

# Knowledge Management: The Value of Inter And Intra-Firm Activities Towards Innovation Performance

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**Abstract:** Firms mainly depend on innovation to remain competitive in business. New knowledge is a major resource for firms on the path of achieving innovation performance. This paper seeks to examine how intra-firm and inter-firm activities promote knowledge sharing toward innovation performance. We used the variables channels of information to represent inter-firm activities and workplace organization methods to represent intra-firm knowledge-sharing activities. The proxies for innovation performance were product innovation and business process innovation. Cross-sectional country-level data from CIS 2018 for 17 countries within the EU region was used for our study. The OLS regression method was used for the analysis. While existing studies concentrate on inter-firm knowledge transfer and single country-level studies, our study focuses on a blend of intra-firm and intra-firm cross-country studies. We also emphasized the value of knowledge sharing and cognition in the knowledge transfer process toward achieving firm innovation performance. Our model was built on the knowledge-based view (KBV) and social network theory (SNT). We found that cross-functional workgroups, conferences, trade fairs and exhibitions have a positive significant impact on both product and business process innovation. Published patent had a significant impact on product innovation but was not statistically significant for business process innovation. In conclusion, we found that intra-firm knowledge-sharing activities impact more on innovation performance of firms more than inter-firm knowledge-sharing activities of firms in the EU. Our study is limited to using cross-sectional data and the number of countries within the EU involved in the study. We believe longitudinal data and the involvement of more EU countries in future studies will yield robust findings for more reliable inferences.

**Keywords:** Knowledge sharing, Knowledge-based view, Social network theory, Channels of information, EU

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## 1. Introduction

Knowledge is an undisputable resource for a firm's competitive advantage and profitability. Its creation, acquisition and transfer need to be cautiously planned and executed to achieve the intended purpose. The link between knowledge and innovation is crucial in the current technological and dynamic business environment. The creation of knowledge and its acquisition is as important as its sharing. A firm's proximity to other firms with similar business interests has the potential to share knowledge more than distant firms. Inter-firm activities involve collaborations between and among firms in leading to sharing of knowledge producing improved products and services. Knowledge sharing does not only occur between firms but within firms as well. Acquiring knowledge is not enough but consciously working and putting the right mechanisms in place to aid knowledge transfer among workers within a firm is essential to achieving innovation outcomes. Firms ought to appropriately balance the level of concentration given to both inter-firm knowledge generation activities and intra-firm knowledge generation activities. Acquisition of new knowledge through inter-firm cooperation and collaboration might not necessarily be costly but the process of acquiring new knowledge could be costly. It is, therefore, necessary for firms to get value for the knowledge acquired by ensuring that the new knowledge is not just shared among employees but gain cognition of the new knowledge to implement it successfully towards innovation. Scholarship on knowledge sharing has basically been focused on interfirm knowledge sharing (Cui et al., 2020; Xu et al., 2021; Majuri, 2022) at the expense of intra-firm. Extant literature is a dearth of intra-firm knowledge sharing activities and their impact on innovation. This is an issue because collaboration between and among firms is necessary for knowledge sharing and innovation but knowledge sharing within the firm through intra-firm knowledge activities is a sufficient condition for effective innovation within a firm. Wang et al. (2018) examined the impact of an inter-firm knowledge network on innovation performance among high-tech firms in Taiwan's science parks using snowball sampling techniques and knowledge-based theory. They found that an inter-firm knowledge network improves a firm innovation performance. In Singapore, Cui et al. (2020) found that IT-enabled inter-firm knowledge exploration capabilities help product effectiveness and process efficiency through the case study method. Using a single case of an aviation refuelling company in Canada as the study setting, Usman et al (2019) developed a framework for inter-firm and intra-firm knowledge sharing and learning. Their findings showed that intra-firm knowledge sharing capabilities promote the diffusion of inter-firm learning.

The findings of prior literature have been based on single firm or country-level data. In situations where inter-firm knowledge activities have been investigated, less emphasis has been placed on a very important variable













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