

**THE INFLUENCE OF KNOWLEDGE MANAGEMENT ON INNOVATION AND
COMPETENCY AND ITS IMPACT ON THE PERFORMANCE OF PT BANK
MANDIRI (PERSERO) TBK ACEH FUNCTIONAL OFFICE**

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ABSTRACT

This research aims to test the Knowledge Management (KM) influence on Innovation and Competency and its impact on Performance of PT Bank Mandiri (Persero) Tbk Aceh Functional Office. The population was its employees, as much as 120 people. Sample size was determined using a census technique. Data were analyzed using the Structural Equation Modeling (SEM) and Sobel calculation. The findings reveal that KM influences Innovation; KM influences Competence; KM, Innovation, and Competence influence Organizational Performance; Innovation partially mediates KM's impact on Organizational Performance, and Competency partially mediates KM's impact on Organizational Performance. These results are a premise that can be used for theory development and strengthening previous concepts. Limitations exist in the variables studied. The findings of this survey also produced several recommendations for the research subject.

Keywords: Knowledge Management, Innovation, Competence, Organizational Performance.

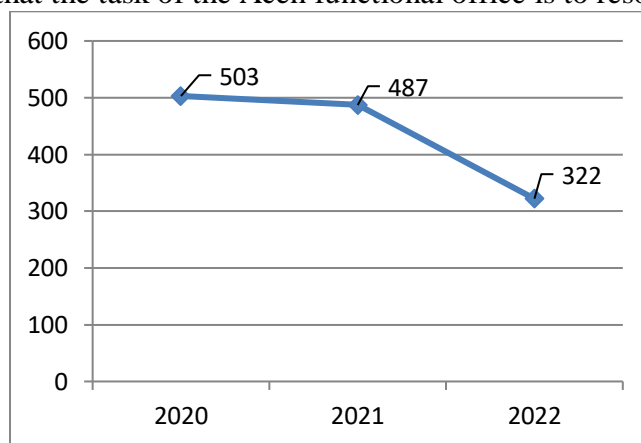
1. INTRODUCTION

Human resources play a vital role in the smooth functioning of a company both as individuals and in groups. They are one of the main drivers of a company's activities, and the progress of a company is largely determined by the quality of its human resources. While technological superiority and the availability of funds are important factors in a company's success, the human factor is equally crucial, with employees required to provide maximum performance to advance the company. In this context, employee performance is a critical outcome of the work they produce or the real behavior they display while fulfilling their roles in the company. A company's goal is to make a profit, and employees are responsible for carrying out the activities that enable the company to operate. By improving employee performance, the company can reap the rewards of increased productivity and better outcomes (Hariandja & Hardiwati, 2009).

As such, human resources are an essential component in achieving the company's goals, complementing other resources owned by the company. The support of human resources is critical in achieving the company's targets, and their contributions as supporters are indispensable. Human resources are considered important because they can influence the company's efficiency and effectiveness, and are the company's main expenditure in carrying out its activities (Simamora, 2015). Humans always play an active role in every company activity, namely as planners, actors, and determinants of the realization of company goals, thus making humans a company asset that must be maintained, efficiency and productivity increased (Hasibuan, 2016). If the individuals in the company, namely its human resources, can run effectively, the company will continue to run effectively.

PT Bank Mandiri (Persero) Tbk Aceh Functional Office is one of the work units of Bank Mandiri which has the task of resolving problematic loans after the merger of conventional banking with sharia banking in Aceh. Changing a conventional bank business into a Sharia bank is a form of conversion. In Financial Services Authority Regulations (POJK) Number 16 of 2016, conventional banks are allowed to change their business activities to become Sharia banks, but Sharia banks are prohibited from converting to conventional banks. The process of converting conventional banks to sharia banks in Aceh was first carried out by converting the conventional system to the sharia system in each sharia business unit which was then merged into Bank Syariah Indonesia.

The Aceh Functional Office is tasked with resolving problematic (bad) loans that are not converted to Sharia banks. Thus, the Aceh Functional Office only functions as a place for debtor credit settlement and does not serve banking transactions like other branches. For almost 3 years operating as a Functional, performance unit of PT Bank Mandiri (Persero) Tbk Aceh Functional Office can be said to be not very good where there has been a decrease in the number of paid accounts, considering that the task of the Aceh functional office is to resolve problematic loans..



Source: PT Bank Mandiri (Persero) Tbk Aceh Functional Office

Figure 1 Performance of PT Bank Mandiri (Persero) Aceh Functional Office

Innovation is a key factor that affects the performance of organizations. To innovate successfully, organizations must possess a detailed and comprehensive understanding of their work processes. During the process of creating new knowledge, organizations try to improve their work methods. Innovation depends heavily on knowledge, which is a much deeper field than data, information, and traditional logic. The knowledge power lies in its subjectivity, which is based on the values and assumptions that underlie the learning process. In the credit settlement process, there are several innovations carried out by employees and leaders, such as settlement with reduced interest and fines where Bank Mandiri offers credit settlement by only paying the principal debt, this right is carried out to accelerate credit settlement in Aceh. Apart from that, Bank Mandiri is also speeding up the auction process for debtor collateral that has a high market value. The survey results indicate that the overall innovation score is good, with an average score of 3.71. However, certain indicators have relatively lower scores, particularly the indicator of idea promotion innovation. This suggests that there is still room for improvement when it comes to employee

innovation, as per the pre-survey results.

The next factor that influences performance is competence. It is the ability to carry out a task based on skills and knowledge and is supported by the work attitudes required by the job. Competencies relate to abilities, knowledge, and skills to be able to encourage and assist in completing work according to the desired targets. Competency limits or specific competencies for a job are patterns or combinations in employee selection. Task transfer planning, performance evaluation, and development (Sriekaningsih & Setyadi, 2015). Based on the survey, it is known that the average competency score is good, namely 3.95. However, there are still indicators that have a low relatively average value, namely trait indicators. This shows that employee competency is still not optimal.

The performance of an organization is influenced by various factors, one of which is Knowledge Management (KM). To face environmental changes and achieve success, an organization must effectively manage its knowledge. Leaders use performance evaluations to determine if employees are fulfilling their duties and responsibilities. The steps taken to represent performance are dependent on the current state of the organization being observed. According to survey results, the average score for KM is good, at 3.58. However, there are certain indicators, such as internalization and externalization, that have relatively average or low values, indicating pre-survey results suggest that KM is not yet optimal.

The KM system development is considered to be the most successful management solution for organizations. KM primarily focuses on identifying and utilizing the knowledge possessed by an organization to enhance its competitive capabilities (Andreeva & Kianto, 2012). Human Resources (HR) is perceived as a fundamental investment, economic investment, and basic capital to drive a company. Management emphasizes managing the knowledge possessed by HR so that it can be transformed into productive and innovative knowledge in the form of ideas, concepts, and theories. This is expected to generate valuable insights for the company (Gao, Li, & Clarke, 2008).

2. LITERATURE

Organizational Performance

Organizational performance, also known as company performance, is a measure of the level of achievement that an organization can attain. This reflects how successful the managers or entrepreneurs are in their roles. In essence, organizational performance is the desired outcome of the organization based on the behavior of its members (Meirina & Dewi, 2021). (Muis, Jufrizen, & Fahmi, 2018) conducted research that showed that performance is the outcome of the work that an individual or a group of individuals in an organization can achieve by following their respective authority and responsibilities. They must achieve the intended goal in a legitimate manner while adhering to ethical norms. (Dessler, 2020) explains that performance is a standard that contains a series of goals that an organization hopes its employees can achieve based on their main tasks, functions, and responsibilities. A public organization's activities have high accountability if the activity is considered correct and follows the values and norms that develop in society. Five indicators of organizational performance according to (Kashefi et al., 2014) include:

1. Service, shows how much service is provided.
2. Economics, shows whether the costs used are cheaper than planned
3. Efficient, shows the comparison of results achieved with expenditure

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4. Effectiveness, shows the comparison of the results should be with the results achieved
 5. Equity, indicates the potential fairness level of the resulting policy.

Innovation

Innovation is a complex process that involves utilizing one's knowledge, skills, and experience to create or improve products that offer significant value. It can be a novel idea, a new theory, hypothesis, or method for managing an organization or business. Innovation can take place at different levels: it can be new for individuals or companies, new for the market, for a particular country or region, or even for the entire world. In other words, innovation is not limited to a particular domain but can be applied in various fields. When we talk about innovation, we refer to the ability to apply creativity to something that can be implemented and provides added value to available resources. Innovation is a key driver of progress and development in modern society, and it plays a crucial role in keeping individuals and organizations competitive in a rapidly changing world. (Janssen, 2000) identifies four indicators of innovative behavior:

1. Idea generation
2. Idea promotion
3. Idea implementation

Competency

Competency refers to an individual's ability to perform a task or job based on their skills, knowledge, and work attitudes. According to (Wibowo, 2019), competence is a fundamental characteristic that directly influences the quality of performance. In other words, exceptional performers demonstrate competence more frequently, in more diverse situations, and with better outcomes than average performers (Zainal, Ramly, Mutis, & Arafah, 2015). (Fadillah, Sulastini, & Hidayati, 2017) identified several indicators that influence competence, namely :

1. Personal character (traits), is a physical characteristic and a consistent reaction or response to a situation or information.
2. Self-concept, is a set of attitudes, value systems, or self-image that a person has.
3. Knowledge, is the information a person has about a certain specific area.
4. Skills, are the ability to perform a specific set of physical or mental tasks.
5. Work motivation (motives), is something that a person consistently thinks or desires, which will then direct, guide, and choose a certain behavior toward a number of actions or goals.

Knowledge Management (KM)

Knowledge, as explained by (Ooi, 2014) is an intangible asset that is almost impossible to imitate and is seen as a competitive instrument that must be managed effectively by every organization. Although many have discussed the importance of knowledge in management, relatively few have paid attention to the process of creating and managing knowledge. In the process of creating this knowledge, knowledge can then be differentiated into two categories, namely, tacit knowledge and explicit knowledge. According to (Nonaka, Krogh, & Voelpel, 2000), KM has four indicators, namely:

1. Socialization
2. Externalization
3. Combination

4. Internalization

3. METHOD

This study population was all employees of PT Bank Mandiri (Persero) Tbk Aceh Functional Office, namely 102 employees. Samples were taken using census techniques, so the sample also numbered 102 (respondents). Data were processed using Structural Equation Modeling (SEM) through AMOS for the direct effect test, and the Sobel test through the Sobel calculator for the indirect effect test. The hypotheses to be tested are :

H1 : KM influences Innovation

H2 : KM influences Competency

H3 ; KM influences Organizational Performance

H4 : Innovation influences Organizational Performance

H5 : Competency influences Organizational Performance

H6 : Innovation mediates the KM’s impact on Organizational Performance

H7 : Competence mediates the KM’s impact on Organizational Performance

4. RESULTS AND DISCUSSION

Hypothesis test

Table 1. Regression

	Influence	Estimate	S.E	CR	P
Innovation	<--- Knowledge_Management	.663	.105	6.519	***
Competence	<--- Knowledge_Management	.651	.103	5.620	***
Organizational_Performance	<--- Knowledge_Management	.354	.102	3.227	.001
Organizational_Performance	<--- Innovation	.313	.100	3.000	.009
Organizational_Performance	<--- Competence	.402	.088	4.010	***

Source: Processed Primary Data, (2023)

KM towards Innovation (H1)

KM effect test on innovation produces CR 6.519 with p 0.000, explaining the KM affects innovation. The effect size of KM on Innovation is 0.663 or 66.3%, which indicates improving KM will have a positive and real influence on increasing Innovation.

KM towards Competency (H2)

KM effect test on Competency produces CR 5.620 with p 0.000, meaning that KM affects competence. The effect size of KM on Competency is 0.651 or 65.1%, which indicates improving KM will have a positive and real influence on increasing Competency.

KM towards Performance (H3)

KM effect test on Organizational Performance produces CR 3.227 with p 0.001, explaining that KM influences Organizational Performance. The effect size of KM on Organizational Performance is 0.354 or 35.4%, which indicates the better the KM, the greater the organizational performance will be.

Innovation towards Performance (H4)

innovation effect test on organizational performance produces CR 3,000 with p 0.009, revealing that Innovation influences Organizational Performance. The effect size of Innovation on Organizational Performance is 0.313 or 31.3%, which indicates the higher the level of Innovation, the greater the organizational performance will be.

Competence towards Performance (H5)

The influence of competency on organizational performance produces CR 4.010 with p 0.000, figuring that Competency influences Organizational Performance. The effect size of Competency on Organizational Performance is 0.402 or 40.2%, which indicates the higher the competency, the higher the performance.

KM towards Performance through Innovation (H6)

Based on the Sobel calculation, the outcome was 3.035 and was significant at $\alpha = 0.003$. This implies that Innovation functions as an intermediate variable between KM and Performance. Therefore, since Innovation acts as a mediator variable, and KM also affects Performance, so the Innovation role in mediating KM’s impact on Performance is considered partial. This means that KM can affect Performance both directly or through Innovation.

Table 2. Sobel Test of H6

	Input:		Test statistic:	Std. Error:	p-value:
a	0.640	Sobel test:	3.03519622	0.07380083	0.00240379
b	0.350	Aroian test:	3.00493545	0.07454403	0.00265637
s _a	0.105	Goodman test:	3.06639001	0.07305007	0.00216661
s _b	0.100	Reset all	Calculate		

KM towards Performance through Competency (H7)

Based on the Sobel calculation, the outcome was 3.655 and was significant at $\alpha = 0.000$. This implies that Competence functions as an intermediate variable between KM and Performance. Thus, Competence acts as a mediator between KM and Performance. Therefore, since Competency acts as a mediator, and KM affects Performance, so the Competency role in mediating KM’s impact on Performance is considered partial. This means that KM can affect Performance both directly or through Competence.

Table 3. Sobel Test of H7

	Input:		Test statistic:	Std. Error:	p-value:
a	0.640	Sobel test:	3.65547988	0.070382	0.0002567
b	0.402	Aroian test:	3.62437955	0.07098594	0.00028966
s _a	0.105	Goodman test:	3.68739481	0.06977284	0.00022656
s _b	0.088	Reset all	Calculate		

5. CONCLUSION

The results above conclude as follows.

- 1) KM influences Innovation at PT Bank Mandiri (Persero) Tbk Banda Aceh Functional Office.

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- 2) KM influences Competency at PT Bank Mandiri (Persero) Tbk Banda Aceh Functional Office.
 - 3) KM influences Organizational Performance at PT Bank Mandiri (Persero) Tbk Banda Aceh Functional Office.
 - 4) Innovation influences organizational performance at PT Bank Mandiri (Persero) Tbk Banda Aceh Functional Office.
 - 5) Competency influences organizational performance at PT Bank Mandiri (Persero) Tbk Banda Aceh Functional Office.
 - 6) Innovation partially mediates the KM's impact on Organizational Performance at PT Bank Mandiri (Persero) Tbk Banda Aceh Functional Office.
 - 7) Competence partially mediates the KM's impact on Organizational Performance at PT Bank Mandiri (Persero) Tbk Banda Aceh Functional Office.

These results are a premise that can be used for theory development and strengthening previous concepts. Limitations exist in the variables studied. Several survey results map out recommendations for research subjects as follows.

1. To improve the performance, there are several variables that companies can focus on. Firstly, for the KM variable, the company needs to expand its sales area so that the product is available in many stores close to the customer's location. This will help the company to provide better access to its products and improve customer satisfaction.
2. Secondly, for the Innovation, companies needs to try to create innovations more often through social media with interesting content so that customers feel interested in seeing the advertisements that are displayed. This strategy can help the company to attract more customers and retain existing ones.
3. Thirdly, for the Competency variable, companies can increase engagement with customers by creating every product that customers need. In this way, a bond will be established between the company and its customers, which can lead to increased loyalty and customer satisfaction.
4. Finally, to improve organizational performance, companies can focus on increasing competence, as satisfaction has the greatest influence on loyalty. By providing quality products, services, and support, companies can improve customer satisfaction, which can lead to increased loyalty and better organizational performance overall.

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