

# ASSESSMENT OF ORGANIZATIONAL ASPECTS AFFECTING KNOWLEDGE MANAGEMENT IN AUDITING AND CONSULTING FIRMS

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**Abstract** Globalization, rapid information technology development, and COVID-19 restrictions created challenges for organizations globally to use knowledge management practices to identify proper strategies and find solutions to satisfy changeable customer needs and develop uniqueness leading to leadership and mutual value creation. Knowledge management is an effective and efficient organization's management direction and practice that became necessary to improve organizational performance in a dynamic environment. Prior research showed that various organizational factors have different plaid roles in the knowledge management cycle and influence knowledge management processes differently. The main goal of this study is to explore the influence of specific organizational factors, flexible organizational culture and balanced organizational structure on the efficient implementation of five knowledge management processes, including knowledge application, creation, acquisition, sharing, and storage. The research was conducted in the unstudied context of Mideast countries and the knowledge-intensive auditing and consulting firms' sector. Following the scientific literature analysis, the research model was developed, and the research hypotheses were proposed and then quantitatively tested through the structural equation modeling (SEM) technique. This study's results supported the hypotheses that the identified organizational factors were significantly associated with the knowledge management cycle.

**Keywords:**

knowledge management, knowledge management processes, organizational culture, organizational structure, auditing and consulting firms

**JEL:**

M10, M14, M42



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## 1 Introduction

Knowledge management is one of the essential directions corporate leaders address (Pandey et al., 2018), recognizing the crucial role of employees' commitment in maintaining their continuation and professional development (Fernandes, 2018). Committed employees show higher motivation and job satisfaction, increasing corporate strategy achievement and leading to sustainable organizational performance, better productivity, or process efficiency (Schmitt, 2021).

Previous scientific studies outlined the leading role of organizational factors in shaping an effective and efficient knowledge cycle, including the significance of organizational culture and organizational structure (Low et al., 2020). However, these factors differently affect employees' motivation and implementation of knowledge management strategies through processes until sustainable organizational outcomes. The reluctance of organizations in the Mideast, especially in developing countries, to use knowledge management practices to maintain employee commitment is due to several factors, including a lack of technological infrastructure and expensive collaborations caused by geopolitical conflicts, social and economic barriers (Kassab, 2016). However, knowledge management has recently been introduced as a potential way for Mideastern countries to shift into knowledge-based economies and sustainable outcomes (Alayoubi et al., 2020). To effectively implement knowledge management, companies need to build corporate strategies that integrate knowledge strategies and support sustainable organizational performance and innovation. However, limited research exists on the effective appliance of organizational factors in this context.

This study focuses on auditing and consulting firms in the Mideast region, aiming to explore the influence of a flexible organizational culture and a balanced organizational structure on the efficient implementation of the five processes of knowledge management in these firms. The research hypotheses were tested using the structural equation modeling (SEM) technique in an empirical study.

## **2 Theoretical Background**

### **2.1 Organizational culture and knowledge management**

Organizational culture refers to the shared values, norms, and beliefs that guide the behavior of members within an organization toward achieving desired outcomes (Fernandes, 2018). The vision of an organization's leaders shapes the corporate culture, which is unique to each organization and reflects its identity, history, and experiences (Low et al., 2020). Previous research has identified various dimensions of organizational culture, including flexibility, creativity, efficacy, risk-taking, an external focus, and an internal core that supports efficient business operations and integration (Soltani et al., 2019). The organizational culture influences the social interaction pattern within the organization, affecting how individuals communicate and exchange knowledge, which can lead to new corporate knowledge creation and distribution (Fernandes, 2018). Scientists verified that organizational culture could advocate the knowledge-sharing process in Indonesian healthcare organizations (Sense et al., 2014), positively affected knowledge donating and collecting (Cavaliere & Lombardi, 2015), knowledge creation, storage, transfer, and application in the IT companies in Taiwan (Chang & Lin, 2015), knowledge transfer in Chinese construction firms (Wei & Miraglia, 2017) and the Foreign Direct Investment enterprises in Vietnam (Pham & Dinh, 2020), knowledge sharing in Ecuador's food and beverage sector (Chión & Charles, 2020) or knowledge sharing in private universities in Singapore (Ng, 2022). However, all these studies did not explore organizational culture's influence on the knowledge management cycle in the knowledge-intensive sector. To test the effect of organizational culture on the knowledge management cycle in the Mideast auditing and consulting firms, the following hypotheses were proposed (Figure 1):

*H1a: A flexible organizational culture influences the knowledge application process positively;*

*H1b: A flexible organizational culture influences the knowledge creation process positively;*

*H1c: A flexible organizational culture influences the knowledge acquisition process positively;*

*H1d: A flexible organizational culture influences the knowledge sharing process positively;*

*H1e: A flexible organizational culture influences the knowledge storage process positively.*

## 2.2 Organizational structure and knowledge management

The way an organization is structured determines how tasks are distributed among different units, how responsibilities and authorities are divided among individuals, and how activities flow within the organization (Chi6n & Charles, 2020). The organizational structure should align with the organization's strategy to achieve sustainable performance. It is based on the design of different units, reporting processes between departments, and coordination of various divisions (Acharya & Mishra, 2017). The structure can be physical, such as size and hierarchy, or non-physical, such as centralization, specialization, and formalization, and affects members' behavior and performance (Akbar et al., 2019). A balanced and flexible organizational structure can increase the efficiency and effectiveness of activities and promote knowledge management practices, such as knowledge sharing, by maintaining social interaction and communication channels between employees (Acharya & Mishra, 2017). The organizational structure impacts the flow of knowledge and the efficiency of business processes by determining the hierarchy and division of work within departments. Previous several studies highlighted organizational structure's positive impact on the knowledge circulation process in Taiwan-based enterprises (Ho et al., 2014), knowledge retention in the Indian infrastructure consulting sector (Acharya & Mishra, 2017), and knowledge sharing in Ecuador's food and beverage sector (Chi6n & Charles, 2020). In order to test the effect of organizational structure on the knowledge management cycle in the Mideast auditing and consulting firms, the following hypotheses were proposed (Figure 1):

*H2a: A balanced organizational structure influences the knowledge application process positively;*

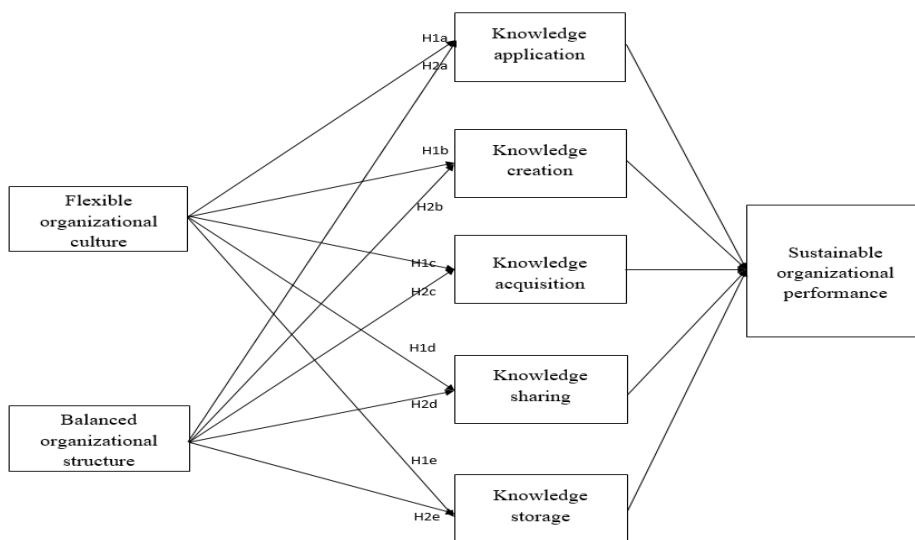
*H2b: A balanced organizational structure influences the knowledge creation process positively;*

*H2c: A balanced organizational structure influences the knowledge acquisition process positively;*

*H2d: A balanced organizational structure influences the knowledge sharing process positively;*

*H2e: A balanced organizational structure influences the knowledge storage process positively.*

The following research model was created based on previous studies' limitations on organizational factors affecting the overall knowledge management cycle in the knowledge-intensive sector of auditing and consulting in the developing economies Mideast area (Figure 1).



**Figure 1: Research model**

Source: own.

### 3 Methodology

An empirical study was conducted to analyze the relationship of a flexible organizational culture and a balanced organizational structure with the five knowledge management processes (application, creation, acquisition, sharing, and storage). To collect the data for testing the research hypotheses, a structured questionnaire was distributed among the certified public accountants, members of the auditors' association in Lebanon, Syria, and Jordan who became licensed experts after fulfilling the requirements of their associations' domestic auditing and consulting firms or work in international firms located in the region.

The sample size involved 374 experts, 72.46% males and 27.54% females; 45.72% aged between 25 and 35 years, 28.61% aged above 45 years, 21.12% aged between 35 and 45 years, and 4.55% aged below 25 years; 38.77% master holders, 31.28% CPAs, 29.68% bachelor holders, and 0.27% other degrees; 30.48% in upper management positions, 26.47% in senior level, 21.93% in the middle level, and 21.12% in junior level; 73.00% operating in domestic and 27.00% in international firms.

#### 4 Results and Discussion

The reliability of the variables was tested through Cronbach's Alpha, resulting in significant coefficients greater than the threshold of 0.7 (Table 1).

**Table 1: Cronbach's Alpha Coefficient**

Variable	Cronbach's alpha
Knowledge application	0.858
Knowledge creation	0.833
Knowledge acquisition	0.890
Knowledge sharing	0.869
Knowledge storage	0.757
Flexible organizational culture	0.965
Balanced organizational structure	0.963

SEM technique was employed through the SPSS software to test the research hypotheses, analyze the relationships among the identified variables, and quantitatively test the theoretically hypothesized research model (Table 2).

**Table 2: Structural equation modeling with the proposed research hypotheses**

Research hypotheses	Standardized coefficient	t-value	p-value	Empirical evidence
<i>Flexible organizational culture</i>				
H1a	0.127	3.44	0.001	Supported
H1b	0.295	8.62	0.026	Supported
H1c	0.399	9.63	0.016	Supported
H1d	0.396	12.15	<0.001	Supported
H1e	0.174	5.26	0.049	Supported
<i>Balanced organizational structure</i>				
H2a	0.377	13.89	0.005	Supported
H2b	0.381	15.18	0.009	Supported
H2c	0.448	14.76	0.025	Supported
H2d	0.458	17.72	<0.001	Supported
H2e	0.382	15.26	<0.001	Supported

A flexible organizational culture had a significant positive association with knowledge application, creation, acquisition, sharing, and storage, with p-values below 0.05. Therefore, H1a, H1b, H1c, H1d, and H1e were supported. The results demonstrated that human resource practices and leaders' tendency to encourage employees to participate in the knowledge management cycle would lead to fruitful

results in implementing the knowledge management processes in the Mideast audit and consulting firms.

A balanced organizational structure had a significant positive association with knowledge application, creation, acquisition, sharing, and storage, with p-values below 0.05. As a result, H2a, H2b, H2c, H2d, and H2e were supported. The results demonstrated that an organizational structure allowed an efficient flow of knowledge across the boundaries of the audit and consulting firms contributing to the efficient implementation of the knowledge management cycle.

The study results indicated that a flexible organizational culture and a balanced organizational structure in Mideast's auditing and consulting firms positively impacted the efficient implementation of knowledge application, creation, acquisition, sharing, and storage. Based on the experts' evaluation conducted using the survey method, the operations of the auditing and consulting companies depend mostly on the knowledge acquired from legal authorities rather than the new knowledge being generated. These companies were mostly tailored to specific projects and, thus, were not systematized.

Unlike previous studies focusing on knowledge sharing as a specific knowledge management process, this study focused on the overall knowledge management cycle and analyzed two main organizational factors. This study has practical implications for how organizations can enhance employees' engagement in the knowledge processes by supporting best practices that lead to new developments, facilitating interdepartmental collaboration, and promoting knowledge sharing across departmental boundaries, leading to sustainable organizational performance.

## **5 Conclusion**

Implementing knowledge management has been demonstrated to be a useful way to achieve goals and improve sustainable organizational performance. This study examined the impact of organizational factors such as a flexible organizational culture and a balanced organizational structure on employees' ability to participate in knowledge management. An empirical study was conducted on Mideastern auditing and consulting firms, using a structured survey to collect data and the SEM technique to analyze it. The study recommends that organizations operating in

knowledge-intensive sectors should integrate the organizational factors supporting knowledge management to improve sustainable organizational performance. However, the research had limitations as the study focused on a specific context, which could impact the findings' generalizability. Additionally, the data collection method was limited to a structured questionnaire, creating opportunities to test the model in other geographical areas impacting knowledge management practices.

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