

The Influence of Knowledge Management and Competence on Innovation Performance of Village-Owned Enterprises Mediated by Motivation

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Abstract

This study aims to analyse the impact of knowledge management and competence on innovation performance in Village-Owned Enterprises (BUMDesa), with motivation as a mediating variable. Using a quantitative approach, data were collected from 125 respondents through questionnaires and analysed using Structural Equation Modelling-Partial Least Squares (SEM-PLS). This study contributes original insights by presenting a comprehensive analysis of the relationship between knowledge management, competence, and innovation performance in the context of BUMDesa, particularly through the role of motivation as a mediating variable that has been rarely explored. The results indicate that knowledge management has a positive and significant impact on innovation performance; however, this impact is not mediated by motivation. Meanwhile, competence was found to have a direct positive influence on innovation performance and also influences it indirectly through increased motivation. Thus, improving individual competence not only has a direct impact on innovation but also enhances motivation, which ultimately supports innovation performance. This study concludes that knowledge management will be more effective if directly focused on improving innovation performance, while competency development can be used as a strategy to enhance motivation and promote sustainable innovation in the BUMDesa environment.

Keywords: *Knowledge Management, Competence, Innovation Performance, Motivation.*

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INTRODUCTION

Innovation plays a crucial role in organizational performance, both in large corporations and in Village-Owned Enterprises (BUMDesa). In today's era of global competition, the ability to adapt and innovate has become a key driver for long-term growth, especially within the context of Industry 4.0. However, in a region of Indonesia, many BUMDesa still face managerial challenges such as business stagnation, limited human resources, and a lack of motivation to innovate—even though BUMDesa are expected to serve as drivers of the village economy (Alfarobi & Hartono, 2022; Dewi & Sugito, 2017). Innovation performance encompasses the ability to generate new ideas that enhance competitiveness, efficiency, and organizational adaptability (Alfarobi & Hartono, 2022; Novitasari et al., 2021). The main factors influencing innovation performance include knowledge management (Dewi & Sugito, 2017; Napitupulu et al., 2021; Puryana & Andriana, 2020; Samie & Jazghani, 2022; Sofiyabadi et al., 2022; Stefan et al., 2024; Ting et al., 2021),

employee competence (Huu, 2023; Priharjanto et al., 2024; Tariq & Zehir, 2023), and work motivation (Alkhalaf & Al-Tabbaa, 2024; Dou et al., 2022; Jiang et al., 2023). Employee competence, including technical skills and the ability to adapt to change, plays a role in generating relevant and effective innovations (Tariq & Zehir, 2023). Additionally, knowledge management holds a strategic function in absorbing, storing, and applying information that can lead to innovative solutions (Alkhalaf & Al-Tabbaa, 2024; Bate et al., 2023; Cavalcante, 2024; Dou et al., 2022; Huu, 2023; Napitupulu et al., 2021; Sofiyabadi et al., 2022; Ullah et al., 2019).

This study focuses on BUMDesa in a region of Indonesia, which are facing challenges in improving their innovation performance. Using a quantitative approach with the Structural Equation Modeling-Partial Least Square (SEM-PLS) method, this research aims to examine the effects of knowledge, competence, and motivation on innovation performance. The results are expected to contribute to the development of innovation theory in the public sector and provide practical recommendations for more innovative management of BUMDesa in rural areas.

LITERATURE REVIEW

The Knowledge-Based View (KBV) theory and Expectancy theory are closely related in understanding organizational innovation performance. The KBV theory emphasizes the importance of knowledge management as a key resource that can enhance competitiveness, drive innovation, and support competence development (Grant, 1996; Stoian et al., 2024). Properly managed knowledge accelerates innovation and improves organizational (Dewi & Sugito, 2017; Jiang et al., 2023). Meanwhile, Expectancy theory explains that an individual's motivation to share knowledge and innovate is influenced by their expectations of the rewards they will receive (Channel, 2021). When individuals feel that their contributions are appreciated, they are more motivated to innovate and improve their competencies (Dou et al., 2022; Jiang et al., 2023).

Innovation Performance

Innovation performance refers to an organization's ability to create and implement new ideas to achieve excellence and sustainable growth (Cavalcante, 2024; Feng et al., 2022). It comprises three dimensions: product innovation, process innovation, and managerial innovation (Beneito, 2006; Dewi & Sugito, 2017; Yusr et al., 2017). Factors influencing innovation performance include knowledge management and competency. Organizations that effectively manage and utilize knowledge tend to be more innovative inovatif (Dewi & Sugito, 2017; Ting et al., 2021). Furthermore, competencies such as technical skills, strategic thinking, and teamwork play a crucial role in driving the generation and implementation of new ideas (Huu, 2023; Priharjanto et al., 2024; Tariq & Zehir, 2023).

Knowledge Management

Knowledge management is a strategic process that manages information and experience to support the achievement of organizational goals and performance improvement (Grant, 1996; Ting et al., 2021). It transforms individual knowledge into organizational assets through the creation, collection, and utilization of information that supports innovation, decision-making, and adaptation to change (Dewi & Sugito, 2017). In the context of the Fourth Industrial Revolution, knowledge management is increasingly vital due to its ability to respond to market changes and create competitive advantages through the use of information assets (Feng et al., 2022; Novitasari et al., 2021). Knowledge management consists of two main dimensions: infrastructure (including technology, culture, and organizational structure) and processes (acquisition, creation, and utilization of knowledge), which work together to support organizational innovation and efficiency

(Intezari et al., 2017; Ting et al., 2021). Effective knowledge management also enhances motivation (Soeprayitno & Rahayu, 2019; Stefan et al., 2024) and employee engagement by providing access to information and space for participation in innovation development and decision-making (Supriyanda et al., 2023).

Competency

Competency refers to the fundamental characteristics inherent in an individual, which include knowledge, skills, behavior, and internal personality traits that are relatively stable and can predict performance and behavior in various work situations (Dwiningtyas et al., 2024; Oppong & Zhau, 2020).. Competency is not only a tool for predicting work success but also contains intrinsic motivation or drive to achieve certain goals and deliver superior performance (Huda & Abdullah, 2022; Parashakti et al., 2020). According to (Bafagehi et al., 2023), competency consists of three main elements: knowledge, skills, and attitude. These three elements are essential in shaping the professional competencies required in the workplace. Strong competencies significantly impact innovation performance, enabling individuals to generate creative ideas and apply effective solutions (Halim et al., 2017; Huu, 2023; Nardo & Hasymi, 2024; Priharjanto et al., 2024; Tariq & Zehir, 2023).. In addition, competencies also contribute positively to employee motivation, as individuals who feel competent tend to have higher self-confidence and are more motivated to contribute optimally toward achieving organizational goals (Oppong & Zhau, 2020; Parashakti et al., 2020).

Motivation

Motivation is the drive that compels an individual to act and complete tasks in order to achieve satisfaction and optimal performance (Hajiali et al., 2022; Stefan et al., 2024). Motivation can originate internally—such as personal desires, a sense of responsibility, and job satisfaction—or externally, such as salary, promotion, and recognition (Permana & Syafruddin, 2017; Sukardi & Purwanto, 2022). It is also influenced by a positive mental attitude toward work and reflects an individual's values and awareness in completing tasks (Dwiningtyas et al., 2024; Hastuti et al., 2023; Masruroh & Fatimah, 2023).. Key factors influencing motivation include competency and knowledge management; the higher the competency and the better the knowledge management, the stronger the work motivation (Hastuti et al., 2023; Oppong & Zhau, 2020; Parashakti et al., 2020; Stefan et al., 2024).. Conversely, motivation greatly affects innovation performance, as motivated individuals tend to be more creative and productive (Dou et al., 2022; Jiang et al., 2023). Motivasi. Motivation also strengthens the relationship between competency and employee performance and encourages more effective application of knowledge in order to achieve organizational goals (Dwiningtyas et al., 2024; Huda & Abdullah, 2022; Mardianzah et al., 2023; Masruroh & Fatimah, 2023).

HYPOTHESIS DEVELOPMENT

The Influence of Knowledge Management on Innovation Performance

Knowledge management plays a vital role in enhancing innovation performance by ensuring that the knowledge possessed by the organization is effectively managed and applied applied (Dewi & Sugito, 2017; Puryana & Andriana, 2020; Sofiyabadi et al., 2022; Ting et al., 2021). Based on the Knowledge-Based View (KBV) approach, knowledge is considered a key resource that determines competitiveness and innovation success. Therefore, effective knowledge management can accelerate the development of new ideas, products, and processes (Grant, 1996; Stoian et al., 2024). Previous studies have shown that organizations capable of managing knowledge optimally tend to have higher innovation performance and are more adaptive to market dynamics (Dewi & Sugito, 2017; Napitupulu et al., 2021; Samie & Jazghani, 2022; Stefan et al., 2024).

H1: Knowledge management has a positive effect on innovation performance.

The Influence of Competence on Innovation Performance

Competence, which includes knowledge, skills, and attitudes, is a crucial factor in enhancing both individual and organizational innovation performance (Dwiningtyas et al., 2024). Research shows that employees with high levels of competence are more likely to generate creative ideas and implement innovative solutions effectively (Halim et al., 2017; Huu, 2023; Nardo & Hasymi, 2024; Priharjanto et al., 2024; Tariq & Zehir, 2023). Within the Knowledge-Based View (KBV) framework, knowledge is considered the main asset driving organizational competitiveness and innovation, where individual competence plays a key role in managing knowledge for new product or process development (Grant, 1996; Stoian et al., 2024). Organizations that effectively manage both competence and knowledge tend to be more innovative and responsive to market challenges (Dewi & Sugito, 2017; Napitupulu et al., 2021; Puryana & Andriana, 2020; Samie & Jazghani, 2022; Sofiyabadi et al., 2022).

H2: Competence has a positive effect on innovation performance.

The Influence of Knowledge Management on Motivation

Knowledge management is a strategic process of managing an organization's knowledge assets, both explicit and tacit, to support goal achievement and improve performance (Grant, 1996; Ting et al., 2021). When knowledge is managed effectively, employees can access the information needed to work more efficiently, feel valued, and become more motivated to contribute (Soeprayitno & Rahayu, 2019). Good knowledge management also clarifies task understanding, thereby encouraging enthusiasm and work commitment. Based on the Knowledge-Based View (KBV) approach, knowledge is considered a key resource that affects organizational competitiveness and performance, including in enhancing employee motivation (Grant, 1996; Stefan et al., 2024; Stoian et al., 2024).

H3: Knowledge management has a positive effect on motivation.

The Influence of Competence on Motivation

Competence is a combination of knowledge, skills, and attitudes that enables individuals to work effectively and efficiently within an organization organisasi (Dwiningtyas et al., 2024). Research shows that good competence can improve work outcomes, motivate individuals to innovate and strive harder, as well as strengthen employee enthusiasm and motivation. Organizations that focus on developing employee competence will experience positive impacts, such as increased motivation and higher work spirit (Huda & Abdullah, 2022; Mardianzah et al., 2023; Oppong & Zhau, 2020; Parashakti et al., 2020). Expectancy theory explains that individuals are motivated if they believe their efforts will lead to desired rewards, thus high competence encourages employees to be more active and enthusiastic in achieving organizational goals (Oppong & Zhau, 2020; Parashakti et al., 2020).

H4: Competence has a positive effect on motivation.

The Influence of Motivation on Innovation Performance

Motivation plays a crucial role in driving organizational innovation performance as an internal drive that encourages individuals to work effectively and achieve goals (Hajiali et al., 2022; Stefan et al., 2024). Motivation includes attitudes and values that influence a person's behavior to work with awareness and satisfaction kepuasan (Dwiningtyas et al., 2024; Masruroh & Fatimah, 2023). Based on Expectancy Theory, motivation arises from an individual's perception of the relationship between effort, expected outcomes, and received rewards (Channel, 2021). In knowledge management, this explains how individuals are motivated to share knowledge and innovate when they expect recognition for their

contributions. Research shows that understanding individuals' expectations regarding outcomes can enhance innovation performance (Alkhalaf & Al-Tabbaa, 2024; Dou et al., 2022; Jiang et al., 2023). High motivation, especially due to being appreciated for their contributions, not only increases engagement in innovation but also strengthens organizational competence (Dou et al., 2022; Jiang et al., 2023).

H5: Motivation has a positive effect on innovation performance.

The Influence of Knowledge Management on Innovation Performance Mediated by Motivation

Motivation plays an important role as a factor connecting knowledge management and innovation performance, where motivation encourages individuals to work optimally to achieve goals (Hajiali et al., 2022; Stefan et al., 2024). Effective knowledge management not only ensures that knowledge is well organized but also increases individuals' motivation to engage in the innovation process. Research shows that structured knowledge management can enhance employee motivation, which in turn boosts innovation performance at both individual and organizational levels (Hastuti et al., 2023; Stefan et al., 2024). Motivation acts as a mediator that strengthens the relationship between knowledge management and innovation, ensuring that well-managed knowledge is applied to create innovative solutions (Dou et al., 2022; Jiang et al., 2023). Thus, the synergy between strategic knowledge management and high motivation contributes to improving organizational innovation performance and supports the sustainability of innovation in the long term (Dwiningtyas et al., 2024; Masruroh & Fatimah, 2023).

H6: Motivation mediates the influence of knowledge management on innovation performance.

The Influence of Competence on Innovation Performance Mediated by Motivation

Motivation acts as an important mediator in the relationship between competence and innovation performance, where motivation encourages individuals to optimally utilize their skills, knowledge, and attitudes in achieving goals. Competence, which is a combination of an individual's ability to work effectively and efficiently, can enhance organizational competitiveness when managed well (Huda & Abdullah, 2022; Mardianzah et al., 2023). The Knowledge-Based View (KBV) theory explains that knowledge within competence is a strategic resource that strengthens innovation. When individuals feel their competence is valued, their motivation to apply it in innovation increases, positively impacting organizational innovation performance (Grant, 1996; Stefan et al., 2024; Ting et al., 2021). Additionally, Expectancy theory states that motivation is influenced by individuals' expectations of outcomes and rewards for their contributions, so highly competent individuals are more motivated to innovate when their efforts are recognized (Channel, 2021; Dou et al., 2022). Research shows that work motivation mediates the relationship between competence and innovation performance (Huda & Abdullah, 2022; Mardianzah et al., 2023) and the combination of high competence and motivation results in innovations that accelerate product development and enhance organizational competitiveness (Alkhalaf & Al-Tabbaa, 2024; Jiang et al., 2023).

H7: Motivation mediates the influence of competence on innovation performance.

METHODOLOGY

The subjects of this study are the administrators of Village-Owned Enterprises (BUMDesa) in a region of Indonesia. The objects of this research include the variables of innovation performance, knowledge management, competence, and motivation. The research population consists of 125 administrators from various Village-Owned Enterprises

(BUMDesa) in the region. Given the relatively small population size, this study adopts a census method, meaning that all employees are included as respondents.

The research variables include the independent variables (knowledge management and competence), the dependent variable (innovation performance), and the mediating variable (motivation). The data used in this research are primary data collected directly through a questionnaire. The questionnaire contains closed-ended statements with predetermined answer choices, using a Likert scale ranging from 1 to 5. Before being used, the instrument was tested for validity and reliability to ensure the accuracy and consistency of the measurements. Data analysis was conducted using inferential statistical methods to examine the relationships among variables, as well as mediation analysis to understand the role of the mediating variable in the relationship between the independent and dependent variables, using SmartPLS version 4.0. The research instruments used are as follows.

Table 1. Research Instruments

Knowledge Management	
Knowledge Management Infrastructure	I feel that the facilities at the Village-Owned Enterprise (BUMDesa) make it easier to access and share knowledge.
	I feel that the work culture at BUMDesa encourages employees to share knowledge with each other.
	I feel that the organizational structure supports the flow of knowledge between departments in BUMDesa
Knowledge Management Process	At this BUMDesa, I can easily obtain new knowledge relevant to my work.
	At this BUMDesa, I often create new solutions collaboratively. The existing knowledge in BUMDesa is used to improve my performance
Competence	
Knowledge	I have a good understanding of matters relevant to my job. The knowledge I possess helps me complete tasks effectively.
	I regularly update my knowledge to keep up with developments in my work.
	I have the skills to complete my job well.
Skills	My skills give me confidence in facing work challenges. I can complete tasks optimally in accordance with my skills.
	I always maintain professional ethics in every action at the workplace.
Attitude	I show a friendly attitude toward my coworkers. I always strive to maintain a positive attitude even in difficult situations.
	Motivation
Internal Drive	I feel motivated to make a meaningful contribution to the development of the Village-Owned Enterprise (BUMDesa). A sense of responsibility for my work drives me to perform better. I gain personal satisfaction from successfully completing my tasks. I am motivated to perform better because of the appreciation I receive for my contributions to BUMDesa.
	Support from the village community for my work encourages me to contribute more optimally.
	Opportunities to take on greater responsibility motivate me to improve my performance.
	Innovation Performance
Product Innovation	I believe that BUMDesa routinely develops new products to meet community needs.

	I believe that the products produced by BUMDesa align with market demands.
	I believe that BUMDesa's innovations help create new and profitable market opportunities.
	I believe that BUMDesa adopts new methods in production to improve work efficiency.
Process Innovation	I believe that BUMDesa continuously improves its distribution processes to reduce operational costs.
	I believe that BUMDesa uses innovative methods to accelerate services to the community.
	I believe that BUMDesa implements new management strategies to improve operational efficiency.
Managerial Innovation	I believe that BUMDesa's organizational structure has been adjusted to support more effective work processes.
	I believe that decision-making at BUMDesa uses a more innovative, data-driven approach.

RESULTS AND DISCUSSION

Respondent Characteristics

This study classifies respondents into four groups based on gender, age, education level, and length of service. This classification aims to analyze the distribution of participants in each category.

Table 2. Respondent Characteristics

Category	Amount (n = 125)	Persentase (%)
<i>Gender</i>		
Male	88	70,40
Female	37	29,60
<i>Age</i>		
<20	3	2,40
20 to 29	14	11,20
30 to 39	47	37,60
>40	61	48,80
<i>Education</i>		
Elementary School (SD)	3	2,40
Junior High School (SMP)	7	5,60
Senior High School (SMA)	68	54,40
Associate Degree (D2)	1	0,80
Diploma (D3)	6	4,80
Bachelor's Degree (S1)	37	29,60
Master's Degree (S2)	3	2,40
<i>Length of Service</i>		
<1	8	6,40
1-5	94	75,20
6-10	17	13,60
>10	3	2,40
Not Answered	3	2,40

Source: Data Processing Results, 2025

The majority of respondents in this study are male (70.40%) and over the age of 30 (86.4%), with the dominant age group being over 40 years old (48.80%). In terms of education, most respondents have a high school background (54.4%), followed by bachelor's degree graduates (29.6%), while other educational levels such as junior high school, diploma, elementary school, master's degree, and associate degree have smaller proportions. Based on work experience, the majority of respondents (77%) have only worked for 1–5 years, indicating that most of them are relatively new to the workforce, which may influence their perspectives and understanding of the research topic.

Indicator Test

Convergent Validity

Convergent validity is measured based on the correlation level between the indicator scores and the construct they represent. An indicator is considered valid if its correlation value exceeds 0.70. If this value is not met, the indicator needs to be eliminated. The results of the convergent validity test in this study are presented below.

Table 3. Convergent Validity Test

Ins.	MP	K	M	KI	Description
	X1	X2	Y1	Y2	
X1.1	0,924				Valid
X1.2	0,931				Valid
X2.1		0,895			Valid
X2.2		0,898			Valid
X2.3		0,879			Valid
Y1.1			0,952		Valid
Y1.2			0,946		Valid
Y2.1				0,894	Valid
Y2.2				0,963	Valid
Y2.3				0,925	Valid

Note. MP = Knowledge Management; K = Competence; M = Motivation; KI = Innovation Performance

The results of the Convergent Validity test indicate that all indicators in this study are valid in measuring their respective latent variables, with loading factor values all exceeding 0.7. The indicators for the variables of knowledge management (X1), competence (X2), motivation (Y1), and innovation performance (Y2) show very strong correlations with their represented constructs, such as X1.1 (0.924), X2.2 (0.898), Y1.1 (0.952), and Y2.2 (0.963). These findings indicate that all indicators used in this study possess good convergent validity and are suitable for further analysis.

Discriminant Validity

Discriminant validity is evaluated by analyzing the cross-loading values between indicators and the constructs they are intended to measure. An indicator is considered valid if it has a higher cross-loading value with its own construct than with any other constructs.

Table 4. Discriminant Validity Test

Ins.	MP	K	M	KI	Description
	X1	X2	Y1	Y2	
X1.1	0,924	0,640	0,590	0,713	Valid
X1.2	0,931	0,689	0,668	0,703	Valid
X2.1	0,714	0,895	0,727	0,687	Valid
X2.2	0,605	0,898	0,733	0,724	Valid

Ins.	MP	K	M	KI	Description
	X1	X2	Y1	Y2	
X2.3	0,600	0,879	0,777	0,688	Valid
Y1.1	0,637	0,856	0,952	0,724	Valid
Y1.2	0,653	0,730	0,946	0,735	Valid
Y2.1	0,658	0,673	0,669	0,894	Valid
Y2.2	0,744	0,752	0,705	0,963	Valid
Y2.3	0,719	0,759	0,761	0,925	Valid

Note. MP = Knowledge Management; K = Competence; M = Motivation; KI = Innovation Performance

The results of the discriminant validity test show that each indicator has the highest correlation with the latent variable it is intended to measure compared to other variables, thus meeting the criteria for discriminant validity. Indicators under the variables of Knowledge Management (X1), Competence (X2), Motivation (Y1), and Innovation Performance (Y2) all demonstrate higher loading factor values on their respective constructs, indicating that each indicator accurately represents its variable without overlapping with others. Therefore, the measurement instruments used in this study are proven valid and can be optimally utilized for model testing.

Composite Reliability

Composite/construct reliability is used to assess the extent to which indicators of a variable consistently measure the construct. A variable is considered reliable if its composite reliability value exceeds 0.70.

Table 5. Composite Reliability Test

	Composite Reliability	Description
Knowledge Management (X1)	0,925	Reliabel
Competence (X2)	0,920	Reliabel
Motivation (Y1)	0,948	Reliabel
Innovation Performance (Y2)	0,949	Reliabel

Model Fit Test

The model fit test was conducted by evaluating the output estimates from SmartPLS version 4.0, compared against several criteria as explained in the table below:

Table 6. Model Fit Test Results

Fit Summary	Cut off	Estimasi	Explanation
SRMR	< 0.10	0,052	Good
d_ULS	CI > OS	CI 0,154 > 0,150 OS	Good
d_G	CI > OS	CI 0,275 < 0,299 OS	Not Good
Chi-Square	X ² statistik < X ² tabel	212,050 > 145,46	Not Good
NFI	Close to 1	0,814	Good
RMS Theta	<0,12	0,298	Not Good

Based on the model fit test results, the research model shows a fairly good fit on several indicators, such as the SRMR value of 0.052, which is below the threshold of 0.10, and the NFI value of 0.814, which is close to the ideal value. Additionally, the d_ULS value also supports the model's suitability since its confidence interval is greater than the original score. However, less favorable results are seen in the d_G, RMS Theta, and Chi-Square tests, which show values exceeding the ideal limits or not aligning with the data, indicating discrepancies

in these aspects. Overall, although the model is acceptable based on most indicators, further refinement is necessary to better represent the relationships between variables optimally.

Hypothesis Testing

The Inner Model, or structural model, tests hypotheses by analyzing the relationships between latent variables based on substantive theory.

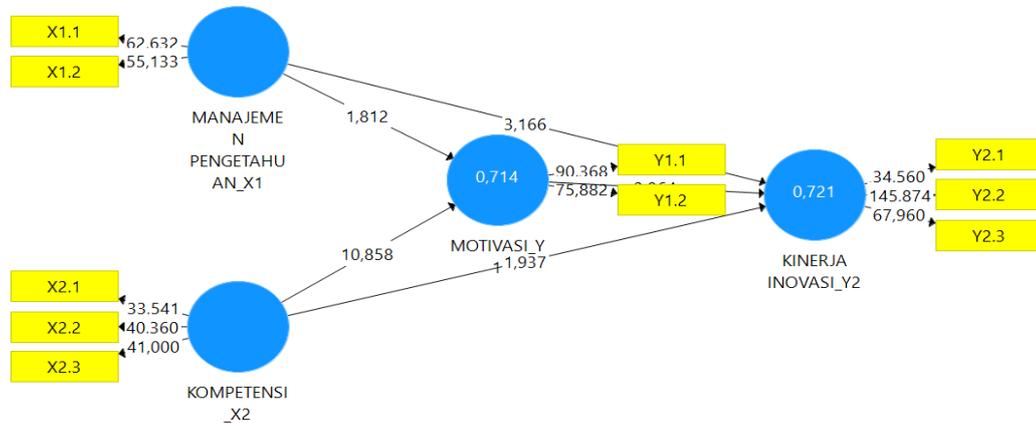


Figure 2. Inner Model

Table 7. Hypothesis Test Results

Hypothesis	Sign	OS	t statistik	P value	Status
H1 Knowledge Management Influences Innovation Performance	(+)	0,367	3,178	0,002	Supported
H2 Competence Influences Innovation Performance	(+)	0,295	2,068	0,039	Supported
H3 Knowledge Management Influences Motivation	(-)	0,162	1,800	0,072	Not Supported
H4 Competence Influences Motivation	(+)	0,722	10,738	0,000	Supported
H5 Motivation Influences Innovation Performance	(+)	0,272	3,078	0,002	Supported

Source: Data Processing Results, 2025

The hypothesis test results in this study indicate that most relationships among the latent variables have significant effects. The hypotheses regarding the influence of Knowledge Management (H1) and Competence (H2) on Innovation Performance are proven significant, with p-values of 0.002 and 0.039 respectively. Similarly, the hypotheses stating that Competence affects Motivation (H4) and that Motivation influences Innovation Performance (H5) are also statistically supported, with very low p-values of 0.000 and 0.002. However, the third hypothesis (H3), which states that Knowledge Management affects Motivation, is not significant since its p-value of 0.072 exceeds the 0.05 threshold. Thus, out of the five hypotheses tested, four are accepted, confirming that Knowledge Management and Competence contribute to improving Innovation Performance, and that Competence has a very strong influence on Motivation, while the direct effect of Knowledge Management on Motivation remains insufficient and requires further study.

Mediation Analysis**Table 8.** Mediation Analysis

Variable	<i>Direct Effect</i>	<i>Indirect Effect</i>	<i>Total Effect</i>	<i>Mediation Effect</i>
	X1 → Y2 X2 → Y2	X1 → Y1 → Y2 X2 → Y1 → Y2	DI + IE	TE - DE
X1	0,367(0,002)	0,044 (0,177)	0,441(0,001)	0,441-0,367= 0,074
X2	0,295(0,039)	0,192 (0,002)	0,491 (0,000)	0,491-0,295= 0,196

Mediation analysis results show that the effect of Knowledge Management on Innovation Performance is more dominant in the direct path (coefficient 0.367; p-value 0.002), while the indirect effect through Motivation is not significant (coefficient 0.044; p-value 0.177), indicating that Motivation is not proven to mediate this relationship. The total effect remains significant (0.441; p-value 0.001), but the mediation effect of 0.074 is not strong enough. Conversely, the relationship between Competence and Innovation Performance shows both significant direct (0.295; p-value 0.039) and indirect effects through Motivation (0.192; p-value 0.002), resulting in a total effect of 0.491 with a p-value of 0.000. The mediation effect of 0.196 confirms that Motivation significantly mediates the relationship between Competence and Innovation Performance. Thus, Motivation plays an important role in strengthening the impact of Competence on Innovation Performance, while its role as a mediator between Knowledge Management and Innovation Performance is not statistically supported.

The Effect of Knowledge Management on Innovation Performance

Knowledge management holds a strategic role in improving organizational innovation performance by systematically managing information and knowledge, enabling organizations to access, filter, and integrate intellectual resources from various internal and external parties (Dewi & Sugito, 2017; Puryana & Andriana, 2020; Sofiyabadi et al., 2022; Ting et al., 2021). This management strengthens the organization's ability to generate new ideas, improve work process efficiency, and produce innovative products or services that adapt to market changes. The theoretical foundation is supported by the Knowledge-Based View (KBV), which positions knowledge as a primary strategic asset determining competitive advantage and sustainable innovation (Grant, 1996; Stoian et al., 2024). The findings of this study reinforce this theory, where analysis results show that knowledge management has a positive and significant effect on innovation performance, with a parameter coefficient of 0.367, T-statistic of 3.178, and p-value of 0.002. These results align with previous studies affirming that optimal implementation of knowledge management greatly contributes to innovation improvement (Dewi & Sugito, 2017; Napitupulu et al., 2021; Puryana & Andriana, 2020; Samie & Jazghani, 2022; Sofiyabadi et al., 2022; Stefan et al., 2024; Ting et al., 2021). Therefore, these findings strengthen the view that knowledge management is not merely a supporting factor but an essential strategy that must be optimized to enhance organizational competitiveness and innovative capacity sustainably.

The Effect of Competence on Innovation Performance

Competence is a combination of individual knowledge, skills, and attitudes that plays an important role in improving performance effectiveness, especially in the context of innovation (Dwiningtyas et al., 2024). This aligns with the Knowledge-Based View (KBV) theory, which emphasizes knowledge and skills as strategic assets that determine organizational competitiveness (Grant, 1996; Stoian et al., 2024). High employee competence, both technical and non-technical aspects, has been proven to drive the creation of creative ideas, opportunity identification, and the implementation of relevant and impactful innovative solutions (Halim et al., 2017; Huu, 2023; Nardo & Hasymi, 2024; Priharjanto et al.,

2024; Tariq & Zehir, 2023). This study supports these findings, showing that competence has a positive and significant effect on innovation performance, with a parameter coefficient of 0.295, T-statistic of 2.068, and p-value of 0.039, indicating that the hypothesis is accepted. This means that the higher the employee competence, the higher the organization's innovation performance. This research is also consistent with previous studies emphasizing the importance of competence development through training, continuous learning, and work experience as strategies to enhance organizational adaptability to market changes and strengthen innovation (Dewi & Sugito, 2017; Napitupulu et al., 2021; Puryana & Andriana, 2020; Samie & Jazghani, 2022; Sofiyabadi et al., 2022). Therefore, sustained investment in employee competence development is an effective strategic step in creating innovative advantages and maintaining organizational competitiveness.

The Effect of Knowledge Management on Motivation

Knowledge management is viewed as a strategic process in managing organizational information and experience to improve performance and achieve goals, in line with the Knowledge-Based View (KBV) theory that positions knowledge as a key resource in maintaining competitive advantage (Grant, 1996; Stoian et al., 2024; Ting et al., 2021). Good knowledge management facilitates information access, clarifies job roles, and supports continuous learning, which theoretically has the potential to increase employee work motivation (Soeprayitno & Rahayu, 2019). However, this study's results show that the relationship between knowledge management and motivation is not statistically significant, with a parameter coefficient of 0.162, T-statistic of 1.800, and p-value of 0.072, meaning the hypothesis is not accepted. This finding indicates that in the context of this research, knowledge management has not directly increased employee motivation, possibly due to other factors such as organizational culture, work environment, and reward systems being more dominant in shaping motivation (Soeprayitno & Rahayu, 2019; Stefan et al., 2024). Nevertheless, it remains important for organizations to optimize knowledge management because its long-term benefits in improving work effectiveness and innovation can indirectly act as catalysts that support employee motivation and job satisfaction.

The Effect of Competence on Motivation

Competence, which includes knowledge, skills, and attitudes, plays a crucial role in driving employee work motivation, as individuals who feel competent tend to be more confident and motivated to achieve optimal results (Dwiningtyas et al., 2024).. This aligns with Expectancy Theory, which states that a person is more motivated if they believe their efforts will lead to desired outcomes such as rewards or recognition (Oppong & Zhau, 2020; Parashakti et al., 2020). Previous studies also show that organizations actively developing employee competence through training, skill development, and mentoring tend to have a more motivated and loyal workforce (Huda & Abdullah, 2022; Mardianzah et al., 2023). This is reinforced by the current study's findings, which reveal that competence has a very significant positive effect on motivation, with a parameter coefficient of 0.722, T-statistic 10.738, and p-value 0.000, well below the 0.05 threshold, thus strongly supporting the hypothesis. These findings indicate that individuals with high competence are more capable of completing tasks effectively, feel valued, and have control over their work, which ultimately strengthens their intrinsic motivation (Oppong & Zhau, 2020; Parashakti et al., 2020). Therefore, continuous competence development through sustainable strategies is an important investment for organizations to create a productive and motivating work environment.

The Effect of Motivation on Innovation Performance

Motivation plays an important role in encouraging individual involvement in the innovation process, as motivated individuals tend to be more active in exploring new ideas,

sharing knowledge, and implementing creative solutions (Hajiali et al., 2022; Stefan et al., 2024). This is consistent with Expectancy Theory, which states that individuals are motivated if they believe their efforts will result in good performance and valuable outcomes (Channel, 2021). Previous research supports that motivation drives innovative behavior and active involvement in developing products, services, and work efficiency (Dou et al., 2022; Jiang et al., 2023). This study's results reinforce these findings by showing that motivation significantly affects innovation performance, demonstrated by a parameter coefficient of 0.272, T-statistic 3.078, and p-value 0.002, below the 0.05 significance level. This suggests that higher individual motivation increases their contribution to innovations that enhance organizational competitiveness (Alkhalaf & Al-Tabbaa, 2024), so organizations need to create work environments that appreciate innovative contributions through incentives, recognition, and career development.

The Role of Motivation as a Mediator between Knowledge Management and Innovation Performance

Effective knowledge management has been proven to have a significant impact on innovation performance within organizations, both directly and indirectly, by providing access to, sharing, and applying relevant information to foster innovative solutions (Hastuti et al., 2023; Stefan et al., 2024). Based on Expectancy Theory, individuals are more motivated to contribute when they perceive benefits from their efforts, including in innovation (Channel, 2021). Motivation can serve as a link between knowledge management and innovation, but its effectiveness depends on organizational support for learning and incentives (Dou et al., 2022; Huda & Abdullah, 2022; Jiang et al., 2023). The findings show that knowledge management has a direct and significant effect on innovation (coefficient 0.367; p-value 0.002), while the indirect effect via motivation is not significant (effect 0.044; p-value 0.177), indicating that motivation is not a strong mediator in this relationship. With a total effect of 0.441 and p-value 0.001, it can be concluded that knowledge management remains a primary factor in driving innovation performance, so organizations are advised to prioritize applicable knowledge management strategies while maintaining efforts to enhance employee motivation (Dwiningtyas et al., 2024; Masruroh & Fatimah, 2023).

The Role of Motivation as a Mediator between Competence and Innovation Performance

Individual competence is a strategic asset in driving organizational innovation, as explained by the Knowledge-Based View approach (Grant, 1996; Ting et al., 2021), but its effective utilization requires motivation as an internal driver that encourages individuals to apply their competence innovatively (Huda & Abdullah, 2022; Mardianzah et al., 2023). According to Expectancy Theory, motivation arises when individuals believe their efforts will produce desired and recognized outcomes (Channel, 2021). In this case, high competence becomes more effective when individuals have strong motivation to generate innovation (Dou et al., 2022; Stefan et al., 2024). The study found that competence has a direct and significant effect on innovation performance (coefficient 0.295; p-value 0.039), and the indirect effect through motivation is also significant (0.192; p-value 0.002), with a total effect of 0.491 and p-value 0.000. The mediation effect size of 0.196 confirms that motivation plays an important role in strengthening the relationship between competence and innovation (Alkhalaf & Al-Tabbaa, 2024; Jiang et al., 2023). Therefore, organizations need not only to enhance competence through training but also create motivating work environments through incentives, recognition, and a culture that supports exploration and creativity.

CONCLUSION

Based on the research results, it can be concluded that knowledge management has a positive and significant effect on innovation performance, meaning that the better the

knowledge management in an organization, the higher the innovation performance produced. Furthermore, competence also has a positive and significant effect on innovation performance, indicating that increasing individual competence impacts the improvement of innovation performance. Although knowledge management is important, it does not significantly affect motivation, whereas competence positively affects motivation, meaning higher competence can increase individual motivation. Motivation also significantly affects innovation performance, indicating that more motivated individuals tend to produce better innovations. However, motivation does not act as a significant mediator between knowledge management and innovation performance, showing that the influence of knowledge management on innovation performance is stronger directly. Finally, competence significantly affects innovation performance both directly and through motivation as a mediating variable, meaning that the higher an individual's competence, the greater their motivation to develop innovative ideas, which ultimately enhances innovation performance in the organization.

This study has several limitations to consider. First, the sample used in this research is limited to certain organizations, so the findings may not be fully generalizable to all types of organizations or industry sectors. Second, this research is cross-sectional, meaning the data collected reflects conditions at one point in time, so it cannot capture long-term changes or dynamics in the relationships between variables studied. Third, although several factors influencing innovation performance were measured, this study has not considered other variables that might play a role, such as external factors or organizational policies, which could also affect the outcomes. Finally, although the mediation model was tested, other factors related to motivation or competence have not been fully explored, which could be directions for further research.

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