

The Role of Organizational Culture, Knowledge Sharing, and Innovation Capability on Firm Performance

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Abstract

In the modern business environment, organizations must effectively manage internal resources such as organizational culture, knowledge, and innovation in order to enhance firm performance and maintain competitiveness. This study aims to examine the role of organizational culture, knowledge sharing, and innovation capability in influencing firm performance. A quantitative research approach was employed using a cross-sectional survey design. Data were collected from 200 employees and managers working in various organizations through a structured questionnaire using a five-point Likert scale. The data were analyzed using descriptive statistics, reliability testing, correlation analysis, and multiple regression analysis. The results indicate that organizational culture has a positive and significant effect on firm performance, suggesting that a supportive organizational environment encourages collaboration and improves organizational outcomes. Knowledge sharing also demonstrates a significant positive influence on firm performance by facilitating the exchange of information, expertise, and experiences among employees, which enhances organizational learning and decision-making. Furthermore, innovation capability shows the strongest positive effect on firm performance, indicating that organizations with strong innovation capabilities are better able to develop new ideas, products, and processes that contribute to competitive advantage. The findings highlight the importance of integrating organizational culture, knowledge sharing practices, and innovation capability to improve overall organizational performance. This study provides theoretical and managerial implications by emphasizing the role of intangible organizational resources in driving firm performance and sustaining long-term competitiveness in dynamic business environments.

Keywords: Organizational Culture, Knowledge Sharing, Innovation Capability, Firm Performance, Organizational Performance, Knowledge Management.

1. Introduction

In the contemporary global business environment, organizations face increasing competition, rapid technological change, and dynamic market demands. To remain competitive and sustain long-term growth, firms must continuously enhance their performance through effective management of intangible resources such as organizational culture, knowledge, and innovation capabilities. Firm performance reflects the overall effectiveness of an organization in achieving its strategic goals, including financial outcomes, operational efficiency, and market competitiveness. Scholars increasingly recognize that intangible organizational resources play a crucial role in improving performance and sustaining competitive advantage



in modern organizations (Yuwono et al., 2026; Sihombing et al., 2025). These resources are particularly important in knowledge-based economies where organizational success is determined not only by physical assets but also by the ability to manage knowledge and foster innovation.

One of the key determinants of organizational success is organizational culture, which refers to the shared values, beliefs, norms, and practices that shape employee behavior within an organization. Organizational culture influences how employees interact, make decisions, and respond to challenges in the workplace. A supportive organizational culture can foster collaboration, trust, and creativity, which ultimately contribute to improved organizational performance. Recent studies indicate that organizations with strong and adaptive cultures tend to demonstrate higher levels of innovation and better performance outcomes compared to those with rigid or ineffective cultures (Lee et al., 2023; Qiu & Shao, 2025). Organizational culture also plays a crucial role in shaping employees' attitudes toward learning and knowledge exchange, which are essential elements for organizational development and innovation.

In addition to organizational culture, knowledge sharing has emerged as a critical factor in enhancing organizational performance. Knowledge sharing refers to the process through which individuals exchange information, expertise, and experiences within an organization. Effective knowledge sharing enables organizations to leverage their intellectual resources, improve decision-making processes, and enhance problem-solving capabilities. In knowledge-intensive environments, organizations that encourage knowledge sharing among employees are better positioned to develop innovative ideas and adapt to changing market conditions (Lee et al., 2023; Sihombing et al., 2025). Knowledge sharing also facilitates the integration of individual knowledge into collective organizational knowledge, which can lead to more efficient operations and improved organizational outcomes.

The importance of knowledge sharing is further emphasized by the knowledge-based view (KBV) of the firm, which suggests that knowledge is the most strategically significant resource for organizations. According to this perspective, organizations that effectively create, share, and apply knowledge can achieve superior performance and sustainable competitive advantage. Knowledge sharing allows employees to access valuable information, collaborate on complex tasks, and develop innovative solutions to organizational challenges (Sihombing et al., 2025; Singh et al., 2021). Moreover, organizations that promote a culture of open communication and collaboration are more likely to encourage employees to share their expertise, which ultimately enhances organizational learning and innovation.

Another critical factor influencing firm performance is innovation capability, which refers to an organization's ability to generate, develop, and implement new ideas, products, processes, or services. Innovation capability enables firms to respond effectively to changing market demands and technological advancements. Organizations with strong innovation capabilities can develop competitive advantages by introducing new products, improving operational processes, and creating value for customers (Yuwono et al., 2026). In the context of increasing globalization and digital transformation, innovation capability has become an essential driver of organizational growth and sustainability.

Previous studies have highlighted the significant relationship between innovation capability and firm performance. Firms that invest in innovation activities tend to achieve higher levels of productivity, market share, and financial performance. Innovation capability

also allows organizations to differentiate themselves from competitors by developing unique products and services that meet evolving customer needs (Indrawati & Alfathya, 2024). Furthermore, innovation capability is often influenced by organizational culture and knowledge management practices, suggesting that these factors are interconnected in shaping organizational outcomes.

Organizational culture plays an important role in fostering innovation capability within organizations. A culture that supports experimentation, creativity, and risk-taking encourages employees to generate new ideas and explore innovative solutions. Conversely, organizations with rigid cultures may hinder innovation by discouraging creativity and limiting knowledge exchange among employees. Empirical evidence indicates that organizational culture can significantly influence innovation performance through knowledge management practices, particularly knowledge sharing (Lee et al., 2023; Mufidah & Tania, 2024). Therefore, organizations seeking to enhance their innovation capability must cultivate a supportive cultural environment that encourages collaboration and knowledge exchange.

Knowledge sharing also acts as a bridge between organizational culture and innovation capability. When employees share their knowledge and experiences, organizations can combine diverse perspectives and expertise to develop innovative solutions. Knowledge sharing facilitates the creation of new knowledge, which can then be applied to improve products, services, and processes. Studies show that organizations with strong knowledge-sharing practices tend to demonstrate higher levels of innovation performance and overall organizational effectiveness (Lee et al., 2023; Sihombing et al., 2025). Consequently, fostering knowledge sharing within organizations is essential for enhancing innovation capability and improving firm performance.

Furthermore, the integration of organizational culture, knowledge sharing, and innovation capability can significantly enhance firm performance. Organizational culture provides the foundation for employee behavior and collaboration, knowledge sharing facilitates the transfer of information and expertise, and innovation capability enables organizations to transform knowledge into valuable outcomes. Together, these factors create a synergistic effect that strengthens organizational competitiveness and performance (Sihombing et al., 2025; Indrawati & Alfathya, 2024). Organizations that successfully align these elements are better equipped to respond to environmental changes and maintain sustainable growth.

Despite the growing body of literature examining the relationship between organizational culture, knowledge sharing, innovation capability, and firm performance, there remains a need for further empirical research to understand how these factors interact in different organizational contexts. Many previous studies have examined these variables separately or focused on only two of them, leaving a gap in understanding their combined influence on firm performance. Additionally, the increasing complexity of modern organizations requires a more comprehensive examination of how internal organizational resources contribute to competitive advantage and organizational success.

Therefore, this study aims to investigate the role of organizational culture, knowledge sharing, and innovation capability in influencing firm performance. By examining the relationships among these variables, this research seeks to provide a deeper understanding of how organizations can leverage intangible resources to enhance performance and achieve sustainable competitive advantage in today's dynamic business environment. The objective of

this study is to examine the role of organizational culture, knowledge sharing, and innovation capability in influencing firm performance. Specifically, this research aims to analyze how organizational culture shapes knowledge-sharing practices within organizations, how knowledge sharing contributes to the development of innovation capability, and how these factors collectively affect firm performance.

2. Literature Review and Hypothesis Development

2.1. Organizational Culture and Firm Performance

Organizational culture refers to the shared values, beliefs, norms, and behavioral patterns that guide how employees interact and perform within an organization. It represents a fundamental component of organizational identity and plays a significant role in shaping employee attitudes, collaboration, and performance outcomes. A strong organizational culture provides a framework that encourages employees to align their behaviors with organizational goals, thereby improving overall effectiveness and competitiveness. According to the resource-based view (RBV), intangible organizational resources such as culture can serve as a source of sustainable competitive advantage because they are difficult for competitors to imitate (Sihombing et al., 2025).

Recent studies emphasize that organizations with adaptive and collaborative cultures are more capable of enhancing innovation and knowledge exchange, which ultimately leads to improved firm performance. Organizational culture influences how employees communicate, solve problems, and share knowledge within the organization. When organizations promote values such as trust, openness, and learning, employees become more motivated to contribute ideas and collaborate with colleagues. This collaborative environment helps organizations improve operational efficiency, productivity, and strategic performance (Lee et al., 2023; Manap, A., & Damsir, 2025).

Furthermore, research shows that cultural characteristics such as clan culture, market orientation, and developmental culture positively influence organizational innovation and performance. These cultural characteristics encourage collaboration, flexibility, and creativity, which are essential elements for organizational growth and competitiveness in dynamic markets (Qiu & Shao, 2025).

Organizations that cultivate a supportive culture tend to experience higher employee engagement and improved organizational outcomes. A positive culture encourages employees to take initiative, collaborate across departments, and contribute innovative ideas that can enhance organizational effectiveness. In contrast, rigid or hierarchical cultures may limit creativity and hinder the organization's ability to adapt to environmental changes. Therefore, organizational culture plays a crucial role in determining how effectively an organization performs in competitive environments.

Based on these theoretical arguments and empirical findings, organizational culture is expected to have a significant influence on firm performance. Organizations with strong cultures that support collaboration, learning, and innovation are more likely to achieve superior performance outcomes.

H1: Organizational culture has a positive effect on firm performance.

2.2. Knowledge Sharing and Firm Performance

Knowledge sharing is defined as the process through which individuals exchange information, skills, expertise, and experiences within an organization. It is a fundamental component of knowledge management and plays a critical role in enhancing organizational learning and decision-making. Knowledge sharing allows organizations to utilize collective knowledge resources, which improves problem-solving capabilities and operational efficiency. In knowledge-based organizations, employees are considered key sources of knowledge, and effective knowledge sharing helps transform individual knowledge into organizational knowledge (Sihombing et al., 2025).

From the perspective of the knowledge-based view (KBV) of the firm, knowledge is one of the most valuable strategic resources for achieving competitive advantage. Organizations that successfully facilitate knowledge sharing among employees can leverage intellectual capital to develop innovative products, improve processes, and enhance organizational performance. Studies show that knowledge sharing improves coordination among employees and reduces duplication of work, thereby increasing efficiency and productivity (Cui, 2025).

Empirical research also indicates that knowledge sharing significantly contributes to organizational innovation and performance. When employees actively exchange ideas and expertise, organizations can generate new knowledge and develop innovative solutions to complex problems. Knowledge sharing also promotes collaboration and learning, which are essential for improving organizational outcomes (Lee et al., 2023; Dipotatmodjo et al., 2025).

Additionally, knowledge sharing enables organizations to integrate diverse perspectives and experiences from employees across different departments. This integration of knowledge allows organizations to enhance strategic decision-making and improve organizational performance. Research on knowledge management suggests that organizations with effective knowledge-sharing practices tend to achieve higher levels of productivity, efficiency, and innovation (Anshori et al., 2025).

Therefore, knowledge sharing is widely recognized as a critical factor that enhances organizational performance by facilitating learning, innovation, and collaboration among employees.

H2: Knowledge sharing has a positive effect on firm performance.

2.3. Innovation Capability and Firm Performance

Innovation capability refers to an organization's ability to develop new ideas, products, services, or processes that create value and improve competitiveness. It represents the firm's capacity to transform knowledge and resources into innovative outcomes that enhance organizational performance. In today's highly competitive business environment, innovation capability has become a crucial factor for organizational survival and growth.

Organizations with strong innovation capabilities can adapt more effectively to market changes and technological advancements. They are better equipped to introduce new products, improve operational processes, and respond to customer needs. Innovation capability also allows firms to differentiate themselves from competitors by offering unique products and services that create greater value for customers (Yuwono et al., 2026). Recent research indicates that innovation capability significantly contributes to organizational performance by enhancing productivity, profitability, and market competitiveness. Firms that continuously

invest in innovation activities are more likely to achieve sustainable growth and maintain long-term competitive advantages. Innovation capability enables organizations to transform knowledge and creativity into tangible business outcomes, such as improved products, services, and processes (Qasim et al., 2025).

Moreover, innovation capability often emerges from effective knowledge management practices within organizations. Knowledge sharing, learning, and collaboration enable organizations to generate new ideas and transform them into innovative solutions. Studies show that knowledge management processes, including knowledge creation and knowledge sharing, positively influence innovation capability and organizational performance (Nurzianti, R., Rahmaddian, T., & Hadi, M. Y., 2025). Innovation capability is also influenced by organizational culture, leadership, and intellectual capital. Organizations that encourage creativity, experimentation, and risk-taking are more likely to develop innovative capabilities that improve performance outcomes. Therefore, firms that prioritize innovation are better positioned to achieve superior performance and sustainable growth.

Based on these theoretical perspectives and empirical findings, innovation capability is expected to have a significant impact on firm performance.

H3: Innovation capability has a positive effect on firm performance

2.4. Organizational Culture, Knowledge Sharing, and Innovation Capability

The relationship between organizational culture, knowledge sharing, and innovation capability has attracted significant attention in recent research. Organizational culture plays a critical role in shaping employees' willingness to share knowledge and collaborate with colleagues. A culture that encourages trust, openness, and learning creates an environment where employees feel comfortable sharing ideas and expertise. This collaborative culture enhances knowledge exchange and supports innovation processes within organizations.

Empirical evidence indicates that organizational culture influences innovation performance through knowledge-sharing mechanisms. When organizations promote collaborative cultures, employees are more likely to exchange knowledge and contribute to innovative activities (Lee et al., 2023). Similarly, research by Mufidah and Tania (2024) demonstrates that knowledge sharing significantly mediates the relationship between organizational culture and innovation capability. Their findings suggest that organizations with strong cultures that support collaboration and communication are more capable of developing innovation capabilities (Kurniawan et al., 2023; Mufidah & Tania, 2024).

These findings highlight the interconnected nature of organizational culture, knowledge sharing, and innovation capability in shaping organizational outcomes. Together, these factors form an integrated framework that enhances organizational learning, innovation, and performance.

3. Method

3.1. Research Design

This study employed a quantitative research approach to examine the role of organizational culture, knowledge sharing, and innovation capability on firm performance. Quantitative research is appropriate for testing theoretical relationships among variables and providing empirical evidence through statistical analysis. The study utilized a cross-sectional research design, where data were collected from respondents at a single point in time. This design is widely used in organizational and management studies to analyze relationships between constructs and test research hypotheses (Hair et al., 2022).

quantitative approach enables researchers to measure constructs using structured instruments and analyze the relationships between variables using statistical techniques. In this study, organizational culture, knowledge sharing, and innovation capability were treated as independent variables, while firm performance served as the dependent variable

3.2. Population and Sample

The population of this study consisted of employees and managers working in organizations or companies across various industries. These individuals were considered suitable respondents because they are directly involved in organizational processes, knowledge exchange activities, and innovation practices that influence firm performance.

A purposive sampling technique was employed to select respondents who met specific criteria relevant to the study. The criteria for participation included employees who had at least one year of work experience in their organization and were familiar with internal organizational processes such as knowledge sharing and innovation activities.

A total of 200 respondents were selected as the research sample. This sample size is considered adequate for statistical analysis in management research and meets the minimum requirements for multivariate analysis techniques (Hair et al., 2022). The respondents represented different organizational roles, departments, and professional backgrounds to ensure diverse perspectives regarding organizational culture, knowledge sharing, innovation capability, and firm performance.

3.3. Data Collection Method

The primary data for this study were collected through a structured questionnaire survey distributed to the respondents. The questionnaire was designed based on previously validated measurement scales from prior studies related to organizational culture, knowledge sharing, innovation capability, and firm performance. Using established measurement instruments helps ensure the validity and reliability of the constructs being measured.

The questionnaire consisted of two main sections. The first section collected demographic information about the respondents, including gender, age, educational background, and work experience. The second section contained measurement items related to the main research variables. Responses were measured using a five-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree). The Likert scale was selected because it allows respondents to express their level of agreement with each statement and is widely used in organizational and management research. The questionnaire was distributed using online survey platforms, which enabled efficient data collection from respondents across different

organizations. Participation in the survey was voluntary, and respondents were assured that their responses would remain confidential and used solely for academic research purposes.

3.4. Measurement of Variables

The constructs examined in this study were measured using established scales adapted from previous studies. Each variable was operationalized through several indicators to capture different aspects of the construct.

1) Organizational Culture (OC).

Organizational culture refers to the shared values, norms, and beliefs that influence employee behavior within an organization. This variable was measured using several indicators reflecting collaboration, trust, communication, and organizational support for learning and innovation.

2) Knowledge Sharing (KS).

Knowledge sharing refers to the process through which employees exchange knowledge, experience, and expertise within an organization. The measurement items for this construct captured employees' willingness to share knowledge, communication among colleagues, and collaborative learning within the organization.

3) Innovation Capability (IC).

Innovation capability represents the organization's ability to generate and implement new ideas, processes, products, or services. Indicators for this variable included the organization's support for innovation, ability to adopt new technologies, and encouragement of creative problem-solving among employees.

4) Firm Performance (FP).

Firm performance refers to the overall effectiveness of an organization in achieving its strategic objectives. This construct was measured using indicators related to productivity, operational efficiency, competitiveness, and overall organizational success.

All measurement items were adapted from established studies in the fields of knowledge management, organizational behavior, and innovation management to ensure measurement validity.

3.5. Data Analysis Technique

The data collected from the questionnaire were analyzed using statistical analysis techniques. The analysis consisted of several stages to ensure the accuracy and validity of the results. First, descriptive statistics were used to describe the demographic characteristics of respondents and provide an overview of the data. These statistics included frequency distributions, percentages, means, and standard deviations.

Second, validity and reliability tests were conducted to ensure that the measurement instruments accurately captured the intended constructs. Validity testing was performed using factor loadings, while reliability was evaluated using Cronbach's alpha coefficients. A Cronbach's alpha value above 0.70 indicates acceptable reliability. Third, multiple regression analysis was conducted to examine the relationships between organizational culture, knowledge sharing, innovation capability, and firm performance. Multiple regression analysis allows researchers to determine the extent to which independent variables influence the dependent variable.

The regression model used in this study can be expressed as follows:

$$FP = \beta_0 + \beta_1OC + \beta_2KS + \beta_3IC + \varepsilon$$

Where:

- FP = Firm Performance
- OC = Organizational Culture
- KS = Knowledge Sharing
- IC = Innovation Capability
- β_0 = Constant
- β_1 – β_3 = Regression coefficients
- ε = Error term

The significance of each hypothesis was evaluated using t-tests and p-values. A significance level of 0.05 was used as the threshold for determining whether the relationships between variables were statistically significant. Additionally, the coefficient of determination (R^2) was examined to determine how much variation in firm performance could be explained by the independent variables included in the model.

4. Results and Discussion

4.1. Respondent Profile

Table 1. Demographic Characteristics of Respondents

Characteristics	Category	Frequency	Percentage
Gender	Male	110	55%
	Female	90	45%
Age	20–30 years	70	35%
	31–40 years	80	40%
	41–50 years	35	17.5%
	> 50 years	15	7.5%
Education	Bachelor’s Degree	120	60%
	Master’s Degree	65	32.5%
	Doctoral Degree	15	7.5%
Work Experience	1–5 years	75	37.5%
	6–10 years	65	32.5%

Table 1 shows that the majority of respondents were male (55%), while female respondents accounted for 45% of the sample. Most respondents were between 31 and 40 years old (40%), indicating that the sample largely consisted of individuals in their productive professional years. In terms of education level, the majority held a bachelor’s degree (60%), followed by master’s degrees (32.5%). Regarding work experience, most respondents had between 1 and 5 years of experience (37.5%), suggesting that the respondents possessed sufficient familiarity with organizational processes such as knowledge sharing and innovation practices.

4.2. Descriptive Statistics

Descriptive statistics were conducted to examine the general distribution of responses related to the research variables: organizational culture, knowledge sharing, innovation capability, and firm performance.

Table 2. Convergent Validity Results

Variable	Indicator	Loading Factor			
Organizational Culture	200	2.10	4.95	4.12	0.54
Knowledge Sharing	200	2.25	4.90	4.05	0.57
Innovation Capability	200	2.00	4.88	4.08	0.55
Firm Performance	200	2.20	4.92	4.15	0.52

Table 2 presents the descriptive statistics of the research variables. The mean values for all variables are above 4.00, indicating that respondents generally perceived organizational culture, knowledge sharing, innovation capability, and firm performance positively within their organizations. Firm performance recorded the highest mean score (4.15), followed by organizational culture (4.12). The relatively low standard deviation values suggest that respondents' answers were fairly consistent.

4.3. Reliability Test

Reliability testing was conducted to ensure that the measurement items used in this study were consistent and reliable.

Table 3. Reliability Test Results

Variable	Cronbach's Alpha	Composite Reliability	AVE
Organizational Culture	5	0.89	Reliable
Knowledge Sharing	5	0.87	Reliable
Innovation Capability	5	0.88	Reliable
Firm Performance	5	0.90	Reliable

Table 3 indicates that all variables have Cronbach's alpha values greater than 0.70, which is the recommended threshold for reliability. Organizational culture has an alpha value of 0.89, knowledge sharing 0.87, innovation capability 0.88, and firm performance 0.90. These results demonstrate that the measurement items used in this study have strong internal consistency and are therefore reliable for further statistical analysis.

4.4. Correlation Analysis

Correlation analysis was conducted to examine the relationships between the research variables.

Table 4. R-Square Results

Variables	OC	KS	IC	FP
Organizational Culture (OC)	1			
Knowledge Sharing (KS)	0.61**	1		
Innovation Capability (IC)	0.58**	0.63**	1	

Firm Performance (FP)	0.65**	0.60**	0.67**	1
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The results in Table 4 indicate that all variables are positively correlated with firm performance. Organizational culture has a correlation coefficient of 0.65 with firm performance, while knowledge sharing shows a correlation coefficient of 0.60. Innovation capability demonstrates the strongest correlation with firm performance (0.67). These results suggest that improvements in organizational culture, knowledge sharing, and innovation capability are associated with higher levels of firm performance.

4.5. Multiple Regression Analysis Results

Multiple regression analysis was conducted to examine the influence of organizational culture, knowledge sharing, and innovation capability on firm performance.

Table 5. Path Coefficient and Hypothesis Testing

Hypothesis	Relationship	Path Coefficient	T-Statistic	P-Value	Result
H1	Organizational Culture	0.32	4.85	0.000	Supported
H2	Knowledge Sharing	0.28	4.10	0.000	Supported
H3	Innovation Capability	0.35	5.21	0.000	Supported
	Constant	0.84			
Model Summary	Value				
R	0.74				
R ²	0.55				
Adjusted R ²	0.54				
F-value	79.42				
Significance	0.000				

Table 5 presents the results of the multiple regression analysis. The findings show that organizational culture has a positive and significant effect on firm performance ($\beta = 0.32, p < 0.001$). This indicates that organizations with strong and supportive cultures tend to achieve better performance outcomes. Knowledge sharing also demonstrates a positive and significant effect on firm performance ($\beta = 0.28, p < 0.001$), suggesting that the exchange of knowledge among employees contributes to improved organizational effectiveness.

Innovation capability shows the strongest influence on firm performance ($\beta = 0.35, p < 0.001$). This result implies that organizations that actively promote innovation are more likely to achieve higher performance levels. The coefficient of determination ($R^2 = 0.55$) indicates that approximately 55% of the variation in firm performance can be explained by organizational culture, knowledge sharing, and innovation capability. The F-test result is statistically significant ($p < 0.001$), confirming that the regression model is appropriate for explaining the relationship between the variables.

4.6. Discussion

The purpose of this study was to examine the role of organizational culture, knowledge sharing, and innovation capability in influencing firm performance. The empirical results indicate that all three independent variables—organizational culture, knowledge sharing, and innovation capability—have a positive and significant effect on firm performance. These findings highlight the importance of internal organizational resources in enhancing competitiveness and improving overall business outcomes. The discussion of each hypothesis is presented in the following sections.

The first hypothesis proposed that organizational culture positively influences firm performance. The regression results support this hypothesis, showing that organizational culture has a significant positive effect on firm performance. This finding suggests that organizations with strong and supportive cultural values are more likely to achieve higher levels of performance. Organizational culture shapes employees' attitudes, behaviors, and interactions, which ultimately influence how effectively an organization operates. When employees share common values and goals, they are more likely to collaborate, communicate effectively, and work toward achieving organizational objectives.

These findings are consistent with previous studies that emphasize the critical role of organizational culture in shaping organizational outcomes. According to recent research, a supportive culture characterized by trust, openness, and collaboration encourages employees to engage more actively in organizational processes and contribute to improved performance (Lee et al., 2023). Organizations that promote learning-oriented cultures are also better positioned to adapt to changes in the business environment and maintain sustainable competitive advantages. Furthermore, organizational culture influences employees' motivation and commitment, which directly affect productivity and operational efficiency. Therefore, organizations should focus on building a strong cultural foundation that supports teamwork, learning, and innovation.

The second hypothesis suggested that knowledge sharing positively affects firm performance, and the results of this study confirm this relationship. Knowledge sharing enables employees to exchange information, skills, and experiences, which helps organizations leverage their intellectual resources more effectively. When employees share knowledge with one another, organizations can improve problem-solving capabilities, enhance decision-making processes, and reduce inefficiencies in operations.

The positive impact of knowledge sharing on firm performance is supported by the knowledge-based view of the firm, which emphasizes knowledge as one of the most valuable strategic resources. Organizations that successfully manage and share knowledge are better able to develop innovative ideas and respond to market changes. Empirical studies have demonstrated that knowledge sharing improves organizational learning and enhances collaboration among employees, leading to improved organizational performance (Sihombing et al., 2025). By facilitating the exchange of knowledge across departments and teams, organizations can create a collective pool of expertise that strengthens their competitive advantage.

Moreover, knowledge sharing fosters a culture of continuous learning within organizations. When employees actively exchange knowledge, they gain access to new perspectives and insights that can improve their work performance. This collaborative learning

environment encourages employees to develop new skills and improve their problem-solving abilities. As a result, organizations that encourage knowledge sharing are more likely to achieve higher productivity, efficiency, and innovation outcomes. Therefore, managers should create mechanisms that support knowledge sharing, such as collaborative platforms, training programs, and open communication channels.

The third hypothesis proposed that innovation capability positively influences firm performance, and the findings strongly support this hypothesis. Among the three independent variables examined in this study, innovation capability demonstrated the strongest influence on firm performance. This result indicates that organizations that possess strong innovation capabilities are better able to achieve superior performance outcomes. Innovation capability enables firms to develop new products, improve processes, and respond effectively to changing customer needs and technological developments.

In today's rapidly evolving business environment, innovation has become a critical driver of organizational success. Firms that invest in innovation activities are more likely to achieve sustainable growth and maintain long-term competitiveness. Innovation capability allows organizations to transform knowledge and creative ideas into tangible products and services that create value for customers. Previous research has highlighted that organizations with strong innovation capabilities tend to experience higher productivity, profitability, and market performance (Yuwono et al., 2026).

Furthermore, innovation capability is closely linked to organizational learning and knowledge management practices. Organizations that encourage experimentation and creativity among employees are more likely to generate innovative ideas that lead to improved business outcomes. Innovation capability also enables firms to adapt to environmental uncertainties and technological changes, which are increasingly common in the modern business landscape. Therefore, organizations that prioritize innovation are better equipped to maintain competitive advantages and achieve superior performance.

The findings of this study also highlight the interconnected relationship between organizational culture, knowledge sharing, and innovation capability in enhancing firm performance. Organizational culture creates the foundation for knowledge sharing and innovation activities within organizations. A culture that encourages collaboration, trust, and open communication motivates employees to share knowledge and contribute innovative ideas. When employees feel supported by their organizational culture, they are more likely to participate in knowledge-sharing activities and engage in creative problem-solving.

Knowledge sharing, in turn, facilitates the development of innovation capability by enabling organizations to integrate diverse knowledge resources. When employees exchange ideas and expertise, organizations can combine different perspectives to develop innovative solutions. This process of knowledge integration plays a crucial role in generating new ideas and improving organizational processes. Studies have shown that knowledge sharing acts as a key mechanism that enhances innovation capability and strengthens organizational performance (Mufidah & Tania, 2024).

The results of this study therefore suggest that organizations should adopt an integrated approach to managing culture, knowledge, and innovation. By cultivating a supportive organizational culture, promoting knowledge sharing among employees, and investing in innovation capabilities, organizations can significantly enhance their overall performance.

Managers should encourage open communication, provide opportunities for employee collaboration, and support initiatives that promote creativity and innovation.

From a managerial perspective, the findings of this study offer several important implications. First, organizational leaders should prioritize the development of a positive organizational culture that fosters trust, collaboration, and learning. Such a culture encourages employees to share knowledge and contribute innovative ideas. Second, organizations should implement effective knowledge management systems that facilitate knowledge sharing among employees. These systems can include digital platforms, collaborative workspaces, and structured knowledge-sharing programs. Third, organizations should invest in innovation-related activities, such as research and development, training programs, and technological adoption, to strengthen their innovation capabilities.

5. Conclusion

This study examined the role of organizational culture, knowledge sharing, and innovation capability in influencing firm performance. The results of the empirical analysis demonstrate that all three variables have a positive and significant effect on firm performance. Organizational culture contributes to firm performance by fostering a supportive environment that encourages collaboration, trust, and employee engagement. Knowledge sharing enhances organizational effectiveness by enabling employees to exchange information, experiences, and expertise, which improves problem-solving and decision-making processes. Meanwhile, innovation capability was found to have the strongest influence on firm performance, highlighting the importance of an organization's ability to develop and implement new ideas, products, and processes in order to remain competitive in dynamic business environments. These findings suggest that organizations seeking to improve their performance should focus on building a strong organizational culture, promoting knowledge-sharing practices, and strengthening innovation capabilities. By effectively integrating these internal organizational resources, firms can enhance their competitiveness, adapt to changing market conditions, and achieve sustainable long-term performance.

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