The Effect of Knowledge Management Strategies and Enablers on Knowledge Creation Process and Organizational Performance by Using Partial Least Squares Regression Method

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ABSTRACT

Under Knowledge-based economy, knowledge has been recognized as a form of capital for organizations and provides sustainable competitive advantages. Knowledge is not only one of the few recyclable assets that continuously lends itself to new intellectual capital but also be integrated in many different ways in order to maximize its value. This paper has three research objectives. Firstly, measure the effect of Knowledge Management (KM) Strategies on KM Enablers; secondly, measure the effect of KM Enablers on the Knowledge Creation Process (KCP); thirdly, to measure the effect of KCP on the three aspects of Organizational Performance. A knowledge integrative model was built by using Partial Least Squares method, and the findings indicate that KM Strategies do have a significant effect on KM enablers, which in turn does have a significant effect on the KCP. KCP also has a significant effect on innovation, customer’s satisfaction and financial performance for Taiwan multinational company in Thailand.

Keywords: Knowledge-Based Economy, Knowledge Creation Process (KCP), Knowledge Management Enablers (KM Enablers), Knowledge Management Strategies (KM Strategies), Organizational Performance

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INTRODUCTION

Knowledge has been recognized as a form of capital for organizations and provides the only sustainable basis of competitive advantage that many organizations possess (Wood, 2005). Knowledge is one of the few recyclable assets that continuously lend itself to new intellectual capital. It can also be integrated in many different ways in order to maximize its value (Wood, 2005). This is particularly evident in knowledge based industries like the IT industry and electronics industry.

It is no surprise therefore that knowledge is over turning the rules about strategy and competition as industrialized economies have shifted from natural resources to intellectual assets (Choi, 2002). Therefore in order to take full advantage of this asset, companies and industries must not only be able to identify the factors that influence the knowledge environment but also be able to implement strategies, policies and procedures to manage the processes involved in enabling the interaction between these factors.

This is where knowledge management becomes important. Effective knowledge management can be used to create business value, generate competitive advantage, achieve business goals, and develop greater value from the core competences of the business (Taiwana, 2001). This has lead to a plethora of research on how knowledge is managed. However there are a few unaddressed issues that have arisen from the current body of literature on knowledge management.

Knowledge management research is fragmented both conceptually and across industries. In terms of concepts, many factors have been identified as essential to the management of knowledge. Some of these factors are knowledge management strategies (Wood, 2005), knowledge management processes (Grover & Davenport, 2001), knowledge management enablers (Choi, 2002), knowledge management process capability (Wood, 2005), knowledge management architecture (Alavi, 1997). In terms of industries there have been studies done in the financial service industry (Bontis & Serenko, 2009), aeronautics industry (Saherwal & Fernandez, 2003) and shipping industry (Yang, Marlow, & Lu, 2009).

There have been a few researchers and practitioners that have attempted to create an integrative process oriented model to knowledge management based on relevant theories. Some of these integrative models have even attempted to leverage a process oriented perspective. The model developed by Byounggu Choi (2002) is one of the most complete and well known of these models. In his model he showed the relationship between knowledge enablers, knowledge creation process, organizational creativity and organizational performance. However Choi (2002) pointed out two important limitations to his research. A modified model was developed by Cheng Ping Shih, Peter Jean and Chou (2011).

Following Choi and Shih, this study intends to address these limitations and contribute to the enhancement of Choi’s 2002 integrative model (from hence forth the model will simply be called Choi’s Model). The main purpose of this study is to use Partial Least Squares (PLS) to measure the effect of KM variables on the three indicators of organizational performance: Innovativeness, Financial Performance, and Customer Satisfaction. In order to achieve this objective, three sub-objectives must first be accomplished.

First, use PLS to measure the effect of KM strategies on KM Enablers. Second, use PLS to measure the effect of KM Enablers on Knowledge Creation Process. Third, use PLS to measure the effect of KM Creation Process on Organizational Performance.

This study is significant for both practitioners and academics. There are four primary points of significance. First this search is significant to academics in that it provides a more complete picture on the relationship between knowledge management components by adding knowledge management strategy component to Choi’s Model. Choi (2002) stated that “integrative perspective of these knowledge components is a necessity”. By looking at a more complete picture, this research eliminates the limitation that was present in Choi’s (2002) study.
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