

# Chapter 74

## The Influence of Knowledge Management Process Supported With Organizational Strategies on Organizational Performance via Organizational Innovation and Technology: The Case of Istanbul Stock Market

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### ABSTRACT

*In this chapter, the authors aim to investigate the impact of knowledge management and strategy configuration coherence on İstanbul stock market businesses' innovation and organizational performance through a quantitative analysis carried out on a sample of 203 İstanbul stock market businesses. This study also identified the relationship of organizational performance from the standpoint of the balanced scorecard, which includes the customer-related, internal business process and perceptual financial aspects of organizational performance in İstanbul stock market businesses context. A survey was administered and a sample of 203 middle managers was analyzed using partial least squares (PLS-Smart 2.0) for inferential analysis and SPSS version 22 for descriptive insights. The results of the study revealed that business strategies influence the knowledge management processes fully or partially. Knowledge management processes influence the innovation partially. Innovation influences the organizational performance fully. Knowledge management processes and technology influence the organizational performance partially. Knowledge management processes, technology, and business strategies influence the organizational performance partially.*

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## **INTRODUCTION**

The effective management of knowledge resources is an imperative key for firms that want to leverage their knowledge assets for competitive advantage and improved performance. The practices of knowledge management are context-specific and they can influence the organizational performance. However, most firms do not attain the required performance levels even when programs are in place for managing knowledge resources. An organisation's ability to properly manage knowledge resources is considered as a significant factor for business sustainability and success. Knowledge is one strategic asset that organisations need to create, organise, store and disseminate to be able to compete and operate effectively (Schultze and Stabell 2004). Now, knowledge has been considered as an important resource than other physical assets (e.g., land, capital and machines) (Drucker, 1993) which enables organizations to achieve faster learning and develop better decision-making processes. In this complicating and rapidly changing business environment, therefore, KM is the organizational potential strategic resource and critical strategy to achieve sustainable competitive advantage (Adler, 1989; Alavi & Leidner, 1999; Davenport & Prusak 1998; Drucker, 2007; Grant 1996a; Hansen et al., 1999; Jennex, 2007; Johannessen & Olsen 2003; Zack, 1999). Developing and maintaining KM is vital to firm long-term survival and success. KM can gradually transform individual knowledge into group and organizational knowledge, in turn, improving the stock and flow of firm knowledge. Consequently, firms invest in KM particularly to accumulate business management experience and develop a sustainable competitive advantage (Chang & Lee, 2008; Mills & Smith, 2011). Successful KM is believed to have the potential of enhancing an organization's competitive advantage, customer focus, employee relations and development, innovation and lower costs (Skyrme and Arnindon, 1997). In turn, knowledge management is context-specific, because context determines who participates and how they participate in the knowledge management process (Nonaka et al., 2000). Knowledge management could serve as one of the intervening mechanisms through which organizational context influences the organizational performance. Conducted by several pioneer studies in the KM discipline (e.g. Nonaka & Takeuchi, 1995; Sveiby, 1997; Wiig, 1993), this study investigates whether it can influence the organizational performance or not. However, the mediating role of the knowledge management has not been adequately investigated. The exploration of its potential role as a mediating factor would provide better understanding of how to leverage it in order to achieve desirable organizational goals. Then, the previous literature suggests that knowledge management plays a potentially mediating role in connecting business strategies and technology infrastructure with organizational innovation and organizational performance. In addition, knowledge management could serve as one of the intervening mechanisms through which organizational context influences organizational performance. This study sets out to do that.

## **HYPOTHESIS DEVELOPMENT**

### **Business Strategies and Knowledge Management**

The knowledge-based view considers the firm as a set of knowledge assets and the role of the firm as creating and deploying these assets to create value (Grant, 1996). Business strategy can then be perceived as the organization's plan of creating and deploying knowledge assets. Knowledge management partially carries the influence of strategy through defining what strategic knowledge is, coordinating critical

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