

## Chapter 6

# The Roles of Knowledge Management and Organizational Innovation in Global Business

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### ABSTRACT

*This chapter explains the roles of Knowledge Management (KM) and organizational innovation in global business, thus describing the theoretical and practical concepts of KM and organizational innovation; the significance of KM in global business; and the significance of organizational innovation in global business. The accomplishment of KM and organizational innovation is vital for modern organizations that seek to serve suppliers and customers, increase business performance, strengthen competitiveness, and attain regular success in global business. Thus, it is necessary for modern organizations to investigate their KM and organizational innovation applications, create a strategic plan to constantly explore their functional advancements, and immediately respond to KM and organizational innovation needs of customers. Applying KM and organizational innovation will significantly enhance organizational performance and achieve strategic goals in the information age.*

### INTRODUCTION

In today's emerging knowledge-based economy, KM is being rapidly disseminated in both academic circles and the business world (Park, Jang, Lee, Ahn, & Yoon, 2013). Globalization has resulted in increasing use of knowledge as competitive weapon in many organizations (Chu, Kumar, Kumar, & Khosla, 2014). The application of emerging knowledge is crucial for innovation by firms

competing in science and technology-intensive industries (Hohberger, 2014). KM should be coherent and based on the firm's strategy (Bagnoli & Vedovato, 2014). Effective KM frequently leads to creative value-added innovations and consequently raises competitiveness of its products and services (Kim, 2014). KM and organizational learning positively influence organizational innovation (Noruzy, Dalfard, Azhdari, Nazari-Shirkouhi, & Rezazadeh, 2013).

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The evaluation of KM has become increasingly significant (Liu & Abdalla, 2013). Managing knowledge constitutes one of the major strategic advantages of an organization (Lunnan & Zhao, 2014). Kasemsap (2014a) stated that KM, strategic orientation, and organizational innovation lead to improved organizational performance. Organizational learning is practically related to KM in the manufacturing organizations (Kasemsap, 2014b). Kasemsap (2014c) explained that the functional practices of performance management are correlated with organizational performance.

Firms increasingly use open competitions to extend their innovation process and access new diverse knowledge (Villarroel, Taylor, & Tucci, 2013). Organizational innovation is one of the critical success factors for organizations (Peng, Zhang, Fu, & Tan, 2014). Organizational performance depends on organizational innovation (Tödtling & Grillitsch, 2014). Organizational innovation and competitive advantage can improve organizational performance (Azar & Drogendijk, 2014). Support for innovation has a positive relationship on organizational learning and organizational innovation (Hsiao, Chang, & Chen, 2014).

The strength of this chapter is on the thorough literature consolidation of KM and organizational innovation. The extant literatures of KM and organizational innovation provide a contribution to practitioners and researchers by describing a comprehensive view of the functional applications of KM and organizational innovation to appeal to different segments of KM and organizational innovation in order to maximize the business impact of KM and organizational innovation.

## **BACKGROUND**

The modern business environment is characterized by intense competition (Papadimitriou & Kargas, 2012). Managing knowledge is effectively critical to the competitive power of an organization (Park, Lee, Lee, Jiayi, & Yu, 2013). KM has at-

tracted an increasing number of researchers since the concept was born (Li, Guo, Zhi, Han, & Liu, 2013). Knowledge is the most important asset for an organization to create value and sustainable competitive advantage (Chen, 2012). KM becomes a key organizational capability for creating competitive advantage (Kale & Karaman, 2012). One of the most important aspects of KM is to create a system that is capable of providing mechanisms and methodologies allowing the right knowledge to be at the right place and at the right person as well as at the right time within an enterprise (Oztemel & Arslankaya, 2012).

Research in the field of management and organizational sciences has yielded a deeper understanding of many emerging business issues (Radaelli, Guerci, Cirella, & Shani, 2014). It is essential for business to understand the driving forces of innovation (Peng et al., 2014). Many theoretical frameworks seek to describe the dynamic process of the implementation of innovation (Wisdom, Chor, Hoagwood, & Horwitz, 2014). Organizational innovation is a central concept in academic research and managerial practice (Ruvio, Shoham, Vigoda-Gadot, & Schwabsky, 2014). New technology-based firms, particularly those that develop their business around a new technological platform, are likely to be impacted by globalization, in terms of both pace of innovation and pressure of competition (Onetti, Zucchella, Jones, & McDougall-Covin, 2012).

## **ROLES OF KNOWLEDGE MANAGEMENT AND ORGANIZATIONAL INNOVATION IN GLOBAL BUSINESS**

This section describes the theoretical and practical concepts of KM and organizational innovation; the significance of KM in global business; and the significance of organizational innovation in global business.

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