



INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE, IT AND MANAGEMENT

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- Schemenner, R.W., Huber, J.C. and Cook, R.L. (1987), "Geographic Differences and the Location of New Manufacturing Facilities," Journal of Urban Economics, Vol. 21, No. 1, pp. 83-104.

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KNOWLEDGE INERTIA AND ITS RELATIONSHIPS WITH ORGANIZATIONAL LEARNING AND ORGANIZATIONAL INNOVATION

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ABSTRACT

Knowledge has become a significant asset both for individuals and organizations. Thus, successful knowledge management can be the chief determinant for the survival of an enterprise in a knowledge-based economy. Nevertheless, hurdles to efficient and effective knowledge management are many. One of these hurdles is knowledge inertia which may inhibit an organization's capability to learn and solve problems. However, when facing problems, people generally resort to their prior knowledge and experience for solutions. Such routine problem-solving strategy is termed "knowledge inertia". This study aims to establish the constructs of knowledge inertia and examine the relationships between knowledge inertia, organizational learning and organizational innovation. Structural equation modeling is employed to discuss the degree of influence each construct has on others. A questionnaire survey was conducted to collect data from 3 different Universities. A total of 495 valid responses were collected. Our results reveal that when a firm's members have either less learning inertia or experience inertia, the performance of the organizational learning and organizational innovation will be better.

KEYWORDS

Knowledge inertia, Organizational learning, Organizational innovation, Structural equation modeling.

INTRODUCTION

Knowledge has been considered the most important asset for individuals and organizations (Fugate, 2009). As the size of organization grows it becomes very hard to know each other, share experiences and ideas. Likewise, to find appropriate solutions of the problems and store knowledge for future use, therefore, a proper strategy is needed to store and retain this most important intellectual asset i.e. knowledge of organization. Besides, organizations are also facing difficulties when an expert leaves an organization because the expert knowledge is lost. Therefore they have to hire new people which require more trainings and time, thus there is need to retain and manage effectively expert knowledge to be used in future (Dingsoyr and Conradi, 2002). Knowledge management has been proposed as a methodology that can manage the knowledge of the organization. Knowledge Management is the process of sharing, distributing, organizing, creating, storing and understanding of knowledge about organization policies, processes and products (Ahmad and Khan, 2008). Cumulative evidence from past research in organization and management suggests that knowledge management is critical element of success of organizations (Fugate, 2009). Successful knowledge management can be the chief determinant for the survival of an enterprise in a knowledge-based economy. Several factors that contribute to the importance of managing knowledge are referenced below (Ahmad and Khan, 2008):

- **Competitive Advantage** - Knowledge can be an organization's most competitive advantage. Wealth results when an organization uses its knowledge to create customer value by addressing business problems. A firm's competitive advantage depends more than anything on its knowledge, or to be slightly more specific, on what it knows, how it uses what it knows and how fast it can know something new.
- **Technology** - Because of the tremendous advances in technology, enormous amounts of information can be disseminated to people regardless of their geographic location or time zone. The speed of transmission and frequency in which this information is received requires an adaptable, skilled and educated workforce. From a knowledge management perspective, the complexities associated with these technological changes will cause us to think differently about the manner in which people learn.
- **Organizational Change** - Due to organizational changes, restructuring, mergers and acquisitions, companies have lost some of their valued history and cultural norms. An organization's ability to create, acquire, process, maintain and retain old and new knowledge in the face of complexity, uncertainty and rapid change is critical.
- **Enhanced Decision-Making** - Learning from and applying past experiences can accelerate the completion of future work and enhance the decision-making process.
- **Workforce Demographics** - An aging workforce, coupled with retiring baby boomers and the loss of intellectual capital or institutional memory are creating a new sense of urgency for organizations. Although predicting employee separations is at times challenging, knowledge transfer is vital to sustaining critical business functions. While many employees may continue employment beyond retirement eligibility, these employees will inevitably leave the workforce.

Some of the benefits of an effective knowledge management program are as following (Hislop, 2005):

- Cultivating innovation by encouraging the free flow of ideas
- Improving customer service by streamlining response time
- Improving employee retention rates by recognizing the value of employees' knowledge and rewarding them for it
- Streamlining operations and reduce costs by eliminating redundant or unnecessary processes
- enhancing customer responsiveness by creating and delivering innovative products or services
- managing or enhancing relationships with existing and new customers, partners and suppliers
- Administering or improving more efficient and effective work practices and processes

Most knowledge management initiatives, however, fall short of their goals. Some surveys alert us to a grim reality. For example, Ruggles (1998) studied 431 US and European companies with knowledge management initiatives under way, and found that only 13 percent of the respondents felt they were successful in

transferring knowledge from one part of the firm to the other, whereas only 46 percent ranked their firm high on the ability to generate new knowledge. A primary reason for this is the view that IT is a silver bullet. Although it can enable people to transcend distance and time barriers through the use of tools such as e-mail and group support systems, it cannot motivate people to share knowledge. The biggest hurdle to knowledge management is not implementing a cutting-edge IT solution, but getting people to talk and share their know-how. Knowledge originates in the minds of individuals, so we must realize that unless organization members are motivated to share, no IT solution can deliver the desired goals (Desouza, 2003).

Desouza believes that some barriers prevent effective and efficient knowledge management. These barriers are (Desouza, 2003):

- Lack of expert managers for motivating employees
- Requisite knowledge too hard to capture and categorize
- Lack of adequate communication and action
- Forcing employees

Rosen, Furst and Blackburn identified six barriers to knowledge Management (Rosen et al., 2007):

- Lack of trust among team members
- Time constraints and competing deadline pressures
- Technology constraints on knowledge sharing
- Team leader constraints on knowledge sharing
- Failure to develop a transactive memory system
- Cultural constraints on information sharing

Lin, Tan and Chang classified knowledge management barriers into five categories (Lin et al., 2008):

1. *Knowledge characteristics*: Causal ambiguity and non-validated knowledge hinder knowledge flow. The first occurs when the reasons for success or failure in replicating a capability cannot be determined. Tacit knowledge involves human skills and is difficult to measure. In addition, knowledge without a record of past usefulness is likely to be questioned by the recipient.
2. *Knowledge source barriers*: Efficient sharing depends on people being willing to contribute material to the organization. However, they often have invested resources in building a competence feel it is theirs unless incentives are given.
3. *Knowledge receiver barriers*: A precondition for knowledge transfer is that the receiver has sufficient related knowledge to assess its value, and does not resist using material from outsiders.
4. *Contextual barriers*: During problem-solving, people develop and modify their understanding, and the context emerges and transforms. Context influences people's attitudes and choices, thus, context influences what problems are considered to be solvable or are solved. knowledge inertia
5. *Inadequate/lack of mechanisms*: Knowledge flow mechanisms are either intangible, such as mentoring, formal meetings and informal occasions or tangible, such as journals and IT.

Nevertheless, hurdles to efficient and effective knowledge management are many. Using the principles of inertia in physics to knowledge management, Liao (2002) states that knowledge inertia is a barrier to knowledge management and may inhibit an organization's capability to learn and solve problems. Often routine problem-solving procedures are adopted to save time and effort as well as to avoid risks. Stagnant knowledge sources and obsolete prior experience result in the same solutions and approaches being employed to deal with problems. Such predictability in management behavior may make an enterprise more risk in a highly vulnerable competitive environment. Inertia not only has negative impact on knowledge utilization, but may also disclose an enterprise's commercial secrets and strategies. In other words, organizations showing inertia in thinking and policy-making may suffer loss and failure. This further highlights the importance of innovations in knowledge management and that enterprises should devote efforts to avoid inertia.

KNOWLEDGE INERTIA

In physics, the principle of inertia states that objects continue in a state of rest or uniform motion unless acted upon by forces. Unless interrupted, an object's motion is subject to physical constraints and objects will move in the predicted trajectory. Human(s) can track and reach moving objects by predicting where the objects are going. This phenomenon suggests that human cognition also has inertia. The overall procedure explains several things. Firstly, prediction is based on the understanding that there is a trajectory if objects move then we can track and reach them according to their inertia. Secondly, changes in moving trajectory only happen if objects are interrupted by outside forces. This means that any change of inertia is caused by outside forces. Thirdly, change does not spontaneously, but must be implemented (Liao, 2002).

In human cognition, there is an explanatory process, which derives understanding from a view that other things have already been done. Our past knowledge helps us predict what we will hear next, disambiguate words, resolve pronouns, and make connections between the various things being discussed. This implies that our past knowledge of what has happened in some situations allow us to infer similar things and to explain it. There is evidence that a phenomenon similar to inertia, exists in knowledge use in both individuals and organizations. In individuals and organizations, a high degree of the solution of a problem is generated by the knowledge acquired from past experience and its extension to fit new situations. People use a memory of past experiences and knowledge as a guide to generate planning for new problems. Re-using past knowledge to solve a new problem becomes a law or principle that similar things will remain static or uniform until the situation is no longer feasible and then is changed by outside forces. Applying the concept of inertia to human behavior shows that individuals often resort to constant methods for dealing with problems (Liao et al., 2008). Organizational inertia is defined in the literature as:

Huff et al. (1992) describe inertia as an overarching concept that encompasses personal commitments, financial investment and institutional mechanisms supporting the current ways of doing things.

O'keefe and Wright contend that inertia is defined as the degree of the level of commitment to the organization's current strategy, will grow over time as current ways of operating become deeply embedded in an organization, regardless of, and generally without reference to, developments in the environment (O'keefe and Wright, 2009).

Barnett and Pontikes (2008) believe that inertia describes the tendency to remain with the status quo and the resistance to strategic renewal outside the frame of current strategy.

Inertia in organization may take many forms such as the rational suppression of potentially valuable information in organizations (Friebel and Raith, 2004), rigid rules and lack of flexibility (Boyer and Robert, 2006, p: 324). Inertia and flexibility are for all practical purposes antonyms in the literature on organizations (Boyer and Robert, 2006, p: 324). However, the theory of organizational inertia does imply that the deleterious impact of that inertia can be long lasting, enduring for decades (Baker and Collins, 2009, p: 1944).

KNOWLEDGE INERTIA, ORGANIZATIONAL LEARNING AND ORGANIZATIONAL INNOVATION

Organizational learning is defined here as some combination of improving actions and acquiring new knowledge, whether these are new products or processes (Saka- Helmhout, 2009). Organizational learning is the process of acquisition, dissemination, interpretation, implementation and storage of new knowledge in organization (Au et al., 2009, p: 9).

Organizational innovation is the creation of valuable and useful new products/services within an organizational context (Johannessen, 2008, p: 409). Organizational innovation is the tendency of the organization to develop new or improved products/services and its success in bringing those products/services to the market (Gumusluoglu and Ilsev, 2009, p: 464).

Knowledge inertia may pose significant barriers to organizational learning; for example reduce the options considered feasible and inhibit the development of more appropriate strategies (Baker and Collins, 2009, p: 1944). Knowledge inertia may also be a significant barrier to change, innovation and adaptation in turbulent economic environments (Collinson and Wilson, 2006, p: 1361)

Routine problem-solving approaches and similar reasoning will be adopted to save time and effort and also avoid risks. Everything stemming from past experience and knowledge without revision and updating would imply predictable management behavior and problem-solving strategy of an enterprise (Liao, 2002). That is to say, inertia would result in lack of innovation and expected behavior, which may jeopardize the survival or undermine the advantage of an enterprise in a highly competitive environment (Liao et al., 2007). Hence, it is important for an organization or enterprise to avoid the negative impact of inertia on its capability to learn and it should utilize knowledge efficiently and effectively. Organizational learning would enhance the innovative capacity of an organization. Innovation is a result of individual and organizational learning and the only source of lasting competitive advantage in a knowledge intensive industry (Liao et al., 2008).

RESEARCH HYPOTHESES

From the literature we state research hypothesis as follows:

- H1: Knowledge inertia is negatively related to organizational learning.
 - H2: Knowledge inertia is negatively related to organizational innovation.
 - H3: Organization learning is positively related to organizational innovation.
 - H4: Organizational learning is the mediating variable between knowledge inertia and organizational innovation
- Figure 1 displays the theoretical framework of this research which summarizes our four hypotheses.

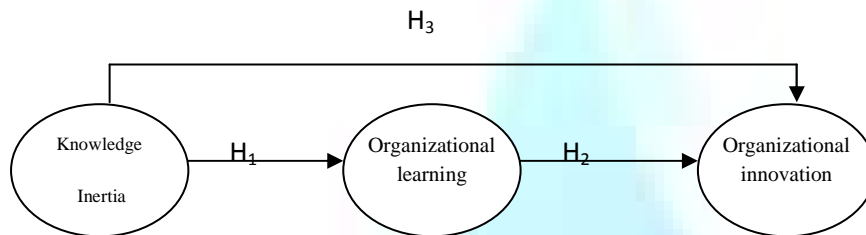


FIGURE 1 - THE THEORETICAL FRAMEWORK

RESEARCH METHODOLOGY

The data used in this study consist of questionnaire responses from employees in 3 different Universities in Yazd, namely Islamic Azad University, Payam e Noor University and Yazd University. The questionnaire included items of Knowledge inertia, organizational learning and organizational innovation. A total of 600 questionnaires were sent out, 200 to each university. A total of 495 valid responses were received.

The questions for measuring knowledge inertia were classified under two constructs: learning inertia and experience inertia. Learning inertia means Members of organization are influenced by inertia in knowledge learning. Experience inertia means Members of organization are influenced by inertia in solving problems with past knowledge and experience. The questions for measuring organizational learning were classified under three constructs: Commitment to learning (Organization regards learning as its most important basic value), Shared vision (Organization chiefs share future vision with its members) and Open-mindedness (Organization does not stick to its old way of thinking but embrace innovative ideas). The Variable organizational innovation was measured directly.

Reliability of constructs was evaluated by Cronbach's. Table 1 list the Cronbach's of the constructs. As can be seen, all constructs have Cronbach's above 0.7, which indicates high reliability (Nunnally, 1978).

TABLE 1 - CRONBACH'S A OF THE CONSTRUCTS

Variable	Construct	Cronbach's a
Knowledge inertia	learning inertia	0.755
	Experience inertia	0.741
organizational learning	Commitment to learning	0.809
	Shared vision	0.789
	Open-mindedness	0.765
organizational innovation	organizational innovation	0.817

DESCRIPTIVE STATISTICS

Table 2 displays the means, standard deviations and correlations of constructs.

TABLE 2 - DESCRIPTIVE STATISTICS AND CORRELATIONS OF CONSTRUCTS

Constructs	Means	S.D.	Learning inertia	Experience inertia	Commitment to learning	Shared vision	Open-mindedness	organizational innovation
Learning inertia	3.56	0.65	1.000					
Experience inertia	2.90	0.81	0.326**	1.000				
Commitment to learning	3.22	0.87	-0.225**	-0.070	1.000			
Shared Vision	2.64	0.98	-0.188**	-0.306**	0.257**	1.000		
Open-mindedness	3.41	0.68	-0.227**	-0.189**	0.537**	0.140**	1.000	
organizational innovation	3.43	0.73	-0.397**	-0.527**	0.163**	0.376**	0.144**	1.000

Note: *p-value <0.05, N =495.

As can be seen learning inertia and experience inertia are negatively related to organization learning, which implies that more learning and experience inertia among members will reduce the capacity for organizational learning. Learning inertia and experience inertia are also negatively related to organization innovation, which implies that more learning and experience inertia among members will reduce the capacity for organizational innovation. Commitment to learning, shared vision and open-mindedness are positively related to organizational innovation. This implies that high organizational learning can foster organizational innovation.

STRUCTURAL EQUATION MODEL AND DISCUSSION

Correlations can only reveal the degree of relationship between constructs. To further understand the direct and indirect effects, as well as the mediating effects among the constructs, Structural equation modeling was performed using LISREL. Fig. 2 shows the Path diagram of the completely mediating model.

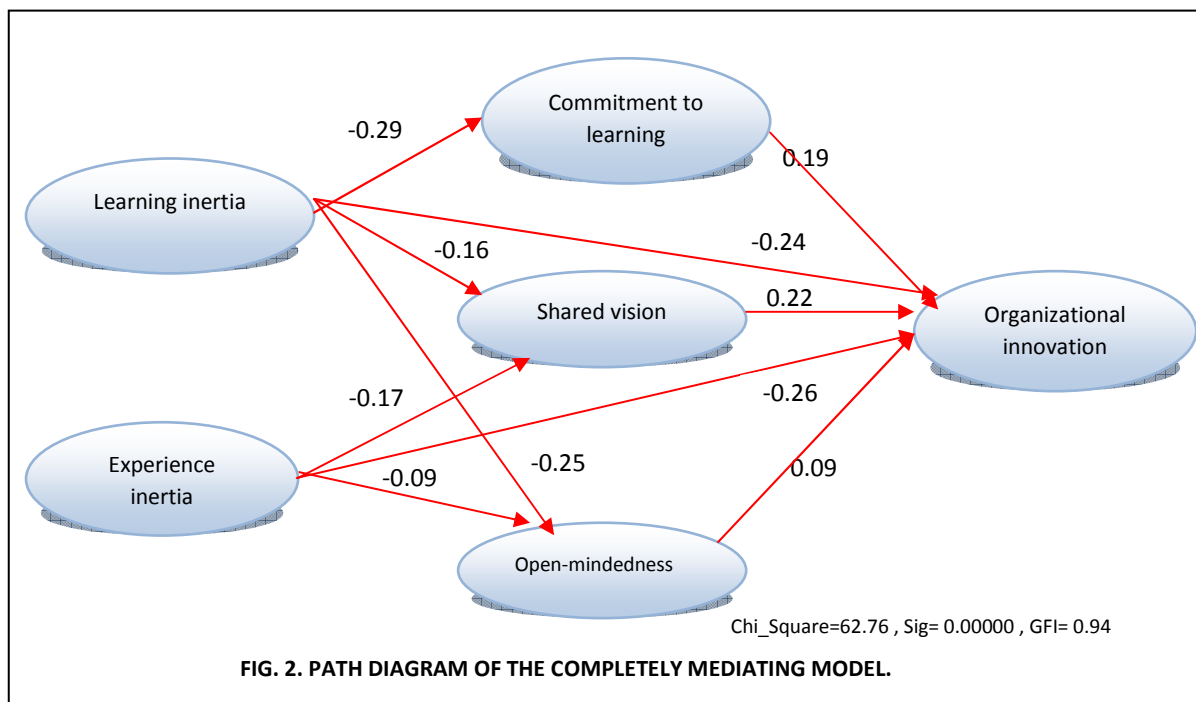


FIG. 2. PATH DIAGRAM OF THE COMPLETELY MEDIATING MODEL.

The model estimation results reveal the following relationships among three research variables:

Relationship between knowledge inertia and organizational learning: As seen in figure 2, relationships between learning inertia and the three constructs of organizational learning are negative and significant, indicating negative impact of learning inertia on organizational learning. That is to say, organization members with substantial learning inertia will undermine the organization’s commitment to learning, shared vision and open-mindedness. On the other hand, relationships between experience inertia and the three constructs of organizational learning are negative and significant, indicating negative impact of experience inertia on organizational learning. In other words, organization members with great experience inertia will decrease the performance of the organization on commitment to learning, shared vision and open-mindedness. According to the above, learning inertia and experience inertia have negative effect on organizational learning; hence H1 is partially supported.

Relationships between learning inertia and organizational innovation, also experience inertia and organizational innovation are negative and significant, indicating negative impact of learning inertia and experience inertia on organizational learning. In other words, organization members with great learning and experience inertia will decrease the performance of the organization on innovation; hence H2 is supported.

Relationship between organizational learning and organizational innovation: As seen in figure 2, relationships between the three constructs of organizational learning and organizational innovation are positive and significant, indicating positive impact of organizational learning on organizational innovation. In other words, higher organizational learning ability will lead to better performance in innovation; hence H3 is supported.

Table 3 shows effects of constructs on organizational innovation and Table 4 shows indirect effects of organizational inertia on organizational innovation

TABLE 3 - EFFECTS OF CONSTRUCTS ON ORGANIZATIONAL INNOVATION

Construct	Direct effect	Indirect effect	Total effect
Learning inertia	-0.24	-0.1128	-0.3528
Experience inertia	-0.26	-0.0455	-0.3055
Commitment to learning	0.19	---	0.19
Shared vision	0.22	---	0.22
Open-mindedness	0.09	---	0.09

TABLE 4 - INDIRECT EFFECTS OF KNOWLEDGE INERTIA ON ORGANIZATIONAL INNOVATION

Construct	Through Commitment to learning	Through Shared vision	Through Open-mindedness	Total Indirect effect
Learning inertia	-0.0551	-0.0352	-0.0225	-0.1128
Experience inertia	---	-0.0374	-0.0081	-0.0455

As seen in Table 3 and 4, the direct effects of learning inertia and experience inertia on organizational innovation are more significant than indirect effects; hence H4 is not supported and knowledge inertia directly affects the organizational innovation

CONCLUSION

Our results find evidence that learning inertia and experience inertia are directly and negatively related to organizational innovation, implying that knowledge inertia does affect the innovation behavior both of individual members and the organization as a whole. To promote organizational innovations, organizations should reduce knowledge inertia by encouraging members to acquire new ideas and methods. The sharing of accumulated experience can also enhance organizational learning ability and foster better performance in organizational innovation. Some of the strategies and “best practices” for over-coming knowledge inertia are:

- Team leaders should be responsible to facilitate knowledge sharing by creating a team culture in which members feel safe to share ideas, offer constructive criticism, and ask other team members for help when needed. Leaders must develop team trust –through shared visions, passion for the task, face to face contact and the like. Perhaps even more important, leaders must create a culture in which members are willing to and even encouraged to admit their mistakes.
- Leaders can be models who encourage employees. Leaders need to clarify norms surrounding expectations for and use of knowledge sharing communication technologies, train members in their use, and continually reinforce and reward members who adhere to agreedupon knowledge sharing practices.
- Coping with the time constraints and deadline pressures that frequently block knowledge sharing
- Helping employees improve knowledge sharing focused on providing the “right” communication technology. Some of knowledge sharing support systems includes shared web sites, document repositories, electronic bulletin boards, and meeting management.
- Building sensitivity to cultural diversity and overcoming cultural barriers to knowledge sharing. Identifying and addressing cultural differences is a gradual process.

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