The Influence of Organizational Culture, Knowledge and Social Capital Management Strategies on Small and Medium Business Performance in The Food Industry

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ABSTRACT

The research topic is to examine the influence of organizational culture, knowledge management strategies and social capital on business performance in small and medium-sized businesses in the food industry. The research method is quantitative by using the SEM methodology and primary data taken using a questionnaire. The population in this study is food industry SMEs in DKI Jakarta by 200. The research respondents were directors, managers and decision makers. The results of hypothesis testing indicate that organizational culture and knowledge management strategies on business performance in small and medium businesses have a positive and significant impact. While the results of testing the social capital hypothesis on business performance are positive but not significant. The next research is recommended to take respondents at the company or corporation level. The next research is suggested to add qualitative research so that it deepens the conclusions obtained.

Keywords: Knowledge management strategies; social capital; organizational culture of performance business.
INTRODUCTION

The world is changing more rapidly where the economic transformation from traditional based to digital based economy is influenced by social, economic, political, technological, demographic and cultural factors (Zhao et al., 2015). Organizational culture is a shared meaning that distinguishes an organization from other organizations (Zhu, 2015). Organizational culture implements innovation and inhibits change (Ramli, 2010; Ramli, 2012a). Besides organizational culture distinguishes organizations is knowledge management (Tortoriello et al., 2012; Ramli, 2012b) which shares their knowledge voluntarily in the world virtual. The internet is an inexpensive medium for sharing knowledge and information in improving business performance (Chang & Chuang, 2011). Improving business performance requires not only organizational culture and knowledge management strategies but social capital can create competitive advantages for companies (Ou et al., 2015; Ramli, 2013; Ramli & Sjahruddin, 2015; Mariam, 2016) social capital gains a far greater market share than competitors (Mariam & Ramli, 2017; Ramli, 2016a; Ramli, 2016b).

Small and medium-sized businesses (SMEs) play a role in creating jobs, contributing taxes, exports, import revenues and playing a role in the development of human resources (Parnel et al., 2015). UKM has greater competition for the implementation of the ASEAN Economic Community (AEC) and Asean Economic Community (AEC) Wahyudi (2015). The phenomenon in this study is how SMEs continue to live in uncertain competition (Takaya, Ramli & Lukito, 2019; Wahyudi, 2015; Ramli, 2017a) integrated with the ASEAN free market. Previous studies have influenced factors that influence competitive advantage for startup companies (Cai et al., 2016). The effect of entrepreneurial orientation on competitive advantage in financing (Zeebare et al., 2017). The influence of social capital, knowledge sharing and innovation on competitive advantages in tourism (Kim et al., 2018).

This research is about the influence of organizational culture, knowledge management strategies and social capital to the performance of small and medium-sized businesses in the food industry.

Therefore, Small and Medium Enterprises efforts to stay ahead of competitors cannot be delayed anymore (Ramli 2017a; Mariam & Ramli, 2019; Ramli, 2017b). The efforts of SMEs
to win the competition require organizational knowledge and culture (Heidrich & Chandler, 2015) culture has an impact on the organization. Organizations can compete by maximizing knowledge management assets (Eze et al., 2013). Organizations apply knowledge management as part of business performance strategies. Social capital relates to more stable work relationships among employees (Fonti & Maoret, 2016; Ramli, 2018; Ramli, 2019) such as trust, routine work more efficient in improving business performance (Ramli & Yudhistira, 2018).

This research will fill the gap of previous studies that examine the influence of organizational culture, knowledge management strategies and social capital on business performance.

**Formulation of The Problem**

1. Is there an influence of knowledge management strategies on organizational culture?
2. Is there an influence of social capital on organizational culture?
3. Is there an influence of organizational culture on business performance?
4. Is there an influence of knowledge management strategies on business performance?
5. Is there a social influence on business performance?

**Research Purposes**

1. The influence of knowledge management strategies on organizational culture.
2. The influence of social capital on organizational culture.
5. The influence of social capital on business performance.

**Benefits of Research**

The results of the research are expected to provide input for further research on organizational culture and knowledge management strategies that affect business performance in the food industry SMEs. This research is also expected to be useful in the development of strategic management knowledge.
LITERATURE REVIEW

Effect of Knowledge Management Strategies on Organizational Culture

Human resources are workers who have hidden knowledge and open knowledge (Mladkova, 2011). Knowledge management strategies develop how to deal with uncertain situations to excel in front of competitors (Gardner et al., 2012). Knowledge management strategies become an issue as a management panacea to improve business performance, where organizations cannot be separated from organizational culture (Andreeva & Kianto, 2012). Organizational culture focuses on cultural attitudes themselves that involve values and are firmly held by workers in the organization (Prajigo & McDermott, 2011). Culture influences the Qibla management of the organization internally and externally through knowledge management (Laforet, 2016). The organization acts as a cognitive behavior and emotional intuition movement that is learned, adapted and integrated to overcome problems in the organization (Taylor, 2014). The accepted culture is considered tested and then passed on to a new generation to improve thought patterns, perceptions and to overcome problems that can ultimately improve performance.

Effect of Social Capital on Organizational Culture

Social capital refers to resources originating from social relationships (Payne et al., 2011). Social capital related to relationships and cooperation that is formed between individuals or companies (Ramli & Maniagasi, 2018; Puteri & Ramli, 2017). Social capital in this case can be defined as a concept that represents the assets and obligations that are not in the form of material and influencing cooperation between individuals or companies (Eklinder-Frick et al., 2014). Culture acts as an emotional intuition movement learned by groups or organizations to overcome problems (Zhu, 2015) and influences the direction of management internally and externally Social capital has integrity that can help companies to develop and foster healthy relationships with customers, suppliers and stakeholders (Gong et al., 2015). Integrity is seen as a core value that is embedded in corporate culture (Monga, 2016).

H2: There is an Influence of Social Capital on Organizational Culture
The Effect of Organizational Culture on Business Performance

Organizational culture focuses on the internal culture of the organization (Robbins & Judge, 2013) to innovate in improving business performance. Organizational culture is easy to adapt to an uncertain business environment (Taylor, 2014) easily solve problems and integration. Organizational culture is related in decision making, structured leadership, corporate vision and mission in improving company performance (Zhu, 2015).

**H3:** There is an influence of organizational culture on business performance

Effect of Knowledge Management Strategies on Business Performance

The knowledge management strategy is developing ways to integrate knowledge management resources resulting in superior business performance (Gardner et al., 2012) even in the face of uncertain competition for survival and winning competition and improving business performance.

**H4:** There is an influence of knowledge management strategies on business performance.


Business performance is the actual result of the strategy management process (Agha et al., 2012) including customer satisfaction, employee satisfaction and social and environmental performance. Social capital according to Galunic et al., (2012) brings individual benefits such as power, job achievement, career advancement and innovation in improving business performance. Social capital produces excellence (Chang et al., 2010) excellence in creativity related to new products, marketing, finance and overall business performance. The more social capital an organization has, the easier it is to achieve the expected business performance.

**H5:** There is an influence of social capital on business performance
Conceptual framework

**Figure 1:** Conceptual Framework

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**RESEARCH METHODS**

**Research Design**

Research is the process of finding solutions to a problem by studying and analyzing various situational factors (Sekaran & Bougie, 2013). This study aims to test hypotheses and describe the results of research quantitatively. Data is only collected once for a certain period of time. Data collected in the form of primary data.

**Variable Measurement**

The measurement of this research variable was adopted and adapted from a questionnaire from previous studies. Four questionnaires were developed to accommodate four research variables namely knowledge management strategies, social capital, organizational culture and business performance. Alternative measurement of each respondent’s choice using a Likert scale.
**Method of Collecting Data**

This study uses primary data obtained through surveys. Population refers to the whole group of people, events or interesting things that researchers want to investigate (Sekaran & Bougie, 2013). The population in this study were all food industry SMEs in DKI Jakarta. Based on data from BPS, 2016 there are 200 food industry SMEs. Anticipating the number of questionnaires that were not returned was 200 samples. From the data collected, all of them could be analyzed.

Respondents of this study are directors, managers and decision makers. The data used are primary data in the form of perceptions from the chief director, manager and decision maker obtained through questionnaires or questionnaires.

**Data Analysis Method**

This study uses causality models to test the proposed hypothesis. Multivariate statistics are used to calculate correlations between variables (Everitt & Dunn, 2013). Data obtained from the distribution of questionnaires will be calculated to get the variance, covariance, mean and correlation between variables.

Before the data is entered into the SEM calculation, each of the variables used will be tested for normality, validity and reliability individually before using SPSS.

This is done to ensure the feasibility of the variable to be used.

The data analysis method used is SEM (Structural Equation Modeling) through linear structural statistical (LiSREL) software. SEM is multidimensional, regression and can help measure indicators and measure the impact of the relationship between the factors that have been identified dimensions.
RESEARCH RESULTS AND DISCUSSION

Hypothesis Testing

Table 1: Hypothesis test results of Knowledge Management Strategies Against Organizational Culture

<table>
<thead>
<tr>
<th>Impact Between Latent Variables</th>
<th>Path Coefficient</th>
<th>t-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Knowledge Management Strategy - Organizational culture</td>
<td>0.46</td>
<td>5.80</td>
</tr>
</tbody>
</table>

Based on the results obtained, it is known that the Knowledge Management Strategy has a direct impact on organizational culture with a t-value of 5.80 (t-value > 1.96), which means that hypothesis 1 is accepted. The impact of knowledge management strategies on organizational culture is positive and significant. The higher / positive knowledge management strategy, the higher / positive organizational culture. As for the large impact of the partial knowledge management strategy on organizational culture is 0.46.

Table 2: Results of the hypothesis testing of Social Capital Against Organizational Culture

<table>
<thead>
<tr>
<th>Impact Between Latent Variables</th>
<th>Path Coefficient</th>
<th>t-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Capital - Organizational culture</td>
<td>0.37</td>
<td>4.86</td>
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</tbody>
</table>

Based on the results obtained, it is known that direct social capital on organizational culture with a t-value of 4.86 (t-value > 1.96), which means that hypothesis 2 is accepted. The impact of social capital on organizational culture is positive and significant. positive social capital, the higher / positive organizational culture. As for the large partial impact of social capital on organizational culture is 0.37.
Table 3: Results of hypothesis testing Organizational Culture on Business Performance

<table>
<thead>
<tr>
<th>Impact Between Latent Variables</th>
<th>Path Coefficient</th>
<th>t-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organizational culture -&gt; Business Performance</td>
<td>0.12</td>
<td>2.14</td>
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</tbody>
</table>

Based on the results obtained, it is known that organizational culture directly on business performance with a $t$-value of 2.14 ($t$-value $> 1.96$), which means hypothesis 3 is accepted. The influence of organizational culture on business performance is positive and significant. Meaning the higher/positive, the higher/positive the organizational business performance. As for the great influence of organizational culture on business performance is 0.12.

Table 4: Results of hypothesis testing Knowledge Management Strategies on Business Performance

<table>
<thead>
<tr>
<th>Impact Between Latent Variables</th>
<th>Path Coefficient</th>
<th>t-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Knowledge Management Strategy -&gt; Business Performance</td>
<td>0.81</td>
<td>7.62</td>
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</tbody>
</table>

Based on the results obtained, it is known that organizational culture directly on business performance with a $t$-value of 7.62 ($t$-value $> 1.96$), which means hypothesis 4 is accepted. The influence of knowledge management strategies on business performance is positive and significant. Positive knowledge management strategy, the higher/positive business performance. As for the large partial influence of knowledge management strategies on business performance of 0.81.
Table 5: Results of the hypothesis testing of Social Capital on Business Performance

<table>
<thead>
<tr>
<th>Impact Between Latent Variables</th>
<th>Path Coefficient</th>
<th>t-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Capital -&gt; Business Performance</td>
<td>0.055</td>
<td>1.01</td>
</tr>
</tbody>
</table>

Based on the results obtained, it is known that Social capital directly on business performance with a t-value of 1.01 (t-value <1.96), which means hypothesis 5 is rejected. The influence of social capital on business performance is positive but not significant. Social capital, the higher / positive business performance, but the increase is not significant. As for the large effect of social capital on business performance is 0.055. This shows that the magnitude of the impact of social capital on business performance is not significant.

CONCLUSIONS

The purpose of this research is to find a general description of the influence of organizational culture, knowledge management strategies and social capital on the performance of small and medium-sized businesses in the food industry. Based on testing the hypothesis and the previous discussion, the results of this study can be concluded:

Knowledge management strategies have a positive and significant impact on organizational culture in small and medium-sized businesses in the food industry.

Social capital influences the organizational culture of small and medium businesses in the food industry. This shows that positively improving the effectiveness of social capital will improve organizational culture in improving the performance of small and medium-sized businesses in the food industry.

Organizational culture influences the performance of small and medium business enterprises in the food industry. This shows that the improvement of organizational culture will be able to improve the performance of small and medium business businesses in the food industry.

Knowledge management strategies have a positive and significant effect on the performance of small and medium business enterprises in the food industry. The more
dominant dimension of knowledge management is information and communication technology.
This study shows the effect of social capital on business performance is positive but not significant. Means that the higher the social capital, the higher / positive business performance, but the increase is not significant.

Research Implications
Theory implications: this research contributes to existing research on knowledge management strategies. This research is about the effect of knowledge management strategy variables with business performance variables on small and medium businesses in the food industry. This research found a new contract of influence between social capital and business performance in SMEs.
Managerial Implications: improve knowledge management strategies by paying more attention to the dimensions of information and communication technology because they are dominant.

Limitation
This research has not compared business strategies in companies or corporations so that the role of strategies cannot be known in more complex business activities.

Suggestion
The next research is recommended to take respondents at the company or corporation level. The next research is suggested to add qualitative research so that it deepens the conclusions obtained.

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