


# Impact of Knowledge Capabilities on Organisational Performance in the Private Sector in Oman: An SEM Approach Using Path Analysis

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## ABSTRACT

The authors examine various aspects of the organizational knowledge capabilities and assess their impact on the organizational performance of private firms in Oman. Ten hypotheses are developed, linking the dimensions of organizational knowledge capabilities (OKC) (technological, cultural, managerial, and collaborative) with the aspects of performance. The path analysis technique is used to test the hypotheses; only four hypotheses depicted the effect of OKC on performance. They find that managerial capabilities play a significant role but have an indirect positive effect on enhancing performance. They have a higher impact only when they are inter-linked with collaborative capabilities, which have a direct and significant effect on performance. This paper deciphers the various knowledge capabilities and establishes inter-linkages among them in the firm context. The results enable the development of a productive knowledge management ecosystem in the business environment and spotlight on the wise investment of IT in achieving business goals.

## KEYWORDS

Collaborative Capabilities, Cultural Capabilities, Knowledge Management, Managerial Capabilities, Oman, Organizational Capabilities, Path Analysis, Performance, SEM, Technological Capabilities

## 1. INTRODUCTION

The evolving discourse on resources and capabilities has highlighted the importance of knowledge management (KM) for the firms. Porter (1980) explained the concept of competitive advantage and focused on the resources and capabilities of a firm, and was later examined by other researchers (Barney, 1991; Barney, 1995) and further through the Resource-Based View (RBV) of the firm (Halawi

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et al. .2005). RBV is applied to determine how organizational resources can affect organizational performance and help in attaining sustainable competitive advantage (Barney, 1996; Massukado-Nakatani and Teixeira, 2009; Jennex and Olfman, 2005).

The implication of KM is not confined to a few industries alone. Even traditional industries like Cement can benefit from KM practices (Zack, 2003). So it is evident that irrespective of whether it is a technology-based firm or not, it can even benefit from KM (Teng and Song, 2011). Moreover, Gharakhani and Mousakhani (2012) have examined the relationship between KM capabilities and organizational performance of small and medium enterprises (SMEs) in Iran and found that KM capabilities have a positive effect on performance. Therefore, the assessment of KM performance is now becoming crucial for firms to ascertain their strategic positioning since it is capable of improving the firm's competitiveness in the domestic and global markets, (Mahdi et al., 2019; Jennex and Olfman, 2005).

Thus, given the importance of establishing inter-linkages between organizational knowledge and firm capabilities (Teixeira et al., 2019), it is imperative that it be aligned to organizational performance. Also, Watkins (2017) examines the theories of organizational learning and learning organization and assesses their impact on knowledge performance. Several studies exist in the area of KM; they have focused on the businesses and industry in the Sultanate of Oman. Al-Busaidi and Olfman (2005) investigated the effects of knowledge-culture, organizational infrastructure, vision clarity, and host of other factors on the success of the Knowledge Management System in Omani firms. Later, Al-Busaidi et al. (2010) outlined the factors that determine the individual knowledge sharing behavior to a repository knowledge management system. Their study focused on Oman and made suggestions to prepare the country's organizational human resources to enhance their participation in a knowledge-based economy as in Crhová & Matošková (2019). Our present study, however, is distinct and contributes to the body of literature in the following ways:

1. It establishes inter-linkages between OKC and organizational performance and classifies OKC into technological, cultural, managerial, and collaborative capabilities. Also, it ranks organizational performance into five distinct parameters, which include contemporary offerings, customized services, customer loyalty, continuous improvement, and image and reputation. These classifications are based on the knowledge management practices exhibited by the firms in general, and the Omani firms based on the primary data.
2. It suggests a four-component model of organizational capabilities tested using the Structural Equation Modelling (SEM). The model can well be replicated to decipher the inter-linkages between OKC and organizational performance in other countries of the Gulf Cooperation Council (GCC) as well.

This rest of the paper is organized as follows. The second section discusses the literature of topic relevance, thus identifying various capabilities of OKC and their enablers with a focus on performance. The research design and modeling have been explained in the third section of this paper. The result and its discussion have been presented in the fourth section, and finally, the fifth section concludes the paper.

## 2. LITERATURE REVIEW

There is a vast body of literature on KM. Whereas the purpose of this section is to review the existing literature, it also aims to decipher studies related to enablers of knowledge capabilities and organizational performance and put them together to develop pragmatic constructs. Prahalad and Hamel (1990) examined how firms with fewer resources but bigger aspirations than their competitors can compete successfully. The diverse dimensions of KM like organizational learning, knowledge

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