

Investigating a New Framework for the Impact of Knowledge Management Strategy on Organizational Performance

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Abstract

Understanding the relations between knowledge management strategy with organizational innovation capability and performance in both large and small firms is relevant for researchers, policy-makers and managers of large and small companies alike. Many organizations have begun to recognize that one of the main factors to building a capable of being sustained competitive advantages in knowledge economy is innovation capability. In spite of this fact, determining the innovation capability has viewed as an exclusive method, a theoretic and plenary. The studies about the effect of internal and external innovation drivers on organizational performance are few. This research addresses the deficiency of the experimental researches through development of a conceptual framework to inquire the influence of knowledge management strategy on organizational performance directly and through innovation capability assuming industry type as a moderator on the proposed relationships. A quantitative method was used to investigating the relationships lanes. A self-administered questionnaire was used for collecting data of 272 automotive companies as a sample of 849 companies in automation sector in Iran. Hypothesized relations were assessed by structural equation modelling (SEM) with Smart-PLS software. The result of analysis exposed the significant relation among knowledge management strategy and firm outcome. Besides that, the results disclosed that knowledge management strategy through the mediating variable of innovation capability has a positive effect on organizational performance. Furthermore, the results of multi-group analysis confirmed that industry type moderating the relationship between knowledge management strategies and organizational innovation capability is moderated by industry type. This research used both resource- and knowledge-based theory developing a new conceptual framework to prove clearly the importance of knowledge management strategy and innovation capability in improving organizational outcome. Furthermore, this paper is providing a new guide line to implement knowledge management effectively.

Keywords: Knowledge management strategy (KMS), organizational innovation capability (OIC), Organizational performance (OP), Industry type

1. Introduction

Automaker companies need to meet requirements and interest of their customer by providing innovative product. This industry which is heavily dependent on its suppliers, capability to innovation, and providing innovative products is a clear necessity. According to the reports of the Iranian parliament, the judicial authorities and national media such as television and newspapers, there are frequent complaints about the lack of innovative products among Iranian automakers companies. This issue which originated from a non-competitive business environment created by protective tariffs collectively caused frequent and successive delays in the growth and development of the industry. Moreover, potential customers are not enthusiastic

to buy the companies' products. According to Iranian scholars and practitioner in automotive industry one reason for the inability is failure to effectively execute knowledge management in their supply chain especially among their suppliers. One of the crucial factor that influence on effectiveness of knowledge management program is an appropriate strategy for it execution. Nevertheless, organizations don't have any strategic approach to establish and implement knowledge management program (Ariss, 2014). Nevertheless, It is important for companies to know that investment in knowledge management could enhance their innovation capability and performance (Vrontis and Thrassou, 2013). Previous scholars have counted a little weight to KMS in the investigating KM program on innovation capability and performance (Choi *et al.*, 2011).