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EXAMINING THE MEDIATING ROLE OF KNOWLEDGE MANAGEMENT IN INCREMENTAL INNOVATION SME-ICT

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ABSTRACT

Insightful company leaders increasingly rely on data as their primary source of fresh concepts. Little is known about how improvements in HRM might inspire creativity in the workplace. This research explores the connection between knowledge management abilities and original thought in the context of human resource management policies and practises. Since then, we've expanded our primary data set for the ICT sector of the study to include over 200 small firms in the Klang Valley of Malaysia. To accomplish the aims of the study, adopt a quantitative strategy. The survey method is used to collect data from the heads of ICT SMEs and their top executives. More than two hundred survey responses were collected and evaluated for this study. PLS (Partial Least Squares) analysis was used to check the validity of the hypotheses and models. The intersection of HR and KM is an intriguing research topic, especially in the context of ne Companies must enhance their IT and knowledge management capabilities to fulfil the conflicting demands of exploration and extraction. In order to balance exploratory and exploitative innovations, small and medium-sized firms must take into account both internal and external business environments. Small and medium-sized firms (SMEs) must regularly watch their sector and be quick to respond to changes in order to maintain a competitive edge. In order to stay up with the rapidly evolving business climate, companies must have the appropriate personnel in place. In order to understand the connection between HRM and organizational innovation, this study emphasizes the significance of performance and knowledge management competence. Human resource management to provide long-term benefits. , with product creation. Recent research has established a connection between HRM competencies and worker expertise.

Keywords: Innovation, Knowledge Management, Incremental, HRM

1. INTRODUCTION

Human resource practices have an immediate effect on both little and large innovations in the workplace. Human resource management practices have a large effect on both incremental and radical innovation. Past research shows that HRM practices help foster an environment conducive to innovation (Gil-Marques et al., 2013). As of late, human resource practises have been linked to organisational innovation (Hussenki et al., 2017; Inkinen et al., 2015; Kianto et al., 2014, 2017). Using KMS that centre on HRM practises can help solve issues more quickly and easily (Zack et al., 2009). Therefore, knowledge management is essential for enhancing an organization's ability to innovate. Knowledge-oriented practises, for instance, are often associated to innovation performance, as claimed by Darroch and McNaughton (2012).

Research and development, staff education, and business innovation are all interconnected, as stated by Zack et al. (2009). Advancing KMS practises results in the development of novel theories and data (Ozlen & Handzic, 2014). in HRM methods and new developments (see, for instance, Gil-Moreno-Luzon et al., 2013). The link has been reaffirmed by recent studies. Organisational innovation is influenced by employers' HR practises (1999; Inkinen et al. et al., 2017). Knowledge Management Systems (KMS) with a focus on human resources can leverage institutional wisdom to speed up problem resolution (Zack et al., 2009). Therefore, the need of efficient knowledge management cannot be overstated. According to Darroch and McNaughton (2012), firms' innovativeness and their investment in research are inextricably intertwined, and the two go hand in hand with knowledge-based practises. As stated by Zack et

al. (2019) Several KMS procedures can be encouraged by a company's inventiveness (Ozlen & Handzic, 2014).

The objective of this research is to know how knowledge management can help human resource management to improve organizational performance through innovation.

2. LITERATURE REVIEW

2.1 SME -ICT

When it comes to the global economy, small and medium-sized businesses (SMEs) are crucial. The growth of Malaysia is apparent given that Malaysia hold 98.5% of all businesses and 38.9% of the GDP (Gross Domestic Product) in 2019. The contributions of SMEs to the international economy are crucial. In 2019, the growth of Malaysia is evident because locals own 98.5% of all businesses and 38.9% of the GDP. In 2019, it is predicted that there will be 907,065 small and medium-sized businesses (SMEs), employing 48.4% of the total workforce.

The 3rd Industrial Master Plan (IMP3) for Malaysia, which spans the years 2006-2020, places a strong emphasis on the country's small and medium-sized enterprises (SMEs). The Small and Medium Enterprise Development Council (NSDC) was created in June 2004 to aid SMEs across the country in formulating policies and strategies (Habaradas, 2008). The National SME Development Blueprint aims to assist SMEs in maximising their potential for growth and economic contribution through the use of knowledge, skill, and new ideas (Habaradas, 2008). Small and medium-sized businesses (SMEs) are defined differently in each country. A corporation is classified in terms of its employees, total assets, revenues, and production capacity (Bank Negara Malaysia, 2005). The National SME Development Council of Malaysia classifies SMEs into various sectors according to their staff count and annual revenue. In Table 2.3.1, we define "small and medium-sized enterprise" (SME).

The Economic Planning Unit in Malaysia has raised the issue of the lack of innovation in the nation's businesses (2016). The Malaysia Science and Technology Information Centre lists three main causes for Malaysia's lack of innovation (MASTIC). The study made reference to both a lack of funding and an overestimation of risk. Due to their mistrust of the market's appetite for novel goods and services and their fear of an unpredictably volatile and high-risk environment, local businesses have chosen to accept rather than innovate. According to the research, only 6% of adapter businesses are creators, while 36% of adapter businesses and 52% of adapter businesses are respectively (Malaysia Economic Planning Unit, 2016). Individuals and managers who stifle

creative acts have been discovered, nevertheless, for organizational reasons. Critical thinking, effective communication, as well as cooperative and leadership behaviour among the company's personnel, are also lacking (Muta, Lettieri, Radaelli, & Spiller, 2013). When a business innovates, both its customers and its staff win. By reducing costs and strategically differentiating.

Businesses can improve their performance through the development of top-notch human resources and competitiveness. For example: (AlHusseini & Elbeltagi, 2012). Businesses that regularly innovate can keep up with their competitors. Information and communications technology (ICT) enables knowledge exchange, individual and organisational potential discovery, and effective learning and knowledge development (Chong, 2006). Utilize this resource to start looking into how this achievement was put into practice and learn just how important it is to the success factors for innovation. The foundation of business success is a steadfast dedication to uniqueness and creativity (Barney 1991).

Over time, the corporate environment has advanced technologically and become more sophisticated. Success is dependent on creativity. The utilization of knowledge assets, as well as a company's ability to manage them, enable both organizational value creation and long-term competitive advantage. Chen and Huang (2019) define intangible assets. The capacity of a corporation for incremental or radical innovation is determined by its existing expertise. the ability to deal with problems successfully (Subramaniam and Youndt, 2005). Because the firm's organizational structure is based on the assumption that information is maintained within the corporation, individuals and organisations must both make it easier for people to connect with one another and share ideas in order to support them in gaining fresh views and abilities. 1995; Nonaka and Takeuchi). The literature on human resource management is frequently cited. Understanding the dynamics of organizational knowledge is critical. As there is a specific idea in the subject of human resource management (HRM) The management of people in organisations is handled in its whole, and it is evaluated in relation to knowledge management and corporate innovation. As a result, the issue becomes, "How can human resource management at a firm improve?" Every practise and policy should be centred on increasing the organization's intellectual capital and fostering creative thinking. What are you capable of? Numerous studies have shown the importance of Few have looked into how HR might drive innovation, but those who have found various degrees of effectiveness. Another way to phrase it is (Kang, Morris, and Snell, 2017). The combination of strategic HRM

research resulted in this study paper on organisational learning and knowledge management in the context of innovation. Its primary goal is to create a thorough framework for understanding how human resource management functions within a corporation. Organizational knowledge can be gained through strategy and practise. . It increases a company's ability to innovate. Competence, or the ability to perform a job or task to the best of one's abilities, necessitates both knowledge and skills. by the dedication needed for the job. Competence is thus the proof of one's ability to complete a task. It is thought that the professionalism of a certain pitch is the most crucial and superior to the rest of the group (Wibowo, 2013). Efficiency, quality, innovation, and customer response are all examples of distinguishing traits, or a set of distinctive skills that enable an organisation to achieve them and provide it a competitive advantage (Maltis, 2014). The four components of competency are distinct knowledge, skills, talents, and competence

2.2 Innovation

The corporate environment has become more sophisticated and technologically evolved over time. Innovation is the key to success. Organizational value generation and long-term competitive advantage are enabled by a company's ability to manage its knowledge assets and intangible assets (Chen and Huang, 2019). A company's ability to innovate gradually or dramatically is contingent on prior information. the ability to efficiently handle (Subramaniam and Youndt, 2005). Because the firm's structure is based on the concept that knowledge is held in the corporation, individuals and businesses alike must make it easier for people to talk to one another and share ideas. can assist people in gaining new perspectives and talents (Nonaka and Takeuchi, 1995). Human resource management literature is frequently quoted. As a result, understanding the dynamics of organizational knowledge is crucial. Although there is a specific field of human resource management (HRM), it is thoroughly concerned with the management of humans in organizations studied in the context of the management of knowledge and the company's innovation. As a result, the question is, "How can a company's human resource management improve?" and procedures should be focused on strengthening the organization's intellectual capital and fostering new ideas capability? Few have explored the role of HR in generating innovation, but those who have sought to do so have reported varied results. to put it another way (Kang, Morris, and Snell, 2017). When strategic HRM studies are combined, the goal of this research paper on organizational learning and

knowledge management in the context of innovation is to create an integrated framework for understanding how an organization's human resource management functions organisational knowledge can be built through the application of strategy and practise. Boost a company's ability to innovate.

2.2.1 Innovative Capability

Companies with a creative aptitude can efficiently consume, master, and improve existing technology while also developing new ones (Lall, 1992). When we discuss incremental innovation, we are referring to the refining and improvement of existing items through the production of new ideas. Incremental innovation in the form of services, in particular. The ability to drastically alter existing products, services, or processes as a result of which current technologies, especially radical innovating (Chandy and Tellis, 2000). One of the most well-known sorts of companies is incremental or radical innovation (Subramaniam and Youndt, 2005). At this point in time, the concepts of gradual and radical innovation in research are not novel. Scholars dispute whether an idea's evolution is radical or incremental. Concepts might span from one extreme to the other. The radical and progressive symphony (Baer, 2017). Radical ideas can transform a company's goods, procedures, or services. Procedural changes, on the other hand, are less disruptive to the business than incremental ideas that, if implemented, would not necessitate a considerable deal of extra knowledge. According to Green, Welsh, and Dehler (2013) vantage point from which ideas are evaluated while looking at new ideas, a continuum of incremental to radical has been used, being on the same continuum as being capable of (Romijn and Albaladejo, 2019).

2.2.2 Knowledge and Innovative Capability

The study of organizational innovation and the development and application of knowledge in firms are frequently connected subjects of investigation (Leede and Looise, 2015). In order to succeed in a fiercely competitive environment, firms must focus more on knowledge development and producing value from intellectual capital. Intellectual capital refers to the accumulation of all sorts of information that organisations use to gain a competitive advantage (Youndt, Subramaniam and Snell, 2004). Knowledge is kept in databases, SOPs, manuals, regulations, and routines, which increases a company's ability for creativity (Davenport and Prusak, 1998; Gloet and Terziowski, 2004). There is evidence that a company's performance can be

enhanced by boosting the effectiveness and efficiency of its knowledge repository.

2.3 Human Resource Management (HRM)

Human resource management (HRM) is concerned with employee recruitment and retention, as well as performance appraisals (Jones, George & Hill, 2000). Employee advancement policies and practised, as well as rules and procedures for selection, recruiting, and training, are common (Dessler, 2013). Strategic HRM requires considering how decisions on how to deploy a company's workforce will effect operational and business performance (Boxall & Purcell, 2000; Lengnick-Hall, et al., 2019). The 1980s marked a watershed moment for managers and HRM experts who saw a link between HRM and company performance (Budhwar, 2000). Human resource management guarantees that all "resources (human, technical, and financial)" are considered when setting goals and developing plans, minimising the subordination or neglect of human resources as a crucial source of competitiveness within a company.

2.3.1 HRM and Innovation

Numerous academics have highlighted that innovation is a major source of competitive advantage, but according to Youndt and Snell (2004), interest in transforming HRM practised and policies into innovation-related results has just recently surfaced. However, because HRM researchers have been focused on establishing firms' financial performance as an important outcome of HRM systems, they have been slow to follow up on empirical findings demonstrating the importance of firm innovation in achieving important financial outcomes, such as a firm's market share and other financial returns (Jimenez-Jimenez and Sanz-Valle, 2018; Wang and Shyu, 2019). HRM issues have garnered attention in innovation management research, but few studies have attempted to provide a complete framework integrating HRM and innovation (de Leede and Looise). SHRM and innovation can be found in the firm's resource-based mindset, which was developed in the strategic management literature (Lengnick-Hall et al., 2019). It has been demonstrated that resource-based theory-based strategic human resource management policies and practises can be used to effectively acquire and retain human resources with distinct and difficult-to-replicate characteristics, as well as to transform individual competencies into organizational competencies that can serve as sources of long-term competitive advantage for businesses (Barney and Wright, 1998; Boselie et al., 2015). Firms can also be explained using the

notion of knowledge-based firms, which asserts that firms are knowledge distribution networks (Lengnick-Hall et al., 2019).

3. HR ARCHITECTURE AND KNOWLEDGE FLOW

As previously stated, several types of human capital might exist inside a single organization; therefore, HRM must manage all types of human capital in order to fully realise their contribution to firm success (Lepak and Snell, 2012). Yet, the majority of HRM literature only examines one or two categories of human capital. Typically, they focus on alliances and core knowledge employees. This could be due to their high level of originality or familiarity with the specific company. According to research, this group of employees frequently serves as the motivation for new thoughts. The writers (Perez and de Pablos, 2013) give attention to concerns connected to the management of workers with core knowledge, as is customary in most of the literature on the topic of innovation. fundamental knowledge in a company (Jimenez-Jimenez and Sanz-Valle, 2015). Some scientists believe that if new discoveries are not made on a regular basis, the field would become stagnant. The gathering of fresh information and the expansion of existing knowledge repositories Development in the workplace can be inhibited by deteriorating and outdated knowledge. dynamic renewal capacities of a corporation and organisational renewal (Levinthal and March, 1993). In order to establish organisations that are focused on innovation, the working environment of the organisation must foster the free flow of information flexibly (Ong and Lee, 2015). Companies must use HRM to ensure that their core knowledge is regularly updated and to develop processes that make it easier for core personnel to access. Researchers in human resource management discovered that access to resources owned by others increased engagement with internal and external information sources (e.g., et al., 2007, Matusik and Hill, 1998, and Perez and de Pablos, 2013). Companies gain from handling the boundary between the organization's environment and its surroundings properly, as well as from knowledge obtained from both internal and external sources in both exterior and interior settings (Evans, 1986). The terms "contingent" and "contractual," for example, provide a benefit to employees by allowing the organisation to receive expertise from outside sources, so increasing the company's knowledge base and competitiveness.

Because information is such an important enabler of corporate innovation, a distinct HR strategy is necessary. Various HR configurations

must be incorporated into the architecture to ensure that existing knowledge is shared and updated on a regular basis to inspire new ideas. Organization is given a lot of attention (Kang et al., 2007, Leede and Looise, 2015). A distinct HR architecture should be employed to handle 'knowledge flow.' Kang and colleagues should manage 'knowledge stocks' inside the already established HR architecture (2007). That being said, what form of HR structure can help to ensure constant updating and improvement of organisational knowledge stocks? Knowledge flow refers to the mobility of knowledge. It includes the acquisition, transfer, and absorbing of knowledge in order to improve and adapt a company's operations stockpiles of knowledge and the interchange of fresh information in-house knowledge as well as company-wide information exchange. Now, research indicates that special emphasis should be paid to the development of an HR framework for managing organizational Research has revealed that the flow of knowledge is severely hindered (, 2004). Instead, it appears that many scholars are focusing on how HRM practises might influence knowledge management. Huang (2009) and Jimenez-Jimenez and Sanz-Valle (2008), respectively, investigated the dynamics of the link between HRM and innovation, but did not go any further. Learning, social interaction, and knowledge management flow and dynamics in the workplace are all covered in Management of Human Resources in a Knowledge-Based Economy. Human resource setups can be used to manage a company, it is claimed within and outside of the firm's borders to ensure effective communication advancement of knowledge through the acquisition, exchange, and use of information a company's ability to innovate. A company's success can be judged from a social standpoint. Access to new information located beyond the company's borders results in experimental learning, which leads to radical innovation. Access to new information can be obtained through increased education. core knowledge of employees' interaction and flow of information to external alliance partners for the firm. There is no requirement that the external ties be strong.

3.1 Incremental Innovative Capability

The ability to develop new, useful features for existing products and services was characterised as incremental innovative capability in this analysis. An incremental change strategy, as proposed by Youndt and Subramaniam (2005) (Green, Welsh, & Dehler, 2003), has a lower impact on the firm and requires less training. Incremental innovations can be defined as changes or improvements to already-existing

technology (Chang, Gong, & Shum, 2011). In order to create incremental innovation, a company will extend and strengthen its knowledge and technological processes (Gatignon et al., 2004).

Subramaniam and Youndt (2005) distinguish between incremental and radical innovation based on the degree to which a corporation makes use of its existing body of knowledge. One of the few empirical studies evaluating inventive capability is the work by Subramaniam and Youndt (2005), on which this study significantly relies. The research summarised here demonstrates that both radical and incremental innovation capacities are well-established ideas with substantial practical consequences for businesses. This concludes the review for that reason. We still don't have a firm handle on how to help businesses maximise the value of their own knowledge bases.

3.2 Organizational Innovation

The topic of knowledge usage and its impact on a company's incremental and radical inventive capability should therefore be further investigated. Firm performance has been proven to benefit more from radical breakthroughs than incremental ones, making the ability of a company to produce radical as well as incremental innovations crucial (Damanpour, 1991). If research can offer light on how information in organisations may be leveraged in a way that consistently yields radical ideas, the industry stands to benefit. The following part goes into deeper depth on the notions of incremental and radical inventive capabilities to continue the topic.

4. RESULTS

In this study, the primary data collection for the ICT sector of the study included around 200 small businesses in Malaysia's Klang Valley.

4.1 Hypothesis Derived

H1 The Knowledge Management Capacity Mediates the relationship between HRM Acquisition and Incremental Innovative Capability

H2 The Knowledge Management Capacity Mediates the relationship between HRM Development and Incremental Innovative Capability

H3 The Knowledge Management Capacity Mediates the relationship between HRM Egalitarian and Incremental Innovative Capability

H4 The Knowledge Management Capacity Mediates the relationship between HRM Collaboration and Incremental Innovative Capability

H5 The knowledge Management Capacity Mediates the relationship between HRM

Documentation and Incremental Innovative Capability

H6 The Knowledge Management Capacity Mediates the relationship between HRM Information and Incremental Innovative Capability

Table 1. Mediating Effect of Knowledge Management Capability towards Innovation

Hypothesis	Path Coefficient	Beta Values	SE	T-Values	P Values	LL	UL	Decision
H1	HRM Acquisition -> KM_Capability ->Incremental Innovation Capability	-0.095	0.055	1.728	0.085	-0.222	-0.016	Not Supported
H2	HRM Development -> KM_Capability ->Incremental Innovation Capability	0.03	0.035	0.866	0.387	-0.021	0.123	Not Supported
H3	HRM Egalitarian_ -> KM_Capability ->Incremental Innovation Capability	0.704	0.273	2.576	0.01	0.214	1.22	Supported
H4	HRM Documentation ->KM Capability -> Innovation	-0.018	0.033	0.545	0.586	-0.105	0.031	Not Supported
H5	HRM Information -> KM_Capability -> Innovation	-0.03	0.037	0.82	0.413	-0.131	0.029	Not Supported
H6	HRM Collaboration -> KM_Capability -> Innovation	0.465	0.178	2.617	0.009	0.164	0.846	Not Supported

As shown in Table 1, there were positive path coefficients for collaboration, development, and egalitarianism. Path coefficients for acquisition (-0.095), documenting acquisition (-0.018), and managing acquisition (-0.03), on the other hand, were all negatives. This is the next step, which is to determine the significance of the relationship. Bootstrapping each dataset with 500 samples is a requirement. Significant values ($p < 0.05$) must be less than 1.96 (t-values greater than 1.96) in order to accept the hypothesis (t-value). This study found that knowledge management mediated the relationship between collaboration and internal innovation capability ($t=2.617$, $p < 0.05$) and egalitarian ($t=2.576$, $p < 0.05$). These findings support both H15 and H18 hypotheses. H13, H14, H16, and H17, on the other hand, did not receive any support.

5. DISCUSSION

A study indicated that the ability to manage knowledge mediated the connection between egalitarianism and the capacity for incremental innovation (H15). It was shown that knowledge management could bridge the gap between teamwork and the ability to innovate incrementally (H18). Similar to what Saunila and

Ukko (2011) found, it has been discovered that cooperation enables members to learn from each other's experiences. In each given organisation, information is continually being shared and implemented.

It's more likely that a group will come up with original and creative solutions to problems if its members get along well. To access the network resources necessary for product creation, businesses are urged to network with one another (Mu, 2013, 2014; Mu & Di Benedetto, 2012). Knowledge management's capacity for gradual improvement is mediated nicely by egalitarianism as well. This demonstrates that there is consensus inside the company regarding the desired outcome of the incremental innovation. Because everyone is on an equal playing field, successful knowledge management has a major impact on incremental innovation. According to a 2019 study by Jacob, "Knowledge Management Capability" serves as a bridge between radical and gradual innovation.

It is feasible to reconfigure organisational capabilities and competencies that produce value-added goods when new and current knowledge are combined. Businesses, whether large and small, can improve their chances of survival by actively encouraging the creation of novel products and processes through the use of

knowledge management strategies. Knowledge management is crucial for businesses to grow their existing knowledge base and create and protect new knowledge in order to be competitive in the market (Bose, 2003). A year later, (Tseng & Lee, 2014). Hayashi (2004) argues that a company's competitive strategy should centre on its ability to generate, preserve, disseminate, and apply knowledge and expertise. Knowledge management must serve as a mediator between collaboration and result support if incremental innovation is to thrive.

6. CONCLUSION

It was revealed that the relationship between incremental and radical innovation capacities was unaffected by knowledge management. In order to grow, many small and medium-sized firms (SMEs) employ acquisition as a growth strategy. Mergers and acquisitions can increase a company's staff and introduce new services and products. Companies might gain from this upheaval by reorganising internally, which can inspire fresh perspectives and a departure from the norm. As a result, businesses frequently adopt new resources that are not "path dependent."

To ensure the company's longevity, new knowledge management skills are required. The company's knowledge management capabilities guarantee that the efforts of its employees will not go to waste. Successful innovation relies on a company's adaptability to the changing needs of its target market. Keep up with the latest market trends if you want to be successful in business. To guarantee that innovative practices within Malaysian enterprises can lead to corporate growth, more study is needed.

Companies must rely on innovation to remain competitive in today's knowledge-based economy. Fostering innovation involves both corporate and individual comprehension. For businesses to benefit from knowledge, it must be successfully obtained, communicated, and applied. The primary goal of this study is to investigate how to improve internal communication and information sharing in order to assist an organisation in becoming more innovative. Human resource management (HRM) is an increasingly important field of study since it focuses on how businesses manage their people capital. It is suggested that the HR architecture of a company be designed to support and manage procedures for knowledge acquisition, knowledge exchange, and knowledge application. The proposed method also takes into account how a company's intellectual capital influences its potential to innovate. This article focuses on developing a comprehensive strategic HRM framework for the development of creative organisations capable of meeting the challenges

of the knowledge economy. To fulfil the conflicting demands of exploration and exploitation, businesses must increase their Technology and knowledge management capabilities. As a result, it is critical for small and medium-sized businesses to find a balance between experimental and exploitation-focused innovations by considering both internal and external business contexts. To maintain a competitive edge, small and medium-sized firms (SMEs) must regularly analyse their industry and be quick to respond to changes. To keep up with the ever-changing business climate, businesses must have the right staff in place. While examining the relationship between HRM and organisational innovation, this study emphasises the importance of performance and knowledge management competence. If culture is included into human resource management, long-term benefits can be realized

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Surat kami : 700-KPK (PRP.UP.1/20/1)

Tarikh : 20 Januari 2023

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Sekian, terima kasih.

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Saya yang menjalankan amanah,

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