UNIVERSITI PUTRA MALAYSIA

MODERATING EFFECTS OF KNOWLEDGE MANAGEMENT PRACTICES IN THE RELATIONSHIP BETWEEN CORPORATE STRATEGIES AND ORGANIZATIONAL PERFORMANCE

RAJA SUZANA RAJA KASIM.

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By

RAJA SUZANA RAJA KASIM

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RAJA SUZANA RAJA KASIM

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Chairman: Professor Raduan Che Rose, Ph. D.

Faculty: Graduate School of Management

Despite the increasing interest in managing knowledge, there has been limited
research on knowledge management practices in the corporate strategy of
organizations. Lack of empirical evidence has created a gap between the theory and
practice of knowledge management in corporate strategy. In this study, the
researcher integrated the knowledge-based and the resources-based theories of the
firm to develop a suitable framework and model for knowledge management
research. In addition, this study developed a knowledge management research model
and empirically tested it within the moderation perspective of Miles and Snow's
strategy typology.

In particular, the influence of knowledge management practices as a key moderating
variable, has been neglected in previous Malaysian studies. The theoretical model
used in this study was tested using empirical data from 123 public-listed
organizations in Malaysia. Data from the survey were analyzed using the higher-
order interaction effects of the Moderated Multiple Regressions analysis. Results of
the analysis indicated that corporate strategies and knowledge management
practices have a positive impact on organizational performance. The findings revealed that prospector evaluations were significantly greater than those of defender evaluations, followed by analyzers and finally, reactors evaluations. Eighteen percent (18%) and 7% of increases in variance in the objective and subjective measures of the organization's performance, respectively, were due to the moderating effect of knowledge management practices. The results obtained were higher than the increase attributed to corporate strategies. In terms of the subjective measures of organizational performance, the results suggested that the relationship is stronger in the market-focused organizations followed by the dual focused and the operation focused organizations and finally the unfocused organizations. The results showed that market-focused practices were better moderators of organizational performance.

The results also revealed that among the consumer products, the industrial products organizations and the services industries in the Main Board of Malaysia have very different goals for knowledge management practices. This is because the knowledge management practices' environment created an impact on the organizations' corporate goals. Factors such as management support and practices, the level of knowledge investments and the impact of knowledge management practices' benefited the organizations' strategic and functional needs. The level of perceived benefits of knowledge management practices is directly related to the corporate goals of the organizations. This is reflected in the results of this study which showed that the market focused groups contributed to the highest level of organizational performance in terms of the subjective measure, followed by the operation focused groups, the dual focused group and the unfocused group in the organizations.
An important management implication of this study is that it confirmed that corporate strategies alone or knowledge-related activities alone do not adequately enhance business activities which lead to improvements in the performance of the organizations. Instead, this study suggested that greater utilization of knowledge management practices in developing corporate strategies, both in the operational effectiveness aspect (internally) and strategic positioning aspect (externally), helped organizations to identify areas within the organization where value was created by knowledge management practices.

This study further suggests that firms should incorporate knowledge management practices in developing their corporate strategies as a response to business needs since this study showed that the traditional practice of designing corporate strategy alone did not adequately improve business performance. The fit between the organization processes and the corporate goals for the knowledge management practices facilitates the success of a good business operation structure. This in turn, leads to better organizational performance, thus contributing towards better understanding of how knowledge management practices can improve organizational performance.
Di sebalik peningkatan minat kepada pengurusan pengetahuan, terdapat penyelidikan yang terhad yang menggabungkan amalan pengurusan pengetahuan dalam agenda strategi korporat sebuah organisasi. Kekurangan bukti empirik telah mewujudkan satu jurang antara teori dengan amalan pengurusan pengetahuan dalam isu-isu strategi korporat. Dalam kajian ini, pihak penyelidik menyepadukan teori pandangan berasaskan pengetahuan dengan pandangan berasaskan sumber bagi sebuah firma, dan strategi untuk membina rangka kerja yang bersesuaian serta model penyelidikan pengurusan pengetahuan. Di samping itu, pihak penyelidik membina instrumen bagi kajian pengurusan pengetahuan dan secara empirik menguji model penyelidikan dari perspektif pemudahcaraan bersama-sama dengan topologi strategi Miles dan Snow.

Secara khusus, pengaruh amalan pengurusan pengetahuan sebagai pemboleh ubah pemudahcaraan yang utama yang telah diabaikan dalam penyelidikan-penyelidikan yang lepas di Malaysia telah diuji. Model teori diuji secara empirik dengan menggunakan data daripada 123 organisasi yang disenaraikan secara umum di Malaysia. Data daripada tinjauan dianalisis dengan menggunakan kesan interaksi v

Dapatan kajian juga membuktikan bahawa organisasi dalam kalangan pasaran pengguna, pasaran industri dan industri perkhidmatan yang disenaraikan secara umum di Papan Utama di Bursa Malaysia mempunyai matlamat amalan pengurusan pengetahuan yang berbeza. Ini disebabkan oleh persekitaran atau konteks apabila amalan pengurusan pengetahuan mempengaruhi aktiviti-aktiviti organisasi dari aspek matlamat korporat, amalan dan sokongan pengurusan, tahap pelaburan pengetahuan dan kesan faedah dalam amalan pengurusan pengetahuan terutamanya dalam memenuhi keperluan di peringkat strategik dan fungsi organisasi. Tahap faedah yang dijangkakan terhadap amalan pengurusan pengetahuan didapatkan mempengaruhi matlamat korporat organisasi secara langsung. Ini telah dibuktikan melalui dapatan kajian bahawa amalan pasaran memfokus menyumbang kepada
tahap prestasi organisasi yang paling tinggi, diikuti oleh amalan operasi memfokus
dan akhirnya oleh kedua-dua amalan organisasi dwifokus dan tak fokus.

Implikasi pengurusan yang penting dalam kajian ini ialah ia mengesahkan bahawa
strategi korporat semata-mata atau aktiviti berkaitan pengetahuan sahaja tidak
mencukupi untuk meningkatkan aktiviti perniagaan yang juga mengarah kepada
menyumbang kepada prestasi organisasi. Sebaliknya, kajian ini mencadangkan
penggunaan amalan pengurusan pengetahuan dalam pembentukan strategi korporat
terutama dalam aspek keberkesanaan pengoperasian (secara dalaman) dan
peletakan berstrategi (secara luaran) yang membantu organisasi untuk mengenal
pasti kawasan dalam organisasi yang amalan pengurusan pengetahuan sedang
mewujudkan nilai.

Kajian ini selanjutnya mencadangkan yang ia akan lebih bermakna bagi firma untuk
menggabungkan amalan pengurusan pengetahuan dalam pembentukan strategi
korporat mereka sebagai respons kepada keperluan perniagaan memandangkan
kajian ini telah menunjukkan bahawa amalan tradisional sedemikian dalam
pembentukan strategi korporat sahaja tidak mencukupi dalam mempertingkatkan
aktiviti perniagaan dari segi objektif prestasi organisasi. Proses organisasi yang
sepadan dengan matlamat korporat dari segi amalan pengurusan pengetahuan dapat
memudahkan kejayaan pengendalian struktur perniagaan yang baik, yang juga
membawa kepada prestasi organisasi yang lebih baik dan memberikan pemahaman
tentang bagaimana amalan pengurusan pengetahuan boleh menambahbaikkan
prestasi organisasi.
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I certify that an Examination Committee met on 19th December, 2007 to conduct the final examination of Raja Suzana Raja Kasim on her Doctor of Philosophy thesis entitled “Moderating Effects of Knowledge Management Practices in the Relationship between Corporate Strategy and Organizational Performance” in accordance with Universiti Pertanian Malaysia (Higher Degree) Act 1980 and Universiti Pertanian Malaysia (Higher Degree) Regulations 1981. The committee recommends that the candidate be awarded the relevant degree. Members of the Examination Committee are as follows:

Prof. Dr. Peter Songan
Professor/Dean
Centre of Applied Learning and Multimedia
Universiti Malaysia Sarawak
(External Examiner)

Prof. Dr. Rahim Md. Sail
Professor
Faculty of Educational Studies
Universiti Putra Malaysia
(Internal Examiner)

Prof. Dr. Aminah Ahmad
Professor
Faculty of Educational Studies
Universiti Putra Malaysia
(Internal Examiner)

Prof. Dr. Raduan Che Rose
Professor
Graduate School of Management
Universiti Putra Malaysia
(Representative of Supervisory Committee/Observer)

SHAMSHER MOHAMAD B. RAMADILI MOHD., PhD
Professor/Deputy Dean (Thesis Based Program & Research)
Graduate School of Management
Universiti Putra Malaysia
(Chairman)

Date: 12/6/08
This thesis submitted to the Senate of Universiti Putra Malaysia has been accepted as fulfillment of the requirement for the degree of Doctor of Philosophy. The members of the Supervisory Committee are as follows:

Raduan Che Rose, Ph. D
Professor
Graduate School of Management
Universiti Putra Malaysia
(Chairman)

Jegak Uli, Ph. D.
Assoc. Professor
Faculty of Educational Studies
Universiti Putra Malaysia
(Members)

Khairuddin Idris, Ph. D
Assoc. Professor
Faculty of Educational Studies
Universiti Putra Malaysia
(Members)

SAMSINAR MD. SIDIN, PhD
Professor/Dean
Graduate School of Management
Universiti Putra Malaysia

Date: 26/5/08
DECLARATION

I hereby declare that the thesis is based on my original work except for quotations and citations, which have been duly acknowledged. I also declare that it has not been previously or concurrently submitted for any other degree at UPM or other institutions.

RAJA SUZANA RAJA KASIM

Date: 18/7/08
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1.0 Introduction

Chapter one presents an introduction of this study and comprises seven main sections that introduces the background, the statement of problems, research questions as well as the objectives of the study. The section on the research framework and hypothesis development is also included under the section of the objectives of this study. This is followed by a separate section which describes the significance of this study, the operational definition of the terms used that makes up the conceptual model as well as the limitations of this study. The final sections summarized the chapter.

1.1 Background

Achieving superior organizational performance (OP) both in the financial and non-financial aspect is the ultimate goal of most organizations and serves as an important view in the field of strategic management. To some organizations, superior OP reflects the firm’s sustainable competitive advantage, where organizations must build strategies to sustain competitive advantage by leveraging their knowledge resources and intellectual assets for optimum performance, Turban, McLean and Wetherbe (2001). Organizations have been assumed by many as a pool of hard-to-copy resources and capabilities where the distinctive capabilities are dependant on the
way they build, expand and organize resources and capabilities to create and apply value-enhancing strategies (Peteraf, 1993; Barney, 1991; Amit & Schoemaker, 1993; Halawi, McCarthy & Aronson, 2006). This to some extent may reflect the organization’s superior performance.

Achieving superior OP also indicates the ability of the organization to achieve above average performance in an industry for at least 10 years or more (Marcus, 2005). Throughout the years, many companies may be able to perform better than their main competitors. However, this may only appear to be for a short time. In addition, organizations may also be able, though there may be few, to sustain competitive advantage over a significant period.

According to Scholl (2002), despite an organization’s effort, many still do not perform well and studies on the survival of organizations found that the average age of an organization is about 18 years. He further contended that the short life span of organization is the result of complex, but essential dynamic processes within the organizations such as performance that has been ignored and unattended by management. This is further reflected by today’s business environment, which has become more turbulent and unpredictable. Organizations find it difficult to perform well; international competition is changing to increasingly emphasize product and service quality, responsiveness, diversity and customization (Wigg, 1997). In this emerging competitive environment, globalization, converging technologies, ubiquitous network, use of information and communication technologies, dismantling of hierarchical structures and emergence of new business models are some of the prominent changes (Asoh, 2004). According to Asoh (2004) systematic or abrupt decline in performance often leads to the death of the organizations. Recently, the