



# Innovations within knowledge management<sup>☆</sup>



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## ARTICLE INFO

### Article history:

Received 1 February 2015

Received in revised form 1 July 2015

Accepted 1 September 2015

Available online 12 November 2015

### Keywords:

Innovation

Innovativeness

Knowledge management

Creativity

## ABSTRACT

The research aims at studying the scope of innovative knowledge management. It uses the concept of eight processes of knowledge management and identifies three broad categories of knowledge management innovations in an organizational context. It tries to verify outcomes of these innovative efforts. The research considers four aspects of organizational effectiveness: enterprise competitiveness, revenues, buyers' satisfaction, and business partners' satisfaction. The analysis covers small, medium, and large companies in Poland. The main conclusion is that studied enterprises are little innovative in the area of knowledge management.

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## 1. Introduction

Nowadays, it is crucial for companies to be innovative. Considering challenges they face in the knowledge economy, organizations are constantly striving to capture and secure their competitive advantage. They are balancing between formulating and implementing growth strategies and, at the same time, initiating innovative, high-risk activities. Harsh competition, changing consumer preferences, disruptive technologies, and new business models shape their environment and force them to rethink their processes and practices, including those related to knowledge management.

A company's innovative capacity is linked to the knowledge it possesses or acquires externally. Another relevant question is how innovative companies should be when designing, implementing and maintaining their knowledge management structures and systems. The gap between recognizing the need to develop knowledge management systems and the ability to generate innovations in this domain is unstudied. The type of innovations in this area may matter just as much as the companies' motivation, that is the benefits they expect to get from their innovative efforts. The paper addresses these issues in trying to figure out:

- What is the level of knowledge management innovations in the researched companies?

<sup>☆</sup> The authors are grateful for contributions from professors M. Strużycki and A. Skowronek-Mielczarek from Warsaw School of Economics, and from copyeditor M. Werner-Gózdź.

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- What is the influence of knowledge management innovations on a company's competitiveness, revenues, its business partners' satisfaction, and its buyers' satisfaction?
- Is there a statistically relevant association between the type of knowledge management innovations (if they are organizational, social or technological) and the benefits they bring?
- What is the motivation for knowledge management innovations?

## 2. Theoretical framework

### 2.1. Diversity of innovation

Many approaches exist to defining innovation. Bogdanienko, Haffer, and Popławski (2004), DeCenzo, Robbins (Nowacki, 2010a). Amabile, Conti, Coon, Lazenby, and Herron (1996) define innovation as a creative process of devising a useful product, service or mode of action from a pure concept located within a company. According to Burnett (1953) and Damanpour (1991), anything new may be perceived as innovation, if its qualities or attributes distinguish it from its existing counterparts. An idea, approach, method, behavior, attitude and culture, technology, and capability may constitute an innovation. Here, the objective novelty is irrelevant, only the act of perception makes a difference (Kotler, 1994; Rogers, 1962). Narver and Slater (1990) and Zhou, Yim, and Tse (2005) stress the strategic potential of innovation. Drucker (1992) points to changes in product design, marketing techniques, and management methods, and Farazmand (2004) goes even further and makes direct references to knowledge management practices. He claims that innovation may reside in the knowledge that is used in a new product

manufacturing process, and in the ways of managing and controlling networks and communities.

## 2.2. Knowledge management as a channel for innovation

An increasing number of companies choose to implement knowledge management strategy in the knowledge-based economy, realizing that knowledge is an important intangible resource (Skrzypek, 2004). In effect, they take on the creation of knowledge management processes which play an important role in the overall management system (Bitkowska, 2010; Drucker, 1992).

Probst, Raub, and Romhardt (2002) propose a concept of eight knowledge management processes: localizing, acquiring, developing (creating), sharing, disseminating, leveraging, and storing knowledge. They stress the linkage between internal and external processes and assume that managers know where knowledge resources lie in the organization and that every employee should be engaged in the knowledge management processes. Employees serve as transmitters of knowledge. To enable free information sharing, it is also necessary to adopt the right organizational culture and structure.

Knowledge management processes and systems should be designed to leverage the expertise of the workforce and to add new value by making people collaborate on new information, extract vital data and process it appropriately to the organizational needs. Smart processes and systems may help recognize upcoming trends, anticipate possible scenarios, reduce uncertainty, gain new skills and allies, and streamline daily operations. Having in mind these potential benefits, companies are willing to experiment with new approaches to knowledge management, such as design thinking (Beckman, & Barry, 2007; Bachnik, 2011; Bitkowska, Nowacki, & Zaleśna, 2012; Brown & Katz, 2009; Martin, 2009).

The paper focuses on efforts regarding knowledge management processes undertaken by companies in order to implement innovative solutions. For the purpose of the research, innovative knowledge management is defined as a company's willingness to introduce innovative knowledge management processes and its ability to execute this strategy.

## 3. Methodology

### 3.1. Scope of innovation and motivation

The paper discusses three broad categories of innovations within knowledge management processes. Based on an EIRMA report (1999), works of Riege (2005) and Mierzejewska (2004), and the results of a pilot study, the authors identify social, organizational and technological innovations within knowledge management. The pilot study was organized in early 2009 in order to verify working hypotheses and reveal the understanding of the concept of innovation. 50 subjects (managers) took part.

A company's innovativeness depends on whether it possesses or wants to develop three resources: human resources able to grasp and manage knowledge, effective organizational structures which support individual and group work, and technology. Accordingly, social innovations relate to employee development, knowledge sharing among employees, building organizational culture, and stimulating teamwork. Organizational innovations involve units, teams, and positions. Technological innovations deal with information systems, intranets, and web portals.

The pilot study revealed a link between innovative efforts and related expectations (expected outcomes). The subjects identified four basic effects they expected after implementing innovative knowledge management processes: enterprise competitiveness, revenues, buyers' satisfaction, and business partners' satisfaction. The motivation factor in the field of innovation is strong (Bachnik, 2010; Bos-Brouwers, 2010; Damanpour, 1991; Hurley & Hult, 1998; Talke, Salomo, & Kock,

2011; Van de Vrande, De Jong, Vanhaverbeke, & De Rochemont, 2009) and had to be included in the research.

### 3.2. Hypotheses

The juxtaposition of the scope of knowledge management innovations and the expected outcomes of innovative efforts leads to five hypotheses:

**H1.** A company's size (measured by the number of employees) is positively correlated to its innovativeness in the area of knowledge management.

**H2.** A company-favored type of knowledge management innovations (whether the company invests most in organizational, social or technological innovations) is positively correlated to the managers' assessments of the impact of these innovations on the company's competitiveness.

**H3.** A company-favored type of knowledge management innovations is positively correlated to the managers' assessments of the impact of these innovations on the company's revenues.

**H4.** A company-favored type of knowledge management innovations is positively correlated to the managers' assessment of the impact of these innovations on the satisfaction of the company's buyers.

**H5.** A company-favored type of knowledge management innovations is positively related to the managers' assessments of the impact of these innovations on the satisfaction of the company's business partners.

To verify the above hypotheses the authors use a chi-square test ( $\chi^2$ ) and apply Tschuprow's T to measure the association between the studied variables. The analysis applies structural indicators to reflect the percentage of enterprises which agree with certain concepts and practices. The respondents assess the impact of innovative knowledge management on the four aspects of organizational effectiveness using a 5-point scale, where 1 is very low impact and 5 is very high impact. This data is used to calculate the central tendency (weighted arithmetic average), dispersion (standard deviations), and the kurtosis and skewness (Pearson's coefficients).

### 3.3. Data

The stratified research sample comprises 608 randomly selected enterprises which represent every category of companies (manufacturers, service providers, trading companies, micro, small, medium, and large enterprises). Researchers conduct direct one-on-one interviews with managers of the selected companies. The interviewees answer questions about management innovations introduced by their companies, including knowledge management innovations. They identify the scope, scale, form, and effects of the innovative activities.

On verifying the hypotheses, two additional variables prove important: the company size and industry. Numerous studies show that there is no significant difference between small and large enterprises in their innovative efforts, measured by the quality of innovative solutions and their attributed importance (Van Dijk, Den Hertog, Menkenveld, Thurik, 1997). Although some researchers point out few differences arguing that innovative small businesses can gain competitive advantage over large organizations due to their flexibility and adaptability (Cao, Gedajlovic, Zhang, 2009; Ebben, Johnson, 2005; Knight & Cavusgil, 2004; Pelham, 1999). On the other hand, large companies have more resources, which means their innovative activities may have greater scope and spread (Harmancioglu, Grinstein, & Goldman, 2010). That is why the authors ensure that the sample is balanced to account for the differences between how companies in various categories think and act. The research sample consists of 270 production

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