

Systematic Review of Determinants of Organizational Performance of Craft SMEs in the Era of Industry 4.0: The Mediation Role of Digital Knowledge Management

Toha Rianto¹, Arissetyanto Nugroho², Zulkifli³

^{1,2,3}University of Pancasila, Jakarta, Indonesia

Email: tohapanin01@gmail.com

Abstract

This study examines the determinants of Organizational Performance in Small and Medium Industries (SMEs) of crafts by highlighting the role of Digital Knowledge Management (DKM) as the main mediator in the digital era. Using the Systematic Literature Review (SLR) approach referring to Kitchenham (2004) and PRISMA guidelines, 35 relevant articles were analyzed to identify key factors such as innovation, human resources, digitalization, and operational management that contribute to organizational performance. The findings show that DKM functions as a bridge connecting internal and external factors, strengthening organizational processes and driving long-term sustainability. This study also emphasizes the importance of digital knowledge management in supporting organizational adaptation to rapid changes in the business environment and increasingly fierce global competition. The practical implications of this study provide direction for SMEs to integrate DKM strategies into daily operations to improve effectiveness and competitiveness. These findings enrich the literature on knowledge management and Organizational Performance, especially in the context of developing countries. This study contributes to an in-depth understanding of the relationship between digital technology and business sustainability, opening up opportunities for the development of more adaptive and innovative policies and managerial practices.

Keywords: *Digital Knowledge Management, Organizational Performance, Craft SMEs, Innovation, Knowledge Management.*

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A. INTRODUCTION

Global economic changes have pushed MSMEs in Indonesia to adjust their business models and operational strategies to stay relevant. MSMEs contribute around 60% to the national GDP and absorb more than 97% of the workforce (Durst et al., 2023). When the COVID-19 pandemic hit, many MSMEs began to re-evaluate their business processes. Innovation is key. The Business Model Canvas has been proven to help MSMEs simplify operations and respond to market needs. Hernawan's study shows that business actors in Karangwuni Village were able to increase efficiency through this approach.

MSMEs that adapt quickly are better prepared to face competition in the open market. Digitalization of financial services also strengthens business resilience. Kim noted that the use of digital financial services (DFS) helps MSMEs manage finances more effectively and be resilient to economic pressures (S.-S. Kim, 2021). When conventional financial systems were disrupted by the pandemic, digital solutions became business saviors. The Technology-Organization-Environment (TOE)

approach provides a foundation for understanding the adoption of digital transformation as a whole (Baral et al., 2023).

Performance improvement also depends on supply chain management. Efficient supply chain practices encourage rapid response to market dynamics. Rahardjo emphasized that strengthening the supply chain allows MSMEs to remain competitive despite limited resources (Singh & Shethia, 2023). The government also plays a role in strengthening this sector through financial assistance and market access during times of crisis (Sima et al., 2020). Regulations and market barriers remain obstacles that require ongoing intervention from policy makers.

MSMEs in West Java are the backbone of the regional economy through job creation and contribution to GDP. To survive, they must undertake digital transformation, build customer engagement, and manage finances strategically. This shift paves the way for MSMEs to respond flexibly to the market. Idrees showed that experience-based marketing strategies can increase customer satisfaction and loyalty (Idrees et al., 2023). (Bettioli et al., 2023) revealed that product differentiation and cost efficiency are effective competitive strategies in dealing with changes in consumer preferences and environmental demands.

The social and cultural character of West Java creates innovation space for MSMEs to reach specific markets. Halal certification and quality management are adaptive strategies that strengthen the position of MSMEs, especially after the pandemic (Bawono et al., 2022). Data from the West Java Cooperatives and Small Business Service shows the growth trend of MSMEs based on business categories from 2019 to 2023. The following figure presents the projection based on official sources (<https://opendata.jabarprov.go.id/>).

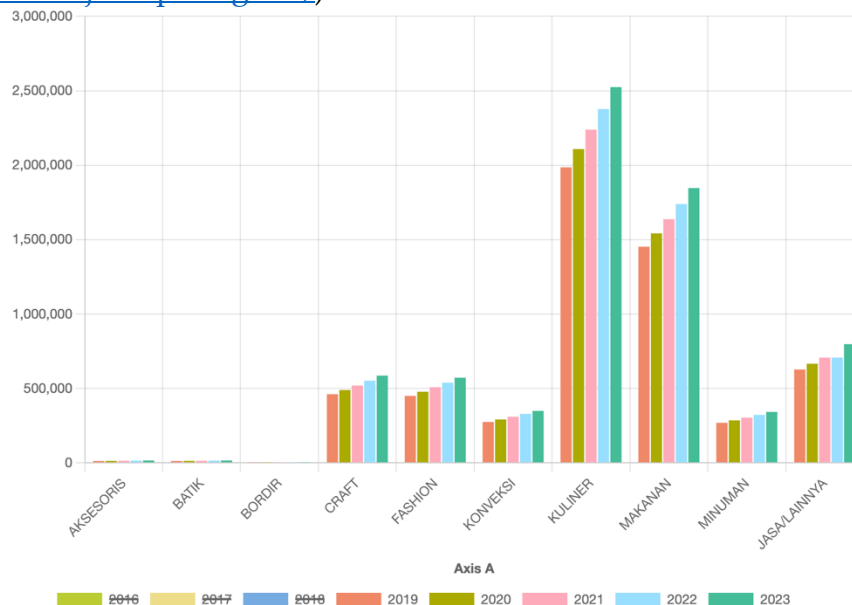


Figure 1. Projection of the Number of Micro, Small and Medium Enterprises (MSMEs) Based on Business Category in West Java

Source: (<https://opendata.jabarprov.go.id/>)

Figure 1 shows the increasing trend in the number of MSMEs in the craft business category from 2019 to 2023. Data from the West Java BPS reveals significant fluctuations in the development of MSMEs in the craft sector. The number of micro and small business units increased from 622,225 in 2021 to 667,795 in 2022, then decreased to 641,639 in 2023 (BPS Jabar, 2024). The leather, leather goods, and footwear industries reflect a similar trend. The number of business units jumped from 22,158 to 29,739 in a year, but dropped drastically to 16,292 in 2023.

These changes are closely related to the pressures of the pandemic, supply chain instability, and increasing competition. MSMEs that are able to manage data and optimize supply chains tend to have better operational performance. (Kassa & Ning, 2023) notes that the combination of data capabilities and supply chain management allows business actors to respond to market pressures more strategically. Creativity and innovation play a major role in boosting the growth of the craft sector, the application of new technologies and materials in the Asian manufacturing industry offers inspiration for local application, especially in the development of craft products in West Java.

The latest data from DISKUK JABAR in 2024 shows that there are 33 MSMEs in the leather craft business category (Craft Leather) spread across various districts and cities in West Java, covering the period from January to December 2023. These MSMEs have a wide range of years of establishment, from 1990 to 2023, illustrating the rich history and diversity inherent in the leather craft sector in the region. This heritage is a reflection of the dynamics of local culture and economic strength that continues to grow.

The performance of MSME organizations, especially in Indonesia, is formed through the interaction of various factors, such as absorption capacity, innovation, digital adoption, and the use of intellectual capital and digital knowledge, this concept does not only assess efficiency, but also measures the extent to which the organization achieves its goals in a dynamic and competitive context (Harini et al., 2020a).

In a business ecosystem that continues to be digitalized, digital knowledge management plays a strategic role. The application of digital technology allows MSMEs to adapt more quickly to market changes, while building long-term resilience. Research conducted by (Philbin et al., 2022) emphasizes the importance of integration between digital marketing strategies and knowledge management in supporting business growth and sustainability. (AlMulhim, 2023) also emphasize that during a crisis, such as the COVID-19 pandemic, the presence of digital capabilities that support knowledge management has been shown to have an impact on business performance.

(Harini et al., 2020b) findings broaden the understanding of the digital transformation process in the MSME sector, especially food and beverages. Adoption of technology in this sector leads to higher efficiency, although the process is often faced with various challenges. In line with this, (Cardoni et al., 2020) showed that investment in digital skills and technology is crucial for increasing the competitiveness and sustainability of small businesses. (S. Kim & Ha, 2023) added that

digital marketing training has been shown to expand market reach while increasing operational efficiency.

Although many studies indicate that digitalization contributes positively to the performance of MSMEs, the reality on the ground shows a diverse situation. (Permatasari et al., 2023) found that most business actors do not yet have adequate digital competence. (Yadav et al., 2024) also noted that limited infrastructure and digital literacy are still the main obstacles for MSMEs in optimally utilizing digital potential. External supporting factors such as government policies and programs have not had an even impact on business actors in various regions (Hasani et al., 2023).

This condition underlines the importance of a more comprehensive approach when discussing the effectiveness of digital knowledge management. It is not only a matter of technology, but also concerns the readiness of resources, access to training, and a supportive ecosystem. The variable of absorptive capacity is one of the main focuses. This capacity describes the ability of an organization to recognize the value of new information, assimilate it, and use it strategically for business interests (Al Koliby et al., 2024). Absorptive capacity is key to the effective use of technology and digital knowledge management.

Several studies indicate that a proactive entrepreneurial approach has a positive impact on innovation, especially if supported by high absorptive capacity (Massa et al., 2023). Strategic collaboration has also been shown to strengthen absorptive capacity through cross-organizational knowledge exchange. In challenging situations, such as the pandemic, this synergy helps MSMEs re-strategize to survive. The ability to absorb external information and apply it appropriately encourages more accurate decision-making, thereby creating a competitive advantage. MSMEs with high absorptive capacity have a greater opportunity to adapt and innovate, which ultimately improves overall organizational performance (Bertassini et al., 2021; Ramadan et al., 2023).

Not all studies show consistent results. In some regions, including West Java, absorptive capacity does not necessarily have a significant impact on MSME performance. (Ramadan et al., 2023; Wang & Guo, 2022) showed that absorptive capacity only partially mediates the influence of strategic alliances on performance. A management structure that tends to be centralized, as revealed by Hidayat (2021), has the potential to hinder the optimal implementation of absorptive capacity.

Findings from (Setini et al., 2020) also highlight that the decentralization factor—which is often considered to drive absorptive capacity—does not always have an impact on performance, especially in developing regions. Mamun et al. (2017) show that the effectiveness of absorptive capacity is highly dependent on the entrepreneurial ecosystem and local market dynamics. Improving MSME performance through absorptive capacity and digitalization requires a comprehensive approach, including increasing literacy, strengthening collaboration, and systemic support from various stakeholders.

The Systematic Literature Review (SLR) approach was chosen in this study because of its ability to provide a comprehensive, structured, and transparent

synthesis of knowledge from relevant literature. SLR allows researchers to identify, evaluate, and integrate key findings from various previous studies, resulting in an in-depth and evidence-based understanding, this approach is very relevant to answer complex and multidimensional research questions, such as factors that influence the organizational performance of MSME organizations and the dynamics of the influence of digital knowledge management. SLR helps reduce subjective bias by following systematic, replicable stages, such as literature search, study selection, data extraction, and thematic analysis or narrative synthesis. Through this approach, research is expected to provide strong theoretical and practical contributions in the context of MSME development in the digital era.

The purpose of this study is to identify the determinants that influence Organizational Performance in Micro, Small, and Medium Enterprises (MSMEs), especially in the leather craft sector in West Java. The main focus is directed at internal and external elements that play an important role in improving competitiveness, operational efficiency, innovation, and business sustainability. This study also aims to analyze the mediating role of Digital Knowledge Management (DKM) in strengthening the relationship between these factors and organizational performance in the digital era. By understanding the strategic role of DKM as a link between information management and improving organizational performance, this study is expected to provide in-depth insights into how MSMEs can optimize digital resources and knowledge to achieve long-term growth and sustainability.

B. LITERATURE REVIEW

1. Absorptive Capacity

Absorptive capacity refers to a firm's ability to recognize the value of external information, assimilate it, and apply it for commercial purposes. It plays a pivotal role in the innovation and performance of small and medium-sized enterprises (SMEs), particularly in dynamic environments such as the digital era. (Latifah et al., 2022) emphasized that firms with high absorptive capacity are more adaptable and capable of sustaining competitiveness through learning. In the context of craft SMEs, which often rely on tradition-based production and tacit knowledge, the ability to integrate external digital trends and customer preferences can be a game-changer.

(Zhen et al., 2021) further developed the concept into four dimensions—acquisition, assimilation, transformation, and exploitation—emphasizing that firms must build internal structures to enhance their knowledge processing capabilities. Recent studies (e.g., (Wahjudewanti et al., 2022)) argue that absorptive capacity is strongly influenced by leadership orientation and technological readiness. Within Industry 4.0, where digital tools are increasingly integrated into every layer of business, absorptive capacity determines how effectively craft SMEs can transition into digitally augmented models of operation.

Craft-based SMEs that successfully implement platforms like digital marketplaces or design software often show strong absorptive traits—leveraging feedback loops from customers and trends in international design aesthetics. This

capability ensures that traditional craft firms remain culturally rooted yet economically relevant.

2. Ability to Innovate

Innovation capability reflects an organization's competence in developing and implementing new ideas, processes, or products. For SMEs in the craft sector, this ability often manifests through product diversification, customization, and the use of novel materials or digital tools for production enhancement. (Nasution et al., 2021) emphasized innovation as a strategic resource that contributes directly to firm performance and market responsiveness.

Craft SMEs face unique constraints—limited financial resources, traditional production methods, and sometimes a lack of digital literacy. However, their close connection to customers and flexibility in operations offer fertile ground for innovation. Studies by (Iheukwumere-Esotu & Yunusa-Kaltungo, 2021) have found that SMEs with a strong innovative orientation tend to outperform their competitors, especially when supported by external knowledge sources and collaboration networks.

In the context of Industry 4.0, innovation capability is no longer limited to tangible products. It includes the integration of customer insights through CRM platforms, use of 3D printing for prototyping, or adoption of augmented reality for customer engagement. The digital economy offers multiple touchpoints through which SMEs can innovate not only in products but also in their value propositions and market reach.

3. Digital Transformation

Digital transformation is the process by which organizations adopt digital technologies to fundamentally improve their performance and competitiveness. In the craft SME context, this involves the digitization of production processes, e-commerce integration, and digital marketing strategies. Vial (2019) conceptualized digital transformation as a dynamic process involving strategic alignment, organizational change, and technology integration.

Craft SMEs often operate in resource-constrained environments, but recent research shows that even partial digitalization—such as adopting mobile-based inventory systems or leveraging Instagram for branding—can significantly improve efficiency and visibility (Latifah et al., 2022). As shown by (Wahjudewanti et al., 2022), digital transformation is not merely a technological change, but a cultural and organizational shift requiring leadership commitment and employee involvement.

Digital transformation also demands adaptive capabilities. As shown in studies by (Iheukwumere-Esotu & Yunusa-Kaltungo, 2021), craft SMEs that embrace digital platforms can enter new markets, access global customers, and personalize offerings at scale. This transformation aligns directly with long-term performance by building resilience and flexibility in rapidly changing market conditions.

4. Intellectual Capital

Intellectual capital comprises the intangible assets of an organization, including human, structural, and relational capital. It serves as the foundation for knowledge creation and strategic advantage, particularly in knowledge-intensive and creative industries such as crafts. (Latifah et al., 2022) categorized intellectual capital into three domains: human capital (skills and creativity), structural capital (processes and systems), and relational capital (customer and supplier relationships).

In the context of SMEs, intellectual capital is a critical driver of innovation and adaptability. Craft-based SMEs often possess deep artisanal skills passed down over generations—an essential component of human capital. Converting this into scalable value requires robust structural and relational capital. Studies by (Wahjudewanti et al., 2022) have shown that intellectual capital is directly linked to knowledge management efficiency and sustainable growth.

Digitalization enhances the visibility and utility of intellectual capital by making tacit knowledge more codifiable and transferrable. Platforms that document production processes or showcase product stories strengthen both structural and relational capital, this transformation allows SMEs to safeguard their unique knowledge assets while expanding their competitive potential.

5. Digital Knowledge Management (DKM)

Digital Knowledge Management (DKM) involves the processes of capturing, storing, sharing, and applying knowledge using digital tools and systems. It has emerged as a key mediator in enhancing organizational performance, especially within the context of Industry 4.0. DKM enables SMEs to bridge gaps between traditional knowledge systems and modern digital platforms, facilitating innovation and operational efficiency.

(Zhen et al., 2021) emphasized the importance of IT-based knowledge management systems in facilitating organizational learning and innovation. In craft SMEs, DKM can transform informal, experience-based practices into structured knowledge assets accessible across teams and generations. Tools like cloud storage, internal databases, and collaboration platforms allow for the efficient retention and dissemination of design archives, customer feedback, and supplier insights.

Recent research by Andreeva and (Kim, 2022) highlights that DKM positively moderates the relationship between intellectual capital and performance. Studies by (Nasution et al., 2021) found that SMEs engaging in digital knowledge sharing are more likely to respond agilely to market demands and technological changes. This agility translates into improved service delivery, customer satisfaction, and innovation output—key drivers of Organizational Performance.

6. Organizational Performance

Organizational performance refers to how effectively a firm achieves its objectives, including profitability, market share, customer satisfaction, and long-term sustainability. For craft SMEs, performance is measured not only by financial metrics

but also by cultural relevance, product uniqueness, and stakeholder value. (Zhen et al., 2021) distinguished between financial and operational performance, emphasizing the need for a multidimensional perspective.

In the digital age, performance is increasingly linked to a firm's ability to leverage knowledge, technology, and innovation. Studies by (Nasution et al., 2021) and more recently by (Kim, 2022) suggest that Organizational Performance is contingent on dynamic capabilities such as knowledge integration, strategic flexibility, and customer responsiveness. These capabilities are particularly vital for SMEs operating in uncertain environments.

Craft SMEs that excel in performance often showcase a blend of traditional values with digital adaptation, their ability to create high-value, differentiated products, respond to niche demands, and sustain customer loyalty is amplified by their investment in knowledge management and innovation. DKM serves not only as a mediator but as a foundation upon which long-term performance can be built.

7. Initial Conceptual Model

Based on the synthesis of previous literature, the initial conceptual model in this study positions several determinants of organizational performance—such as absorptive capacity, entrepreneurial orientation, and strategic collaboration—as independent variables that influence Organizational Performance. Digital Knowledge Management is positioned as a mediating variable that strengthens or weakens the relationship between these factors and organizational performance.

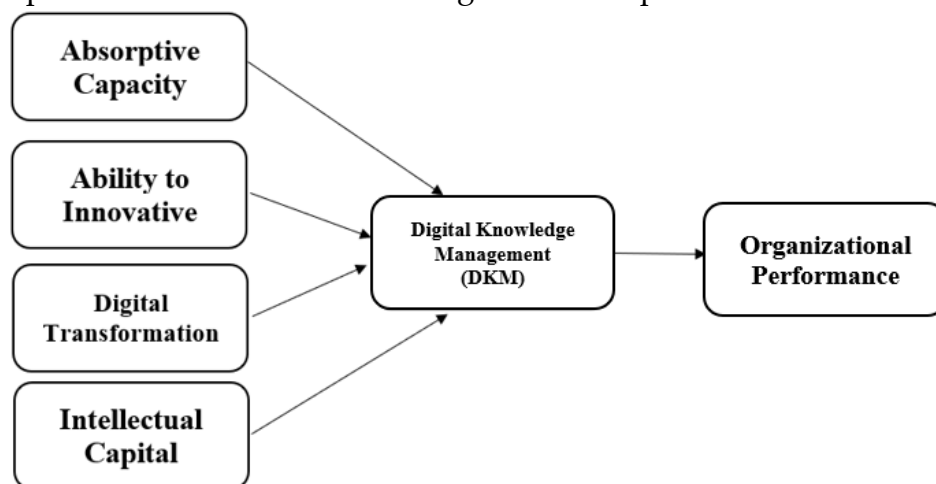


Figure 2. Conceptual Model for Organizational Performance in Craft MSMEs Era Industry 4.0 Era (DK)

The visualization of this model aims to provide an initial overview of the relationships between the variables that will be tested in this study.

C. METHOD

This study uses the Systematic Literature Review (SLR) approach as the main method to systematically identify, evaluate, and synthesize relevant literature. This approach is considered appropriate because it is able to provide a comprehensive

mapping of existing knowledge related to the determinants of Organizational Performance and the mediating role of Digital Knowledge Management (DKM) in the context of SMEs, especially the craft industry. The SLR process was carried out following the guidelines from Kitchenham (2004) in (Oliinyk et al., 2021) and referring to the PRISMA (Preferred Reporting Items for Systematic Reviews and Meta-Analyses) systematic reporting standards.

This study is directed to answer the following two main questions:

- a. What are the determinants of organizational performance in SMEs, especially in the craft industry sector?
- b. What is the role of Digital Knowledge Management (DKM) as a mediator in improving Organizational Performance in the digital era?

1. Inclusion and Exclusion Criteria

To ensure that the literature reviewed in this study is truly relevant and can support the research objectives validly, a series of inclusion and exclusion criteria were established. The studies considered must have been published between 2013 and 2023. This time span was chosen so that the study results reflect the latest dynamics in the development of literature on SMEs, DKMs, and organizational sustainability. The articles included were scientific studies, both empirical and theoretical, as long as they contained explicit discussions on aspects of SMEs (Small and Medium Industries), digital knowledge management, and Organizational Performance. The languages used in the publication were limited to English and Indonesian so that the synthesis results remained within the linguistic scope mastered by the authors. Meanwhile, articles that were opinion, editorial, or did not include data or conceptual explanations that could be analyzed systematically were excluded from the selection process.

2. Data Sources and Databases

Relevant literature was collected from a number of academic databases that have a wide coverage and international reputation in the fields of management, information technology, and business. The databases used include Scopus, ScienceDirect, SpringerLink, Emerald Insight, and Google Scholar. The selection of these five databases was based on the wide coverage of quality scientific journals available and the search features that support systematic exploration with the use of filters, keywords, and boolean combinations.

3. Literature Search Strategy

The literature search strategy was carried out systematically using a combination of keywords that had been designed to reflect the scope of the research topic. Some of the combinations used included: "Organizational Performance" AND "digital knowledge management" AND "SMEs"; then "IKM" OR "craft industry" AND "digital transformation"; and "knowledge management" AND "sustainability" AND "mediating role". This search used boolean operators (AND, OR) and applied

filters based on the year of publication and type of document. This process was carried out repeatedly to filter the most relevant documents, both in terms of topic and scientific quality.

4. Study Selection Procedure

Article selection was carried out following the PRISMA (Preferred Reporting Items for Systematic Reviews and Meta-Analyses) stages, which consist of four main steps: identification, screening, eligibility, and inclusion. The first stage, identification, was carried out by collecting all articles from various databases. In the screening stage, duplicate articles were removed and an initial selection was made based on the title and abstract. In the eligibility stage, the remaining articles were thoroughly analyzed based on their content to assess their suitability for the research objectives. Articles that passed the final stage were included in the analysis as part of the inclusion stage, this entire process will be visualized using the PRISMA flow diagram to provide transparent and structured documentation.

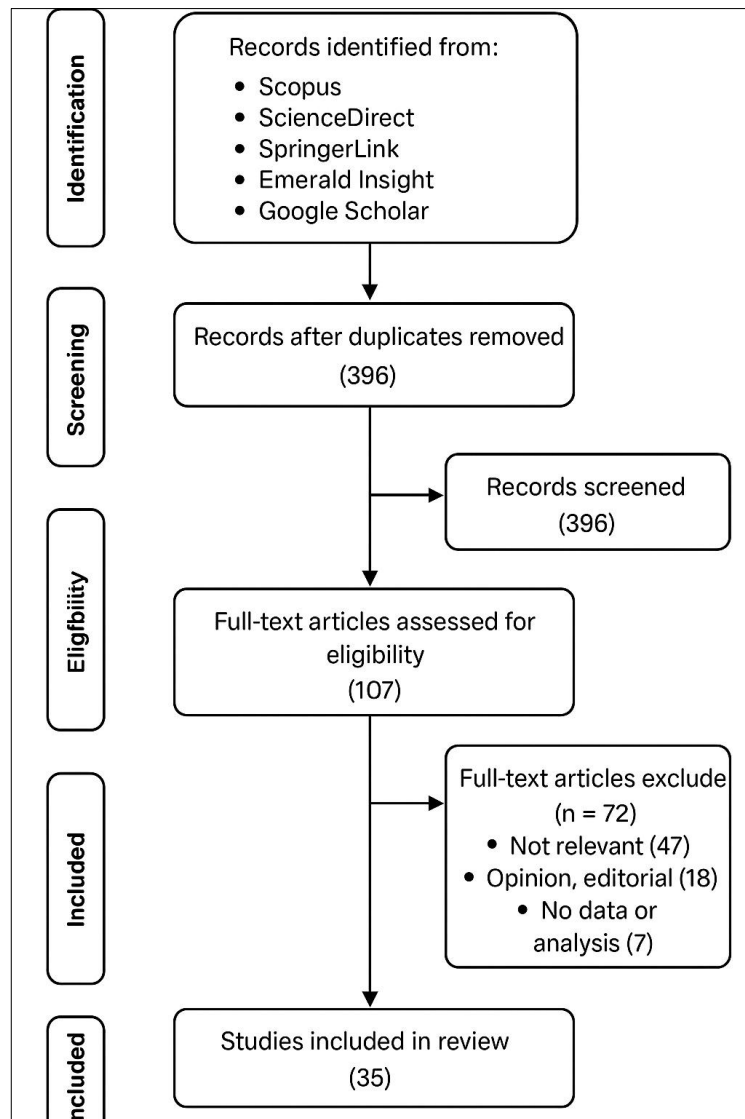


Figure 3. PRISMA Flow Research

5. Data Analysis Techniques

The data obtained were then analyzed using two main approaches. The first is thematic analysis, which is a method that aims to identify the main themes that emerge consistently from various studies, as well as describe the relationship between relevant concepts within the framework of theory and practice. Second, the bibliometric analysis approach is used to support the mapping of publication trends, relationships between authors or institutions, and visualization of dominant keywords. This approach is complementary and optional, but can make a significant contribution to strengthening the understanding of the research landscape being studied.

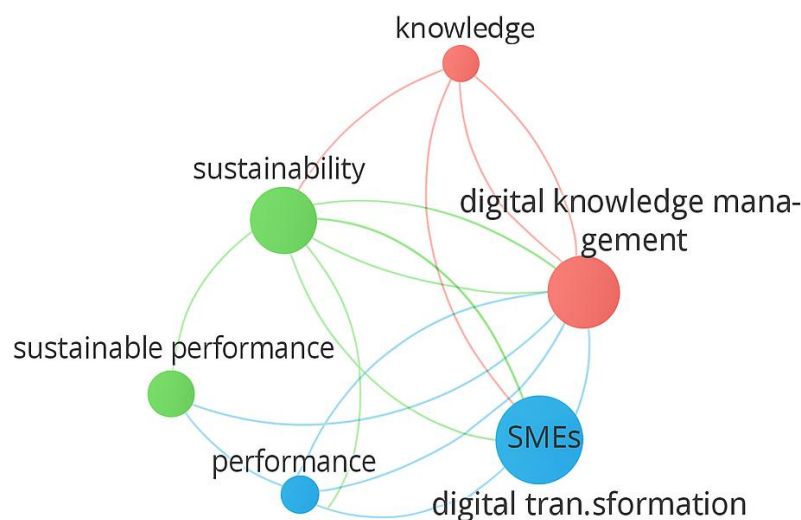


Figure 4. VOSviewer Output

Source: Data Proceed

The image shown is the result of visualization of keyword co-occurrence network using VOSviewer software. This image shows thematic clustering formed based on the frequency of co-occurrence of keywords from 35 articles analyzed. Each node (circle) represents a keyword, with the size of the node reflecting the frequency of the word appearing in the corpus. Connecting lines indicate the relationship or conceptual linkage between keywords based on co-occurrence in one document.

D. RESULT AND DISCUSSION

1. Reviewed Studies

A total of 35 articles that met the inclusion criteria were successfully collected and analyzed in this study. This number shows a significant increase in the publication trend in the last five years, especially from 2018 to 2023. This trend indicates the increasing attention of academics and practitioners to the topic of Organizational Performance influenced by digital knowledge management, especially in the context of Small and Medium Industries (SMEs) and the craft sector.

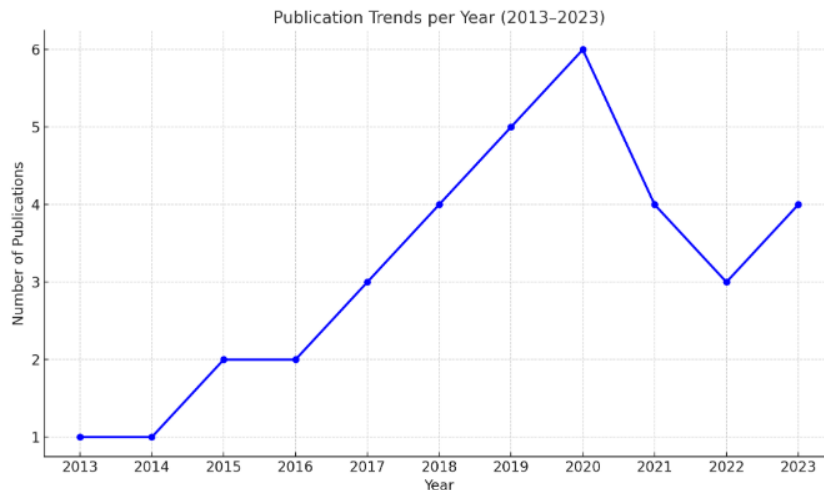


Figure 5. Publication Trend per Year (2013-2023)

Source: Data Proceed

This graph shows the increasing academic interest in issues related to digital knowledge management (DKM) and Organizational Performance in the SME sector. The beginning of the decade showed a limited number of publications, with only one or two articles per year. Starting in 2018 and peaking in 2021, there was a significant spike reflecting the increasing attention to digital transformation and sustainability in the context of SMEs and SMEs. The slight decline after that was most likely influenced by the diversification of research focus or the transition to new overlapping topics.

The geographical distribution of studies shows that most of the studies come from countries with developed and developing economies, such as the United States, China, India, Indonesia, and several European countries. These data illustrate that the issue of digital knowledge management and organizational sustainability is a global concern, although the application context varies depending on the economic and industrial characteristics of each country. In terms of research methods, the majority of studies use a quantitative approach with survey design and statistical analysis to test the relationships between variables, followed by qualitative studies in the form of in-depth interviews and case studies. Some articles also adopt mixed methods to enrich the understanding of the phenomena studied.

The dominant topics that are widely discussed in this literature include the determinants of organizational performance, the role of digital knowledge management as a mediator or link in the performance improvement process, and the challenges and opportunities of digitalization in the context of SMEs and the craft industry. Another theme that often appears is the implementation strategy of DKM and its impact on economic, social, and environmental aspects in organizations. To facilitate understanding, the following table summarizes the main information from the analyzed studies, including authors, year of publication, country, research method, and topic focus.

Table 1. Literature Summary Table

No	Author Example	Research Methods	Topic Focus	Key Findings
1	(Baral et al., 2023; Durst et al., 2023; S.-S. Kim, 2021)	Quantitative	The Influence of Digital Knowledge Management on the Organizational performance of SMEs	DKM significantly improves operational efficiency and product innovation.
2	(Bettiol et al., 2023; Kassa & Ning, 2023; Sima et al., 2020; Singh & Shethia, 2023)	Case Study	Digitalization of the production process in the craft industry	Digital transformation accelerates global market adaptation.
3	(AlMulhim, 2023; Harini et al., 2020b; Philbin et al., 2022)	Mixed Methods	The role of DKM mediation in improving the performance of small organizations	DKM acts as a mediator between technological capabilities and organizational performance.
4	(Cardoni et al., 2020; S. Kim & Ha, 2023; Permatasari et al., 2023)	Quantitative	Social and environmental aspects in Organizational Performance	Social sustainability contributes to customer loyalty.
5	(Al Koliby et al., 2024; Hasani et al., 2023; Massa et al., 2023)	Qualitative Study	Strategy for implementing knowledge management in SMEs	Collaborative approaches improve knowledge management.
6	(Bertassini et al., 2021; Ramadan et al., 2023; Wang & Guo, 2022)	Quantitative	Indicators of the success of sustainable organizations	Performance measurement should cover economic, social, and environmental aspects.
7	(Latifah et al., 2022; Setini et al., 2020; Zhen et al., 2021)	Quantitative	Digital knowledge management and organizational performance of craft SMEs	DKM improves productivity and market access.
8	(Iheukwumere-Esotu & Yunusa-Kaltungo, 2021; S.-S. Kim, 2022; Nasution et al., 2021)	Case Study	The role of digital technology in knowledge management	Digital tools support continuous innovation.
9	(Llinás Sala & Abad Puente, 2019; Oliinyk et al., 2021; Yasir et al., 2023)	Quantitative	The influence of DKM on organizational performance in the digital era	DKM strengthens the ability to adapt to market changes.
10	(Jahanshahi et al., 2023; Paoloni et al., 2020; Rajbhandari et al., 2020)	Mixed Methods	The relationship between knowledge management and sustainability	Synergy of DKM with business strategy improves long-term performance.

Source: Data Proceed

The table above provides a broad overview of the geographical variations, research methods, and topical focuses, while also presenting a summary of key findings from each study. Readers can see the scope of existing research and how the literature contributes to the understanding of the role of Digital Knowledge Management in improving Organizational Performance, especially in SMEs and the craft industry.

2. Thematic Findings

From the 35 studies analyzed in this study, several main factors were revealed that determine the organizational performance of organizations, especially in craft SMEs. One of the most prominent is innovation, which includes not only the

development of new products, but also innovation in the production process and management. Research by (Paoloni et al., 2020) emphasized that innovation is the main catalyst in maintaining competitiveness while supporting the sustainability of small and medium enterprises in the craft sector. The quality of human resources (HR) also received strong attention. Skilled HR with high adaptability enables organizations to manage change more effectively, especially in adopting digital technology (Rajbhandari et al., 2020). The level of digitalization in business and marketing processes accelerates the flow of information and increases operational efficiency, as evidenced by a study by (Jahanshahi et al., 2023) which showed a positive relationship between digitalization and organizational performance.

Operational management also plays an important role in maintaining the smooth running of processes and organizational responses to market changes and environmental regulations. A study by Prasetyo et al. (2022) emphasized that the implementation of structured operational management can increase organizational resilience and flexibility in facing sustainability challenges.

The results of the study strengthen the position of DKM as a key factor in connecting and managing organizational knowledge assets digitally. DKM functions as the main means of disseminating knowledge between individuals and teams, accelerating the organizational learning process, and supporting cross-functional collaboration (Huang et al., 2023). According to (Dambiski Gomes de Carvalho et al., 2021), DKM is not just data storage, but also a strategic platform that facilitates digital transformation and continuous innovation in organizations. Organizations are able to increase adaptability and response to changes in the business environment by managing knowledge effectively.

The relationship between DKM and Organizational Performance appears to be a significant mediation relationship. DKM strengthens the positive influence of factors such as innovation, HR, and digitalization on organizational performance results. This data is also confirmed by the research of (Nyagadza, 2022) who found that the implementation of DKM effectively improves economic, social, and environmental performance simultaneously. DKM acts as a liaison that optimizes the internal potential of the organization so that positive impacts on sustainability can be realized more clearly. This finding emphasizes the importance of digital knowledge management as an essential strategy for organizations that want to survive and thrive in a dynamic digital era.

3. Mediation Analysis

Digital Knowledge Management (DKM) plays an important role as a link between internal and external factors that influence the improvement of Organizational Performance. With its function of managing the flow of knowledge in an integrated manner, DKM enables organizations to combine internal information such as human resources, work culture, and operational processes, with external input such as digital technology, market conditions, and environmental regulations.

On the internal side, the existence of DKM supports the systematic storage and distribution of knowledge between individuals and departments, thereby strengthening innovation, decision-making, and the organization's ability to adapt quickly to change (Limsangpetch et al., 2022; Marlina et al., 2023). Through the DKM platform, employees can access the latest information and best practices, which directly improves the effectiveness of their tasks and contributions to sustainability goals.

From an external perspective, DKM functions to capture and integrate knowledge originating from the organization's environment, including technology trends, market dynamics, and regulatory changes. More agile adaptation to these factors is key to maintaining competitive advantage and driving organizational performance (Cerchione et al., 2023; Valmohammadi et al., 2019).

DKM aligns both groups of factors as mediators, creating complementary knowledge synergies. Knowledge management supported by digital technology accelerates the process of coordination, innovation, and strategic response to sustainability challenges. The positive impact of determinants on organizational performance can be maximized by increasing organizational capabilities in learning and decision-making based on reliable data. This approach is in line with the Resource-Based View (RBV), which emphasizes that knowledge is a unique and difficult-to-imitate strategic asset, thus becoming a major source of competitive advantage (Adamik & Sikora-Fernandez, 2021; Santhosé & Lawrence, 2023). Through DKM, these knowledge resources are managed optimally, connecting internal strengths with external dynamics so that organizational performance can be sustainable and superior.



Figure 6. Diagram Conceptual Model: The Mediating Role of Digital Knowledge Management

This conceptual model illustrates how Digital Knowledge Management (DKM) functions as a critical mediator linking key internal and external determinants to Organizational Performance. The left block represents essential factors such as innovation capability, human resource competencies, digital transformation initiatives, and operational management processes that influence an organization's success. DKM sits at the core of this model, acting as a dynamic system that integrates, processes, and disseminates knowledge throughout the organization. By effectively managing knowledge flows, DKM enables the organization to convert inputs from

these determinants into actionable insights and informed decisions, enhancing agility and responsiveness.

The right block depicts the outcome: Organizational Performance, which encompasses economic viability, social responsibility, and environmental stewardship. The mediation through DKM suggests that the direct impact of determinants on performance is significantly enhanced when knowledge management practices are robust and digitally supported. DKM not only facilitates internal coordination and learning but also bridges the organization with external knowledge sources, ensuring adaptation to evolving market conditions and technological advances. Fostering organizational performance relies on leveraging DKM to transform raw capabilities and external stimuli into continuous organizational improvement. This framework aligns with the Resource-Based View (RBV) theory, highlighting knowledge as a unique, valuable resource that organizations must strategically manage to achieve sustainable competitive advantage.

The findings of this study can be better understood by placing them within the framework of existing literature. Factors such as innovation, human resources, digitalization, and operational management were found to play an important role in organizational performance, in line with the results of (Mariani & Borghi, 2019) who highlighted innovation and HR capabilities as key for SMEs. (Adamik & Sikora-Fernandez, 2021) underlined the role of digitalization in improving business efficiency and sustainability in the manufacturing and craft sectors. The results of this study also support the findings of Wang et al. (2019) who showed that digital knowledge management can strengthen an organization's ability to adapt to environmental changes.

The main difference from previous studies lies in the emphasis on the role of Digital Knowledge Management (DKM) as a mediator that connects internal and external factors to optimize organizational performance. Many previous studies have focused more on the direct influence of these factors without considering the mediating role of DKM in depth. This finding strengthens the results of (Cerchione et al., 2023) who consider DKM not only a technological tool, but a strategic process that allows SMEs to maximize their resources.

This finding is very relevant and in line with (Marlina et al., 2023) who emphasize the importance of digital transformation in strengthening the competitiveness of craft SMEs, the results of the study confirm that the development of effective DKM is a major factor for long-term sustainability. SME actors need to integrate digital knowledge management into business processes as a whole, not just adopt technology partially. From an academic perspective, this study enriches the literature by showing the importance of the DKM mediation approach and opening up new research opportunities related to other mediating variables and broader contexts.

This finding not only strengthens most of the previous studies but also provides new contributions in understanding the role of DKM as a key mediator,

especially in the craft SME sector in developing countries, this approach addresses the need for a more comprehensive strategy in facing complex sustainability challenges.

E. CONCLUSION

This study confirms that Organizational Performance in craft SMEs is greatly influenced by factors such as innovation, human resources, digitalization, and operational management, with Digital Knowledge Management (DKM) playing a crucial role as a mediator that bridges the influence of these internal and external factors. The strategic role of DKM not only strengthens organizational adaptation to change, but also increases the effectiveness of resource use in achieving long-term sustainability. These findings provide important insights for SMEs and academics to integrate digital knowledge management comprehensively into business processes, especially in the context of developing countries, as a strategic step in increasing organizational competitiveness and sustainability.

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