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# Impact of Knowledge Management on Organizational Performance: A Case of U.S. Retail Firms

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## Abstract

This paper investigates the influence of knowledge management on organizational performance in the case of U.S. retail firms. The paper is based on secondary data analysis, which was collected through a critical review of the literature. The analysis has shown that knowledge management has a significant impact on the performance of organizations in the case of U.S. retail firms. The study found that, when the management of a firm gives importance to the effective management of knowledge, it ultimately helps to improve the performance of that firm. Knowledge management in an effective way is considered important for ensuring long-term prosperity. Knowledge has become the most effective factor for various knowledge-based embedded elements. This is also referred to as exposed tacit due to mobile employees, and therefore its dissemination and development are considered to be significant in order to achieve sustainable competitiveness.

**Keywords:** Knowledge, Knowledge Management, Competitive Advantage, Organizational Performance, Tacit Knowledge, Explicit Knowledge

## 1. INTRODUCTION

Nowadays, nearly all companies operate within the knowledge economy. Moreover, these businesses must pursue knowledge-intensive practices to achieve sustainable competitiveness. The organization's prosperity is seen more on the basis of their ability to manage the given knowledge effectively. Knowledge is considered a valuable factor for any type of organization. Knowledge management, however, cannot be effectively and efficiently implemented. Santoro et al. (2018) stated that knowledge is corporate power, and also knowledge is identified as a major asset for a business. It becomes very challenging for an organization to respond effectively to the ever-changing market demands without effectively managing knowledge. Hence, the idea of knowledge management has to be transformed into a major need for any organization, regardless of the size of the organization. However, the approach to knowledge management can be quite different.

According to Dingsøyr (2019), knowledge is basically identified as the major driver of competition, and its influence is underscored by changes in the economy. The knowledge of a company cannot be easily replaced by other organizations. Dalmarco et al. (2017), every organization is working in the midst of economic transition during this competitive edge period, based on the information from a new era based on knowledge development.

Today, the key drivers for organizational performance are differences in the knowledge base and all other abilities of a firm to develop and use knowledge. The academic discussion about this procedure has got to be changed mainly around the idea of management of knowledge. Knowledge management basically shows different processes and practices that are performed within a company, with the objective to unleash the intellectual potential by making an improvement in the effectiveness and efficiency of knowledge resources of an organization. According to Batista et al. (2017), knowledge management is considered a significant element for a company, and it is also identified as very important for organizational success. Based on the enhanced significance of knowledge management for some type of contemporary organizations, the analysis of knowledge management becomes notable. It is important to analyze how knowledge management works best for a firm. Therefore, much research has been conducted to underscore the importance to analyze knowledge management in an organization, for example, Nowacki and Bachnik (2016), the research analyzes the significance of knowledge management for organizational performance. However, there has been no study conducted previously for examining the impact of knowledge management on organizational performance in the United States (U.S.) retail firms. Hence, the current study has been conducted for examining the influence of knowledge management on organizational performance in the case of U.S. retail firms.

## **2. KNOWLEDGE**

Knowledge is basically identified as integration of value, norms, expert insight, contextual information and, information that are used for new information and experiences. The application and emergence of knowledge are done in 'knowers' minds. Employees and management basically show knowledge in the form of processes, norms, practices, and documents. North and Kumta (2018) have stated that developing knowledge in an efficient way is significant. Moreover, there are two kinds of knowledge that have an impact on decision quality. These are explicit knowledge and tacit knowledge. However, it is significant that all organizations have both kinds of knowledge. Velasquez and Lara (2017) have stated that knowledge is basically a power of firm and it acts as the major asset of an organization while considering survival in this competitive environment. It becomes very challenging for an organization to make a good response to the change the requirements of market without effective knowledge tacit of knowledge management has become a major need for any organization, regardless of its size. However, on the other hand, the approach of knowledge management can be quite different.

## **3. KNOWLEDGE MANAGEMENT**

Knowledge management is basically a procedure that is used to develop value with the help of the intangible assets of a company. The knowledge is managed based on the basic competencies and abilities developed by companies and people with the passage of time. For survival in the current competitive environment, employees should target to have more knowledge. Because of the many changes seen in businesses today, organizations should strive to increase their knowledge. In the present global economy, organizations should target on making use of knowledge systems in the most effective and efficient way. The growth of new knowledge is seen based on the present structure and also on a company's capabilities. Organizational management should always be geared to the efficient and effective management of knowledge, a firm's management should take proper account of its significance. Thus, Obeidat et al. (2017) aimed to interpret the significance of knowledge management.

There is no such peculiar literature done on the practices of knowledge management, Knowledge management is a complex research avenue, without any vocabulary developed, it is linked with various practices aimed at unleashing enterprise's intellectual potential. Like it is mentioned before, it is important for an organization to improve both the efficiency and effectiveness of the management of a company's knowledge resources. Liebowitz (2019) says that organizational enablers, critical success factors, and organizational facilitators are the major enabler factors for managing knowledge. It does not, however, means that these approaches always prove to be

helpful in managing effective knowledge, because of the possibility that the company's facilitators may not result in the proper use of knowledge resources. This is mostly seen in cases where knowledge is not managed effectively and are not considered suitable for the organization. Tangible resources are identified as the source of an important competitive edge in a company. However, Ferraris et al. (2017) stated that a company can only make use of tangible resources in order to get a competitive advantage in the case when its integration is done with particular knowledge and there is more complexity in imitating the given resources. The basic competitive advantage is developed in a firm through the ability of an organization to apply present and new knowledge in an effective way. It is done with the aim to make new processes and products. Therefore, knowledge management can be seen as being linked to the leverage and knowledge identification, with the objective to foster the innovation process. However, knowledge and knowledge management are considered more closely linked to a firm's major work procedures.

According to Cupial et al. (2017), effectively managing knowledge resources is seen as very important for all types of companies to survive in a competitive environment. Knowledge essentially addresses the major source of a company's competitive advantage. The growth of the resource approach is basically a company's knowledge-based theory, for which knowledge is considered to be fundamentally an important input for successful development. Khosravi and Nilashi (2018), have, however, said that it is not significant that effective knowledge management always gives a competitive edge, without targeting other important company approaches. Therefore, a company can't gain a competitive advantage without an effective leadership approach, only through effective knowledge management. Ceptureanu et al. (2017) have also identified that knowledge is the most important development approach in a company. Managers should, therefore, target on the development, attainment, movement, retention, and integration of knowledge in an effective way. It is also recommended that companies aim more strategically to position themselves according to resource-based and other knowledge-based aspects, based on valuable, unique, and inimitable resources. However, it is also important for the company's management to focus on the major services or products offered to consumers, rather than only on resources. The table (1) below can help the organization to achieve a sustainable competitive edge.

Key Issues	Key Aspects
Management	Strong Support Commitment Effective Leadership
Employees	Engagement Training Team Work
Technological	Infrastructure Latest Technology
Organizational	Culture

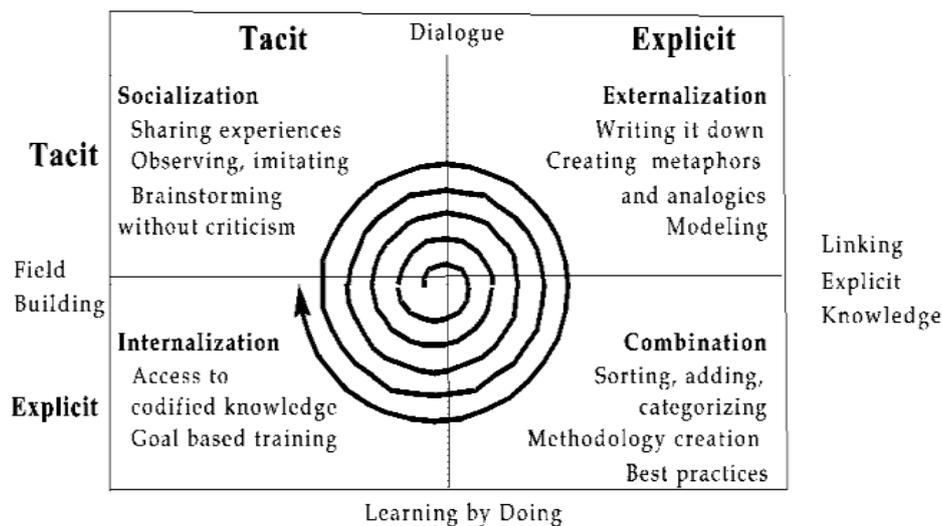
Table 1. Key Issues and Elements of KM  
Source: Developed by Author

In addition, LUI et al. (2019) said that the major knowledge management infrastructure is identified as a major prerequisite to reinforce the knowledge management process within an organization. It shows the long-term knowledge base and other information management within a firm. The knowledge management infrastructure basically deals with the processes of knowledge development in an organization, whereby, the stimulation of processes used to generate and create knowledge is carried out. The knowledge management infrastructure is identified as the organizational environment, through which knowledge is retrieved, acquired, protected, and stored with the aim of making it easier to use. Two major factors are involved in knowledge management infrastructure: social infrastructure and technical infrastructure. The technical infrastructure consists of IT tools, hardware, and infrastructures. On the other hand, however, social infrastructure involves organizational structure, human resources, and culture of the organization.

#### 4. KNOWLEDGE MANAGEMENT AND ORGANIZATIONAL PERFORMANCE

Most companies are suffering from the challenges of measuring knowledge management effectiveness and the contribution it makes to organizational performance. Therefore, Santucci et al. (2018) aimed at facilitating organizational management in terms of interpreting that for whether or not knowledge management influences organizational performance. The knowledge within a firm is identified as the major factor that is embedded in all performance levels. Knowledge resources are identified as major strategic resources in most companies. The importance of knowledge management to all firms is quite obvious. Furthermore, it is also clear that how it makes a contribution to the service and product offering. Knowledge management basically helps organizations plan, create, organize, and motivate employees utilizing knowledge resources effectively. The most important by-products of knowledge management are essentially the integration of processes, technology, and people, according to which organizations should aim to transform tacit knowledge into some form of explicit knowledge. This makes it easier for other people to reuse knowledge and thus improves the entire business process. This is similar to Nonaka's knowledge management model (as shown in Figure 1).

Figure 1: The Nonaka – Takeuchi Model knowledge management model



Source: (North and Kumta, 2018)

Desai and Rai (2016) investigated the impact of knowledge resources on a company's competitive age. Based on the results provided by Alarj et al. (2017), it has been identified that knowledge resources present in a company provide a significant resource for gaining a competitive edge. Research by O'Connor and Basri (2018) has found that knowledge resources are useful in innovation because brilliant performance is seen as a result. Elfar et al. (2017) research aimed at analyzing the significant resources of knowledge in order to gain a competitive advantage. Knowledge management is considered to be very important to an organization and plays an important role in the development of a positive atmosphere within an organization, hence boost the return on investments. In addition, Shpakova et al. (2017) research have identified that knowledge management is basically an indicator of both creative and comprehensive methods to eliminate restrictions. It also ensures the constraints that can ensure change is developed and implemented. Effective knowledge management within a company is seen as very important, as it proves helpful in meeting the requirements for determining the organization's operational and strategic objectives. Kane's (2017) research at interpreting the significance of knowledge management for a company, but the research did not analyze the direct impact of knowledge management on organizational performance. Cabrilo and Leung's (2019) research was therefore aimed at analyzing the influence of knowledge management on organizational performance. According to Shpakova et al. (2018), companies should give greater importance to key knowledge management practices that involve knowledge creation, conversation, sharing, and contribution. In addition, the basic methods used for the storage, selection, processing, use, and access to knowledge should also be targeted with the aim of achieving excellence in performance. Knowledge sharing is now becoming very important for better exploitation of knowledge assets. It is not always important that

knowledge assets are the source of competitive advantage; however, these assets can be used efficiently and effectively to achieve maximum benefit. Lopes et al. (2017) research aimed to interpret the organization's significance of knowledge assets. Gutiérrez et al. (2016) said if employees are linked together as a result of knowledge management, then employee skills are continuously developed and employees begin to depict more efficiently and effectively. As a result, the company's valuable memory is developed to support faster problem-solving. It helps to produce services and products with better knowledge embedded in order to provide the necessary competitive advantage and to drive an organization's overall techniques. Sumbal et al. (2017) said that knowledge management involves continuous employee learning to improve their understanding level. Effective knowledge management is helpful in sharing knowledge with other stakeholders that can help improve new relationships. As a result of effective knowledge management, skills of employees get enhanced by the use of existing resources, Consumer loyalty can be ensured. It also helps to build a better image of an organization in front of the public.

## 5. CONCLUSION AND FUTURE RECOMMENDATIONS

Knowledge management has been and remains to be a key competitive differentiator when it comes to driving organizational performance. The power of people and machines together provides the greatest opportunity for the creation of knowledge in human history. However, modern ways of working, new technologies such as the AI-enabled platforms, change in the composition of the workforce make traditional-management views obsolete. Many organizations need to redefine ways to promote knowledge creation in order to maximize human potential in the workplace. In order to keep up with ever-changing technology, and to ensure that a company is successful in addressing unforeseen challenges, the company's need to combine the technology infrastructure, processes, incentives and culture that would motivate people to integrate and use knowledge management. The prosperity of a company is based on its ability to manage knowledge in an effective manner. The government sector or organizations should also increase their capacity by focusing on knowledge management. Knowledge management is considered to be significant for the retail sector and all organizations and should therefore be explored in more detail. The literature review stresses that Knowledge management is considered significant in order to increase the performance of an organization in the United States(U.S.) retail firms, hence its relevance.

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