

AN INSTITUTION BASED VIEW TOWARDS INNOVATION STRATEGY AND KNOWLEDGE MANAGEMENT IN THE EUROPEAN REGION

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ABSTRACT

Background: *The development of knowledge-intensive society has diversified the attributes of marketing environment. It is a managerial function and establish an effective technique which are essential component of strategic management. According to the institution-based view, this article describes the institutional environment of the European Region and its rules for legitimacy, which are the important source of information, and provide different techniques for innovation.*

Purpose: *The purpose of this research is to examine a resource-based view towards innovation strategy and knowledge management in the European region.*

Design/Methodology/and Approach: *The study was conducted using qualitative methodology. The relationships postulated are based on the reconciliation of secondary data on the study variables. Theoretical relationships are shown in literature review.*

Findings/Result: *The result confirms the significant effect of resource-based view towards innovation strategy and knowledge management in the European region.*

Research Implications: *Further explanation and practical implication are discussed throughout the research. The result of this study explains the positive impact of resource-based view towards innovation strategy and knowledge management in the European region.*

Originality/Value: *The study is a rare empirical study of resource-based view towards innovation strategy and knowledge management in the European region. Moreover, this study will be important for decision makers, researchers, and practitioner.*

Keywords: Knowledge Management, Innovation Management, Institution-based View, Legitimacy.

INTRODUCTION

In the modern competitive environment, our nation is completely change from industry-based to knowledge-intensive (Nowicki & Bitnik, 2016). And this change is compelled by two forces: the change in worldwide economy and the innovative technology (Beckman & Barry, 2007). Specifically, the rapid advancement of information technology with the invention of the Internet e.g. it helps to associate the organizations, clients, and providers easily. (Bratianu, 2016). These advancements present different techniques to achieve a successful position in the market. It is important for the organizations to develop those abilities that depend on information, and such capabilities which are helpful in new advancements and increase the profitability of the organizations and give better merchandise and ventures to clients as compared to rivals.

According to the results, the owners of the organizations try to adopt new techniques to expand their businesses and attain a successful position in the market. The function of

knowledge management is important in the development of innovation techniques and considered an essential part of strategic management (Barley et al., 2018). While there has been a considerable measure of research about knowledge management and advancement methodologies, and research with regards to the European region is still in a formative stage (Dalkir, 2013). What are the key elements of knowledge management and development procedures in this region? The aim of this research is to identify the gaps in the literature.

In the subsequent sections first, we explain the introduction of the study, second, the review of literature, Third, An institution-based view of the study, Fourth, conclusion and directions for future research.

LITERATURE REVIEW

Knowledge Management

Knowledge can be examined through various measurements. For instance, it is commonly classified into two essential parts: information and skills. Information refers to realities, ideas, and explanations that can be conducted within various departments. Although it can be "recognizing what something signifies" (Dayan et al., 2017). Skills refers "useful abilities that permits to accomplish something easily and productively" (Edvardsson & Durst, 2014).

Knowledge further divided into two parts explicit or implicit (Massingham & Massingham, 2014). Explicit knowledge is easily and effectively conducted while implicit knowledge is quite hard to transfer because it depends on actions, different activities etc, and due to this it must be shared through direct collaborations (Ragab et al., 2013).

Innovation Management

As indicated by Yin (2010), innovation management indicate the capacity which are persistently change knowledge and thoughts about productions, procedures, or frameworks and provide an effective knowledge for the organizations. Therefore, (Dayan et al., 2017) has characterized innovation management is an effective method to attain different opportunities and help to achieve a successful position in the market which increase the profitability of the organization.

Relationship between knowledge and innovation management

Different Studies of knowledge and innovation management present different ways to conduct an effective knowledge inside the organization and this knowledge help to improve the performance of the organization (Kostas & John, 2006; Lee, 2010; Boateng et al., 2017; Bolani & Bratianu, 2017). The conceptual model of this research is shown below Figure 1.

As (Costa & Monteiro, 2016), observed, four important issues appeared in the research of knowledge and innovation management shown in Table 1.

Despite, the European countries vary in industrialization stage, monetary development stage, and political-financial institutions, and play an important role to become these countries have strong state control over the financial trade, entrenched customs, and social practices. Under such strong state control, business frameworks and associations are relied upon the prerequisites of institutional environments (Malik et al., 2010). For example, enormous European firms, are normally formulated in business associations instead of multidivisional firms (Hansen et al., 2005). According to institutional theory, the study of knowledge

management and innovation is neglected in the European region. Although it discussed about government actions toward R&D operations, and different ways to identified social standards which help in creation, transmission, and simulation.

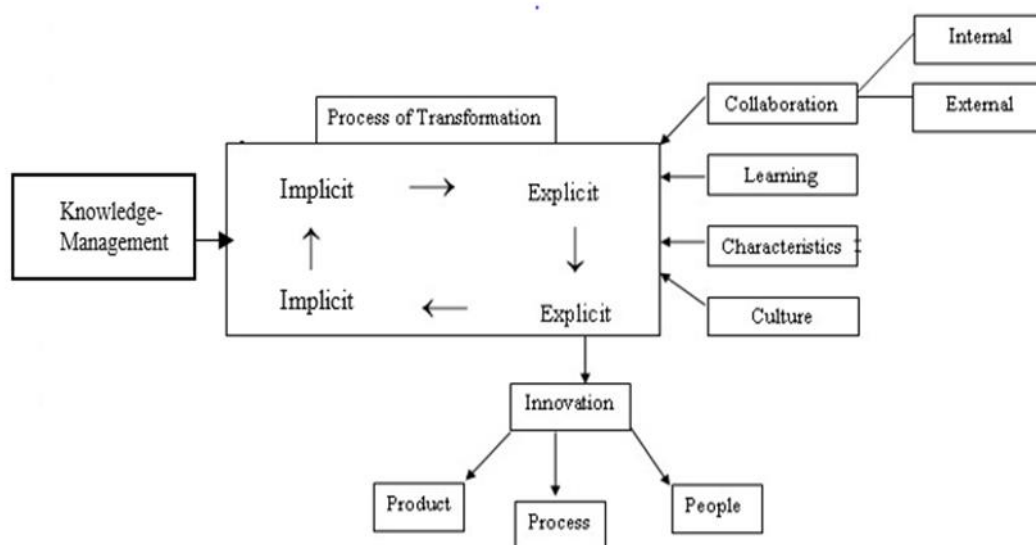


FIGURE 1
RESEARCH MODEL AN INSTITUTIONAL-BASED VIEW (SOURCE: CONCEPTUAL MODEL OF KNOWLEDGE AND INNOVATION MANAGEMENT)

TABLE 1 ISSUES OF KNOWLEDGE AND INNOVATION MANAGEMENT	
First issue	First one is the human issue related to individuals, which forced the organizations more creative through investigating beneficial knowledge
Second issue	Second, procedure issue related how to build up an effective procedure to operates or execute an innovative idea.
Third issue	Third, structural issue in the development of framework across the organization's limits for fascinating and learning knowledge such as encouraging and advancing development operations.
Fourth issue	Fourth, is the management issue related to the development and management knowledge which are suitable for innovation.

In the process of knowledge environment, three steps of institutional environment involved shown in Table 2.

Legitimacy is based on three systems, (1) administrative, (2) standardizing, and (3) intellectual. (Miller et al., 2007) observed that the attributes of legitimacy based on three systems which are not equally important however it fluctuate across enterprises, population, time, and places.

Its effect is still felt today, as we currently anticipate that constant development should be standard. Development are based on strong system of IPR protection. To summarize, the impact of institutional condition on knowledge management and innovation methodologies in three different ways:

1. Imposing rules for legitimacy
2. Provide an appropriate knowledge and

3. Allocating incentives and resources for innovation.

First	First, the knowledge must be recognized properly and suitable for institutional conditions. According to Schuman (Ink-pen, et al., 2005), legitimacy has defined the concept of understanding or presumption of an individual's actions which create an attractive, consistent, or proper arrangements of social standards, qualities, and convictions.
Second	"According to institutional theory, seis hierarchical yields, or objectives comply with institutional guidelines, in addition to standards, convictions, societies, and desires, compelled by institutional situations, which characterize what should be possible and what should not be possible.
Third	Knowledge management and innovation techniques must be compatible with social and normative practices enclosed in the institutional constituents and these constituents evaluate an effective knowledge and examine whether its authorization is suitable.

DISCUSSION

In this article, the researchers have analysed the four issues and identify its impact on knowledge management and innovation strategy by exploring internal and external elements. The internal element includes authoritative structures, correspondence channels, and hierarchical societies. For example, in previous researches noticed that organic associations were more viable than bureaucratic or mechanistic associations in advancement because in the previous studies researcher described the formative structures and casual correspondence channels, which were significant for inspiring or sustaining modern thoughts and sharing the knowledge between various groups and individuals (Turner et al., 2007).

Current studies focused on external elements which analysed the knowledge management in the competitive environment, for example, the multidivisional structure and the worldwide organization (MNC). For instance, Van de Ven (2004) found that in a multidivisional structure, encouraged and upgraded the R&D activities (Alavi & Leidner, 2001). Identified the correspondence framework and authoritative structure in MNC's. Miller et al. (2007), noticed that the benefits of multidivisional structure encourage the dispersion of knowledge among divisions and help to attain interdivisional knowledge which was especially compelling for supporting and preparing development activities in different divisions.

External elements refer to the various relevant possibilities that affect the activities of knowledge management and innovation. In the literature review, we discussed two streams of research. The first stream focused towards Government sector and its abilities that encourage innovative change in R&D activities. There is the wide scope of government measures, including monetary incentives, investments, different strategies, to invigorate and support knowledge management and innovation in both public and private sectors (Hislop, 2013). The other streams of research analysed different systems that transmit knowledge across associations, businesses, and national boundaries (Wiig, 1997). As advancements become increasingly refined, with the help of organization's development which requires collaboration with others (Mc Adam & Mc Creedy, 1999). In addition, as expressed above, since implicit knowledge is conducted through concentrated relational associations, and hierarchical associations which are essential for viable learning.

CONCLUSION

The conclusion of this study describe that the organizations should improve knowledge-based actions through effective and efficient development of knowledge management and innovation. Effective knowledge management should help the organizations to improve its operational efficiency, reduce cost, and achieve higher productive knowledge since previous studies, the institution-based view, show efficient forces for future research on knowledge management and innovation strategy. According to the management phenomenon, innovation is the key for the success of any organizations and in future the study suggest that the future research should be conducting on the institution-based view and understanding the knowledge management and innovation strategy in European Region organizations.

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