Examining the Linkage among Market Orientation, Learning Orientation and Innovation Performance: The Mediation Role of Knowledge Management

Anak Agung Gede Andy Pratama Putra, Ni Made Wahyuni, Putu Ngurah Suyatna Yasa, I Gusti Ayu Ketut Giantari

Abstract

Small and medium enterprises (SMEs) exports contribute as a driver of the global economy and a source of economic growth. In the global era, to maintain a competitive advantage, SMEs need to produce behavior to ensure the feasibility of innovation performance. The purpose of this study is to investigate the relationship between market orientation, learning orientation, and knowledge management on innovation performance. The research method uses a research design cross-section. The study population includes all export-oriented manufacturing industries. SMEs and is registered in the Bali Provincial Industry and Trade Office database (2019). A total of 94 senior managers are SME interested in participating in the survey. Seven hypotheses are presented related to market orientation, learning orientation, knowledge management, and innovation performance, and the mediating effect of knowledge management. Structural equation model based Partial least square (SEM-PLS) is used to test the hypothesis. These findings reveal that learning orientation in manufacturing SME operation contributes to knowledge management. Knowledge management plays a mediating role in the relationship between market orientation, learning orientation, and knowledge management on innovation performance. These results contribute additional insights to managers and policymakers about the concepts of market orientation, learning orientation, and knowledge management to achieve innovation performance.

Keywords: innovation performance; knowledge management; learning orientation; manufacturing industry; market orientation.

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Corresponding author:
Ni Made Wahyuni,
Faculty of Economic Warmadewa University, Denpasar, Indonesia.
Email address: mdwahyuni17@gmail.com
1 Introduction

Over the past decade, the marketing literature has shown a growing interest in academics and practitioners studying the internationalization of SMEs, so companies are strong, growing, and remain competitive (Mac & Evangelista, 2016). Likewise, the growth of export SMEs has a strategic role in national economic growth, employment, and equal distribution of income for welfare. SMEs have opportunities in line with the growing domestic and global population (Lisboa, 2017). SMEs play a role as an Economic driver and job creation, as well as creating the idea, new processes through innovation activities (Cronin-Gilmore, 2012). The ability of innovation enables companies to achieve performance and sustainable competitive advantage (Al-Ansari et al., 2013).

In Indonesia today, SMEs in the export manufacturing industry is the backbone of the economy and are currently experiencing dramatic developments. The current experiproportion of Indonesian people who are in the activities of industrial SMEs is very large (81%) (Hapsari, 2014). In the Province of Bali, SMEs in the manufacturing industry are part of the business that sustains people’s economic life. Manufacturing industry SMEs contributed to the Gross Regional Domestic Product (GRDP) of the Province of Bali at the current price according to employment for 2018, by 28% (Badan Pusat Statistik Provinsi Bali, 2019). The contribution of the industrial sector to Bali’s total GRDP is indeed not as big as other sectors such as tourism, but the sustainability of the industrial sector as one of the economic drivers and supporting structures of the economy must be maintained and even enhanced. Entities have opportunities and face challenges in an increasingly competitive business and market environment, so there is a need to continue to innovate to achieve sustainable competitive advantage. SMEs need to ensure behavior that enables companies to achieve success through the ability to innovate (Ndubisi & Itikhar, 2012; Padilha & Gomes, 2016).

Innovation performance (KI) reflects the company’s achievements or achievements related to the adoption of ideas, processes, new products (Falasca et al., 2017). The level of success of the innovating company shows the company’s innovation performance (Alegre Vidal & Chiva Gómez, 2008). Likewise, one of the important factors that accompanied the development of SMEs in the manufacturing industry was the problems related to innovation performance. Understanding how SMEs succeed in achieving performance related to innovation and what positive factors lead to improved performance compared to competitors is attractive to researchers and practitioners. Solution search requires the simultaneous use of input factors Innovation performance shows the company’s capacity to innovate (Zhang & Duan, 2010). The company’s mechanism for generating new ideas, processes, products, and systems to win the competition reflects the performance of organizational innovation. Innovation performance is one of the important resources of a company’s capability to adopt new ideas, products, and processes, closely related to market orientation culture (Keskin, 2006; Carbonell & Rodriguez-Escudero, 2009).

Empirical evidence from the management literature supports the resource-based view (RBV) that the success of customer-centered market orientation (MO) practices drives innovation performance (Raju et al., 2011), eliciting information generation behavior, spreading and responding to market-related information thereby creating ideas, processes, and products that satisfy customers (Wahyuni, 2019; Roach et al., 2014). Although it is claimed that market orientation is positively related to innovation performance, companies have realized that paying attention to customer needs alone is not sufficiently successful in building innovation (Ozkaya et al., 2015). On the other hand, no relationship between market orientation — innovation performance is found, or research has found that market orientation has a more positive influence on innovation performance than learning orientation (Zhou et al., 2005; O’Cass & Heirati, 2015). The development of a market orientation culture is only the first step towards market success. Market orientation only impacts performance when combined with a learning orientation within the company. The level of learning orientation will affect the relationship between market orientation and innovation performance (Suliyanto & Rahab, 2012). There is still little research linking orientation strategies (such as market orientation and learning orientation) to innovation performance in the export literature.

Learning orientation (OB) unique, difficult to imitate resources as a source of competitive advantage (Baker & Sinkula, 1999), enables successful adaptation to the environment. Learning orientation significantly influences innovation performance (Calantone et al., 2002). Given the increasingly important innovation that competes in the global market, this study focuses on understanding market orientation and learning orientation on the innovation performance of the export SME context. In this study, unique features that are rooted in abilities, such as knowledge management (MP) are included in the framework of this study. From the point of view of a resource-based (RBV) theory, knowledge management is a resource and a company’s ability to achieve competitive advantage (Barney, 1991; Ozkaya et al., 2015). The management and marketing literature emphasizes knowledge management as the ability to systematically collect, produce, analyze, integrate knowledge, and communicate knowledge with customers having a relationship on innovation performance.
Previous research has found empirical support for the relationship between market orientation and learning orientation on innovation performance (Fang et al., 2014; Mahmoud et al., 2016), but the mediating effect of customer knowledge management on these relationships has not provided clear clarification, specifically how to orient the market and learning orientation affect innovation performance interactively through knowledge management in the context of SMEs, not yet revealed. Research questions on how to improve market orientation and learning orientation practices are combined with knowledge management focused on customers to respond to market changes and increasingly competitive competition through the creation of innovation performance into an area of research that needs to be systematically examined from the perspective of Bali’s export manufacturing SMEs.

**Literature review**

**Innovation performance**

Innovation performance is the level of success of companies doing innovation. The ability to introduce new products, being the first to be present in the market, the level of product differentiation and the level of product success compared to competitors, and the compatibility of the product with market demands reflect the level of innovation performance (Falasca et al., 2017). Padilha & Gomes (2016), define innovation performance as market acceptance and the accompanying benefits due to the introduction of innovative products/services to the market. Zhang & Duan (2010), emphasized that innovation performance is reflected in: a) product innovation is the ability to introduce services, ideas, processes on product characteristics, b) process innovation as the company's ability to develop new production methods, the introduction of new technologies that are useful in improving processes; and c) efforts to develop management methods so that they can improve organizational activities which include the division of responsibilities and decision making processes (Cheng & Shiu, 2015).

**Knowledge management**

The marketing literature has addressed the concept of knowledge management capabilities (Griffith et al., 2012; Lichtenhaler, 2016). In the era of globalization, conditions of intense competition, and fast-moving innovation, knowledge management (MP) becomes an important concept to maintain a competitive advantage. This is an important reason for companies to identify management practices within a company (Jyoti et al., 2011). Knowledge management is the company's strategic ability to acquire knowledge, manage, and utilize knowledge about the market (Falasca et al., 2017). The ability of entities to acquire knowledge and experience customers, share knowledge with partners about products, customer needs, and apply knowledge to create new processes and products that can meet customer demands is a reflection of knowledge management (Lin et al., 2012). KM plays an important role in improving innovation performance. The important role of knowledge management in driving innovation capability has been studied in several studies (Darroch, 2005; Chen et al., 2015; Wang & Xu, 2018).

**Market Orientation**

Academics and practitioners have accepted market orientation as the adoption of marketing concepts as a key strategic element for achieving success under competitive environmental conditions. Market orientation (OP) as an implementation of marketing concepts can be understood from two main perspectives namely the cultural approach (Narver & Slater, 1990) and the behavioral approach (Jaworski & Kohli, 1993). Market orientation from a cultural perspective is a collection of philosophies, values, norms, and company trust to place customer satisfaction as the main goal by offering superior customer value (Gaur et al., 2011). Market orientation from a behavioral perspective is a series of activities such as intelligence generation to discover customer needs and actual & potential customer expectations, dissemination, and responsive actions to information (Sandvik & Sandvik, 2003; Nwokah, 2008), enabling management to understand and respond to market needs effectively to be able to offer superior customer value (Raju et al., 2011).

Market orientation behavior is indicated by the activity of finding information, disseminating, and responding to information related to the markets (Jaworski & Kohli, 1993). Market orientation affects the level of corporate knowledge (Cambra-Fierro et al., 2011; Chao et al., 2014). Knowledge management as a framework reflects the company's ability to combine, manage, and evaluate new information and knowledge that is absorbed and the combination of experience is determined by market orientation culture. The resource-based view (RBV) becomes a theoretical foundation that analyzes how market orientation as an intangible ability and unique resources that must be

owned and built by companies becomes the foundation for knowledge management (Ozkaya et al., 2015). The marketing literature has explained that market orientation as a process and activity of information generation from customers and competitors, disseminating, and responding to market intelligence increases the ability to combine, evaluate new information generated, insights, expertise, contextual information, and experience combinations to be key elements encourage organizations to achieve success. Previous empirical research has proven that market orientation has an impact on knowledge management (Wahyuni, 2019; Zebal et al., 2019). Therefore:

**H1: Market orientation has a significant effect on knowledge management.**

The resources based view theory (RBV) explores the importance of resources as a strategy for achieving competitive advantage and subsequently superior performance (Clulow et al., 2007). Companies understand the concept of market orientation as a company's capabilities and resources and turn it into valuable results for customers (Barney, 1991; Mamun et al., 2018). Market orientation as an ability and intangible resource increase the mechanism of how relationship learning takes place within a company so that the process of transforming information becomes knowledge. Customer and competitor information has been collected through market-oriented activities, and subsequently, information is converted into new knowledge for the company as a result of knowledge management. Market orientation is an organizational culture to find information, understand, and anticipate the needs of current customer preferences with listening activities and customer communication intensity (Wahyuni et al., 2019). Although there is conflicting evidence regarding empirical research related to the relationship between market orientation and innovation performance (Zhou et al., 2005; Keskin, 2006), most studies have shown a positive effect of market orientation on innovation performance. The level of market orientation has a positive effect on the company's ability to adapt ideas, new processes, policies, new products, and new services so that overall performance including sales volume, market share, and profitability increases (Padilha & Gomes, 2016; Sandvik & Sandvik, 2003; Wang & Chung, 2013a; Jiménez-Zarco et al., 2011). Therefore, the hypothesis is proposed:

**H2: Market orientation has a significant effect on innovation performance.**

**Learning orientation**

In general, learning orientation (OB) is associated with the process of knowledge creation. According to Levinthal & March (1993), learning orientation shows the ability of organizations to carry out the learning process. A set of organizational values that influence actions and efforts to obtain and share information related to customer needs, competitor actions, and market changes that drive products beyond competitors (Calantone et al., 2002). Learning orientation shows a framework of organizational values such as principles, morals, ethics, standards, and ideas that give rise to action activities to broaden decision-makers' perspectives and exploit opportunities. Values such as commitment to learning, open-mindedness, and sharing of vision are the keys to being able to adapt to dynamic environmental conditions and competition (Wolff et al., 2015). Likewise, the level of learning orientation that is indicated by the willingness to learn, open-mindedness in facing the challenges of a competitive environment, and the value of sharing a shared vision and commitment to deal with partners increase the effectiveness of the utilization of knowledge (Darroch, 2005). Previous research confirmed the positive relationship between learning orientation in knowledge management. The ability of organizations to continue learning as a process of gaining knowledge, disseminating, and interpreting information and external knowledge supports knowledge management activities (Ho, 2008). The view of the importance of learning to build the company's future through activity interactions with customers and exploration of opportunities supported by human resource practices influences the attitude of organizations in knowledge management (Griese et al., 2012). Learning orientation as a set of characteristics, ethics, norms makes learning possible by combining knowledge, new knowledge creation, and utilization (Huang & Li, 2017). Therefore:

**H3: Learning orientation has a significant effect on knowledge management.**

Furthermore, the positive relationship between learning orientation and innovation performance is supported by several kinds of literature (Suliyanto & Rahab, 2012; Fernández-Mesa & Alegre, 2015). There is already empirical evidence showing that learning orientation contributes positively to innovation performance (Peter et al., 2010). Organizations with high levels of learning commitment will build a company's understanding of customer needs, competitor strategies, anticipate customer needs, fill the opportunities and opportunities created by emerging markets that lead to contribute to innovation performance (Calantone et al., 2002). Learning by relying on external information in the context of learning will facilitate the exchange of information and updating behavior according to the expectations of
customers, suppliers, government agencies to enable companies to strengthen innovation performance (Chen & Huang, 2009). Learning orientations such as open-mindedness, open communication, and information sharing are predictors of innovation success (Calisir et al., 2013). Although there is still disagreement about the relationship between learning orientation and performance based on innovation (Nasution et al., 2011), some existing research reveals a positive relationship between learning orientation and innovation performance (Alegre Vidal & Chiva Gómez, 2008). According to Mahmoud et al. (2016), who researched 28 senior bank respondents in Gana, learning orientation components such as commitment to learning and sharing knowledge between organizations effectively improve innovation performance. Thus the following hypothesis is proposed:

**H4: Learning orientation has a significant effect on innovation performance.**

Knowledge management shows the ability of organizations to formulate strategies for managing knowledge in the form of acquisition of knowledge obtained from customers, suppliers, professional networks, transfer, and application of knowledge (Chen & Huang, 2009). Knowledge acquisition, sharing, and efforts to utilize knowledge enable understanding of market dynamics, helping to capture changes in preferences that are manifested into new ideas and products (Lin et al., 2012; Huang & Li, 2017). The customer knowledge base is utilized for the development of new products, so that share performance, market demand, and earnings performance increase (Falasca et al., 2017). This study suspects knowledge management to be a significant factor in improving innovation performance. Thus the following hypothesis is proposed:

**H5: Knowledge management has a significant effect on innovation performance.**

Integration, coordination of individual knowledge, and organizational knowledge help companies learn, create, develop, disseminate, and use knowledge (Jyoti et al., 2011). Knowledge management is a systematic process that involves the acquisition, dissemination, and responsiveness of knowledge and the more efficient use of knowledge contributes positively to the process of innovation and performance. Knowledge management is determined by two strategic orientations namely market orientation and learning orientation (Grinstein, 2008). Brashear et al. (2012), conducted in the United States emphasizes market orientation as the ability of a market-oriented alliance that enables organizations to collectively and systematically gather market intelligence to understand customer needs and preferences, disseminate information, and respond to collected market intelligence. A high level of market orientation effectively enhances knowledge management (Chao et al., 2014), and subsequently, knowledge management becomes the basis for building innovation performance (Lin et al., 2012).

Furthermore, there is evidence of empirical research that shows learning orientation has a positive effect on knowledge management capabilities and subsequent innovation performance (Marques et al., 2018). Learning in organizations as continuous learning activities, sharing vision, disclosure of information drives the process of creating knowledge, disseminating, transforming knowledge, gaining meaning from knowledge, and utilizing knowledge. Thus there is a positive relationship between learning orientation and knowledge management (Nielsen et al., 2011). It is believed that knowledge management contributes to innovation performance (De Luca & Atuahene-Gima, 2007). Thus the study put forward the following hypothesis:

**H6: Knowledge management positively mediates the relationship between market orientation and innovation performance.**

**H7: Knowledge management positively mediates the relationship between learning orientation and innovation performance.**

Based on the conceptual framework that explains the relationship of each variable, a conceptual framework is arranged as shown in Figure 1.
2 Materials and Methods

Research design

This study uses a cross-sectional design. Small and medium businesses (SMEs) with a research focus on manufacturing with one of their main functions ultimately determining survival, growth, and long-term profits (Gaur et al., 2011). Research develops conceptual models and models are empirically tested. Furthermore, quantitative analysis based on multivariate analysis using structural equation modeling based on Partial Least Square (PLS) based is used to connect between constructs and test the hypothesis path that we propose (Hair et al., 2014).

Research data sources

This research is focused on the export-oriented garment or apparel industry in Bali. Bali as one of the provinces in Indonesia has the cultural arts contained in the form of clothing that has become a creative industry in Bali. The selection of the object of this research is based on the following considerations: First, manufacturing SMEs are one of the SMEs that are oriented towards domestic and global markets. Second, manufacturing SMEs are considered as businesses that most need innovation with design and modification as demands for a rapidly changing market desire. Secondary data sources come from the Central Statistics Agency of Bali Province (2019) to determine the number of export manufacturing SMEs, and the results of manufacturing products of Bali SMEs (Statistics BPS, 2019). Primary data sources come from respondents' responses and perceptions related to market orientation, learning orientation, knowledge management, and innovation performance factors.

Research variables

The latent variables in this study consisted of 1) exogenous variables (market orientation and learning orientation); 2) endogenous variables (knowledge management and innovation performance). Market orientation consists of nine items adopted from previous research (Suliyanto & Rahab, 2012; Wahyuni, 2019). Learning orientation as behavior and ability to determine basic attitudes towards learning is measured by six items adapted from (Calantone et al., 2002; Wu & Lin, 2013). Knowledge management that reflects the ability to build the process of finding, selecting, and utilizing information and knowledge is measured by items adopted from previous research (Ho, 2008; Lin et al., 2012). All latent variable items were measured using a five-point Likert scale (1 = strongly disagree to 5 = strongly agree). Innovation performance is measured by previous research items (Alegre Vidal & Chiva Gómez, 2008; Ozkaya et al., 2015; Falasca et al., 2017; Wahyuni, 2019).
Research instrument

The instrument used in collecting data was a questionnaire. The questionnaire that became the instrument in this study was tested for validity and reliability to ensure that the conditions for using an instrument were fulfilled. The instrument validity test uses the Pearson product-moment test, where the question items are declared valid if the correlation coefficient ($r_{count} > 0.30$). And, the reliability test uses Cronbach’s alpha criteria provided that if the Cronbach’s alpha value is $60 \ 0.60$ then the construct used is reliable (Hair et al., 2014). Next, managers were asked to rate their perceptions of market orientation, learning orientation, knowledge management practices, and innovation performance on a five-point Likert scale (1 = Very poor and 5 = Very good).

Population, samples, and data collection

The research analysis unit is a company with research subjects as an export orientation SME manufacturing manager. Thus, the population in this study is all manufacturing SMEs operating in Bali, with the number of employees managed by the company amounting to between 10 and 99 people (Central Statistics Agency of Bali Province, 2019). Research locations in Bali for reasons of the function and presence of SMEs in Bali in supporting the tourism sector and meeting the needs of consumers. The population in this study amounted to 561 manufacturing SMEs that are officially registered at the Central Statistics Agency of Bali Province (2019). The determination of sample size refers to the Slovin formula and produces a total sample size of 242 samples. The survey was conducted online among the management/owner of a Bali manufacturing SME. A total of 242 questionnaires were distributed, of which 117 were returned. Then, questionnaires were disposed of 31, because the information provided was incomplete. Thus, this study used 94 questionnaires with an effective response rate of 38.84 percent.

3 Results and Discussions

Data analysis uses SmartPLS (Partial Least Square) 3.0 to estimate the relationship of paths in research models that use latent constructs with several indicators (Joseph et al., 2016). The SmartPLS 3.0 analysis tool produces two levels of model evaluation as provided in Figure 2, namely: (1) a construct measurement model with reflexive indicators to determine the validity of construct indicators and construct reliability and (2) evaluation of structural models (path coefficients and $R^2$) (Hair et al., 2014).

Measurement model

Indicator validity criteria are measured by convergent validity and discriminant validity. Furthermore, testing the reliability to ensure the internal consistency of the construct was measured by Cronbach's alpha, composite reliability, and average variance extracted (AVE), where the value of the reliability measurement must be above 0.70. The convergent validity results are adequate if the factor loading value of all measurement items is at least 0.70, but for exploratory research, loading of 0.40 is still accepted (Mamun et al., 2018). The results of discriminant validity are adequate if values above 0.50 indicate the validity of the construct item can be accepted. Another method for evaluating construct reliability is to assess AVE results for each construct $\geq 0.50$ (Sarstedt et al., 2014). Table 1 shows the results of the loading factor, Cronbach’s alpha, composite reliability, and AVE, where all values are above the threshold.

<table>
<thead>
<tr>
<th>Constructions and items</th>
<th>Loadings factors</th>
<th>T-statistics</th>
<th>Composite reliability (CR) value and AVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market orientation (Cronbach’s alpha = 0.810). At our company:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OP1 Participates in creating added value</td>
<td>0.598</td>
<td>5.629</td>
<td>CR = 0.854</td>
</tr>
<tr>
<td>OP2 We try to listen to customer opinions</td>
<td>0.647</td>
<td>6.518</td>
<td>AVE = 0.596</td>
</tr>
<tr>
<td>OP3 We try to interact with customers.</td>
<td>0.556</td>
<td>5.453</td>
<td></td>
</tr>
</tbody>
</table>

OP4  Responding to the strategy of competitors  0.714  8.190
OP5  Routine sharing information about competitors  0.614  4.190
OP6  We discuss with other functions.  0.616  5.270
OP7  Establish effective communication between functions.  0.509  3.848
OP8  We regularly coordinate  0.641  5.788  CR = 0.910  AVE = 0.627
OP9  We routinely detect the customer’s desire  0.737  11.312

To learn Orientation (Cronbach’s alpha = 0.880). At our company:

OB1  We are committed to learning to achieve our goals  0.780  16.690
OB2  We have an agreement on company vision.  0.697  5.629
OB3  Our leaders share a vision with a lower level  0.647  16.317
OB4  Our company emphasizes openness.  0.835  14.681
OB5  We have to learn basic values  0.859  25.892
OB6  Commitment to building relationships with partners  0.788  16.996

Knowledge management (Cronbach’s alpha = .778). Our company carries out:

MP1  We actively obtain information and knowledge from market surveys  0.805  21.722  CR = 0.871  AVE = 0.693
MP2  We disseminate knowledge that develops in the workplace by using technology.  0.835  27.537
MP3  We use new knowledge to develop flexible marketing functions.  0.856  30.071

Innovation performance (Cronbach’s alpha = 0.901). In our company:

KI1  Products match market demands  0.724  13.475  CR = 0.920  AVE = 0.592
KI2  Developing products outside the main product  0.754  14.634
KI3  We have a product differentiation level of  0.749  13.500
KI4  We design products for different customers.  0.697  15.179
KI5  We involve management in business.  0.806  21.325
KI6  We are creative in operating methods.  0.716  16.317
KI7  Flexibility in production  0.872  32.037
KI8  Improving business processes in profitable sales.  0.822  21.873

Source: Analysis of the author’s data

Structural model

The relationship between constructs was tested using partial least square structural equation modeling (PLS) -SEM. SmartPLS 3.0 modeling provides path analysis results from conceptual models such as β and R². The β symbol as the path coefficient implies the strength of the relationship between the constructs of the model, while R² shows the percentage of construct variants in the model (Chin & Dibbern, 2010). The hypothesis is accepted if the p-value <0.05. This study uses a 95 percent confidence level (α = 0.05). Correlation coefficient values are used to determine the direction of the correlation relationship. The positive correlation coefficient shows the direct relationship between constructs and vice versa. In testing the hypothesis it is very important to pay attention to the influence indicated by the direction of the arrows between latent variables, namely market orientation, learning orientation, knowledge management, and innovation performance. The hypothesis path between market orientation and knowledge management is 0.238 with a t-value of 3.640 (β = 0.238; p <0.05), where the t-value exceeds 1.96 so that it can be said that this relationship is significantly positive, H1 is supported. The findings are consistent with existing literature which reports that companies that tend to explore customer desires by actively exploring market information contribute to strengthening knowledge management with a customer focus (Cambra-Fierro et al., 2013).
Surprisingly, the value of the market orientation and innovation performance (H2) path was found to be 0.161 (β = 0.161; p > 0.05) with a t-value of 1.922. Because the t-value is smaller than 1.96, the relationship between market orientation and non-innovation performance is significant. The results of this study failed to confirm the relationship between market orientation and innovation performance, H2 was rejected. The results of this study are surprising because there is no support for hypothesis 2 regarding the relationship between market orientation and innovation performance. This study contrasts with (Jiménez-Zarco et al., 2011). Thus this study failed to confirm the existence of the relationship between MO and innovation performance, at a significance level of 5 percent. This study differs from many previous studies that found a significant positive relationship between market orientation and innovation performance (Wang & Chung, 2013; Sandvik & Sandvik, 2003).

About the path value between learning orientation and knowledge management (H3) a coefficient of 0.605 was found with a t-value of 9.264. Because the t-value exceeds 1.96, the relationship between learning orientation and knowledge management is considered to be significantly positive at the 5 percent level, H3 supported. To that end, companies should build a culture of learning by establishing long-term partnership relationships and learning commitments for generations and gaining new knowledge (Ho, 2008). Then, the value of the learning orientation path on innovation performance is 0.404 with a t-value of 4.546 (β = 0.404; p <0.005). Because the t-value is more than 1.96, this relationship is positively significant, H4 is accepted. The results of this study are consistent with the existing literature. A culture of commitment to learning and sharing knowledge between organizations significantly determines better innovation performance. Organizations that place a high value on openness and organizational appreciation on the original ideas of employees, help SMEs improve the ability to produce products that match customer desires and market share expansion (Calisir et al., 2013; Mahmoud et al., 2016).

And, the path coefficient between knowledge management and innovation performance is 0.380 with a t-value of 3.821> 1.96 (β = 0.380; p <0.05). These results indicate that knowledge management has a significant positive impact on innovation performance statistically at a significance level of 5 percent, supported H5. This finding strengthens the study of Huang and Li (2009) which explains that social interaction strengthens the ability to manage and utilize knowledge so that it can support innovation performance.

On the other hand, knowledge management partially mediates the relationship between market orientation and innovation performance (β = 0.074; p <0.05). The results of this study provide credibility for the findings of Huang & Li (2009), which show that managers and/or SME managers must build a market-oriented organizational environment and communicate explicit marketing plans and knowledge-based market information to all employees in all parts of the organization to achieve organizational goals. And, knowledge management partially mediates the relationship between learning orientation on innovation performance (β = 0.173; p <0.05). Organizational efforts create a learning climate and culture by collaborating and encouraging team learning to facilitate organizational efforts to enhance and update knowledge to strengthen sustainable competitive advantage (Jain & Moreno, 2015). The coefficient of determination using R-squared (R²) is a goodness-fit test of the model is evaluating the research model and evaluating what percentage of construction variance can be explained by the construct that is thought to influence it (exogenous). R-squared knowledge management construct of 0.507 means that the variance of knowledge management can be explained by 50.7 percent by the variance of market orientation and learning orientation.

And, the R-squared construct of innovation performance of 0.630 which can be explained means that the variance of innovation performance can be explained by 63 percent by the variance of market orientation, learning orientation, and knowledge management. Or, innovation performance can be shaped by market orientation, learning orientation, and knowledge management by 63 percent. Hypothesis test results, the value of the correlation coefficient between constructs, the level of significance, and the value of the R-squares are summarized in Table 2.

Table 2
Summary of hypothesis test results

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Path coefficient (β)</th>
<th>T-statistics</th>
<th>Significance of</th>
<th>R-square</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>0.238</td>
<td>3.640</td>
<td>0.000</td>
<td>0.507</td>
<td>Received</td>
</tr>
<tr>
<td>H2</td>
<td>0.161</td>
<td>1.922</td>
<td>0.055</td>
<td></td>
<td>Received</td>
</tr>
<tr>
<td>H3</td>
<td>0.605</td>
<td>9.264</td>
<td>0.000</td>
<td></td>
<td>Rejected</td>
</tr>
<tr>
<td>H4</td>
<td>0.404</td>
<td>4.546</td>
<td>0.000</td>
<td></td>
<td>Received</td>
</tr>
<tr>
<td>H5</td>
<td>0.380</td>
<td>3.821</td>
<td>0.001</td>
<td>0.630</td>
<td>Received</td>
</tr>
<tr>
<td>Securities mediation knowledge management knowledge</td>
<td>0.090</td>
<td>2.458</td>
<td>0.014</td>
<td></td>
<td>Full mediation</td>
</tr>
</tbody>
</table>

4 Conclusion

The era of globalization, intense business competition, increasingly shorter product life cycles, and the dynamism of consumer behavior are a challenge for all businesses, including SMEs. SMEs are not only required to have strategies and knowledge in organizations but are also able to innovate as a driving force to achieve business performance. However, the achievement of innovation is a dynamic process in which a strategy is determined to determine knowledge so that it can be used to innovate (Wu & Lin, 2013). The effects of market orientation and learning orientation on knowledge management and innovation performance currently receive less attention. This study seeks to help fill old gaps Keskin (2006), by contributing to market orientation and a culture of learning orientation in knowledge management focused on customers and innovation performance in the SME context. Thus, our research overcomes the gap of previous research, modifies, and between constructs, the level of significance, and the value of the R-squares are summarized in Table 2.

The empirically validates the conceptual model. The research objective is to understand the process of innovation in companies, namely: first, to examine the relationship between the constructs of market orientation, learning orientation on knowledge management, and innovation performance. Second, to examine the mediating role of knowledge management in the relationship between market orientation and innovation performance, and the mediating role of knowledge management in the relationship of learning orientation and innovation performance. The research findings show that each construct is significantly related to the other constructs, except the direct relationship of market orientation-innovation performance (H2 is not significant). Innovation performance is influenced by several factors such as strategic orientation such as market orientation, knowledge management skills, and learning. Therefore, clearly understanding how the dynamics of market orientation as a culture and strategy as well as what key factors are needed to create a successful innovation becomes important for the entity. Table 2 shows that all hypotheses are supported, except for hypothesis 2.

Market orientation was not found to have a significant direct effect on innovation performance. This finding is a bit surprising, considering that Zhang & Duan (2010), emphasized the strong willingness to form a market-oriented culture from an Asian perspective and the integration of coordination between functions and the willingness of managers to use the information and other resources to drive innovation-based performance. However, a simple explanation of hearing customer complaints, in the context of this study is the possibility that there is a fundamental reluctance of SMEs to respond to customer complaints and suggestions into new information and knowledge resources. The reason for this finding is because the company's focus is on understanding customers by hearing complaints, seeking market information (customers, competitors, suppliers) only as a discourse without the desire to apply information to new knowledge, so it has no effect on innovation performance. In reality, market orientation practices demonstrated by high-quality, relevant, trustworthy, accurate, and timely information-seeking behavior when needed will lead to increased response at the company level so that the process of adopting ideas, as well as product modification and innovation increases (Ozkaya et al., 2015). Furthermore, when this research finds a direct relationship of learning orientation to innovation performance, the entity needs to create a learning-oriented environment to achieve superior innovation performance.

Existing literature on SMEs proposes that companies implement marketing plans with the courage to challenge assumptions and values and develop customer information. This study suggests that to improve learning orientation in SMEs, companies must emphasize the importance of openness and willingness to oppose assumptions, values, or views to absorb insights, market information, and new customer-based knowledge so that it has a positive effect on improving innovation performance. Although H2 is rejected, specifically H6 shows that market orientation indirectly influences innovation performance through knowledge management. Interesting findings, the indirect relationship of learning orientation to innovation performance mediated by knowledge management was also significantly positive. Understanding companies in a unique way of doing business with an export focus makes it easy for SMEs to formulate appropriate market orientation, learning orientation, and innovation strategies through knowledge management. The ability to do learning in organizations gives decision-makers an informative and analytic insight. Wolff et al., (2015),

<table>
<thead>
<tr>
<th>H7</th>
<th>0.230</th>
<th>3.951</th>
<th>0.000</th>
<th>Partial mediation</th>
</tr>
</thead>
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Remarks: OP=Market orientation; OB=learning orientation; MP=knowledge management; IC=innovation performance

Source: Analysis of the author’s data
showed learning orientation as shared vision behavior throughout the organization, open-mindedness, and sophisticated learning commitments to improve knowledge management to overcome problems related to needs, customer preferences to obtain valuable products/services (Jyoti et al., 2011). Thus, the findings of this study present a viewpoint on the integration of knowledge management on the indirect effects of market orientation and learning orientation on innovation performance.

**Implications for research**

This research develops research models obtained from existing theories and research. The RBV theory provides a summary for understanding the effects of orientation strategies on knowledge management and innovating performance (Ozkaya et al., 2015). The RBV theory becomes a theoretical foundation that supports strong knowledge management that significantly facilitates innovation performance (Chao et al., 2014). To examine the effects of market orientation, learning orientation, and knowledge management on innovation performance, this research contributes to the literature in several ways. First, knowledge management does not only directly influence innovation performance but indirectly mediates the relationship between market orientation and innovation performance. It can be said, market orientation can have an indirect impact on innovation performance, through knowledge management mediation. The explanation is that the company's market orientation as a unique resource can accurately reveal and obtain information on customer needs and effectively encourage customer knowledge management, and efficiently identify innovative ideas. Second, the empirical results verify that the learning orientation process influences knowledge management, through the mediation of knowledge management. Customers as an important source of innovating entities often have unclear characteristics of their desires and preferences. Knowledge management based on learning outcomes can effectively increase creativity so that innovation performance increases. Thus, it can be explained that knowledge management is very important to create innovation performance in the context of export manufacturing SMEs.

**Implications for practice**

This study also offers managerial implications, which provide empirical evidence of market-oriented activities, learning orientation, and knowledge management activities that affect innovation performance. It offers advice and serves as a guideline for managers and/or owners that to improve knowledge management practices in business processes needs to be supported by strategic orientation, for example, market orientation and learning orientation. Research also shows that companies need to be market-oriented by paying attention to their interactions with customers, listening to help companies get information as a basis for managing successful innovation knowledge and practices. Companies can engage in market orientation practices such as routinely detecting customer desires and responding to competitor strategies that facilitate successful innovation performance. And, organizations need to have a culture and high learning commitment, spread the vision and goals of the organization in all functions, and an open mind to absorb market information so that knowledge management becomes effective to support the innovation process in small and medium businesses (SMEs).

**Research limitation**

This research still has several limitations that need to be considered and possibly discussed in future research. First, the spotlight from an orientation strategy perspective (eg market orientation and learning orientation) is combined with knowledge management to explore the mechanism for innovation performance. Future research can be done by exploring more in-depth the mechanism of how an orientation strategy with organizational capabilities results in the performance of new products. Second, this study specifically uses a sample consisting of one manufacturing SME industry. This approach reduces the generalization of results. Future research directions are therefore conducting orientation strategy research in the context of SMEs in the manufacturing and service sectors. Third, for future research directions, it is recommended to develop research models by adding other concepts such as strategic orientation and the use of knowledge effectiveness to achieve sustainable competitive advantage.
Conflict of interest statement
The authors declared that they have no competing interests.

Statement of authorship
The authors have a responsibility for the conception and design of the study. The authors have approved the final article.

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