Knowledge Management and Organization Performance; A Critical Review of Literature
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1* Peter Teleli Andrea, 2 Dr. Rosemary Wanyoike

1, 2 School of Business, Economics and Tourism, Kenyatta University

https://orcid.org/0009-0002-8223-2333

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Abstract

**Purpose:** The performance of any organization relies on its available human resources. Organization performance has continuously been a concern of management teams, owners, shareholders and researchers. Globally, most of organizations are overwhelmed by various forces which affecting their capability to endure and perform as expected. Trends of the twenty first century have pressed organizations to seek the best way to survive and excel in the turbulent environment. This study aimed to examine the effect of knowledge management and organization performance.

**Methodology:** Desktop review was used to examine empirical review associated with knowledge management practices and performance

**Findings:** The study found that knowledge management improves organizational performance. However, there are varying relationships between knowledge management practices with organizational performance.

**Unique contribution to theory, practice and policy:** This study informs management and other actors of organization on the necessity of knowledge management as an important resource organization ought to have for it to have competitive advantage.

**Keywords:** Knowledge Management, Organization Performance
Introduction

Background of the Study

Human resources are central resource of the organizations that need to be managed and utilized effectively for the organizations to attain its desired goals. The performance of any organization relies on its available human resources in terms of qualities (skills, abilities and competencies) and quantity (sufficient number) (Almatrooshi, Singh, & Farouk, 2016; and Armstrong, 2012). This gives an alert that qualified and experienced employees are very important to guarantee the performance of the organization in stable and unstable environment (Njoroge, 2021). The prospective success of a business rests on its organizational performance; which entails its capacity to effectively design and implement plans and strategies to accomplish established objectives (Randeree & Al Youha, 2009). Organization performance has continuously been a concerned of many actors such as management teams, owners, shareholders, customers and researchers to mention but few (Jenatabadi, 2015) as it is a central dimension of organizational achievement (Alrubaiee, et al., 2015 and Hamann, et al., 2013).

However, the term performance is one among the debated terms which lacks consensus amongst several theorists and researchers on its meaning (Awino, 2022; Ha & Lo, 2018; Iuliana, 2016 and Jenatabadi, 2015). It is important to note that, absence of common operational definition of performance may lead to have various understandings, interpretations and conclusion among different scholars and practitioners (Jenatabadi, 2015). The author further revealed that, the substantial attempts to theoretically and practically account for and explain the concept are few thus; this is one among the reason for lacking agreement. The concept of performance is used with diverse definitions in several disciplines such as in computer science, education, airline and management, and computer science (Ibid, 2015). Although scholars such Thompson, Friedlander and Pickle have revealed that performance is used frequently in management’s discipline (Ibid, 2015).

According to Iuliana (2016) the word performance began in the mid-nineteenth century and it was first used in explaining the results to a sporting tournament; however, the concept evolved and developed a sequence of meanings that were intended to cover the broader sense in the twentieth century. Besides, Jenatabadi (2015) highlighted the landmarks and contributions of various scholars in development of organizational performance as follows. In 1960 Amitai Etzioni conceptualized organizational performance as repetitive assessments of organizations achievements or non-achievements of the established organizational goals and objective. Though, Etzioni’s submission was criticized for ignoring the role of resources that need to be utilized for organizations to attain its goals. In 1962 and 1967 Chandler and Thompson advanced the
concept of organizational performance alike Etzioni’s suggestion. They contended that the critical and final measure of organizational performance is its growth and long-term endurance. According to Jenatabadi (2015) attainment of organizational objectives is in common to both aforesaid scholars when speaking of organizational performance. In 1970 Lorsch suggested two different factors of assessing organizational performance. These factors were: the good fit amongst the organization and its environments; and good fit amid the organization and its individual contributors (Ibid, 2015). This implies that, the good performance of the organization can take place when there are well-organized operations amongst the organizations, environment and the employees and vice versa is true. In 1970s the scholars like Georgopoulos and Tannenbaum believed that term performance include both organizational means and ends took place (Ibid, 2015). In 1978 Katz and Kahn considered organizational performance into three measurements which were relevancy, efficiency and effectiveness.

In contrast, Adam (1994) regarded organizational performance as greatly relies on the employees’ performance excellence. He introduced an important aspect in management of employees for the sake of increasing performance of the organization. Adam thought of updating skills, knowledge and abilities of employees as significant catalyst to ensure strengthen good performance of the organizations (Ibid, 1994 and Jenatabadi, 2015). Likewise, when organizations wish to survive in stifle competition and attain superior performance; the needs and demands of the important stakeholders like employees, customers, owners and shareholders are not supposed to be taken for granted (Harrison & Freeman, 1999 and Adam, 1994). In the twenty-first century, organizational performance is centered on the capacity of an organization to effectively and efficiently use the existing resources to attain its intended objectives (Peterson, Gijsbers, & Wilks, 2003). Equally, Jenatabadi (2015) emphasized that the scope of organizational performance needs to be wider to embrace effectives (link amid performance and organizational goals); efficiency (utilization of organizational resources) and relevancy (satisfaction of the important stakeholders).

Building on the views of aforementioned scholars, it is indeed true that the concept performance has diverse meaning and measures due to its subjective nature. This leads to absence of universal metrics of the concept across sectors. Since various actors and stakeholders may have diverse views on what constitutes organizational performance and may prefer different measures subject to their interests and objectives. It should be noted that, previously organizational performance was generally measured on financial ratios like profitability, return on assets, return on investments, and return on equity (Wainaina, 2022; Lo, et al., 2016; and Coombs, et al., 2005). However, this dimension has been criticized as it is concentrated on the previous and not present performance of the organizations (Lo, et al., 2016 and Coombs, et al., 2005). Therefore, scholars
such as Ho, et al., 2016; Lo, et al., 2016; Simon, et al., 2015, and Coombs, et al., 2005 remarked that when assessing organizational performing a combination of both financial and non-financial measures is very significant as it gives a holistic picture.

Globally, most of organizations are overwhelmed by various forces affecting their capability to endure and perform as expected. Trends of the twenty first century have pressed organizations to seek the best way to survive and excel in the turbulent environment. Iuliana (2016) remarked that given the current context of globalization whereas sustainable development is a vital agenda organizations must invest to the employees so that they can assist and enhance organizational performance. Global performance needs organization’s capability to produce value for all stakeholders such as employees, owners, shareholders, suppliers, customers, creditors and members of the community (Ibid, 2016). Empirical studies in Asia countries reveal that organizational culture, technology orientation and high performance work systems techniques were some of the determining factors for high organizational performance (De Waal, 2020). According to Lo, et al., (2016) supports from top management, employee orientation, customer center, technology, entrepreneurial orientation, market orientation and learning organizations are among the vital factors for organizational performance in Malysia. However, one of the challenges facing Asian organizations is about the status of their products; whereas in various parts of the World people have the view that some of the Asian’s products have low quality and standards (Ibid, 2020). Studies revealed that the aforementioned challenge is resulted of low services coordination and quality of human resources management (Sumardi & Adji, 2018; Chen, et al., 2016, Choi, 2014 and Boxall, 2012). Therefore, De Waal (2020) remarked that for the Asian organizations to remain competitive, they need to put more efforts to improve their qualities by turning around their organizations and adopting high performance organizations model.

The African context such as socio-cultural, economic and environment distinctiveness do make African organizations to function different from other countries such as Asian and Western (Amah, et al., 2019). A country socio-cultural and economic aspect have vital role in shaping and determining organizational performance (Gelfand, et al., 2007). It is indeed true that, African countries have diverse socio-cultural aspects unlike the developed countries. Therefore, the measures to be used in the classification of high performing organizations in Africa need to observe the diversity of the aforesaid factors (Amah, et al., 2019). Van Heerden & Roodt (2007) developed a model for determining high organizational performance in South Africa called South African Excellence Model (SAEM). Amah, et al., (2019) remarked that SAEM is suggested for organizations in Africa to guarantee best practices. According to the model organizational performance is determined by its impact to the community, satisfaction of clients, people, dealers,
owners, shareholders to mention but few (Amah, et al., 2019 and Van Heerden & Roodt, 2007). However, the model did not take into consideration the environmental factor as the measure of organization performance (Amah, et al., 2019). Boyer, et al., (2008) cited in Ibid (2019) established eight important factors for the successful organizations in the developing world context, which are leadership, partnership, proof and clarity of innovative concept, planning and marketing, triple bottom line planning, short- and long-term viewpoints, community engagement, and risk management. Likewise, Amah, et al., (2019) argued that the measures of organizational achievement in Africa should go beyond financial indicators and also include social and environmental indicators. The determinants of organizational performance in Kenya vary across the industries. For example in the insurance industry strategic orientation, core competences, intellectual capital and organizational culture were among the determinants of organizational factors (Mugo, 2018). While organization structure, technological capability, management competency are among the determinants of organizational performance in Small and Medium Manufacturing Firms in Kenya (Uwase, 2020). However, African organizations are faced with number of challenges and problems which affect their performance which are somehow in common in many countries such as inadequate skilled human resources, leadership, corruption, mismanagement, weak institutions, insufficient finance (Amah, et al., (2019).

According to Almatrooshi, et al., (2016) and Akdemir, et al., (2010) the achievement of any organization rests on its employees’ performance thus, this implies that inadequate performance of employees is harmful to the success of such organization. Almatrooshi, et al., (2016) remarked that great performance of an organization encompasses the application of knowledge and skills necessary to perform certain functions within the organization. Likewise Njoroge (2021) emphasized that organizational performance is attained only if the labour force have got the abilities, skills and competencies to perform their functions. It is acknowledged in the literature that knowledge management has received more attention in recent times, as various scholars have underscored its imperative role on improving organizational performance (Meher & Mishra, 2022; Patwary, et al., 2022, Balasubramanian, et al., 2020 and Ha & Lo, 2018). In the knowledge based economy, knowledge becomes an important resource organizations ought to have for them to survival in a stiff competition (Sangeeta, 2020 and Kamunda, et al., 2019). Organizations ought to manage their knowledge assets for them to excel (Sandelin, et al., 2019).

**Problem Statement**

Evaluating the performance of the organization has always been a concerned of different actors such as management, owners, shareholders and scholars (Jenatabadi, 2015). Organizations are always search for performance so as to attain their scheduled objectives. Besides, the success of
any organization relies much on performance of the employees (Iuliana, 2016). Organizational performance has been considered for a long time by organisational researchers as a main dimension of organizations’ success (Alrubaiee et al., 2015 and Hamann et al., 2013). However, the concept suffers from absence of universal meaning and it has also been regarded as a multidimensional concept (Ha & Lo, 2018 and Akdemir, et al, 2010). Equally, Iuliana (2016) remarked that the concept has a feature of polysemantic in nature which makes it difficult to have a common definition. To him the concept opens the window for having more definitions which are frequently too general or too specific, unclear or even immaterial (Ibid, 2016). This brings challenge when it comes to determine the appropriate measures of performance of the organization. Literatures reveal that, in previously performance of organizational was generally measured on financial metrics like profitability, return on assets, return on investments, and return on equity (Wainaina, 2022; Lo, et al., 2016; and Coombs, et al., 2005). This implies that the financial position of the organization was the only determined factor of organization success. However, scholars such Lo, et al., (2016); Simon, et al., (2015) and Coombs, et al., (2005) argued that taking the financial measures alone is not appropriate measure of performance of organization since they are concentrating on the previous and not present performance of the organizations. Empirical studies of various scholars such as Ho, et al., (2016); Lo, et al., (2016); Simon, et al., (2015) and Coombs, et al., (2005) commented that effective measurements of organizational performance have to embrace together financial and non-financial measurements. Financial measures entail profitability, growth, return on assets, return on investments, and return on equity; while the non-financial measures cover customer satisfaction, product and service quality, relevance of the service, efficiency, effectiveness, loyalty and employee satisfaction (Simon, et al., 2015 and Ha & Lo, 2018). Balasubramanian, et al., (2020) highlighted that growth, revenue and profitability are relevant to private sector organizations while innovation, quality of service, service delivery and operational efficiency of services are relevant in public sector organizations. According to Iuliana (2016) organizational performance is mixed up with concepts like productivity, efficiency, effectiveness, economy, earning capacity, profitability, and competitiveness. In contrast, Amah, et al., (2019) extended that performance measures of organization need to go beyond financial aspects, social and environmental factors also need to be considered when estimating performance of the organization.

As above mentioned, it is indeed true that absence of universal meaning and measures of performance of organization is a challenge before the organizations, management, scholars to mention but few. In spite of this, globally most of organizations are also overwhelmed by various forces which affecting their capability to endure and perform as expected. Trends of the twenty first century have pressed organizations to seek the best way to survive and excel in the turbulent
environment. Njoroge (2021) emphasized that organizational performance is attained only if the employees have got the abilities, skills and competencies to perform their functions. It is acknowledged in the literature that knowledge management has received more attention in recent times, as various scholars have underscored its imperative role on improving organizational performance (Meher & Mishra, 2022; Patwary, et al., 2022, Balasubramanian, et al., 2020 and Ha & Lo, 2018). In the knowledge based economy, knowledge becomes an important resource organizations ought to have for them to have competitive advantage (Saneeeta, 2020 and Kamunda, et al., 2019). However, knowledge management has not received too much attention in most of the developing countries especially in the public sectors (Kassema, 2016).

**Theoretical framework**

This study is underpinned by Resource Based Theory. The former contributor of this theory was Penrose in 1959 who remarked on necessity of organizational resources but in 1980s resource based view began and took the pace (Barney, et al., 2011). Resource based theory advocates that, the company can attain its competitive advantages if the resources are valuable, unusual and costly to replicate (Armstrong, 2012). Indeed, human resources are central resource of the organizations that need to be utilized and managed effectively for the organizations to attain its desired goals (Armstrong, 2012; Itika, 2011; Barney, et al., 2011). Besides, they have got the following four (4) attributes such as source of other resources, thinking resources, heterogeneous and appreciate and depreciate (Armstrong, 2012). Building on the aforesaid attributes which show the abilities and competencies of human resources; the success and sustainability of any organizations is the function of the qualities (skills, abilities and competencies) and quantities (number) of its human resources. Resource based theory is relevant to the study since its assumptions build in knowledge management and organization performance. For example, tacit knowledge occurs in persons’ minds whereas it is hard to articulate in writing and it is acquired through personal experience (Armstrong, 2012). Meher & Mishra (2022) emphasized that, knowledge is regarded as a valuable resource for the organization. As indicated by Barney (1991) cited in (Patwary, et al., 2022) that to the resource based theorist, knowledge is considered as a strategic resource to realize organizational performance. This signifies such assumption that human resources are rare, valuable, and costly to replicate who are very essential in enhancing the performance of organization (Armstrong, 2012). Both explicit and tacit knowledge are required to be managed properly in the organization since they are valuable asset of organizational performance (Probst, et al., 2000 cited in Sandelin, et al., 2019). It is important to note that organizations’ competitiveness relies more on its inner potentials (qualities) of human resources and other resources compared with its products market positioning (Patwary, et al., 2022).
Empirical Literature Review

Alharthy, et al., (2018) studied on the impact of knowledge creation on organizational resilience towards organizational performance in Saudi Banks. The study employed survey whereas 300 respondents were emailed and with 240 completed the online survey. The findings of the study revealed that, knowledge creation process improves the resilience capabilities, and contributes to improve organisational performance.

Chung, et al., (2019) studied on knowledge creation and organizational performance: mediating process from organisational agility in enterprises in Taiwan. The study used survey approach and the hypotheses were tested by using multiple regression analyses. The findings of the study showed that knowledge creation processes increase creativity in organization, which in turn leads to in superior organizational performance.

A study conducted by Tamsah, et al., (2020) on training, knowledge sharing, and quality of work-life on civil servants performance in Indonesia found that knowledge sharing has an indirect impact on Civil Servants performance unlike to its direct effect. The study used a quantitative approach to SEM-Amos analysis tools.

A study done by Li, et al., (2019) on Intellectual Capital, Knowledge Sharing, and Innovation Performance from the Chinese Construction Industry revealed that knowledge sharing influences positively innovation performance of the organization. A questionnaire survey was used to collect the data. The target respondents were the managers and employees of construction enterprises in China. An exploratory factor analysis (EFA) and a confirmatory factor analysis (CFA) were used and data were analyzed by a structural equation model.

Ha & Lo (2018) studied on an empirical examination of knowledge management and organisational performance among Malaysian manufacturing SMEs. The study involved 116 top management of SMEs and SmartPLS 2.0 (M3) was used to test the hypotheses. The findings of the study show that knowledge protection has a significant positive impact on organizational performance.

Research Methods

The study used desk review of theoretical and empirical literature. This methodology permits summary of literature based on synthesis of concepts, theories and results to come out with the conclusion. The study adopted and reviewed various literatures from several databases which met the inclusion criteria of the study at hand. The study was guided by Resource Based Theory.

Discussions
Resource based theory explains that, organizations can realize its competitive advantage through resources which are scarce; among all resources human resources are critical, more valuable, rare and expensive to replicate. Besides, human resources are the sources for attaining/forming other resources, have thinking capacity, varied in terms of skills, knowledge and abilities and the competencies tend to appreciate through training and development functions and decrease through many factors such as obsolescence of skills, age, sickness and technological changes. It implies that the success and sustainability of any organization is the function of the skills, abilities and competencies of its human resources. The theory is related to the study variables as it builds in the role of knowledge management in organization performance. The theory regards knowledge as a strategic and valuable resource for realizing organization performance. As supported by scholars such as Sangeeta, (2020) and Kamunda, et al., (2019) in the knowledge based economy, knowledge becomes an important resource organizations ought to have for them to have competitive advantage. For instance, tacit knowledge is very difficult to replicate since it occurs in persons’ minds. This signifies that the aforementioned assumptions of the theory to human resources which make them to be very essential for enhancing the performance of organization.

Again, the aforementioned studies have revealed that, knowledge management is an important aspect which speeds up organizational performance; though there is a varying relationship between aspects of knowledge management and organizational performance.

Conclusions

The study concluded that knowledge management enhances organizational performance. However, there are varying relationships between knowledge management practices with organizational performance. These practices vary from organizations and countries which have in high knowledge based economy to the ones with low knowledge based economy.

Recommendations

The study recommends that organization should take deliberate efforts and measures to implement effectively knowledge management so as to enhance organization performance. As it has evidently seen that knowledge management enhances organization performance.
Reference


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