Knowledge Management, Sustainable Business Performance and Empowering Leadership: A Firm-Level Approach

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ABSTRACT

Managing knowledge has become a critical aspect of the contemporary business landscape. In addition, business no longer has profit as the sole purpose of their existence. Therefore, there has been growing impetus for socially and environmentally conscious business actions. The present article takes a dimensional view of the process of knowledge management. The authors disaggregate the process along three dimensions: knowledge acquisition, knowledge dissemination and responsiveness to knowledge and investigate their impact on sustainable business performance. In addition, this article assesses the moderating role of empowering leadership in the relationship between knowledge management components. Among various leadership behaviors, empowering leadership has assumed critical significance owing to growing chorus on providing autonomy and empowerment to employees. This article tests the hypotheses on data collected from manufacturing firms in India. The results demonstrate a positive relationship between dimensions of knowledge management, as well as positive moderation by empowering leadership. Further, the authors discuss implications.

KEYWORDS

Empowering Leadership, Knowledge Acquisition, Knowledge Dissemination, Knowledge Management, Moderation Analysis, Responsiveness to Knowledge, Sustainable Business Performance

INTRODUCTION

Theorists on Knowledge Management (KM) and related fields have underlined the importance of knowledge as a strategic asset (Jennex, 2008; Kankanahalli & Tan, 2005; Marouf & Khalil, 2015; Smith, Mills, & Dion, 2010; Welschen, Todorova, & Mills, 2012). KM is the practice of selectively applying knowledge from past experiences of decision making to current and future decision-making activities (Jennex & Olfman, 2006). Empirical evidence shows increasing openness towards knowledge

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leads to better firm profitability and environmental performance (Shaw, Shankar, Yadav, & Thakur, 2013). Moreover, some scholars have claimed that, besides these benefits, relying on effective knowledge management leads to Sustainable Business Performance (SBP) that encompasses the triple bottom line (TBL) (Bedford & Harrison, 2015; Durst, Edvardsson, & Bruns, 2015). Several studies in the field have identified KM as a set of activities performed in coherence that require knowledge to be used as actionable intelligence (Darroch, 2003, 2005; Jennex & Olfman, 2006). Therefore, it is important to study knowledge management in a disaggregated form to check its impact on sustainable business performance. Based on the extant literature we study KM as a combination of knowledge acquisition (KA), knowledge dissemination (KD) and responsiveness to knowledge (KR) activities. Knowledge acquisition are all those activities that are performed for knowledge creation, location or discovery of knowledge (Darroch, 2003). After the acquisition of knowledge, it should be readily disseminated in the organization through information technology support and written communication which form a significant aspect of knowledge management process termed as knowledge dissemination (Nonaka, 1994). The ability to convert the knowledge into actionable intelligence and use the same for organizational purposes may be termed as knowledge application or responsiveness to knowledge (Rahimli, 2012). KM has been studied under several disciplines such as organizational science, cognitive science, information technology, education and training, and linguistics, to name a few (Dalkir, 2005). However, from an interdisciplinary perspective, there are only limited systematic efforts to study the interfaces of KM (Evangelista & Durst, 2015). From organizational capabilities perspective, knowledge management successful implementation hinges on knowledge infrastructure such as technology, structure and culture (Gold, Malhotra, & Segars, 2001). Cognitive science provides the broad-based fundamental architecture which helps managers to leverage the potential of knowledge workers (Kakabadse, Kakabadse, & Kouzmin, 2003). Knowledge management helps leaders and decision-makers to have on their plate actionable knowledge that is made available seamlessly throughout the organization by using information technology (Lee, Lee, & Park, 2014) Mina, Bascavusoglu-Moreau, & Hughes (2014) argue that managers should make decisions about allocation of organizational resources to impart knowledge. Therefore, the success of any KM in the contemporary business landscape has an added dimensionality of leadership behaviour that enhances (inhibits) the same. Empowering leadership has assumed great significance with respect to KM (Kirkman & Rosen, 1999; Townsend and Bennis, 1997). This is understandable as the focus on employee autonomy and empowerment has grown manifold in the recent past (Srivastava, Bartol, & Locke, 2006). Therefore, we summarize the purpose of this research as: 1) How different components of knowledge management influence sustainable business performance, and 2) To investigate the moderating role of empowering leadership on the relationship between knowledge management and sustainable business performance. The next section provides the theoretical background of the study followed by the development of hypotheses to be tested. Further, we explain the sample, methods and results of the study. Thereafter, we highlight the findings and implications for research and practice, as well as limitations and future research directions.

THEORETICAL BACKGROUND

In conjunction with direct investigation of the impact of knowledge management on firm performance, there are several factors that have been reported to impact this relationship such as culture (De Long & Fahey, 2000), knowledge management system (Jennex, 2017) and leadership (Carson, Tesluk, & Marrone, 2007). Existing literature posits that knowledge management is not a monolith consisting of just one dimension, but a set of activities that performed in coherence for that knowledge to be used as actionable intelligence (Jennex & Olfman, 2006). The existing studies on the link between knowledge management and sustainable business performance consider KM as a one-dimensional construct and rely on a single variable for capturing it. This procedure causes a loss of information,
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