The Influence of Corporate Knowledge Governance on Employees Innovative Performance: Mediating Effects of Knowledge Sharing and Absorptive Capacity

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Abstract. This study examines the influence of knowledge management within a company, particularly in the area of knowledge, on improving the skills of each employee. This study uses a quantitative approach with a survey method involving employees who work at the company and implement knowledge management practices. Knowledge governance is certainly crucial in an institution or agency, supported by information technology. Knowledge sharing is measured through the activities consistently implemented by employees; success or failure can be assessed based on the performance achieved. These findings are expected to demonstrate that knowledge governance has a positive influence on employee innovative performance within the company. Continuous knowledge sharing and absorptive capacity are expected to significantly mediate the relationship between the two. The findings of this study indicate that effective knowledge governance not only fosters a knowledge-sharing environment but also enhances employees' ability to absorb and utilize new knowledge for innovation purposes. This study provides theoretical contributions to the development of the Knowledge-Based View and the literature on knowledge governance. Practically, these findings provide guidance in designing knowledge governance policies and systems that enhance employee innovation capabilities, thereby achieving desired results and supporting the achievement of sustainable competitive advantage.

Keywords: Absorptive Capacity, Corporate Knowledge Governance, Employee Innovative Performance, Knowledge Sharing, Knowledge-Based View.

1. Introduction

Evolution of the digital era and increasingly competitive global business demands that companies possess high innovation capabilities to survive and grow sustainably [1]. Innovation no longer relies solely on technology, but also on an organization's ability to manage knowledge as a strategic corporate resource. In the context of a knowledge based economy, knowledge is viewed as a key asset determining an organization's competitive advantage [2]. Therefore, companies need to establish an effective knowledge governance system, or Corporate Knowledge Governance, to support innovation and improve employee performance [3].

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Corporate Knowledge Governance is an organizational governance mechanism that regulates the creation, dissemination, storage, and utilization of knowledge within an organization. This concept emphasizes the importance of policies, organizational structure, work culture, information technology, and individual behavior in supporting effective knowledge management.

[1]Good knowledge governance can help organizations create a collaborative work environment that enables employees to generate new ideas and enhance their innovative capabilities. In recent years, modern organizations have faced significant challenges due to the development of digital technology, artificial intelligence, the transformation of Industry 4.0, and increasingly dynamic work patterns. These conditions require companies to be able to manage knowledge quickly and accurately to respond effectively to market changes. Organizations that fail to manage knowledge tend to experience delays in innovation, low collaboration among employees, and weak company competitiveness [4]. Conversely, companies with good knowledge governance are able to increase creativity, organizational learning, and continuous innovation.

One important factor influencing the success of employee innovation is knowledge sharing . Knowledge sharing is the process of exchanging experiences, information, skills, and ideas between individuals and groups within an organization [5]. Through this knowledge sharing process, employees can gain new insights that support improved work capabilities and creativity [6]. Recent research shows that organizations with a strong knowledge-sharing culture tend to have higher levels of innovation and organizational performance. However, the knowledge-sharing process does not always run optimally. Many organizations still face obstacles such as a lack of collaboration, low trust among employees, a reluctance to share information, and weak information technology system support.

These conditions prevent the organization from maximizing the use of individual knowledge. Therefore, a knowledge governance system is needed that can create a work environment that supports effective knowledge sharing [7]. In addition to knowledge sharing, another factor that plays a crucial role in improving employee innovative performance is absorptive capacity [5]. Absorptive capacity is the ability of an individual or organization to acquire, understand, process, and utilize new knowledge to create innovation. This concept is becoming increasingly important in the digital era because organizations are required to be able to absorb new information and technology quickly to increase their competitiveness.

Previous research has shown that absorptive capacity has a positive relationship with innovation and organizational performance. Individuals with strong knowledge absorption abilities tend to more easily understand new information, integrate that knowledge, and generate innovative solutions in their work. Therefore, absorptive capacity is a strategic factor that can strengthen the influence of knowledge governance on employee innovative performance [8].

Employee innovative performance itself is an individual's ability to generate, develop, and implement new ideas that benefit the organization. Innovative performance is a crucial aspect in increasing company productivity and sustainability amidst intense business competition [5]. Organizations that are able to encourage employee innovation will more easily adapt to changes in the business environment and technological developments. Although research on knowledge governance, knowledge

sharing , and absorptive capacity has been extensively conducted, a research gap remains regarding the relationship between these three variables in improving employee innovative performance [9]. Most previous research has focused more on the organizational level, while research at the individual employee level is still relatively limited. Furthermore , research examining the mediating role of knowledge sharing *and* absorptive capacity simultaneously in the relationship between Corporate Knowledge Governance and employee innovative performance is still rare [2].

showed that Corporate Knowledge Governance has a significant influence on employee innovative performance through the mediation of knowledge sharing and absorptive capacity [4]. The study confirmed that good knowledge governance can improve knowledge sharing behavior, strengthen individual knowledge absorption capabilities, and ultimately increase employee innovation. Based on this description, this study is important to conduct to analyze how Corporate Knowledge Governance can be a determinant of employee innovative performance through a mediation approach of knowledge sharing *and* absorptive capacity [9]. This research is expected to be able to provide theoretical contributions in the development of knowledge management science and organizational behavior, as well as provide practical contributions for companies in designing effective knowledge management strategies to increase organizational innovation and competitiveness.

2. Literature Review

2.1 Theory Knowledge-Based View

Places knowledge as the main strategic resource of an organization in creating competitive advantage. This theory explains that a company's ability to acquire, manage, disseminate, and utilize knowledge will determine the organization's success in facing dynamic business competition. From the perspective of Knowledge-Based View Theory [8], knowledge is seen as an intangible asset that has high value because it is difficult for competitors to imitate. Organizational knowledge can be in the form of work experience, skills, innovation, organizational culture, technology, and individual abilities in solving problems [5]. Therefore, organizations that are able to manage knowledge effectively will have a higher innovation capability than other organizations [5].

2.2 Corporate Knowledge Governance

Corporate Knowledge Governance is an organizational governance system that regulates how knowledge is created, stored, shared, and utilized to support organizational goals. This concept emphasizes the importance of organizational policies, management structure, work culture, information technology, and individual behavior in creating effective knowledge management [1]. According to Ali et al. (2026).

Corporate Knowledge Governance is an organizational mechanism that aims to increase the effectiveness of knowledge management through the development of a collaborative culture, communication systems, and organizational learning processes to

support employee innovation. Meanwhile, Chawla et al (2022) explained that knowledge governance is a strategic part of an organization that functions to integrate human resources, technology, and organizational culture to improve the company's innovation capabilities [7]. Based on this definition, it can be concluded *that* Corporate Knowledge Governance is a knowledge governance system used by organizations to manage, distribute, and utilize knowledge effectively to improve organizational learning and employee innovation.

Corporate governance focuses on how companies are directed, controlled, and supervised to effectively achieve organizational goals and protect the interests of various parties [1]. Academic literature shows that corporate governance evolved from the classic problem of separation of ownership and control, which gave rise to conflicts of interest between owners, management, and other stakeholders. Theoretically, corporate governance is not explained by a single theory, but rather by a combination of several approaches such as agency theory , stewardship theory , stakeholder theory , and additional theories such as resource dependence and legitimacy theory [8]. Each theory provides a different perspective on how relationships between employees within a company should be managed.

Corporate governance is a system that regulates, manages, and oversees the relationships between shareholders, management, the board of commissioners, and other stakeholders *within* a company. Corporate governance aims to create added value for all stakeholders through transparent, accountable, responsible, independent, and fair company management [6]. Corporate governance is a system of control and oversight implemented within a company to ensure that all business activities are conducted in accordance with the principles of transparency, accountability, responsibility, independence, and fairness, so that organizational goals can be achieved effectively and efficiently. Corporate governance also serves to maintain public trust in the company.

2.3 Principles of Corporate Governance

Primary foundation for implementing Good Corporate Governance (GCG)to ensure a company operates in a healthy, transparent, accountable, and sustainable manner. These principles serve as guidelines for companies in managing relationships between shareholders, management, the board of commissioners, employees, creditors, the government, and all stakeholders [10].

According to the KNKG , the principles of Good Corporate Governance that are still the main reference in Indonesia consist of five main principles, namely Transparency , Accountability , Responsibility , Independence , and Fairness. This principle is also in line with the OECD guidelines that emphasize sustainability-based corporate governance and stakeholder protection [4]. The five principles are explained as follows: Transparency is the company's openness in providing material, relevant, accurate, clear, and timely information to all stakeholders [5]. This information must be easily accessible and understood so that it can be used as a basis for decision-making.

The principle of transparency requires companies not to hide important information related to financial conditions, operations, business risks, company strategies, or managerial policies. Transparency also includes openness in the decision-making process and reporting of company performance.

Accountability is the clarity of the functions, structure, systems, and responsibilities of each company organ, ensuring effective and efficient management. Each individual

within the organization must have clear duties, authority, and responsibilities to be held accountable for their work [11]. Responsibility refers to the compliance of company management with applicable laws and regulations, as well as the company's responsibility to the community and the surrounding environment [10]. Companies are not only responsible for generating economic profits but must also consider the social and environmental impacts of their business activities. This principle emphasizes legal compliance, business ethics, employee protection, and the implementation of Corporate Social Responsibility (CSR).

2.4 Employee Innovative Performance Dimensions

Innovative Work Behavior (IWB), is work behavior that reflects an individual's ability to create, develop, promote, and implement new ideas to improve [1] organizational effectiveness. Recent research has defined IWB not simply as creativity, but as a continuous process from idea generation to practical implementation in the workplace.

3. Methodology

This study uses a conceptual analysis approach to examine and integrate variables from various theoretical perspectives regarding the relationship between Corporate Governance and innovative employees and to increase knowledge as expected. Conceptual analysis is conducted through a review and synthesis of relevant literature to identify concepts, dimensions, relationships between variables, and mechanisms underlying the relationship between these variables. Specifically, this conceptual analysis proposes several theoretical relationships, namely: (1) Corporate Knowledge Governance has a positive effect on employee innovative performance? (2) Corporate Knowledge Governance has a positive effect on knowledge sharing ? (3) Corporate Knowledge Governance has a positive effect on absorptive capacity ? (4) Knowledge sharing has a positive effect on employee innovative performance? (5) Absorptive capacity has a positive effect on employee innovative performance? (6) Knowledge sharing mediates the relationship between Corporate Knowledge Governance and employee innovative performance? (7) Absorptive capacity mediates the relationship between Corporate Knowledge Governance and employee innovative performance?

4. Results & Discussion

4.1 Innovative Employees influence on Corporate Knowledge Governance

Important for every employee to understand the governance structure in a company or workplace because it certainly simplifies the process in every work. The relationship between Innovative Employees and Corporate Knowledge Governance is one of the rapidly developing topics in research on human resource management, knowledge management, and organizational behavior [4]. From the Knowledge Based View perspective , knowledge is a company's strategic asset. However, knowledge will only generate competitive advantage if it is managed through effective governance mechanisms and utilized by employees to generate innovation. Corporate knowledge governance is a set of formal and informal mechanisms that regulate how organizational knowledge is acquired, stored, shared, utilized, and protected. When these mechanisms

run effectively, organizations are able to create an environment that supports the emergence of employee innovative behavior. According to Ali et al [1]. Corporate knowledge governance has a positive influence on Employee Innovativeness through knowledge sharing behavior and absorptive capacity as a mediating mechanism. These findings indicate that Corporate Knowledge Governance does not directly produce innovation, but creates organizational conditions that enable employees to be more innovative.

4.2 Innovative Employees towards Corporate Knowledge Governance and Knowledge Sharing

Knowledge-based economy, innovative employees are a strategic asset for organizations. Innovative employees not only generate new ideas but are also able to develop, promote, and implement these ideas into innovations that add value to the organization[3]. This capability is greatly influenced by how the organization manages knowledge through Corporate Knowledge Governance (CKG) and how the Knowledge Sharing (KS) process takes place within the organization [5]. Based on the Knowledge-Based View (KBV) perspective, knowledge is a strategic resource that forms the basis for creating innovation and competitive advantage. Therefore, the relationship between CKG, KS, and innovative employees is mutually reinforcing.

4.3 Innovative Employees influence Corporate Knowledge Governance and Absorptive Capacity

Corporate Knowledge Governance is a knowledge management system that regulates how knowledge is created, shared, stored, and utilized within an organization. This governance encompasses policies, leadership, organizational culture, technological infrastructure, incentive mechanisms, and knowledge management processes [10].

From a Knowledge-Based View perspective, knowledge is a strategic asset that enables organizations to innovate. Therefore, Corporate Knowledge Governance provides an environment that enables employees to be more innovative. Innovative employees are those who are consistently able to generate, develop, promote, and implement new ideas that add value to the organization. This concept relates not only to creativity but also to the ability to translate ideas into innovations that can be applied in work processes, products, and services.

4.4 Corporate Knowledge Governance influences Knowledge Sharing and employee innovative performance

Corporate Knowledge Governance, Knowledge Sharing, and Employees' Innovative Performance is a rapidly developing topic in the fields of Knowledge Management, Human Resource Management, and Innovation Management. Based on the Knowledge-Based View and Resource-Based View perspectives, knowledge[19] is a strategic organizational asset that will only generate competitive advantage if managed through effective governance mechanisms. CKG functions as a system that directs the creation, storage, distribution, protection, and utilization of knowledge so that it can be

shared and utilized to generate innovation. Conceptually, CKG consists of several main elements: Knowledge strategy, which is the organization's strategy in managing knowledge assets. Knowledge leadership, which is leadership that encourages a culture of knowledge sharing [6]. Knowledge-oriented culture, which is an organizational culture that supports collaboration and learning. Knowledge infrastructure, which is technology and information systems that facilitate the storage and distribution of knowledge [12]. Reward system, which is incentives for employees who actively share knowledge. Knowledge policies, which are rules and procedures regarding knowledge management. Monitoring and evaluation, which is monitoring the effectiveness of knowledge governance implementation.

4.5 Knowledge Sharing influences Absorptive Capacity and employee innovative performance

Knowledge-Based View perspective, knowledge is a strategic resource that creates an organization's competitive advantage. However, knowledge will only provide added value if it is shared (knowledge sharing), understood (absorbed), and utilized (exploited) by individuals and organizations. Therefore, Knowledge Sharing is seen as a key mechanism that increases Absorptive Capacity, which ultimately drives Employees' Innovative Performance [3]. This relationship has become one of the most widely used conceptual models in knowledge management and innovation research over the past few years. Knowledge Sharing is the process of exchanging knowledge, experience, skills, and information between individuals or groups within an organization so that this knowledge can be utilized to complete work, solve problems, and create innovation.

4.6 Absorptive Capacity mediates the influence of Knowledge Sharing in the relationship between Corporate Knowledge Governance and employee innovative performance

Crucial mediating variable in explaining how Corporate Knowledge Governance enhances employee innovative performance through Knowledge Sharing. Corporate Knowledge Governance creates systems, cultures, and mechanisms that encourage knowledge exchange among employees. Knowledge sharing broadens individual access to information, experiences, and best practices. However, such knowledge only provides added value if individuals possess sufficient absorptive capacity to acquire, understand, integrate, and exploit it [10]. Therefore, absorptive capacity acts as a transformation mechanism that transforms shared knowledge into ideas, solutions, and innovations that enhance employee innovative performance. The sequential mediation model of Corporate Knowledge Governance-Knowledge Sharing-Absorptive Capacity-Employees' Innovative Performance has strong support from both theoretical perspectives and empirical findings.

4.7 Knowledge Sharing mediates the influence of Absorptive Capacity in the relationship between Corporate Knowledge Governance and employee innovative performance

Perspective of Knowledge-Based View and Dynamic Capability Theory, Knowledge Sharing and Absorptive Capacity are two complementary capabilities in explaining how Corporate Knowledge Governance can improve Employees' Innovative Performance [11]. Recent studies show that the relationship is not only direct, but also occurs through a sequential mediation mechanism. In other words, effective knowledge governance practices first encourage knowledge sharing behavior among employees. This knowledge sharing activity then increases individuals' absorptive capacity, so they are better able to transform knowledge into ideas, solutions, and innovations that have an impact on improving innovative performance [13].
Knowledge sharing serves as a social learning mechanism. Without knowledge exchange, employees rely solely on personal experience, limiting opportunities to acquire new knowledge [1].

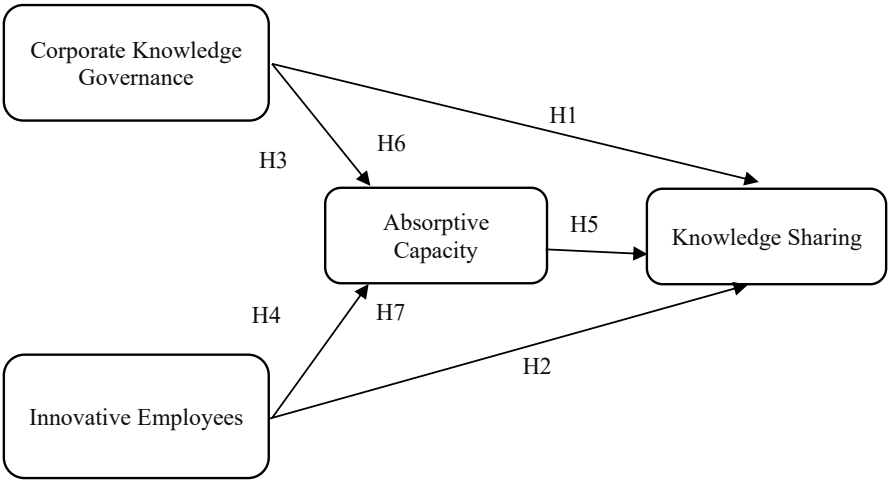


Fig. 1. Conceptual framework

Figure 1 of Based on the theoretical review and literature synthesis conducted, this study develops a conceptual model illustrating the relationships among IA, AC, and KS, as shown in Figure 1. The model is grounded in the Knowledge-Based View perspective, which emphasizes that knowledge is a resource capable of creating competitive advantage and supporting organizational sustainability. In this model, CGC and KS serve as key strategic factors that foster employee innovative behavior and knowledge absorption capabilities; these, in turn, drive Knowledge Sharing as a crucial mechanism for organizational innovation. Furthermore, these two variables are expected to enhance IE, either directly or indirectly through AC. KS plays a pivotal role in this model by fostering collaboration and expanding the knowledge base for future

IE. Innovative Employees (IE) refers to the ability of employees to generate, develop, promote, and implement new ideas that benefit the organization; innovative behavior encompasses finding new solutions, improving work processes, creating new products, conducting experiments, and solving problems creatively.

5. Conclusion

This study affirms that Corporate Knowledge Governance (CKG) is a strategic factor playing a crucial role in enhancing Employee Innovative Performance (EIP) within the knowledge-based economy. In the face of challenges such as digital transformation, the advancement of artificial intelligence (AI), Industry 4.0, and dynamic global competition, organizations can no longer rely solely on physical resources or technology; they must also depend on the ability to manage knowledge as a strategic asset capable of creating sustainable competitive advantage.

From the perspective of the Knowledge-Based View (KBV), knowledge is the most valuable resource because it is difficult for competitors to imitate. Consequently, companies require effective knowledge governance mechanisms to ensure that the processes of knowledge creation, storage, dissemination, utilization, and protection operate systematically. Corporate Knowledge Governance functions not merely as a set of organizational policies but also as a mechanism capable of fostering a learning culture, enhancing collaboration, strengthening communication, and encouraging innovative employee behavior.

The results of the conceptual analysis indicate that Corporate Knowledge Governance has a positive influence on Knowledge Sharing, Absorptive Capacity, and Employee Innovative Performance. Effective knowledge governance creates an organizational environment open to the exchange of information, experience, and expertise among employees, thereby making organizational learning processes more effective. A work environment that fosters such collaboration enhances employees' ability to generate, develop, promote, and implement new ideas that provide added value to the organization.

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