



Structured knowledge processes and firm performance: The role of organizational agility☆



Juan-Gabriel Cegarra-Navarro^{a,*}, Pedro Soto-Acosta, Anthony K.P. Wensley

^a Business Management Department, Technical University of Cartagena, Cartagena, Spain

^b Management & Finance Department, University of Murcia, Murcia, Spain

^c Management Department and ICCIT, The University of Toronto at Mississauga Ontario, Canada

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ABSTRACT

Organizational agility facilitates the search and retrieval of relevant knowledge and enables businesses to apply this knowledge to develop high-quality services and products or react to the emergence of new competitors. This work develops a research model that explores the relationships among knowledge management structures, organizational agility, and firm performance. The empirical study examines these relationships using partial least squares structural equation modelling on a dataset of 112 large Spanish companies. The results of this modelling exercise support the effectiveness of a specific set and sequence of knowledge management processes and confirm not only the direct effect of knowledge application on organizational performance, but also the mediating effect of organizational agility in this relationship.

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1. Introduction

Organizational agility refers to the capability of a company to rapidly change or adapt in response to changes (Tallon & Pinsonneault, 2011). Organizational agility is fundamentally necessary for organizations facing changing conditions to use production factors to achieve the objectives of the organization, employees, and shareholders (Shahrabi, 2012). To address these issues, organizational agility requires firms to quickly manage their knowledge when responding to a changing environment, and the market environment in particular (Kodish, Gibson, & Amos, 1995).

Knowledge in an organization originates from both inside and outside the firm (Martelo & Cegarra). Although so much of organizational knowledge seems to come from external evaluations and observations, organizations have to make use of internal experience, expertise, and processes to interpret this external knowledge and to convert this

knowledge into an explicit form that those firms can reuse (Ortega-Gutiérrez, Cegarra-Navarro, Cepeda-Carrión, & Leal-Rodríguez, 2015). Hence, the enhancement of an organization's agility develops through the combination of what Martelo and Cegarra (2014) refer to as knowledge structures.

Although some similarities between organizational agility and knowledge management (KM) exist, these concepts are very different. While KM involves the structures that organizations use to assemble, integrate, and use knowledge as leverage in an appropriate manner (Liao, Chuang, & To, 2011; Nonaka & Takeuchi, 1995), organizational agility refers to the continuous close coordination among business, stakeholders, and other environmental factors allowing the organization to respond effectively to constantly changing situations (van Oosterhout, Waarts, & Van Hillegersberg, 2006). Consequently, firms need to find ways not only to adequately manage the knowledge but also to ensure the development and subsequent sustaining of the organization's agility (Newey & Zahra, 2009; Shahrabi, 2012).

Although an extensive literature promoting knowledge structures and their direct link to organizational performance exists (Gold, Malhotra, & Segars, 2001; Martelo & Cegarra, 2014; Mills & Smith, 2011), few studies identify variables that mediate this relationship and, more specifically, no previous research analyzes the potential mediating effect of organizational agility on this relationship. Therefore, this study addresses the gap in the literature by aiming to identify how knowledge structures influence firm performance in the presence of organizational agility.

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* Corresponding author.

E-mail addresses: juan.cegarra@upct.es (J.-G. Cegarra-Navarro), psoto@um.es (P. Soto-Acosta), anthony.wensley@utoronto.ca (A.K.P. Wensley).

2. Conceptual framework

2.1. The relationship between knowledge structures

Knowledge acquisition consists of making external knowledge available to others within the organization (Nevis, DiBella, & Gould, 1995). Many terms exist to describe this process in the whole, or in part, such as absorptive capacity (Cepeda & Vera, 2007; Cohen & Levinthal, 1990; Wu, 2007) or knowledge transfer (Ipe, 2003). In this research, knowledge acquisition (KAc) involves the combination of components that allow firms to create new knowledge about events, trends, and relationships in the external environment of the organization by sharing information with its stakeholders (Martelo & Cegarra, 2014; Ortega-Gutiérrez et al., 2015).

Although acquiring external knowledge is a critical step, noticing that all so-called knowledge generated within these external structures is not necessarily good knowledge is crucial (Cegarra, Wensley, & Eldridge, 2014). For example, inappropriate or false beliefs generated via unsupported belief, rumor, and gossip are just some of the examples that illustrate organizational members' propensity to create and accept partial truths and even outright falsehoods. Hence, once the acquisition of knowledge occurs, the next step must be knowledge's transformation into relevant knowledge (Fosfuri & Tribó, 2008).

Following Martelo and Cegarra (2014), this study suggests that while the ability to acquire external knowledge within the organization appears as KAc, knowledge conversion (KC) occurs when the firm transforms external knowledge into routines or processes and thus becomes part of that firm's knowledge and accumulated experience. The conversion of knowledge not only refers to a basic tool that supports the creation of social knowledge, but the conversion of knowledge also constitutes the vehicle through which firms can review, update, and refine the inappropriate or false beliefs generated via KAc structures, in some cases deleting them altogether (Gold et al., 2001).

Knowledge application (KAp) refers to a process that ensures that once a firm acquires knowledge, that firm uses that knowledge properly (Gold et al., 2001). Many terms describe the process of KAp: knowledge leverage (Ipe, 2003); knowledge use (Earl, 2001); and knowledge utilization (Jantunen, 2005). This study posits that the application of knowledge implies a KM process that requires being able to successfully transfer knowledge from one context to another (Martelo & Cegarra, 2014). One of the most common ways to apply knowledge is adopting the best practices of a leader firm, to identify the relevant knowledge and to use this relevant knowledge (Sandhawalia & Dalcher, 2011). Another aspect of KAp refers to collective routines, procedures and problem-solving processes that firms can use to apply relevant knowledge in decision-making (Martelo & Cegarra, 2014).

The literature shows two approaches to investigating the relationship between knowledge structures and organizational performance. The first approach uses composite constructs to measure knowledge structures, and its proponents find positive effects of knowledge structures on organizational performance (Gold et al., 2001). This method enables managers and researchers to focus on the main effects of knowledge, achieving parsimony; however this method sheds little light on the links between individual knowledge structures and their potential contribution to organizational performance. The second approach concentrates on individual knowledge structures and analyzes the impact of these individual knowledge structures on organizational performance (Mills & Smith, 2011; Seleim & Khalil, 2007). However, results within this research stream are less conclusive. For instance, Seleim and Khalil (2007) conclude that, from the knowledge structures studied (acquisition, creation, and application), only knowledge application relates to organizational performance. Similarly, Mills and Smith (2011) find that several knowledge structures, with the exception of knowledge conversion, affect organizational performance.

This study is consistent with other work (Martelo & Cegarra, 2014; Nevis et al., 1995; Ortega-Gutiérrez et al., 2015; Seleim & Khalil, 2007)

in that the above discussion (i.e., KAc → KC → KAp) implies a serial linear process. Hence, the study proposes the following hypotheses:

H1. A positive relationship exists between knowledge acquisition and knowledge conversion.

H2. A positive relationship exists between knowledge conversion and knowledge application.

2.2. Linking knowledge application with firm performance through organizational agility

Van Oosterhout et al. (2006) define organizational agility as the ability of an organization to develop and exploit its knowledge structures to compete successfully in uncertain and unpredictable environments. Although the knowledge management literature indicates that knowledge application affects directly organizational outcomes (Alavi & Leidner, 2001; Bierly, Damanpour, & Santoro, 2009), the application of knowledge can also be a major driver for relearning and therefore a major vehicle for creating new knowledge (Tallon & Pinsonneault, 2011). Knowledge application can also be the source of new knowledge through reviews of after-the-event account of the change process leading to the identification of the causes of departure from expectations (Shahrabi, 2012). For example, knowledge application strongly supports characteristics such as transparency, responsiveness, common language, and shared understanding (Gunasekaran, 1998). As Tallon and Pinsonneault (2011) indicate, companies using existing knowledge may have a greater opportunity to leverage its internal business processes, which in turn can help to respond appropriately to market volatility and dynamism.

This study draws on prior research indicating that the process involving the application of knowledge is essential for organizational agility because this knowledge process is essential to cope with market or demand changes that are unpredictable and uncertain (van Oosterhout et al., 2006). Organizational agility also has a positive relationship with organizational performance because such agility may result in fostering an organization's ability to respond to environmental changes in a purposeful manner and to develop and offer high-quality services and products (Alegre & Sard, 2015; Shahrabi, 2012). Indeed, prior researchers propose that organizational agility has a positive effect on performance (Tallon & Pinsonneault, 2011). Researchers propose that organizations lacking in agility will be less able to adapt existing process and routines to reflect changes in the environment that new knowledge signals. Given that such adaptation influences directly firm performance, the study proposes the following hypothesis:

H3. Organizational agility mediates the relationship between knowledge application and firm performance.

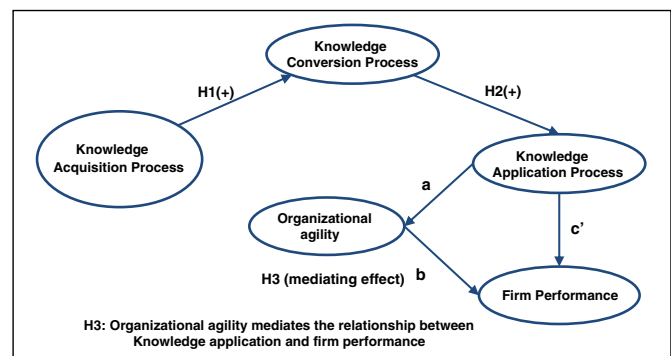


Fig. 1. The proposed research model.

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