The quest for knowledge has remained a dominant theme in the evolution of civilization and society (Wiig, 1997), and throughout our existence it will continue to guide us to the path of development and prosperity. Rightly the 21st century is characterized by the importance attached to knowledge, and its impact is felt across all the aspects of organizations (Bose, 2004). However evolving as a knowledge-based organization is not so straightforward and cannot be purely accidental (Edvinsson & Malone, 1997). Also, the same theme resonates in the words of Tsoukas and Vladimirou as they have also pointed out that “Organizational knowledge is much talked about but little understood” (Tsoukas & Vladimirou, 2001).

Unlike in the past, the ways in which John D. Rockefeller, Andrew Carnegie, and Henry Ford among others capitalists of 19th & early 20th century adopted ways for creating wealth is no more applicable in the present context. The modern day leaders like Gates of Microsoft, Branson of Virgin, Eliason of Oracle, Dell of Dell Computer, Moore of Intel, and Swanson of Genetech followed altogether different ways and accumulated wealth (Teece, 1998). The current generation of leaders are increasingly becoming aware of the importance and potential of knowledge, and they rightly consider it as a key resource to create value in organizations (Carneiro, 2000). Further, they have recognized that by active exploration, and exploitation of their internal knowledge resources they can gain a sustainable competitive advantage (Schiuma, 2009; Schiuma et al., 2008). Davenport and Beck even advocated that becoming a knowledge-based firm is seen as a mandatory condition for the organization’s success as they foresee the advent of a new era of knowledge economy (Davenport & Beck, 2002). Davenport and others have suggested that if firms want to enhance its capacity to manage knowledge
then it can be done only through supportive organizational culture (Davenport et al., 1998; DeLong and Fahey, 2000).

Gary Hamel in his book titled The Future of Management describes innovation hierarchy into four stages by its ascending level of importance – operational innovation, product/service innovation, strategic innovation, and right at the top management innovation, and has suggested that the higher the level of innovation hierarchy the organization’s can attain, its potential for value creation and competitive advantage increases substantially, and this also act as a game-changer since it becomes harder for the competitors to replicate (Hamel & Breen, 2007), and therefore can emerge as a differentiator and an effective business strategy for organizations to pursue.

However, in one of the global survey conducted by the reputed management consulting firm Booze & company have established that when compared the financial performance of 10 top most innovative companies is relatively far more superior than the top 10 R&D spenders. The same survey also concluded that fewer than half of the surveyed company’s innovation strategy and its supporting culture are found to be not in alignment (Barry, John, & Richard, 2011). Also even today the importance of culture’s positive role in effectively managing knowledge is less understood (Davenport et al., 1998; Delong & Fahey, 2000). Rightly Kings and Marks pointed out that relationship between culture – KM is not so straight forward (King & Marks, 2006), though it is also evident from the various other studies that strong innovation cultures of a group significantly and positively affects the innovation capability (Hurley & Hult, 1998).
In the recent past academic and industry practitioners have shown greater interest towards innovation, and also on the effects of an innovation culture on organizations performance (Govindarajan & Trimble, 2005; Hamel, 2002; Hammer, 2004; Senge & Carstedt, 2001). However, many of the practicing organizations are still lacking much of the needed insights and successful models that can be effectively adopted (Hansen el at., 1999). The researcher has attempted to find answers through this research to the abovementioned gaps and mapped the evolution of how successful companies have tread a journey of linkages of knowledge management & innovation culture and achieved successful impact on business performance. Also identified the factors that may be affecting the transition to such a culture thus hampering potential for enhanced business performance. The study was carried out by a mixed method and in combination with qualitative and quantitative methods, and different technique were used such as Document Analysis using Secondary data, semi-structured interviews, administering a survey, and data analysis was carried out using factor analysis and regression analysis to draw inferences and conclusions.

The study establishes that knowledge management in organizations cannot be treated like any other corporate initiative for quick results. However for it to remain successful it should necessarily have strong leadership commitment, encouragement of organizational conversation across the organization, constantly develop and deploy dynamic business models, backed by a sound knowledge management system, and above all it is to be embedded in innovation culture, and if all those attributes are present then it can certainly expect enhanced business performance. Further, the term innovation culture is often used in a generic way by the people and organizations, and the study provides greater insights into the aspects and manifestations of innovation culture as it is found to have high potential to create innovation, facilitate the use of knowledge, and improves business performance.
The study of the organizations that are also considered pioneers in the field of managing knowledge and innovation has provided deeper insights into how they have achieved breakthroughs and continues to remain innovative through the established linkages of knowledge management and innovation culture. Also, proposed a model linking both the KM and innovation culture that have enormous potential to improve business performance. Further tested the model in two of the Indian IT organizations and what has emerged is that only a few of the identified factors along with some of the elements of innovation culture have made inroad in the organizations and, as a result, they are not able to reap the desired impact on the business performance. The proposed model can also act as an effective tool for the leadership to improve business performance.

The motivation to carry out such a study was to understand how some of the innovative and successful organizations have evolved, and the researcher’s area of work throughout his career has been towards improving productivity and managing the performance of the people. Hence the focus of the study was from an internal perspective, to identify associated dynamics and its impact on business performance in some of the leading organizations. Therefore, external factors were not included in the scope of the study. This limitation also sets the agenda for the future work in this less explored area, and once more and more investigative studies are carried out including external perspectives it may perhaps lead to further opportunities for business performance improvements.