



ARAB ACADEMY FOR SCIENCE, TECHNOLOGY AND MARITIME TRANSPORT

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**The Relationship Between Knowledge Management,
Organizational Innovativeness, and Sustainable Competitive
Advantage: An Empirical Study on Egyptian Software Companies**

By

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A dissertation submitted to AASTMT in partial fulfillment of the requirements for the award
of the degree of

Doctorate of Business Administration

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2011

Abstract

Interest in knowledge management has grown dramatically in the recent years, as more researchers and practitioners have become aware of the knowledge potential to drive innovation and improved performance. However, much of the recent work on knowledge management is incomplete in the sense that it emphasized that while much theory exists on knowledge management; little empirical work has been undertaken. Hence, there are large gaps in the body of knowledge in this area.

The purpose of the current study is to empirically investigate the relationship between knowledge management, organizational innovativeness and sustainable competitive advantage using the framework of firm resource-based theory and process orientation of knowledge management.

Based on extensive literature review, it was hypothesized that there would be a significant and positive relationship between knowledge management and sustainable competitive advantage. It was further hypothesized that this relationship between knowledge management and sustainable competitive advantage is mediated by organizational innovativeness. A model of knowledge management, organizational innovativeness and organization sustainable competitive advantage was developed and was empirically tested for the above mentioned hypotheses.

Based on the analysis of the survey collected from 94 senior executives of Egyptian software organizations, this study implemented a structure equation modeling to test the research hypotheses. The results showed that knowledge management significantly affects organization innovativeness, and that organizational innovativeness is a perfect mediator for the relationship between knowledge management and sustainable

competitive advantage. This means that knowledge management significantly affects sustainable competitive advantage through organizational innovativeness. In other words, if one organization ignores the organizational innovativeness or if knowledge management practices did not contribute to building innovation capability for the organization, these knowledge management practices would not contribute eventually to the generation of sustainable competitive advantage.

The outcome of the study provided an empirical evidence for the role of knowledge management in the organization and confirmed the relationship between knowledge management and sustainable competitive advantage. The results also provided one possible explanation of the underlying mechanism through which this is achieved. These findings are expected to assist managers who adopt different knowledge management practices to understand the importance of these practices in building organizational innovative capabilities that are necessary to sustain the organization competitive advantage.

In future studies, dynamic structure equation modeling with feedback paths/loops such as positive feedback between sustainable competitive advantage and knowledge acquisition would be of interest to study. Also, the inclusion of the moderator variables, such as industry characteristics, and culture dimension into the model could reveal more details. Further, the interrelations among knowledge management processes and organizational innovativeness dimensions could be investigated in details as well.