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## ORGANIZATIONAL CULTURE EFFECT ON VALUE CREATION WITH THE MEDIATING ROLE OF STRATEGIC ALIGNMENT OF KNOWLEDGE MANAGEMENT

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### ABSTRACT

The purpose of the study was to identify the effect of organizational culture on value creation with the mediating role of strategic alignment of knowledge management in Shahrvand Commodity Services Company. According to the topic, it is clear that this research is a descriptive-analytical study with applied design. The population was Tehran Shahrvand Commodity Services Company, with the number of samples as 225 personnel according to Morgan Table. Data collection tools were questionnaires and interviews. Moreover, QI Corporate Innovation Questionnaire was used to measure value creation in 2013 in Iran. Additionally, Lawson's Knowledge Management Assessment Instrument (KMAI), developed in 2003, and the researcher-developed organizational culture questionnaire, whose validity had been proven was used. Data analysis was done using structural equation modeling (SEM) and PLS software with the results showing that the indirect relationship between organizational culture and organizational innovation through strategic alignment is insignificant and the hypothesis was not approved.

**Keywords:** Organizational culture, Value creation, Knowledge management, PLS software.

### INTRODUCTION

The changes in recent decades and the ever-increasing competition, dynamism, and environmental uncertainty have moved organizations to turn to flexibility, speed in responding to market needs, and innovation so that they can remain competitive. Here, the role of human knowledge and knowledge management in organizations has become foregrounded more than ever, as human capital knowledge is one of the most significant organizational competitions and the basis of all competitive advantages. Knowledge is one of the most significant resources for organizations and companies to reach competitive needs precise management advantages and given its dynamism. Wiro Sock (2010) argues that organizations should take a close look at their organizational culture before taking action. Organizational culture is a major factor in knowledge management. The capability to use information and technology and the capability to innovate in management and processes depend on the ability to learn embedded within the organization. Moreover, managers succeeding in aligning business strategies and information technology in their organizations stress that building integration is essential for the survival and success of the organization. As a factor of change, the information technology (IT) departments have created added value in it and have brought efficiency and effectiveness to the organization

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by focusing on the business principles of the organization. The studies on the alignment of IT and business strategies show an effective and positive relationship between competitive strategies, IT, and organizational performance.

Furthermore, organizational culture is effective in creating values and all organizational interactions and a strong culture have a significant relationship with the performance of the organization and cause the creation of value in the organization. When cultural values support organizational adaptation to the environment, a stronger relationship is established (Zhou *et al.*, 2018). In today's competitive market, delivering superior value to customers is a vital task for service companies. Managers and academics prioritize companies creating and transferring value and the evaluation of these values in services by customers (Gentry & Sparks, *et al.*, 2012). The concept of management effect with the consolidation of strategic position and the existence of ownership of various resources determine the competitive power of organizations. Gradually, affected by the company's ability to reshape dynamic capabilities, they develop their core competencies and achieve competitive advantage and seek higher value creation. Strategic orientation of knowledge management is a mechanism for developing the capabilities of spiritual capital and leading in organizational development.

Organizational culture has recently entered the management knowledge field and organizational behavior (Dunn *et al.*, 2014). Shan's definition claims that cultural measurement and change are almost impossible. However, some aspects of culture are invisible and somewhat unconscious, but many aspects are measurable and observable. The basis of the "organizational culture" view is that many organizational behaviors and decisions are predetermined by forms of basic assumptions recognized by members of an organization as valid (Saunders *et al.*, 2015). The cultural environment of the organization leaves the deepest, most extensive, and most long-term effect on the creation of value and innovation of the majority of members of an organization. On the other hand, knowledge is a social phenomenon, and knowledge growth does not occur in itself but calls for the existence of suitable contexts. The existence of a supportive and appropriate culture is an important factor in ensuring the flow of value creation, innovation, and knowledge optimization. Indeed, organizational culture is the base of knowledge management. If an organization cannot find a new and innovative adaptation to the environment as it changes its knowledge, the organizational culture will be seriously damaged. Additionally, identification and discovery of the factors preventing strategic alignment in the organization will help correct and eliminate the misalignment and there must also be continuous review and monitoring to maintain strategic alignment in the organization.

The institution's seriousness about knowledge nurtures an environment and culture that support continuous learning (Nadali *et al.*, 2011). Culture is a major structural framework for knowledge activities and should be considered when new knowledge activities are suggested, as culture affects how they are accepted and nurtured. If knowledge activities are supposed to be a coherent aspect of how things are done in an institution, they have to be a coherent aspect of culture (Monavvarian *et al.*, 2011) that must be considered in expressing the mission, vision, and purpose and be emphasized in the educational and communication activities of the institute to ensure the successful implementation of educational activities (Yousif AL-Hakim & Hassan, 2012). Creating a knowledge-friendly culture, as one of the most important factors in the success of knowledge activities, is very hard and calls for strong leadership and a change of attitudes and behaviors (Valmohammadi & Roshan Zamir, 2013). Significant studies that have



examined the failures of various knowledge management practices have shown that organizational culture is one of the main barriers to the success of knowledge management (Ling & Shan, 2010). Thus, organizational culture can be considered both a facilitator and an obstacle to the success of knowledge management (Nouri *et al.*, 2013).

Anvari *et al.* (2014) helped to develop knowledge management and strategic payment literature by developing the relationship between them. The findings showed that strategic compensation methods are positively related to emotional organizational commitment and the psychological contract. Moreover, the findings indicated that emotional organizational commitment and psychological contract work have important mediators in the relationship between strategic and strategic compensatory methods of knowledge.

Findikli *et al.* (2015) tried to test the effects of strategic human resource activities on organizational innovation (exploration and exploitation) and the knowledge management capacity of companies (knowledge sharing). The results of regression analysis emphasized that only certain methods in strategic human resources could predict organizational innovation and similar patterns have been observed between strategic human resource activities and the knowledge management capacity of companies. Cabrilo and Dahms (2018) stated the purpose of the paper as examining the effect of strategic knowledge management adjustment on the relationship between the three components of intellectual capital, performance, and innovation of the company. The results indicated that structural capital and capital have a direct relationship with innovation performance. Moreover, the effects of human and structural capital on innovation performance are negatively adjusted with strategic management activities. Like many other things that managers face, reaching alignment has its challenges. Challenges like culture, structure, and organizational hierarchy that managers must be ready to face and the key to success in this way is the cooperation and participation of business managers and IT managers in the organization, so the significance of what said calls for this need to identify the impact of organizational culture on value creation with the mediating role of strategic alignment of knowledge management. As no studies have been done to identify the effect on organizational culture of value creation with the mediating role of strategic alignment of knowledge management (Case study: Shahrvand Commodity Services Company) in Iran, the study tries to answer the question “What is the effect of organizational culture on value creation with the mediating role of strategic knowledge management alignment?”

#### Research Model

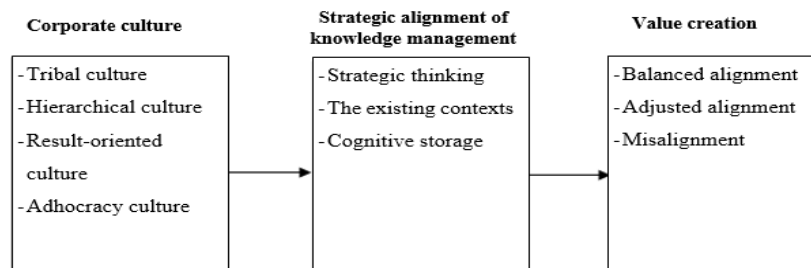


Figure 1. Conceptual Model of the Study (Source: Costa & Rezende (2018), Adeinat & Abdulfatah, 2019)

The research model is a combination of the strategic model including variables (strategic thinking, existing contexts, cognitive storage, and strategic alignment of knowledge management), and value creation extracted from Costa *et al.* (2018) and also organizational culture variable from Iman Adinat *et al.* (2019) (Figure 1).

## MATERIALS AND METHODS

The present study was descriptive-quantitative. The population was Tehran Shahrvand Commodity Services Company, with 570 members, including managers, deputies, consultants, and experts. Using a stratified sampling method, the samples required for the project based on Morgan Table were 225 personnel. Data collection tools were a questionnaire and an interview. QI Organizational Innovation Questionnaire was used to measure the value creation variable adapted from a 2013 study by Lubis *et al.* (2013).

This questionnaire uses the existing literature on organizational innovation. The questionnaire is graded on a 5-point Likert scale, and finally, a total score is obtained. KMAI developed in 2003 was used. In 24 articles, this questionnaire has 6 components, including knowledge creation, knowledge storage, knowledge organization, and application of knowledge and its publication (Lotfi 2013). The scoring of the questionnaire is on a Likert scale from strongly disagree to strongly agree. Strategic alignment questions, questions (1-7), were from the standard questionnaire of Sardana *et al.* (2016) regarding strategic alignment. Questions 8-13 were from the questionnaire by Nouri, B, Rezvani Chaman Zamin M., and Nouri M. (2017). Questions 14-17 were from the standard questionnaire of Sardana *et al.* (2016) regarding responses to market on company performance, and questions 18-21 were from the questionnaire by Nouri, B, Rezvani Chaman Zamin M., Zamin and Nouri, M. (2017). Organizational culture Questions (1-29) were from the standard questionnaire of organizational culture by Denison (2000).

The judgment of experts in the field of interest was used to evaluate the content validity. The content validity ratio (CVR) and content validity index (CVI) was used to evaluate the content validity quantitatively. It is used to determine content validity, i.e. it can be used with the opinion of experts. Moreover, standard validity was used in the study to confirm the validity of the questionnaire, using the standard questionnaires used before. Cronbach's alpha method was used to evaluate reliability. Hence, after distributing 225 questionnaires as the pretest, the alpha test was calculated in SPSS. The results showed a higher validity of 0.7 items of the questionnaire and a Cronbach's alpha coefficient greater than 0.7, where the reliability of the questionnaire was confirmed.

Finally, descriptive statistics were described by SPSS 21 and the method of analysis in this study was structural equation modeling (SEM) and was performed using PLS software.

## RESULTS AND DISCUSSION

### *Data Analysis and Inferential Statistics*

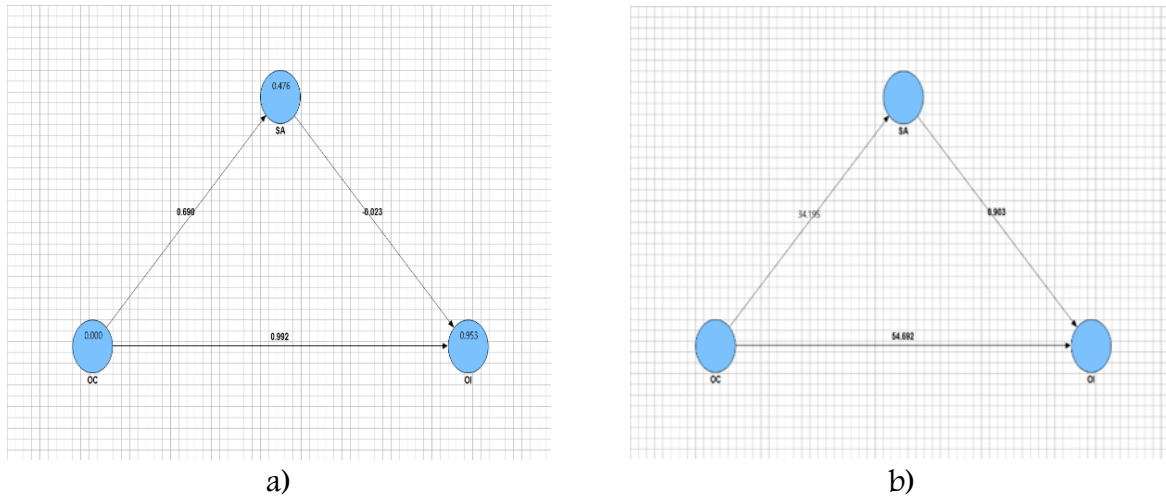
**Research Hypothesis:** Organizational culture affects organizational innovation with the mediating role of strategic alignment of knowledge management (Table 1).



**Table 1.** The Abbreviation of Components

Variable	Component	Symbol	Number of Questions
Organizational Culture (OC)	Tribal Culture	TC	56-63
	Hierarchical Culture	HC	64-71
	Result-oriented Culture	RoC	72-79
	Adhocracy Culture	CA	80-87
	Strategic Alignment	SA	1-45
	Organizational Innovation	OI	46-55

The research hypothesis was tested in the form of a partial least squares model using SMART-PLS2 software and the results were reported. **Figure 2** shows the test results of the models as displaying the standard path coefficients of the effect of the variables and displaying the value of the t-statistic. In testing the research hypothesis, the criterion for rejecting or accepting a hypothesis was the value of the t-statistic. If the absolute value of this statistic is calculated to be more than 1.96, hypothesis H<sub>1</sub> will be accepted as no evidence is found to refuse it.



**Figure 2.** a) The Model of Testing Research Sub-hypotheses as Displaying Standard Path Coefficients, b) \* Test Model of Sub-hypotheses of Research as Displaying T-statistic

### Hypothesis Testing

Hypothesis: Organizational culture affects organizational innovation with the mediating role of strategic alignment of knowledge management.

The following relationships were tested in the integrated model to test this hypothesis:

A: The relationship between organizational culture and strategic alignment

B: The relationship between strategic alignment and organizational innovation

A: The relationship between organizational culture and organizational innovation

As **Table 2** shows, the relationship between organizational culture and strategic alignment with standard path coefficient  $\beta=0.690$  is approved, and strategic alignment and organizational



innovation with standard path coefficient  $\beta=0.023$  are not accepted ( $t<1.96$ ). Moreover, the relationship between organizational culture and organizational innovation with a standardized coefficient of  $\beta=0.992$  has been confirmed ( $t>1.96$ ). Accordingly, in an initial inference, one can acknowledge that strategic alignment does not play a mediating role in the relationship between organizational culture and organizational innovation. The Sobel test is another approach to accepting or rejecting hypotheses about the mediating role of a variable. As the Table shows, the indirect t-value of the Sobel test is 0.902, which is less than 1.96, and accordingly, one can conclude that the indirect relationship between organizational culture and organizational innovation through strategic alignment has not been significant and the hypothesis has been rejected.

**Table 2. Reviewing the Hypotheses**

Hypothesis	Standard Path Coefficient	T Statistic	P (sig)	Confirmation or Not	Result
Organizational Culture → Strategic Alignment	0.690	34,196	P<0.05	Confirmation	Organizational culture does not affect organizational innovation with the mediating role of strategic alignment of knowledge management.
Strategic Alignment → Organizational Innovation	-0.023	0.903	P>0.05	Non-confirmation	
Organizational Culture → Organizational Innovation	0.992	54.692	P<0.05	Confirmation	
Direct path Coefficient = 0.992		Indirect Path Coefficient = -0.015			
Direct t = 54.692		Indirect t = 0.902			
Total Path Coefficient = -0.014					



The purpose of the study was to identify the effect of organizational culture on value creation with the mediating role of strategic alignment of knowledge management. The results showed that the main hypothesis is: Organizational culture affects organizational innovation with the mediating role of strategic alignment of knowledge management.

The following relationships were tested in the integrated model to test this hypothesis:

A: The relationship between organizational culture and strategic alignment

B: The relationship between strategic alignment and organizational innovation

A: The relationship between organizational culture and organizational innovation

As it was observed, the relationship between organizational culture and strategic alignment with standard path coefficient  $\beta=0.690$  was approved and strategic alignment and organizational innovation with standard path coefficient  $\beta=0.023$  was not confirmed ( $t < 1.96$ ). Moreover, the relationship between organizational culture and organizational innovation with a standardized coefficient of  $\beta=0.992$  was confirmed ( $t > 1.96$ ). Accordingly, in an initial inference, one can acknowledge that strategic alignment does not play a mediating role in the relationship between organizational culture and organizational innovation. The Sobel test is another approach to accepting or rejecting hypotheses about the mediating role of a variable. As the Table shows, the

indirect t-value of the Sobel test is 0.902, which is less than 1.96, and accordingly, one can conclude that the indirect relationship between organizational culture and organizational innovation through strategic alignment has not been significant and the hypothesis has been rejected.

Organizational culture refers to the beliefs and expectations creating a set of norms in the organization. These norms form the way people behave in the organization. The significance and generalization of values in the culture of the organization are limited to the psychological process of personality development. Culture is a reality that affects all aspects of an organization's performance. Nowadays, using culture in organizations is expanding, as culture affects the ability of the organization to express programs, and goals, and achieve these goals. Organizational culture complements the performance of the organization. The richness of this culture creates empathy among each member of the organization and helps them all to see themselves in a line). Knowledge is a meaning and concept that arises from thought and without it, information and data are considered. It is only through this concept that information is brought to life and transformed into knowledge. Knowledge management has many benefits for organizations, the benefits of knowledge management in an organization are at the individual and organizational levels. At the individual level, knowledge management allows employees to enhance their skills and experiences by collaborating with others and sharing their knowledge and learning to achieve professional growth. At the organizational level, knowledge management has four major benefits for an organization: enhancing the performance of the organization through efficiency, productivity, quality, and innovation, so, the organizations consider knowledge management as a strategy and competitive advantage Organizational culture has a broad meaning in various aspects. One aspect of organizational culture important for knowledge management is collaboration. The value is one of the variables with a wide semantic load, like social value, financial value, economic value, and so on. The symbol of each value is selected and presented according to its goals. Overall, value is the specific semantic load that man assigns to certain actions, states, and phenomena. The efficient allocation of resources for the growth of the company is crucial for maximizing the wealth of shareholders and its sustainability. Value creation and growth opportunities play a key role in financial theory for the company. How a company can well enhance the wealth of its shareholders and earn high income and profits by investing the funds invested by shareholders can be a good example of the value of the company.

Based on the view of “organizational culture,” many organizational behaviors and decisions are predetermined by some basic assumptions, considered valid by the members of an organization (Saunders *et al.*, 2015). Those assumptions continue to live on and influence behaviors, as they have repeatedly, and in many cases, made individuals make decisions that have been beneficial to the organization in the past. With repetitive use, these assumptions are gradually pushed to the subconscious of people's minds, but they continue to influence organizational decisions and behaviors, even when the organizational environment changes.

Overall, according to the results, one has to state that organizational culture creates value creation with the mediating role of strategic alignment of knowledge management.

One should also make efforts in strengthening the organizational culture to establish knowledge management successfully in knowledge creation.



Moreover, the other suggestions are changing the attitude and attitude of the officials towards the role and position of knowledge, creating opportunities for promoting job knowledge, granting independence and job freedom to enrich people's jobs, and using incentive tools for employees with good performance, innovation and risk-taking. Implementing strategic planning for knowledge management is another approach to strengthening organizational culture.

The results of the study were obtained through a questionnaire; thus, the results may differ according to other data collection tools, which is a kind of limitation.

This strategy is used in organizations in which knowledge is deeper and more subjective and problem-solving needs considering different aspects. In this strategy, knowledge is embedded within the people involved in its development and people benefit from that knowledge concerning each other. The personalization strategy depends on the people in the organization: the people creating the knowledge share it with others during their interactions.

## CONCLUSION

Dynamic strategy, blend strategy, or symbiosis strategy according to some researchers, integrates the conceptual scope of both system-oriented and human-centered strategies. According to Jasim Alddin, one has to integrate two approaches of personalization and codification to reach the benefits of both types of knowledge (explicit and implicit), and the organization must find an integrated approach and ensure the existence of an active strategy called symbiosis strategy.

Ultimately, future scholars are suggested to study the changes in organizational culture indices in knowledge management, a case study of manufacturing companies, and identify the type of organizational culture to establish knowledge management for further review.



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