

The Influence of Strategic Orientation, Knowledge Management and Innovation on Firm Performance FMCG Industries

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Abstract - The purpose of this research is to analyze and identify the influence of a strategic orientation which is divided into market orientation, technology orientation, entrepreneurial orientation, and knowledge management on firm performance with innovation as an intervening variable. This research was conducted at 58 FMCG listed companies (Bursa Efek Indonesia) with the data collection method in the form of a questionnaire. The sample in the study amounted to 58 respondents consisting of leaders in FMCG companies listed on the IDX. The data analysis method used in this study is Partial Least Square Structural Equation Modeling (PLS-SEM) with SmartPLS Version 3 program. Data analysis was carried out by evaluating the measurement model (outer model) and structural model (inner model). The results showed that FMCG companies that prioritize innovation and have a good entrepreneurial orientation will increase firm performance, besides that FMCG companies are able to carry out market orientation so that they find what market needs are accompanied by innovation which will increase firm performance. The results also show that technology orientation and knowledge management do not play a role in creating innovation and have no effect in increasing firm performance.

Keywords: Strategic Orientation, Knowledge Management, Innovation, Firm Performance, FMCG.

I.INTRODUCTION

Preliminary

In line with intense competition around the world and increasing changes in many business sectors in terms of product quality, technology, the mentality of corporate leaders, idea processing, companies need to renew themselves by utilizing existing competencies and exploring new things. One of the industries that is the main growth factor for Indonesia is the home industry or what is commonly called the fast moving consumer goods industry based on data from the Kantar World Panel (2019). The FMCG industry itself is an industry engaged in the needs of the community whose transactions move very quickly. Several FMCG companies are registered in Burse Efek Indonesia or that are already well known by the Indonesian public, such as Mayora, Indofood, Kino Indonesia and Unilever.

FMCG itself is also one of the industries that drives Indonesia's economic growth. In general, the growth model in Indonesia is influenced by several sectors, namely household

consumption, investment, government spending, other expenses, and export and import. In other words, if household consumption decreases, the gross domestic product which is commonly referred to as Indonesia's GDP will also decline (Kusumawardhani, Srinadi, & Susilawati, 2012).

Information obtained from the Kantar World Panel (2019) reveals that even though the FMCG market in recent years has tended to stagnate, it is very helpful for the economy in Indonesia, with a stagnant state this is the urgency for every FMCG company to be able to provide products according to customer needs to be able to grow well through brands that consumers can trust.

Changes also occur in consumers in Indonesia, namely towards a more favorable and rational way of consuming FMCG, as a result of this research FMCG companies cannot expect their companies to grow organically, but FMCG companies must compete to be the choice of consumers who can has an impact on company performance (Kantar World Panel, 2019).

2017 is the year where the sales growth rate is the lowest, the decline in the growth rate of the company "FMCG in Indonesia can be seen for the food and beverage consumer goods industry sector which only experienced a growth of 2.9% in 2017 in contrast to 2016 which could grow by 8.2%) . Meanwhile, in the non-food and beverage sector, growth in 2017 was only 1.8%, compared to growth in 2016, namely 6.7% Nielsen (2018).

With the emergence of a phenomenon where the decline in the level of sales growth of FMCG results in not only FMCG companies that find it difficult to stem existing costs, because the performance of a company determines whether the company can survive, or will grow. This phenomenon of decreasing growth rate also has an impact on retail which has resulted in several outlets such as hypermarkets and convenience markets experiencing a setback, even closing Timrisetdetikcom outlets (2018).

Every company definitely needs a profit to cover each of its operational costs, it can be ensured that every year the operational costs will definitely increase both from salaries, electricity, water and other expenses, this encourages the

company to have good performance and must have good business growth as well.

In a survey from Nielsen (2018) there is another phenomenon, namely the increase in the price increase of each product is higher than the volume growth that exists, even the price increase of the FMCG industry is higher than the inflation rate each year, this price increase is like an option and solution an FMCG company to continue to have performance in sales growth in value by setting a number that did not drop from last year's business, but only made it a cover for the lack of business growth from last year.

In the phenomenon of declining growth in the fast moving consumer goods industry, there are several companies that are able to grow well and achieve the objective figures set by the company, data is obtained from (Nielsen market survey 2017), this data shows that even in times of low growth rates, there are strategies to be able to survive and to keep going in accordance with the company's current objectives.

The strategy to improve a performance from the beginning has been revealed by Penrose (1959) who understands that a company is a collection of productive resources both physically and humanly, besides that the internal side of the company will affect the company's performance which eventually raises the resource theory based view or RBV, along with the development of research, finally there is also a development of the theory into several factors that affect performance, namely strategic orientation and knowledge based view.

Firm performance is a measure of the health of a company, good firm performance can be indicated by an increase in financial performance and also an increase in sales (Ratnawati, Soetjipto, Murwani, & Wahyono, 2018), besides that the main focus of a strategic management is realizing a competitive advantage, which refers to a better performance than existing competitors, so that firm performance is also defined as the main focus that each company wants to achieve which makes it the main target of the running of a company (Na & Kang, 2019).

Based on the importance of a good firm performance in a company, previous research explains that there are factors that affect firm performance, namely research conducted by Kocak, Alan, and Oflazoglu (2017) showing that market orientation, technology orientation, entrepreneurial orientation affect firms. performance. This study also discusses the ability of innovation to mediate the influence of market orientation, technology orientation, entrepreneurial orientation on firm performance.

Market orientation includes the use of company expertise to be able to satisfy customers and respond to environmental changes with superior performance goals (Shariff, Ahmad, & Hafeez, 2017), Technology orientation also makes a major contribution to improving business performance (Salojarvi, Ritala, Sainio, & Saarenketo, 2015), Obeidat (2016) in his

research revealed that market orientation, technology orientation and innovation can influence firm performance.

Entrepreneurial orientation is defined as the desire of an organization to find and accept new opportunities and implement changes as a result (Zehir, Can, & Karaboga, 2015), in their research Ho, Plewa, and Lu (2016) reveal that firm performance in a company is determined by the courage of a company. Companies take risks in this case discussing entrepreneurial orientation. Dehghan and Pool (2015) in their research analyzed several factors that influence firm performance, including entrepreneurial orientation, market orientation and innovation.

Another factor that can affect firm performance is knowledge management which is the result of the KBV theory (Byukusenge, Munene, & Orobia, 2016). Knowledge management is the identification and analysis of any knowledge held to achieve the objectives of a company. This study reveals that knowledge management can improve firm performance. Byukusenge, Muene, and Orobia (2016) also examined the ability of innovation to mediate the influence of knowledge management on firm performance.

Discussing the importance of innovation in companies, research from Migdadi, Zaid, Yousif, Almestarihi, Alhyari (2017) defines innovation as the company's ability to continuously change knowledge and ideas into new products, processes and systems that can provide benefits. to the company and other stakeholders. In his research also revealed that innovation has an influence on firm performance. Omoush (2019) in his research suggests that there is an influence from innovation and knowledge management that can improve firm performance.

Based on previous research, there is no or very rare research that links the overall combination of the direct effects of the strategic orientation which is a derivative of the RBV theory with KBV, which is the development of the RBV theory simultaneously on firm performance. The strategic orientation used is the market orientation, technology orientation, entrepreneurial orientation and KBV used is knowledge management.

In addition, there are no studies that use innovation as a mediating variable to measure the indirect effect of the relationship between market orientation, technology orientation, entrepreneurial orientation, and knowledge management on firm performance simultaneously in a study.

This study also combines two theoretical derivatives of RBV, namely the strategic orientation theory represented by market orientation, technology orientation, entrepreneurial orientation and KBV theory represented by knowledge management in this study, to test their effect on firm performance in the FMCG industry.

Research conducted in the FMCG industry sector in Indonesia has not been found, so this research contributes to the development of the RBV and KBV theory in the FMCG

industry, besides research on the FMCG industry by linking the influence of market orientation, technology orientation, entrepreneurial orientation and knowledge management on firm performance. with innovation as a mediation has not been found or is still very minimal.

FMCG is actually a product that is ready for use by consumers, therefore orientation strategies related to product development such as market orientation, technology orientation, entrepreneurial orientation, knowledge management, and innovation are used as performance measuring variables of the FMCG industry. Moreover, in previous studies, there was no research on company performance that combined orientation and knowledge management strategies with innovation as a mediation to measure the influence of company performance in the FMCG industry.

Based on the background and referring to the problem, a study entitled "The Influence of Strategic Orientation, Knowledge Management and Innovation on Firm Performance FMCG" will be conducted.

The objectives of the research are:

1. To analyze the effect of market orientation on firm performance.
2. To analyze the effect of technological orientation on firm performance.
3. To analyze the effect of entrepreneurial orientation on firm performance.
4. To analyze the effect of knowledge management on firm performance.
5. To analyze the effect of innovation on firm performance.
6. To analyze the effect of market orientation on innovation.
7. To analyze the effect of technological orientation on innovation.
8. To analyze the effect of entrepreneurial orientation on innovation.
9. To analyze the effect of knowledge management on firm performance.
10. To analyze innovation, which mediates the effect of market orientation on firm performance.
11. To analyze innovation which mediates the effect of technological orientation on firm performance.
12. To analyze innovation, which mediates the effect of entrepreneurial orientation on firm performance.
13. To analyze innovation which mediates the effect of a strategic orientation on firm performance.

II. THEORETICAL BASIS AND THE FORMULATION OF HYPOTHESIS PERFORMANCE

The main focus of a strategic management is to realize a competitive advantage, which refers to a better performance than existing competitors, so that firm performance is also defined as a main focus to be achieved by every company

which makes it the main target of the running of a company (Na & Kang, 2019).

In general, the measurement of firm performance in a previous study is divided into 2 sizes, namely financial and non-financial performance. Non-financial performance such as innovative performance, production performance and marketing performance (Ratnawati, Soetjipto, Murwani, & Wahyono, 2018).

A good firm performance will affect the growth and competitive advantage of the company. Abiodun and Kida (2016) also measure firm performance in several dimensions, namely based on satisfaction, strategy, and finance.

Relationship between Market Orientation to Firm Performance

Answering market needs that affect the performance of a company Migdadi et al (2017) through their research reveals that market orientation has a significant effect on firm performance, this is in line with research conducted by Oflazoglu (2017) showing that market orientation affects firm performance in this study conducted at SME companies in Turkey.

Market orientation can be referred to as the main strategic element that is able to increase the adaptability of a company in a dynamic market environment. Choi (2014) in his research, researchers found that there is a significant influence between market orientation on firm performance. Research that produces a significant effect of market orientation on firm performance is also presented by research from (Ali, Leifu, & Rehman 2016).

Relationship Between Technological Orientation to Firm Performance.

Salojarvi, Ritala, Sainio, and Saarenketo (2015) in their research revealed that there was a significant effect of the relationship between technology orientation on firm performance, this research was conducted on 100 private companies in Europe. Research conducted by Shin and Lee (2016) shows that technological orientation has an effect on firm performance. This research was conducted at companies located in Seoul, South Korea.

Technology-oriented companies are trying to obtain the latest process systems and products that can boost the performance of a company Ansari, Bedder, and Chen (2015), in their research Ansari, Bedder, and Chen (2015) also get results, namely there is an influence from technological Orientation to firm performance was conducted in a marketplace in Dubai.

The Relationship Between Entrepreneurial Orientation to Firm Performance

Realizing the impact of the influence of entrepreneurial orientation on firm performance to continue to be able to compete at the highest level and get good achievements in the performance of a company, therefore Hussain et al (2017)

examined the effect of entrepreneurial orientation on firm performance in 367 small and medium enterprises which exist in Pakistan, and get the result that there is a significant positive influence between the influence of entrepreneurial orientation on firm performance.

Thanos, Dimitratos, and Sapouna (2017) state the results where entrepreneurial orientation affects firm performance. A company is recommended to be able to continuously seek new opportunities in the existing competition, and be able to adopt new innovative ideas and be willing to take risky decisions. Similar results were also obtained in research by Mohammad, Massie, and Tumewu (2019), and Dehghan and Pool (2015) which revealed that entrepreneurial orientation had a significant effect on firm performance.

The Relationship Between Knowledge Management to Firm Performance.

Implementation of effective knowledge management can result in increased productivity, employee and customer satisfaction, as well as a response to environmental challenges so as to improve the performance of a company. These results were conveyed by Iqbal, Latif, Marimon, Sahibzada, and Hussain (2018) that knowledge management has a significant positive effect on company performance.

Other research results that support the influence of knowledge management on firm performance are research from Migdadi, Zaid, Yousif, Almestarihi, Al-hyari (2017). This research was conducted on 210 manufacturing companies and service companies in Jordan, and got the results, namely knowledge management. has a significant effect on firm performance. Other supporting research is research from Dzenopoljac and Bontis (2018) which reveals in research conducted at companies in Kuwait, the results show that knowledge management has a significant effect on firm performance.

The Relationship between Innovation to Firm Performance

Nowadays innovation is a benchmark for the development of a company, this is also stated by research conducted by Anim, Agbemabiese, Acheampong, Adams, Boakye (2018) admitting and getting results that innovation has a significant effect on firm performance, this research was conducted at fashion companies Which is located in Ghana.

The capability of a company to innovate will have an impact on firm performance and stakeholders in a company. Mohammad, Massie, and Tumewu (2019), in the study also revealed that innovation has a significant effect on firm performance, the results of this study are also supported by research from Juárez. , De Lema, and Guzmán, (2016) with the result that innovation has a significant effect on firm performance.

The Relationship between Market Orientations to Innovation

The success of innovation is often related to a market orientation where a company is able to create its products and services so that it finds what consumers need. Migdadi et al., (2017) in their research reveals that there is a significant effect

of market orientation on innovation. Similar results are also revealed by research conducted by Kocak, Alan, and Oflazoglu (2017) which reveal that there is a significant relationship between market orientation and innovation.

Research conducted by Na and Kang (2019) regarding the influence of market orientation on innovation carried out in South Korea in the fashion industry found that market orientation has a significant positive effect on innovation. In addition to this, a similar result was also stated by Anim et al (2018) that market orientation has a significant positive effect on firm performance, this research was conducted on the fashion industry in Ghana.

The Relationship Between Technological Orientation to Innovation

Technology orientation is able to lead a development in a more innovative direction, technology orientation is also able to create products that can compete with competitors and become a differentiator that can increase the competitiveness of Oflazoglu (2017), this research also reveals that there is a significant positive effect of technology orientation towards innovation.

A company that is oriented towards a technology orientation will lead in terms of developing a product and be more innovative, where the product created has the opportunity to be superior to its Obeidat competitor (2016) in its research which reveals that technology orientation has a significant effect on innovation, this research is supported by the results of research conducted by Shin and Lee (2016), namely technology orientation has a significant positive effect on innovation.

The Relationship Entrepreneurial Orientation to Innovation

Song, Ma, and Yu (2019) conducted research on the effect of entrepreneurial orientation on innovation in 209 companies in China, and obtained results, namely that entrepreneurial orientation had a significant positive effect on innovation. Entrepreneurial orientation emphasizes the pursuit of opportunities for an Oflazoglu market potential (2017), research is then carried out to see the effect of entrepreneurial orientation on innovation, and produces a result, namely entrepreneurial orientation has a significant positive effect on innovation.

In his research on telecommunications companies in Jordan Obeidat (2016), the results show that entrepreneurial orientation has a significant positive effect on innovation, a similar result from Dehghan and Pool's research (2015), namely the effect of entrepreneurial orientation on innovation in small and medium enterprises in Iran. , the results of his research resulted in a finding that entrepreneurial orientation has a significant effect on innovation.

The Relationship Knowledge Management to Innovation

The ability of a company to innovate depends on the knowledge management of a company, this is believed by

Omoush (2019) through his research conducted on tourist agency companies that are involved in agency tourist associations in Jordan, the results of his research found that knowledge management has a significant effect on innovation.

Iqbal et al (2018) explain that the implementation of effective knowledge management can produce responses to challenges from the environment so that it can increase efforts to carry out innovation. This study refers to the results that knowledge management has a significant positive effect on innovation. Other research results that support the influence of knowledge management on innovation are research from (Migdadi et al 2017).

The Relationship Market Orientation to Firm Performance Innovation as Mediating

Research conducted by Anim et al., (2018), conducted at fashion companies located in Ghana revealed that market orientation has an effect on firm performance through innovation as a mediating variable, market orientation is widely considered to have a relationship with the success of an innovation. Several studies have revealed that the positive impact of a market orientation on developing new products, starting from the early stages of the product life cycle to additional innovations to support these products, has a direct impact on firm performance (Laforet, 2009).

Jalilvand (2017) conducted a research on factors that affect firm performance at 3 and 4 star hotels located in Isfahan, by looking at the ability of innovation to mediate the effect of market orientation on firm performance, and obtained results, namely that market orientation has a significant effect on firm performance by mediating. by innovation.

The Relationship Technology Orientation to Firm Performance and Innovation as Mediating

A company whose orientation is moving with a Technology orientation is able to retain consumers through products and services with technology that can be used easily and which are superior, technology innovation is also able to lead a more innovative development by presenting the latest technology in the products and services provided (Shin & Lee , 2016), also in his research found that technology orientation has a significant positive effect on innovation and in this research innovation has succeeded in becoming a variable that mediates the effect of technological orientation on firm performance.

Research that links innovation as a mediating variable between the influence of technology orientation and firm performance was also carried out by Obeidat (2016) and obtained results, namely innovation has successfully mediated the effect of technological orientation on firm performance. In line with this research, research from Noble and Sinha (2014) found that innovation can have an effect as a mediating variable on the relationship of technological orientation to firm performance.

Entrepreneurial Orientation to Firm Performance and Innovation as Mediating

Research conducted by Dehghan and Pool (2015) found that entrepreneurial orientation has a significant positive effect on innovation and even exceeds other variables, this study also reveals that innovation can be a mediating variable for the influence of entrepreneurial orientation on firm performance.

In addition, the entrepreneurial orientation owned by a company determines the level of the frequency of innovation carried out by the company, in its research it was found that entrepreneurial orientation has a significant positive effect on innovation (Schindehutte et al., 2008) and innovation has an effect as a mediating variable between entrepreneurial orientation on firms. performance.

Knowledge Management to Firm Performance and Innovation as Mediating

He said that the implementation of effective knowledge management can result in an increase in productivity, employee and customer satisfaction, as well as a response to challenges so as to encourage innovation and increase firm performance. This result was conveyed by Iqbal et al (2018) that knowledge management has a significant positive effect on firm performance through mediation by innovation.

Other research results that support that innovation successfully mediates the influence of knowledge management on firm performance is research from (Migdadi et al 2017), this study reveals that innovation is able to mediate and have a significant effect on knowledge management on firm performance.

Hypothesis Formulation

- H1: There is a significant influence between Market orientation on firm performance.
- H2: There is a significant influence between the Technology orientation on firm performance.
- H3: There is a significant influence between Entrepreneurial orientation on firm performance.
- H4: There is a significant influence between Knowledge management on firm performance.
- H5: There is a significant influence between Innovation on firm performance.
- H6: There is a significant influence Market Orientation on Innovation.
- H7: There is a significant influence Technology Orientation on Innovation.
- H8: There is a significant influence Entrepreneurial Orientation on Innovation.
- H9: There is a significant influence Knowledge management on Innovation.

- H10: There is a significant influence between Market Orientation on firm performance with innovation as a mediating variable.
- H11: There is a significant influence between Technology Orientation on firm performance with innovation as a mediating variable.
- H12: There is a significant influence between Entrepreneurial Orientation on firm performance with innovation as a mediating variable.
- H13: There is a significant influence between Knowledge Management on firm performance with innovation as a mediating variable.

III. RESEARCH METHODS

According to the objectives of the research research that will be analyzed from this research research, it is classified into basic research deductively and quantitatively which has the aim of measuring and proving hypotheses through valid testing of theory or testing of theory applications in certain circumstances and focusing on data collection accordingly. with problems from a number of populations and data analysis (Indriantoro & Supomo, 2013).

Then this research based on the problem can be classified into comparative causal research. (causal comparative research) which is a type of research with the characteristics of the problem in the form of a causal relationship of two or more variables. Researchers will observe the consequences that arise and trace the facts sensibly as the causative factors (Indriantoro & Supomo, 2013).

This research is hypothesis testing, which aims to explain the nature of certain relationships between variables, or to test the significance level of the relationship between two or more variables (Cooper & Schindler, 2014). This study examines the hypothesis of the influence of the variables Market Orientation, Technology Orientation, Entrepreneurial Orientation, and Knowledge Management on Firm Performance mediated by Innovation. This research is a survey research by collecting information from or about individuals to describe, compare, or explain about knowledge, attitudes, and behavior (Sekaran & Bougie, 2016). Examples of surveys include using questionnaires or interviews to obtain data (Creswell, 2014).

Population is a collection of all human groups, events, or interesting things that the researcher wants to investigate and the sample is part of the population (Sekaran & Bougie, 2016). According to Hair et al., (2014) if the population is not more than 100 then the research object is taken entirely. Thus, because there are no more than 100 FMCG companies listed on the IDX, the entire population is used as research objects. The collection of objects in this study is also called a census, the census method is a method technique that uses the entire population that has a certain set of characteristics (Hair et al., 2014) in this case there are several categories of FMCG

companies on the IDX, namely food and beverage by 44.9% , cosmetics 15.6%, pharmacy 17.2%, household appliances 8.6%, agriculture 5.1%, jewelry 1.7% and cigarettes 6.9%.

The sample respondents in this study were directors or leaders in FMCG companies who directly determine decisions on the development or innovation of a product. This research will be conducted quantitatively. Quantitative data is obtained from secondary data in the form of population data from the Indonesia Stock Exchange, by distributing questionnaires to 58 FMCG companies listed on the Indonesia Stock Exchange.

Table 1 List of FMCG listed company

No.	Company Name
1.	Akasha Wira International Tbk.
2.	Tiga Pilar Sejahtera Food Tbk.
3.	Tri Banyan Tirta Tbk
4.	Bumi Teknokultura Unggul Tbk
5.	Budi Starch & Sweetener Tbk.
6.	Campina Ice Cream Industry Tbk
7.	Wilmar Cahaya Indonesia Tbk.
8.	Sariguna Primatirta Tbk.
9.	Wahana Interfood Nusantara Tbk
10.	Delta Djakarta Tbk.
11.	Darya-Varia Laboratoria Tbk.
12.	Sentra Food Indonesia Tbk.
13.	Gudang Garam Tbk.
14.	Garudafood Putra Putri Jaya Tbk
15.	H.M. Sampoerna Tbk.
16.	Buyung Poetra Sembada Tbk.
17.	Hartadinata Abadi Tbk.
18.	Indofood CBP Sukses Makmur Tbk
19.	Inti Agri Resources Tbk
20.	Indofarma Tbk.
21.	Indofood Sukses Makmur Tbk.
22.	Kimia Farma Tbk.
23.	Kedaung Indah Can Tbk
24.	Kino Indonesia Tbk.
25.	Kalbe Farma Tbk.
26.	Cottonindo Ariesta Tbk.
27.	Langgeng Makmur Industri Tbk.
28.	Martina Berto Tbk.
29.	Merck Tbk.
30.	Magna Investama Mandiri Tbk.
31.	Multi Bintang Indonesia Tbk.
32.	Mustika Ratu Tbk.
33.	Mayora Indah Tbk.

34.	Pratama Abadi Nusa Industri Tbk.
35.	Prima Cakrawala Abadi Tbk.
36.	Phapros Tbk.
37.	Prasidha Aneka Niaga Tbk
38.	Pyridam Farma Tbk
39.	Bentoel Internasional Investama Tbk.
40.	Nippon Indosari Corpindo Tbk.
41.	Merck Sharp Dohme Pharma Tbk.
42.	Industri Jamu dan Farmasi Sido Tbk.
43.	Sekar Bumi Tbk.
44.	Sekar Laut Tbk.
45.	Siantar Top Tbk.
46.	Mandom Indonesia Tbk.
47.	Tempo Scan Pacific Tbk.
48.	Ultra Jaya Milk Industry & Trading Company Tbk.
49.	Unilever Indonesia Tbk.
50.	Wismilak Inti Makmur Tbk.
51.	Integra Indocabinet Tbk.
52.	Cahaya Bintang Medan Tbk.
53.	Chitose Internasional Tbk.
54.	Diamond Food Indonesia Tbk.
55.	Era Mandiri Cemerlang Tbk.
56.	Indonesian Tobacco Tbk.
57.	Mulia Boga Raya Tbk.
58.	Tunas Baru Lampung Tbk.

Source: Bursa Efek Indonesia (2020).

Sources of data used in this study are primary and secondary data. Primary data is a source of research data obtained directly from the original source, while secondary data is a source of research data obtained by researchers indirectly or through intermediary media (Creswell, 2014). The primary data in this study is a survey.

The method used in collecting primary data is by conducting a survey in the form of a questionnaire. Secondary data used in this study were obtained through the Indonesia Stock Exchange.

Definition of Variable Operations Firm Performance

Performance is also defined as an achievement of an agreed goal or output, which means that if the goal has been achieved or even more, it means that the company is performing positively (Slater, Olson, & Hult, 2006). According to Wilden, Gudergan, Nielsen, and Lings (2013) company performance is the company's ability to achieve sales targets and profitability, as well as a non-financial perspective on competitors.

The dependent variable is a variable that will be explained, predicted, or understood (Hair et al., 2014). The dependent variable firm performance in this study is measured by 3

question indicators. This measurement uses a Likert scale of 1 to 5 points on a Likert scale (1 = strongly disagree to 5 = strongly agree).

Market Orientation

Market orientation is a philosophy that prioritizes the formation of a higher customer value by obtaining, collecting, checking, sharing, and responding to information about customers and competitors (Kasim, Ekinci, Altinay, & Hussain, 2018). According to Gheysari, Rasli, Roghanian, and Norhalim (2012) market orientation was also known in academic discussions in the 1990s which was an extension of the marketing concept. Market orientation also includes the use of company expertise to be able to satisfy customers and respond to environmental changes with the goal of superior performance (Shariff, Ahmad, & Hafeez, 2017).

Market orientation is measured by 10 question indicators. This measurement uses a Likert scale of 1 to 5 (1 = strongly disagree to 5 = strongly agree).

Technology Orientation

Technology-oriented companies are very proactive in acquiring new technology and applying the latest technology to develop new products / services or supporting applications. Thus, it is said that the technology orientation of a company must lead to the development of products that are more innovative, technologically superior than those offered by competitors (Tsou, Chen, & Liao, 2014). Technology orientation thus contributes greatly to improving product performance and business performance (Salojarvi, Ritala, Sainio, & Saarenketo, 2015).

Technology orientation is measured by four question indicators. This measurement uses a Likert scale of 1 to 5 (1 = strongly disagree to 5 = strongly agree).

Entrepreneurial Orientation

Entrepreneurial orientation can be defined as an approach that allows a company to provide quality services to all stakeholders compared to existing competitors (Hussain, Abbas, & Khan, 2017). In theory, entrepreneurial orientation captures product and market innovation, which is defined as market risk, and finds new opportunities for the success of a business (De Clercq & Zhou, 2014).

Entrepreneurial orientation is measured by four question indicators. This measurement uses a Likert scale of 1 to 5 (1 = strongly disagree to 5 = strongly agree).

Knowledge Management

Many researchers believe that knowledge management turns data into information and information into knowledge. Gloet and Terziovski (2004) define knowledge management as: a way to manage, recognize experience, knowledge and expertise that can create new abilities and capacities, and encourage innovation and increase customer value.

Knowledge management is measured by four question indicators. This measurement uses a Likert scale of 1 to 5 (1 = strongly disagree to 5 = strongly agree).

Innovation

Innovation can also be defined as the adoption of ideas, behaviors, systems, policies, programs, tools, processes, products or services that are considered new to the company (Mothe & Thi, 2010). The definition that is considered relevant for innovation given by Nawaz, Hassan, & Shaukat (2014) refers to innovation as a process of making change, large and small, radical and incremental, for products, processes, and services whose result is the introduction of something new for companies that add value to customers.

Measured by seven question indicators. This measurement uses a Likert scale of 1 to 5 (1 = strongly disagree to 5 = strongly agree).

Data Collection Technique

Through the distribution of questionnaires to complete the questionnaire distributed to FMCG listed company in Indonesia, the data is data obtained directly from the study sample. While secondary data obtained through articles, journals, the internet and books.

Data Analysis Method

The data that has been collected will be inputted and processed using the SmartPLS 3.0 application to analyze the results of respondents' answers covering five research variables. Meanwhile, to find out the data based on the characteristics of the respondents the researcher will use the SPSS application.

Along with structural models and measurement models, the path model in PLS consists of three sets of relationships: (1) inner models that specify relationships between latent variables, (2) outer models that specify the relationship between latent variables and their indicators or manifests, and (3) weight relation that can calculate the latent variable score (Sanchez, 2013).

Common Method Biases (CMB)

The general bias method is the test commonly used by researchers to show the results of CMB testing, namely Harman's one factor or Single factor test using this technique so that no single factor explains variance of more than 50% so that it can be concluded that CMB does not occur in a study.

Model Evaluation

The PLS evaluation model is done by assessing the results shown by the outer model and the inner model.

Validity test

Validity or construct validity refers to the extent to which a measure is sufficient to represent the construct that should be measured. Testing the validity of the instrument to be

performed is convergent validity, that is, the closeness between the measurement and the construct that is measured (Bhattacharjee, 2012).

Validity test can be seen through the values held in outer loadings, it is recommended that the value must be more than 0.6 - 0.7, but it can also be seen in the average variance extracted value must be greater than 0.5.

Reliability Test

Reliability testing can use two methods, namely through Composite Reliability and Cronbach's Alpha. However, the use of Cronbach's Alpha to test the reliability of the construct will give a lower value (under estimate) so it is recommended to use Composite Reliability to test the reliability of a construct (Ghozali & Latan, 2012).

Indirect Effect

Indirect effect shows the amount of influence indirectly from latent variables to other latent variables through mediating variables. The significance of this relationship can also be seen in the Total Indirect Effects table, namely the T-Statistics column (Ghozali and Latan, 2012). A relationship is said to be significant with a significance level of 5% if it has a T-statistics value of more than 1.96 or P-values <0.05 (Hair et al., 2011).

Path Coefficients

Path coefficients indicate the amount of influence shown by latent variables to other latent variables. The significance of this relationship can also be seen in the path coefficients table, namely the T-Statistics column (Ghozali and Latan, 2012).

R-Square

R-Squares value is a goodness fit model test. Changes in the value of R-Squares are used to explain the effect of certain exogenous latent variables on endogenous latent variables, whether they have substantive effects. R-Squares values of 0.67, 0.33 and 0.19 for endogenous latent variables in the structural model show strong, moderate, and weak models (Ghozali, 2012).

IV. ANALYSIS AND DISCUSSION

Demographics of Respondents

Based on the 58 sets of questionnaires distributed, there are 52 sets of questionnaires that can be used. The population sampled in this study were marketing leaders in FMCG companies listed on the IDX. The following Table 4.1 contains data on the number of questionnaires that were distributed, which were received again and which could be tested.

Validity Test Results

The results of the discriminant validity test show that the square root value of the AVE for each construct is more than the correlation value between constructs in a model. The test

results of the discriminant validity show that each indicator has a square root value of AVE that is greater than the correlation with the latent variable so that each indicator is declared valid. The discriminant validity test is shown in Table 2 below:

Table 2 Validity Test

Variable	Indicator	Loading Factor	AVE
Market Orientation	MO5	0,883	0,777
	MO7	0,879	
Technology Orientation	TO1	0,883	0,837
	TO3	0,879	
Entrepreneurial Orientation	EO1	0,823	0,732
	EO2	0,907	
	EO3	0,834	
Knowledge Management	KM1	0,768	0,624
	KM4	0,821	
	KM5	0,873	
	KM6	0,729	
	KM7	0,776	
	KM8	0,774	
	KM9	0,779	
Innovation	INO3	0,845	0,656
	INO4	0,768	
	INO5	0,802	
	INO6	0,810	
	INO7	0,824	
Firm Performance	FP1	0,949	0,820
	FP2	0,878	
	FP3	0,888	

Source: Data processed, (2020)

After testing the convergent validity and discriminant validity according to the criteria, the model measurement will be carried out through reliability testing. Reliability test can be seen from the value of Cronbach's alpha and composite reliability whose value must be more than 0.70. Reliability test results can be seen in Table 3 below:

Table 3 Reliability Test

Variable	Cronbach's Alpha	Composite Reliability
Market Orientation	0,712	0,874
Technology Orientation	0,807	0,932
Entrepreneurial Orientation	0,818	0,891
Knowledge Mangement	0,899	0,920
Innovation	0,870	0,905
Firm Performance	0,890	0,932

Source: Data processed, (2020)

Evaluasi Model Struktural

Structural model testing is done by evaluating the R2 value and the path coefficient value. The R2 value is used to measure the predictive power of the model. While the path coefficient value for endogenous variables measures the significance based on the T-Statistic or P-Value.

Testing the feasibility of the model to evaluate the structural model is done by looking at the value of the endogenous variable R2. The results of the feasibility test of the model have 3 categories, namely a strong model with an R2 value of 0.75, a moderate model with an R2 value of 0.50, and a weak model with an R2 value of 0.25. Display Table 4 shows the results of the feasibility test of the research model can be seen below:

Table 4 Reliability Test

Variable	R ²	Adjusted R ²
Firm Performance	0,716	0,685
Innovation	0,487	0,444

Source: Data processed, (2020)

Hypothesis 1

The result of the path analysis test shows that the P-value of the marketing orientation variable to firm performance is greater than 0.05, namely 0.800, so the marketing orientation variable does not have a significant effect on firm performance. The results of this study are consistent with Kocak, Alan, and Oflazoglu (2017), Obeidat (2016), Rodriguez and Morant (2016), Kajalo and Lindblom (2015), Altuntas, Semercioz, and Eregez (2013).

Hypothesis 2

The result of the path analysis test shows that the P-value of the technological orientation variable to firm performance is smaller than 0.05, namely 0.048, so the technological orientation variable has a significant effect, but the coefficient value found is -0.172 so it is rejected because it does not have a significant positive effect on the firm. performance. The results of this study are inconsistent with Shin and Lee (2016), Ansari, Bedder, and Chen (2015), Salojarvi, Ritala, Sainio, & Saarenketo (2015), Zhou, Yim, and Tse (2005).

Hypothesis 3

The results of the path analysis test show that the P-value of the entrepreneurial orientation variable towards firm performance is smaller than 0.05, namely 0.019, and the coefficient value is positive so that the entrepreneurial orientation variable has a significant positive effect on firm performance. The results of this study are consistent with Mohammad, Massie, and Tumewu (2019), Hussain, Abbas, and Khan (2017), Kocak, Alan, and Oflazoglu (2017), Dehghan and Pool (2015), Kajalo and Lindblom (2015).

Hypothesis 4

The results of the path analysis test show that the P-value of the knowledge management variable on firm performance is greater than 0.05, namely 0.406, so that the knowledge management variable does not have a significant effect on firm performance. The results of this study are consistent with Byukusenge, Munene, and Orobia (2016), Byukusenge and Munene, (2017).

Hypothesis 5

The results of the path analysis test show that the P-value of the innovation variable on firm performance is smaller than 0.05, namely 0,000 and has a positive coefficient value so that the innovation variable has a significant positive effect on firm performance. The results of this study are consistent with Mohammad, Massie, and Tumewu (2019), Anim, Agbemabiese, Acheampong, Adams, Boakye (2018), Kocak, Alan, and Oflazoglu (2017), Jalilvand (2017), Migdadi et al., (2017), Juárez, De Lema, and Guzmán, (2016), Obeidat (2016), Rodriguez and Morant (2016), Dehghan and Pool (2015), Byukusenge, Munene and Orobia (2016).

Hypothesis 6

The results of the path analysis test showed the P-value of the marketing orientation variable towards innovation is smaller than 0.05, namely 0.001 and has a positive coefficient value so that the marketing orientation variable has a significant positive effect on innovation. The results of this study are consistent with Na and Kang (2019), Kocak, Alan, and Oflazoglu (2017), Jalilvand (2017), Migdadi et al., (2017), Obeidat (2016), Rodriguez and Morant (2016), Shin and Lee (2016), Dehghan and Pool (2015), Moghaddam, Imani and Erteza (2013).

Hypothesis 7

The results of the path analysis test showed that the P-Values value of the technological orientation variable towards innovation was greater than 0.05, namely 0.493, so the technological orientation variable did not have a significant effect on innovation. The results of this study are consistent with Tutar, Nart, and Bingöl (2015), Zhou, Yim, and Tse (2005).

Hypothesis 8

The results of the path analysis test showed that the P-value of the entrepreneurial orientation variable towards innovation was smaller than 0.05, namely 0.035 and had a positive coefficient value so that the entrepreneurial orientation variable had a significant positive effect on innovation. The results of this study are consistent with Song, Ma and Yu (2019), Kocak, Alan, and Oflazoglu (2017), Obeidat (2016), Suyanto & Pratono (2014), Dehghan and Pool (2015), Madhoushi et al., (2011).

Hypothesis 9

The results of the path analysis test showed that the P-value of the knowledge management variable on innovation was smaller than 0.05, namely 0.203, so the knowledge management variable did not have a significant effect on innovation. The results of this study are inconsistent with Omoush (2019), Dzenopoljac and Bontis (2018), Chang, Liao and Wu (2017), Durmus and Abdulkhoshimo (2017), Byukusenge, Munene and Orobia (2016), Juárez, Lema, and Guzmán (2016), Madhoushi et al., (2011).

Hypothesis 10

The results of the indirect effect test show that the P-value of the marketing orientation variable on firm performance mediated by innovation is smaller than 0.05, namely 0.003, so the marketing orientation variable has a significant effect on firm performance with innovation as the mediation. The results of this study are consistent with Anim et al., (2018), Jalilvand (2017), Migdadi et al., (2017), Deutscher et al., (2016), Obeidat (2016), Rodriguez and Morant (2016), Moghaddam, Imani and Erteza (2013).

Hypothesis 11

The results of the indirect effect test show that the P-value of the technological orientation variable on the firm performance mediated by innovation is greater than 0.05, namely 0.496, so that the technological orientation variable has no significant effect on firm performance with innovation as a mediation. The results of this study are inconsistent with Obeidat (2016), Shin and Lee (2016), Noble and Sinha (2014).

Hypothesis 12

The results of the indirect effect test show that the P-value of the entrepreneurial orientation variable on firm performance mediated by innovation is smaller than 0.05, namely 0.044, so that the entrepreneurial orientation variable has a significant effect on firm performance with innovation as a mediation. The results of this study are consistent with Kocak, Alan, and Oflazoglu (2017), Dehghan and Pool (2015), Schindehutte, Morris, and Kocak (2008), Madhoushi et al., (2011).

Hypothesis 13

The indirect effect test results show that the P-value of the knowledge management variable on firm performance mediated by innovation is greater than 0.05, namely 0.225 so that the knowledge management variable does not have a significant effect on firm performance with innovation as the mediation. This result is inconsistent with the research of Iqbal et al., (2018), Byukusenge and Munene (2017) Byukusenge, Migdadi et al., (2017), Munene and Orobia (2016), Nawaz, Hassan, and Shaikat (2014), Moghaddam, Imani and Erteza (2013).

V. CONCLUSIONS, LIMITATIONS AND RECOMMENDATIONS

Conclusion

This research was conducted to obtain empirical evidence about the influence of Market Orientation, Technology Orientation, Entrepreneurial Orientation and Knowledge Management on Firm Performance with Innovation as a mediation.

The conclusions of this study found that the strategy that determines and has a direct positive effect on firm performance is innovation and entrepreneurial orientation, while the strategy that determines and has an indirect effect is market orientation with innovation as the mediating variable. Strategies that do not have a positive effect either directly or indirectly are technology orientation and knowledge management.

The purpose of this study is to find answers and analyze the problems posed in the study, namely the analysis of the influence of Strategic Orientation and Knowledge Management on Firm Performance with Innovation as an intervening variable. Based on the results of the analysis test from the data that has been carried out, the conclusions obtained are as follows:

1. *Market Orientation* has no significant effect on Firm Performance in FMCG companies listed on the Indonesia Stock Exchange. These results describe that companies that have implemented a marketing orientation strategy by analyzing market needs, as well as looking for opportunities in markets where customers have difficulty expressing their needs, also by estimating the main trends to gain insight into market needs, but not creating products from the results of marketing orientation, namely in the form of a product innovation, it will not affect the firm performance of FMCG.

2. *Technology Orientation* has a significant negative effect on Firm Performance in FMCG companies listed on the Indonesia Stock Exchange. These results are analyzed from the data obtained where FMCG companies with product development that always use the most advanced technology, and companies that always accept technological innovations in their project management will affect the decrease in firm performance.

3. *Entrepreneurial Orientation* has a significant positive effect on firm performance in FMCG companies listed on the Indonesia Stock Exchange. These results describe that companies with an entrepreneurial orientation will be more maneuverable with an opportunity, and more courageous in taking risks, whether the decision will have a good impact or not, so that the entrepreneurial orientation will have a significant effect on firm performance.

4. *Knowledge Management* has no significant effect on Firm Performance in FMCG companies listed on the Indonesia Stock Exchange. The analysis of these results describes that

quality knowledge management is not necessarily able to influence firm performance without the realization of real knowledge management results such as product innovation or new product developments that can affect firm performance.

5. *Innovation* has a significant positive effect on Firm Performance in FMCG companies listed on the Indonesia Stock Exchange. These results describe that a company that is able to innovate means that the company can create something new so that it becomes a differentiator from its competitors, this can create an advantage which is commonly called a competitive advantage which affects firm performance.

6. *Market Orientation* has a significant positive effect on Innovation in FMCG companies listed on the Indonesia Stock Exchange. Companies that are oriented towards market needs will make efforts to be able to find solutions to these needs by several methods such as conducting research, and seeing existing trends, and when the company gets solutions to market needs, with knowledge of market needs, ideas arise. and opportunities to create innovation, in the form of new products that are different from kompotitor.

7. *Technology Orientation* has no significant effect on innovation at FMCG companies listed on the Indonesia Stock Exchange. New products that are in line with market needs and are able to become pioneers in new businesses do not always require sophisticated technology in product innovation.

8. *Entrepreneurial Orientation* has a significant effect on innovation at FMCG companies listed on the Indonesia Stock Exchange. Through these results, it can also be described when a company has a leader who has the courage to take risks, see opportunities, and decide on a change or realization of research results that will create a new breakthrough, it will affect the creation of innovation.

9. *Knowledge Management* has no significant effect on innovation at FMCG companies listed on the Indonesia Stock Exchange. Companies that have and are active in knowledge management will be faster in processing data or information received into knowledge. A knowledge, experience, and even expertise that can be managed properly can create a new capacity, but it is not a guarantee that good knowledge management can provide ideas for product development.

10. *Marketing Orientation* has a significant effect on Firm Performance with Innovation as a mediation for FMCG companies listed on the Indonesia Stock Exchange. Marketing orientation is a good thing because it is oriented towards market needs, but it must also be included with the existence of innovation that is a differentiator from competitors, so it will have an impact on firm performance.

11. *Technology Orientation* has no significant effect on Firm Performance with Innovation as a mediation for FMCG companies listed on the Indonesia Stock Exchange. Basically, not all products created from the results of innovation using sophisticated technology are able to boost the innovation

performance of a company, if the product created cannot be accepted by the market, or does not meet the criteria of market needs, on the other hand, innovation for a product does not always have to use technology that is sophisticated.

12. Entrepreneurial Orientation has a significant effect on Firm Performance with Innovation as a mediation for FMCG companies listed on the Indonesia Stock Exchange. Entrepreneurial-oriented companies will be more willing to take opportunities and accept risks from every decision, and will have an impact on the courage of the decision to produce new products or play on new product lines so as to create new market shares that have an impact on innovation and firm performance.

13. Knowledge Management has no significant effect on Firm Performance with Innovation as mediation for FMCG companies listed on the Indonesia Stock Exchange. With the existence of knowledge management, the company can collect both knowledge, ideas, strategies which are obtained from existing human resources from the results of knowledge management, but it does not guarantee that it will produce output that becomes an innovation in the form of product development or new products so as to create new market share. which can have an impact on firm performance.

Limitation

The limitations possessed in this thesis research are as follows:

1. The results of the R Square test value in the feasibility of the model are at the moderate limit of 0.685 or 68.5%, indicating that the Firm Performance variable is not fully explained by the variables of market orientation, technology orientation, entrepreneurial orientation, knowledge management, and innovation. The results of the R Square test value in the feasibility of the model are at the moderate limit, namely 0.444 or 44.4%, indicating that the Innovation variable is not fully explained by the variables of market orientation, technology orientation, entrepreneurial orientation, and knowledge management.
2. The technique used to collect the research data uses the method of distributing questionnaires which have weaknesses where the views and opinions expressed by respondents are not necessarily in accordance with the actual conditions.
3. Distribution of questionnaires conducted to leaders, in this case the marketing director of FMCG companies registered with Bourse Securities Indonesia, thereby reducing the number of respondents who can be used as research samples.

Recommendation

1. The results of the R Square Firm Performance test value of 0.685 or 68.5% indicate that the Firm Performance variable is not fully explained by

independent variables, while 31.5% is explained by other variables such as learning orientation (Deutscher, Zapkau, Schwens, Baum & Kabst 2015), absorptive capacity (Zhai, Sun & Tsai 2018), it is recommended to examine other variables that affect the dependent variable.

2. The technique used to collect data in this study uses the method of distributing questionnaires which have weaknesses where the views and opinions expressed by respondents are not necessarily in accordance with actual conditions. Therefore, further research is expected to add or change more effective techniques such as using additional secondary data and conducting interviews. The distribution of questionnaires carried out can be added to parties who can make decisions, so not only marketing leaders, but also product and development leaders, and also CEOs.
3. Then the research is not only listed on the Indonesian Stock Exchange, but also includes all FMCG companies both listed and not listed on the Indonesia Stock Exchange, so that estimating population parameters can be done accurately so that the results obtained are more accurate. In addition, to prove whether it is true that Technology Orientation does not have a positive influence on Firm Performance, either directly or mediated by Innovation, and knowledge management has no influence on firm performance, either directly or indirectly mediated by innovation.

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