

Strengthening Organizational Performance Mediated by Absorptive Capacity Through Knowledge Management and Entrepreneurship Orientation

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ABSTRACT: Creative resources applied in the digital age 4.0, creative ideas in the industrial world with unique products are generally used to improve organizational performance. This study analyzes knowledge management (KM), and entrepreneurship orientation (EO) on organizational performance through absorptive capacity (AC) in rural banks in Bali Province. The study population was 160 rural banks in Bali and the sample used the random quota method with the number of respondents as much as 5 percent, namely as many as 120 people. Research analysis method with SEM-PLS technique. The results of the hypothesis test found that 1). There is a positive relationship between knowledge management (KM), and absorption (AC) to organizational performance (OP), 2). there is no effect of entrepreneurial orientation (EO) on organizational performance (OP). 3). Knowledge Management (KM) does not affect absorption (AC), 4). There is a significant positive relationship between entrepreneurial orientation (EO) to absorption capacity (AC).5). Absorption capacity (AC) has not been able to be a mediating variable in the relationship between knowledge management (KM) and organizational performance (OP). 6) absorption (AC) can be a mediating variable in the relationship between entrepreneurial orientation (EO) with organizational performance (OP) in rural banks in Bali Province.

KEYWORDS: Organizational performance, knowledge management, absorptive capacity, entrepreneurial orientation, BPR

I. INTRODUCTION

Intangible resources in the industry 4.0 adoption process (Prim et al., 2022) is a socioeconomic phenomenon that affects all industries, transforming not only products, processes, and services, but also business models, organizational structures, and strategies, placing human beings at the center of this digital transformation. Banking organizations face many increasingly widespread challenges, the globalization factor opens the door to very high and complex competition due to technological developments (Biswas et al., 2020) (OECD, 2020) (Nurjanah et al., 2023) which quickly encourages the organization to maintain a competitive advantage so that it can survive in the face of competition (V. H. Lee et al., 2016) what is produced by the organization (Tubigi & Alshawi, 2015). Banking organizations must quickly and responsively carry out their functions and responsibilities to serve the community (Enad & Gerinda, 2022). One of the banking organizations, namely rural banks (BPR) is part of the financial system in Indonesia (Wasiaturrahma et al., 2020).

BPR in Bali province is the main target of the Bali Bangkit 2021 economic recovery program because it is an economic sector that still survives even in the covid 19 situation and through government programs to be able to absorb the community's workforce in Bali. According to the Indonesian Banking Statistical Report issued by the Financial Services Organization (OJK), the number of banking institutions in Indonesia as of November 2019, 1,552 of them are BPR, the number of commercial bank office networks in Indonesia is 31,085, the number of BPR office networks is 6,327 or as much as 16.91 percent (Banking, 2020). BPR with its business scale and extensive office network, it must face competition from big players such as state-owned banks that offer small-interest loans or provide small business loans to MSMEs (Financial Services Authority, 2020). Banking business capability for the purchase of products sold is an increase in the success of organizational performance (Enad & Gerinda, 2022). Many factors can influence organizational performance, including knowledge management (Tubigi & Alshawi, 2015); (Cabanillas et al., 2014) is an important instrument to improve the efficiency and success of the organization (H. Lee & Choi, 2013) creating empirically proven superior organizational performance (Smaradhani et al., 2023) provide a clear linkage between knowledge management and non-financial indicators compared with financial indicators (Muhammed & Zaim, 2020) set despite being facing uncertainty business environment (Taouab & Issor, 2019).

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The relationship between knowledge management, entrepreneurial orientation, and organizational performance based on The Theory of Resource-Based View (RBV) and Dynamic Capability Theory (DCT) provides an argument that companies that have valuable, rare, inimitable, and non-replaceable resources, have the potential to achieve competitive advantages and superior performance emphasizes that knowledge resources can be treated as a resource that is unique and valuable (Kuo, 2011) (S. I. Wu & Chen, 2014). To improve organizational performance every business actor is not enough just to take advantage of existing knowledge (Kuo, 2011)), must have an entrepreneurial orientation (EO) (C. L. Wang, 2008); (Musthofa et al., 2017) Improved organizational performance will significantly differ from companies that do not have entrepreneurial orientation character (Shan et al., 2016). Entrepreneurial orientation (EO) companies will dare to take measurable risks to reconfigure their resources to capture market opportunities (Conrads et al., 2023; Kuratko & Audretsch, 2009) identifying opportunities is the foundation for improving dynamic capabilities (Aslam et al., 2020). In addition to knowledge management and entrepreneurial orientation, performance improvement is influenced by absorptive capacity which is external knowledge through the process of knowledge identification, assimilation, and exploitation (Cohen & Levinthal, 1990) be productive, promote the innovation ability of enterprises, formulate competitiveness, and promote them to stand out from the competition (Hsu et al., 2014) Entrepreneurial orientation and absorptive capacity make the company adapt to changing environmental conditions.

On the other hand, various studies have raised that absorptive capacity is treated as an antecedent variable of knowledge management (Zou et al., 2018; Afifah & Cahyono, 2020), then Khumaida, (2018) in his research makes absorptive capacity a moderating variable, while (Ranto, 2015; Makhoulfi et al., 2021; Rupianti et al., 2022b) put absorptive capacity as a mediating variable. In addition, various performance measurement studies often only focus on quantitative measures such as productivity, profits, market share, and profitability (Cahyani & Anwar, 2016) and very minimal that raises performance measurements by highlighting proxies that represent an entrepreneurial orientation, knowledge management, and absorptive capacity (Gold et al., 2001).

This study was conducted on Rural Banks (BPR) in Bali province with the aim of; determining the effect of knowledge management (KM) on organizational performance in rural banks in Bali Province; to determining the effect of entrepreneurial orientation (EO) on organizational performance in rural banks in Bali Province; to determine the effect of entrepreneurial orientation (EO) on the absorptive capacity (AC) in rural banks; to determine the effect of absorptive capacity (AC) on organizational performance in rural banks in Bali Province; to determine the effect of knowledge management (KM) on organizational performance through absorptive capacity (AC) in rural banks in Bali Province; to determine the effect of entrepreneurial orientation (EO) on organizational performance through absorptive capacity (AC) in rural banks in Bali Province.

II. LITERATURE REVIEW

This study uses the theory of resource-based view (RBV) which is consistent with previous studies that examined the relationship between entrepreneurial orientation (EO) about performance (Ringo et al., 2022); (Kiyabo & Isaga, 2020); (Monteiro et al., 2017); (Imran et al., 2017). RBV theory states, a company is defined as a set of resources integrated into various ways, and it is this set of resources that will give uniqueness to the company (Ringo et al., 2022) Based on this concept, organizational performance varies due to differences in resources (Peteraf & Barney, 2003). In general, corporate resources can be categorized as tangible resources, such as financial and physical resources, and intangible resources such as abilities, skills, and knowledge. This theory further asserts that strategic resource ownership is critical for companies to achieve competitive advantage and superior performance (Kiyabo & Isaga, 2020). Strategic resources are valuable, scarce and irreplaceable resources, and have been recognized as the main differentiator between companies that have advantages and those that do not. Strategic resources can provide "differentiation" as a result they are potentially a source of sustainable competitive advantage (Kellermanns et al., 2016). The extant literature recognizes intangible resources as strategic resources because they have different characteristics. As a result, recent research has shifted the emphasis from tangible resources to intangible resources, which are considered more vital and relevant for a company's success and performance (Monteiro et al., 2017). Statement Racela and Thoumrungroje, (2020) it claims that to generate sustainable competitive advantage and superior performance, strategic intangible resources must be efficiently utilized. Researchers, on the other hand, have understood certain shortcomings of RBV theory that may be the case for many self-employed oriented companies (Makhoulfi et al., 2021). The DCT model is therefore applied to expand the RBV lens and answer questions about what kind of "resources" are needed in a highly dynamic business environment. The existing DCT lens resources will be reconfigured to find elements of existing dynamic capacity (Teece et al., 1997). The idea of dynamic capabilities complements the premise of the enterprise resource-based view and has injected new vigor into empirical research in the past decade (Wang & Ahmed, 2007). Three-component factors reflect the general characteristics of dynamic

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capabilities throughout the company and that can be adopted and further developed into measurement structures in the future, among others, adaptive capability, absorptive capability, and innovative capability. For the banking world, EO, knowledge management, and absorptive capacity are seen as a strategic intangible resource that has a dynamic capacity content that contributes significantly to competitive advantage and organizational performance (Monteiro et al., 2017); (Runyan et al., 2006)

Organizational performance is defined as the ability of a company to achieve its goals and objectives with the help of talented administration, good governance and having a constant re-dedication to achieve business goals, as financial and non-financial aspects-based goals under the influence of fuzzy and uncertain external environmental conditions (Mahapatro, 2010). Engage internal and external perspectives to empower diverse resources by opening up the flow of information (Prakash et al., 2017). One of the indicators that measures the actual results really corresponds to the desired (Valmohammadi, 2012; Valmohammadi & Roshanzamir, 2015) Suwatno & Priansa, (2014) indicators of Organizational Performance; 1) the quality of work that determines the volume of work and work productivity produced by employees within a certain period; 2) the quantity of work that is the result of employee work related to accuracy, neatness, and completeness in handling the tasks that have been carried out in the Company; 3) knowledge of the procedures in doing them; 4) the term means that the employee is able and can always complete the work following the period set by the company; 5) the ability to cooperate means related to the consideration of the ability to cooperate with others.

Knowledge management (KM) is a process that helps an organization achieve its goals by managing knowledge (Samsir et al., 2017), supporting innovation in business (Mitchell & Boyle, 2010) and their dynamic innovation (Rosing & Zacher, 2017), knowledge and learning are critical to organizational success (Chadwick & Raver, 2015) (Bell & Bell, 2020) as information, facts, and concepts attached to practices, norms, processes, and experiences (Djiffouet, 2019), as a strategy process to put the right knowledge to the right people at the right time and help people share and apply information with the goal of improving organizational performance (Giampaoli et al., 2017) increase efficiency (H. Lee & Choi, 2003), as an understanding of a situation, relationships, causal phenomena, theories and rules that underline a specific domain or problem (Naqshbandi & Jasimuddin, 2018) as organizational awareness and managerial practices efficiently and effectively for problem-solving and decision-making, (Lwoga et al., 2010) as an in-depth instrument that can effectively improve the organization's ability to carry out appropriate actions (Nonaka, 1994). Effective knowledge management (KM) strategy (Chen et al., 2009) drive the creation of superior performance (Shahzad et al., 2020) which is empirically proven (Qasrawi et al., 2017) high organizational performance (Gürlek & Çemberci, 2020) so as to achieve sustainable corporate goals. The benefits of knowledge management for the company is to streamline and streamline the performance of the organization and also the operational activities of the company (Pratiwi & Nursyamsiah, 2022). The role of KM is to study, utilize, extract and utilize more available resources (Koohang et al., 2017) (Tseng & Lee, 2014) for innovation and organizational performance (Asoh et al., 2007). Good Knowledge management will lead the company to the ability to produce better products and services to encourage people in the company to move dynamically and adapt to changes (Darroch, 2005) Companies try to transform individual knowledge, which is a combination of information, personal experience and personal understanding into organizational knowledge (Obeso et al., 2020) with the aim of unleashing intellectual potential by improving the effectiveness and efficiency of the management of organizational knowledge resources (Andreeva & Kianto, 2012), who cannot predict the future, cannot decide what to do, do not know what has happened, but regularly communicate in everyday life (Van Der Bles et al., 2019). KM comes from two main sources that are usually stored in the company's database in various forms such as reports, documents, images, audio, and video, namely (Nonaka, 1994) Nonaka & Takeuchi, (1995): 1). tacit knowledge refers to human resources within the organization (owners, managers, and employees) and also from outside the organization (customers and suppliers) who are realized as existing sources of knowledge because ideas, expertise, and abilities in themselves are latent and in the form of intuition and have insight in an unstructured form and can provide added value to the company (Ferraris et al., 2019) 2). explicit knowledge refers to the quantity and quality of written or oral knowledge that can be physically presented through words, sentences, formulas, and so on and is very structured to get better performance in a company (Tubigi & Alshawi, 2015), (Valmohammadi & Ahmadi, 2015).

Entrepreneurial orientation is defined as the processes, practices, and decision-making that lead to new business ventures (Mamun & Fazal, 2018). This is several behaviors, willingness to take risks, innovation, proactivity, autonomy, and aggressiveness in a competitive manner (Bolton & Lane, 2012). According to (Rauch et al., 2009), researchers widely cite the dimensions of risk-taking, innovation, and proactivity. Innovation is an organizational effort to find new opportunities and solutions involving experimentation and creativity. Furthermore, it creates new products and services and improves their technical aspects (Dess & Lumpkin, 2005) Entrepreneurial orientation is a process, practice, and decision-making activity that leads to the production of something new. Entrepreneurial orientation is considered an additional resource of the company (Khan et al., 2020) or organizational capabilities that show the entrepreneurial process and how business activities are able to run (Rauch et al., 2009). In addition, entrepreneurial orientation is a key driver of organizational and strategic transformation

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through a combination of Strategic Resources owned by the company (Suardhika, 2012). Entrepreneurial orientation (EO) is one of the key constituents in the success of any company (Wales et al., 2016). Entrepreneurial orientation (EO) is largely considered a "cultural construct" with a number of dimensions including proactivity, risk-taking and innovation (Khan et al., 2020). Based on the recent and widely cited dimension, researchers have used this dimension to conduct research so that there are three dimensions, namely (1) innovative, (2) proactive, (3) Risk (Nur et al., 2014) (Keh et al., 2007) (Mohungo et al., 2022) which is then translated into twelve indicators.

The company's dynamic capabilities emphasize on Market Intelligence assimilation and exploitation of knowledge (Cohen & Levinthal, 1990). The company cannot apply external knowledge and assimilate it and is not able to transform and apply this knowledge into a competitive advantage (Harris et al., 2021) Organizational ability to learn or to process knowledge can be characterized as AC ((Zahra & George, 2002). consists of the transformation and application of knowledge (Camisón & Forés, 2010) Companies must learn or absorb some kind of new knowledge to generate innovation (Zamora et al., 2021) Contribution and the most extensive range of air conditioners (Lane et al., 2006); Zahra & George, 2002) expanding knowledge-based approaches (Kogut & Zander, 1992) external knowledge residing at a relatively short cognitive distance encourages the creation of exploitative innovations (Lord & Ranft, 2000; (Nooteboom et al., 2007; Van den Bosch et al., 1999) exploitative demands an external combination of technological knowledge with prior market knowledge (Limaj & Bernroider, 2017), allows moving beyond contextual boundaries, looking for new technology-based businesses or opportunities (Stuart & Podolny, 1996) Existing knowledge is able to create a company without changing the essential properties of products and services (Hagedoorn & Duysters, 2002); (Drewniak & Karaszewski, 2019) AC is very important in the field of Strategic Management (Lane & Lubatkin, 1998) (Nahapiet & Ghoshal, 1998) (International Business Technology Management) (Kedia & Bhagat, 1988) organization and economics (Glass & Saggi, 1998). Previously related knowledge is essential for innovation but only when combined with external knowledge that is at a greater cognitive distance (Nooteboom et al., 2007; Szulanski et al., 2000). The four basic dimensions of AC are 1). Acquisition refers to the company's ability to identify and acquire externally generated knowledge for its operations (Zahra & George, 2002). 2). assimilation refers to the routines and process that allows it to analyze, process, interpret, and understand the information obtained from external sources (Sancho-zamora et al., 2022); 3). assimilation refers to the routines and process that allows it to analyze, process, interpret, and understand the information obtained from external sources (Chauvet, 2015) (Cohen & Levinthal, 1990). 4). Exploitation as an organizational ability is based on routines that allow the company to refine, expand, and improve existing knowledge or to create new ones by incorporating acquired knowledge and transforming it into its operations (Lis & Sudolska, 2015).

III. RESEARCH HYPOTHESIS

Knowledge management has emerged as a source of sustainable competitive advantage (Barney, 1991) Knowledge management is one of the management tools that can be used to support the achievement of organizational goals and demonstrate competitive advantage so as to create good organizational performance (Puryantini et al., 2017). Organizational performance is said to be a multidimensional concept. A comprehensive view of organizational performance considers the financial perspective and other aspects that enable the organization to create value. Based on the views of some experts, the most popular methodology is the Balanced Scorecard (Mardani et al., 2018). Several studies acknowledge the impact of highly strategic KM on various dimensions of organizational performance (Zack et al., 2009). Nevertheless, most of the research focuses only on financial results by ignoring non-financial results (Storey & Kahn, 2010). The results of financial results that are commonly raised such as; sales; costs; profits and other quantitative measures in evaluating KM (Vaccaro et al., 2010). While the results of non-financial results such as shorten waiting times, distinguish products (Sher & Lee, 2004), developing new services (Storey & Kahn, 2010), enhance its ability to attract, train, develop, and retain employees and improve coordination efforts (I.-L. Wu & Lin, 2009) not much developed yet. Therefore, it is very important to measure the contribution of KM to performance (Mardani et al., 2018). The application of knowledge and performance of the company should be better studied so that the impact is maximized by analyzing various dimensions of company performance (Yang, 2010). The results of previous research stated that KM can improve the performance and competitiveness of the company (C. W. Holsapple & Jones, 2004),(C. Holsapple & Jones, 2005). Empirical evidence (Hsiao et al., 2011) stated that knowledge management capacity, knowledge acquisition, and dissemination are positively related to organizational performance. Based on the above exposure, this study proposes a hypothesis (H₁) as follows; knowledge management has a positive impact on organizational performance in rural banks in Bali Province.

Entrepreneurial orientation is a company orientation that focuses on efforts to identify and exploit opportunities (Lumpkin & Dess, 2013). Many researchers are linking between entrepreneurial orientation (EO) and organizational

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performance, especially in entrepreneurship research (Saeed et al., 2015). The implementation of EO can trigger human resources in a company to develop thought processes and strategy-making that are realized in operational activities that can affect entrepreneurial success (Sutrisno et al., 2021). These studies have been conducted in a variety of national contexts, while the analysis found significant differences between the EO effect and performance based on the continent where the company is located. EO is an essential resource that reflects a strong ability to adapt innovatively to business changes (Makhloufi et al., 2021). Companies that tend to have higher EO levels will act independently and are always driven to innovate, take risks, be proactive, and aggressive (Ciampi et al., 2021). The results of the research found that entrepreneurial orientation affects the ability of innovation and impact on organizational performance (Rupianti et al., 2022a). Based on the theoretical exposure and the results of previous research, the second hypothesis is proposed (H_2); entrepreneurial orientation (EO) has a positive impact on organizational performance in rural banks in Bali Province.

Knowledge is the most important strategic factor in operations because of its relationship with a company's ability to achieve competitive advantage. (Aryanti et al., 2022). Therefore, companies must find ways to adequately manage this aspect, which sometimes poses particular challenges for companies since they usually lack the resources necessary to make full use of the stock. Therefore, companies must find ways to adequately manage this aspect, which sometimes poses particular challenges for companies since they usually lack the necessary resources to make full use of their stock of knowledge (Durst & Edvardsson, 2012)(Liu, 2018). According to (Zahra & George, 2002) describe absorptive capacity reflects a variety of individual ability relationships that can affect individual performance from learning and use of knowledge. Previous research by (Supartha & Ratih, 2017) indicates that the emergence of absorbency in an organization is when employees share knowledge. Therefore, a person's absorptive capacity is determined by the knowledge that he previously had. each individual has formed their absorptive capacity before they engage in an activity of knowledge sharing. Of course, individuals from one another will have different levels of absorptive capacity, this is partly due to differences in conditions such as experience, and professional or educational background. The practice of knowledge sharing where employees share and combine knowledge within the organization will have an impact on the application of absorbency and is ultimately associated with organizational performance (Al-Husseini, 2015), (Z. Wang & Wang, 2012). Based on previous exposure, the third hypothesis (H_3); knowledge management has a positive impact on the absorptive capacity of organizations in rural banks in Bali Province.

Miller, (1983) introducing the characteristics of entrepreneurship-oriented companies in three well-known dimensions, namely (1) innovative to explore new opportunities, (2) proactive to enter the market before competitors, and (3) taking risks to introduce new products. Researchers have suggested two approaches to address entrepreneurial orientation (EO) and absorptive capacity (AC). The first approach explores AC as a determinant of entrepreneurial orientation (EO) (Zahra & George, 2002). In contrast, the second approach introduces absorptive capacity as a role of moderation in the relationship of entrepreneurial orientation with company performance (Hayton & Zahra, 2005). absorptive capacity In addition, the literature is still struggling to provide a clear picture and evidence of how entrepreneurial orientation (EO) complements absorptive capacity (AC) and how they interact with each other, especially during the absorptive capacity (AC) knowledge creation process. Study (Makhloufi et al., 2021) indicates that a higher level of entrepreneurial orientation (EO) is accompanied by a higher level of absorptive capacity (AC) and results in a different measure of performance. Based on the above explanation, the hypothesis of four (H_4): entrepreneurial orientation (EO) has a positive impact on absorptive capacity (AC) in rural banks in Bali Province.

Absorptive Capacity and Organizational Performance. Some strategic researchers have agreed on the importance of absorption capacity (AC) as the ability dinamis (Zahra & George, 2002). Absorbency is defined as " the ability to identify the value of new information, understand it, and apply it to commercial purposes, based on the knowledge present in the company (Makhloufi et al., 2021). A large number of studies have agreed with the assumption that absorptive Capacity has a direct impact on improving innovation activities and performance (Aljanabi, 2018). According to the absorption capacity, the ability to absorb technological innovation and optimize the value obtained by applying the speed and frequency of innovation. In this context, previous studies (Chauvet, 2014) suggest that innovation capabilities are highly dependent on the capacity of organizations to create new skills and practices facilitated by integrating external knowledge with the internal knowledge base. Therefore, building absorption capacity and harnessing new knowledge is a prerequisite for accessing external sources of innovation (Aljanabi, 2018). absorptive capacity is an important capability to ensure continuous innovation through internal capability building and reconfiguration of competencies to deal with market uncertainty. As a result, established absorptive capacity leads to increased knowledge generation capacity and organizational performance (Lee & Song, 2015). On the other hand empirical research, found no significant effect of, the acquisition of knowledge on technological innovation and performance (Lee et al., 2013). Based on the theoretical exposure and the results of previous research, the fifth hypothesis (H_5); absorptive capacity (AC) has a positive impact on organizational performance in rural banks in Bali Province.

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Knowledge Management, entrepreneurial orientation, Absorptive Capacity and Organizational Performance. The application of knowledge management through knowledge sharing will have an impact on the application of absorptency, and ultimately be associated with organizational performance (Supartha & Ratih, 2017); (Al-Husseini, 2015); (Wang & Wang, 2012). Much of the credible literature on knowledge management states that knowledge sharing is the most critical issue in the optimization of knowledge resources. Nevertheless, knowledge sharing is meaningless in the absence of adequate absorption capacity (Srivastava & Gupta, 2007). Through knowledge management, especially knowledge sharing, it is hoped that someone will have a broader understanding of why companies need absorption capacity and how companies manage this capacity (Supartha & Ratih, 2017). Knowledge sharing is a learning process that aims to not only gain new knowledge but also gain mutual understanding of the new knowledge. So it is expected that the results of the learning process can gradually improve the ability to absorb knowledge (Chen Tsai, 2012). Research (Indarti, 2010) stating that the organization can absorb more knowledge from its business environment, it will have the opportunity to increase knowledge resources. With abundant knowledge, business people can create many commercial innovations that will end up in performance. Recent empirical findings by (Zhai et al., 2018) shows that absorptive capacity (AC) as moderating can strengthen the effect of technological innovation-entrepreneurial orientation (EO). In addition, the study found that entrepreneurial orientation increases financial returns at lower levels of absorptive capacity and reduces performance degradation at high levels of absorptive capacity. The study also showed that higher levels of entrepreneurial orientation accompanied by higher levels of absorptive capacity resulted in different performance measures (Makhloufi et al., 2021).

Follow the study (Aljanabi, 2018)], examining the mediating role of absorptive capacity on the relationship between entrepreneurial orientation and technological innovation, this study examines and extends existing theories. In this study, absorptive capacity is proposed to take the role of mediation in the relationship of entrepreneurial orientation with performance. In addition, the literature is still struggling to provide a clear picture and evidence of how entrepreneurial orientation complements absorptive capacity and how they interact with each other, especially during the process of knowledge creation absorptive capacity and then the extent to which absorptive capacity can affect the activity of entrepreneurial orientation. Based on previous exposure, the sixth hypothesis (H₆): absorptive capacity (AC) can mediate the relationship of knowledge management (KM) with organizational performance in rural banks in the province of Bali and the seventh (H₇): absorptive capacity (AC) can mediate the relationship of entrepreneurial orientation (EO) with organizational performance in rural banks in Bali Province.

Here below is a picture of the research model as follows:

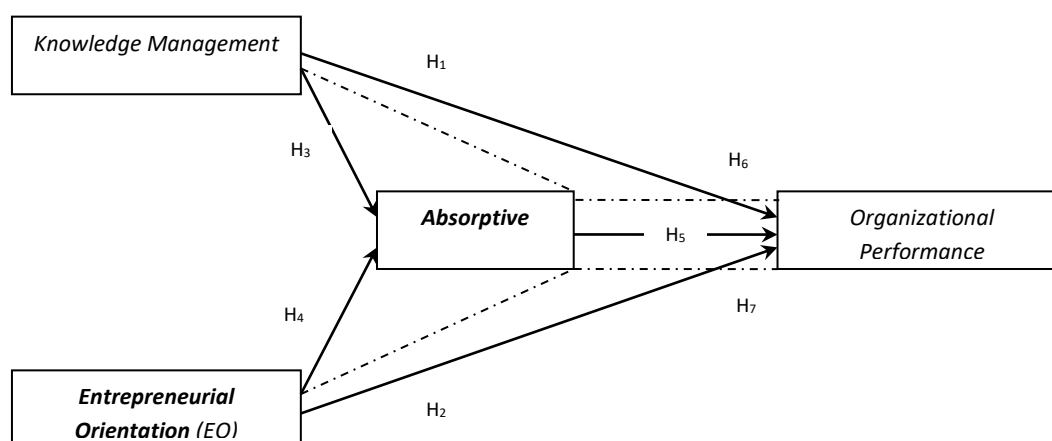


Figure 1. Research Model

IV. METHOD

The location selection of this study was carried out based on the consideration that rural banks in Bali Province are the main targets of economic recovery programs that can absorb the labour of Balinese people who have been unemployed as a result of the Covid-19 case and the same time this rural bank is an economic sector that still survives even in. The study population was 160 BPR members throughout Bali who were targeted by the program in Bali with an average number of employees of as many as 15 people, thus the number of employees of as many as 2,400 people. A sampling of the total number of employees. of 120 people spread across rural banks in Bali, conducted by random quota. Operational variables research is an

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explanation of each of the variables used in the study for all the indicators that make it up. The operational definition of variables in this study can be seen in Table 1 as follows:

Table 1. Operational variables

Variable	Indicator	Ssource
Organizational Performance (OP)	performance grows faster	(Mardani et al., 2018; Skala Likert (1-5)
	more favourable performance	Valmohammadi, 2012; Skala Likert (1-5)
	achieve higher customer satisfaction	Valmohammadi & Skala Likert (1-5)
	able to provide higher quality products	Roshanzamir, 2015; Skala Likert (1-5)
	more efficient in using resources	Suwatno & Priansa, 2014) Skala Likert (1-5)
	have a quality-oriented internal process	Skala Likert (1-5)
	sending orders and faster response	Skala Likert (1-5)
Absorptive capacity (AC)	acquisition	(Zhai et al., 2018; Skala Likert (1-5)
	assimilation	Makhloufi et al., 2021; Skala Likert (1-5)
	transformation	Aljanabi, 2018; Zahra & Skala Likert (1-5)
	exploitation	George, 2002; Makhloufi Skala Likert (1-5) et al., 2021; Lee & Song, 2015)
Knowledge Management (KM)	process	(Jain & Jeppesen, 2013; Skala Likert (1-5)
	leadership	Barney, 1991; C. W. Skala Likert (1-5)
	culture	Holsapple & Jones, 2004; Skala Likert (1-5)
	technology	C. Holsapple & Jones, Skala Likert (1-5)
	measurement	2005; Hsiao et al., 2011) Skala Likert (1-5)
Entrepreneurial Orientation (EO)	innovating to create new opportunities	(Rauch et al., 2009; Miller, Skala Likert (1-5)
	be proactive to enter the market before competitors	1983; Nur et al., 2014; Skala Likert (1-5)
	take the risk to introduce a new product.	Keh et al., 2007; Mohungo et al., 2022) Skala Likert (1-5)

Sources: from previous research

The method of data processing used in this study is the structural Equation Modeling (SEM) based variant with alternative PLS (Partial Least Square) using Smart PLS software version 3.0, used because it is not based on many assumptions and the sample used is relatively small so that this tool is suitable for use in this study.

V. RESULTS AND DISCUSSION

This study was conducted by distributing 150 (One Hundred and fifty) questionnaires online through Google Forms using WhatsApp media to selected respondents. The description of respondents consisted of gender, age, last Education, length of work, and have attended training or not.

Table 2. Description Of Research Respondents

Description	Number (people)	Percentage
Gender		
Men	65	54
Female	55	46
Total	120	100
Age Of Respondent		
< 25 years	35	29
25 to 35 years	53	44
> 35 years	32	27
Total	120	100

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Education		
High School	23	19
Diploma	32	27
Undergraduate / Graduate	65	54
Total	120	100
Long Time Working		
< 5 years	32	27
5 to10 years	58	48
> 10 years	30	25
Total	120	100
Training		
follow the training	86	72
Never attended training	34	28
Total	120	100

Source: data processing results with SPSS ver 26

Outer loading validity test outer load (measurement model) is used to test unidimensional for any construction. The indicator loading factor must be greater than or equal to 0.7 then it can be said to be valid. Figure 2 has been tested using PLS to determine valid and invalid data.

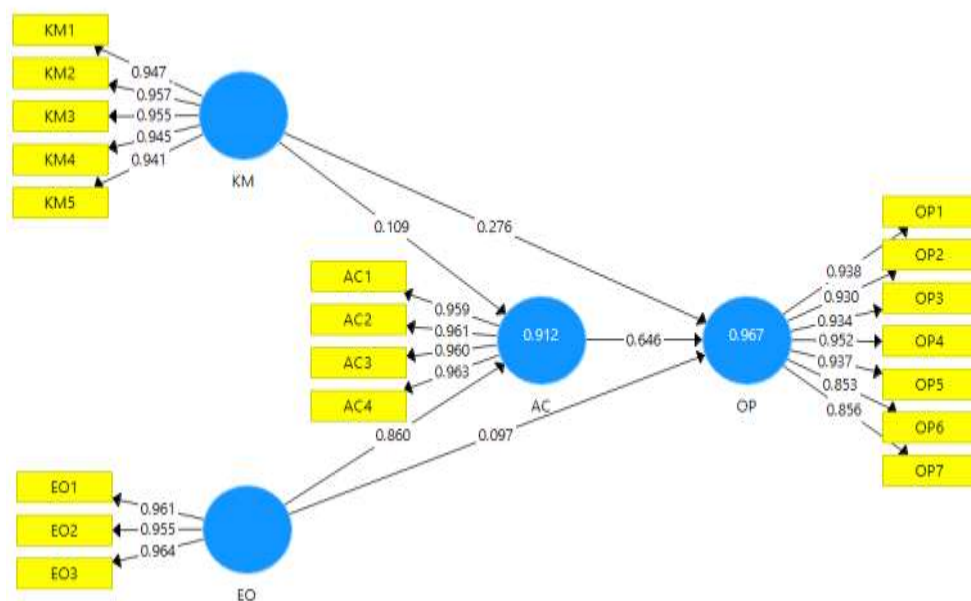


Figure 2. Measurement Model

Based on the figure above can be explained in Table 3, each indicator validity test results are > 0.7 which means that all indicators are declared valid variables.

Table 3. Outer Loading

variable	indicator	item	loading factor	Remarks
Absorptive Capacity	acquisition	AC1	0,96	valid
	assimilation	AC2	0,96	valid
	transformation	AC3	0,96	valid
	exploitation	AC4	0,96	valid
Entrepreneurial	innovating to create new opportunities	EO1	0,96	valid

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Orientation	be proactive to enter the market before competitors	EO2	0,96	valid
	take the risk to introduce a new product.	EO3	0,96	valid
Knowledge Management	process	KM1	0,95	valid
	leadership	KM2	0,96	valid
	culture	KM3	0,96	valid
	technology	KM4	0,95	valid
	measurement	KM5	0,94	valid
Organizational Performance	performance grows faster	OP1	0,94	valid
	more favourable performance	OP2	0,93	valid
	achieve higher customer satisfaction	OP3	0,93	valid
	able to provide higher quality products	OP4	0,95	valid
	more efficient in using resources	OP5	0,94	valid
	have a quality-oriented internal process	OP6	0,95	valid
	sending orders and faster response	OP7	0,96	valid

Source: data processing results with SmartPLS3

A reality test is a measurement that shows the extent to which measurements are made without any errors (error-free), and to ensure consistent measurements across time and a variety of items in the indicator. In PLS this test can be done by using 3 three methods, namely (1) Cronbach's Alpha measures the lower limit of the reliability value of a variable and can be accepted if the value is > 0.6 , (2) Composite Reliability to measure the real value of the reliability of a variable and can be accepted if the value is > 0.7 , and (3) Average Variance (AVE) can be accepted if the value is above 0.5, can be seen in Table 4 below as follows:

Table 4. Reliability Test

Variables	Cronbach's Alpha	Composite Reliability	Average Variance Extracted (AVE)
Absorptive Capacity (AC)	0,972	0,980	0,923
Entrepreneurial Orientation (EO)	0,958	0,973	0,922
Knowledge Management (KM)	0,972	0,978	0,900
Organizational Performance (OP)	0,967	0,973	0,837

Source: data processing results with SmartPLS3

Table 4, describes the variable Absorptive Capacity (AC) reliability and reliability where the value of Cronbach's Alpha is 0.972 which means that this variable provides consistent results in the study. Furthermore, the value of Composite reliability for the Absorptive Capacity (AC) variable is 0.980, which means that this variable provides consistent results in forming variables, and the value of average Variance Extracted 0.923 means that this variable can be accepted. Furthermore, the Entrepreneurial Orientation (EO) variable is also reliable and reliable where the value of Cronbach's Alpha is 0.958, meaning that this variable provides consistent results in the study. The value of Composite reliability for the Entrepreneurial Orientation (EO) variable is 0.973, meaning that this variable gives consistent results in forming variables, and the value of average Variance Extracted is 0.922, meaning that this variable can be accepted. Knowledge Management (KM) is 0.978, meaning that this variable provides consistent results in forming variables, and the value of the average Variance Extracted is 0.900, which means that this variable can be accepted. The Organizational Performance (OP) variable with Cronbach's Alpha value is 0.967, meaning that this variable provides consistent results in the study. Furthermore, the value of Composite reliability for the OP variable is 0.973, meaning that this variable gives consistent results in forming variables, and the value of average variance Extracted is 0.837, which means that this variable can be accepted.

Structural Model Test (Inner Model). The inner model analysis is done to ensure that the structural model is built robust and accurate. The results of this analysis can be seen from the significant value if the T-statistic is worth more than 1.96 or another way is to look at the p-value of less than 0.05. The following Figure 3 has been tested using PLS to see significant data and data that is not significant.

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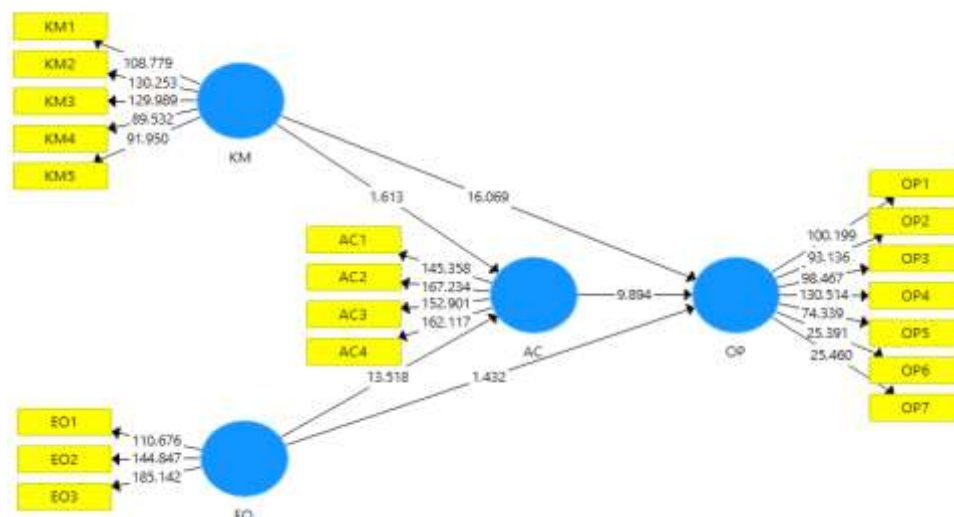


Figure 3. Path Coefficients

Based on the above data and Figure 3 that has been tested, Table 5 can be made about the relationship of each variable (Path Coefficients) as follows below:

Table 5. Path Coefficients

Relationship Between Variables	Original Sample (OS)	Sample Mean (M)	Standard Deviation (STDev)	T-Statistics	P_ Value
KM→OP	0,276	0,275	0,017	16,069	0
EO → OP	0,097	0,095	0,068	1,432	0,153
KM→AC	0,109	0,115	0,068	1,613	0,107
EO → AC	0,860	0,855	0,064	13,518	0
AC → OP	0,646	0,649	0,065	9,894	0
KM→ AC → OP	0,071	0,075	0,045	1,570	0,117
EO → AC → OP	0,556	0,555	0,068	8,196	0

Source: data processing results with SmartPLS3

From the data of Figure 3 and Table 5, it can be explained that hypotheses 1, 4, 5, and 7 are accepted because the T-Statistic value is above 1.96 or the p_value value is below 0.05 while hypotheses 2.3 and 6 are rejected which can be seen that the T – Statistic value is below 1.96 or p_value value is above 0.05.

Based on the test results on the first hypothesis shows that the relationship between knowledge management (KM) with organizational performance (OP) has a significant level with a T-statistic value of 16.069 and with a p-value of 0.000, so it can be stated that knowledge management (KM) has a significant positive effect on organizational performance (OP) in rural banks in Bali province. Based on the test results, it means that the first hypothesis (H1) is acceptable. The results of this study are in line with the findings of previous research which states that KM can improve the performance and competitiveness of companies (C. W. Holsapple & Jones, 2004), (C. Holsapple & Jones, 2005). Several studies have indeed recognized the impact of very strategic KM on various dimensions of organizational performance (Zack et al., 2009). Therefore, it is very important to measure the contribution of KM to performance (Mardani et al., 2018). The application of Knowledge Management in supporting the company's performance should be better studied so that the impact is maximized by analyzing various dimensions of company performance (Yang, 2010).

Based on the test results on the second hypothesis show that the relationship between Entrepreneurial Orientation (EO) and Organizational Performance (OP) has a significant level with a T-statistic value of 1.432 and a p_value of 0.153, so it can be stated that Entrepreneurial Orientation (EO) does not affect Organizational Performance (OP). Based on the test results, it means that the second hypothesis (H2) is rejected. It seems that the application of EO has not been able to trigger human resources in

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rural banks in Bali province, so it has not been able to develop the process of thinking and making that is realized in operational activities (Sutrisno et al., 2021). Studies on EO have been conducted in a variety of national contexts, while analyses have found significant differences between the effect of EO and performance based on where the company is located. The results of this study do not yet support the findings (Rupianti et al., 2022a) where entrepreneurial orientation (EO) affects the ability to innovate and impacts organizational performance. Statement (Ciampi et al., 2021) companies that tend to have a higher EO level will act independently and are always encouraged to innovate, take risks, be proactive, and aggressive yet in accordance with the conditions of rural banks in Bali province.

Based on the results of testing on the third hypothesis show that the relationship between Knowledge Management (KM) and Absorptive Capacity (AC) has a significant level with a T-statistic value of 1.613 and a p_value of 0.107, so it can be stated that Knowledge Management (KM) does not affect the Absorptive Capacity (AC). Based on the test results, it means that the third hypothesis (H3) is rejected. Absorptive capacity reflects a variety of individual ability relationships that can affect an individual's performance from learning and using knowledge. Knowledge is the most important strategic factor in operations because of its relationship with the company's ability to achieve competitive advantage (Aryanti et al., 2022). The results of this research are not in line with the findings (Supartha & Ratih, 2017) which states that the emergence of absorbency in an organization is when employees share knowledge. Therefore, BPR parties in Bali province have to find ways to adequately manage this aspect, which sometimes poses a particular challenge for banks as they usually lack the necessary resources to make full use of their stock of knowledge (Durst & Edvardsson, 2012; Liu, 2018). It should be understood that a person's absorptive capacity is determined by the knowledge that he previously had. Individuals have formed their absorptive capacity before they engage in an activity of knowledge itself. Of course between individuals from one to another will be different levels of absorption due to differences in conditions such as experience, professional or educational background.

Based on the test results on the fourth hypothesis shows that the relationship between entrepreneurial orientation (EO) with absorptive capacity (AC) has a significant level with a T-statistic value of 13.518 and a p_value of 0.000, so it can be stated that entrepreneurial orientation (EO) has a significant positive effect on absorptive capacity (AC). Based on the test results, it means that the fourth hypothesis (H4) is acceptable. The results of this study are in line with the findings (Makhloufi et al., 2021) that a higher level of entrepreneurial orientation (EO) is accompanied by a higher level of absorptive capacity (AC) and results in a different measure of performance. This study has reinforced the previous theoretical gap in that it has been proven that higher EO results have consequences that accompany higher AC, especially in rural banks in Bali province. Although various studies and literature are still struggling to provide a clear picture and evidence of how EO complements AC and how they interact with each other, especially during the AC knowledge creation process, where this study has provided new empirical evidence with a coefficient of 0.860 or 86 percent (positive) in the sense of the front twenty-six percent of the absorption capacity can be explained by the entrepreneurial orientation in rural banks in Bali province more with the highest level of significant (t-statistics 13.518) than other variables.

Based on the test results on the fifth hypothesis shows that the relationship between absorptive capacity (AC) with organizational performance (OP) has a significant level with a T-statistic value of 9.894 and a p_value of 0.000, so it can be stated that the absorptive capacity (AC) has a significant positive effect on organizational performance (OP). Based on the test results, it means that the fifth hypothesis (H5) can be accepted. These findings are in line with the statement (Lee & Song, 2015). That established AC leads to increased knowledge generation capacity and organizational performance. Researchers have agreed on the importance of absorbency (AC) as a dynamic capability (Zahra & George, 2002). AC is defined as " the ability to recognize the value of new information, assimilate it and apply it to commercial purposes, based on the knowledge present in the company (Makhloufi et al., 2021). A large number of studies have agreed with the assumption that air conditioning has a direct impact on improving innovation activities and performance (Aljanabi, 2018). According to him, AC can facilitate technological innovation and estimate the value created by determining the speed and frequency of innovation. In this context, previous studies (Chauvet, 2014) suggest that innovation capabilities are highly dependent on the capacity of organizations to create new skills and practices facilitated by the integration of external knowledge with the internal knowledge base. Therefore, building absorption capacity and harnessing new knowledge is a prerequisite for accessing external sources of innovation (Aljanabi, 2018). Absorptive capacity (AC) becomes an important capability to ensure continuous innovation through internal capability building and reconfiguration of competencies to deal with market uncertainty.

Based on the test results on the sixth hypothesis show that the relationship between knowledge management (KM), with organizational performance (OP) through absorptive capacity (AC) as mediation has a significant level with a T-statistic value of 1.570 and with a p_value of 0.117, so it can be stated that absorptive capacity (AC) has not been able to mediate as a variable in the relationship between knowledge management (KM) with organizational performance (OP) in rural banks in Bali Province.

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Based on the test results, it means that the sixth hypothesis (H6) is rejected. The results of this study do not yet support the findings (Indarti, 2010) that states an organization that can absorb more knowledge from its business environment, will have the opportunity to add knowledge resources. This study can be explained by Knowledge Management through knowledge sharing will have an impact on the application of absorption, and ultimately affect organizational performance (Supartha & Ratih, 2017; Al-Husseini, 2015; Wang & Wang, 2012). It seems that this study is in line with the opinion (Srivastava & Gupta, 2007) that knowledge sharing will mean nothing in the absence of adequate absorption capacity. The test results on the seventh hypothesis show that the relationship between entrepreneurial orientation (EO) with organizational performance (OP) through absorptive capacity (AC) as mediation has a significant level with a T-statistic value of 8.196 and with a p-value of 0.000, so it can be stated that absorptive capacity (AC) is capable of being a mediation variable in the relationship between entrepreneurial orientation (EO) with organizational performance (OP) in rural banks in Bali Province. Based on the test results, it means that the seventh hypothesis (H7) can be accepted. In line with the findings (Makhloufi et al., 2021) where in his research it was found that 51.3% of the influence of EO on innovation is explained by the effect of AC mediation. Research results (Purwiantri, 2019) found that absorptive capacity (AC) is able to mediate the effect of Entrepreneurial Orientation (EO) on organizational performance. Follow the study (Aljanabi, 2018)], examining the mediating role of AC on the relationship between EO and technological innovation, this study examines and extends existing theories. In this study, AC was tested to take a role as mediation in EO-organizational performance relationship, especially in rural banks in Bali province. The results of this study are in line with the findings (Rupianti et al., 2022b) that there is a significant influence between entrepreneurial orientation on marketing performance mediated by the ability to absorb. So with a proactive attitude and dare to take risks, BPR business actors in Bali province dare to integrate new insights into product innovation to meet customer criteria and obtain higher performance.

VI. CONCLUSION

The conclusion of the study is the answer to the research objectives that have been formulated before. Based on statistical tests obtained the following results; First, knowledge management (KM) significantly positive effect on organizational performance (OP) means that the first hypothesis (H₁) acceptable. Second, the effect of Entrepreneurial Orientation (EO) on Organizational Performance (OP) statistically has no effect, meaning that based on the results of testing the second hypothesis (H₂) rejected. Third, the effect of Knowledge Management (KM) on Absorptive Capacity (AC) is statistically no effect so that the third hypothesis (H₃) rejected. Fourth, the effect of entrepreneurial orientation (EO) on absorptive capacity (AC) is significantly positive, in the sense that the better the EO, the more absorption capacity increases. So based on the results of the testing means that the fourth hypothesis (H₄) acceptable. Fifth, the effect of absorptive capacity (AC) on organizational performance (OP). It can be stated that absorptive capacity (AC) has a significant positive effect on organizational performance (OP). Based on the results of testing means that the fifth hypothesis (H₅) acceptable. Sixth, AC has not been able to mediate as a variable in the relationship between knowledge management (KM) with organizational performance (OP) in rural banks in Bali Province. Seventh, absorptive capacity (AC) can be a mediating variable in the relationship between entrepreneurial orientation (EO) and organizational performance (OP) in rural banks in Bali Province.

VII. SUGGESTIONS

Based on the results of the study showed that knowledge management (KM) does not affect the absorptive capacity (AC), for that the management of rural banks in the province of Bali there needs to be an effort to build a culture so that employees are willing to share knowledge so that knowledge absorption capacity can be increased. Considering that the results of the entrepreneurial orientation (EO) test also do not affect the performance of the organization (OP) on the other hand, if AC can mediate the relationship between EO and OP, then the management is expected to focus more on recognizing new, external values in the formation, assimilating them, and applying them to commercial purposes.

VIII. RESEARCH LIMITATIONS

This research is research on perception and can certainly experience changes from various indicators that form variables in the future according to the dynamics of developing science. The study was conducted in a cross-sectional manner so that it was only able to capture to a limited extent. Longitudinal studies are necessary because they will allow researchers to study whether AC and KM activities change over time as companies age or face companies facing new challenges. The measurement of variables used in this study is only on the magnitude construct, this is a limitation because the measurement of

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variables should be multidimensional. Another limitation is the methodology chosen because it only interviews and evaluates a limited number of samples and in a limited population space, namely rural banks in Bali province.

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