

An empirical study of the effects of knowledge sharing and learning behaviors on firm performance

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Abstract

Knowledge sharing and learning behaviors in the workplace are believed to be very important to the success of firms. In this study, the relationships between knowledge sharing and learning behaviors, business process improvement, product and service offerings, and organizational performance are examined based on a sample of 134 firms engaged in manufacturing, and wholesale or retailing operations. Data analyses using the partial least squares statistical technique revealed that knowledge sharing and learning behaviors are positively associated with business process improvement, and product and service offerings. Business process improvement and product and service offerings are positively associated, and they in turn are positively related to organizational performance. The findings reinforce the importance of knowledge sharing and learning to companies. Executives should encourage knowledge management and organizational learning activities within their firms, and give proper considerations to the strategies and implementation of programs supporting these activities in order to enhance firm performance.

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1. Introduction

An organization that fails to learn may be sub-optimal or even dysfunctional (DiBella, 1995). In contrast, a learning organization is believed to be able to generate competitive capabilities to sustain its business performance in the market (Slater & Narver, 1995). Leaders who intend to develop their firms as learning organizations need to create supportive environments that are conducive to learning, and exchanging ideas and knowledge (Garvin, 1993). In this regard, many academics and consultants consider the behaviors of learning and the sharing of knowledge among employees and internal organizational units to be the essential elements of knowledge management (Choi & Lee, 2002). Knowledge sharing among co-ordinated organizational units should contribute to the generation of

organizational capabilities vital to a firm's business performance (Kogut & Zander, 1996).

That said, the following question may arise: What are the key dimensions of organizational capabilities that would be affected by knowledge sharing and learning activities which would in turn result in firm performance gains? Some of the capabilities often highlighted by the organizational learning and knowledge management literature are product innovation and product offerings. More recently, some academics have pointed to various aspects of organizational innovation. Process innovation has been recognized by many as an important result of knowledge sharing and learning, and it is believed to be a critical contributor to a firm's competitive advantage. As there is still a dearth of empirical research into knowledge sharing (Ipe, 2003), this study is intended to fill this gap by investigating the effects of knowledge sharing and learning on an organization's business process improvement, product and service offerings, and overall firm performance.

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The paper is organized as follows. The results of a literature review on related subjects are presented in the next section. In Section 3, the research model defining the constructs and hypothesized relationships is depicted, and this is followed by an explanation of the research methods in Section 4. Data analysis and the findings are reported in Section 5. Section 6 concludes the paper with a discussion of the implications and limitations of this study, research directions, and concluding remarks.

2. Literature review

The organizational learning and knowledge management literature includes many discussions of learning-related issues such as knowledge creation, acquisition, storage, and dissemination, and their effects on the organization. Many authors have re-iterated the importance of learning and knowledge management to modern business enterprises if they are to succeed in the market.

2.1. Knowledge sharing and organizational learning

Knowledge sharing is the voluntary dissemination of acquired skills and experience to the rest of the organization (Davenport, 1997; Ipe, 2003). Some define internal knowledge sharing as the beliefs or routines for disseminating knowledge and experience across the units of an organization (Calantone, Cavusgil, & Zhao, 2002; Moorman & Miner, 1998). The acts of sharing are very important since an individual's knowledge will not have much impact on the organization unless it is made available to other individuals (Nonaka & Takeuchi, 1995). Simply put, a lack of knowledge sharing may inhibit or hinder knowledge management (Ipe, 2003). Although knowledge exists at different levels of an organization, for instance, at the individual, team, and organization levels, sharing of knowledge at the individual level is critical to an organization. That is, an organization's knowledge is built upon that of individuals (Lukas, Hult, & Ferrell, 1996). The organizational learning literature often espouses the assertion that the basic repository of knowledge is the individual, since learning involves the cognition function that can only be performed by the human mind (Huber, 1991; Simon, 1991). Without sharing, the outcomes of knowledge management efforts will be compromised (Calantone et al., 2002). Knowledge sharing behaviors facilitate learning among employees and enable them to resolve problems similar to situations encountered by others in the past, thus enabling quicker responses to the customers (Sher & Lee, 2004). Such behaviors may, in some circumstances, stimulate other individuals to acquire new knowledge (Ipe, 2003).

2.2. Impacts of knowledge sharing and learning

It is widely believed that through the exchange of knowledge among individuals or across organization units, com-

petitive capabilities are generated that can lead to firm success (Ipe, 2003; Kogut & Zander, 1996). By sharing their knowledge, individuals can realize synergistic results greater than those achievable by any individual alone (Cohen & Levinthal, 1990).

Many authors have pointed out that sharing knowledge among employees would lead to faster responses to customer requirements at a lower cost in operations (Sher & Lee, 2004). Many have linked knowledge sharing to the learning and market orientations of firms (Hurley & Hult, 1998; Weerawardena & O'Cass, 2004). Thus, sharing knowledge is an integral part of an organization's learning activities, leading to improvements in market sensing and innovation activities. The learning and exchange of experience and knowledge among employees and across organizational units may lead to the strategic benefits described above in addition to greater operational efficiency.

Product and technical innovation is often considered a major consequence of good organizational learning and knowledge management practices (Calantone et al., 2002). This aspect of innovation often leads to new product development to meet customers' changing needs, as discussed in the literature. The ability to align one's product and service offerings with the needs and preferences of customers is one of the competitive capabilities a firm must possess in order to succeed in the market (Tracey, Vonderembse, & Lim, 1999).

More recently, scholars have begun to recognize the organizational aspects of innovation, such as the adoption of a new system, the improvement of process, or the introduction of a new human resource management practice (Calantone et al., 2002; Subramanian & Nilakanta, 1996). Process innovation is critical to achieving operational efficiency as well as to raising service quality (Van der Aa & Elfring, 2002). Innovative practice in business process is important not only for service firms, but also for manufacturing firms, for instance, in the delivery process (Gallouj & Weinstein, 1997). On-going learning and sharing of knowledge contribute to innovative practices by either borrowing from the prior experience of other people and organizations, or by searching for entirely new approaches and practices. The process management literature has described two approaches to process innovation: firstly the evolutionary and incremental approach (termed business process improvement), and secondly, the radical, revolutionary approach (referred to as business process re-engineering) (Hammer & Champy, 1993; Stoddard & Jarvenpaa, 1995). On-going learning and knowledge sharing would facilitate a broad range of changes to the organization, as well as product and service offerings, through the implementation of adopted experience and new ideas (Calantone et al., 2002). The practices of learning new knowledge, and sharing what is known by individuals, would enhance organizational capabilities and firm performance in terms of cost reduction, responsiveness to customer needs, success of new products, and growth of market share (Baker & Sinkula, 1999; Sher & Lee, 2004). More importantly, it

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