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MANUFACTURING COMPANY PERFORMANCE IN INDONESIA: THE ROLE OF ORGANIZATIONAL CULTURE AND KNOWLEDGE MANAGEMENT

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Abstract
Firm performance is an essential element factor in shaping the competitiveness of a company to gain a competitive advantage in its industry. Firm performance is specifically affected those related to the company's resources. Organizational culture and knowledge management are resources owned by companies to be able to compete in the industry. The study focuses on analyzing the effect of organizational culture and knowledge management on the performance of manufacturing companies in Indonesia. Data in this study is primary data and secondary data. The sample of study is 152 respondents. To test the data, this study used multiple regression analysis. The results show that company performance are influenced simultaneously by organizational culture and knowledge management. Partially, the results of the study indicate the role of knowledge management in company performance. However, organizational culture has no role in the performance of manufacturing companies in Indonesia.

Introduction
In an era of aggressive competition, companies must always evaluate their performance and make a series of improvements in order to keep growing and be competitive. This improvement is carried out continuously so that the firm's performance is getting better and superior in competition. Firm performance is the result of many decisions made continuously by management to achieve certain goals effectively and efficiently. According to Helfert (1996) that company performance is the result of many individual's decisions made continuously by management. Stoner at al. (1996) argue that performance indicates the degree of efficient and effective of an organization in achieving goals.

Culture plays a specific role in organizations. The importance of culture could determine the way of organization in running their business. The relationship between culture and competitive advantage can change according to changes of the type and nature of the organization (Cabrera & Bonache, 1998). A strong culture is one of the key factors needed by an organization to gain a competitive advantage. However, only the right culture helps a company to step towards success in a competitive environment so that it can be said that organizational culture is a great asset for this company. Currently, many researches related to organizational culture and performance have been carried out. Scholars view organizational culture from a variety of different perspectives. A practical proposal by Wallach (1983) proves that organizational culture is effective according to the needs of business managers in authority and subordinate relations, and their expectations of job achievement.

Nonaka and Takeuchi (1995) argues that knowledge management is a dynamic human process that justify individual belief toward the truth. In general, knowledge management is defined as a systematic knowledge management in which new knowledge is created, identified, pooled, shared, and combined (Skyrme & Amindon, 1997).It can be inferred from this concept that knowledge management aims at creating new information throug h the innovation process and making it happen in the form of products or services. Based on that argument, companies need to manage their intellectual capital and provide the means, as well as provide possible opportunities for its development so that it can produce concrete actions that drive the company's performance improvement.

Knowledge management encourages the creation of new knowledge (knowledge creation) which will later be realized in the products so that it has an impact on company performance. Nonaka & Takeuchi (1995) define organization knowledge creation as a process that amplifies the knowledge created by members of organization and crystallizes it as a part of the network of the organization. To strengthen the process in the organization knowledge creation model, Soo et al. (2002) stated that knowledge acquisition has an impact on innovation and

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financial performance. Furthermore, Soo et.al (2000) described that organization could make a knowledge acquisition from clients, suppliers, rivals, universities and research institutions, government, and others. Conceptually, knowledge can be divided into tacit knowledge and explicit knowledge (Polanyi, 1958). Tacit knowledge is typically in the contextual, cognitive, and experiential learning domains. Whereas explicit knowledge provides more objective, logical, and technological domains of knowledge. Explicit knowledge typically well-known and readily available.

In Indonesia, it is important for the company to build value and how to make company value into personal or individual company values. There is a very strong relationship between company performance and the suitability between company value and individual value (esq-news.com, 2011). The firm has made numerous efforts, including trainings, in the form of improvements in management, structure and strategy. However, the results have not been as expected, so the question arises how to build values in employees through culture and knowledge. One of the pillars of knowledge management programmed by one of the manufacturing companies in Indonesia, namely PT Semen Tonasa, is the Community of Interest (COI) which aims to build a culture or behavior to share knowledge (PT. Semen Tonasa, 2018). A company can have guaranteed sustainability if it has good knowledge management. So that the importance of this is to continue to be built, be it community-based, social media, or other means, and the most important thing is how to share with one another about issues or things worth sharing in order to gain insight, knowledge and experience. However, this is not yet optimal and cannot be accommodated properly because members of organization have not fully implemented Knowledge Management. Based on the above phenomena, this study focuses on the effects of organizational culture and knowledge management on firm performance.

Theoretical Review

Organizational Culture

Organizational culture is a mutual understanding of organizational employees about how and how in an organization (Wallach, 1983). Organizational culture includes beliefs, values, norms and philosophies that determine how work is carried out. Organizational culture defines the expected required in behaviour, expression, self-character and what to do. It can also be inferred that organisation's culture relates to common beliefs, principles and standards (Schein, 1985; Sharifirad and Ataei, 2012). In doing so, organizational culture is the source of sustainable competitive advantage (Barney, 1991). Several studies have shown that organizational culture is a key factor for organizational effectiveness (Deal and Kennedy, 1982; Denison, 1990; Peters and Waterman, 1982; Wilkins and Ouchi, 1983 in Sharifirad and Ataei, 2012). Organizational culture is a crucial element in ensuring the sustainability of business activities through organizational behavior (Chang and Lin, 2007).

Organizational culture is the representation of employee attitudes and behaviour. Organizational culture is an organization's mutual social awareness, including the laws, norms and values that form employee attitudes and behaviors (Colquitt et al., 2009 in Sharifirad and Ataei, 2012). Based on the explanation above, there are three important points about the culture of the organization. Firstly, organizational culture is acquired and manifested through employee interaction. Second, organizational culture describes rules, norms, and values within organization. Finally, corporate culture develops and enhances employee perceptions by means of a system of workplace control (Colquitt et al., 2009 in Sharifirad and Ataei, 2012). Organizations are trying to find potential workers who are likely to share their beliefs and who share the same values with the company in exchange. This ensures that innovative and creative individuals can nurture in innovative and creative organizations. An organization's everyday rhythm and employee synchronisation allow for organizational innovation (Ancona and Chong, 1996 in Sharifirad and Ataei, 2012). This harmony can be created by increasing the role of organizational culture in the company. Armstrong (2009, in Sharifirad and Ataei, 2012) states that organizational culture is related to subjective aspects and explains what happens in the organization. Nevertheless, the effects and outcomes of organizational culture are quite clearly incorporated into the working climate.

This study will use the organizational culture index by Wallack (1983). Organizational culture index has been widely used to see the role of organizational culture on company innovation and performance (Hyland and Beckett, 2005; Yiing and Ahmad, 2008; Lok et.al, 2009; Shieh and Wang, 2010; Rasool et. Al., 2012; Liao. et.al, 2012; Uzkurt et. al, 2013). Corporate culture divided into three types, namely bureaucratic culture, innovative

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culture and supportive culture (Wallach, 1983). Companies with a hierarchical culture are usually fairly stable, established and working cautiously.

Knowledge Management

Knowledge Management is a mechanism that helps organizations in finding, selecting, organizing, disseminating and transferring valuable information and skills essential for activities such as problem-solving, collaborative learning, strategic planning and decision-making. The emergence of knowledge management in an era of global competition is rising because organizations are required to be more innovative in reducing costs and expanding their markets in order to remain competitive. Knowledge management exists not just because of the need for cost-efficiency, problem-solving managerial effectiveness, decision-making, creativity and all other elements involved. Knowledge management is needed to maintain and develop competitive advantage, but also more specifically, to capture, classify, preserve, disseminate skills and knowledge that are part of the organizational memory that usually resides in organizations in a structured way (Gupta at. al., 2000).

Knowledge management as the formalization and access to experience, knowledge and skills that create new capabilities, enable superior performance, drive innovation, and increase customer value (Gloet and Terziovski, 2004). Darroch and McNaughton (2002) describe that knowledge management is a feature of management that produces or positions information, manages the flow of knowledge and ensures that knowledge is used effectively and efficiently for the organization's long-term benefit. According to Marina (2007), an enterprise that has knowledge management expertise, knowledge orientation and information management as it is a corporate guidance strategy that influences organizational managers' strategies.

Knowledge classified into tacit and explicit knowledge (Polanyi, 1958). Nonaka and Takeuchi (1995) argue that there are intangible assets that are often ignored by companies such as insights, intuition, hunches, instincts, values, images, metaphors, and analogies. The mining of such intangible assets will add tremendous value to the daily operations of a business. Tacit knowledge is typically a realm of subjective, cognitive, and experiential learning, while explicit knowledge is often more empirical, logical, and technical (data, policies , procedures, software, documents, etc.). Explicit information is typically well known and readily available. In distinguishing two kinds of knowledge, Polanyi (1966) stated: "We can know more than we can tell" and simply implies that translating tacit knowledge into words is difficult.

Firm Performance

It is a complex and subjective task for the company to measure company performance. Companies can measure performance both quantitative and qualitative approach. Company performance can be measured using various perspectives such as financial, non-financial, business unit performance, or subjective company performance. The company has several indicators to measure firm performance. There are several studies such as Blazevic and Lievens (2004), Avlonitis et al. (2001), Deshpande et al. (1993), and Jaworski and Kohli (1993) use profitability, market share, and market value in measuring firm performance (Uzkurt et.al, 2013). Furthermore, firm performance could also measure by using self-evaluation as a comparison to the largest competitors in the industry (Uzkurt et. Al., 2013, Vazquez et.al, 2001, Deshpande et. Al. 1993).

The Relationship between Organizational Culture and Company Performance

The use of corporate culture in improving company performance is controversial. The relationship between organizational culture and firm performance is studied by several research (Ngo and Loi, 2008; Lau and Ngo, 1996; Chan et al., 2004). Previous studies found support for the influence of organizational culture on firm performance (Ngo and Loi, 2008, Daft, 2007; Denison and Mishra, 1995, Kotter and Heskett, 1992). Ngo and Loi (2008) suggest that market-related performance is influenced positively by adaptive culture. Chan et al. (2004) also found evidence that organizational culture is related to firm performance. Based on the resource based view, organizational culture is a resource that managers can use to lead companies to achieve competitive advantage, especially resources that are intangible and difficult to imitate (Onken 1998, Conner and Pralahad, 1996 and Barney, 1996). Organizational culture can be a valuable tool to manage and can help an organization gain competitive advantage so that it can boost the efficiency of the company (Onken, 1998).
H_1: Organizational culture has a positive and significant effect on firm performance

The Relationship between Knowledge Management and Firm Performance

Penrose (1959) suggests that expertise of workers is dependent on abilities and experience, as well as capacity to learn information. Knowledge is a resource, and how knowledge is managed and utilized. It will affect the quality

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of service that can be leveraged from any resource a company has. Thus, knowledge management positions itself in the company's essential supporting role.

From above explanation, it ensure that knowledge management from the a resource-based view of the organization could benefit the company in increasing the performance. Knowledge management are necessary for resources in transforming resource into capabilities for the company (Nelson and Winter, 1982). One of the company capabilities is achieving firm performance. Teece (1998) indicate that knowledge management affected financial performance.
H_2: Knowledge Management has a positive and significant effect on firm performance

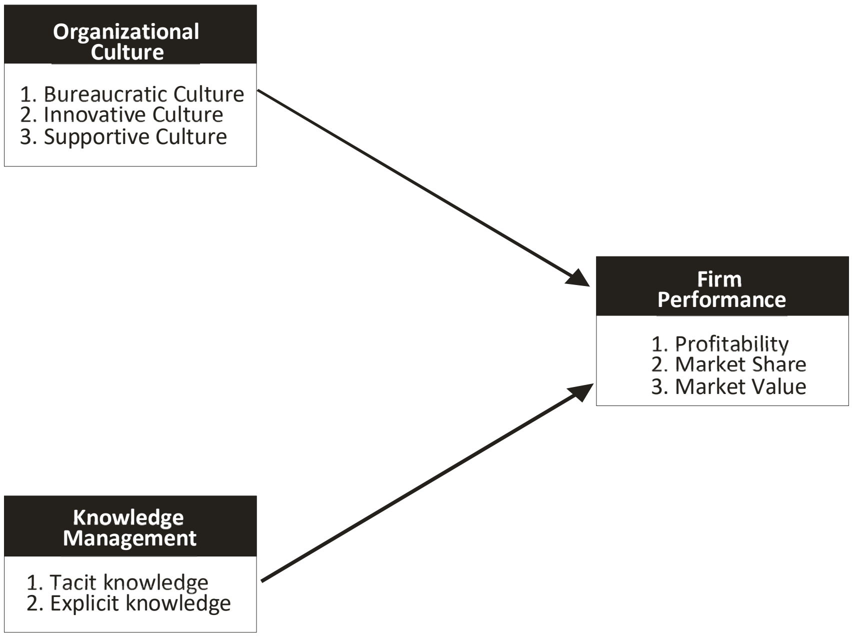

Figure 1 Research Conceptual Framework

Research Methods

This study uses four variables, namely organizational culture, knowledge management, and firm performance. Based on the hypothesis and research framework that describes the relationship between variables, then it is determined to determine the instrument based on the research variables and then determine the sample. This study uses explanatory research, namely the causality of explaining a relationship between variables through hypothesis testing (Ghozali, 2004). The primary data needed in this study is data obtained from respondents' answers to a series of questions asked based on the indicators of the research variables. This research was conducted on managers of manufacturing companies.

Data collection was carried out by interview and questionnaire methods. The collected data were processed using descriptive and quantitative analysis tools. For the sampling technique, this study uses references to Roscoe (1975) in Sekaran (2003); Hair, et al (1998); Tabachnick and Fidell (1996) where obtained some general guidelines that can be used by researchers to determine the size of the research sample whose analysis uses SPSS. Research requires a sample of at least 5 times the number of indicator variables used. This study has a total of 13 dimensions. Organizational culture has 3 dimensions. Knowledge management has 2 dimensions. Lastly, firm performance has 3 dimensions. Therefore, this study requires a minimum sample of 8 x 10 or 80 samples. After distribution of questionnaires, the study has succeeded to collect 152 questionnaires.

The main instrument in data collection in this study was to provide structured questions (questionnaires) which were adopted from various previous studies which were considered to have been tested for reliability and validity. The questionnaire questions will use a scaled response question, which is a form of questions that uses a scale to measure and find out respondents 'attitudes towards questions about other research variables (organizational

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culture, knowledge management, and firm performance) based on the respondents' perceptions. The use of a Likert scale with 5 alternatives is more likely to spread the values of respondents' answers.

The analytical tool used to test the hypothesis in this study is the Multiple Regression Equation. This study uses multiple regression analysis techniques with the SPSS method. Indicators are carried out in the form of scoring according to the Likert scale, in this study using 5 scoring numbers where the number 1 shows the lowest value and the value number 5 shows the highest value. Based on the research model, a functional equation can be formed in the multiple regression equation model as follows:

$Y1 = \alpha + \beta 1X1 + \beta 2X2 + \varepsilon$

Where:

X1 = Organizational culture

X2 = Knowledge management

Y1 = Firm performance

Results and discussion

Hypothesis Test

F Test (Simultaneous-test)

Simultaneous test are joint testing of knowledge management and organizational culture on firm performance. If the value of F-count is higher than F-table, the independent variable (X) affects the dependent variable (Y). If the value of F-count is less than F-table, then the independent variable (X) has no effect on the dependent variable (Y). If the significance value is less than 0.05, the independent variable (X) has a significant effect on the dependent variable (Y). If the value has a significance level bigger than 0.05, the independent variable (X) has insignificant effect on the dependent variable (Y). The value of F-table can be seen in the statistical table for a significance of 0.05 with $dF_1 = (k-1)$ and $dF_2 = (n - k)$. Where k = number of variables and n = number of samples forming the regression. So, $dF_1 = (3-1) = 2$ and $dF_2 = (152-3) = 149$. The results obtained for F-table were 3.06.

From the ANOVA test or F-test, it is obtained that the F-count value is 33.887 this value is greater than the F-table, namely 3.06 or F-count 33.887 is higher than F-table 3.06 with a probability of 0.000. Because the probability value is much smaller than 0.05, the regression model can be used to predict Firm Performance or it can be said that the two independent variables of Organizational Culture and Knowledge Management simultaneously have an influence on Firm Performance.

Table 1 F-Test Result

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	703,916	2	351,958	33,887	,000[b]
	Residual	1547,551	149	10,386		
	Total	2251,467	151			

a. Dependent Variable: Firm Performance

b. Predictors: (Constant), Knowldge , Organisasi

Source: Processed data (output SPSS 21)

t-Test (Partial Test)

This research also focuses on evaluating the relationship between organizational culture and knowledge management to firm performance partially. With so, a t test is performed. This test is done by comparing t count with t table at the real level $\alpha = 0.1$. If the result of the calculation of t is greater than t table (t table is higher than t table) or the probability of error is less than 5%, it can be stated that X_1 and X_2. affect Y. The value of t table can be seen in the statistical table for a significance of 0.05 with df = n - k. Where k = number of variables (free + bound) and n = number of observations / samples forming the regression. So, df = 152 - 3 = 149, then the t table value is 1.655.

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Table 2 t-Test Results
Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1,686	4,121		,409	,683
	Organizational Culture	,016	,038	,032	,416	,678
	Knowledge Management	,632	,089	,543	7,068	,000

a. Dependent Variable: Firm Performance

Source: Processed data (output SPSS 21)

Based on above table, the results of the SPSS output above can be seen that t-count value of organizational culture variable (X_1) is 0.416 which is less than 1.655. the significance value of 0.678 is greater than the value 0.05. It means that organizational culture (X_1) partially does not have a significant effect on firm performance (Y), Meanwhile, the knowledge management variable has the t-count value of 7.068 and the 5% t-table value of 1.655. it shows that the t-count value is higher than t-table. The significance value is 0.000 or less than 0.05. This means that the knowledge management variable has a positive and significant effect on firm performance.

Discussion

The Influence Of Organizational Culture And Knowledge Management On Firm Performance
From the F test of research results, it is found that organizational culture and knowledge management simultaneously affect company performance. Company performance is empirically influenced by organizational culture and knowledge management. This can be seen from the level of significance of the F test of 0.000 which is smaller than 0.05 as the level of error in this study. The results of this study support the fact that organizational culture and knowledge management are capable resources to support company performance. Organizational culture is a driving factor for actions within the organization, which results in the organization being able to operate continuously (Chang and Lin, 2007). This is also in line with the opinion of Wright and McMahan (1992). Wright and McMahan (1992) argue that if carefully planned and crafted, a human resource management approach will decisively impact firm performance.

In addition, knowledge combined with a positive organizational culture can accelerate the company in achieving the desired performance. As stated by Davenport & Prusak (1998), knowledge (knowledge) can be a competitive advantage of an organization. This is even more so if knowledge management is supported by company policies as is done by manufacturing companies. Manufacturing companies want to develop companies by developing resources by running knowledge management programs. Soo et al. (2002) stated that knowledge acquisition will have an impact on innovation and financial performance.

This study also confirms the resource based view (RBV) theory. The RBV theory states that if a company wants to achieve competitive advantage, the company must rely on its resources rather than focus on external matters of the company (David, 2011). This can be seen based on the results of research suggesting that organizational culture and knowledge management together affect company performance positively.

The Influence of Organizational Culture on Firm Performance
Based on the results of the analysis, it was concluded that organizational learning variables had no partial effect on firm performance. When viewed from the value of t-count organizational learning (X1) is smaller than the t-table value of 0.416 <1.655 with a significant level of 0.678> 0.05. Thus, empirically, in this study, organizational culture does not affect company performance. The results of this study are in line with research conducted by Yesil and Kaya (2013). Previous study by Yesil and Kaya (2013) also found no effect of organizational culture

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on company performance. This is presumably because organizational culture can affect company performance through mediating variables that will strengthen the role of organizational culture on company performance. As stated by Yesil and Kaya (2013), organizational culture can affect organizational performance through knowledge conversion (Tseng, 2010) or innovation (Han et.al, 1998).

The results of this study also contradict the theory which states that organizational culture will shape the characteristics of its employees and encourage them to perform in line with company performance. Yesil and Kala (2013) stated that a strong and positive culture can improve employee performance and encourage the achievement of company performance, while a weak and negative culture can reduce employee motivation and hinder the company. Murphy and Cleveland (1995) have expressed the same thing, saying that corporate culture leads to firm performance. Magee (2002) explains that companies that do not emphasize the impact of organizational culture on management practices in the organization can make company performance unproductive because these two things are interdependent and have an impact on one another.

The Influence Of Knowledge Management On Firm Performance

Based on the results of the analysis, it can be concluded that the knowledge management variable has a partial effect on firm performance. If seen, the knowledge management t count (X2) is greater than the t table value (7.068> 1.655) with a significant level of 0.000 <0.05. From the research results it can be concluded that through knowledge management can improve firm performance. The results indicated that knowledge management positively influenced company performance. This is in line with company policies that emphasize knowledge management in improving employee motivation and performance and supporting the achievement of company performance. Wo and Chen (2014) and Sanches, Marin and Morales (2015) states that firm performance is driven by knowledge management. Penrose (1959) that implies, employee knowledge is based on skills and experience and the ability to absorb knowledge. Therefore, knowledge management is a resource that could support the company in running the business. Knowledge management is placed in an important supporting role in the company.

The results of this study is also supported by the resource-based view theory which emphasizes that the resources in the organization can support the achievement of company performance and company goals. Knowledge management is considered as resources by Penrose's (1959) could enhance the company capabilities. Therefore, knowledge management could be a strength of the company that could help the company in achieving its goals. In addition, Nelson and Winter (1982) view, that knowledge management are necessary for resources in transforming resources into capabilities.

Conclusion

Based on the results of the research that has been done, it can be concluded that organizational culture and knowledge management simultaneously have a positive and significant effect on firm performance, organizational learning factors partially have a positive and significant effect on Firm performance and knowledge management factors partially have a positive and significant effect. on Firm performance.

Based on the research results that have been previously described, the researchers' suggestions for companies, namely that companies in running the company need to manage organizational culture and knowledge management so that they can continue to improve financial performance and be able to survive in business competition and for further researchers it is recommended to add several other variables such as excellence. competing, innovation, and capital management and so on. So that the next researcher can see other variables that can affect firm performance. Future research is expected to explain the factors that influence company performance with a larger percentage contribution.

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