

The Role of Knowledge Management and Entrepreneurial Orientation on Organizational Performance among Commercial Banks in Jordan

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Abstract

The purpose of this paper is to examine the role of knowledge management (KM) and entrepreneurial orientation (EO) on organizational performance among 13 commercial banks in Jordan. In the present study, Data were collected from managers, and vice-managers in Jordanian banks. The present study employs a questionnaire survey approach to collect data for testing the research hypothesis. The response rate was 74 percent. Relevant statistical analytical techniques, including factor analysis, reliability, and regression for analysis were used. The results indicate that all independent variables knowledge management and entrepreneurial orientation have positive and significant influence on organizational performance.

Key Words: Knowledge management, Entrepreneurial Orientation, Business Performance, Organizational Performance, Banks in Jordan.

1. Introduction

Knowledge management and entrepreneurial orientation are considered to be among the most popular common strategies for organizational growth and survival in the present competitive environment (Ben & Ladib, 2015). The strategic relevance of KM and EO serves to attract the growing attention of a number of academic and practitioners over the last few decades. Empirically, many studies supported the significant impact of KM and EO on the organizational performance. Arising from this, some other researches dispute that not all KM activities were successful whereas others questioned the suitability of entrepreneurial orientation strategy for organizational performance (Ben & Ladib, 2015; Shehu Aliyu, Bello Rogo, & Mahmood, 2015). Kaplan and Norton (2000) reported that 70 to 90% of the global organizations experienced failure in issues relating to strategic implementation. Based on the inappropriateness in organizational strategy implementation, the literature of contingency and organizational change theories proposed that the mismatch between the strategy and the organizational performance to be one of the main reasons for failure.

Therefore, it is basically agreed that, for any organization to achieve its intended goal, there should be a match between organizational culture and strategy. However, in order to resolve the inconsistency of the findings regarding the association of KM, EO and organizational performance, some prior studies recommended that many influential organizational variables should be investigated (Rahim, Mohtar, & Ramli, 2015; Supriyanto, 2015).

Shehu and Mahmood (2014) suggested that other variables should be incorporated in the EO and organizational performance relationship to resolve the inconclusive findings. This study aims to examine the role of knowledge management and entrepreneurial orientation on organizational performance in service organizations in Jordan.

2. Problem Statement

What is the role of knowledge management and entrepreneurial orientation on organizational performance among commercial banks in Jordan

3. Literature Review

3.1 Knowledge Management and Organizational Performance

The relationship between knowledge management and innovation on organizational performance for firms of less than 100 employees using a panel of more than 400 Dutch firms. The regression analyses were based on sales turnover growth from various KM strategies' measures. The findings show that KM input strategies that are related to KM acquisition are positively related to sales turnover growth, but with no relationship between KM throughput and KM output; innovation on organizational performance. The emphasis of the result is that both knowledge absorption and knowledge creation are important in the success of small firms' innovation (Uhlener, L., van Stel, A., Meijaard, J., & Folkeringa, 2007).

On the other hand, investigated the influence of knowledge management practices on organizational performance empirically. The investigation was carried on in Small and Medium Enterprises SMEs using Structural Equation Modelling SEM by choosing a number of 282 senior managers from these enterprises using simple random sampling and the data were subsequently analyzed with SEM. The study revealed that knowledge acquisition, knowledge storage, knowledge creation, knowledge sharing and knowledge implementation have a significant factor on knowledge management. Also productivity, financial performance, staff performance, innovation, work relationships and customer satisfaction have significant factor loading on organizational performance. The study suggests that KM practices directly influence the organizational performance of SMEs (Gholami, Asli, Nazari-Shirkouhi, & Noruzy, 2013).

In the same way, knowledge management strategies, innovation and organizational performance in an empirical manner. The study investigates whether there are groups of firms with homogenous behaviour, as regards to Knowledge Management Strategies KMS from knowledge-based view of the firm and the study tries to identify their influence on innovation management and firm performance. Conception, objectives, development over time and extension, introduction mechanisms and practice and support systems are the domains of KMS concentrated on by the study. Through the postal survey sent to Spanish firms for an empirical research, the results revealed that there are important differences in the conception and

implementation of KMS and significant relationships between the performance of some firms and their efficiency in the transmission and application of existing knowledge (Gholami et al., 2013).

According to Nawaz, Hassan and Shaukat (2014) investigated the impact of knowledge management practices on firm performance by testing the mediating role of innovation in the manufacturing sector. Data was collected from 407 manufacturing organizations and analyzed using SPSS. The research aimed to find then impact of three knowledge management practices which are knowledge acquisition, knowledge dissemination and responsiveness to knowledge on innovation and form performance. The results showed that there is positive relationship among the variables studied and innovation partially mediates the relationship between knowledge management practices and firm performance. The limitation of this study is that it did not consider the impact of size, there is need of comparative study on the basis of size.

Rasula, Vuksic and Stemberger (2012) also investigated the impact of knowledge management on organizational performance. Their study opined that through creating, accumulating, organizing and utilizing knowledge, organizations can enhance organizational performance. The study was tested through SEM and the sample included 329 companies with more than 50 employees both in Slovenia and Croatia. The Findings revealed that knowledge management practices measured through information technology, organization and knowledge positively affect organizational performance.

H1: Knowledge management has a positive effect on organizational performance.

3.2 Entrepreneurial Orientation and Organizational Performance

Several studies examined the relationship between entrepreneurial orientation and performance of organization is found to produce mixed findings: relationship with organization performance and the possible outcomes are: The finding of Wiklund and Shepherd (2003) reported a significant and positive association between entrepreneurial orientation and organization performance. Idar and Mahmood (2011) in a study on entrepreneurial orientation and marketing orientation relationship to performance from SME perspective, reported a significant association between EO and performance, and also between market orientation and performance, market orientation was found to partially mediate between EO to organizational performance. Sharma and Dave (2011) investigated entrepreneurial orientation and performance Level, using a sample of three hundred and nineteen small and medium scale family owned business of Chhattisgarh. They found a strong and positive association between EO and organization performance. Osman, Rashid, Ahmad and Hussian (2011) considered and reviewed a number of past studies on entrepreneurial orientation and organizational performance. Some of the studies reviewed include that of Wiklund and Shepherd in 2005 as well as that of Fairoz, Hirobuni and Tanaka (2010). All the studies confirmed strong and significant linkages between EO and organizational performance.

Theoretically and empirically, entrepreneurial orientation is one of the constructs that has received a lot of attention over the years. Entrepreneurial orientation is a construct that captures corporate entrepreneurship or organizational-level entrepreneurship of existing organizations. It measures the entrepreneurial orientation of an organization. Entrepreneurial orientation is a driving force that explains how entrepreneurial an organization behaves.

Entrepreneurial orientation is defined as the entrepreneurial behaviours of an organization as reflected in organizational activities, strategies, and processes. Entrepreneurial firm as one that takes risks, innovates, and is proactive. Also defined as one of the strategic orientations of an organization that describes the extent of entrepreneurial activities that is undertaken by the organization (Otache & Mahmood, 2015). According to Pearce, Fritz, and Davis (2010), entrepreneurial orientation is defined as a set of behaviours that have the qualities of risk-taking, innovativeness, proactiveness, autonomy, and competitive aggressiveness. It is also defined as a strategic orientation that an organization uses to adapt to changing business environment and have a sustainable competitive edge over rivals in the marketplace (Otache & Mahmood, 2015).

Recently, the issues of corporate entrepreneurial orientation have evoked interest not only from academics, but also from business practitioners and policy makers. This interest stems from the recognition of the advantage that can be gained from corporate entrepreneurship activities. The paper analyses the effect of corporate entrepreneurial orientation dimensions on the financial performance of intrapreneurship companies of established Malaysian state government-linked corporation namely, Jcorp Group, a Johor state government-linked corporation (Shamsuddin, Othman, & Shahadan, 2012). In addition, explores the moderating effects of resource availability, supportive organizational performance, and rewards on the relationship between corporate entrepreneurial orientation dimensions and organization performance. The findings of this study show that pro-activeness has a positive and significant impact on financial performance of the organization performance, and resource availability, supportive organizational performance and rewards do moderate the relationship between pro-activeness and financial performance. In contrast, we also found that risk-taking does not have a direct effect on financial performance of the company. However, resource availability, supportive organizational performance and rewards are shown to moderate the relationship between risk-taking and financial performance. Meanwhile, for innovation and self-renewal, we found that both are negatively related to financial performance. Further analysis shows that although all moderating factors were positively related with these two corporate entrepreneurial orientation dimensions, but they are not significant (Shamsuddin et al., 2012).

H2: Entrepreneurial orientation has a positive effect on organizational performance.

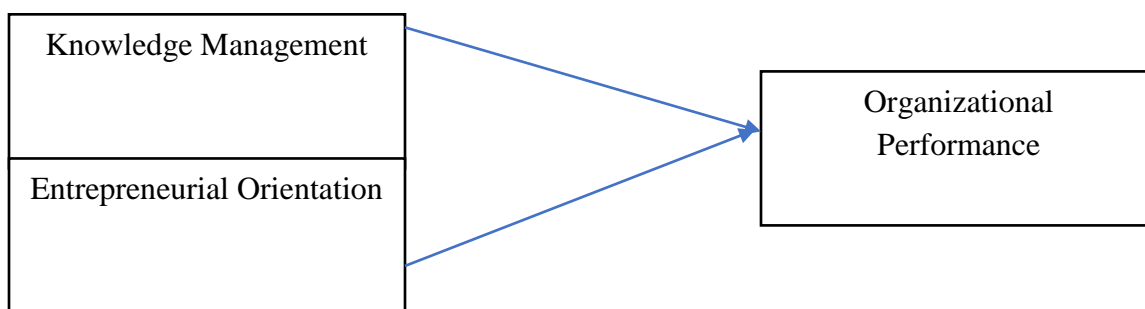


Figure 1: Research Framework

4. Method and Sample

Data were collected from 255 managers and vice-managers in commercial banks in Jordan (CBJ, 2017). Moreover, previous studies e.g., (Argyropoulou, 2013; Hamdan, 2013; Hussein & Abdullah, 2011) have used managers and staff as their main respondent.

Those individuals were targeted by the researcher as they are concerned with the achievement of the business organizations' objectives and the ones responsible for its effectiveness.

Stratified sample was used to ensure that different types were represented (Gay & Diehl, 1992). Such method also allowed us to explain the purpose of the study and solicit their participation. They were however told that participation was voluntary and could withdraw from the survey anytime. Only 180 were usable for final data analysis due to the excessive missing data or unreturned questionnaires.

5. Measures

Organizational performance: The researcher measured organizational performance by using six items assessed by the firm for three economic years (2013–2015) compared primarily to its main competitors (Pertusa-Ortega, Molina-Azorín, & Claver-Cortés, 2009). The six items were: sales growth, employment growth, market share growth, profits before tax, cash flow, and return on investment. A five-point scale, ranging from '1' "well below my competitors" to '5' "well above my competitors" was used. For each indicator, this measure was weighted on a five-point scale, ranging from '1' "not important at all" to '5' "very important" with the corresponding score, according to the degree of importance assigned by the company. The reliability coefficient alpha for this measure was reported to be .736 (Pertusa-Ortega et al., 2009).

Knowledge management and entrepreneurial orientation: Chuang's (2004) instrument was used to measure KM that consists of four dimensions: structural KM resource, technical KM resource, cultural KM resource, and human KM resource. The instrument has been widely used (e.g., Emadzade et al., 2012; Liao et al., 2010; Zaied et al., 2012) with alphas reported as follows: .81 for the structural knowledge management measure (Chuang, 2004); .68 for the technical knowledge management measure (Chuang, 2004); .81 for the cultural knowledge management measure (Chuang, 2004); .68 for the human knowledge management measure (Chuang, 2004). Finally, entrepreneurial orientation .79. A five-point Likert scale ranging from '1' "strongly disagree" to '5' "strongly agree" was used.

Table1.1: Result of Regression Analysis Knowledge Management and entrepreneurial orientation with Organizational Performance

Independent variables	Unstandardized beta		Standardized beta	T	Sig.
	B	Std. error			
(Constant)	1.662	.238		6.973	.000
Entrepreneurial orientation	.116	.054	.131	2.151	.032
Knowledge Management	.137	.055	.160	2.499	.013

6. Discussion and Conclusions

The paper contributes to understanding of role of knowledge management and entrepreneurial orientation on organizational performance in Jordan. The results of the study offered empirical support for the existence of a positive and statistically significant influence of knowledge management and entrepreneurial orientation on organizational performance in Jordan. Our study of banks in Jordan offered support for the hypothesized positive effects of knowledge management on organizational performance, and positive effects of entrepreneurial orientation on organizational performance. The results indicate statistically significant relationship of knowledge management, and entrepreneurial orientation with organizational performance. This means the application of knowledge management and entrepreneurial orientation within the organization facilitates superior decision making, and maximizes productivity and profitability (Edvardsson, 2008). The present finding appears to be consistent with previous studies that revealed knowledge management and entrepreneurial orientation as a crucial factor in acquiring and sustaining competitive advantage (e.g., Anantatmula, 2007; Boumarafi & Jabnoun, 2008; Zack et al., 2009), and seems to support the basic premise of resource-based view.

The practical implication of the results is that managers need to actively manage their firm’s human capital to stimulate its capability in managing knowledge technical, human, and cultural. Furthermore, research suggests appropriate investments in knowledge management and entrepreneurial orientation can enhance organizational performance. These findings can be notable in both sides, it means in practitioners and academics. The applicable results can use to identify and implement knowledge management and entrepreneurial orientation with a reasonable expectation based on empirical evidence by practitioners. In addition, initiatives will be in alignment with the organizational strategy. Current study also encourages practitioners to focus the knowledge management and entrepreneurial orientation on specific performance outcomes. Academics should be equally encouraged by these results for no superior reason than the demonstrated effect of knowledge management and entrepreneurial orientation on organizational performance. Understanding the systemic relationship between these concepts and the value, which can generate in respect of creating and maintaining sustainable

competitive advantage for organizations, which is important for knowledge management professionals and entrepreneurial orientation.

Organizations should deliberate how knowledge management can be implemented successfully also entrepreneurial orientation. This would include strategies and plans for implementing knowledge management, and encouraging learning and knowledge sharing among employees. A key factor of knowledge management and entrepreneurial orientation is to improve the learning capacity of the firm. One way to do so is by building a learning organization, which is more related to designing organizational procedures and routines than it is to managing assets. Accordingly, thinking carefully about what should be meant by “managing” in the context of knowledge management and entrepreneurial orientation. If “management” refers to an ambition to give managers complete control of what employees learn, “knowledge management” would damage the dynamic performance of the organization. This study is concluding that knowledge management and entrepreneurial orientation can play an important role in the organizational performance of commercial banks in Jordan.

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