Chapter 16
Performance Implications and Fit of Knowledge Management Strategy and Strategic Information Technology Management

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ABSTRACT

Fit issues in the Information System (IS) field have become a justifiable area. A number of theoretical frameworks have proposed to develop the linkages between IS/IT (Information Technology) and a firm’s related strategies. However, while there has been much theorizing in the area, validated empirical studies for using fit perspective in KM (Knowledge Management) topics have been scarce. Therefore, this present study empirically examines the KM performance implications of fit between KM strategy with its Strategic IT Management (SITM). Valid respondents from 161 organizations in Taiwan completed the questionnaires. A structural equation-modeling tool with second order factor viewed fit was used to examine the research model. Drawing on a covariation perspective of fit, the result of this study show that KM performance is significantly resulted from the well fit between KM strategy and strategic IT management.

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INTRODUCTION

Current research on knowledge management has demonstrated the critical role of information technology (IT) for effective KM (knowledge management) activities (Alavi and Leidner, 2001; Choi and Lee, 2002; Kankanhalli et al., 2003; Nonaka and Konno, 1998, Zack, 1999) or interorganizational learning facilitating (Scott, 2000). Studies found that an organization which was high quality in both KM and IT (a high-high fit) achieved high KM performance and satisfaction more frequently than those whose quality fitted low (Khalifa et al., 2001; Sher and Lee, 2004). That is, KM project itself will not lead to success without the deployment match of IT (Sabherwal and Sabherwal, 2005; Truch and Bridger, 2002). Similarly, IT alone can do nothing without good KM initiatives (Kim, 2001) in attaining KM success (Khalifa and Liu, 2003) or organizational performance (Bhatt and Grover, 2005; Devaraj and Kohli, 2003; Khalifa and Liu, 2003). Accordingly, the fit between KM and IT in managing business activities must be considered for business performance (Asoh, 2004; Zack, 2002). In other words, it is critical and necessary that chooses the right IT for different KM strategies (Kim, 2001). Accordingly, fit between KM and IT in contemporary business activities must be accommodated to achieve KM performance (Asoh, 2004; Zack, 2002).

The issue of fit is one of the top concerns of executives since the 1980s (Luftman et al., 1996; Watson et al., 1997). Doty et al. (1993) indicated that the higher organizational effectiveness is driven by the internal consistency or fit among the patterns of relevant contextual, structural, and strategic factors. Powell (1992) also suggested that the alignment between organizational processes and strategic decisions is contribution to competitive advantage. Although fit between business strategy and IT strategy is a critical issue in organizational research (Earl, 1996; Luftman et al., 1999; Papp, 1998), there are few studies that empirically address the issue of fit in KM field. It is because of the contingency researchers discovered that business performance involved something more complex components than isolated specific strategy factors that a more “holistic” configuration perspective needed to be concerned.

So far, many researchers, consultants and practitioners have developed frameworks that attempt to find out the relationships between IT/IS and business-related strategy (Marchand et al., 2001). However, there exits some issues need to be further addressed and discussed. For example, what are the relationships between KM strategy and IT strategy in developing KM practices? How organizations really deploy their KM strategy in conjunction with IT strategy? What roles do KM strategy and IT strategy play as covariation in enhancing business performance? Currently, little studies use the fit perspective to consider the underlying nature of coalignment between the strategies or capabilities that organizations possessed in examining their effectiveness on performance in details. Since KM strategy can be regarded as a part of business strategy, therefore, a linkage of effective IT management and KM strategy is the key to reduce costs, which in turn, a higher performance achieved (Davenport and Prusak, 1998; Tiwana, 2002).

In practical term, the basic fit mechanism for a firm is the disposition of ‘strategy’ (Miles and Snow, 1984); and it is the match of strategy that is the key to effectively realizing intended strategies (Gupta and Govindarajan, 1984). Consequently, this study empirically examines the KM performance implications of aligning an organizational KM strategy with its strategic IT management. KM strategy which includes components such as “system-oriented” strategy and “human-oriented” strategy, whereas strategic IT management comprise IT environment scanning, strategic use of IT, IT planning & control, and IT acquisition & implementation.