European Journal of Business and Innovation Research

Vol.5, No.3, pp. 9-25, June 2017

Published by European Centre for Research Training and Development UK (www.eajournals.org)

FOSTERING KNOWLEDGE MANAGEMENT WITH ORGANIZATIONS' OPERATIONAL AND FINANCIAL PERFORMANCE - THE MEDIATING ROLE OF INNOVATION

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ABSTRACT: *Performance is the bottom line for each and every organization. The firms are in immense race and competition to enhance their operational and financial performance. Performances portray a good and consolidated image in market. This study is aimed to identify the relationship between knowledge management dimensions named as knowledge creation, knowledge transfer and knowledge embeddedness with organizational and financial performance. Furthermore this study is also testing the mediating role of process and administrative innovation in relationship between knowledge management and performance. Simple random sampling has been used in this study and data collect from 341 employees of servicing, manufacturing and trading organization. The findings of this study have revealed that almost all dimensions of knowledge management have a significant positive impact on financial and operational performance. Furthermore, process and administrative innovation has proved as significant mediators in relationship between knowledge management and operational and financial performance. The study is adding the value in literature by testing a unique empirical relation through taking the dimensions of organizational performance.*

KEYWORDS: Knowledge Management, Knowledge Creation, Knowledge Transfer, Knowledge Embeddedness, Process Innovation, Administrative Innovation, Operational and Financial Performance.

INTRODUCTION

There have been a lot of studies conducted on knowledge management. Business people, economists, and researchers have contributed significantly in the discussions of knowledge management. Those firms which adopt knowledge in their mainstream business result in financial benefits (Barney, 1991). Barney argues that growth and development in production is generally considered as the basic source of welfare and economic development. Over the last 5 decades, economic writers have discovered different methods of productivity growth to explain why different countries grow at a different rate. It has been discovered that historically, developed countries followed a strategy of tangible and intangible capital to strengthen productivity growth and to achieve high level of per capita income (Ark, 1993). Organizations'

ISSN: ISSN 2053-4019(Print), ISSN: ISSN 2053-4027(Online)

in developed nations focused their work through mediation of knowledge which provided the expected outcomes (Child & Czeglédy, 1996). Managerial learning and the influence of knowledge on joint ventures were proved to be beneficial for the organizations' to fully work (Lyles & Salk, 1996).

In recent past a vast and extant literature has been published in the developed nations but developing countries are lagging behind in the field of knowledge management (Tatiana Andreeva & Aino Kianto, 2011). In Serbia many authors have worked on knowledge and its organizations' learning and they have contributed in the field of knowledge (Slavkovic & Babic, 2013; Petkovic&AleksicMiric, 2009; Petkovic, Aleksić-Mirić, & Božinović, 2011). This type of investigation is much more favorable for developing countries. The core motive behind this happening can be analyzed from two angles; the resource-based industrial economy goes on outset to change itself into new one so the impact of high-tech change gradually produced knowledge-based economy.

The developing nations including Pakistan have not yet fully developed in the field of knowledge economy. . Due to the shifting of qualified people to other countries, it becomes the reason in the low supply of qualified labour and ultimately process of knowledge management and educated labor have been effected (Bosch-Sijtsema, Ruohomäki, & Vartiainen, 2009). Due to lake of knowledge, less educated laborand lack of modern machinery the organizations usually working in less developed nations hire less people despite (Caddy & others, 2007). The authors of the paper believe that transformation of innovative knowledge management to the developing countries will greatly benefit. It will provide techniques to the organizations and ultimately benefits gains in the form of competitive edge. Hence, this study will provide help to make their operational and financial activities by organizations.

LITERATURE REVIEW

Knowledge Management

Knowledge is defined by Alavi, (2001) as; *"Information possessed in the mind of individuals"*. It is personalized collection of facts and concepts, interpretation and ideas (Alavi, 2001). Growth and development in production is generally considered as the basic source of welfare and economic development. Over the last 5 decades, the economic scholars have discovered different methods of productivity growth to explain why different countries grow at different rates. As in this era of fierce competition, the countries particularly in the West are adopting the approaches which are knowledge and technology based (Alavi, 2001). Alavi explains that in this regard they are supposed to make investment in the exploration and generation of innovative knowledge and unique ideas through research and development (R&D).

Although human capital has been marked as one of the major factor for knowledge creation and innovativeness, but recent investigation and research study has focused on the importance of "knowledge diffusion" (DISNEY, 2003, pp. 666-694). Thus, knowledge management has been defined by various authors in various ways.. For example, Alavi (2001) explained the whole process of knowledge management as the process of identification, development, and leveraging knowledge across the entire organization with the intention of gaining competitive advantage. Beveren (2002) suggested that knowledge management should pay attention on

ISSN: ISSN 2053-4019(Print), ISSN: ISSN 2053-4027(Online)

scholarly capital and human resource planning that leads to employee's creativity and ultimately to high performance.

Keeping in view the fact that a large numbers of researchers have defined the word knowledge management in various scenarios, but the uniformity of definition on knowledge management is yet under discuss. No single accepted definition is yet proved. Demarest (1997) has defined the process of knowledge management as; "Knowledge management consists of five processes: construction, embodiment, dissemination, use and management". Armistead (1999) has clearly divided the process of knowledge management into three sequences: "knowledge creation, knowledge transfer and knowledge embedding". In the age of a competitiveness era, creation of knowledge has been viewed as the most important factor. The creation of knowledge is essential for every industry (Kogut, 1992).

The ability of an industry to create knowledge has been defined by Smith, (2005) as; "a process through which individuals have access to each other, they are able to combine information and create it in a new way and then perceive outcomes from that combined knowledge. In this sense, combining refers to the process of bringing together elements previously unconnected or by developing new way of combining elements previously associated" (Smith, 2005). Smith (2005) has suggested three categories of resources that have direct impact on knowledge creation. The categories include "stock of individual knowledge, network of key employees, and organizational processes in this regard". Transforming and sharing of knowledge is another important feature of knowledge management (Rogers, 1983). In simple words, this author has expressed that knowledge transfer means transmission of knowledge from location where it is in abundant to a location where it is most needed.

Knowledge transfer involves two basic actions which include transmission and absorption. Transmitting means sharing of information to the desired person or organizations and. absorption is the next step in this process (Davenport T. H., 2000). It means perception of transmitted knowledge in a desired way. The basic aim of knowledge transfer is not merely limited to transmission and absorption of data and information rather its ultimate meaning is the proper perception and utilization of data to enhance organization's performance and to gain the competitive edge (Davenport T. H., 2000).

When we talk about the transfer of knowledge it does not mean transfer of just technical know-how and specific tasks but it also covers intellectual knowledge. The process of knowledge transfer can be in various forms. First it may be in form of individual level, in which the process of transmission occurs between Individual within an organization or between individual from some external sources. The second is group level, where the sharing of information takes place among groups within or outside organization. The third one is organizational level of knowledge transfer in which information is transferred between organizations.

Researchers have described several points involved in the process of knowledge transfer, it involves knowledge (Bresman, 1999), knowledge providers (Gray, 2005) knowledge recipient (Joshi, 2003), the mechanism of knowledge transfer (Murray, 2007) and contextual situations (Murray, 2007). The communication among these elements has direct impact on knowledge transfer. For example the relationship between knowledge provider and knowledge receiver should be flexible enough to ensure the smooth transfer of knowledge. Various researchers have stated that successful knowledge sharing is based on a strong relationship between source of knowledge and people and processes involved in that process. In today's boundary less

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environment, the process of knowledge transfer across global organization is undergoing process (Bhagat, 2002). Some spontaneously and informal transfer of knowledge take place in day to day business activities, for example IT staff from china is confronted with a situation where he wants to seek technical support from his colleague from USA on how to solve the particular problem, such transfer of supportive data will be covered under the informal means of sharing knowledge across globalization.

Differences in culture between partners are key hurdle in smooth transmission of knowledge (Mowery, 1998). The culture differences and conflicts can lead to misconception and misunderstanding which ultimately leads to rough and ineffective flow of communication. The process of knowledge transfer is a complex process which covers the movement of information and intellectual capital from one diverse are to another area (Lucas, 2006). Bhagat, (2002) believed that if there is individual culture within an organization there would be more chances to absorb and understand knowledge that is more expressive and manageable. There are many ways through which knowledge can be transmitted and reused. One method of reuse of knowledge is transfer of techniques. Another mode of reuse is through the presence of existing source. A third method is through the use of external modules or use of some external service providers.

The authors of this study based on the discourses of literature cited above have developed the following hypothesis:

H1 (a): Knowledge creating process is positively associated to process innovation.

H1 (b): Knowledge creating process is positively associated to administrative innovation.

H2 (a): Knowledge transfer process is positively associated to process innovation.

H2 (b): Knowledge transfer process is positively associated to administrative innovation.

H3 (a): Knowledge embedding process is positively associated to process innovation.

H3 (b): Knowledge embedding process is positively associated to administrative innovation.

H4 (d): Knowledge creating process is positively associated to financial performance with mediating of process innovation.

H4 (e): Knowledge transfer process is positively associated to operational performance with mediating of process innovation.

H4 (f): Knowledge transfer process is positively associated to financial performance with mediating of process innovation.

H4 (g): Knowledge embedding process is positively associated to operational performance with mediating of process innovation.

H4 (h): Knowledge embedding process is positively associated to financial performance with mediating of process innovation.

H5 (c): Knowledge creating process is positively associated to operational performance with mediating of Administrative innovation.

ISSN: ISSN 2053-4019(Print), ISSN: ISSN 2053-4027(Online)

H5 (d): Knowledge creating process is positively associated to financial performance with mediating of Administrative innovation.

H5 (e): Knowledge transfer process is positively associated to operational performance with mediating of Administrative innovation.

H5 (f): Knowledge transfer process is positively associated to financial performance with mediating of Administrative innovation.

H5 (g): Knowledge embedding process is positively associated to operational performance with mediating of Administrative innovation.

H5 (h): Knowledge embedding process is positively associated to financial performance with mediating of Administrative innovation.

Innovativeness

Previous research has shown that innovation has strong influence on knowledge creation and transfer. Innovation can be developed by different firms for different reasons focusing on source of information (Wiig, 1997). These authors assert that innovation is all about development and improvement in existing products. Further, these authors add that the whole world is changing rapidly with innovative strategies. Process innovation can be differentiated from product innovation in several ways. Product innovation is improved and up-to-date addition in the products of a company which is ultimately consumed by the end users (Kraft, 1990). Kraft suggests that process innovation plays an important role in achieving the desired result of an organization. This author believes that research and development is regarded as one of the major player in this regard. Organizations in this regard make huge investment in R&D department to get the desired outcomes. However mere internal research is not enough.

One should rely on the external environment also. Manufacturing and marketing together can be a source of innovation for the organizations. But some external sources like customers, suppliers and competitors add some contribution in innovation process. Innovation-related knowledge is always not easy to be transmitted (Argote L. , 1999). A central idea that is used in almost every firm is the absorption capacity. In particular, research & development activities do not give firms the ability to produce innovation but also to identify some external knowledge. Two types of interfaces between the firm and its external sources and operationalized in research department (Cohen, 1996). Second, there is an interface between SBU's within organization that might facilitate the knowledge transmission. The absorptive capacity means the ability of a firm to understand the learning from internal and external sources. It has been approved from the past work that a firm with its unique resources, capabilities and knowledge leads to competitive advantage and secures a good place in such a fierce competition.

According to Barney, (1991) firm gets distinctive edge from the valuable, rare and unique capabilities and resources a firm it controls. These resources are in fact bundle of tangible and intangible resources a firm must possess to get the most desired objectives. One best way of implementing these assets is the development of innovation. In particular, we observe how firm absorbs knowledge from internal and external resources and utilize it by developing innovation. A smooth link of various departments in a firm leads to the development of standardized products.

ISSN: ISSN 2053-4019(Print), ISSN: ISSN 2053-4027(Online)

Absorptive capacity leads to the better development of routines and practices. It influences the creation of other organizational competencies (Barney, 1991). According to Barney the R&D provides an opportunity to exploit knowledge into favorable way. This author asserts that innovation is combination of all new application of processes and routines. Thus, innovation can be in form of new product or development, or in form of social structure or new plans and programs associated with organization's performance.

Process innovation is closely associated with changing environment, as organization use innovative processes as a tool to influence their changing internal or external environment (Damanbour, 1991). Foundation of an innovation is actually foundation of an idea directly concerned with intellectual property of an organization. People within organization are responsible for the development, perception, sharing and implementation of particular idea in relevant field.

Organizational innovation has been viewed as the willingness and ability of an organization to engage in promoting new ideas, new concepts, experiments and creative ideas. Previously, innovation has described as only one-dimensional process that starts from generation of new ideas and novelties and ends to the implantation of such idea (Scott, 1994). Scott explains that innovativeness has always been viewed as a multi-national process that takes into account all important drivers from external and internal environment. This authors further discusses that aprocess innovation has been defined as introduction of new production methods, new management hierarchy, and new technology that is used in the enhancement and addition of organizations past performance and production. Innovation becomes suitable when organizational innovativeness is developed efficiently and effectively (Wang, 2004). The meaning and importance of process innovation has changed over time. In order to survive and maintain its unique position, every organization needs innovativeness.

Various attempt have been made to define the concept organizational innovation (Birkinshaw & Mol, 2006). In his study, Birkinshaw and Mol have defined the process of creation of innovativeness within organization and explained that various mechanisms are used in the development of organizational innovativeness. For instance, administration innovativeness has some distinctive features that are irrelevant from technical innovation. Administrative innovation is supported by knowledge which is implicit in its nature as compared to other forms of innovation (Steiber & Alänge, 2013). Selection of an organizational innovation is a contribution in knowledge, process, and relations which contributes to the leading innovation.

From the implantation point of view, it has been made clear by research that unlike technical innovation, administration innovation has no specified market area to be implemented. This simply affects the daily routine of working people in an organization. That's why companies very commonly have any specific criteria for the implantation of administration innovation. The social structure and individual capabilities have significant effect on innovativeness of an organization. In addition to above mentioned factors, the importance of local norms and culture influence the creativity process. Mere creation of organizational innovativeness is not sufficient, the sustainability matters a lot.

Innovation in its nature is an on-going process which is continuously re-invented. Some researchers have named the sustainability as improvement trajectory. The initial innovation sometimes puts limitations on the advance development, so it should be up to date from time to time. If it is discovered that the later innovations do not qualify the former innovation, or it

ISSN: ISSN 2053-4019(Print), ISSN: ISSN 2053-4027(Online)

has been approved that late innovation is far better than the former one, then modified innovation will be taken as a start of new era. Standardization is a tool to maintain and sustain organizational innovation (Alänge, 1992). One way of up gradation is to develop a strategy that connects the past links and meets all the future possible situations.

Based on the above literature the authors of this paper have developed the following hypothesis:

H4 (a): Process innovation is positively associated to operational performance.

H4 (b): Process innovation is positively associated to financial performance.

H5 (a): Administrative innovation is positively associated to operational performance.

H5 (b): Administrative innovation is positively associated to financial performance.

Operational Performance

The relationship between operation and performance has been debated in the literature. Operation characteristics are the group of data related to particular firm's history etc. whereas performance is tool of measurement and source of checking the accountability of any system (Bennion, 2010). Author further argues that the concept of e-business is very familiar with regard to operation management. It is the capability of an organization to share information, process and routines, activities and methods with suppliers and customers. Traditionally, most firms use telephones to connect its relations with customers. But as far as the performance is concerned, companies tend to use internet and home access to get its relation ties stronger and long lasting. Above literature entails that it is the age of technological advancement, where people and organizations are benefited with modern systems. Production integration system is also considered one of the major part of organization performance (Bennion, 2010). Integration and better understanding with supply chain management presents the strong bargaining position of a firm in such a fierce competition (Bennion, 2010).

Financial Performance:

Financial performance plays an important part in management of a company. It is very crucial for the maintenance of the business. It shows the company ability to gain enough resources from the public to make its operation smooth and without any hurdles. Financial ratio is typical and accurate way of measuring the specific ability of a company. It shows the capability of a company to generate and utilize the borrowed fund in more profitable way(Ismaila, 2011). Ratios are calculated by taking into account the previous account history of a firm. Banks and investors look deeply into the accounts of a firm before making any investment and lending decision. They study the financial reports of targeted firm with deep care. If a company is in a position to manage the funds more effectively, that will attract more customers and lenders (Ismaila, 2011).

Liquidity ratio shows the strong holding of firm's assets and secure relationship of its assets and liabilities. For creditors, these represent the company ability to repay the debts obtained. For government, it shows how much contribution is being made by the said entity. And also, how much taxation the company is giving to national exchequer. In order to avoid, any fraud and misrepresentation financial data and information must be reliable. To check the reliability

ISSN: ISSN 2053-4019(Print), ISSN: ISSN 2053-4027(Online)

of financial position of a company, those should be audited by some certified professionals. In case any misrepresentation or fraud paper in front of officers, the company will have to pay penalty and might lose its reputation in financial market.

The authors of this paper have developed the following hypothesis:

H1 (c): Knowledge creating process is positively associated to operational performance.

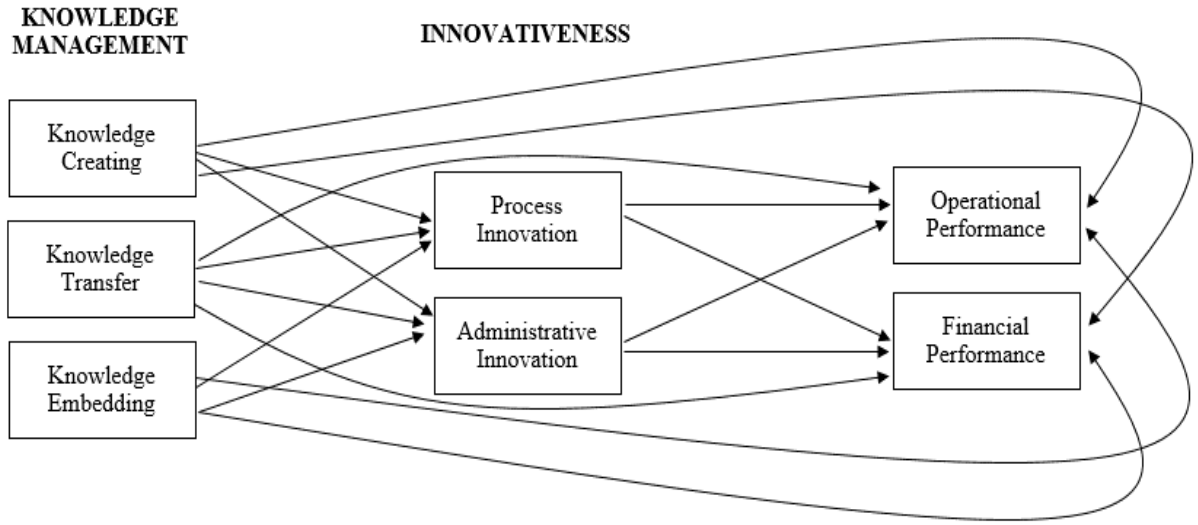
H1 (d): Knowledge creating process is positively associated to financial performance.

H2 (c): Knowledge Transfer process is positively associated to operational performance.

H2 (d): Knowledge transfer process is positively associated to financial performance.

H3 (c): Knowledge embedding process is positively associated to operational performance.

H3 (d): Knowledge embedding process is positively associated to financial performance.



METHODOLOGY

The present paper was aimed to describe the nature of the research selected, research design and methodology adopted to gather data in order to conduct research on fostering knowledge management with organizations' operational and financial performance by considering the mediating role of innovativeness. Positivism research philosophy is used in this study. Questionnaire research strategy has been used in this study. In addition, this study has used quantitative and cross sectional technique. In cross sectional research one time response were collected from respondents at one time.

The authors believe that this method is cost effective and less time consuming. In this particular research, it was not easy to assess fostering knowledge management with organizations' operational and financial performance, the mediating role of innovativeness from 341 employees of different organizations those are deal in trading, manufacturing and servicing Thus, questionnaire method is the most convenient way to collect more data from employees.

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Moreover, due to certain reasons people were reluctant to answer the questions face to face so questionnaire technique was deemed necessary.

There were different scenarios respectively, sometimes entire population was small and can be included in research. This kind of research is known as census study (Hair et al., 2007). However, it was difficult to consider every member of large population thus small and keenly selected sample are usually used as a representative of the whole population.For sample selection process simple random sampling technique was applied, which lies in the domain of probability sampling and was selected to ensure the equal representation from the entire population. After applying this techniques operational performance and financial performance in their organizations both government and private situated in Gujranwala are selected. Therefore, the sample size of this study is 341 employees of different organizations those are trading, manufacturing and servicing. Simple random sampling technique lies in the domain of probability sampling (Kline, 2010).

Knowledge creation process measured through 5 items of survey. Cronbach's Alpha of this measure is 0.972. Five point Likert scale is used for operationalized this dimension. 5 items are taken from (Slavkovic & Babic, 2013) to measure knowledge transfer process. Five point Likert scale used to measure this dimension. Cronbach's Alpha of this measure is 0.976. To operationalize knowledge embedding process from (Slavkovic & Babic, 2013). 4 items taken from it and five point Likert scale used to measure this variable. Cronbach's Alpha of this variable is 0.952. Process innovation measured via 3 items and five point Likert scale used to measure this dimension of innovativeness. Cronbach's Alpha of this measurement is 0.970. While on the other hand administrative innovation operationalized through 3 items and also five point Likert scale used to measure this dimension of innovativeness. Cronbach's Alpha of this measurement is 0.942.

To measure the operational performance of trading, servicing and manufacturing of the organizations, five point Likert scale used. 6 items took from (Green Jr et al., 2012) to operationalize this variable. Cronbach's Alpha of this measurement is 0.978. To measure this variable five point Likert scale used. 4 items took from (Inman et al., 2011) to operationalize this variable. Cronbach's Alpha of this variable after measurement is 0.953.

RESULTS AND DISCUSSION

Table 5-1

Variables	# Items	Mean	Standard Deviation	Cronbach's α value	Factor Loadings
KMCP	5	2.927	1.408	0.972	.955, .908, .983, .908, .848
KTP	5	3.003	1.433	0.976	.913, .949, .935, .908, .955
KEP	4	3.063	1.333	0.952	.914, .890, .903, .913
PI	3	3.165	1.427	0.970	.962, .966, .940
AI	3	3.066	1.348	0.942	.938, .916, .904
FP	4	3.380	1.214	0.953	.827, .895, .927, .891
OP	6	2.830	1.152	0.978	.892, .923, .887, .986, .873, .984

ISSN: ISSN 2053-4019(Print), ISSN: ISSN 2053-4027(Online)

To elaborate the results we helped from SEM by (Anderson & Gerbing, 1988). We calculated means and standard deviations. The minimum and maximum level of means is 2.830 and 3.380. While on the other hand the minimum and maximum level of standard deviations is 1.152 and 1.433. These values show that all the respondents gave standard results. Then we calculatedCronbach's α value according to (Cronbach, 1951). These Cronbach alphas' values are showing standards results which are greater than 0.7 (Cronbach, 1951).

Table 0-1 Descriptive Statistics and Factor Loading

The above table is showing composite reliabilities (CR) and AVE values. The standard value of CR should be greater than 0.8 and the composite reliabilities of this study of all variables are greater than 0.8. The standard value of AVE should be 0.5. And the AVE values of all variables of this study are greater than 0.5. These results are showing the convergent validity. It means all the items are loaded in their respective variables. Then we calculated discriminant validity. Discriminant validity should be square root of AVE value and it should be greater than the comparing value and other values of correlations' of variables (Fornell & Larcker, 1981). All diagonal values are greater than the correlation values. These results are proving the discriminant validity and convergent validity as shown in table 5-2. These results are proving the discriminant validity and convergent validity.

Table 0-2 Psychometric Properties

	CR	AVE	FP	OP	KCP	KTP	PI	KEP	AI
FP	0.936	0.785	**0.886**						
OP	0.973	0.856	0.403**	**0.925**					
KCP	0.966	0.849	0.499**	0.511**	**0.922**				
KTP	0.971	0.869	0.562**	0.655**	0.461**	**0.932**			
PI	0.970	0.914	0.700**	0.578**	0.482**	0.632**	**0.956**		
KEP	0.948	0.819	0.523**	0.472**	0.257**	0.465**	0.626**	**0.905**	
AI	0.943	0.845	0.596**	0.710**	0.570**	0.623**	0.496**	0.371**	**0.919**

We can further run SEM to test our proposed hypotheses and in AMOS, proposed model has been drawn and model fit indices are calculated as Chi-square=1240.619, DF = 367, Normed Chi-square= 3.380, GFI = 0.814, AGFI = 0.764, TLI = 0.937, CFI = 0.947, RMSEA = 0.084. All these are under the acceptance criteria and support our hypotheses results.

ISSN: ISSN 2053-4019(Print), ISSN: ISSN 2053-4027(Online)

Table 0-3 Regression Weights

Relationships	Unstandardized β	Standardized β	S.E.	C.R.	P
KMCP → PI	0.223	0.224	.043	5.206	***
KMCP → AI	0.314	0.351	.044	7.211	***
KTP → PI	0.326	0.339	.046	7.017	***
KTP → AI	0.368	0.424	.047	7.802	***
KEP → PI	0.442	0.411	.049	8.967	***
KEP → AI	0.079	0.081	.047	1.669	✝
PI → OP	0.136	0.128	.061	2.239	*
PI → FP	0.374	0.443	.053	7.042	***
AI → OP	0.508	0.434	.064	7.936	***
AI → FP	0.237	0.253	.053	4.433	***
KMCP → OP	0.051	0.049	.049	1.049	ns
KTP → OP	0.233	0.229	.056	4.176	***
KEP→ OP	0.114	0.100	.055	2.058	*
KMCP → FP	0.087	0.104	.042	2.094	*
KTP→ FP	0.010	0.012	.047	.205	ns
KEP→ FP	0.104	0.114	.047	2.192	*

Note: ns=not significant, *=p<0.05, **=p<0.01, ***=p<0.001.

All these are under the acceptance criteria and support our hypotheses results. KMCP had showed a positive significant relationship with PI as (Un.Std. β=0.223, Std. β=0.224, Sig.=***). KMCP had showed a positive significant relationship with AI as (Un.Std. β=0.314, Std. β=0.351, Sig.=***). KTP had showed a positive significant relationship with PI as (Un.Std. β=0.326, Std. β=0.339,Sig.=***). KTP had showed a positive significant relationship with AI as (Un.Std. β=0.368, Std. β=0.424, Sig.=***). KEP had showed a positive significant relationship with PI as (Un.Std. β=0.442, Std. β=0.411, Sig.=***). KEP had showed a positive significant relationship with AI as (Un.Std. β=0.079, Std. β=0.081, Sig.=***). PI had showed a none significant relationship with OP as (Un.Std. β=0.136, Std. β=0.128, Sig.=ns). PI had showed a positive significant relationship with FP as (Un.Std. β=0.374,Std. β=0.443, Sig.=***). AI had showed a positive significant relationship with OP as (Un.Std. β=0.508, Std. β=0.434,Sig.=***). AI had showed a positive significant relationship with FP as (Un.Std. β=0.237, Std. β=0.253, Sig.=**). KMCP had showed a none significant relationship with OP as (Un.Std. β=0.051, Std. β=0.049, Sig.=ns). KTP had showed a positive significant relationship with OP as (Un.Std. β=0.233, Std. β=0.229, Sig.=***). KEP had showed a positive

ISSN: ISSN 2053-4019(Print), ISSN: ISSN 2053-4027(Online)

significant relationship with OP as (Un.Std. β=0.114, Std. β=0.100,Sig.=***). KMCP had showed a positive significant relationship with FP as (Un.Std. β=0.087, Std. β=0.104, Sig.=***). KTP had showed a none significant relationship with FP as (Un.Std. β=0.010, Std. β=0.012, Sig.=ns), KEP had showed a positive significant relationship with FP as (Un.Std. β=0.104, Std. β=0.114, Sig.=*) as shown in table 5-3.

Table 0-4 Direct Effects

Relationships	Unstandardized β	Standardized β	P
KCP □ PI	0.221	0.22	***
KCP □ AI	0.321	0.354	***
KCP □ OP	0.24	0.232	***
KCP □ FP	0.165	0.166	***
KTP □ PI	0.327	0.34	***
KTP □ AI	0.365	0.42	***
KTP □ OP	0.416	0.421	***
KTP □□FP	0.093	0.09	ns
KEP □ PI	0.453	0.419	***
KEP □ AI	0.085	0.087	ns
KEP □ OP	0.17	0.154	*
KEP □ FP	0.122	0.12	*
PI □ OP	0.103	0.101	ns
PI □ FP	0.381	0.372	***
AI □ OP	0.485	0.424	***
AI □ FP	0.233	0.253	**

Note: ns=not significant, *=p<0.05, **=p<0.01, ***=p<0.001.

(Table5-4).

KCP had also showed non-significant indirect effect on OP through PI (Un.Std. β=.023, Std. β=.022, Sig.=ns). Lower (Bias-Corrected Confidence Level) (BCCI) = -0.01.Upper BCCI=.109) *(Table 5-5),* and this supported our hypothesis H4(c).

PI partially mediated relationship between KCP and FP as KCP had showed significant impact on PI (Un.Std. β=.221, Std. β=.220, Sig.=***) and PI had showed significant impact on FP (Un.Std. β=.381, Std. β=0.372, Sig.=***) *(Table5-4).*KCP had also showed significant indirect effect on FP through PI (Un.Std. β=.085, Std. β=.082, Sig.=***). Lower (Bias-Corrected Confidence Level) (BCCI)= .051,Upper BCCI=.125) *(Table 5-5)* and our this hypothesis H4(d) is accepted.

ISSN: ISSN 2053-4019(Print), ISSN: ISSN 2053-4027(Online)

Table 0-5 Indirect Effects

Relationships	Unstandardized β	Standardized β	P	BCCI	
				Lower	Upper
KCP → PI → OP	.023	.022	ns	-0.01	.109
KCP → PI → FP	.085	.082	***	.051	.125
KCP → AI → OP	.156	.150	***	.101	.220
KCP → AI → FP	.075	.089	**	.036	.128
KTP → PI → OP	.034	.034	ns	-0.016	.090
KTP → PI → FP	.124	.121	***	.076	.182
KTP → AI → OP	.177	.178	***	.107	.249
KTP → AI → FP	.085	.106	**	.040	.133
KEP → PI → OP	.047	.042	ns	.019	.058
KEP → PI → FP	.170	.166	***	.112	.232
KEP → AI → OP	.041	.037	ns	-0.001	.088
KEP → AI → FP	.019	.021	ns	-0.001	.047

Note: ns=not significant, *=p<0.05, **=p<0.01, ***=p<0.001.

PI had mediation relationship between KTP and OP as KTP had showed significant impact on PI (Un.Std. β=.327, Std. β=.340, Sig.=***) and PI had showed non-significant impact on OP (Un.Std. β=.103, Std. β=0.101, Sig.=ns).*(Table5-4)*.KTP had also showed non-significant indirect effect on OP through PI (Un.Std. β=.034, Std. β=.034, Sig.=ns). Lower (Bias-Corrected Confidence Level) (BCCI)= -0.0016,Upper BCCI=.090) *(Table 5-5)* but our this hypothesis H4(e) is accepted.

PI had fully mediated the relationship between KTP and FP as KTP had showed significant impact on PI (Un.Std. β=.327, Std. β=.340, Sig.=***) and PI had showed significant impact on FP (Un.Std. β=.381, Std. β=0.372, Sig.=***) *(Table5-4)*.KTP had also showed significant indirect effect on FP through PI (Un.Std. β=.124, Std. β=.121, Sig.=**). Lower (Bias-Corrected Confidence Level) (BCCI)= 0.076,Upper BCCI=.182) *(Table 5-5)* but our this hypothesis H4(f) is accepted.

Table 0-6 Hypotheses Testing - I

Hypotheses	Result
H1(a): KCP → PI	Accepted
H1(b): KCP → AI	Accepted
H1(c): KCP → OP	Accepted
H1(d): KCP → FP	Accepted
H2(a): KTP → PI	Accepted
H2(b): KTP → AI	Accepted
H2(c): KTP → OP	Accepted
H2(d): KTP → FP	Not accepted
H3(a): KEP → PI	Accepted
H3(b): KEP → AI	Not accepted
H3(c): KEP → OP	Accepted
H3(d): KEP → FP	Accepted

ISSN: ISSN 2053-4019(Print), ISSN: ISSN 2053-4027(Online)

H4(a): PI → OP	Not accepted
H4(b): PI → FP	Accepted
H5(a): AI → OP	Accepted
H5(b): AI → FP	Accepted

Table 0-7 Hypotheses Testing - II

Hypotheses	Result	Mediation Type
H4(c): KCP → PI → OP	Not accepted	No Mediation
H4(d): KCP → PI → FP	Accepted	Partial Mediation
H4(e): KTP → PI → 0P	Accepted	No Mediation
H4(f): KTP → PI → FP	Accepted	Full Mediation
H4(g): KEP → PI → OP	Not Accepted	No Mediation
H4(h): KEP → PI → FP	Accepted	Partial Mediation
H5(c): KCP → AI → OP	Accepted	Partial Mediation
H5(d): KCP → AI → FP	Accepted	Partial Mediation
H5(e): KTP → AI → OP	Not Accepted	Partial Mediation
H5(f): KTP → AI → FP	Accepted	Full Mediation
H5(g): KEP → AI → OP	Not Accepted	No Mediation
H5(h): KEP → AI → FP	Not Accepted	No Mediation

AI had partially mediated the relationship between KCP and OP as KCP had showed significant impact on AI (Un.Std. β=.321, Std. β=.354, Sig.=***) and AI had showed significant impact on OP (Un.Std. β=.485, Std. β=0.424, Sig.=***) *(Table5-4)*.KCP had also showed significant indirect effect on OP through AI (Un.Std. β=.156, Std. β=.150, Sig.=***). Lower (Bias-Corrected Confidence Level) (BCCI)=.101,Upper BCCI=.220) *(Table 5-5)* but our this hypothesis H5(c) is accepted.

AI had partially mediated the relationship between KCP and FP as KCP had showed significant impact on AI (Un.Std. β=.321, Std. β=.354, Sig.=***) and AI had showed significant impact on FP (Un.Std. β=.233, Std. β=0.253, P<0.01) *(Table5-4)*.KCP had also showed significant indirect effect on FP through AI (Un.Std. β=.075, Std. β=.089, Sig.=**). Lower (Bias-Corrected Confidence Level) (BCCI)= 0.036,Upper BCCI=.128) *(Table 5-5)* but our this hypothesis H5(d) is accepted.

AI had partially mediated the relationship between KTP and OP as KTP had showed significant impact on AI (Un.Std. β=.365, Std. β=.420, Sig.=***) and AI had showed significant impact on OP (Un.Std. β=.485, Std. β=0.424, Sig.=***) *(Table5-4)*.KTP had also showed significant indirect effect on OP through AI (Un.Std. β=.177, Std. β=.178, Sig.=***). Lower (Bias-Corrected Confidence Level) (BCCI)= .107,Upper BCCI=.249) *(Table 5-5)* but our this hypothesis H5(e) is rejected.

AI had fully mediated the relationship between KTP and FP as KTP had showed significant impact on AI (Un.Std. β=.365, Std. β=.420, Sig.=***) and AI had showed significant impact on FP (Un.Std. β=.233, Std. β=0.253, Sig.=**) *(Table5-4.* KTP had also showed significant indirect effect on FP through AI (Un.Std. β=.085, Std. β=.106, Sig.=**). Lower (Bias-Corrected Confidence Level) (BCCI)= .040,Upper BCCI=.133) *(Table 5-5)* but our this hypothesis H5(f) is accepted.

ISSN: ISSN 2053-4019(Print), ISSN: ISSN 2053-4027(Online)

AI had no mediation relationship between KEP and OP as KEP had showed non-significant impact on AI (Un.Std. β=.085, Std. β=.087, Sig.=ns) but AI had showed significant impact on OP (Un.Std. β=.485, Std. β=0.424, Sig.=***) *(Table5-4)*.KEP had also showed non-significant indirect effect on OP through AI (Un.Std. β=.041, Std. β=.037, Sig.=ns). Lower (Bias-Corrected Confidence Level) (BCCI)= -0.001,Upper BCCI=.088) *(Table 5-5)* and our this hypothesis H5(g) is rejected.

CONCLUSION

Summing up this research, the authors of this paper have concluded that a strong relation between the knowledge management and organizational' operational and financial performance with the mediating of innovativeness exists. The purpose of this study was to check and examine the impact of knowledge management on the organization operational and financial performance with the effect of innovation. We can derive two kinds of implications from this study i.e. practical implications and theoretical implications.

Practically, this study would serve as a guide for the organizations to rearrange and establish themselves in the world of fierce competition. It would provide help to the mangers for operating the organization in such a way that would aid towards the effective working of the organization. However, this study tried to incorporate the role of innovativeness in knowledge management for acquiring the required objective of improving operation and financial working of the firm and is quite significant as it has added a new dimension in the literature.

In spite of the fact study has achieved its aims but there were some unavoidable limitations. The study in hand also had certain limitations. The first limitation was regarding the sample size. In this study the sample size was relatively short, fulfilling the minimum sample and incorporated data obtained from various trading, manufacturing and servicing sectors. The sample size was limited so it did not explain the full perspective of subject.The time period for the study was quite short that imposed certain restriction on the study. The data collection is cross sectional that create links between dependent and independent variables at a single point in time. The impact can be better known with bigger time duration.

This study attempts to explain the relationship of knowledge management on operational and financial performance along with the role of innovation as a moderator. Nevertheless, there is always a room for addition and improvement. In this regard there is a scope of further studies to test the relationship between these variables with some more modifications.

This study has a small sample size and future study cab be conducted on large sample size. This study can be conducted in other cities of Pakistan except Gujranwala. Longitudinal study can also be conducted on this topic of study.

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ISSN: ISSN 2053-4019(Print), ISSN: ISSN 2053-4027(Online)