

**A PROPOSED THEORETICAL FRAMEWORK ON RELATIONSHIP  
BETWEEN KNOWLEDGE INTEGRATION AND ORGANIZATIONAL  
PERFORMANCE: AN OPERATIONAL CAPABILITIES MEDIATED MODEL**

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**ABSTRACT:** *This study aims to draw attention towards the organizations' knowledge resources and operational capabilities. Particularly, the role of knowledge integration and its relation with operational capabilities while determining organizational performance. Present study fills the gap in existing literature by proposing a conceptual framework that links knowledge integration with organizational performance through the mediating role of operational capabilities. Moreover, study highlights the importance of knowledge integration as this enables the organization to impart new knowledge in existing knowledge base.*

**KEYWORDS:** Knowledge Integration, Operational Capabilities, Organizational Performance

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## **INTRODUCTION**

Organizational performance is of major concern in contemporary business environment. Researchers of current era are trying to identify the mechanism that how organization performance can be enhanced (Richard et al., 2009). For this purpose, researchers from desperate areas have highlighted numerous variables that can increase organizational performance (Bititci et al., 2012). However, among all knowledge resources are considered as of utmost importance (Fagerberg, Fosaas, and Sapprasert, 2012). Particularly, in the knowledge based economy where organizations compete on the basis of their efficiency to develop the intellectual assets like knowledge integration (Aldakhil, 2011; Ndlela and du Toit, 2001). Knowledge integration which is most basic resource of the organization (Adams and Graham, 2016) is defined as the formal process and structure that capture, analysis, interpret and integrate the market and other types of knowledge between various functional units of the organization (Chang, Tsai, Fu, Chen, and Peng, 2016; De Luca and Atuahene-Gima, 2007). Moreover, knowledge integration provides new knowledge into existing knowledge base which in turn enhances performance. Most of past studies have linked organization's existing knowledge with the performance (Linderman et al., 2004; Darroch, 2005), whereas new knowledge is equally important for performance improvement and this new knowledge is imparted into existing knowledge base of the firm through knowledge integration mechanism (Jordan, 2012).

Knowledge integration mechanism is considered as an important resource that can increase organizational performance (Adams and Graham, 2016), however, there are many researchers who argue that in order to achieve superior performance both resources and capabilities are required. Only resources do not provide competitive advantage, rather, it is the capabilities that utilize the resources in productive manner to achieve superior performance (Huang, Wu and Rahman, 2012). Further, resource based view (RBV) also direct that both resources and capabilities are required to in order to achieve superior performance (Barney, 1991). Therefore,

in order to transform resources into productive manner adequate capabilities are required that allocates or deploys organization resources in superior manner to improve the business process (Andersén, 2011). Therefore, operational capabilities are emerged as those capabilities that can provide distinct performance to an organization as compared to its competitors. These capabilities provide continuous improvement and incremental innovation. Moreover, these capabilities gradually improve the business process making it inimitable and ultimately a source of competitive advantage.

Despite the importance of operational capabilities still little attention has been paid, particularly its relation with the knowledge integration (Krasnikov and Jayachandran, 2008). Previous literature suggest that knowledge based resource can be an input to operational capabilities, further, knowledge based resources refresh the existing operational capabilities (Lee, & Choi, 2003; Jordan, 2012). Thus, based on above argument this study develops the missing link between knowledge integration and operational capabilities. According to the best knowledge of the authors of this study no previous study has been done that depicts the relationship of knowledge integration with operational capabilities. Therefore, present study fills the gap in the existing body of knowledge by developing the missing link between knowledge integration and operational capabilities. Moreover, this study proposed a conceptual framework that links knowledge integration with organizational performance through the mediating role of operational capabilities.

In next section, theoretical background, conceptual framework and research prepositions have been drawn. Last section includes discussion and conclusion followed by recommendation for future.

## **THEORETICAL BACKGROUND**

### **Knowledge integration**

Numerous researchers have defined knowledge integration mechanism in different ways. For instance, Adams and Graham (2016) describe Knowledge integration as most basic resource of the organization. Further, they argue that it is formal process and structure through which an organization capture, analysis, interpret and integrate knowledge in existing knowledge base of an organization. In the similar manner, Yang (2005) describes the knowledge integration as creating, transferring, sharing and maintaining knowledge. Furthermore, their study also stated that knowledge integration is task which identify how existing and new knowledge interact. Similarly, Aldakhil (2011) conceptualize the knowledge integration as the gathering, processing diverse knowledge to perform the specific activities and solve problems. Elaborating more, his study argues that knowledge integration is the process of to acquire knowledge across organizational boundaries, then sharing, assimilating and applying it to enhance the operational and organizational performance.

Knowledge integration mechanism is the resources which contain several processes by which organization obtains benefit of the acquired knowledge to improve the performance (Yang, 2005). Integration process of knowledge starts with the first step of knowledge acquisition or capturing. Second process is knowledge sharing which is also described as the basic process to distribute the information and knowledge with in the unit of organization (Nielsen, 2006). Similarly, third process is knowledge assimilation by which knowledge is interpret and it focus

on making knowledge understandable (Hong, Snell and Mak, 2016; Asmussen, Foss and Pedersen, 2013). Last step of knowledge integration mechanism is application of knowledge or integrating the knowledge in current knowledge base (Aldakhil, 2011). All the above process provides new knowledge to the organization and this new knowledge is strategic resource of an organization.

Knowledge integration mechanism which is comprised on the above discussed steps ensures the organization to obtain benefit in shape of low cost, continuous improvement and improved overall performance of the organization. Further, majority of the knowledge integration researchers argues that knowledge is the key resource of the organization which enables it to sustain in the competitive business environment (Alavi and Leidner, 2001; De Long and Fahey, 2000). Therefore, knowledge related activity which includes the knowledge integration is the resource of the organization. Moreover, resource based view RBV argued that those resources which possess the characteristics of valuable, rare, inimitable and non substitutable (VRIN) are the strategic resources of the organization that provide competitive advantage to the organization (Wernerfelt, 1984; Barney, 1991). Similarly, knowledge based view KBV also describe that knowledge is the strategic resource of the organization (Nonaka and Teece, 2001; Grant, 1996; Spender, 1996; Conner, 1996). Further, it has been argued that these knowledge resources improve the performance of the organization (King and Lenox, 2000).

### **Operational capabilities**

Operational capabilities are the subset of organization capabilities. These capabilities are high level organization's routines that enable it to live in present business environment. These capabilities are also known as substantive capabilities or resource based capabilities (Zahra et al., 2006; Ambrosini et al., 2009). Study of Wu, Melnyk and Flynn (2010) argued that these capabilities are the secret ingredient for an organization that enables it to improve its business efficiency. Similarly, Krasnikov and Jayachandran (2008) defined that these capabilities are the ability of an organization that improve its business process by making it efficient and effective.

Previous researchers describe three dimensions of operational capabilities which includes technical/technological capabilities, marketing capabilities and managerial capabilities (Nerkar and Roberts, 2004; Pavlou and El Sawy, 2011; Wilden and Gudergan, 2015). These, three capabilities are complementary for operational capabilities and together these form operational capabilities.

### **Mediating role of operational capabilities**

Operational capabilities are the subset of broader concept i.e. organizational capabilities. Inputs to operational capabilities are the resources of firm. Particularly, knowledge based resources as organization knowledge is first converted into operational capabilities and then it affects the performance of an organization (Spear, 2004; Wu et al., 2010). Moreover, Grant (1996) identified knowledge as the strategically important resource of the firm that effect on operational capabilities of the firm. Knowledge integration provides new knowledge in existing knowledge base (Aldakhil, 2011) and this organizational knowledge enables the firm to develop unique operational capabilities which in turns lead towards increased organizational performance (Tan 2007). Moreover, operational capabilities that are formed through the knowledge provide competitive advantage to the organization (Tanriverdi, 2005).

Further, resources based view (RBV) argues that resources and capabilities both are required by the organization to provide superior performance (Coltman & Devinney, 2013). More specifically, knowledge based view (KBV) emphasize that organization need to manage and integrate its knowledge resources in effective and efficient manner to achieve superior performance (Nonaka & Teece, 2001). Moreover, KBV argues that knowledge based resources and capabilities both are compulsory to achieve competitive advantage. Knowledge resources and related capabilities both are important determinants to achieve superior performance (Aldakhil, 2011).

Aforementioned discussion concludes that knowledge integration mechanism which is the strategic resource of an organization can be an input to operational capabilities. Knowledge integration affects the operational capabilities which ultimately increase organizational performance. Therefore, In the light of above arguments following conceptual framework has been drawn.

### Conceptual Framework



### Research prepositions

**RP1:** There is a significant relationship between Knowledge integration and organizational performance

**RP2:** There is a significant relationship between operational capabilities and organizational performance.

**RP3:** Operational capabilities mediate the relationship between knowledge integration and organizational capabilities.

### DISCUSSION AND CONCLUSION

Main objective of present study was to build a relationship between knowledge integration and organizational capabilities through the mediating role of operational capabilities. Moreover, this study on the basis of discussed literature highlighted the missing link between knowledge integration and operational capabilities. Further, study describe that knowledge integration is a mechanism through which new knowledge is imparted in to the existing knowledge based of the organization and this new knowledge can be a significant input to the operational capabilities. Further on the basis of RBV and KBV this study identifies knowledge integration as an antecedent of operational capabilities. Knowledge integration mechanism can make the operational capabilities inimitable and ultimately lead towards increased performance.

## FUTURE RECOMMENDATION

Current study proposed a conceptual framework that links knowledge integration with organizational performance by the mediating role of operational capabilities. This proposed framework should be tested empirically on different industries and across different countries. Moreover, other variables should also be identified which can have a significant impact on the organizational performance. Like, human resource and informational technology should be studied as antecedents of operational capabilities and organizational performance. Moreover, a comprehensive framework should be developed which identify the role of human capital, IT resources and knowledge integration as an antecedent of operational capabilities.

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