

THE IMPACT OF NETWORK CAPABILITY ON KNOWLEDGE CREATION AND BUSINESS PERFORMANCE: A MEDIATOR-MODERATOR ANALYSIS

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ABSTRACT

Background: Businesses face dynamic market challenges that ultimately affect businesses, especially SMEs. SMEs' success can be realized through network capability, facilitating access to markets, resources, information, and collaboration opportunities to support business competitiveness and growth.

Purpose: Objective: This study examines and analyzes the effect of network capability in creating new knowledge on business performance, with knowledge creation as a mediator and agile capability as a moderator.

Design/methodology/approach: This research was conducted in the food, beverage, furniture, fashion, electronics, textile, and beauty industries, involving 215 SMEs in East Java, including managers, SPVs, and decision-makers. A non-probability sampling technique was used for sample selection. Non-probability sampling methods are used to select respondents, while purpose sampling techniques focus on specific subgroups that have certain characteristics. Data analysis used quantitative methods, specifically Mplus 8 software, to test the research hypothesis.

Findings/Result: The results showed that network capability significantly positively affects knowledge creation. Furthermore, network capability has a significant positive impact on business performance, mediated by knowledge creation. This study also found that the variable of knowledge creation on business performance moderated by agile capability does not strengthen. Agile capability did not moderate the relationship significantly, indicating that too much change or rapid adaptation can disrupt the consistency of long-term strategies, ultimately detrimental to overall business performance.

Conclusion: This study shows that network capability positively affects knowledge creation and business performance while agile capability does not significantly moderate the relationship between the two, so further research can explore other variables, such as digital transformation capability. SME success can be realized through networking capability that facilitates access to markets, resources, information, and collaboration opportunities, supporting business competitiveness and growth in an evolving marketplace.

Originality/value (State of the art): These findings contribute to the business by enhancing skill capability and fulfilling business advantages for business products.

Keywords: network capability, knowledge creation, agile capability, business performance, and market dynamics

How to Cite:

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INTRODUCTION

Businesses today face increasing competitors that pose challenges that can hinder business development (Pujianto et al. 2021). This results in businesses maintaining a position in the market becoming more complicated. In addition, increasingly fierce competition makes businesses have to create much better innovations. This condition makes businesses unable to adapt quickly and has an impact on business development that is hampered. Without innovation capabilities that need to be improved by adjusting to market needs, businesses can potentially decrease business performance (Ritter, 2021). In a highly competitive business sector, businesses cannot only rely on internal resources but must maximize network capability. Network capability implies how businesses develop and implement external party relationships such as business partners, suppliers, customers, and competitors to obtain resources, knowledge, and business information.

Businesses with strong network capability will benefit from innovation and adaptability to market changes. One important component that is often correlated with network capability is knowledge creation. Knowledge creation is formed through information sharing in the network capability that takes place in collaboration. Knowledge creation is created to develop business performance in decision-making. In addition, the mediation and moderation factors in this study are to provide a clearer illustration of the conditions that affect business success. Network capability is needed to shape business success (Setyawati et al. 2024). Network capability is believed to develop the business to support business performance (Prakasa & Jumani, 2024). Network capability is important in helping businesses interact with business partners, manage business relationships, get new opportunities, and support business growth (Sutrisno, 2023). Rešer & Tominc (2025) revealed that when a business does not use a network, it will experience a business decline, such as limitations in managing business networks from partners, customers, and suppliers, which can reduce business performance by up to 40%. As an initial illustration, studies in Asian countries such as Malaysia (Ummah, 2019) show that 17.28% of the decline in business performance is due to the weak quality of business growth, Wahyuni, (2016), and Thailand 4.2% (Nizar, 2014).

This research has a novelty about network capability acting to maximize business success. This approach provides an understanding of how businesses can strategically manage network capability to drive more innovative business outcomes. Many studies have been conducted on network capability with other variables. Sasono et al. (2023) highlight that network capability is crucial for success in competitive business environments, while Elrehail et al. (2023) show its correlation with knowledge creation that enhances performance. However, Bhaktiar et al. (2023) found a paradox, suggesting that the lack of strategies to improve business actors impacts this relationship. Inconsistencies from previous research results reveal that network capability can enrich knowledge and contribute to business performance. In a business context, increased network capability will enable growth in business performance. Thus, network capability enables productivity by facilitating collaboration and communication between businesses. However, if network capability is weak, the business will experience shrinking business productivity and business failure.

Previous studies have not succeeded in planning practical strategy patterns to overcome business challenges and competition. In previous studies, network capability was analyzed using social network theory (Wegner et al. 2023), social exchange theory (Basri et al. 2024), and network leadership theory (Qalam & Keagamaan, 2025). As a novelty, this study uses the RBV. According to the RBV theory perspective, Barney (2001) a network is a business capability that can generate competitive advantage and business success. Network capability must be able to adapt to frequently changing network conditions. Network capability can help make it easier for business people to get information (Boateng & Li, 2022). Therefore, this study complements previous research by adding knowledge capability as a mediating variable. RBV theory, Barney (2001), knowledge capability is a business framework that focuses on the ability of businesses to achieve competitive advantage in business. This research empirically considers network capability and knowledge creation in business.

This study aims to investigate the relationship approach of the four variables, focusing on understanding how network capability affects knowledge creation and business performance moderated by agile capability. This study adopts mediation and moderation analysis to explore important aspects of the variables. This

study hypothesizes that network capability positively affects knowledge creation and business performance, with knowledge creation serving as a mediator and agile capability acting as a moderator. This approach aims to provide a solution to the business challenge of using network capability optimally for knowledge creation to improve business performance (Yulianti et al. 2023). This study integrates findings from previous research with the Resource-Based View (RBV) theory, which emphasizes the importance of network capability as a strategic resource that can provide a competitive advantage (Mailani et al. 2024). This study also identified a major contradiction with previous studies, while network capability and agile capability are considered important, in this context, agile capability does not necessarily moderate the relationship between knowledge creation and business performance (Manurung & Kurniawan, 2022). By analyzing the factors that influence the relationship, this study helps businesses to open up opportunities to utilize network capability to significantly contribute to knowledge creation, agile capability, and business performance.

This study expects to demonstrate that enhanced network capability leads to higher business performance through knowledge creation, with agile capability moderating the strength of this relationship. While knowledge creation acts as a mediator, agile capability moderates the relationship, offering a more robust theoretical foundation for the study. The objectives of this study contribute to the future goals of the business. This study proposes several contributions. First, this study contributes to the RBV theory by considering the business situation, business competitors, and future business goals. Second, this study develops network capability, especially in the context of the business industry that has been done by (Bouhaleb, 2024). Specifically, this study shows that empirical studies related to network capability in Asian countries are minimal. Network as a business capability for business network capability on performance and building existing literature. Good network capability will have a positive impact on knowledge and strong business performance will facilitate access to new information about market trends and consumer behavior that can make more informed decisions, as well as maintain up-to-date knowledge and support business competition. Overall, the main objective of this research is to

provide new insights that can help companies manage and strategically utilize their networks to improve business performance in an increasingly competitive environment (Pujianto et al. 2024).

METHODS

This study uses a quantitative approach to investigate the effect of network capability (independent variable), which includes leader capability, relational skills, partner knowledge, and internal communication, on knowledge creation (mediating variable), agile capability (moderating variable), and business performance (dependent variable). The data was collected from small and medium enterprises (SMEs) in East Java as shown in Table 1, engaged in food, beverages, fashion, furniture, textiles, electronics, and beauty. The study was conducted in September-December 2024.

The data collection technique used in this study was a questionnaire, which was distributed to respondents relevant to the research topic. This questionnaire is designed to collect information about network capability, knowledge creation, and business performance related to the variables studied. In the first stage, the researcher developed the research construct. In the second stage, the researcher developed a questionnaire tailored to the existing research construct, and the researcher compiled a questionnaire on a Google Form containing questions using language that is easily understood by businesses and then readable by SMEs. As explained by Taherdoost (2022), readability is used to ensure that the questionnaire statements presented are clear, simple, and understood by respondents so that respondents can provide accurate and relevant answers. In the third stage, researchers distributed questionnaires to SMEs in East Java. Questionnaires were distributed to respondents through on-site surveys of SMEs, with researchers visiting business locations to administer barcode-converted questionnaires from Google Forms to business owners, managers, and store heads to ensure active engagement and accurate data collection. The minimum sample size (Hair et al. 2019) in this study was $10 \times 36 \text{ items} = 360$. It was found that 215 respondents (59.72%) out of 360 respondents successfully responded to the questionnaire that had been distributed. We selected respondents based on characteristics of more than 3 years.

Table 1. Business Profile

Category	Details	Percentage
Business Type	Food and Beverage	30.6%
	Fashion	25.2%
	Furniture	11.2%
	Textiles	11.6%
	Electronics	11.2%
	Beauty	10.3%
Annual Turnover	<IDR50.000.000	1.7%
	IDR50.000.000 –IDR500.000.000	9.5%
	IDR500,000,000 - IDR10,000,000,000	88.9%
Length of Establishment	Less than 3 years	1.2%
	More than 3 years	98.8%
Gender	Male	32.6%
	Female	67.4%
Age Range	25 to 30 years	81.4%
	30 to 35 years	16.9%
	35 to 40 years	1.7%
Length of Service	0 to 5 years	34.3%
	5 to 10 years	60.3%
	10 to 15 years	4.5%
	15 to 20 years	0.4%
Education Level	Senior High School	16.5%
	Diploma I/II/III	13.2%
	Bachelor's degree	69%
	Master's degree	1.2%

The data analysis technique used in this study was analyzing middle-level data with Mplus 8 (Muthén, L. K., & Muthén, 2011). The analysis used Mplus 8 with statistical measures taken to ensure the validity and reliability of hypotheses, as well as mediation and moderation. The analysis began with data validity and reliability tests to ensure that the instruments used in the questionnaire. Furthermore, to test the research hypothesis, researchers used path analysis with mediation and moderation approaches. The mediation model was used to see if network capability could influence the relationship between knowledge creation and business performance, while the moderation model explored how external factors or certain conditions could strengthen or weaken the influence. Mplus 8 software was used to obtain more accurate results and provide a deeper understanding of the dynamics between network capability, knowledge creation, agile capability and business performance.

Leader capability includes the ability of the business to use skills and competencies to achieve business goals and adapt to business changes (Oliver, 2020). In another

study, Çera et al. (2021) showed that leader capability in business has a significant influence on generating the knowledge creation process. Knowledge creation can enrich, support, and encourage businesses to strengthen competitiveness (Atkočiūnienė et al. 2023). In the context of business, it can utilize knowledge creation to build a knowledge-based business that is ready to compete. Many businesses have succeeded by implementing leader capability that utilizes knowledge creation to encourage leaders to inspire teams to develop innovative solutions that meet market needs or even create new markets (Pujianto et al. 2021). From this explanation, based on Figure 1, the hypothesis is proposed as follows:

H1: Leader capability has a positive influence on knowledge creation

Relational skills refer to the ability to build effective interactions with others (Engelsberger et al. 2022). Relational skills can be interpreted as an effort to foster positive relationships by involving interaction skills in a business environment to create a collaborative business environment (Darics, 2020). In a business

context, relational skills involving knowledge creation can make businesses apply interaction skills effectively by carrying out the process of creating new knowledge to produce a superior and competitive business (Pujianto et al. 2024). The application of relational skills supported by strong knowledge creation can help businesses work together to achieve goals. From this explanation, based on Figure 1, the hypothesis is proposed as follows:

H2: Relational skills have a positive influence on knowledge creation

Partner knowledge functions as knowledge, expertise, and skills possessed by business partners that are accessed through cooperation (Lestari et al. 2020). In a business context, the application of partner knowledge accompanied by knowledge creation can make knowledge-sharing activities, experiences, ideas or skills by implementing knowledge exchange to help identify new knowledge and ways to overcome business obstacles that have a positive impact on sustainable business success (Martín Martín et al. 2022). From this explanation, based on Figure 1, the hypothesis is proposed as follows:

H3: Partner knowledge has a positive influence on knowledge creation

Internal communication includes the stages of transfiguring business information and can ensure members have the information to work together. In the context of business, improvement of internal

communication supported by knowledge creation can produce a more innovative business by implementing open communication, which enables the sharing of information needed to create new knowledge that is the foundation of a business's success (Pujianto et al. 2024). As the foundation of business success. From this explanation, based on Figure 1, the hypothesis is proposed as follows:

H4: Internal communication has a positive influence on knowledge creation

Strong knowledge creation will help businesses generate and receive new knowledge to support business, such as new information, market conditions, and relevant business practices (Li Sa et al. 2020). In RBV theory, knowledge creation is applied by accurately identifying business resources, thus focusing on the framework for achieving competitive advantage (Barney, 2001). It aligns with the purpose of knowledge creation, which is to increase knowledge in business (Qader et al. 2022). In addition, knowledge creation can also improve business planning so that it runs optimally. In a business context, applying knowledge creation accompanied by business performance can create new knowledge quickly by doing good business performance involving the agile capability to adapt to business changes (Hidayat et al. 2022). From this explanation, based on Figure 1, the hypothesis is proposed as follows:

H5: Knowledge creation positively influences business performance, which is strengthened by agile capability.

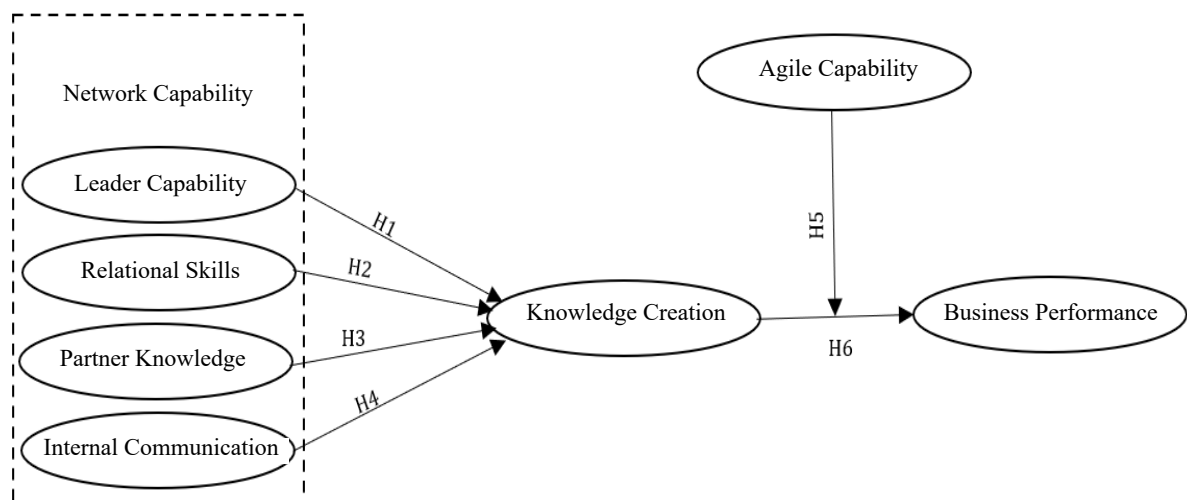


Figure 1. Research model

Waseel et al. (2024) reveal that knowledge creation is used to provide and develop knowledge created by individuals and then connect it to business knowledge. The Lestari et al. study (2020) revealed that knowledge creation provides a competitive advantage and is not easily defeated by competitors because businesses can provide high value to customer satisfaction and business image. In a business context, applying knowledge creation accompanied by business performance can facilitate businesses with higher innovativeness, ensuring the efficiency of business performance in maintaining a competitive advantage (Pujianto et al. 2021). From this explanation, based on Figure 1, the hypothesis is proposed as follows:

H6: Knowledge creation has a positive influence on business performance.

The framework model (Figure 1) shows the relationship between the four main variables. Network capability is an independent variable consisting of four dimensions, namely, leader capability, relational skills, partner knowledge and internal communication. Knowledge creation is a mediating variable, agile capability is a moderating variable, and business performance is the dependent variable.

RESULTS

The study results show the mean, standard deviation, and correlation of variables in Table 2. The nature of

this study's data uses the middle level (top management and lower level management), so the hypotheses of this study were tested using Mplus 8 (Muthén & Muthén, 2007). This study included network capability as an independent variable, with knowledge creation mediating, agile capability as moderating, and business performance as the dependent variable. This study uses the common method variance to measure respondent variance (Podsakoff et al. 2003). It found a variance value of 17.77 or less than 50%. It means that the data matches the respondents' variance.

The measurement instrument used in this study is a scale developed previously and adapted from existing literature. The relevant items in this study are presented in Table 3. The measurement instrument used in this study is a scale developed previously and adapted from existing literature. The relevant items in this study are presented in Table 3. Table 3 provides detailed information regarding the measurement items, including their respective factor loadings, reliability, and AVE for each construct. The factor loadings indicate the extent to which each item contributes to the variable, while the composite reliability values ensure the internal consistency of the scales used. The AVE values further confirm the convergent validity of the constructs, ensuring that the items used in this study can represent the underlying theoretical constructs. All values indicate that the measurement model exhibits sufficient reliability and validity for analysis.

Table 2. Descriptive statistics and matrix correlations

		Mean	Std. Dev	1	2	3	4	5	6	7	8	9	10	11
1	Position	1.98	0.151	n.a	0.00032	0.068	0.001	0.026	0.001	0.013	0.000081	0.001	0.007	0.007
2	Gender	1.66	0.476	0.018	n.a	0.05	0.008	0.0016	0.003	0.01	0.001	0.02	0.007	0.035
3	Age	1.22	0.46	-.261**	-.224**	n.a	0.018	0.017	0.007	0.015	0.002	0.008	0.002	0.000784
4	Education	2.62	0.725	-0.038	-0.093	0.043	n.a	0.021	0.02	0.003	0.013	0.025	0.007	0.002
5	CL	3.87	0.235	-.162*	-0.04	0.133	.145*	0.535	0.198	0.125	0.073	0.122	0.087	0.043
6	RS	4.03	0.316	0.041	0.062	0.085	.143*	.445**	0.558	0.146	0.308	0.131	0.163	0.122
7	PK	4	0.33	-0.115	-0.101	0.124	0.056	.354**	.383**	0.522	0.189	0.168	0.114	0.035
8	IC	4.02	0.254	0.009	-0.034	0.051	0.115	.272**	.555**	.435**	0.212	0.16	0.133	0.044
9	KC	4.06	0.213	0.041	-.144*	0.091	.161*	.336**	.363**	.411**	.400**	0.589	0.147	0.089
10	AC	4.09	0.258	0.084	0.081	-0.051	0.088	.295**	.404**	.339**	.366**	.384**	0.565	0.108
11	BP	4.24	0.285	-0.086	.189**	0.028	0.054	.208**	.350**	.189**	.210**	.299**	.330**	0.678

Note: Values on the diagonal and bold-italicized are AVE. Values below the diagonal are inter-factor correlation. A value above the diagonal is the square of the correlation value. *Correlation values are significant at $p < 0.05$; **correlation values are significant at $p < 0.01$; *** $p < 0.001$ (statistically significant); ** $p < 0.01$ (statistically highly significant); *** $p < 0.001$ (statistically extremely significant).

Table 3. Research items, factor loadings, composite reliability, and AVE

Item Measurement	Factor Loadings	Reliability	AVE
Network Capability			
Dimensions: Leader Capability		0.756	0.535
My leadership uses skills to assess business performance	0.711		
My leadership sets standards for capabilities and responsibilities	0.719		
My leadership has decision-making skills to achieve the desired results	0.861		
My leadership builds and maintains good relationships in the business	0.848		
My leadership has goals that I set for myself	0.889		
My leadership generates good revenue	0.877		
My leadership makes a valuable contribution to the growth and success of the business	0.853		
Dimensions: Relational Skills		0.666	0.558
I can build close and mutually beneficial relationships in the business	0.804		
I can put myself in the shoes of business partners	0.842		
I can deal flexibly with business partners	0.850		
I always resolve problems constructively with business partners	0.813		
Dimensions: Partner Knowledge		0.651	0.522
I understand my business partner's market needs and characteristics	0.782		
I know the business partner's products/procedures/services	0.781		
I understand the strengths and weaknesses of business partners	0.651		
I understand the potential and strategies used by competitors	0.897		
Dimensions: Internal Communication		0.645	0.612
My business held regular meetings to discuss each project	0.682		
My efforts to establish two-way communication	0.666		
My business uses communications that cover a wide range of projects and areas	0.755		
My business and customers provide intensive feedback to each other	0.887		
My business frequently exchanges information on a massive scale	0.825		
Knowledge Creation		0.597	0.589
My business acquires knowledge of our suppliers, customers, and partners	0.639		
My business can generate new knowledge from existing knowledge	0.773		
My business has a process for distributing knowledge	0.707		
My business regularly holds meetings to inform the latest innovations	0.748		
My business shares information that can help employees perform their duties effectively	0.705		
My business has knowledge that can be accessed by anyone who needs it	0.772		
My business has processes to use knowledge to develop new products and services	0.710		
Agile Capability		0.783	0.565
My business customizes the product mix	0.740		
My business fulfills online sales quickly	0.744		
My business operates technology correctly	0.792		
My business is easy to change procedures	0.736		
Business Performance		0.678	0.678
Customer satisfaction is a top priority in my business	0.628		
Sales growth is the main focus of my business	0.651		
Profit growth is one of the main goals of my business	0.624		
I ensure that the capital spent can be returned to profit	0.703		
I determine the right target market	0.667		

Hypothesis Test

Figure 2. Shows the results of path coefficient analysis. H1 shows CL has a significant positive relationship with KC ($\beta=0.147$, $p<0.05$); H1 is supported. H2 shows RS has a significant positive relationship with KC ($\beta=0.103$, $p<0.05$). H3 shows PK has a positive and significant relationship with KC ($\beta=0.226$, $p<0.05$), H3 is supported. H4 shows a positive and significant relationship with KC ($\beta=0.206$, $p<0.05$); H4 is supported. H5 shows that AC positively but does not strengthen the relationship between KC and BP ($\beta=0.182$, $p<0.05$); H5 is not supported. H6 shows that KC has a positive and significant relationship with BP ($\beta=0.970$, $p<0.05$), H6 is supported.

Upsilon statistics V

To measure the indirect effect in the mediation test, use the upslon statistical formula, namely $V = \beta_{2MX} \beta_{2YM}.X$ with criteria, namely (0.175) high mediation, (0.075) medium mediation, and (0.01) low mediation (Ogbeibu et al. 2021) organisations require competencies fundamental to smart technologies, artificial intelligence, robotics and algorithms (STARA. The Upsilon test is used to find out whether the mediating variable affects the relationship between the independent variable and the dependent variable or not. The results of this test provide valuable insights into the strength of mediation, helping to clarify the pathways through which network capability influences business performance through knowledge creation. If the mediation effect is found to be significant, it

indicates that knowledge creation plays an important role in the relationship between network capability and business performance.

Table 4 shows the upslon test results of the leader capability→knowledge creation variable has a low mediation effect with a result of 0.0203. The relational skills→knowledge creation variable has an insignificant mediation effect with a result of 0.0099. Partner knowledge variable→knowledge creation has a low mediation effect with a result of 0.0479. The variable internal communication→knowledge creation has a low mediating effect with a result of 0.0399.

The moderating effect of mentoring support shows that when AC is low, low KC will have higher BP with results ($X = 2.206$), but when KC is high, BP will be low with results ($X = 3.782$); conversely, when AC is high, low KC will have lower BP with results ($X = 1.854$), whereas when KC is high, BP will be high with results ($X = 4.158$). It suggests that the impact of knowledge creation (KC) on business performance (BP) depends on the level of agile capability (AC). When the agile capability is low, the effect of low knowledge creation on business performance is mitigated, but when the agile capability is high, knowledge creation significantly improves business performance. These findings emphasize the importance of knowledge creation and agile capability in driving organizational success, where effective mentoring support can strengthen the positive relationship between agile capability and business performance.

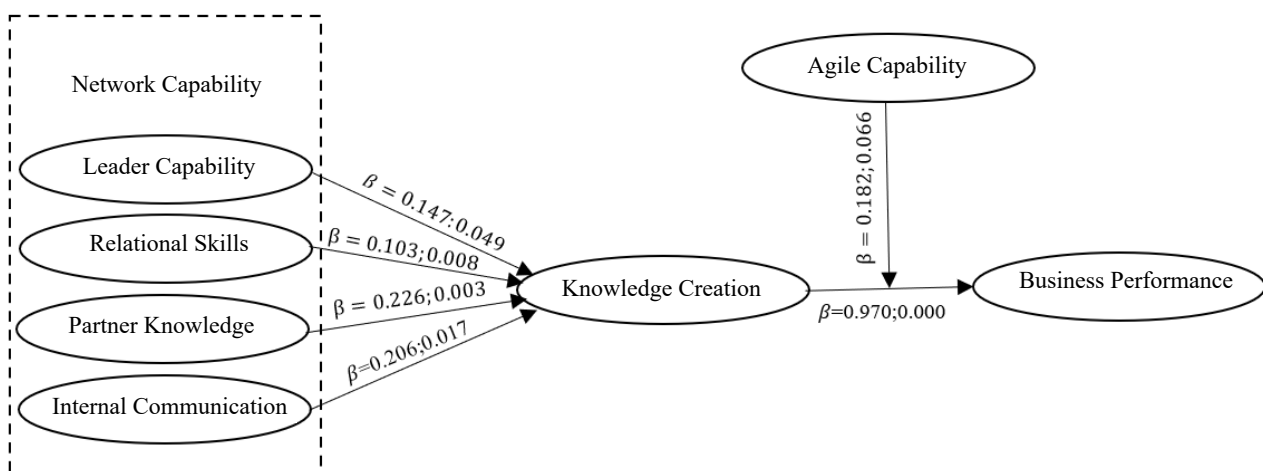


Figure 2. Research model and analysis result

Table 4. Uji upsilon V

Hypothesis	Upsilon (V)	Mediation Description
LC→KC	0.147 X 0.970 0.0216 X 0.9409 = 0.02032	Low
RS→KC	0.103 X 0.970 0.0106 X 0.9409 = 0.0099	Not mediate
PK→KC	0.226 X 0.970 0.0510 X 0.9409 = 0.0479	Low
IC→KC	0.206 x 0.970 0.0424 X 0.9409 = 0.0399	Low

This study analyses network capability, which has four dimensions: leader capability, relational skills, partner knowledge, internal communication, knowledge creation, agile capability, business performance at the middle level, and business. This study also shows knowledge creation as a mediating variable and agile capability as a moderating variable between knowledge creation and business performance. H1 proposes that leader capability has a positive influence on knowledge creation. This study's findings align with Bouhalleb (2024), which showed a positive and significant relationship between leader capability and knowledge creation, as Figure 2 shows. It shows that a leader's capability can increase knowledge creation at the middle and business levels. Effective implementation of leader capability in business can increase the ability of leaders to increase knowledge creation and innovation. In Barney's resource-based view theory (2001), the proper application of leader capability becomes the driving force to help businesses by implementing relevant knowledge creation. Strong leadership capability will encourage knowledge creation in business innovation (Wang et al. 2022). Leader capability encourages businesses to have access to competitive knowledge creation to continue to adapt sustainably (Lussier R.N. & Achua C.F., 2004). In addition, applying leader capability with knowledge creation helps businesses develop the right strategy to run more innovative businesses than competitors (Crnogaj & Rus, 2023).

H2 proposes that relational skills have a positive influence on knowledge creation. This study's findings align with Engelsberger et al. (2022), which shows that relational skills positively and significantly influence knowledge creation, as Figure 2 shows. The success of relational skills supported by knowledge creation can ultimately create synergies that drive growth in business (Rodríguez et al. 2020). Kantabutra and Ketprapakorn (2020) explained in their research that the ability to maintain strong relational skills will maintain the knowledge creation mechanism in the business so that it can improve business performance. In the

resource-based view theory, Barney (2001) reveals that businesses must continue to adapt by integrating relational skills in their operations and implementing knowledge creation to encourage an open knowledge-sharing process, which can build and strengthen business cooperation.

H3 proposes that partner knowledge has a positive influence on knowledge creation. Furthermore, partner knowledge significantly influences knowledge creation. In line with the study of Lestari et al. (2020), these findings indicate that partner knowledge supported by knowledge creation can appropriately improve business performance. Applying partner knowledge creation involving knowledge creation based on Figure 2 is important in enriching knowledge-sharing expertise and accelerating new knowledge creation in business (Yaefi et al. 2023). In the resource-based view theory, Barney (2001) reveals that businesses can access various innovations and produce solutions competitively to create new knowledge relevant to increasing competitiveness and business goals. Partner knowledge supported by knowledge creation helps businesses develop collaboration-based innovations that suit business needs, which are then processed into innovations to produce adaptive business strategies.

H4 proposes that internal communication has a positive influence on knowledge creation. The results of this study also show that internal communication has a significant effect on knowledge creation, as Figure 2 shows, in line with the results of Lee et al. (2022), which revealed that internal communication on knowledge creation can provide information quickly and efficiently to businesses which is the basis for creating new knowledge through reflection to achieve good business goals (Jackson, 2022). Internal communication can provide effective communication as a clear process of delivering internal and external business information. Internal communication supported by knowledge creation results in the exchange of information, ideas, and knowledge in the business, which aims to encourage innovation. In the

resource-based view theory, Barney (2001) revealed that internal communication and knowledge creation can strengthen business performance by facilitating knowledge creation and sharing relevant knowledge to meet business needs.

H5 proposes that knowledge creation has a positive influence on business performance, which is strengthened by agile capability. Qader et al. (2022) show that the relationship between knowledge creation and business performance has an insignificant positive effect on agile capability. As shown in Figure 2, knowledge creation moderated by agile cannot significantly improve business performance. Business performance with knowledge creation shows no relationship to agile capability. Agile capability refers to the ability to move and adapt quickly by taking actions taken by the business to adapt the business to changes that occur in the business. Integrating knowledge capability through agile capability cannot improve market capability, which does not affect business performance. The insignificant correlation between knowledge creation and business performance through agile capability will disrupt the role of leaders who strive to align with changing business regulations (Strine, 2021). As a result, businesses that fail to address the problem will risk losing competitiveness amid growing competition. In the resource-based view theory, Barney (2001) reveals that agile capability can weaken the relationship between knowledge creation

and business performance if its application is not tailored to the needs or characteristics of the business. Thus, agile capability acts as a moderating variable that weakens the relationship between knowledge creation and business performance when it prioritizes the business to adapt quickly but does not observe the depth of business knowledge, which results in decreased business performance.

H6 proposes that knowledge creation has a positive influence on business performance. As Figure 2 shows, the findings of this study show that knowledge creation has a positive and significant effect on business performance. It is in line with the results of Chen et al. (2024) which show that strong knowledge creation significantly involves knowledge creation to achieve business goals more effectively. Strong knowledge creation supported by business performance will help create a competitive business that is increasing competition. This study's results align with those of Li Sa et al. (2020), who show that knowledge creation combined with business performance can create appropriate knowledge, resulting in superior business performance. In the resource-based view theory, Barney (2001) reveals that knowledge creation combined with effective business performance can help innovative updates that directly impact business improvement. Reveals that knowledge creation combined with effective business performance can help innovative updates that directly impact business improvement.

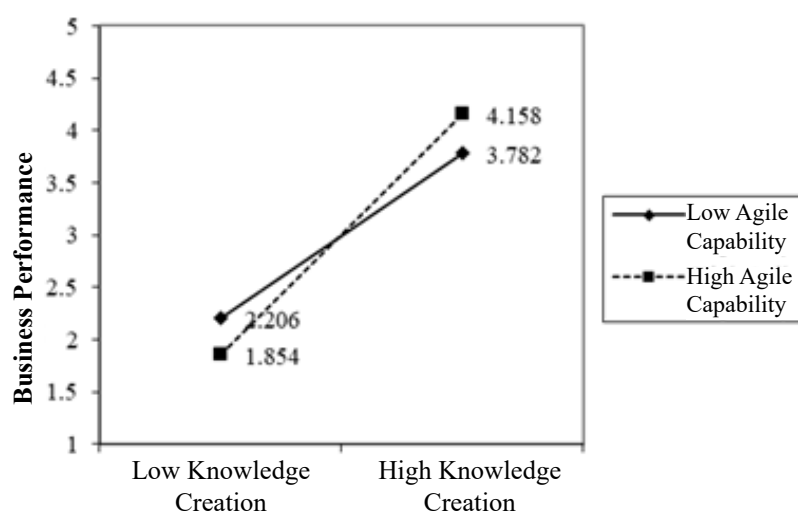


Figure 3. Moderation effect of mentoring support

Finally, applying technology in expanding all processes such as profit growth, determining target markets, and prioritising customer satisfaction which has an impact on business quality. The technology that has been obtained must be utilized optimally to achieve maximum results, and businesses ensure that technology expands network capability will benefit and create more opportunities, so as to support business growth and expansion. This step aims to significantly improve performance and maximize the potential that exists within the business. Each of these steps contributes to the sustainable growth and long-term success of the business.

Managerial Implication

This study also has practical implications relevant to business, especially in Indonesia and East Java. First, the development of network capability can be started by improving the ability of leaders to have strong interpersonal and soft skills, interact openly, increase team collaboration, and build transparent communication in business circumstances. This step aims to increase competitiveness by adding value to the business image. Good network access can impact business expansion to be superior and more competitive.

Secondly, it is important to adopt the exchange of information, ideas, insights, and experiences between individuals or teams tailored to developing business capabilities. By fostering a culture of knowledge sharing, providing a culture that supports the business and encourages relevant knowledge by conducting collaboration-based training sessions can accelerate business growth. This step is taken to build good relationship skills to improve business reputation and provide deep benefits. A communication culture programmed can avoid misinformation and increase transparency in the business.

Thirdly, the network capability should be analyzed according to business needs by ensuring that responsive adaptation affects the business. While agile capability can provide great potential for improving business responsiveness and efficiency, its success depends on properly understanding the characteristics and needs of the business. Inappropriate agile capability can lead to continuous business inefficiency. Thus, businesses can increase the utilization of technology that supports agile capability well, which can improve product quality and the ability to respond to market changes more quickly.

This step aims to ensure that technology in the business supports business processes.

Fourth, applying technology in expanding all processes such as profit growth, determining target markets, and prioritising customer satisfaction which has an impact on business quality. The technology that has been obtained must be utilized optimally to achieve maximum results, and businesses ensure that technology expands network capability will benefit and create more opportunities, so as to support business growth and expansion. This step aims to significantly improve performance and maximize the potential that exists within the business. Each of these steps contributes to the sustainable growth and long-term success of the business.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

This study analyzes the impact of network capability, which includes leader capability, relational skills, partner knowledge, and internal communication, which significantly have a positive impact on knowledge creation. Network capability is an independent variable to build a strong network in a business context that affects knowledge creation as a mediating variable linking network capability to business performance, while agile capability is a moderating variable of the relationship of network capability to knowledge creation and business performance. Business performance as the dependent variable is influenced by network capability through knowledge creation and agile capability. Agile capability did not strengthen the relationship between knowledge creation and business performance in this study due to variables that affect the interaction and were not found in other studies. Interestingly, the results of this study show that knowledge creation has a mediating effect on the relationship between network capability and business performance. This research focuses on mid-tier businesses. When a business has developed the ability to change significantly, it will experience high alignment to face business competition. Therefore, business performance can be improved by implementing network capability supported by knowledge creation. Business: Business performance, in particular, will improve along with alignment. Based on the research results, business performance will obtain business goals by being adaptable, innovative, and responsive when facing business changes.

Recommendations

Recommendations can be made on studies in other regions or countries by comparing the results that affect businesses. Recommendations can also conduct studies in various business contexts, providing in-depth business development knowledge. Recommendations can consider leader capability, relational skills, partner knowledge, and internal communication. Recommendations are to conduct studies at the individual level using other software, e.g., SmartPLS (Hair et al. 2019) yet concise, overview of the considerations and metrics required for partial least squares structural equation modeling (PLS-SEM). This study uses agile capability variables as moderators in analyzing the effect of knowledge creation and business performance, so recommendations can use other variables that can strengthen the impact of knowledge creation and business performance, such as digital transformation capability. Recommendations can be carried out on businesses that run in the fostered program and receive funding from the state.

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