Exploring the Relationship between Organizational Memory and Business Innovation

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ABSTRACT

This study investigated significant contribution to organizational memory (OM) and business innovation (BI) field as an integration strategy to developed conceptual model. Proposed model incorporated principles of OM strategies (i.e., sharing knowledge, representing knowledge, and saving knowledge) and BI outcomes (i.e., new ideas, new services, and new processes) potentially powerful competitive strategy and contributing to improve competitive advantage at Jordanian banks sector. Structural equation modeling (SEM) was used to infer fitting proposed model. This study has reached to the following: There is a positive relationship between organizational memory and business innovation, and there is a significant statistical impact of organizational memory upon business innovation. In addition, the study recommended that the researched Jordanian banks should pay more attention to the organizational memory and business innovation to gain competitive advantage.

Keywords: Business Innovation, Competitive Advantage, Jordanian Banks, Organizational Memory, Structural Equation Modeling (SEM)

INTRODUCTION

In contemporary environment organizations believe that knowledge is most important resources. Organizational learning and memory are closely related, from the perspective of psychology the concept of learning focuses on processes that occur during acquisition of new behavior, while the concept of memory focuses on storage and recall of information (Crowder, 1979). Organizational memory plays an important role in organizational learning.

Knowledge and organizational memory are two topics that have recently grown for businesses and academics. Knowledge is an important asset in organizations. Organizational memory integrates all kinds of organizational knowledge, regarded as the central prerequisite for IT support of knowledge management.

Organizational memory is the means by which previous knowledge brought to bear on present activities, thus resulting in higher levels of organizational performance (Zhang et al., 2008). Bencsik et al. (2009) stated that individuals, groups, and organizations acquire knowledge by learning. This knowledge becomes fixed in the individual, group, and
organizational memory. The organization creates organizational knowledge by continuous, multilevel learning, which later becomes fixed, in the organizational memory. For example, it is commonly agreed that continuous creating, capturing, and generating knowledge will foster innovation, which is the most competitive advantage of today’s (Raed, 2000). There are good reasons to pursue creating organizational memory, because organizations routinely “forget” what they have done in the past and why they have done it. These organizations have an impaired capacity to learn, due to an inability to represent critical aspects of what they know. However, organizational memory is not just a facility for accumulating and preserving but also for sharing knowledge. Conklin (2001) stated that most people would agree that it is better to learn from past mistakes than to continually repeat them. Similarly, past successes provide valuable guidelines for future activities, if we can remember them.

Organizations must create structures to capture the memories, which can help to evaluate proposals in the future. Tremendous of research highlighted the link between organizational memory and innovation (Cormican & O’Sullivan, 2000), but still needed to understand better how the organization memory influence on the innovation capability in organizations. To fulfill this purpose, clarify conceptual notions of organizational memory and business innovation was improved. After that, investigated how they could possibly relate to each other. Researchers address the importance of organizational memory “OM” upon business innovation “BI.” Researcher presented a brief overview of the organizational memory and innovation literature; follow with a description of selected Jordanian banks, after that data collection and analysis. Finally, the study concluded with a discussion of the implications for organizational memory and innovation variables.

STUDY OBJECTIVES

The motivation for this study stems from researcher concern of organizational memory in the Jordanian business environment. Studying the concept of OM and innovation comparing with practical practices in Jordanian banks has an important contribution in Jordanian economic growth. This study represented a contribution in assessing the extent to which Jordanian banks applied the construct of OM and posses the dimension of business innovation. Moreover, there is lack of similar studies in the Arab world and in most developing countries. On the other hand, there is an essential need for a scanning of the rich theoretical and empirical literature of OM, and innovation in Jordanian environment. The following are main objectives:

- To develop a theoretical framework for dependent and independent variables.
- To investigate the level of organizational memory implementation in Jordanian banks.
- To investigate the level of business innovation implementation in Jordanian banks.
- To analyze the impact of organizational memory on business innovation in Jordanian banks.

STUDY QUESTIONS

The study questions are considered as a tool for verifying the relationship between organizational memory and business innovation in "11" selected Jordanian banks. The questions relate to selected Jordanian banks, which reflect the maturity of knowledge management activities based on organization memory at Jordanian banking. This study will attempt to answer the following questions:

- To what extent did Jordanian banks under the study applying organizational memory?
- To what extent did Jordanian banks under the study possess business innovation?
- What is the relationship between organizational memory and business innovation in the selected Jordanian banks?
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