

Chapter 5

Strategic Innovation Management: An Integrative Framework and Causal Model of Knowledge Management, Strategic Orientation, Organizational Innovation, and Organizational Performance

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ABSTRACT

This chapter introduces the framework and causal model of knowledge management, strategic orientation, organizational innovation, and organizational performance. It argues that dimensions of knowledge management, strategic orientation, and organizational innovation have mediated positive effects on organizational performance. Organizational innovation positively mediates the relationships between knowledge management and organizational performance and between strategic orientation and organizational performance. Knowledge management is positively correlated with strategic orientation. Furthermore, the author hopes that understanding the underlying assumptions and theoretical constructs of knowledge management, strategic orientation, organizational innovation, and organizational performance through the use of the framework and causal model will not only inform researchers of a better design for studying knowledge management, strategic orientation, organizational innovation, and organizational performance, but also assist in the understanding of intricate relationships between different factors.

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INTRODUCTION

In recent years, knowledge management (KM) has been recognized as a key instrument for the improvement of organizational effectiveness and organizational performance (Zack et al., 2009). Moreover, the importance of knowledge management within organizations has dramatically risen due to factors such as growing globalization, the acceleration in the rate of technological change, or the need to share best practices (Mehta, 2008). Knowledge is considered the most important strategic resource for ensuring an organization's long-term survival and success since some forms of complex knowledge such as capabilities or routines can be valuable, scarce, and difficult to imitate (DeCarolis & Deeds, 1999). Consequently, processes and practices that firms utilize in order to manage knowledge are instrumental for attaining strategic objectives by harnessing complexity and making the best use of existing resources and capabilities (Zollo & Winter, 2002). In basic terms, knowledge management comprises a set of processes through which knowledge is acquired, developed, gathered, shared, applied, and protected by the firm in order to improve organizational performance (Grant, 2002; Zack et al., 2009).

Organizational performance is commonly used as a dependent variable for business research and is considered to be one of the most important constructs in the field of management (Pagell & Gobeli, 2009; Richard et al., 2009). Measuring and analyzing organizational performance has an important role in turning goals into reality, which in today's competitive environment is paramount to the success and survival of an organization (Popova & Sharpanskykh, 2010). Knowledge management will be the key to organizational success in this millennium (Davenport & Prusak, 2000; Desouza & Awazu, 2006). Knowledge management has been shown to be a powerful ingredient in the success of organizations (Davenport & Prusak, 2000; Desouza & Awazu, 2006). Knowledge management is aimed at getting people to innovate, collaborate, and make correct decisions efficiently; it is aimed at getting people to act by focusing on high-quality knowledge (Plessis, 2005). Knowledge is considered the most important resource in organizations (Choe, 2004). Resistance to organizational innovation is likely to result in a business's downfall (Leavy, 1998). Strategic orientation also plays a major role, since strategy not only influences and directs the conduct of routine business operations, but also provides a foundation for long-term success (Sinkovics & Roath, 2004).

REVIEW OF LITERATURE

Knowledge Management

According to Nonaka and Takeuchi (1995), knowledge management is aimed at inducing the tacit knowledge through knowledge spirals, establishing the organization knowledge properties, and providing members with applicable organization resources. Furthermore, this knowledge can be embodied into their own tacit knowledge. Aside from enhancing the quality of the decision-making process it can also renew and enrich the organization knowledge properties (Nonaka & Takeuchi, 1995). Papows (1999) stated that knowledge management is mainly aimed at triggering the creation, sharing, and repeated use of knowledge to achieve the organization learning goal and extend the life of the organization. The view of knowledge as a strategic resource is rooted mainly on the resource-based view of the firm (RBV), beginning with the work of Penrose (1959) and including Barney (1991), Grant (1996), Peteraf (1993), and Wernerfelt (1984). According to the resource-based view of the firm, an organizational resource

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