



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

**Thesis Submitted to the Graduate School of Management,
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February 2008

Chairman: Professor Raduan Che Rose, Ph. D.

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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.

Abstrak tesis yang dikemukakan kepada Senat Universiti Putra Malaysia
sebagai memenuhi keperluan untuk Ijazah Doktor Falsafah

**AMALAN PENGURUSAN PENGETAHUAN SEBAGAI PEMUDAH CARA DALAM
HUBUNGAN ANTARA STRATEGI KORPORAT DENGAN PRESTASI
ORGANISASI**

Oleh

RAJA SUZANA RAJA KASIM

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Di sebalik peningkatan minat kepada pengurusan pengetahuan, terdapat penyelidikan yang terhad yang menggabungkan amalan pengurusan pengetahuan dalam agenda strategi korporat sesebuah 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 sesebuah 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

susun atur meningkat bagi analisis Pelbagai Regresi Sederhana. Dapatan kajian menunjukkan bahawa strategi korporat dan amalan pengurusan pengetahuan memberikan impak secara positif kepada prestasi organisasi. Dapatan kajian juga menunjukkan bahawa penilaian terhadap prospektor adalah lebih bermakna daripada defender, diikuti oleh penganalisis and akhirnya, reaktor. Kesan pemudahcaraan terhadap amalan pengurusan pengetahuan menerangkan bahawa terdapat 18% dan 7% varians peningkatan dalam prestasi objektif dan subjektif organisasi. Keputusan ini mengatasi peningkatan yang dijelaskan oleh strategi korporat. Dari sudut prestasi subjektif organisasi, dapatan kajian mencadangkan bahawa hubungan ini lebih kuat terutamanya dalam kalangan pasaran memfokus, diikuti oleh pasaran dwifokus dan operasi memfokus dan akhirnya daripada organisasi tak memfokus. Amalan pasaran memfokus amat ketara sebagai pemudah cara yang lebih berkesan dalam menangani prestasi organisasi.

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 didapati 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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LIST OF ABBREVIATIONS

CEOs	Chief Executive Officers
CKMPQ	Corporate Knowledge Management Practices Questionnaire
CP	Consumer Product
CS	Corporate Strategies
CSQ	Corporate Strategy Questionnaire
D/E	Debt to Equity ratio
HHR	Head of Human Resources
HR	Human resources
IP	Industrial Product
KM	Knowledge Management
KMP	Knowledge Management Practices
KMPCV	Knowledge Management Practices Corporate Value
KMPQ	Questionnaire
MD	Managing Directors
MMR	Moderated Multiple Regressions
NPM	Net Profit Margin
OP	Organizational Performance
OPQ	Organizational Performance Questionnaire
PLCs	Public-listed companies
PN17	Practice Notes 17
ROA	Return on Assets
ROE	Return on Equity
ROS	Return on Sales
SM	Strategic Management



CHAPTER 1

INTRODUCTION

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