DKI Jakarta who has been operating for at least 1 (one) year. The sampling method is done by using a simple random sampling technique, which determines the subject to be studied by drawing a random sample directly from the population without regard to strata that exist in that population. (Sekaran & Bougie, 2017) ^[36].

Table 3.1. Operational Definition and Variable Measurement

Variable	Definition	Dimension	Source
<i>Knowledge Management (KM)</i>	The process of creating knowledge is based on information obtained by the organization.	1. <i>Knowledge Acquisition</i> 2. <i>Knowledge Conversion</i> 3. <i>Knowledge Application</i>	Turulja & Bajgoric (2018) ^[41]
<i>Competitive Intensity (CI)</i>	The organization uses all its efforts in dealing with conditions	-	Idarraga & Marin (2019) ^[23]

	of very competitive competition.		
<i>Dynamic Capabilities (DC)</i>	Dynamic capability is the ability of an organization to make changes in an unstable environment and productively use the resources that are available to produce an innovation.	1. <i>Sense</i> 2. <i>Seize</i> 3. <i>Reconfigure</i>	Labanauskas & Nedzinskas (2017) [27]
<i>Organizational Slack (OS)</i>	Organizational resources to meet the demands of subunits within the organization that require additional resources to complete company tasks.	-	Idarraga & Marin (2019) [23]
<i>Organizational Innovation (OI)</i>	Change in something new in the service process by the organization.	1. <i>Innovation Capability</i> 2. <i>Tacit Knowledge Sharing</i> 3. <i>Social Capital Relational</i> 4. <i>Social Capital Cognitive</i> 5. <i>Social Capital Structure</i> 6. <i>Knowledge Reciprocat ion</i> 7. <i>Quality of Knowledge Shared</i>	Ganguly et.al. (2019) [15]
<i>Organization Performance (OP)</i>	An achievement that has been carried out by an	-	Turulja & Bajgoric

	organization.		(2018) [41]
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IV. DISCUSSION

The results of preliminary interviews with fishery processing MSME entrepreneurs in Muara Angke, North Jakarta, said things that needed to be known related to their business were knowledge management concepts, competitive intensity, dynamic capability, organizational slack, organizational innovation and organizational performance and were not yet available. studies that simultaneously examine knowledge management, competitive intensity, dynamic capability, organizational slack on organization performance mediated by organizational innovation at fish processing SMEs in the DKI Jakarta area.

V. CONCLUSION AND LIMITATIONS OF THE STUDY

Data samples were only taken at fisheries processing SMEs in the DKI Jakarta area and the variables studied were knowledge management, competitive intensity, dynamic capability, organizational slack as an independent variable, organization innovation as a mediating variable and organization performance as the dependent variable. It is possible to use sample data outside the DKI Jakarta area and there are other variables that affect organizational performance.

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