

## Conference Paper

# Interaction Between Knowledge Management and Organizational Learning in Hospital Business Strategy

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## Abstract

An increasingly competitive business environment has encouraged business organizations to plan an appropriate strategy to win the competition. This strategy also applies to hospitals. Hospitals, as a business entity that provides services to consumers, are expected to be able to create an appropriate strategy to provide not only economic benefits for the organization but also customer service satisfaction. In an effort to plan its business strategy, hospital management is expected to improve knowledge management related to all resources owned. Knowledge management will help hospital management to find the company's competitive advantage to determine the appropriate strategy. Knowledge of existing resources requires a learning process of all the components involved in the hospital, so that the appropriate business strategy can be developed. It takes interaction between knowledge management and organizational learning in an effort to create the proper business strategy for the hospital.

**Keywords:** organizational learning, knowledge management, organizational learning-knowledge management interaction, business strategy

## 1. Introduction

Today, hospitals are facing a variety of challenges to be able to provide the best services to their clients [17]. In order to provide the best service, a hospital is required to continue to innovate and create competitive advantage. Given the increasingly intense competition, high market complexity and critical consumers, the hospital's operational activities should be done professionally and aggressively. Therefore, hospitals should be able to plan an appropriate business strategy to harmonize the existing business competition with the demand to provide the best service.

A competitive strategy is a combination between the goals a company strives for and the policy or tool used by the company to achieve its goals (Kotler & Armstrong, 2003). Competitive strategy aims to find a profitable position which can be maintained as well as possible against the pressure of competition. The choice of competitive

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Received: 29 August 2018

Accepted: 18 September 2018

Published: 11 November 2018

Publishing services provided by  
Knowledge E

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Selection and Peer-review under the responsibility of the ICOI-2018 Conference Committee.

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strategy is based on the competitive advantage that can be developed by the company. Competitive advantage will arise by having something that other competitors do not have [1].

The choice to plan an appropriate business strategy for the hospital is strongly influenced by the internal capacity of the hospital to respond to the critical customer demands on hospital services. As a business entity which is assigned to provide health-care services to consumers, it is important for a hospital to consider all the capabilities it possesses and take full account of all the potential resources available as one of the hospital's competitive advantages. A hospital is a business entity that prioritizes the source of knowledge as an internal advantage. Therefore, there should be some efforts to improve knowledge for all existing resources within the hospital [6]. Knowledge management is one of the main potentials for a hospital to be able to plan an appropriate business strategy for the sustainability of the hospital. This is based on the consideration that the utilization of qualified human resources will benefit the organization, because human resources are the greatest assets owned by the organization, including in hospitals. In this case, knowledge has made staff a valuable asset to the organization [6]. Therefore, a proper management is needed to enable the knowledge to be utilized optimally so that the knowledge will not be lost, even if some staff resign or retire.

According to Nonaka and Takeuchi (1995), the knowledge possessed by staff is basically divided into two types, that is, tacit (the knowledge that exists in the human brain) and explicit (the knowledge that has been documented). The best way to retain the valuable knowledge, either tacit or explicit, is by identifying and ensuring that the knowledge is produced and stored in such a way that it can be reused in the future [15]. Dalkir (2005) states that knowledge management is a system that is run to manage organizational knowledge combined with individual skills, potential, ideas, and innovation. Knowledge management, according to Rasula (2012), is a series of processes that include creating, accumulating, organizing and utilizing knowledge that can support the achievement of organizational goals.

The ability to manage knowledge management properly will make it easier for the hospital to create, organize and accumulate its knowledge, so that the hospital can achieve high value from the knowledge possessed by each existing resource. In addition, the ability to manage knowledge management will make it easier for the hospital to plan appropriate business strategies over the long term. The business strategies which are based on the knowledge owned by all resources of the hospital will provide direction for the hospital in carrying out its business activities.

Efforts to plan appropriate business strategies are not limited to the efforts to improve hospital management knowledge. Other efforts are also needed to assist hospital management in planning appropriate strategies of the knowledge owned. Therefore, it requires organizational learning, which is expected to increase the influence of knowledge management in creating the appropriate business strategies. Organizational learning is one of the important things required for organizations to continually improve the creation and utilization of knowledge that is of importance for them [5, 18].

## 2. Literature Review and Hypotheses Development

Based on the aforementioned description, it is necessary to present the basic theories that become the foundation in forming the research logic. This section also presents the development of hypotheses and the logic-forming relationships between variables.

### 2.1. Resources-based View (RBV)

RBV states that a company will be able achieve sustainable competitive advantage if the company is able to control its resources and capabilities and possesses valuable, scarce and irreplaceable resources [3]. In addition, Barney (1991) defines resources widely, including assets, capabilities, organizational structures and cultures that are valuable for companies to understand and create the appropriate business strategy. Bharadwaj (2000) defines resources as the basic unit of analysis, in which an organization is able to create competitive advantage through an effort that can assemble its resources uniquely. The ability refers to the ability of an organization to assemble, integrate and apply its valuable resources.

### 2.2. Knowledge management and business strategy

Based on RBV, a hospital, as a business entity, must be able to create unique resources which are not possessed by its competitors. In creating unique resources, the hospital management requires knowledge related to all the potential existing in its resources. Therefore, the hospital management should be able to improve knowledge management as an effort to optimize the knowledge of the hospital to create unique and valuable resources for the hospital. Knowledge management is an effort of the hospital

management to have the ability to create, organize, accumulate and utilize the existing knowledge [17].

In addition, the ability of the hospital to create unique resources will lead to a competitive advantage for the hospital. Its competitive advantage will be a potential for hospital management in planning the appropriate business strategy to win competition based on the capability of its own resources.

Based on the aforementioned description, knowledge management is an important component in planning the appropriate business strategy to win the competition. Knowledge management is an effort of hospital management to optimize and utilize knowledge as a unique resource of the hospital, so that the resource becomes a competitive advantage for the hospital in winning the competition. The resources that have such competitive advantages make it easier for hospital management to design the appropriate business strategy in answering the challenges of competition in this time and in the future.

**H<sub>1</sub>:** Knowledge management has a positive effect on a hospital's business strategy

### 2.3. Knowledge management-organizational learning interaction and business strategy

Based on RBV, knowledge management is an important component in creating the company's competitive advantage. This competitive advantage is useful in the planning process of the hospital's business strategy to win the competition. However, knowledge management alone is not enough for hospital management to determine an appropriate business strategy. All hospital staff need comprehensive learning related to their own unique resources. Organizational learning is a group learning process that is derived from individual learning [13]. The existence of organizational learning will make it easier for hospital management to develop and utilize its knowledge so as to become a competitive advantage.

Knowledge management is an effort to optimize economic value through the improvement of the business process, while organizational learning emphasizes more on how to create the organizational knowledge of the existing business processes [14]. This shows that organizational learning is a complement of knowledge management to improve existing business processes [7], so that interaction between knowledge management and organizational learning is essential in planning the hospital's business strategies to improve hospital business processes.

**H<sub>2</sub>:** Interaction between knowledge management and organizational learning has a positive effect on a hospital's business strategy

### 3. Method

Data analysis used in this study is descriptive analysis and inferential statistical analysis. Inferential statistical analysis used is Structural Equation Model (SEM) with Partial Least Square (PLS) approach. The method used is interview and dissemination of questionnaires to the research subject. The study was conducted from January 2018 to February 2018. The hospital selected as the research location is Sampang Regional General Hospital (RSUD Sampang). The number of research subjects was as many as 98 staff of Sampang Regional General Hospital.

Business strategy is measured by using three sub-constructs developed by Banker et al. (2006) and Wade and Hulland (2004): outside-in, inside-out and spanning capabilities, in which each sub-construct contains three questions. A total of 12 question indicators are measured using the interval scale 1-5, 1 = strongly disagree, while 5 = strongly agree.

Knowledge management is measured using two constructs developed by Gold et al. (2011): *knowledge infrastructure capability* and *knowledge process capability*. *Knowledge infrastructure capability* consists of three sub-constructs – technological, structural and cultural, with a total of 25 question indicators, while *knowledge process capability* consists of four sub-constructs – conversion, acquisition, application and protection, with a total of 27 question indicators. A total of 52 question indicators are measured using the interval scale 1-5: 1 = strongly disagree, while 5 = strongly agree.

Organizational learning is measured using four constructs developed by Ing and Jian (2014): management commitment, system view, openness and experimentation, and knowledge sharing and integration, in which each construct contains one question indicator. A total of four question indicators are measured using interval scale 1 – 5, 1 = strongly disagree, while 5 = strongly agree.

### 4. Results

The effect of knowledge management on business strategy and the effect of the interaction between knowledge management and organizational learning on business strategy are tested by using partial least square model. The test results show that not all indicators can reflect variables. There are 34 knowledge management indicators

that can reflect variables, while the remaining 18 indicators cannot reflect variables because they have an outer loading value  $< 0.5$ . Meanwhile, all indicators of the variables of organizational learning and business strategy can be used as indicators to reflect each variable because they have an outer loading value  $> 0.5$ .

TABLE 1: The result of analysis of the effect of knowledge management (KM) on business strategy (BS), the effect of organizational learning (OL) on business strategy (BS), and the effect of the interaction between knowledge management (KM) and organizational learning (OL) on business strategy (BS).

Effect between variables	Path coefficient ( $\beta$ )	p-value
KM $\rightarrow$ BS	0.895	$< 0.001$
OL $\rightarrow$ BS	0.250	0.005
KM*OL $\rightarrow$ BS	-0.066	0.255

Based on the results in Table 1, it shows that knowledge management has a positive effect on business strategy. This is shown from the positive value of coefficient path ( $\beta = 0.895$ ) and  $p$ -value  $< 0.01$ . This shows that 89.5% variance of hospital business strategy is influenced by knowledge management. This indicates that  $H_1$  is supported.

Based on the results in Table 1, it shows that the interaction between knowledge management and organizational learning has a negative and insignificant effect on business strategy. This is shown from the negative value of coefficient path ( $\beta = -0.066$ ) and  $p$ -value  $> 0.01$ . This shows that 6.6% variance of hospital business strategy is decreased by the interaction between knowledge management and organizational learning. This indicates that  $H_2$  is supported.

## 5. Discussion

The results are in line with the opinions of Ing and Jian (2014). To face business competition and to answer all the obstacles and challenges, a hospital requires a knowledge management as an effort to explore the source of knowledge in order to create competitive advantage. Hospitals must understand all the technologies, structures and cultures applied in the hospital that support the efforts to create, accumulate and utilize the knowledge possessed. Optimization of knowledge related to the infrastructures owned by the hospital will make it easier for the hospital to determine the appropriate strategy in responding to the needs of stakeholders from outside and inside. A hospital is expected to have a good knowledge of the infrastructure possessed so that the efforts to utilize the existing infrastructure can be properly realized. The use of infrastructure, as a company resource, must be optimized so that the availability of existing

infrastructure can be made as a competitive advantage by hospital management to create the appropriate business strategy.

In addition, the capability of hospital management in understanding the existing business processes will make it easier for the hospital management to improve its existing knowledge related to the good capabilities of the hospital business process. The knowledge of hospital management related to all existing business processes will encourage the hospital management to be able to plan efficient business processes so that the sustainability of the hospital can be well-established. The knowledge of hospital management on all existing business processes will help the hospital management to plan an appropriate strategy. This is because efficient business processes are shaped by an appropriate strategy, so that the hospital management knowledge of efficient business processes will encourage the hospital management to create the appropriate strategy.

The results show that the interaction between knowledge management and organizational learning does not provide a strong impact in creating the appropriate business strategy. Planning an appropriate business strategy requires the knowledge existing in regard to every resource. Knowledge of all existing resources, both knowledge of infrastructure and knowledge of the business processes, cannot be planned by all components in the hospital. Strategy planning that involves many elements in the hospital will increase the number of differences of opinion so that agreement related to the appropriate strategy planning is difficult to achieve. Therefore, strategy planning as an effort to achieve the goal of the hospital should only be done by top management of the hospital so that the agreement in the business strategy plan can be realized properly.

## 6. Conclusion

In general, this study intends to define knowledge management as a way to create, organize, optimize and utilize the knowledge existing in its resources to create an appropriate strategy for the organization. This is because most existing studies have focused on the efforts to improve knowledge management as a way to improve organizational performance. In addition, previous studies gave emphasis more on the effort to determine the interaction between knowledge management and organizational learning because they were complementary, so it takes a research to know how the interaction of both can help management create the proper strategy for the organization

This research uses hospital as the research subject because hospital is a business entity that involves clients' psychology and emotion, so the appropriate business strategy planning will help consumers get good services. In addition, appropriate business strategy planning will help hospital management achieve the right business efficiency and be able to provide good services to its clients.

Increased knowledge of all components within the hospital will assist hospital management to plan an appropriate strategy for the survival of the hospital in an increasingly competitive business competition. Knowledge management becomes a key component for hospital management in planning the business strategy.

Planning a business strategy in a hospital does not require the involvement of all parties, especially in determining business strategy. Efforts to provide learning to all components within hospital through organizational learning efforts on all knowledge of the resources owned by the hospital will make strategy planning ineffective. This is because there are differences of knowledge that can make the existing business strategies become inappropriate.

Future research is expected to expand the research subject used. This study uses only one hospital, so the results of this study cannot be generalized in all conditions. Therefore, further studies are expected to enlarge the existing research population by using all hospitals in a region.

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