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The Asian Journal of Knowledge Management (AJKM) encourages both academicians and professionals to contribute their works. The journal focuses on theories and research on knowledge acquisition and learning; at the same time, it emphasizes the importance of applications and management of knowledge.

The editor of AJKM welcomes papers on quantitative or qualitative; theoretically-based or evidenced-based; and macro- or micro- issues. It covers context in SMEs or public companies and private sector or public sector.

With the introduction of AJKM, I look forward to both academicians and professionals to contribute their theoretical or practical papers. Please take the first step, as acquiring knowledge is the beginning of a journey but managing and applying knowledge is a process that never expires unless we expire it ourselves.

As editor, I would like to thank the members the Editorial Board as well as the support of the publishing staffs. This journal will be published twice a year.

Dr Tan Thai Soon

Editor of Asian Journal of Knowledge Management

STRATEGIC KNOWLEDGE MANAGEMENT AND INNOVATION -Value Sharing Process

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Abstract

This paper looks into the use and application of Knowledge Management Process (KM Process) in the creative and innovative organizations in the context of Malaysian enterprises. The premise of this paper is about KM Process. KM Process can be defined as a continuous process of managing and applying knowledge and skills in the right place at the right time. The main concept within the KM Process is “Value Sharing Process”™, which focuses on creating high value and sharing of products and services in the marketplace, that are commercially viable, and able to sustain and survive in the competitive global environment. It includes four modes of KM Process: Knowledge Creation, Knowledge Conversion, Knowledge Communication and Knowledge Change. This main concept within the KM Process is particularly suitable for innovative organizations.

Keywords: KM Process, Value Sharing Process, Knowledge Creation, Knowledge Conversion, Knowledge Communication and Knowledge Change.

1. Introduction

With globalised competitive economy and rapidly changing market environment, KM Process becomes important both within and outside the organization environment. Organization must create high value and sharing of products and services in the marketplace.

The development of KM Process focuses on creating high value and sharing of products and services in the market place, that are commercially viable, and able to sustain and survive in the competitive global environment which is the premise of all innovative organizations.

2. Knowledge Management Process

KM Process is a continuous process of managing and applying knowledge and skills in the right place at the right time. The new concept within the KM Process is called “Value Sharing Process” which is particularly suitable for the innovative organizations.

2.1. Value Sharing Process™

In “Value Sharing Process”™, the value is a function of sharing. The main premise of this concept is about creating high value and sharing of products and services in the marketplace that are commercially viable, and able to sustain and survive in the competitive global environment.

High value is an important aspect of “Value Sharing Process”; it has real intrinsic and extrinsic value and carries a positive impact into the internal institution and external environment. High value also means productivity in the process, moving up the value chains in the production of high value products, improving efficiency and effectiveness in services and so on.

Similarly, increase in sharing of new products and services with customers and other users, whether internally or externally, will increase your share of your products and services in the marketplace.

3. Applicability of KM Process

KM Process is applicable to individuals, teams and organizations or entities of all forms and types. The main input source of KM Process is knowledge enablers including strategy, people skills and technology support. The significant role of KM Process is to help organizations to achieve and sustain competitive advantage in a dynamic and changing environment through organizational creativity and innovation.

It is worth noted that Input-Output, without a process, is like garbage in and garbage out. It may not create high value outcome in the long term.

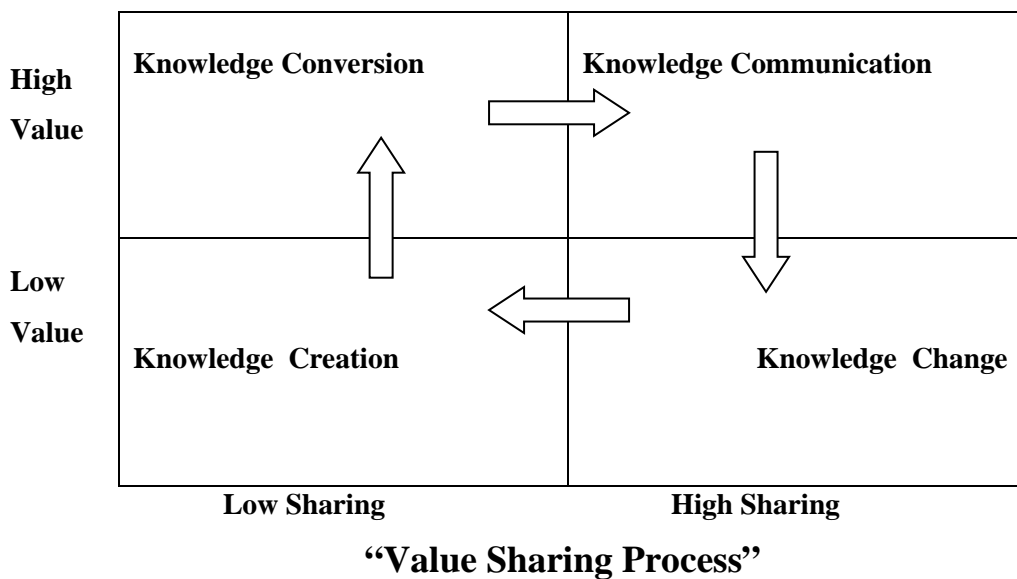
The firms that encourage KM Process are more creative and innovative, likely to create high value on products and services, and therefore more likely to be successful and achieve their bottom line in the long term, and hence their organizational performance.

4. Four Modes of KM Process

The main phenomenon of KM Process, shown in Figure 1, refers to “Value Sharing Process”™. The new concept incorporates four knowledge processes, referred to as 4 Cs, are Knowledge Creation, Knowledge Conversion, Knowledge Communication and Knowledge Change. As the four modes of KM Process entail many subsets of knowledge and skills, which is by no means a standard one, every individual or organization may apply or modify the detail process to suit the new products or services. The four modes of KM Process will be discussed in the following sections.

Within the four modes of KM Process, the concept of strategy has been incorporated. Strategy plays an important part in KM Process which covers four phases of strategies that must be implemented at the right place at the right time. It includes strategy creation, operational strategy tactical strategy and exit strategy.

Figure 1 - Four Modes of KM Process



Source: Tan, T. S. (2013) Strategic Knowledge Management and Innovation – a process perspective

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5. Knowledge Creation

Knowledge creation may start with a new invention, new idea on new products and services or new business model. Similarly, it may involve with creation of new strategy. The drivers of knowledge creation may come from many sources including: the need to find solution to a problem, curiosity to a situation, intention to do good to society, intention to overcome the experience of failure, constraint to survive, opportunity during crisis and many other factors.

The sources of knowledge come in such forms as: work groups, community of interaction, community of practice, knowledge activists and social media. Such knowledge creation is needed due to the drivers mentioned above. It is also due to the ever increasing competitive environments and uncertain environments faced by an organization today. The organization that dynamically deals with a changing environment should not only process information efficiently, but also create knowledge, skills and strategy. In addition, the need for organizational knowledge creation can be viewed from the creative and innovative perspectives. As Nonaka and Takeuchi (1995) put it , understanding how organizations create new products, new methods, and new organizational forms is important, but a more fundamental need is to understand how organizations create new knowledge that makes such creations possible.

5.1. Strategy as Plan

In the knowledge creation, it is important for organizations to have a strategy in the world of new knowledge and skills; and to have a long term plan to achieve organizational goal or organizational performance. According to Mintzberg (1987), Strategy as Plan deals with how leaders trying to establish direction for organizations and setting them on predetermined courses of action.

According to Mintzberg (1987), Strategy as Plan includes:

- how leaders try to establish direction for organizations,
- the setting a predetermined courses of action and schedule

Leaders provide a clear direction can avoid employees moving in conflicting directions and goals. Similarly, organization needs a good leadership and its wisdom creates strategy, process and culture. Strategy creation plays an important role at the initial and subsequent stages of KM Process, which will lead to a culture of innovative enterprises.

5.2. Knowledge creation process

One of the most popular knowledge creation skills was developed by Nonaka and Takeuchi (1995). The knowledge creation process developed by Nonaka and Takeuchi (1995) incorporates the two knowledge dimensions, tacit knowledge and explicit knowledge, and four knowledge conversions. The four conversions include socialization - the sharing of tacit knowledge by one another; externalization - the transformation of tacit knowledge into explicit knowledge; combination - the integration of one form of explicit knowledge with another form of explicit knowledge; and internalization - where explicit knowledge is shared among employees or any groups of people.

- The first conversion is socialization. It is a process of sharing experiences and thereby creating tacit knowledge such as shared mental models and technical skills, or tacit knowledge between individuals. This can be in the form of brainstorming, apprenticeship, observation, imitation, or through sharing experiences and continuing dialogues with customers. It can even be through joint activities-such as being together, spending time and living, in the same environment. According to Nonaka (1994), socialization, involving the sharing of the experience of individuals in either formal or informal fashion, enables a process to convert tacit knowledge through interaction between individuals. An example to convert tacit knowledge is shown by how apprentices work with their mentors and learn craftsmanship not through language but by observation, imitation, and practice or on-the-job training. Another example of socialization, as illustrated by Wenger and Snyder (2000), is achieved through a community of practice, where groups of people informally bound together by shared expertise and passion for a joint enterprise – engineers engaged in deep-water drilling, consultants specialized in strategic marketing, or frontline managers in charge of check processing at a large commercial bank, meet regularly on certain days of the week.

- The second conversion is externalization. It is a process of articulating tacit knowledge into explicit concepts so that tacit knowledge becomes explicit, taking the shapes of metaphors, analogies, concepts, hypothesis or models. This can be in the form of concept creation, expressed mostly in language, where metaphor plays an important role in externalization. The writers explain metaphor as a way of perceiving or understanding one thing by imaging another thing symbolically. In other words, it involves and enables imaging of the explicit concepts. From the definition above, externalization is particularly important for new product

development; and creating a new product concept is a good example of externalization. Other forms of externalization include a business consultant writing a business proposal, a management consultant conceptualizing a product concept, and an internet user contributing to Wikipedia. Nonaka et al. (2000) give a guide to modes of externalization in an organization, where managers facilitate creative and essential dialogue, the use of abductive thinking, the use of metaphors in dialogue for concept creation, and the involvement of the industrial designers in project teams.

- The third conversion is combination. According to Nonaka and Takeuchi (1995), it is a process of systemizing concepts into a knowledge system. This can be in the form of documents, computerized communication networks, the codification of databases and formal training. It can be said to take place where the explicit knowledge is collected from inside or outside the organization and then combined, edited or processed to form new knowledge. In this mode, information technology plays an important role because the greater part of knowledge and information in this mode is explicit and is therefore easy to process with IT. An example of combination is when middle managers break down and operationalize corporate visions, business concepts, or product concepts and this new concept can be created through networking of codified information and knowledge. Other examples of combination include outline processors and system of micro-merchandizing providing supermarkets with timely and precise recommendations on the optimal merchandise mix and with sales promotions based on the analysis of data. The recent development of the internet and social media provides another example. These groups or people do not meet face to face but communicate through email (Google mail and Yahoo! mail etc), write on Facebook walls or tweet and reply through messages (Twitter).

- The fourth conversion is internalization. As defined by Nonaka and Takeuchi (1995), it is a process of embodying explicit knowledge into tacit knowledge. In its most important aspects, it involves a process of learning by doing. This happens when experiences through socialization, externalization, and combination are internalized into individuals' tacit knowledge bases in the form of shared mental models or technical know-hows. Other forms of internalization include learning and acquiring new tacit knowledge through practice. An example of internalization is where engineering case studies help novice engineers to internalize explicit knowledge that has been externalized from veteran engineers' experience-based tacit knowledge from their design process. (Nonaka et al., 1996).

In summary, it is argued that the SECI model demonstrates a dynamic process in which explicit and tacit knowledge are exchanged and transformed. The knowledge creation process is undertaken through the four modes of knowledge conversion including socialization, externalization, combination and internalization. Organizational knowledge creation is achieved and taken place when all four modes of knowledge creation are systematically managed to form a continual cycle. It can then trigger a new spiral of knowledge creation and expand horizontally and vertically through sectional, departmental, divisional, and even organizational boundaries.

6. Knowledge Conversion

The process of knowledge creation and conversion are inter-related, sometimes used interchangeably. Knowledge creation by itself will not ensure products and services are viable. Therefore, it needs to go through a conversion process. Knowledge conversion means turning initial ideals into high value products and services based on market-driven or external environmental principles.

Knowledge conversion must create a positive and high intrinsic and extrinsic value. High value can mean productivity in the conversion process; moving up the value chain in the production of new products; improvement of efficiency and effectiveness in services given to customers, creation of new business model and so on.

At this stage, operational strategy is very important, knowing yourself and knowing the threat needed to be studied.

6.1. Knowledge conversion process

In the knowledge conversion process, we need to carry out operational planning to determine whether the new products and services are viable. At these stages, additional skills required include analysing, valuing, judging, feelings, planning and decision making. Knowledge conversion process covers both personal thinking skills and management analytical skills.

At knowledge conversion stage, we need to balance creativity and viability. It involves both top leadership and middle management.

Many creative new products, services and business models fail because they do not carry out proper management analysis and processes to determine the viability of the products and services.

Knowledge conversion process needs additional skills and processes including:

- Critical thinking -concerned with judging ideas with what we already know in the market and environment. It also involves analysing and understanding the problem, solving the problem and evaluating the solution.
- Emotional thinking-uses emotions, feelings and value system. It uses complex judgement like hunch, intuition, sense, taste, aesthetics, and feelings, look and so on. It looks into the feelings of others, customers and suppliers and other stakeholders.

For example, Apple and Sumsung smartphone products make their customer feel “cool”. They are famous with the ways their products look. Another example is in the automobile industry where car manufacturers are trying to make their cars more stylish with new design.

- Management analysis- one such model you can apply at this stage is SWOT analysis, by analysing the strength and weaknesses of internal environment as well as opportunity and threat of external environment.
- Operational and human resource planning is also important at this stage.

7. Knowledge Communication

Knowledge communication is about implementing, marketing and sharing of product and service with external marketplace and environment through various communication channels. At this stage, tactical strategy is very important, communicating at the right time and at the right marketplace will ensure sustainability.

In a narrow sense, communication means mass media in the likes of advertising, broadcasting, public relation, and new and social media. In a broader sense, it includes interpersonal communication, business communication, media communication, customer and supplier communication, brand communication and other stakeholder communication on corporate governance and corporate responsibility. In short, knowledge communication is a practical skill of sharing products and services with the external environment and marketplace.

7.1. Knowledge communication process

Knowledge communication process looks into long term business sustainability, which will depend on the high value created on the products and services and market share of products and services. Knowledge communication process involves both internal and external business communication skills. The business owner needs to communicate internally with the employees and shareholders; at the same time, to communicate externally with other stakeholders such as customers, suppliers, investors and others. Knowledge communication involves multi-disciplinary subjects of knowledge and skills such as entrepreneurship, customer relation, corporate governance and corporate responsibility and other discipline subjects.

- Entrepreneurship involves many aspects including start-up, commercialisation and incubation; marketing, franchising, networking and collaborating; coaching, mentoring and training; funding; partnership, joint venture and strategic alliances; intellectual property rights and patenting and other factors;
- Customer relation and communication is important. By communicating your products or services experience with your customers, you will improve your value, hence growth and profit. The organizations must consistently engage with the marketplace to ensure their products and services do create value and customer satisfaction. It can be done through communicating by transferring to or sharing product knowledge with your customers, and obtaining feedback from them. In general, the higher the product knowledge shared and the higher the product value to the customer, the higher the customer satisfaction.
- Branding by communicating your brand experience to your customers, you will increase your brand reputation and create value.
- Corporate governance includes corporate ethics, efficiency of corporate board, strength of auditing and reporting standards, strength of investors and minority protection. It involves a set of relationships between a company's management, its board, its shareholders and other stakeholders. The practice of corporate governance will help to retain talents within the organization; at the same time improve their corporate value and become more attractive to public and the investors.

- Corporate responsibility is a noble pursuit by companies and businesses towards achieving sustainability and conduciveness in the country's state of social affairs, the environment and the economy (Companies Commission of Malaysia). This is a bigger picture towards high value and sustainability. It looks into issues of labour market efficiency, ethic and corruption, underground economy and environment. All these issues must be considered in relation with the way we obtain our resources, production, consumption and investment.

8. Knowledge Change

Knowledge change is an important journey in KM Process. It is part of the exit strategy to unlearn and re-learn: thinking out of the box, moving out from the comfort zone and exiting from old products & services. The need for knowledge change may be due to survival. For example during crisis, uncertainty, changing technology, competitive market environment and other factors. Similarly, it may be due to out of date products and inefficient services or old business processes.

One of the essences of knowledge change is timing. One must change or exit at the right time. For example, Sony Walkman was late to change to online music and Nokia phone was slow to change in their smartphone models.

8.1. Knowledge change process

The process of knowledge change takes in many forms which include:

- Change management. After DRB-Hicom Bhd sold Air Asia to Tune Air for RM1 cash together with huge liability and debt, Air Asia has gone through transformation and changed into the region's popular aviation and travel organization, with the tagline "everyone can fly".
- Risk management. It is becoming an important issue during volatile financial market environment.
- Re-inventing business model. This is done through outsourcing, eCommerce (Lelong.com.my), eLearning (Asia e University), mobile learning (Open University Malaysia), webinar and online ticketing (Air Asia Malaysia).

Similarly, re-inventing products and services is important in today competitive environment. For example, Microsoft has re-invented its operating system to Window 8 which can turn normal laptops to function as

tablets. Many offset printers have re-invented themselves into digital printing, and traditional publishers are moving into the digital age of publishing e-books.

- Re-engineering the processes. It is important. Many government agencies and corporations have re-engineered their processes. For example, Companies Commission of Malaysia, Inland Revenue Board of Malaysia and Royal Custom of Malaysia.

9. KM Process Map

A detail summary of the above processes is pictured in Figure 2 as KM Process Map.

Figure 2 - KM Process Map

<p>Knowledge Conversion (Viability)</p> <ul style="list-style-type: none"> • Operational strategy • Critical & emotional thinking • business analytical skills, • management analysis • Human Resource Management • Learning 	<p>Knowledge Communication (Sustainability)</p> <ul style="list-style-type: none"> • Tactical strategy • Entrepreneurship skills, • Customer relation & communication, • Resource Planning, • Corporate Governance • Corporate Responsibility
<p>Knowledge Creation (Creativity)</p> <ul style="list-style-type: none"> • Strategy creation • Leadership skills & wisdom • Knowledge creation process 	<p>Knowledge Change (Survival)</p> <ul style="list-style-type: none"> • Exit strategy • Change management • Risk management • Re-inventing & re-engineering

“Value Sharing Process”

Source: Tan, T. S. (2013) Strategic Knowledge Management and Innovation – a process perspective

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10. Conclusion

In summary, the main premise of KM Process is to create high value and sharing of products and services in the marketplace. The result of high value in products and services (a real productivity) will lead to high income for individuals and organizations, which in turn will lead to high consumption (by individuals) and investment (by organizations), and hence organizational performance and economy growth for the nation.

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An Integrated View of Knowledge Management Enablers, Process and Organizational Performance in Malaysian Enterprises

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Abstract

The objective of this study is to examine and analyse the relevance to and use of knowledge management in small and medium enterprises (SMEs) in Malaysia. This includes an examination and an analysis of the relationship between “knowledge management enablers”, the “knowledge creation process” (for which, see Nonaka and Takeuchi, 1995, and Nonaka and Konno, 1998), organizational creativity and organizational performance in such Malaysian enterprises. The model on which this research study is based comes from the work of Lee and Choi (2003), although Strategy as Plan has been introduced as a new construct.

It is hoped that this study can contribute to knowledge in both these respects. The inclusion of the concept of Strategy as Plan addresses a gap in the research literature that is concerned with knowledge management. Further, the imperatives of globalization mean that it is generally accepted that it is imperative for business organizations, particularly SMEs, to improve their performance, through knowledge management, in what has

become a global knowledge economy. In fact, this feature provides both the background to and the rationale for this study.

The results of the research findings are summarized below:-

Firstly, the four KM enablers, learning, T-Shaped skills, IT-support and Strategy as Plan, are positively related to the knowledge creation process.

Secondly, the knowledge creation process and organizational creativity are positively related.

Thirdly, organizational creativity and organizational performance are positively related.

Keywords: Knowledge Management Enablers, Knowledge Creation Process , Organizational Creativity, Organizational Performance

1. Background of the Study

The rapid development of Information Technology in the late 1990s has accelerated the development of knowledge management, as can be seen from the works of many management writers (Sviokla, 1996; Nonaka, Umamoto and Senoo, 1996; Davenport, 1997; Alavi and Leidner, 1999). Information technology has been used as a knowledge creation tool (Nonaka et al., 1996); as a basis for information management (Broadbent, 1998); for information systems (Alavi and Leidner, 1999); and for codification tools (Hansen, Nohria and Tierney, 1999). The development of information technology provides a new means for the subsequent development of information management into knowledge management. In short, knowledge management practitioners use information technology as a tool, a systems, data base and repository, and for information management It is all about “delivering information to support a task” and about “individual performance in the field” to get the job done (McElroy, 2000, p. 200). In this respect, it has been referred to as “first-generation KM” (McElroy, 2000, p. 200).

The next generation of knowledge management saw the management writers integrating the organizational learning and knowledge management (McElroy, 2000; Loermans, 2002; Firestone and McElroy, 2004). According to McElroy (2000, p. 199) “many practitioners of KM are now turning to the organizational learning (OL) community as a source for what it means for an organization to learn.” In short, knowledge management writers try to integrate organizational learning into knowledge management. This

development of knowledge management thus put the focus more on organization learning rather than on the individual in the workplace. This trend can be regarded as “second-generation KM” (McElroy, 2000, p. 199).

Current developments in knowledge management have seen many writers argue that knowledge management is best represented as “strategic knowledge management”. Snyman and Kruger (2004, p. 17) have argued that knowledge management strategy should be an integral part of business strategy. With others, they argue that strategic knowledge management needs to be integrated with organizational performance in order to increase efficiency and thus the competitive advantage of firms. This development can be seen as deriving from the globalization of the world economy and the increased competitive nature of modern business.

However, generally, it is accepted that there is a “lack of strategic models to link KM efforts and business strategy” (Maier and Remus, 2002, p. 107) and that, very often, the knowledge management programmes, initiatives and activities that are developed “lack a strategic perspective” (Maier and Remus, 2002, p. 103). Other writers have called for more research into the relationship between knowledge management strategy and competitive advantage (Halawi, McCarthy and Aronson, 2006, p. 384). There is evidently much still to be done in an area that has changed rapidly in recent years. Other aspects relating to these relations are reviewed below but first, it may be instructive to review briefly the place of knowledge management in Malaysian SMEs.

2.Problem Statement

The establishment of the MSC provided a concrete example of the determination of the Malaysian government intention to promote knowledge management practice in Malaysia and to transform the economy from one reliant on the production to one based on knowledge. This was emphasized by Bank Negara Malaysia (2000), when it argued that Malaysia needed to shift its industry-orientated production towards what can be termed a “k-economy to develop new areas of growth in the knowledge intensive service sector.”

However, it should be noted that, in the early twenty-first century, a study by Salleh Yahya, Lailawati Mohd Salleh and Goh, W. K. (2001, p. 33) indicated that “the majority of Malaysian companies are still at the initial stage of KM practices.” Further, it is clear from subsequent study of knowledge management in Malaysia that the main challenges in “creating knowledge

based organizations are changing people's behaviour and retaining talented people" (Ramanathan Narayanan, Richardson, S. and Abdul Latif Salleh, 2003, p. 79). It is perhaps significant that young Malaysian professionals continue to move overseas in order to realize their objectives. In addition, a study by Ramesh Kumar (2003, p. 39) revealed that "most organizations do not have a clearly defined and explicitly identified KM strategy in place."

Although the early study of knowledge management practice in Malaysia showed a lack of clear implementation, a subsequent survey in 2004 on some award-winning Malaysian companies did indicate an awareness of "knowledge as one of the critical success factors of their organization" (Tan, 2004, p. 53). This awareness at least provides a basis that could be built on for this study.

3.Literature Review

3.1 Knowledge Management

The concept of "Knowledge management" has been perhaps the most important phenomenon to emerge in recent years in the study of management. Knowledge management has been defined as the process involved in seeking to "understand, focus on, and manage systematic, explicit, and deliberate knowledge building, renewal, and application – that is, manage effective knowledge processes" (Wiig, 1997, p. 2). It is the process of "continually managing knowledge of all kinds to meet existing and emerging needs, to identify and exploit existing and acquired knowledge assets and to develop new opportunities" (Quintas, Lefrere and Jones, 1997, p. 387). The objective of developing a knowledge management model is to "create knowledge repositories; it attempts to improve knowledge access, and attempts to improve knowledge cultures and environments" (Davenport and Prusak, 1998, p. 146). Broadbent (1998, p. 24) indicates that "knowledge management is about enhancing the use of organizational knowledge through sound practices of information management and organizational learning." In short, knowledge management can be personal knowledge management or organizational knowledge management.

3.2 Knowledge Management Enablers

In view of the points made above, as to the general recognition of the importance of knowledge management, especially as part of a response to changes in the modern global economy, it is necessary now to review the

“knowledge management enablers” that are embedded in a knowledge management process. The four main knowledge management enablers selected in this review include the four main aspects and dimensions in the organization, particularly in the SMEs setting. These four enablers involve a learning culture in the organization, people management skills, information technology support and process, and business strategy as a long term plan. The four knowledge enablers chosen provide good dimensions; at the same time they are not too complex to handle in this research project setting involving SMEs.

3.2.1 Learning

Learning is an important factor in the knowledge creation process. Learning can involve processes that are either formal or informal, including such forms as discussion, brainstorming, seminars or online forums and through what can be termed the “community of practice”. According to Robbins (2005, p. 48) learning is “any relatively permanent change in behaviour that occurs as a result of experience.” It involves “a change in behaviour” through “some form of experience”, whether direct or indirect (Robbins, 2005, p. 49). Nonaka and Takeuchi (1995, p. 44) categorizes learning into two kinds of activity:

- The first kind of learning is obtaining know-how in order to solve specific problems based upon existing premises;
- The second kind of learning is establishing new premises, (that is, paradigms, schemata, mental models, or perspectives) to override the existing ones.

The traditional view of learning accepts that it is a critical basis for problem solving. One particularly valuable approach that reflects this view has come from Argyris, who has developed the concept of “double-loop learning” (Argyris, 1977, p. 114) in a series of papers and studies. According to Argyris (1995, p. 20), learning occurs whenever errors are corrected, either through “change the behavior” (single-loop learning) or “change the underlying programme or master programme” (double-loop learning) (Argyris and Schon, 1974; Argyris, 1995, p. 20). The concepts help in illuminating how people think and the nature of their cognitive reasoning (Argyris, 1991, p. 100). According to Argyris (1995, p. 20), for learning to be effective, an individual must “change the behavior” while “changing the master programmes” that individual uses to produce actions. The nature of the learning process and the nature of “change behavior” by individuals and employees in an organization is of critical importance in terms of the ability

of an organization to change and to be creative, as a basis for continuous improvement and thus sustainable performance.

Management writers have thus long recognized the importance of continuous learning in building a “learning organization”. An early work in this area was by Senge’s (1990a), with the title “The fifth discipline”; this provided themes that formed the foundation of the concept of the “learning organization”. In his subsequent work, Senge described how “new roles, skills, and tools” had to be developed for leaders who wished to develop a learning organization (Senge, 1990b, p. 7). His model was based on Japanese practice. According to Senge (1992), “many Japanese companies have institutionalized learning around quality improvement teams and related innovation”. Much could be learnt from these. Senge (1999, p. 38), provides some guides to develop an organization’s capabilities in learning organization:

- Building shared vision - there is no substitute for organizational resolve, conviction, commitment, and clarity of intent. They create the need for learning and the collective will to learn. Without shared visions, significant learning occurs only when there are crises;
- Personal mastery – an organization that is continually learning how to create its future must be made up of individuals who are continually learning how to create more of what truly matters to them;
- Working with mental models – organizations become frozen in inaccurate and disempowering views of reality because they lack the capability to see their assumptions and to continually challenge and improve them;
- Team learning – ultimately, the learning that matters is the learning of groups of people who need one another to act (the real meaning of team; and
- Systems thinking – it’s not just how we learn, but what we learn. The most important learning in contemporary organizations concerns gaining shared insight into complexity and how we can shape change.

According to Huber (1991, p. 89), an entity learns, “if through its processing of information, the range of its potential behaviors is changed.” At the same time, it should be emphasized that there is no standard operational definition of “organizational learning”. It can be linked to “knowledge acquisition, information distribution, information interpretation, and organizational memory” (Huber, 1991, p. 88); it can also be approached as an organizational skills that can be utilized in “creating, acquiring, and

transferring knowledge, and at modifying its behavior to reflect new knowledge and insights” (Garvin, 1993, p. 80).

From organizational learning to knowledge management, other management theorists have stressed the possibilities arising from the integration of complexity theory and knowledge management into organizational learning. Thus McElroy, (2000, p. 195) expresses the theme: “KM now regards OL as its new best friend.” In addition, some authors have argued that “organizational learning” is not only about processing information, but also about helping to “create information and knowledge” (Nonaka, Byosiere, Borucki and Konno, 1994, p. 338). Further, by “embedding learning” companies can “improve the consistency and effectiveness of knowledge use throughout an organization” (Cross and Baird, 2000, p. 69).

3.2.2 People T-Shaped Managers

The concept of “people” is another important construct in knowledge management. It is generally agreed that the brain of the people in an organization has an unlimited capacity for information and knowledge, whether this is tacit or explicit. Leonard and Straus (1997, p. 109), argue that the whole company brain can be put to work and suggest ways and processes to achieve this. They distinguish between what they call “the comfortable clone syndrome” and the “creative abrasion” that propels innovation. In particular, they argue, “to innovate successfully, you must hire, work with, and promote people who are unlike you” (Leonard and Straus, 1997, p. 117).

Such approaches may not suit all managers or all organizations. However, it can be accepted that, while people’s brain power may be unlimited, to be beneficial to the organization, the right skills for creativity must be employed. In this respect, Hansen and Oetinger (2001, p. 107) introduced the concept of “T-Shaped” managers, who are willing to share knowledge freely across the organization. The term “T-Shaped” refers to the behaviour of managers who are more flexible in sharing knowledge freely, learning and collaborating across the business units – this is the horizontal part of the T (Hansen and Oetinger, 2001, p. 108). They are thus managers who are willing to share knowledge freely across the organization.

3.2.3 Information Technology-IT Support

Information technology, has been the most rapidly-changing factor in knowledge management and knowledge management initiatives. In the first place, the development of information technology transformed information management potentially into knowledge management, and as information technology improves and advances, it continually opens up new possibilities and opportunities for effective knowledge management (Davenport, 1997; Alavi and Leidner, 1999).

In general, the development of information technology has played an important role in the organizational of knowledge processes. Academics and practitioners have emphasized the different roles of information technology according to the respective context and framework. Information technology can be used by an organization for storing data in modes that allow for “data mining”, the transfer of and the sharing of knowledge (Davenport, 1997); for knowledge storage and retrieval or as “organizational memory” (Stein and Zwass, 1995) for building “organizational memory” through knowledge retention (Cross and Baird, 2000, p. 69). Information technology provides the tools and capabilities for “knowledge management systems” (Alavi and Leidner, 1999; Alavi and Leidner, 2001).

As Sviokla (1996, p .25) puts it, much of the technology associated with the computer is “not passive but active tools that manage the process of work”. Thus for example, the implementation of IT in an organization can give economies of scale (Sviokla, 1996) and increase productivity if it is integrated as part of organization change (Brynjolfsson and Hitt, 1998). Information management can be transformed into knowledge management by synergizing the information technology tool with human capabilities, or by “integrating qualitative and quantitative” aspects of a knowledge management system (Liao, 2003, p. 162).

In outlining the development of a knowledge management system, Nonaka and Takeuchi (1995) have emphasized the importance of information technology as an integral part of the “knowledge creation process.” Nonaka et al. (1996, p. 203) use the new theory to examine “how information technology can help implement the concept of the knowledge creation company”, in what amounts to a paradigm shift for the emerging “knowledge society.” They provide a practical example from Japanese business: “Seven-Eleven Japan represents our concept of the knowledge creation company, because it synergistically fuses IT as a knowledge

creation tool and human beings with collaborative knowledge creation abilities.” (Nonaka et al., 1996, p. 204).

3.2.4 Strategy as Plan

There is no one single definition of strategy; it has long been used implicitly in different ways (Mintzberg, 1987, p. 11). In the world of business there have been various definitions by various authors. Drucker, the greatest of business writers, defined the concept as “purposeful action” (Drucker, 1974, p. 104); Mintzberg (1987, p. 11) considered that strategy could be any one of “plan, ploy, pattern, position, and perspective”; and Glueck (1980, p. 9) views strategy as “a unified, comprehensive, and integrated plan.....designed to ensure that the basic objectives of the enterprise are achieved”. According to Chandler (1963; cited in Ghemawat, 2001, p. 1), strategy can be defined as “the determination of the basic long-term goals and objectives of an enterprise and the adoption of courses of action and the allocation of resources necessary for carrying out those goals.” The need for companies to have strategies has always been clear, although it is perhaps even more so in the modern globalized business environment.

Again there is no one single definition that captures the meaning of plan. However, according to Mintzberg (1994, p. 351), the role of a “plan” serves as a “media for communication and devices for control”. As a medium of communication, it can “inform people of intended strategy and its consequences”; as a device for control, it can incorporate “feedback into the strategy making process of comparing expectations with actual performance” (Mintzberg, 1994, p. 354).

Cyert and March (1963, pp.111 - 112; cited in Mintzberg, 1994, p. 355) “make four observations on plans within an organization”. These are worth setting out in full:

- (a) A plan is a goal and a planning prediction function to confirm its goal, such as sales, profit level, and so forth;
- (b) A plan is a schedule, which specifies intermediate steps to a predicted outcome;
- (c) A plan is a theory, for example, the budget specifies a relationship between such factors as sales and costs on the one hand and profits on the other;
- (d) A plan is a precedent; it defines the decisions of one year and thereby establishes a *prima facie* case for continuing existing decisions.

As mentioned earlier, “strategy” has been referred to as “the determination of the basic long-term goals” or “purposeful action” (Drucker, 1974, p. 104). It is important for organizations to have a “strategy” in the world of “new knowledge creation” and to have a long term “plan” to achieve an organizational goal or organizational performance. The word “plan” has been referred to as “a prediction function to confirm its goals” (Cyert and March, 1963, p. 111). There is no one single definition to describe the meaning of “strategy plan”. According to Mintzberg (1987, p. 20) Strategy as Plan “deals with how leaders try to establish direction for organizations, to set them on predetermined courses of action..” In other words, Strategy as Plan firstly involves leadership setting the direction, and secondly involves a “predetermined course of action” or “schedule” (Cyert and March, 1963, p. 111). It embraces the knowledge creation process to embrace new knowledge and ideas, new products and services on the part of the knowledge creating company. The ultimate long term “plan” is required to achieve the long term goals of organizational performance.

3.3 Knowledge Creation Process

Organizational knowledge creation has been defined as “the capability of a company as a whole to create new knowledge, disseminate it throughout the organization, and embody it in products, services, and systems” (Nonaka and Takeuchi, 1995, p. 3). The main purpose of knowledge creation is to create new knowledge and ideals, thus enabling the “knowledge creating” company to achieve continuous innovation (Nonaka, 1991, p. 96).

Knowledge creation can come from different entities and in different forms and types. The main platform of knowledge creation is the “phenomenal” place. Knowledge creation can emerge from “individuals, working groups, project teams, informal circles, temporary meetings, e-mail groups, and at the front-line contact with the customer” (Nonaka and Konno, 1998, p. 41). It can also come from the “communities of interaction” where “social interaction between individuals” gives rise to the sharing and development of new knowledge (Nonaka, 1994, p. 15). Subsequent writers also agreed that community of practice is a source of knowledge creation, as they put it “the purpose of the community is to ensure that professionals collaborate across plants, geographical boundaries, and sometimes also functional boundaries. Such communities of practice have already led to a number of significant benefits in Unilever.”

Similarly, the knowledge creation may come from the “knowledge activist”, who can be “someone, some group or department ... coordinating knowledge creation efforts throughout the corporation” (Krogh, Nonaka and Ichijo, 1997, p. 475). A knowledge activist formulates “process triggers and creates space or context for knowledge creation”, and he or she “acts in three roles: as a catalyst of knowledge creation, as a connector of knowledge creation initiatives and as a merchant of foresight.” (Krogh et al., 1997, p. 475). Salisbury (2001, p. 305) provides an example of managing the knowledge creation process for a small work group, where “a knowledge base is used for capturing the expertise of individuals and making it available to other members of the group.” A more recent study also reveals that “interaction processes permitting the creation of knowledge in small hi-tech firms can take place via: formal meetings, informal communities, project teams, external interaction; and information technology tools.” (Spraggon and Bodolica, 2008, p. 879). It can be argued that the current developments in internet and social media, such as Yahoo! Group and Facebook, represent a new phenomenon of knowledge creation, although this must be subjected to further empirical study, where members of the group are able to communicate and interact with one another through online media tools and email.

The significant role of knowledge creation is to “help organizations achieve and sustain competitive advantage” in a dynamic and changing environment (Nonaka et al., 1994, p. 338). This view has been echoed by Krogh et al. (2001, p. 421). As they put it, “in the knowledge economy a key source of sustainable competitive advantage and superior profitability within an industry is how a company creates and shares its knowledge.” In other words, firms that encourage knowledge creation are generally more creative and innovative, and thus have a better organizational performance. The study by Lee and Choi (2003, p. 206) reveals that “knowledge creation is positively related with organizational creativity, which is positively related with organizational performance.”

3.4 Organizational Creativity

As has been emphasized, organizational creativity lies at the heart of the knowledge creative process. Many works, from writers such as Amabile, Conti, Coon, Lazenby, and Herron (1996); Amabile (1997) and Woodman, Sawyer and Griffin (1993), have emphasized this relationship. While there is no standard definition of creativity or organizational creativity, two attempts have been found to be of value here. Creativity has been defined as “the production of novel and useful ideas in any domain” (Amabile et al., 1996, p.

1155). According to Amabile et al. (1996, p. 1155) “creativity is the seed of all innovation, and psychological perceptions of innovation (the implementation of people’s ideas) within an organization are likely to impact the motivation to generate new ideals.” The meaning of creativity may include creativity from an individual, within and outside of an organization, or from sources in society at large.

Management writers have adapted the meaning of “creativity” to the context of the operations of an organization. According to Woodman et al. (1993, p. 293) “organizational creativity is the creation of a valuable, useful new product, service, idea, procedure, or process by individuals working together in a complex social systems.” This can be taken as an operational definition for an examination of organizational creativity.

The basic rationale for organizational creativity mirrors the rationale for the present dissertation. In the fast moving economic environment of globalization, firms are required to be creative and innovative, in order to be competitive and survive, succeed and sustain. Firms need to continuously improve their product quality, design and value in presenting to their customers. It follows that there is a need for organizational creativity, as “creativity is the seed of all innovation” (Amabile et al., 1996, p. 1155). As Lee and Choi put it, organizational creativity helps to “transforms knowledge into business value” (Lee and Choi, 2003, p. 189) and “the organization that wishes to cope dynamically with the changing environment needs to be one that creates information and knowledge.” (Nonaka and Takeuchi, 1995, p. 50) The integration of knowledge creation and organizational creativity enables firms to create new ideals, new products and services, to do things in new ways, re-invent, and improve their value propositions to their customers. It is perhaps particularly important during the present challenging economic environment.

3.5 Organizational Performance

It is necessary to be able to see what can and has been achieved through promoting organizational creativity, innovation, etc., and this is best done through measuring “organizational performance”. Organizational performance can be measured in various ways, as in terms of profitability, growth rate, market share or even competitive advantage. Lee and Choi (2003, p.190) categorize methods for measuring organizational performance in knowledge management that include “financial measures, intellectual capital, tangible and intangible benefits, and balanced scorecard.”

Organization need to design the performance measure to evaluate as to whether they have achieved their set goals, through financial, quality and scorecard measures. According to Amaratunga and Baldry (2002, p. 218), performance measurement is “the basis for an organization to assess how well it is progressing towards its predetermined objectives, (it also) helps to identify areas of strengths and weaknesses, and decide on future initiatives, with the goal of improving organizational performance.”

Bourne (2005) suggests that the implementation of the performance measurement system needs to be considered as a process in its own right and the measure should:

- Establish position – identifying current levels of performance;
- Communicate direction – telling everyone what the organization is trying to achieve;
- Influence behaviour – so that people take note of the performance measures in everything they do;
- Stimulate action – so that people automatically take action when the performance is not moving in the expected direction; and
- Facilitate learning – so that people get feedback from the performance measures and learn from their experiences.

Amaratunga and Baldry (2002, p. 218), suggest further that measurement can facilitate a strategic perspective. As they put it, “in order for an organization to make effective use of its performance measurement outcomes, it must be able to make the transition from measurement to management. It must also be able to anticipate needed changes in strategic direction of the organization and have a methodology in place for effecting strategic change.” Their views have shaped the examination of performance measures below.

The traditional and the most common organizational performance measure is a financial-based measure, based on quantitative factors, such as turnover, profitability, investment turnover, and rate of growth. For example, an organization can measure turnover in order to estimate its market share, while profitability can be used to determine investment returns and the rate of dividend payable to shareholders. However, the organizational performance measure that is solely based on financial and accounting figures runs the risk of being manipulated. This has been a feature of many famous corporate collapses, as was manifested during the Asia financial crisis and the recent global financial crisis.

Similarly, estimating performance solely on financially-based data has been criticized because it fails to measure and integrate all the factors critical to business success (Kaplan, 1983; cited in Gomes, Yasin and Lisboa, 2004, p. 512). In the words of Kaplan and Norton (1992, p. 71), the “traditional financial performance measures worked well for the industrial era, but they are out of step with the skills and competencies companies are trying to master today.”

Eccles (1991; cited in Botten and Sims, 2005, p. 414) also criticized business measurement based only on traditional financial data and argued for the inclusion instead of “non-financial measure to reinforce competitive strategies.” His argument can be summarized as follows:

- Managers have tracked non-financial measures such as quality, market share, etc., but these measures have not been given their appropriate status in corporate information;
- Grafting additional non-financial measures on top of the financial reporting system achieves little because they often conflict and consequently the financial measures again take priority;
- Financial measures are lagging indicators of performance because they show the outcomes of past investment and strategic decisions and often discourage further strategic investment;
- Focusing on and rewarding achievement of financial measures alone causes managers to adopt short-termist behaviour to improve their financial performance to the detriment of the long-run development of the firm;
- Modern competitive strategies based on quality and customer satisfaction, together with the development of benchmarking initiatives has led to the potential for a revolution in performance measurement.

The shortcomings in the traditional measure have resulted in the introduction of other operational measures, such as a “balanced scorecard”, as is discussed in the following section.

An approach that is increasingly popular is to use what has been termed a “balanced scorecard” (Kaplan and Norton, 1992). The popularity of a balanced scorecard is, in part, because it can be employed as a financial as well as an operational measure. Kaplan and Norton (1992, p. 71) argue that “it complements the financial measures with operational measures on customer satisfaction, internal processes, and the organization’s innovation and improvement activities – operational measures that are the drivers of future financial performance.”

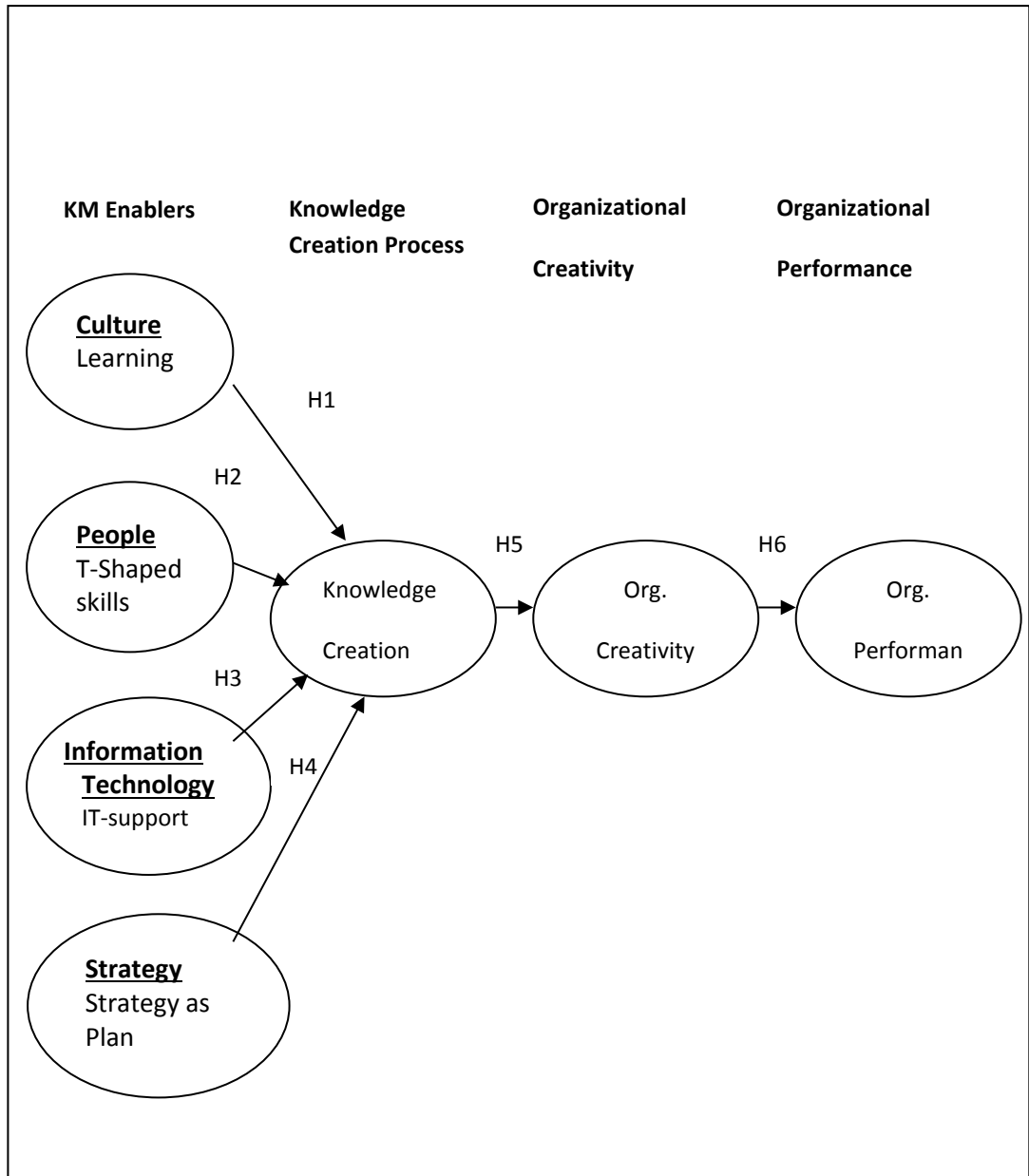
A balanced scorecard measures not only the tangible but also the intangible assets (for example, customer relations, skills and knowledge) which have become a major source for competitive advantage. Kaplan and Norton (2001, p.90) provide a new framework combining intangible and tangible assets to create differentiating customer-valued propositions with the following four perspectives:

- Financial – the strategy for growth, profitability, and risk viewed from the perspective of the shareholder;
- Customer – the strategy for creating value and differentiation from the perspective of the customer;
- Internal business processes – the strategic priorities for various business processes that create customer and shareholder satisfaction;
- Learning and growth – the priorities to create a climate that supports organizational change, innovation, and growth.

Thus a balanced scorecard concept has evolved from a performance measurement system to one which is now the organizing framework and the operating system for a new strategic management system. As Kaplan and Norton (1996, p. 85), put it a “balanced scorecard enables a company to align its management processes and focuses the entire organization on implementing long-term strategy.” With this new strategic management system, organizations can achieve performance breakthroughs by focusing the entire organization on strategy, capitalizing on the capabilities and assets (tangible and intangible) that exist in the organization. A balanced scorecard thus provides a measure of organizational performance and a platform for long-term value creation.

4. Theoretical Framework, Research Question and Hypothesis

4.1. Theoretical Framework



4.2. Research Question

Research questions are constructed in order to meet the objectives of the research:

1. What is the relationship between knowledge management enablers and the knowledge creation process?
2. Is organizational creativity linked to the knowledge creation process?
3. Is organizational creativity linked to organizational performance?

4.3. Hypothesis

In order to answer the abovementioned research question, this study posits the hypothesis to be:

H1: Learning is positively related to the knowledge creation process

H2: T-Shaped skills are positively related to the knowledge creation process.

H3: IT- support is positively related to the knowledge creation process.

H4: Strategy as Plan is positively related to the knowledge creation process.

H5: The knowledge creation process is positively related to organizational creativity

H6: Organizational creativity is positively related to organizational performance

5. Research Design and Methodology

The sampling method having been decided on, it remains to explain the manner of approach to the units that are the subject of analysis. These units have been taken from Malaysian SMEs which can be categorized into two sections as stipulated in Table 1. The first category includes companies in manufacturing, manufacturing related services and agro-based industries, with full-time employees not exceeding 150, or annual turnover not exceeding RM 25 million. The second category includes companies in

services, primary agriculture and information and communication technology (ICT) with full-time employees not exceeding 50, or annual turnover not exceeding RM 5 million.

An information statement relating to the nature of this study together with the questionnaire was sent to the management of a number of companies, which were within the categories set out above and listed in Malaysian SME business directories on a random basis. It was taken that those who replied to the invitation, which allowed them to remain anonymous, had given informed consent.

According to Chin (1998), the number of responses required for the questionnaires should be at least 10 times the number of items in the largest scale. Based on the questionnaire, a minimum of 50 responses was required as the number of items in the largest scale is 5. Based on an anticipated response rate of 5%, a total of about 1025 letters of invitation to participate in the survey, together with the above documents, was sent to Malaysian SMEs that fell into the two categories outlined above.

6. Results

6.1. Descriptive Analysis

A total of 1025 questionnaires was distributed to Malaysian SMEs organizations. These were organizations randomly selected from Malaysian SMEs directories. Each organization was sent a survey questionnaire that invited the owners or the managers in the organization to participate in the research. Out of the total number distributed, 110 of the questionnaires were returned. Out of the total that responded, 5 questionnaires were incomplete, therefore only 105 questionnaires were used in the data analysis. This amounted to a 10.24% response rate.

The composition of the sample indicates that the majority of the respondents are male with 70.5% as against female with 29.5%. This composition was not unexpected as it is reasonable to see a relatively large number of females in management positions in Malaysian companies. Malaysian females have benefited from official programmes of equal opportunity in education and employment in Malaysia, and many of them hold such management positions as chief operating officers, administration managers and human

resource managers. In addition, many females have become entrepreneurs in the service sector.

As for work experience, respondents with less than 5 years comprised of 13.3% of the total number; those with work experience between 5 years to 10 years comprised 24.8%; those with work experience between 11 years to 15 years comprised 23.8%; and those work experience with 16 years and above comprised 38.1%. Thus the results showed that 61.9% of respondents had more than 10 years working experience. Only 13.3% of the respondents had less than 5 years experience, and these are perhaps the young entrepreneurs in the services and ICT sectors. Based on the length of working experience of more than 10 years, it may be presumed that more than half of the respondents are either owners or partners or shareholders in the organizations.

As regards to the education qualification, the respondents' distribution indicates that 21.9% have only a diploma or a lesser or no qualification, 33.3% have a bachelor degree and 32.4% have a post graduate degree and above. Further, 12.4% have attained a professional degree. The results indicate 78.1% of the respondents have at least attained a tertiary qualification. The changes in Malaysian education policy and the development of knowledge management in the last decade may have contributed to the high level of education in Malaysian entrepreneurs and management personnel that is indicated in this sample.

6.2. Reliability Analysis

Reliability analysis measures the stability and consistency of the concept and helps to assess the "goodness of a measure" (Sekaran, 1992, p. 173). Consistency indicates how well the items "hang together as a set" (Sekaran, 1992, p. 174). One of the consistency tests is inter-item consistency reliability, and this is best achieved by using Cronbach's coefficient alpha. Cronbach's alpha indicates "how well the items in a set are positively correlated to one another" (Cavana et al., 2001, p. 321).

Table 2 tabulated all the internal reliabilities of the scales by using Cronbach's alpha (α), which measures the reliability of a research instrument in social science, to examine the internal consistency of the research instrument. It is generally considered that for Cronbach's alpha, 0.8 and

above are very good, between 0.7 and 0.8 are considered good, and those between 0.6 and 0.7 are adequate. Results for Cronbach's alpha below 0.6 are considered poor and therefore should be deleted. Hence, as the internal validity for all the constructs is at least 0.6 and above, therefore the entire constructs are acceptable.

6.3. Factor Analysis for the Knowledge Management Enablers

Table 3 to 6 indicates the loading factor for the Knowledge Management Enablers (Learning, T-Shaped Skills, IT-Support and Strategy as Plan). The results shown in the tables indicate that all the loading factors are greater than the cut off level, therefore all are accepted.

6.4. Factor Analysis for Knowledge Creation Process

Table 7 presents the loading factor for knowledge creation process. Since all the variables are above the cut-off point of 0.4, therefore they are accepted.

6.5. Factor Analysis for Organizational Creativity

Table 8 presents the loading factors for organizational creativity. The entire scale factor loadings have achieved the cut-off level, therefore all are accepted.

6.6. Factor Analysis for Organizational Performance

The loading factor for organization performance, the dependent construct, is presented in table 9. The entire scale factor loading has achieved the cut-off level of 0.4, therefore all the scale is accepted.

6.7. Results of Regression

The results of regression for knowledge management enablers (Learning, T-Shaped Skills, IT-Support and Strategy as Plan) vs. knowledge creation

process are summarized in the table 10 to 13. The table shows $P=0.01 < 0.5$; thus hypothesis H1-H4 are supported and it can be concluded that knowledge management enablers - Learning, T-Shaped Skills, IT-Support and Strategy as Plan (independent variable) - significantly affect the knowledge creation process (dependent variable). In addition, since B-value for all variables is between +0.45-0.55, it can be concluded that there is a significant and positive relationship between knowledge management enablers (Learning, T-Shaped Skills, IT-Support and Strategy as Plan) and the knowledge creation process. Also, the variables explains 19.9-30.47% of the total variance (R^2) in the knowledge creation process; this is the strength considered between medium and large based on the benchmark ($R^2=0.01$ =small, 0.05 =medium, 0.25 =large) set by Cohen (1992).

For the knowledge creation process (KCP) vs. organizational creativity (OC), table 14 shows $P=0.01 < 0.5$, and thus the hypothesis H5 is supported. It can be concluded that the knowledge creation process (independent variable) significantly affects organizational creativity (dependent variable). In addition, since B-value is +0.544, it can be concluded that there is a significant and positive relationship between knowledge creation process and organizational creativity. Also, the knowledge creation process explains 29.6% of the total variance (R^2) in the organizational creativity, and this strength is considered large based on the benchmark ($R^2=0.01$ =small, 0.05 =medium, 0.25 =large) set by Cohen (1992).

The result for Organizational Creativity (OC) vs. Organizational Performance (OP) in table 15 shows that $P=0.01 < 0.5$, and thus the hypothesis H6 is supported. It can be concluded that organizational creativity (independent variable) significantly affects the organizational performance (dependent variable). In addition, since B-value is +0.578, it can be concluded that there is a significant and positive relationship between organizational creativity and organizational performance. Also, organizational creativity explains 33.4% of the total variance (R^2) in the organizational performance, and this strength can be considered large based on the benchmark ($R^2=0.01$ =small, 0.05 =medium, 0.25 =large) set by Cohen (1992).

7.0. Discussion

Learning (H1) has been supported as positively related to the knowledge creation process. This is entirely consistent with the leading academic authorities on knowledge management. Thus, according to Argyris, learning means to “change behavior” (Argyris, 1995; see also McElroy, 2000) and it involves “knowledge acquisition, information distribution, information interpretation, and organizational memory” (Huber, 1999). As Nonaka and Takeuchi (1995) also emphasize, learning is therefore central to the knowledge creation process.

The research results in this study provide empirical support for the importance of the link between learning and the knowledge creation process. In view of the theoretical limitations of this study, caution has to be applied in relating this finding to the particular case of Malaysian organizations. However, it could be argued that there are promising implications. Thus learning has always played an important role in Malaysian society while public policy has stressed the importance of education in the past 15 years. The encouragement given to the establishment of many private higher education institutions (local and foreign), has been an important factor in human resource development in Malaysia, and has had a strong influence on the SME sector.

Another factor associated with learning, with a positive impact on knowledge creation, in Malaysia, is the development of internet technology. This has enabled the rapid growth of such organizational features as social networking sites, forums and groups based on community of practice and open sourcing. It is difficult to underestimate the importance of their potential role in informal learning and the knowledge creation process in Malaysian SMEs.

The existence of T-Shaped skills (H2) has also been found, in this study, to be positively related to the knowledge creation process. Again, this is consistent with the academic literature on the knowledge creation processes. Thus, according to Leonard and Straus (1997), it is advantageous to “hire, work with, and promote people who are unlike you”. T-Shaped skills, it is argued, relate to and arise out of the “degree of understanding his or her own and others’ task areas” (Lee and Choi, 2003).

It is interesting to consider how far such features can be related to the nature of Malaysian SMEs, thus promoting their effectiveness in knowledge creation. Malaysian SMEs are generally owned by individuals or operated as family enterprises. Their organization is generally less formal and without rigid structures. Communications between the various parts of the firm, and between individuals in the same and in different departments are frequent and effective, especially when it is not unusual for employees at various levels to be willing and able to multi-task across different departments. It follows that such employees in SMEs are used to frequent interaction and are able to communicate with and understand the task areas of others. Indeed, it is frequently necessary that they are interdependent in the interest of the organization's survival, let alone growth. The potential for knowledge creation on the basis of such skills in Malaysian SMEs is thus evident.

In the present study, it has been demonstrated that IT-support (H3) is positively related to the knowledge creation process. Again, this echoes the literature on their relationship; information technology plays an important role in the "knowledge creation process" (Nonaka and Takeuchi, 1995) and information technology provides support "for collative work, for communication, for searching and accessing, for simulation and prediction, and for systematic storing" (Lee and Choi, 2003). Again, it could be argued that this can have positive implications for Malaysian SMEs.

Thus, it has been argued that the establishment of a Multimedia Super Corridor (MSC) has helped to "transform the nation into a knowledge-based economy" (MSC Malaysia, 2009a). The initiatives have attracted many ICT foreign direct investments to Malaysia, particularly from the US and Europe. Such foreign FDI's in ICT have indirectly benefited Malaysian SMEs through outsourcing and subcontracting. In addition, the transformation of "e-government" over the last decade has indirectly helped to develop ICT processes and ventures among Malaysian SMEs. Indeed, the development of a knowledge based economy and the development of internet technology have directly and indirectly increased IT-support in Malaysian SMEs in areas such as collaborative, communication, searching and systematic storing. In turn, this should have positive implications for the knowledge creation process in such organisations.

Similarly, it has been demonstrated that Strategy as Plan (H4) is positively related to the knowledge creation process. This is in line with the views of Mintzberg (1987, p. 20), who states that Strategy as Plan deals with how “leaders try to establish direction for organizations, to set them on predetermined courses of action”. The leaders in SMEs are usually the founders, co-founders, partners, entrepreneurs and senior management of the organizations and their involvement in the strategy plan are therefore natural and a necessity. In an SME organization, generally, there is no thick level of middle management. It follows that the leader and the management can communicate directly with other stakeholders, particularly the suppliers and customers, and they can communicate effectively internally with their staff. It follows that it is easier for them to “control” and obtained “feedback” internally from the employees and externally from the suppliers and customers. Indeed, as Strategy as Plan, involving leadership participation, communication and control, is logically associated with the knowledge creation process, it could possibly be important to the performance of Malaysian SMEs.

This study shows that the knowledge creation process is positively related to organizational creativity. The hypothesis (H5) has been supported. As Nonaka and Takeuchi put it, the knowledge creation process and indeed the whole organizational knowledge creation process is important because this relates to “the capability of a company as a whole to create new knowledge, disseminate it throughout the organization, and embody it in products, services, and systems” (Nonaka and Takeuchi, 1995, p. 3). This enables the “knowledge creating” company to achieve continuous innovation (Nonaka, 1991, p. 96).

It follows that the process in the knowledge creation company will lead to organizational creativity. Creativity has been defined as “the production of novel and useful ideas in any domain” (Amabile et al., 1996, p. 1155), and organizational creativity as “the creation of a valuable, useful new product, service, idea, procedure, or process by individuals working together in a complex social systems” (Woodman et al., 1993, p. 293). It follows that such processes are potentially important to Malaysian SMEs.

This research study has found that organizational creativity is positively related to organizational performance. The hypothesis (H6) has been

supported. Organizational performance according to Lee and Choi (2003, p. 222), can be assessed through the “overall success, market share, growth rate, profitability, and innovativeness”. In the case of Malaysian SMEs, there is some evidence of change and improvement during the last decade. It is evident from this study that their capacity to play an important part in the economy rests on their commitment to knowledge management. It is hoped that this study will provide support for encouraging public policy to pursue such trends.

8.0. Conclusion

The need for further research reflects the limitations of the model adapted from Lee and Choi for use in this study. While all the hypotheses tested were supported, it is doubtful whether any policy implications can derive from this study without a more sophisticated approach examining the interactions between the variables.

However, the study did investigate an integrated view of knowledge management enablers, organizational creativity and organizational performance, based on the example set by Lee and Choi (2003, p. 222), who wished to assess “overall success, market share, growth rate, profitability, and innovativeness”. Their measure retained a “financial performance” perspective of balanced scorecard and “supplements it with measures on the drivers of future potential” (Lee and Choi, 2003, p. 190). This measure may have its limitation in the competitive globalized economic environment but it provides a starting-point for policy initiatives.

Thus, in the changing global economic landscape, emerging countries, like Malaysia, face many challenges in their manufacturing sector. It follows that its firms, including Malaysian SMEs, must look to high-technology, high-knowledge skills and high-capital intensive industries. Only in this fashion will they be able to achieve a sustained competitive advantage, with a basis in resources like “value, rareness, imitability, and substitutability” (Barney, 1991, p. 99). As proposed by Halawi et al., (2006, p. 384) “future research should investigate the circumstances under which knowledge management can create a sustainable competitive advantage within the framework of the resource-based view (RBV)”. It is therefore recommended that future

research on Malaysian SMEs should further investigate the relationship between knowledge management and competitive advantage.

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TABLES**Table 1 – Detailed definition of Malaysian SMEs**

Category	Micro enterprise	Small enterprise	Medium enterprise
Manufacturing, Manufacturing-related services & agro-based industries	Sales turnover of less than RM 250,000 OR Full-time employees less than 5	Sales turnover between RM 250,000 & RM 10 million OR Full-time employees between 5 to 50	Sales turnover between RM 10 million and RM 25 million OR Full-time employees between 51 to 150
Services, primary agriculture & ICT	Sales turnover of less than RM 200,00 OR Full-time employees fewer than 5	Sales turnover between RM 200,000 and RM 1 million OR Full-time employees between 5 to 19	Sales turnover between RM 1 million and RM 5 million OR Full-time employees between 20 to 50

Table 2 - Internal Reliabilities for the scale

Scale	Cronbach's alpha (α)
Learning	.654
T-Shaped skills	.764
IT-support	.822
Strategy as Plan	.919
Socialization	.769
Externalization	.776
Combination	.743
Internalization	.752
Organizational creativity	.897
Organizational performance	.838

Table 3 - Loading factor for learning

Item	Factor Loading
LEA1	.658
LEA3	.723
LEA4	.770
LEA5	.719

Table 4 - Loading factor for T-Shaped skills

Item	Factor Loading
TSS1	.784
TSS2	.551
TSS3	.792
TSS4	.733
TSS5	.729

Table 5 - Loading factor for IT-support

Item	Factor Loading
ITS1	.823
ITS2	.815
ITS3	.775
ITS4	.677
ITS5	.749

Table 6 - Loading factor for Strategy as Plan

Item	Factor Loading
SP1	.864
SP2	.897
SP3	.875
SP4	.879
SP5	.845

**Table 7 - Loading factors for Knowledge Creation Process
(Socialization, Externalization, Combination, and Internalization)**

	Factor Loading	1	2	3	4
KCS1	.632	.111	.236	.632	.016
KCS2	.807	.144	.191	.807	.039
KCS3	.600	-.155	-.022	.600	.419
KCS4	.616	.317	-.053	.616	.317
KCS5	.631	.339	.220	.631	.219
KCE1	.572	-.021	.471	.222	.572
KCE2	.678	-.003	.254	.262	.678
KCE3	.612	.309	.008	.358	.612
KCE4	.585	.190	.514	.060	.585
KCE5	.626	.211	.076	.015	.626
KCC1	.493	.493	-.056	.302	.228
KCC2	.743	.743	-.007	.259	-.207
KCC3	.580	.580	.399	.080	.137
KCC4	.671	.671	.293	.050	.158
KCC5	.712	.712	.083	.045	.354
KCI1	.728	.124	.728	.075	.305
KCI2	.778	.131	.778	.078	.165
KCI3	.665	.191	.665	.253	-.048
KCI4	.421	.593	.421	.096	.062

Table 8 - Loading factor for Organizational Creativity

Item	Factor Loading
OC1	.857
OC2	.847
OC3	.798
OC4	.837
OC5	.883

Table 9 - Loading Factor for Organizational Performance

Item	Factor Loading
OP1	.669
OP2	.780
OP3	.781
OP4	.823
OP5	.841

Table 10 - Results of Regression Analysis for Learning vs. the knowledge creation process

IV	DV	R2	F	B	t	Sig
LEA	KCP	0.213	27.911	0.462	5.283	0.001

Table 11 - Results of Regression Analysis for T-Shaped skills vs. The knowledge creation process

IV	DV	R2	F	B	t	Sig
TSS	KCP	0.304	45.039	0.552	6.711	0.001

Table 12 - Results of Regression Analysis for IT-support vs. The knowledge creation process

IV	DV	R2	F	B	t	Sig
ITS	KCP	0.199	25.647	0.446	5.064	0.001

Table 13 - Results of Regression Analysis for Strategy as Plan vs. The knowledge creation process

IV	DV	R2	F	B	t	Sig
SP	KCP	0.277	39.550	0.527	6.289	0.001

Table 14 - Results of Regression Analysis for the knowledge creation process (KCP) vs. organizational creativity (OC)

IV	DV	R2	F	B	t	Sig
KCP	OC	0.296	43.254	0.544	6.577	0.001

Table 15 - Results of Regression Analysis for Organizational Creativity (OC) vs. Organizational Performance (OP)

IV	DV	R2	F	B	t	Sig
OC	OP	0.334	51.542	0.578	7.179	0.001

MARKETING AND PERFORMANCE - The Relationship

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Abstract

Purpose – The correlation of managers’ perceptions of marketing and how it makes a difference in business performance and to examine how marketing capabilities affect international performance.

Approach – To examine various papers on how marketing relates to performance measurement of an organization by comparing the different methods used to collect data and analyze data.

Findings - The implication seems to be that modules and subjects included in a marketing syllabus should have both intrinsic and instrumental aims. If so, the courses should probably be both professional and academic, focusing on both theoretical knowledge and practical skills.

Research limitations/implications – It is hoped that this contribution may stimulate research, particularly in terms of testing the model’s content and sequence, as well as the effect of influencing factors.

Practical Implications - Marketing education should preferably also include financial subjects such as customer profitability analysis.

Originality/value – Most of the literature on this theme focuses on individual metrics as well as integrated performances and it encompasses new evaluative dimensions such as marketing culture, marketing processes and factors influencing process effectiveness.

Keywords: Business Performance, Profit Performance, Organisation Effectiveness, Strategic Orientation, Marketing Education.

1. Introduction

Measures of business performance were collected from clusters of respondents with specific details like revenues, number of employees and proportion of exports. The importance of the marketing concept in industrial marketing (B2B) and as a total business philosophy was by describing it as aiming for improved profit performance. Business performance and profitability are closely related to decisions and one is to classify

performance measures according to different organizational levels such as financial performance, focusing on purely financial indicators; business performance, where non-economic indicators such as market share, product development, or production efficiency are incorporated; and organizational effectiveness, where a number of various metrics are considered (Helgesen et al. 2009).

It can be considered that marketing capabilities can help firms to adopt higher international commitment and that international commitment influences international performance and choice of entry method contributes significantly to international performance (Blesa & Ripolles 2008, p.652). International performance is multidimensional, incorporating both economic (financial measurements such as sales, profits and market share) and non-economic dimensions (non-financial measurements relating to product, market and experience elements). Moreover, supporting a distributor in the export market can lead to cooperative partnership between the manufacturer and the distributor; and cooperation in the export channel will lead to better performance. Empirical evidence supports the positive relationship between export performance and channel cooperation and found that the more standardized the physical distribution, channels of distribution and sales force management, the higher were the last year's economic results (Blesa & Ripolles 2008, p.654).

From a structure-conduct-performance perspective, company performance is determined by the structural characteristics of the firm's market and by the firm's ability to achieve and sustain positional advantages through the efficient and effective implementation of planned competitive strategy (Blesa & Ripolles 2008, p.657).

Performance measurement has been a major concern in marketing and corporate function, which has impacted research at the Marketing Science Institute (MSI). Marketing reinforces corporate performance and adds to marketing credibility, especially in economic crisis (Gama 2011, p.643).

Marketing performance simply cannot be measured, but the problem is that they do not know what to measure or how to interpret results. They tend to look for all sorts of plausible metrics and view them in isolation, recording their evolution to justify the effect of actions undertaken. This standing serves the purpose of helping to quantify past initiatives' effects and their impact on current performance, but it does not help a lot in predicting future behaviours or performance. In this context, the possibility of correlating metrics is as important as the act of measurement itself (Gama 2011, p. 644).

From an organizational point of view, performance is something measurable, dynamic, relative and multidimensional: performance context involves comparisons – no performance expression is basically good or bad; it will always need some comparison term to qualify it, whether in time, in space, or planned versus results. Performance can be evaluated in various ways, or put another way, there is no such thing as a unique measure of performance – performance can be operated in terms effectiveness, efficiency, and adaptability. Measurement is one of the activities with greater leveraging power, and if properly conducted, it can have a major positive impact on organizational performance (Gama 2011, p.645).

2. Review of Literature

The marketing concept in industrial marketing (B2B), was described by one of the key dimensions such as aiming for improved profit performance. Business performance and profitability are closely related to decisions such as decision-relevant revenues and costs, i.e. changes in revenues and costs resulting from a decision. Changes based on purely financial indicators are often regarded as rather narrow and have been challenged by other approaches.

One approach proposes to classify performance measures according to different organizational levels:

- financial performance, focusing on purely financial indicators;
- business performance, where non-economic indicators such as market share, product development, or production efficiency are incorporated; and
- organizational effectiveness, where a number of various metrics are considered

(Helgesen et al. 2009, p.29).

Newer performance measurement approaches have been introduced, such as “Balanced Scorecards” and “Business Models” which consider both “objective” and “perceptual” (subjective) measures of performance. Metrics such as customer satisfaction, customer loyalty, co-worker satisfaction, etc. may be regarded as antecedents of future financial performance, or “leading metrics”, as opposed to financial key figures, which are “lagging metrics” thus monitoring “the financial future” of the business unit (Helgesen et al. 2009, p.29).

Perceptual metrics may also be used to measure the overall performance of a business unit. Perceptual (subjective) measures may comprise factors or aspects that are not included in their objective counterparts. Summarized measures of business performance based on judgments by managers may give a better indication of business performance than purely objective indicators (Helgesen et al. 2009, p.29).

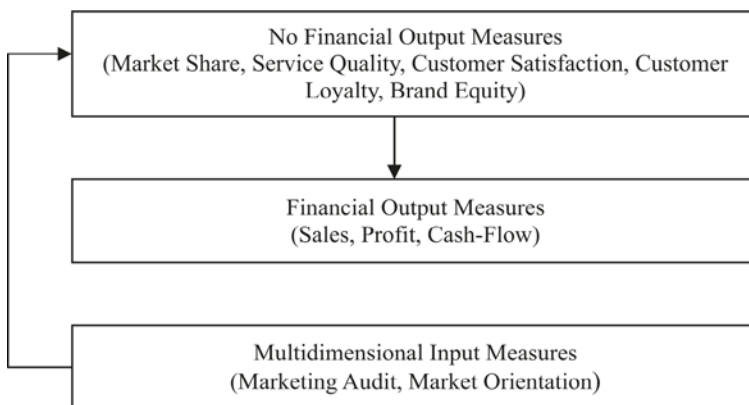
Often, performance is identified with effectiveness and efficiency and in most of the literature referred simultaneously as to the action, the result of the action, and the outcome when compared with some benchmark (Gama 2011, p.644). Ford and Schellenberg (cited in Gama, 2009) identify three conceptual approaches for defining organizational performance. The first is the objectives approach, assuming organizations pursue the achievement of defined goals. The second is the resource systems approach, enhancing the relationships between the organization and its environment in terms of the ability to secure scarce and relevant resources. The third is the process approach, defining performance in a way that stresses the behaviour of its components.

Weak marketing performance has been evidenced in the literature since the 1990s, a common theme emerges, expressed as the dissatisfaction of senior management with marketing activity and by extension, with those professionals involved. In this context, marketing practice is frequently labeled as thrifless and short of adequate assessment measures, namely in terms of the connection between actions and results. Despite the explosion of financial and no financial isolated measures, marketing performance as a whole, translated into a clear and reliable universal instrument by which the respective merits can be evaluated, has received limited attention in the literature. Marketing as a scheme has concentrated on results than on processes (Gama 2011, p.645-646).

Marketing productivity analysis (mainly from an efficiency perspective) and the marketing audit concept (mainly from an effectiveness perspective) have dominated the approaches to marketing performance assessment. The former assumes that both inputs and outputs can be assessed accurately. Tangible inputs and outputs (costs and revenues) can be measured relatively easily and accurately, but less tangible ones are typically more difficult to assess. Productivity analysis also largely ignores time lag differences between marketing inputs and their effect on outputs. Finally, productivity analysis focuses upon the amount and not the quality of marketing inputs and outputs. The latter suffering from conceptual weaknesses - the majority of existing checklists were developed with few concerns for psychometric properties –

there are also implementation problems that can occur along the process: in the objective-setting stage, data collection stage, or report presentation stage (Gama 2011, p.646).

Initial works on performance measurement were largely directed to the analysis of productivity and profitability of a company's marketing efforts. Since the late 1980s four new non-financial output measures have attracted the attention of both researchers and organizations and they are service quality, customer satisfaction, customer loyalty and brand equity outputs. These outputs can then be considered as marketing assets leveraging superior financial performance (Gama 2011, p.647).



Source: Adapted from Clark (1999, p. 714)

3. Review of Methodology

Respondents in a market survey were also asked to report the following financial key figures: average yearly sales growth during the last three years (per cent) (Sales growth), average yearly surplus rate during the last three years (per cent) (Surplus rate) and average yearly return on capital employed (ROCE) during the last three years (per cent) (ROCE). These figures may be regarded as objective performance measures and can be used to validate the perceptual measure "Overall, business performance" (Helgesen et al. 2009, p.34).

In this paper by Helgesen et al. (2009, p.34), statistical inference approach has been chosen: ordinal regression. This estimation method has gained increased attention in recent years due to its robustness with respect to statistical inference in regard to non-continuous data. By choosing an ordinal regression approach, the dependent variable, "Overall, business performance", is treated as an ordinal measure of the respondents' total

appraisal of their business compared to their competitors, and as such represents a limited discretization of an underlying latent continuous business performance variable. The choice of this particular measurement of the dependent variable implies that there are mutually exclusive qualitative performance categories.

The study by Blesa & Ripolles (2008, p.659) on how marketing capabilities affect international economic performance collected data via the distribution of questionnaires on a random sample of companies and their management from Spain and Belgium. To measure economic international performance, the managers of the companies were asked to state the position of their business in its main foreign market in terms of profitability, profits and market share, with respect to its main competitors in that market (Blesa & Ripolles 2008, p.660).

4. Review on the Analyses Used

Cluster analysis has strong tradition in grouping firms in order to evaluate firm performance based on their strategic orientations. The cluster analysis adopted in the present research uses the 15 indicators of practitioners' perceptions of marketing as clustering variables in a standard two-step approach. First, a hierarchical analysis based on "the nearest neighbor" method singles out potential clusters. Then a non-hierarchical analysis extracts the final number of clusters based on F-tests (Helgesen 2009, p.36).

There are three validating measures of "Overall, business performance" included in the survey, i.e. "Sales growth" (average yearly sales growth during the last three years), "Surplus rate" (average yearly surplus rate during the last three years) and "ROCE" (average yearly ROCE during the last three years), all measured as percentages (per cent). "Sales growth" data were provided by firms (Helgesen 2009, p.37).

In the research conducted by Blesa and Ripolles (2008, p.662) structural equation modeling was utilized. The analysis showed positive and significant effects of firms' marketing capabilities on economic international performance, international commitment and international entry modes. There is a positive and significant influence of high direct investment entry modes on economic international performance and thus confirmed the most of the hypotheses made.

5. Discussion

An examination of the distributional characteristics of the dependent variable (overall business performance) reveals that this latent variable obviously is not normally distributed. Businesses that are “marketing- and sales-focused” have a higher probability of performing better than firms belonging to the two other clusters. Sector affiliation, size (number of employees), and export share do not have any significant impact on the probability of being in one of the “higher” cumulative performance categories (Helgesen 2009, p.38).

The research analyses possible associations between practitioners’ perception of marketing and business performance, and subsequently, possible implications for marketing education. Based on a survey that identifies practitioners’ perceptions of marketing as well as business performances, the following research questions are addressed: can businesses be categorized into different groups according to their managers’ perceptions of marketing? If so, are there any differences in performance between the business groups? Thus, can significant relationships be identified between business groups and business performance? If so, can the empirical findings indicate any interesting implications for marketing education (Helgesen 2009, p.38)?

When analysing relationships between cluster membership and business performance, an ordinal regression model was used. The model uses cluster membership as an explanatory variable for variations in business performance, while at the same time controlling for industry sector, production efficiency, number of employees, and export share. The business performance of the respondents that are “marketing- and sales-focused” was significantly higher than the business performance of the two other groups (“sales-focused” and “marketing-focused”). Thus, the business performance of respondents belonging to that cluster seems to be significantly better than the business performance of the respondents belonging to the two other groups. Consequently, also the two next research questions can be answered affirmatively. Relationships between cluster membership and business performance are identified, implying that there are differences in performance between business groups (Helgesen 2009, p.40).

“Theoretical knowledge” and “practical skills” seem to be important for business performance, implying that marketing education should be both “education for life” and “education for work”. Findings support the importance of profitability insights in contributing to long-term business performance. Therefore, marketing education should preferably also be

expanded to include financial accountability and customer profitability analysis (Helgesen 2009, p.41).

The effects of firms' marketing capabilities on international performance were positive and significant. Findings show that marketing skills directly contribute to improving international economic performance. It also reveals that the marketing capabilities achieved in domestic markets contribute to obtaining international performance, regardless of the country of origin (Blesa and Ripolles 2008, p.663).

The research revealed that international commitment has a positive effect on international performance, depending on the country considered. It could be stated that firms' overall marketing capabilities contribute directly and indirectly to improving their economic international performance (Blesa and Ripolles 2008).

The relationship between the entry mode and international performance seems to be quite different depending on the country considered and the kind of entry mode chosen. When firms opt for low direct investment entry modes they have poorer international performance and thus there is room for further research (Blesa and Ripolles 2008, p.667).

Referring to Gama (2011), a way of achieving integration is through the concept of the Balanced Scorecard (Kaplan and Norton 2002, cited in Gama 2011, p.648), a "measurement panel" to facilitate organizational coherence and interconnection of functional measures and to allow better strategy execution.

From an organizational point of view, the key to effective performance lies in first establishing the desired effects and only then identifying the determinants of these results and showing how they are related. It should be seen as a process allowing phenomena comprehension that progressively will lead to better decisions and improved results. Performance is identifying superiority sources regarding the company's resources and capabilities of acquisition, implementation, and development. It is evaluating superiority positions arising from designing and implementing marketing strategies. Finally, it knows the financial and non-financial outcomes as a consequence of the above sources and positions (Gama 2011, p.648).

Marketing performance is categorized into five dimensions namely marketing culture, marketing capabilities, marketing processes, marketing performance and financial performance. Internal factors that affect

performance evaluation process are organizational context, focus, integration and interactivity. Performance evaluation can only exist in a context of true openness. It is also vital to concentrate on the true measures of performance, and finally measures of performance may interact with each other to give rise to added value. Performance is about learning and improvement and that firms become learning organizations (Gama 2011, pp.654-655).

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