A Theoretical Evidence: The Mediating Role Of Creativity On The Relationship Between Knowledge Management And Entrepreneurial Orientation Toward Innovation Performance In The Jordanian Smes

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Abstract— This research paper explored the importance of innovation performance in the Jordanian SMEs industry, according to the significant impact of the industry on the economy worldwide. Mainly, the most effective variables in the previous studies in different industries have been used in the current study in the current industry. This research paper found the supportive literature and theoretical base of the variables and aspects of the study, to assist the researcher establishing research questions, research objective and research hypothesis. This paper is conceptual research identifying the theoretical and literature background of the research title. This research conclude that there is a mediating turn of creativity on the relationship between KM and EO toward IP. As well as, there is a direct effect of KM and EO on creativity followed by direct effect of creativity on IP. Thus, there is a direct effect of KM and EO on IP without the mediating of creativity on the model of the study.

Index Terms— Creativity, Knowledge management, Entrepreneurial orientation, Innovation performance, SMEs, Jordan, Knowledge Creation.

1 INTRODUCTION
Economically the SMEs industry is one of the vital industries in the developed and developing country, the activities of the SMEs in a country indicates the economical actions. As in Jordan the SMEs contribute in the development attempts in the country [1]. One of the aspect could SMEs add a values to Jordanian economy is innovation performance [2]. Stated that SMEs combined human capital, intellectual capital, creativity, innovation, and ambitions of the most useful individuals in the firm and country [3]. Toward greater growth in the market SMEs shall perfectly work on several variables, which the development of any economy is requiring such variables, these variables centered in being different and leader of the ideas to be pioneer of the market [4]. Innovation is required to carry the economy of the country to advanced levels and riding the worldwide economical flow [5]. One of the pillars of development revolutions in the economies is knowledge management, consider as a guidance and sparker of notions, strategies, plans, and objectives of the firm which it could lead it to the top [6]. As well as, the entrepreneurial orientation as a concept is involved in the activities and policies of innovative performance in the firms [7]. Toward optimal outcomes and higher performance the organizations combine the creativity in the working place, and finding the path of competitive advantages of the KM and EO in the market through the creative knowledge and entrepreneurial [8].

2 LITERATURE REVIEW
2.1 Innovation Performance
Innovation performance is the new notions and applicable actions in the organizations, the first coming idea to the market or valuable development on goods, practices, and strategies among the competitors [9]. Introducing worthy detail to the market is surely a key of pioneering the production and supplying the outputs to the market and competitors, which ends the company to total growth and higher value in the market [10]. Products innovation, process innovation, marketing innovation, and organizational innovation are concepts representing the innovation performance. These classifications reflecting the innovation aspect in the firm, and the innovative implementations in the working plans or outputs [11]. The hard working employees and supportive organizations establishing good environment and desire for the members to be successful and innovative [12]. To consider an organization innovative should implement the idea [13], with indications and changes on the competitive advantages and value of the organization [14].

In this research paper the innovation performance will be represented by process innovation and organizational innovation. Process innovation is the implemented practices on the production, marketing, and performance of the organization, which it makes a different and improvement on the total process in the firm [15]. The changes including the usual progress, customers, employees, stockholders, managers, and each relevant activities in the firm, this aspect of innovation is comprehensive [16]. The production, quality, and quantity of the of an organization will get improved [17], as most of the previous studies on process innovation have been studying the manufacturing industry as [18] reported that the most innovative idea in the process innovation has been the robot in the manufacturing industry. While in another survey population in the manufacturing industry [19] found that the process innovation is significant as a long term strategy and mainly supporting the organizational innovation. The second aspect is organizational innovation as relevant ideas to the method of achieving jobs, including the decision making, plans, strategies, and implementations of the future plans [20]. Such innovations covering the general organizational performance due to the development in the processing lead to improve the outcomes [20]. Toward the purpose of the
competition, production, employee and customer’s satisfaction the organizations usually work hard to come up with newest and attractive ideas, this is what most organizational innovation means [21]. The changes and development in the business industries worldwide the firms concern to go with, the organizational innovation is recommended as the higher effective innovation take the organization to the latest upgrade [22]. The magnificent organizational innovation includes the strategies, sources, suppliers, competitors, and external people dealing with the firm, the capital expanding consider an organizational innovation as well [17]. Well-using the market opportunity is also innovation and good chance to be differentiated in the market [18]. In another words the organizational innovation is structure innovation, cognitive innovation and organizational changes [23].

2.2 Knowledge Management
Knowledge management is the academic and information source in the organization, indicating the human resource power as the main source of the intellectual capital [24]. Knowledge nowadays is the most distinguishable source and strengthen in the organization to lead the market, knowledge capital creates the innovative and creative structure [25]. The more the organization contain knowledgeable member able to add values on the organizational activities the more the organization would survive and compete in the market. Knowledge acquisition, skills and experience are the sources of pioneering the market, which the source of these is human being [26]. Knowledge divied into different types in [27] described as (Embrained knowledge including skills and mental abilities, Embodied knowledge is the social and environmental abilities. Encultured knowledge as the adaption and flexibility, Embedded knowledge as the ability to change and come up with ideas and change the current system, Encoded knowledge indicates the information and database). To identify the main targeted concept representing knowledge management in this research paper knowledge creation and knowledge sharing as two main dimensions of knowledge management will be specifically studied. Knowledge creation is acquiring the knowledge in the firm through many way including adaption, fusion, acquisition, and dedicating the sources of the knowledge [28]. It’s about providing information and adding worthy improvement to the firms [29]. Developing the employee’s career and organizational information capital is the main purpose of knowledge creation, which usually bring up benefits and advantages to the business [30]. Creating teams, employee’s engagement and higher performance are the features of knowledge creation [31]. Toward creating knowledge the sources shall be attracted in the firms such as experts and skillful human resource, then knowledge transfer which is prepare the suitable environment to transfer the knowledge among the firm’s members, and last is allowing and providing the supportive source to implement the knowledge in the firm [32]. Knowledge sharing is the knowledge transfer in the firms, and removing the barriers among the employees through communication and engagement [33]. The management should manage the knowledge distribution and sharing in the firms to generalize the strengthen among the firm’s department [34]. Knowledge as a source is important toward creativity and innovation, recommended to be equal and used by the majority of the organizations members [35].

2.3 Entrepreneurial Orientation
Entrepreneurial orientation as independent variable of this study along with knowledge management, it’s mainly impact the social and cultural environment in the organizations [36]. Entrepreneurial targeted the risk taking and proactiveness of the organizational activities [37]. Focusing on the organizational thinking, leadership, and management is the operation of entrepreneurial orientation in the organizations, working on creative working environment and innovative performance [38]. Forward more flexible leadership style and allowing the employees to implement their ideas and creativity [39], this is an aspect of intrinsic motivation to the employees to work harder and improve the total performance [40]. In another perspective EO considered as the decision making freedom and practices of the given tasks flexibility [41]. The dimensions of EO representing the concept are many, while in this study innovativeness and risk taking will represent the EO concept. Innovativeness is new production, marketing, relation, and procedures in the organization [42], the EO introducing the organization to new thinking ways and management style leading the organization to restructuring the organizational performance and capabilities [43]. The innovativeness is the key to compete in the market and a force to support the total organization innovation and performance [44]. Innovativeness is the willing to add a value to the organization generally in different aspects and concepts [45], the concept of innovativeness is relying on the creativity, which the innovativeness implication required creativity, knowledge, and technology in the firm [46]. Innovation is the conditional in the EO as a dimension and results of it, which a part of EO is innovativeness [47]. Risk taking is another important dimension of EO, risk taking is initiative and trustworthy ideas and employees freedom to improve the performance and practices in the organization [48], and the ability of the employee to confidentially implement their knowledge and learning on the performance innovation which it makes difference in the firms and the market [49]. In the other hand the organization has to make sure that the uncertainty and risk is not high and effecting the organization negatively considering being in good situation in the market in case of any unexpected happened [50]. Risk taking enable the organization to observe more and explore further opportunity in the market, expanding the investment and productivity of the organization and compete in the market regardless the tough competition [46].

2.4 Creativity
Creativity defined as finding new ideas and insert it to the organization then implement it to achieve different goals and higher than the market production and better than any other competitors level [8]. The criteria of creativity are skills, experience, knowledge, learning, and involvement in the jobs [51], with these concepts further discussion and exploration in the organization aggregates creative thinking and methods along with innovation performance. In proof that missing knowledge and learning in the organization impeded the firm of being creative, and disallowing the employees to discuss and negotiate the available ideas will always be a barriers of creating creative organizations [52]. The difference between creativity and innovation is mainly that creation is a part of the innovation performance, while innovation is more comprehensive including creativity as variable impacting the innovation [53]. Creativity divided into person creativity and
process creativity as it’s been represented in this research paper. Person creativity is the individual's attempts to look for ideas and new creations might achieve the required goals, it's including each member in the organization either management level of workforces [54]. The personal creativity could inspire the organizational creativity and improve the novelty in the firms [55]. Once creativity is spread among the employees become a culture in the organization, as it's the pattern of working in the organization [56]. On the other side the person creativity effected by the environment and management in the organization, where the employees need more attention and caring about their skills and ideas and democracy to suggest and implement their thinking [57]. Process creativity is the production development process and the creativity in the quality and characteristics of the production lines [58], another study defined the process creativity as the total improvement in the system of the organization [59]. Process innovation concerns more about organization innovation, detailed as individuals, systems, and operation innovation [60]. Process creativity is mediating the total organization creativity [61]. The process creativity including stages such as verifications, exploring, and implementing the required and proper process creativity [62]. Creativity is created by the environment and a base of the innovation performance in the organization [63]. The variables of this research paper proposed to examine the SMEs industry in Jordan, the SMEs.

3 THEORETICAL FRAMEWORK
The variables of this study supported by literature in the previous section, it's been based on a theoretical background as well as will be discussed in this section. Knowledge management theory is the principle of discipline the knowledge component in the organization which it's usually found in the human resources [64]. The theory adopted the non-financial performance toward higher quality and better effectiveness and efficiency in the organization [65]. The knowledge theory is the base of the development in the economy and business, as the KMT is the management of project management, strategic management, human resource management, and performance management [66]. Knowledge management theory practicing all of the management styles mentioned above which indicates the importance of the theory [67]. Reported in [68] that knowledge management theory is the base of the innovation performance in the organizations through activating the practices of the firm and improve the systems and mechanism of the organization. The corporation of knowledge and learning association with experience and skills constructing the creative and innovative organization [69]. Thus the theory of knowledge management is used in this research paper to support the variable knowledge management toward innovation and through creativity. Innovation theory indicates the development and prosperity of the organization y adopting the new technology and learning methods [70]. Innovation theory is understanding the attitude of the organizational members and customers toward optimal use and implementations [71]. The market booming relies on the organizational performance, creativity, and innovation, which is impacting the economy, development and achievement of the country [72].

4 HYPOTHESIS DEVELOPMENT AND CONCEPTUAL FRAMEWORK
There is a link between KM and the innovation performance where the employees as the source of KM are the creative and innovative source among the other sources [73]. The importance of KM to innovation is approved as well in [74]. KM is contributing to the innovation performance through the new ideas toward the optimal outcomes [75]. Transforming the KM into creation and innovation is highly recommended through the used technology and facilities in the organization [76].

Hypothesis 1: There is a direct and positive relationship between Knowledge Management and Innovation Performance in the Jordanian SMEs
The association between the EO and IP in the organization and improving the total performance [77], there is an impact positively and importantly of EO on IP among the employees and organization [78]. The previous studies examine the impact of EO on KM in different industries while in this study the population of the study will target the SMEs in Jordan. Stated in [79] that not all of the EO dimensions positively affect the innovation performance. There is an established model of EO impact on IP, and the model need for further development [80]. The surveyed population in the SMEs in china has approved the positive relationship between the EO and IP [46]. Accordingly the hypothesis has been developed to test the impact of EO on IP in SMEs in Jordan.

Hypothesis 2: There is a direct and positive relationship between Entrepreneurial Orientation and Innovation Performance in the Jordanian SMEs
The best method for creativity to fit the organizations is the KM embodied in learning, skills, and experience which it’s all sorted under the creativity [8]. Knowledge management is the leader of the procedures of the development, it’s also making the criteria of the developed organizations and economy [25]. KM is the main source of the creativity in the organizations through the learning and knowledge. The creative individuals create creative environment and organization [25]. Thus, the previous studies indicate the establishment of the hypothesis below.

Hypothesis 3: There is a direct and positive relationship between Knowledge Management and creativity in the Jordanian SMEs
One of the most important and crucial variables on the creativity is EO, it’s promoting the economic in a country and the investment in an industry and among the organizations [81]. EO reported as the main effective factor on innovation, through that the creativity of an organization relying on the EO activities in the firm [37]. EO leading the employees toward creativity and further thinking ways, these activities creating creative environment and competitive advantage in the organization [82]. The most effective EO activities are the intrinsic activities which it's motivating the employees toward greater creativity [40]. The previous literature supported the establishment of the hypothesis below.

Hypothesis 4: There is a direct and positive relationship between Entrepreneurial Orientation and creativity in the Jordanian SMEs
The country's economy and business worldwide needed for innovation, to come up with the innovation performance creativity shall play the turn of motivating the employees toward teaming up the innovative organization and innovation performance [83]. Establishing an environment and prepare
the working place to afford the required facilities for creative individuals to do their best and hit the innovative performance.

Hypothesis 5: There is a direct and positive relationship between creativity and innovation performance in the Jordanian SMEs.

In this research paper creativity suggested to mediate the relationship between KM and IP in the organizations. Creativity concept categorized as the essential variable for innovation performance, in addition learning and knowledge is the provider and supporter of the creativity in the firm toward innovation performance [84]. Stated in [51] that KM is totally relying on the learning, skills, and experience of the employees in the organization.

Hypothesis 6: There is a mediating effect for creativity between knowledge management and innovation performance in the Jordanian SMEs.

EO unleashing the human being capabilities and giving further power to the present knowledge and forces. Creativity is one of the stages shall be passed to IP, creative individuals provide chances of betterment and innovative performance [85]. As it's been mentioned in the previous studies creativity could play the mediating turn toward IP. The hypotheses has been established based on that literature and stated as below.

Hypothesis 7: There is a mediating effect for creativity between Entrepreneurial Orientation and innovation performance in the Jordanian SMEs.

This set of hypothesis explained the relationship between the variables of the study, the impact of each variable on another is represented in the figure below. The conceptual framework summarizing the hypothesis and supportive theories along with the suggested variables.

![Conceptual Model]

Fig. 1. Conceptual Model

5 DISCUSSION

This study is examining the impact of the independent variables (KM, EO) on the dependent variable (IP). The previous studies in different industries on different population expected an effect of KM on each of creativity and IP, as well as the effect of EO on both creativity and IP in the model. While there is an expected mediating effect for creativity on the relationship between KM and EO toward IP. These hypothesis constructed based on literature as this paper mentioned, the research questions and research objectives representing the same targets to be achieved in this study, while it's also the way to establishment of the hypothesis and conceptual framework. In Jordan the innovation is required for the industries, needed for alternative solutions and optimal opinions to provide the industries by multi-functional human being to enhance the development of the intellectual capital in the organization [86]. The innovation performance in Jordan is mainly concern the leadership and management departments, which it's all relevant to the employee's behavior [87]. The innovative employee behavioral is about the adaption of the employees with the environment of the organization [88]. KM and EO aggregated in the IP in the organization, creativity included as stages of the IP in the organization [89]. This paper discussed the theories relevant to the variables and relationship effecting the variables of this study.

6 CONCLUSION

This research conclude that there is an expected effect for KM and EO on the IP, this relationship mediated by creativity with direct and indirect effect. With the analysis and exploration of the literature and different views of opinion and argument, this study summarized the most approved result in the industries and population that IP is necessary into the organizations and required as one of the developing country strategy. This study provide the hypothesis and literature to contribute in enriching the data and information related to the field of the study.

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8 ABBREVIATIONS

KM, knowledge management; IP, innovation performance; EO, entrepreneurial orientation; SMEs, small medium enterprises.

References


sustainability. Routledge.


