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The Impact of Business and Knowledge Management Strategies on Business Performance: The Moderating Role of Strategic Fit

Davoud Khani[1]*, Kamal Ghalandari[2]

1. Assistant Professor, Department of Management, Payame Noor University, Tehran, Iran
2. Assistant Professor, Department of Business Management, Payame Noor University, Tehran, Iran

*Correspondence: Davoud_khani@pnu.ac.ir

Abstract

The purpose of this study was to examine the moderating effect of strategic fit on the relationships between business strategy (innovation and competitive advantage) and knowledge management strategy (codification and personalization) with business performance. The study adopted a quantitative survey design, employed non-probability sampling, and was grounded in configuration theory. The questionnaire was distributed among senior employees involved in strategy formulation in trading companies located in the northwestern region of the country. A total of 420 questionnaires were distributed, of which 385 valid questionnaires were returned and used for analysis. The data were analyzed using partial least squares structural equation modeling (PLS-SEM) in SmartPLS 3, with bootstrapping based on 3,000 resamples. The results indicate that both business strategy (innovation and competitive advantage) and knowledge management strategy (codification and personalization) have positive and significant effects on business performance. Strategic fit positively and significantly moderates the relationships of both strategies with business performance and also has a positive direct effect on business performance. Furthermore, the model explains 66% of the variance in business performance. The study is limited to a single method (survey), one industry, and one country and examines only two exogenous variables. Future studies may employ mixed-methods designs, investigate other industries, incorporate a broader range of business strategies, and examine codification and personalization strategies separately. This study extends our understanding of the importance of strategic fit in determining business performance. During the strategy formulation stage, managers should emphasize strategic fit between business strategy and knowledge management strategy and carefully assess the feasibility of a new strategy prior to implementation in order to prevent strategic failure.

Keywords: Business Performance (BP), Business Strategy (BS), Knowledge Management Strategy (KMS), Strategic Fit (SF)

1. Introduction

In contemporary competitive environments, organizations increasingly depend on their ability to integrate strategic decision-making with the effective acquisition, organization, transfer, and application of knowledge. Rapid technological change, shortened product life cycles, growing customer expectations, intensified competition, and the increasing knowledge intensity of business processes have made organizational performance progressively dependent on how effectively firms align their strategic priorities with their knowledge resources. Business performance is therefore no longer determined solely by financial assets, physical resources, or market position; rather, it is also shaped by the organization's capacity to transform knowledge

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into innovation, competitive differentiation, superior operational processes, and sustainable value creation. Knowledge management has consequently moved from being viewed as an administrative or information-processing activity to being recognized as a strategic capability that can influence innovation and organizational outcomes (Imran et al., 2022; López-Nicolás & Meroño-Cerdán, 2011; Zack et al., 2009). At the same time, the performance implications of knowledge management cannot be fully understood independently of business strategy, because the value of knowledge-related practices depends substantially on whether they support the strategic direction pursued by the organization.

Business strategy specifies how an organization intends to compete, allocate resources, differentiate itself, respond to market opportunities, and establish an advantageous position relative to competitors. Strategic choices influence organizational priorities and determine which capabilities are developed, protected, or exploited over time. From a strategic management perspective, organizational resources are valuable only when they are deployed in ways consistent with the organization's objectives and competitive environment. Human resources, organizational capabilities, and knowledge assets should therefore be coordinated with strategic priorities rather than managed as isolated functions (Armstrong, 2008). In this context, innovation and competitive advantage represent two particularly important dimensions of business strategy. Innovation allows firms to introduce new products, services, processes, and managerial practices, while competitive advantage reflects the organization's capacity to create superior value in ways that competitors cannot easily imitate. Firms capable of continuously converting knowledge into innovation may be better positioned to enhance their market position and sustain performance over time (Ashok et al., 2016; Lee & Sukoco, 2007).

Innovation is particularly important because competitive environments increasingly reward firms that can recognize emerging opportunities, assimilate new knowledge, and transform that knowledge into commercially valuable outputs. Knowledge can contribute to innovation by supporting problem solving, learning, experimentation, collaboration, and the recombination of existing competencies. Empirical research has demonstrated that knowledge acquisition and knowledge management strategy can enhance innovation outcomes when firms develop mechanisms that allow acquired knowledge to be incorporated into organizational routines (Thang & Tuan, 2020). Likewise, collaboration and investment in knowledge management can improve process innovation by allowing organizations to access, integrate, and exploit diverse knowledge resources (Ashok et al., 2016). Recent evidence continues to reinforce this relationship, indicating that knowledge management processes and approaches can contribute meaningfully to innovation performance when knowledge-related activities are deliberately structured and aligned with organizational needs (Bunawan & Sham, 2024). Accordingly, innovation should not be understood merely as an isolated strategic orientation but as an outcome that is deeply connected to how organizations manage knowledge.

Competitive advantage is similarly dependent on the ability of firms to organize and utilize strategically relevant knowledge. Knowledge is often difficult to imitate because it may be tacit, socially embedded, accumulated through experience, and distributed across individuals and organizational units. When such knowledge is effectively managed, it can support superior decision-making, customer responsiveness, operational efficiency, and differentiation. Strategic knowledge management can therefore contribute to competitive advantage by ensuring that critical knowledge is identified, retained, shared, and applied in a manner consistent with the firm's competitive priorities (Chang et al., 2009). However, merely possessing knowledge does not guarantee superior performance. Organizations may have substantial intellectual resources yet fail to convert them into measurable outcomes when knowledge management practices do not correspond with their strategic objectives. This distinction underscores the importance of examining not only the direct effects of business and knowledge management strategies but also the degree of fit between them.

Knowledge management strategy generally refers to the systematic orientation through which an organization structures the creation, storage, transfer, and use of knowledge. Two prominent approaches are codification and personalization. Codification emphasizes documenting knowledge and storing it in databases, repositories, manuals, information systems, and standardized procedures so that it can be accessed and reused efficiently. Personalization, in contrast, emphasizes person-to-person interaction, experience sharing, dialogue, professional networks, communities of practice, and direct knowledge exchange among organizational members. Greiner et al. emphasized that effective knowledge management requires a strategic approach in which knowledge-related mechanisms correspond to organizational requirements rather than being implemented as generic

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practices (Greiner et al., 2007). Similarly, contingency-oriented research suggests that the effectiveness of knowledge management systems depends on the extent to which their characteristics are compatible with the organizational and strategic context in which they operate (Khalifa et al., 2008).

The distinction between codification and personalization is important because the two strategies support different types of organizational knowledge and different forms of value creation. Codification is particularly useful when knowledge can be articulated, standardized, stored, and reused across multiple situations. It can improve efficiency, reduce duplication of effort, facilitate organizational memory, and allow employees to retrieve established solutions quickly. Personalization is more valuable when knowledge is highly tacit, context dependent, complex, or difficult to formalize. In such circumstances, direct interpersonal communication may facilitate interpretation, judgment, creativity, and the exchange of experience. Research on knowledge-sharing systems has further demonstrated that individuals' contextual preferences influence how effectively they use interactive technologies and participate in knowledge exchange, highlighting the importance of behavioral and contextual factors in the implementation of knowledge strategies (Ou et al., 2016). Consequently, organizations must determine which knowledge management orientation, or combination of orientations, best supports their business requirements.

Empirical evidence has generally demonstrated a positive association between knowledge management and organizational outcomes. A systematic review of knowledge management processes and organizational performance found broad support for the proposition that activities such as knowledge acquisition, creation, sharing, storage, and application contribute to organizational effectiveness (Abeh et al., 2021). Research in the public sector has similarly shown that employees perceive knowledge management processes as important mechanisms for improving institutional performance, particularly when knowledge is systematically generated, shared, and applied (Al Ahbabi et al., 2018). At the organizational level, knowledge management capabilities may influence multiple outcomes, including innovation, learning, adaptability, operational effectiveness, and performance, although the strength of these effects can vary according to organizational conditions (Imran et al., 2022). These findings suggest that knowledge management is performance relevant, but they also indicate that its effectiveness depends on how it is configured and embedded within broader organizational strategy.

Studies focusing more specifically on knowledge management strategy provide additional evidence of this relationship. Strategic knowledge management has been associated with innovation and organizational performance because it enables firms to use knowledge resources in a deliberate and coordinated manner (López-Nicolás & Meroño-Cerdán, 2011). Firm-level evidence also suggests that knowledge management strategies can affect innovation performance, although their consequences may differ according to the specific strategic orientation adopted and the organizational context (Mangiarotti & Mention, 2015). Research on small business enterprises has likewise indicated that knowledge management strategy can support innovation and organizational performance, demonstrating that such strategic mechanisms are relevant not only to large corporations but also to firms operating with more limited resources (Bismo et al., 2021). More recent research has emphasized that organizations still face substantial challenges in developing knowledge management strategies that consistently support performance, suggesting that the relationship between knowledge management and organizational outcomes remains contingent rather than automatic (Kaushal et al., 2024).

This contingency perspective is particularly important because poorly aligned knowledge management initiatives may consume resources without generating the expected strategic benefits. Strategic knowledge management failures can arise when firms adopt inappropriate systems, underestimate organizational characteristics, or fail to connect knowledge practices with business priorities (Martinsons et al., 2017). Such failures demonstrate that investments in knowledge repositories, collaboration platforms, employee expertise, or information systems cannot be assumed to produce superior performance independently of strategic alignment. Even sophisticated knowledge management infrastructures may have limited organizational value if they support activities that are peripheral to the firm's competitive objectives. Thus, strategic fit provides a useful conceptual basis for explaining why similar knowledge management practices may generate different performance outcomes across organizations.

Strategic fit refers to the degree of consistency, complementarity, or alignment among organizational strategies, resources, processes, structures, and environmental requirements. The concept is consistent with configuration theory, which proposes that organizational effectiveness depends on the coherence of interdependent organizational elements rather than on the isolated

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optimization of individual components. From this perspective, the effect of one strategic variable on performance depends on how well it is combined with other strategic variables. In the context of knowledge management, alignment means that the organization's knowledge strategy should reinforce rather than contradict its business strategy. A firm pursuing innovation, for example, may benefit from knowledge processes that encourage experimentation, collaboration, and the exchange of tacit expertise, whereas a firm focused on efficiency and standardized operations may gain greater value from codification, reuse, and formal knowledge repositories.

The strategic alignment between business strategy and knowledge management strategy has received explicit attention in prior research. Chang et al. argued that alignment between business and knowledge management strategies is a key condition for sustaining competitive advantage because knowledge-related activities must support the organization's strategic direction (Chang et al., 2009). Al-Ammary similarly examined knowledge management alignment and emphasized the importance of correspondence between organizational strategy and knowledge management practices, particularly in knowledge-intensive institutional contexts (Al-Ammary, 2008). These studies indicate that strategic fit is not merely an operational consideration but a potentially important determinant of whether business and knowledge management strategies translate into superior performance. Accordingly, the effects of business strategy and knowledge management strategy may be stronger when the two are mutually reinforcing.

Strategic fit may also have a direct influence on business performance. When strategic components are coherent, organizations may allocate resources more efficiently, communicate priorities more clearly, reduce conflicting initiatives, and coordinate decision-making more effectively. Alignment can help employees understand which knowledge should be developed, shared, protected, and applied, thereby reducing ambiguity and improving organizational responsiveness. Conversely, a lack of fit may generate conflicting priorities, duplication, inefficient investments, and implementation problems. In this sense, strategic fit can operate both as an independent contributor to performance and as a moderating mechanism that strengthens the performance effects of other strategic orientations. This dual role makes strategic fit particularly relevant to models that simultaneously incorporate business strategy, knowledge management strategy, and organizational performance.

Despite substantial research on knowledge management and performance, several issues remain insufficiently resolved. First, many studies have focused on the direct effects of knowledge management processes or capabilities without adequately examining their interaction with broader business strategy (Abeh et al., 2021; Imran et al., 2022). Second, although strategic knowledge management has been linked to innovation and performance, findings suggest that its effectiveness varies across firms and contexts, reinforcing the need for a contingency-based explanation (Kaushal et al., 2024; Mangiarotti & Mention, 2015). Third, studies of knowledge management failures demonstrate that strategic misalignment can substantially weaken the expected benefits of knowledge initiatives (Martinsons et al., 2017). Therefore, focusing exclusively on the direct influence of business strategy or knowledge management strategy may overlook an important mechanism through which organizational performance is generated.

Furthermore, the growing complexity of contemporary organizations makes alignment increasingly important. Firms frequently invest simultaneously in competitive initiatives, innovation programs, digital systems, employee development, and knowledge platforms. These investments can generate value only when they complement one another and support coherent strategic priorities. Knowledge management cannot be treated as a purely technological undertaking, because repositories and information systems require human interpretation, participation, and organizational support. Likewise, business strategy cannot be implemented effectively unless employees possess and share the knowledge necessary to execute strategic decisions. The integration of technological, human, and strategic dimensions is therefore central to performance. Strategic human resource management similarly emphasizes that organizational capabilities should be deliberately connected to strategic objectives so that human expertise and organizational processes contribute to long-term goals (Armstrong, 2008).

The relationship between knowledge and performance also has important implications for measurement and empirical modeling. Business performance is a multidimensional organizational outcome influenced by direct, indirect, and interaction effects. Therefore, examining strategic fit as a moderator requires an analytical method capable of simultaneously estimating relationships among latent constructs and assessing interaction terms. Partial least squares structural equation modeling provides a suitable framework for this purpose because it is widely applied in predictive and theory-development contexts, accommodates complex structural relationships, and allows the assessment of both measurement and structural models (Hair

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et al., 2017). Such an approach is particularly appropriate when the research objective is to estimate the combined effects of business strategy, knowledge management strategy, and their strategic alignment on organizational performance.

The contemporary relevance of this issue is reinforced by evidence that knowledge management remains central to innovation and organizational competitiveness. Organizations increasingly require mechanisms for acquiring new knowledge, integrating it with existing expertise, and converting it into innovative products, services, and processes (Bunawan & Sham, 2024; Thang & Tuan, 2020). Yet the effectiveness of these mechanisms depends on their strategic direction. Knowledge acquisition without application, information storage without reuse, or collaboration without strategic focus may fail to create meaningful organizational value. Likewise, organizations may pursue innovation or competitive advantage strategies but obtain limited benefits when their knowledge management practices do not provide the information, expertise, and learning mechanisms needed to support those strategies. This interdependence provides a strong rationale for examining strategic fit as a moderator rather than treating business and knowledge management strategies as completely independent predictors.

The importance of context should also be acknowledged. Organizational knowledge practices are influenced by structural conditions, employee preferences, social interaction, technological capabilities, and institutional environments. Research has shown that social and contextual mechanisms can shape the effectiveness of knowledge sharing and knowledge management capabilities (Lee & Sukoco, 2007; Ou et al., 2016). Moreover, studies across public organizations, small firms, service organizations, and other institutional settings demonstrate that the performance implications of knowledge management are not identical across contexts (Al Ahbabi et al., 2018; Ashok et al., 2016; Bismo et al., 2021). Consequently, empirical investigation in specific business environments can contribute to a more nuanced understanding of how strategic fit affects the transformation of business and knowledge strategies into performance.

Another consideration concerns the distinction between the existence of a strategy and the quality of its implementation. Organizations may formally adopt business or knowledge management strategies, yet strategic outcomes depend on whether those strategies are operationalized consistently. Successful knowledge management requires more than isolated practices; it requires coherent processes for knowledge acquisition, organization, transfer, sharing, and application. Similarly, business strategy requires coordinated decisions concerning innovation, market positioning, resource allocation, and competitive priorities. The strategic fit perspective brings these issues together by proposing that organizational outcomes improve when strategic choices are mutually supportive. This perspective therefore extends prior research that has treated knowledge management capability, innovation, or performance as separate relationships and provides a more integrated explanation of business performance.

The need for such integration is also supported by evidence that knowledge management success itself is contingent on organizational conditions (Khalifa et al., 2008). If the effectiveness of knowledge management systems depends on contextual compatibility, then the relationship between knowledge management strategy and performance should also depend on its compatibility with business strategy. Similarly, if knowledge-related investments contribute to innovation through collaboration and effective knowledge utilization (Ashok et al., 2016), their performance consequences are likely to be stronger when those investments correspond to the firm's competitive and innovation priorities. Strategic fit can therefore be understood as a mechanism through which firms transform otherwise fragmented strategic initiatives into a coherent configuration capable of producing superior outcomes.

Prior research has provided important foundations for understanding these relationships, but an integrated model incorporating business strategy, knowledge management strategy, strategic fit, and business performance remains valuable. Research on organizational performance has shown that knowledge management contributes to performance (Zack et al., 2009), research on strategic knowledge management has demonstrated links with innovation and performance (López-Nicolás & Meroño-Cerdán, 2011), and studies of strategic alignment have emphasized the importance of matching business and knowledge strategies (Al-Ammary, 2008; Chang et al., 2009). At the same time, recent scholarship continues to question whether organizations are sufficiently successful in developing knowledge management strategies that reliably support organizational performance (Kaushal et al., 2024). Taken together, these findings indicate that strategic fit may represent an important explanatory mechanism connecting strategic choices to business outcomes.

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Moreover, the potential direct and moderating effects of strategic fit have practical implications for managers. Managers must decide not only which business strategy to pursue and which knowledge management mechanisms to adopt but also whether those strategic choices complement one another. A knowledge management strategy that is effective under one competitive orientation may be inappropriate under another. Likewise, adopting innovative strategic priorities without developing corresponding knowledge-sharing and knowledge-creation mechanisms may limit implementation success. Conversely, when business strategy and knowledge management strategy are aligned, employees may receive clearer strategic signals, knowledge resources may be directed toward higher-value activities, and organizational learning may become more closely connected to performance objectives. Thus, the concept of strategic fit provides both a theoretical explanation and a managerial framework for understanding why some organizations derive greater value from their strategic and knowledge resources than others.

Accordingly, the aim of this study is to examine the effects of business strategy and knowledge management strategy on business performance and to determine the direct and moderating role of strategic fit in these relationships.

2. Methods and Materials

This study adopted a quantitative approach and employed non-probability sampling. Data were collected using a questionnaire adapted from previous studies. The research data were collected from trading companies located in the northwestern region of the country, and senior employees involved in strategy formulation within these companies were selected to complete the questionnaire. In total, 420 questionnaires were distributed, and 385 valid questionnaires were returned by the respondents. Codification and personalization were measured using the scale developed by Chang et al. (2009), competitive advantage was measured using the scale developed by Jaworski and Kohli (1993), and strategic fit was measured using the scale developed by Al-Omari (2008). The innovation scale was also adapted from questionnaires used in previous studies.

To evaluate the measurement model, composite reliability (CR) was used to assess internal consistency, while average variance extracted (AVE) was employed to evaluate convergent validity. First, the measurement model was assessed in terms of factor loadings and internal consistency indicators. Subsequently, the structural model was evaluated using the PLS approach and the bootstrapping procedure. The model and hypotheses were tested using SmartPLS 3, and the statistical significance of the path coefficients was assessed through bootstrapping with 3,000 resamples (Chin, 1998). This software is widely used in research because of its reliability (Khan et al., 2020).

3. Findings and Results

The measurement model was first evaluated in terms of reliability and validity. Cronbach's alpha coefficients for all constructs ranged from 0.828 to 0.911, exceeding the recommended threshold of 0.70. The CR values ranged from 0.881 to 0.928 and therefore satisfied the required threshold (Hair et al., 2019) (Table 1). The factor loadings of all indicators were greater than 0.50 (Figure 2). The AVE values also ranged from 0.513 to 0.614, exceeding the recommended threshold of 0.50 (Fornell & Larcker, 1981); therefore, convergent validity was established for all constructs.

Table 1. Reliability and Convergent Validity of the Constructs

Construct	Cronbach's Alpha	rho_A	Composite Reliability (CR)	AVE
Business Performance	0.828	0.844	0.881	0.602
Business Strategy	0.911	0.917	0.928	0.591
Knowledge Management Strategy	0.892	0.898	0.912	0.513
Strategic Fit	0.845	0.853	0.888	0.614

Discriminant validity was assessed using the Fornell–Larcker criterion. Table 2 presents the square root of the AVE for each construct along the diagonal of the matrix, which should be greater than the correlations between that construct and the other constructs (Chin, 1998; Fornell & Larcker, 1981). The correlations among the constructs also did not exceed 0.85. Given that methodological studies have demonstrated that the Fornell–Larcker criterion and examination of cross-loadings do not always detect a lack of discriminant validity and have recommended the heterotrait–monotrait ratio (HTMT) as an alternative criterion (Henseler et al., 2015), the reporting of HTMT is recommended in future studies.

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Table 2. Discriminant Validity (Fornell–Larcker Criterion)

Construct	Business Performance	Business Strategy	Knowledge Management Strategy	Strategic Fit
Business Performance	0.776			
Business Strategy	0.745	0.869		
Knowledge Management Strategy	0.685	0.802	0.816	
Strategic Fit	0.771	0.779	0.823	0.884

Hair et al. (2017) recommend examining path coefficients, R^2, and t-values when evaluating a structural model and additionally reporting effect size (f^2) and predictive relevance (Q^2). Sullivan and Feinn (2012) also emphasize that the p-value alone does not indicate the magnitude of an effect. In this study, the hypotheses were accepted at a significance level of 0.05 and when $t > 1.96$ (Table 3 and Figure 2).

Table 3. Results of Hypothesis Testing

Path/Hypothesis	β	t	p	f^2	Decision
H1: Business Strategy → Business Performance	0.343	3.98	0.000	0.43	Supported
H2: Knowledge Management Strategy → Business Performance	0.748	4.78	0.000	0.257	Supported
H3: Moderating effect of Strategic Fit on the relationship between Business Strategy and Business Performance	0.254	2.687	0.000	—	Supported
H4: Moderating effect of Strategic Fit on the relationship between Knowledge Management Strategy and Business Performance	0.157	1.98	0.000	—	Supported
Strategic Fit → Business Performance (Direct Effect)	0.402	3.452	0.000	0.249	Supported

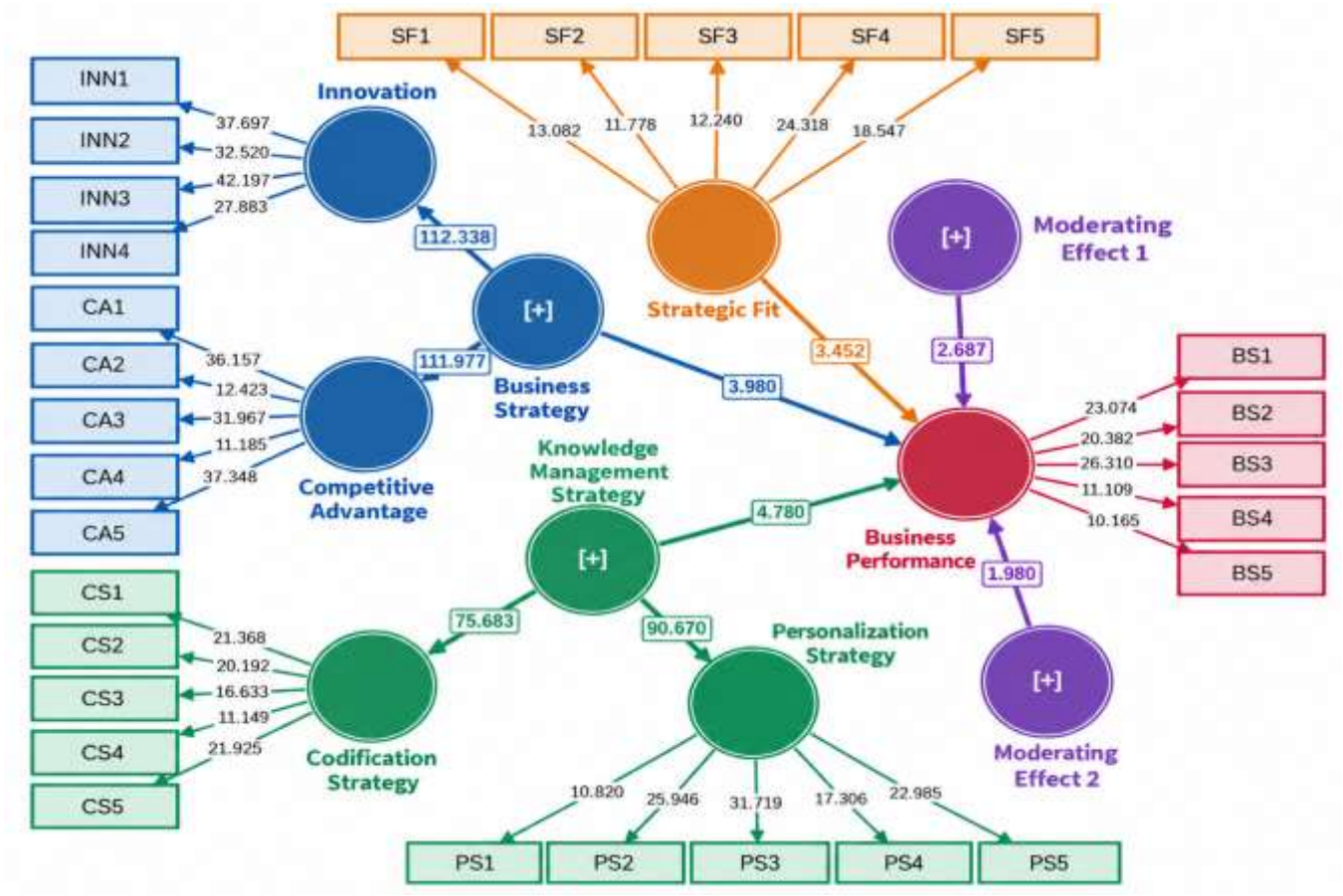


Figure 1. Hypothesis Testing (t-Values)

The first hypothesis (H1) predicts that business strategy has a positive and significant relationship with business performance; that is, innovation and competitive advantage strategies positively affect business performance. The results presented in Table 3 ($\beta = 0.343$, $t = 3.98$, $p < 0.001$) support this hypothesis. Knowledge management strategy also has a significant relationship with business performance, thereby supporting H2 ($\beta = 0.748$, $t = 4.78$, $p < 0.001$). Thus, the empirical findings indicate that codification and personalization strategies have positive and significant effects on business performance.

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The measurement and structural model assessment criteria discussed above are also applicable to models containing a moderating variable (Hair et al., 2017). In this study, a two-stage approach was employed to determine whether the moderating variable, strategic fit, strengthens or weakens the relationships between the exogenous variables—business strategy and knowledge management strategy—and the endogenous variable, business performance. H3 was supported: strategic fit moderates the relationship between business strategy and business performance ($\beta = 0.254$, $t = 2.687$, $p < 0.01$). H4 was also supported: strategic fit moderates the relationship between knowledge management strategy and business performance ($\beta = 0.157$, $t = 1.98$, $p < 0.05$). In addition, strategic fit has a positive and significant direct effect on business performance ($\beta = 0.402$, $t = 3.452$).

Overall, the model explains 66% of the variance in the endogenous construct of business performance, indicating a satisfactory R^2 value (Chin, 1998; Cohen, 1988). The f^2 effect size indicates whether an exogenous latent construct has a small, medium, or large effect on an endogenous latent construct. Cohen (1988) proposed values of 0.35, 0.15, and 0.02 as thresholds for large, medium, and small effects, respectively. The f^2 values reported in Table 3 indicate a large effect for business strategy and medium effects for knowledge management strategy and strategic fit. The predictive relevance of the model can be assessed using the blindfolding procedure, which is applicable only to endogenous constructs with reflective measurement models (Hair et al., 2017). Furthermore, the results obtained from the total effects and indicator scores demonstrate that strategic fit, because of its greater relative importance compared with the other constructs in the model, is a fundamental determinant of business performance. Business strategy is the second most important factor, followed by knowledge management strategy as the third most important determinant of business performance.

4. Discussion and Conclusion

The present study examined the effects of business strategy and knowledge management strategy on business performance and assessed the direct and moderating role of strategic fit in these relationships. The findings provide support for all proposed hypotheses and indicate that business strategy, knowledge management strategy, and strategic fit are important determinants of business performance. Specifically, business strategy had a positive and significant effect on business performance ($\beta = 0.343$, $t = 3.98$, $p < 0.001$), knowledge management strategy showed an even stronger positive effect ($\beta = 0.748$, $t = 4.78$, $p < 0.001$), strategic fit positively moderated the relationship between business strategy and business performance ($\beta = 0.254$, $t = 2.687$, $p < 0.01$), and it also positively moderated the relationship between knowledge management strategy and business performance ($\beta = 0.157$, $t = 1.98$, $p < 0.05$). In addition, strategic fit exerted a positive direct effect on business performance ($\beta = 0.402$, $t = 3.452$). The structural model explained 66% of the variance in business performance, indicating that the proposed combination of strategic variables provides substantial explanatory power. The effect-size results further showed a large effect for business strategy ($f^2 = 0.43$) and medium effects for knowledge management strategy ($f^2 = 0.257$) and strategic fit ($f^2 = 0.249$). Overall, these findings support the view that organizational performance is shaped not only by the independent contribution of business and knowledge management strategies but also by the degree to which these strategic orientations are aligned.

The first major finding concerns the positive and significant effect of business strategy on business performance. The result suggests that firms that emphasize innovation and competitive advantage are more likely to achieve superior business outcomes. This is consistent with the strategic management perspective that organizational performance depends on the ability of the firm to define a coherent competitive direction and deploy resources accordingly. Business strategies centered on innovation can enable firms to respond more effectively to environmental changes, introduce new products and processes, and distinguish themselves from competitors, while strategies aimed at competitive advantage allow firms to create superior value and sustain favorable market positions. The present result is therefore in line with prior studies showing that strategic orientations associated with innovation and entrepreneurial behavior contribute to organizational effectiveness (Lee & Sukoco, 2007). It also corresponds with evidence that innovation-related activities become particularly valuable when they are supported by appropriate knowledge resources and organizational capabilities (Ashok et al., 2016; López-Nicolás & Meroño-Cerdán, 2011). From this perspective, the observed relationship can be explained by the fact that innovation and competitive advantage strategies guide managerial attention toward opportunities, differentiation, resource productivity, and market responsiveness, which ultimately improve business performance.

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The significant effect of business strategy also supports the broader argument that organizational capabilities generate value when they are integrated with explicit strategic objectives. Strategic human resource management literature similarly emphasizes that organizational practices and capabilities should be aligned with strategic goals rather than implemented independently (Armstrong, 2008). In the context of the present study, business strategy appears to provide the directional framework through which resources and competencies are converted into performance outcomes. The relatively large f^2 value obtained for business strategy further indicates that its contribution is not merely statistically significant but substantively important. This result is especially meaningful because it demonstrates that even when knowledge management strategy and strategic fit are considered simultaneously, business strategy maintains a distinct and considerable influence on business performance.

The second and strongest direct relationship observed in the study was the effect of knowledge management strategy on business performance. Knowledge management strategy had a positive and significant effect on performance ($\beta = 0.748$), indicating that codification and personalization strategies play a central role in determining organizational outcomes. This finding is strongly supported by previous research. Zack et al. demonstrated that knowledge management is associated with organizational performance when firms effectively transform knowledge-related processes into organizational capabilities (Zack et al., 2009). Likewise, systematic evidence indicates that knowledge acquisition, sharing, storage, and application can improve organizational performance through better decision-making, learning, and operational effectiveness (Abeh et al., 2021). More recent reviews have similarly concluded that knowledge management capabilities remain important predictors of innovation, adaptability, and organizational outcomes (Imran et al., 2022). The present findings extend this line of research by showing that the strategic orientation of knowledge management itself is highly relevant to business performance.

The strong effect of knowledge management strategy can be explained by the complementary functions of codification and personalization. Codification facilitates the documentation, storage, retrieval, and reuse of explicit knowledge, thereby reducing duplication, improving consistency, and preserving organizational memory. Personalization, in contrast, promotes the exchange of tacit and experience-based knowledge through interpersonal interaction, dialogue, collaboration, and direct problem solving. Prior research has emphasized that successful knowledge management requires an appropriate strategy that reflects the nature of organizational knowledge and the way in which it should be transferred and utilized (Greiner et al., 2007). Similarly, contingency-based research suggests that the effectiveness of knowledge management systems depends on their compatibility with organizational requirements and contextual conditions (Khalifa et al., 2008). The present finding therefore suggests that organizations that systematically utilize both codification and personalization mechanisms are better able to capture existing knowledge, disseminate expertise, improve learning, and convert knowledge into commercially valuable outcomes.

This result also accords with studies linking strategic knowledge management to innovation and performance. López-Nicolás and Meroño-Cerdán showed that strategic knowledge management can support innovation and improve organizational performance by facilitating the effective use of knowledge resources (López-Nicolás & Meroño-Cerdán, 2011). Mangiarotti and Mention likewise demonstrated that knowledge management strategies can produce meaningful firm-level effects on innovation performance (Mangiarotti & Mention, 2015). Research in small enterprises has also shown that knowledge management strategy contributes to innovation and performance even in organizations with limited resources (Bismo et al., 2021). In addition, knowledge acquisition combined with an appropriate knowledge management strategy has been found to strengthen innovation in firms (Thang & Tuan, 2020). These findings collectively support the present result and indicate that knowledge management strategy operates as a strategic capability rather than as a purely administrative mechanism.

The relevance of knowledge management strategy is further reinforced by recent research emphasizing that organizations continue to face challenges in developing knowledge strategies that reliably support performance (Kaushal et al., 2024). The strong coefficient obtained in the present study may therefore reflect the substantial value created when organizations move beyond fragmented knowledge practices and adopt a more deliberate strategic approach. The result is also consistent with evidence that knowledge management processes can positively influence employee perceptions of organizational performance and institutional effectiveness (Al Ahbabi et al., 2018). In addition, recent case-based evidence demonstrates that knowledge management processes and approaches can strengthen innovation performance when they are coherently implemented

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(Bunawan & Sham, 2024). Thus, the current findings reinforce the view that knowledge management strategy should be considered a core component of organizational strategy.

The third major finding relates to the direct effect of strategic fit on business performance. Strategic fit had a positive and significant effect on business performance (β = 0.402), suggesting that organizations benefit when their business strategy and knowledge management strategy are mutually compatible. This finding is consistent with the alignment perspective advanced by Chang et al., who argued that sustainable competitive advantage depends on alignment between business strategy and knowledge management strategy (Chang et al., 2009). It is also compatible with work on knowledge management alignment in organizational contexts, which emphasizes that knowledge initiatives should support the broader strategic direction of the organization (Al-Ammary, 2008). From this perspective, strategic fit reduces inconsistency among strategic priorities, improves resource allocation, enhances coordination, and ensures that knowledge activities support the firm's competitive objectives.

The direct effect of strategic fit may be explained through configuration theory. According to this perspective, organizational performance does not depend solely on individual strategic components but on the internal coherence of the organizational configuration. A business strategy focused on innovation, for example, will be more effective when supported by knowledge processes that encourage experimentation, communication, and the exchange of tacit expertise. Similarly, a business strategy emphasizing standardization and efficiency may benefit more from codification mechanisms that facilitate the storage and reuse of explicit knowledge. Therefore, strategic fit can generate performance benefits by ensuring that knowledge resources are directed toward strategically relevant activities rather than dispersed across disconnected initiatives. The finding also aligns with contingency research suggesting that knowledge management success varies according to contextual compatibility (Khalifa et al., 2008). Strategic fit can therefore be understood as a mechanism through which the value of organizational knowledge becomes more strategically focused.

The fourth finding shows that strategic fit positively moderates the relationship between business strategy and business performance (β = 0.254). This means that the positive effect of business strategy on performance becomes stronger when business strategy is aligned with knowledge management strategy. This result provides empirical support for the proposition that strategic alignment enhances the effectiveness of competitive and innovation-oriented strategies. Chang et al. specifically emphasized that the value of business strategy is strengthened when knowledge management practices are designed to support the strategic orientation of the firm (Chang et al., 2009). The finding also corresponds with the broader idea that organizational strategies should not be examined independently because performance depends on the consistency among organizational resources, capabilities, and strategic choices.

The moderating role of strategic fit can also be interpreted in light of research on knowledge-related strategic failures. Martinsons et al. showed that knowledge management initiatives may fail when firms implement knowledge-related practices without sufficient strategic integration or organizational compatibility (Martinsons et al., 2017). This observation helps explain why business strategy may produce stronger results under conditions of high strategic fit. When knowledge management systems, practices, and employee behaviors reinforce the firm's competitive priorities, the organization is better able to implement its business strategy. By contrast, when knowledge activities are disconnected from strategic goals, valuable knowledge may remain unused, strategic decisions may not be supported by appropriate expertise, and implementation may become fragmented.

The fifth finding indicates that strategic fit also positively moderates the relationship between knowledge management strategy and business performance (β = 0.157). Although the magnitude of this moderating effect is smaller than that found for business strategy, it remains statistically significant and confirms that knowledge management strategy is more effective when aligned with the broader business strategy. This result is consistent with the contingency perspective of knowledge management, which proposes that the effectiveness of knowledge systems depends on the organizational context in which they operate (Khalifa et al., 2008). It is also in line with Greiner et al., who stressed that knowledge management strategies should be selected according to organizational needs and strategic objectives rather than adopted uniformly across firms (Greiner et al., 2007).

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The moderating effect may also be explained by the fact that codification and personalization do not generate equal value under all strategic conditions. Personalization may be especially valuable where innovation depends on tacit expertise, collaboration, and problem solving, whereas codification may be more beneficial when firms need efficiency, standardization, knowledge reuse, and consistency. Research on interactive systems has shown that contextual preferences influence the effectiveness of knowledge sharing and the use of knowledge-related systems (Ou et al., 2016). Likewise, evidence on collaboration and investment in knowledge management indicates that the outcomes of such investments depend on how knowledge is utilized within organizational processes (Ashok et al., 2016). The current findings therefore suggest that knowledge management strategy should not be evaluated merely in terms of the amount of knowledge stored or shared; its effectiveness depends on whether the chosen approach fits the business strategy and the organization's performance priorities.

The finding that strategic fit moderates both principal relationships also highlights the theoretical importance of studying alignment rather than isolated strategic effects. Previous research has often focused on whether knowledge management improves performance or whether strategic orientations influence innovation. However, the present results indicate that the combination of these variables provides a more complete explanation of business performance. The model's R^2 of 0.66 suggests that business strategy, knowledge management strategy, strategic fit, and the interaction effects jointly account for a substantial proportion of the variance in business performance. This finding supports a configurational understanding of organizational effectiveness and suggests that performance emerges from the interaction of multiple strategic components rather than from any single variable.

The effect-size results add further insight to these findings. Business strategy produced a large effect on business performance, while knowledge management strategy and strategic fit produced medium effects. These results indicate that all three constructs are practically relevant, but they contribute to performance in different ways. Business strategy determines the organization's competitive direction, knowledge management strategy determines how knowledge is captured and mobilized, and strategic fit determines the degree to which these two strategic domains reinforce each other. This interpretation is consistent with the literature showing that innovation, strategic knowledge management, and organizational performance are interconnected (López-Nicolás & Meroño-Cerdán, 2011; Mangiarotti & Mention, 2015). It is also consistent with recent arguments that the central challenge is not merely developing knowledge management capabilities but ensuring that they effectively support organizational performance (Kaushal et al., 2024).

From a methodological standpoint, the use of PLS-SEM allowed the simultaneous assessment of these direct and moderating relationships within an integrated structural model. This approach is appropriate for evaluating complex predictive models containing multiple latent constructs and interaction effects (Hair et al., 2017). The significant path coefficients and substantial explained variance provide empirical support for the proposed model. Taken together, the results indicate that business performance improves when firms pursue coherent business strategies, develop effective knowledge management strategies, and establish alignment between these strategic domains. The findings therefore reinforce the importance of treating knowledge management as an integral component of strategic management rather than as an independent technological or administrative function.

This study has several limitations that should be considered when interpreting the findings. First, the research used a cross-sectional survey design; therefore, the observed relationships indicate statistical associations and theoretically consistent effects but do not establish temporal causality. Second, non-probability sampling may limit the representativeness of the sample and restrict the generalizability of the findings to the broader population of firms. Third, the research was conducted among trading companies in one geographical and national context, and the results may differ in manufacturing, service, public-sector, technology-intensive, or multinational organizations. Fourth, all major variables were measured through self-reported questionnaire data obtained from senior employees involved in strategy formulation, which may introduce common method bias and perceptual bias. Fifth, business strategy and knowledge management strategy were operationalized using selected strategic dimensions, while other dimensions that may influence business performance were not included. Finally, the study examined overall strategic fit and did not separately investigate whether specific combinations of innovation, competitive advantage, codification, and personalization produce different performance outcomes.

Future research should extend the present model by using longitudinal designs to examine how changes in business strategy, knowledge management strategy, and strategic fit influence performance over time. Studies can also employ probability

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sampling and replicate the model across different industries, countries, organizational sizes, and institutional environments to evaluate the robustness and generalizability of the findings. Mixed-methods research could provide deeper insight into how managers establish strategic fit in practice and why particular combinations of knowledge management and business strategies succeed or fail. Future studies should also examine codification and personalization as separate strategic predictors and test their individual interactions with innovation and competitive advantage strategies. Additional variables such as organizational culture, leadership, digital capability, environmental uncertainty, absorptive capacity, organizational learning, technological turbulence, and firm size may be incorporated as antecedents, mediators, or moderators. Researchers may also compare alternative configurations of strategic fit and use longitudinal, multigroup, or configurational methods to determine whether different combinations of strategic variables can lead to similarly high levels of business performance.

Managers should treat business strategy and knowledge management strategy as interdependent components of a single strategic system rather than as separate managerial domains. During strategy formulation, organizations should explicitly evaluate whether their knowledge acquisition, storage, sharing, and application mechanisms support their intended competitive and innovation priorities. Firms pursuing innovation should strengthen interpersonal knowledge exchange, collaboration, experimentation, and access to tacit expertise, while organizations emphasizing efficiency and standardization should reinforce codification, documentation, knowledge repositories, and systematic reuse of established knowledge. Senior managers should periodically assess the degree of strategic fit before implementing major strategic initiatives and should identify inconsistencies between business objectives and knowledge management practices at an early stage. Organizations should also involve both strategic decision-makers and knowledge management specialists in planning processes, allocate resources according to strategic priorities, and establish performance indicators that evaluate not only the effectiveness of individual strategies but also the quality of alignment between them. By institutionalizing strategic fit as a continuous managerial responsibility, firms can reduce implementation failure, strengthen the value generated from organizational knowledge, and improve the likelihood that strategic initiatives translate into sustained business performance.

Ethical Considerations

All procedures performed in this study were under the ethical standards.

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Conflict of Interest

The authors report no conflict of interest.

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