

# **Knowledge Management Processes and Organizational Performance: Investigating a “Causal” Analytic Model Using Structural Equation Modeling (SEM) Techniques**

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## **Abstract:**

Attaining and maintaining a sustainable competitive advantage is increasingly dependent on knowledge assets and as result, organizations need to assess and understand how knowledge management (KM) best contributes to organizational performance (Lee, Lee, & Kang, 2005). To help organizations in quest of KM benefits, various KM frameworks have been proposed. One such framework is the knowledge value chain (KVC) ( Lee & Yang, 2000; Holsapple & Singh, 2001), developed based on Porter’s value chain approach (Porter, 1985).

Although the above KVCs help understand KM benefits, the KM processes which constitute the primary activities in these frameworks are not consistent. For example, Lee and Yang (2000) consider knowledge acquisition, innovation, protection, integration, and dissemination as the primary activities while Singh (2000) and Holsapple & Singh (2001) consider the primary activities to include knowledge acquisition, selection, generation, internalization, and externalization. Even if the inconsistencies in the KM primary activities are rationalized on the multi-facet nature of knowledge, it is not understood why these KVCs ignore knowledge utilization which is an important KM process. It is questionable, how value can be derived from knowledge if the knowledge is not used. Furthermore, despite the extensive discussion of the KM primary activities, little or no empirical study has been carried out to investigate how these activities relate among themselves and subsequently to organizational performance.

The purpose of this paper is fourfold. First, synthesis the literature on KM processes to propose a knowledge value chain which includes knowledge utilization. Second develop a causal model among these KM processes. Third, collect data to test the causal model, and finally apply SEM analytical techniques to investigate the relationship among these processes and with organizational performance. SEM is more appropriate for this research because it enables us confront the a priori theory with empirical data (Fornell, 1982).

Results of this study will (1) establish the validity of a new knowledge chain model, and hence provide further evidence in support or non-support of the KVC framework, (2) establish the validity of causal relationships among KM processes, (3) depict the impact of KM processes on organizational performance. Based on these result, organizations would be able to better align resources for maximum KM benefits. Educators will have the opportunity to augment and apply findings in teaching KM-related courses.

*Keywords:* knowledge management processes, knowledge value chain, organizational performance, structural equation modeling.

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