

Midocean University

Faculty of Management

Project management



**Impact of Knowledge Management on Organizational Innovation &
PMO Success in Consulting Sector in Riyadh**

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1. Chapter 1: Introduction

1.1. Research Background

In today's highly competitive and dynamic business environment, organizations increasingly recognize that effective management of knowledge assets is crucial to sustaining innovation and achieving superior performance. Knowledge Management (KM) which involves the systematic process of creating, sharing, and utilizing knowledge within an organization, has become a strategic imperative for firms seeking to enhance their innovative capabilities and overall efficiency (**Dalkir, 2017**). This is particularly true in the consulting sector, where intellectual capital and expertise are core assets that directly influence project outcomes and client satisfaction (**Alavi & Leidner, 2001**). achieving Project Management Offices (PMOs) success is critical to the firm's growth (**Aubry et al., 2007**). Yet, ensuring this success requires more than traditional management; it demands Organizational Innovation to tackle complex challenges. This innovation, in turn, is deeply rooted in Knowledge Management (KM), as a consulting firm can only innovate and succeed when it effectively utilizes its collective intellectual capital (**Darroch, 2005**). Organizational innovation, defined as the successful implementation of new ideas, processes, or products within a company, has emerged as a key factor driving competitive advantage and long-term growth (**Teece, 2010**). Consulting firms rely heavily on their ability to continuously innovate in their service delivery and project management practices to meet evolving client demands (**Den Hertog, 2000**). The presence of a robust Project Management Office (PMO) plays a pivotal role in coordinating projects, standardizing processes, and ensuring alignment with strategic goals (**Project Management Institute, 2021**). As such, the success of PMOs is increasingly seen as linked to how well organizations manage and leverage their knowledge resources to foster innovation (Jugdev & Thomas, 2002).

While current literature often discusses these concepts independently, their core definitions highlight a strong theoretical connection. Knowledge Management (KM) is the systematic process of creating, sharing, and utilizing organizational knowledge, which prevents redundant efforts and provides the historical data that mature Project Management Offices (PMOs) rely on to optimize resources and manage risks **(Dalkir, 2017; PMI, 2021)**. Consequently, Organizational Innovation, defined as the ability to generate and implement creative solutions, is fundamentally driven by how effectively a firm manages these knowledge assets **(Nonaka & Takeuchi, 1995)**.

Despite extensive research on Organizational Innovation, Knowledge Management, and Project Management Offices (PMOs) independently, there is a deficiency in the current literature regarding the intersection of these variables. Specifically, the mediating role of Organizational Innovation between KM practices and PMO Success remains largely unexplored, particularly within the localized context of the consulting sector, a rapidly growing business hub in Saudi Arabia. The consulting industry in Riyadh faces challenges and opportunities due to the fast pace of economic transformation and initiatives such as Saudi Vision 2030, which call for improved efficiencies and innovative practices across sectors **(Saudi Vision 2030, 2016)**. Thus, exploring the impact of KM on organizational innovation and the consequent PMO success in this regional context holds substantial practical and theoretical value. PMO success is often viewed simply as the result of effective processes, overlooking the crucial role that shared knowledge plays in driving the innovation needed to manage complex and modern dynamic project environments.

Therefore, the primary purpose of this study is to investigate the impact of Knowledge Management on Organizational Innovation and PMO success within Riyadh consulting firms. By examining the relationship between intellectual capital,

innovative capabilities, and project outcomes, this study seeks to establish a clear, evidence-based model demonstrating how effectively managing intellectual capital can foster the innovative capabilities can ensure consistent project delivery and long-term PMOs effectiveness.

1.2. Research Problem

The consulting sector in Riyadh is currently operating at the epicenter of a massive economic shift driven by Saudi Vision 2030. However, while existing literature extensively covers Knowledge Management (KM), Organizational Innovation, and PMO success as independent domains, there is a lack of understanding of how KM

practices influence PMO success, and whether Organizational Innovation mediates this relationship, particularly within the localized context of consulting firms in Riyadh.

1.2.1. Theoretical Gaps

Most existing research examines Knowledge Management (KM), Organizational Innovation, and PMO success as separate topics, primarily focusing on Western markets. While there is a general lack of studies explaining how these variables connect.

1.2.2. Practical Gaps

In practice, consulting firms in Riyadh frequently struggle with knowledge silos, where valuable expertise remains trapped with individuals rather than being translated into innovative project solutions. Furthermore, many local PMOs focus strictly on traditional processes and metrics such as timelines and budgets, while neglecting the collective intellectual capital necessary to drive project success in complex environments.

1.3. Research Significance

This study holds substantial theoretical and practical value by investigating the impact of Knowledge Management on Organizational Innovation and PMO success within Riyadh consulting firms, especially in light of Saudi Vision 2030.

1.3.1. At the theoretical level

- It advances theory on KM by testing its impact on organizational innovation and PMO performance, thereby bridging KM and project management literature through knowing the impact and the relationship.
- Establishes the boundary conditions for the pathway linking Knowledge Management, Organizational Innovation, and PMO success within a knowledge intensive professional services setting.
- It sharpens the conceptualization and measurement of PMO success by integrating knowledge- and innovation-related determinants, fostering a more holistic view of PMO effectiveness beyond process adherence.

1.3.2. At the practical level

- It provides empirical evidence to guide Riyadh-based consulting firms in designing KM managers and governance mechanisms that are aligned with innovation goals and PMO outcomes.
- It informs the development of training, leadership, and cultural initiatives that foster a knowledge-sharing climate conducive to innovation and improved project delivery.
- It contributes to policy-relevant insights for industry associations and organizational policymakers seeking to enhance knowledge-intensive service productivity in Saudi Arabia's growing consulting sector.

1.4. Research Questions

How does Knowledge Management impact Organizational Innovation and PMO success within Riyadh consulting firms?

- How does organizational innovation affect PMO success in consulting firms?

- Does organizational innovation mediate the relationship between KM practices and PMO success in Riyadh consulting firms?

1.5. Research Objectives

- To investigate the impact of Knowledge Management on Organizational Innovation and PMO success, specifically within consulting firms in Riyadh.
- To test the mediating role of organizational innovation in the relationship between KM and PMO success.

1.6. Research Hypotheses

- H1: KM practices have a positive and significant impact on PMO success.
- H2: KM practices have a positive and significant impact on Organizational Innovation.
- H3: Organizational Innovation has a positive and significant impact on PMO success.
- H4: Organizational Innovation mediates the relationship between KM practices and PMO success.

1.7. Research Model

The research model is illustrated in Figure 1.

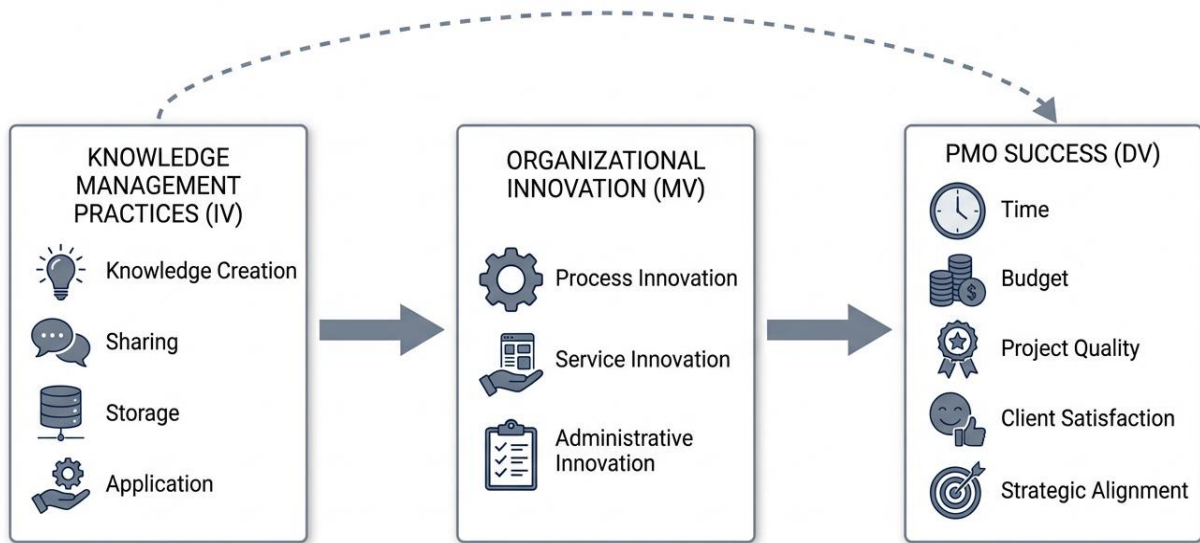


Figure: Conceptual framework illustrating the mediating role of Organizational Innovation in the relationship between Knowledge Management Practices and PMO Success.

Figure 1. The research model.

1.7.1. 1.7.1. Suggested Industry: Consulting Sector in Riyadh

- Consulting is a knowledge of intensive industry where intellectual capital and innovation directly dictate PMO success and project outcomes. It also aligns with the rapid economic transformation driven by Saudi Vision 2030. Riyadh serves as the primary business hub for projects, making its consulting firms a highly representative population for PMO practices and organizational innovation.
- Ensuring all ethical considerations regarding data privacy and voluntary participation are strictly upheld.

1.8. Research Methodology

This study adopts a quantitative, explanatory, cross-sectional survey approach to empirically test the proposed hypotheses and explain the relationships between the variables. The target population comprises professionals specifically general employees, Project Managers (PMs), PMO managers, and consultants operating within consulting firms in Riyadh that have established Project Management Offices (PMOs). To ensure a robust and representative sample, a two-stage sampling strategy will be utilized. First, purposive or stratified sampling will be applied at the organizational level to select the relevant consulting firms.

Subsequently, random sampling will be employed at the individual level to select the specific staff members within those chosen firms. Finally, data collection will be conducted through a structured questionnaire administered cross-sectionally to the targeted respondents, ensuring the efficient gathering of standardized data.

1.9. Structure of the Research

The proposed structure for the research project strictly follows the guidelines of Midocean University and is organized into five main chapters as follows:

Chapter 1: Introduction It provides an overview of the study, encompassing the background information, research problem, objectives, and the significance of the research.

1.1. Research Background: It illustrates the context and historical roots of the project idea within Riyadh's consulting sector and Saudi Vision 2030.

1.2. Research Problem: It reflects the core issue in current practice regarding PMO success and intellectual capital that the project seeks to investigate and address. It highlights the theoretical and practical deficiencies in the existing literature.

1.3. Research Significance: It clarifies the importance of the study at the theoretical level and the empirical level.

1.4. Research Questions: It presents the specific questions that the project seeks to answer.

1.5. Research Objectives: It identifies the specific goals and outcomes that the project aims to achieve.

1.6. Research Hypotheses: It presents the specific hypotheses that will be tested in the project.

1.7. Research Model: It illustrates the proposed relationships between independent, mediating, and dependent variables. And the Suggested Industry.

1.8. Research Methodology: It provides a brief overview of the quantitative approach, survey strategy, and data collection techniques used in the study.

1.9. Structure of the Research: It defines the chapters and scope of the project work.

Chapter 2: Literature Review It presents a critical analysis of existing research and literature relevant to the project, specifically focusing on Knowledge Management (KM) practices, Organizational Innovation, Project Management Office (PMO) success, and the mediating role of innovation in professional environments.

Chapter 3: Research Methodology It details the methods and procedures used to conduct the research, including information about the research philosophy, quantitative survey design, data collection methods, sample selection within consulting firms in Riyadh, and data analysis techniques.

Chapter 4: Statistical Analysis It describes and discusses the statistical analysis of the research findings, including descriptive statistics, reliability tests, and the inferential testing of the proposed hypotheses.

Chapter 5: Findings' Discussion & Conclusion It connects the project findings with the existing literature, summarizes the key conclusions, and outlines the theoretical and practical implications for the project.

References: It provides a comprehensive list of academic sources and references used throughout the study formatted in APA style.

2. Chapter 2: Literature Review

2.1. Introduction

Knowledge Management (KM), Organizational Innovation, and Project Management Office (PMO) success have become interconnected imperatives for organizations operating in dynamic competitive environments (Alavi & Leidner, 2001; Serban & Luan, 2002). Professional consulting firms depend heavily on these three capabilities as they navigate increasingly complex client challenges while maintaining operational excellence. Within the context of Saudi Arabia's Vision 2030 transformation, organizations face unprecedented pressure to simultaneously manage knowledge assets effectively, foster continuous innovation, and deliver projects with strategic impact (Saudi Vision 2030, 2016).

The integration of these three organizational constructs remains largely unexplored, particularly within localized business contexts shaped by distinctive economic imperatives. This literature review provides a comprehensive examination of Knowledge Management, Organizational Innovation, and Project Management Office Success, with particular emphasis on their interconnected relationships and their combined influence on organizational performance (Obeidat et al., 2016; Kraus et al., 2021).

2.2. Research Variable 1: Knowledge Management (KM)

2.2.1. Defining Knowledge Management and Its Theoretical Foundations

Knowledge Management represents the systematic process of creating, capturing, sharing, and utilizing organizational knowledge to enhance decision-making, foster innovation, and improve organizational performance (Dalkir, 2017). The foundational work conceptualizes KM as encompassing both explicit knowledge (formally documented information) and tacit knowledge (experience-based

understanding embedded within individuals). Nonaka and Takeuchi's (1995) SECI (Socialization-Externalization-Combination-Internalization) model describes how knowledge is converted from tacit to explicit forms through four stages of interaction, representing a foundational framework for understanding knowledge transformation processes.

The Resource-Based View positions knowledge as a strategic resource providing sustainable competitive advantage. Dynamic Capabilities Theory extends this view by proposing that organizations must continuously develop capacity to sense, seize, and reconfigure knowledge resources in response to environmental changes (Teece, 2010). The Knowledge-Based View emphasizes that in knowledge-intensive industries, competitive advantage flows directly from superior knowledge management capabilities, positioning KM as fundamental to sustained organizational success (Al-Hakim, 2007).

2.2.2. Dimensions and Processes of Knowledge Management

KM operates through interconnected processes that collectively enable organizational learning and performance improvement (Serban & Luan, 2002). Knowledge creation involves the generation of new ideas and insights through organizational learning, experimentation, and cross-functional collaboration. Knowledge sharing facilitates information flow across organizational boundaries, enabling collaborative problem-solving essential for innovation. Knowledge application transforms accumulated knowledge into actionable decisions and strategic initiatives enhancing organizational effectiveness (Alavi & Leidner, 2001).

The structural and infrastructural dimensions of KM encompass organizational culture, leadership commitment, information technology systems, and governance

mechanisms. Empirical research demonstrates that organizational culture significantly influences KM effectiveness. Leadership commitment proves foundational—executives championing knowledge-sharing initiatives create psychological safety enabling open communication (Gürlek & Çemberci, 2020). Information management emerges as a critical supporting capability, directly enhancing organizational resilience and adaptability (Alharbi & Aloud, 2024).

2.2.3. Relationship Between Knowledge Management and Organizational Performance

Empirical evidence consistently demonstrates positive relationships between Knowledge Management practices and organizational performance across diverse contexts (Obeidat et al., 2016). Organizations establishing systematic KM processes demonstrate enhanced decision-making quality, improved operational efficiency, and increased innovation capacity, aligning with the KM Success Model (Jennex & Olfman, 2006).

Research from professional service contexts reveals distinctive KM dynamics. In consulting firms and knowledge-intensive service organizations, KM takes heightened strategic significance because intellectual capital and expertise directly determine service quality and client satisfaction (Perdana et al., 2023).

Organizations implementing systematic KM aligned with strategic objectives demonstrate enhanced project outcomes and sustained competitive advantage in consulting markets (Rhee et al., 2022).

2.3. Research Variable 2: Organizational Innovation

2.3.1. Conceptualization and Multi-Dimensional Character

Organizational Innovation refers to the successful implementation and adoption of new ideas, processes, products, or services generating value and competitive advantage (Crossan & Apaydin, 2010). Beyond mere technological advancement, organizational innovation encompasses process innovations, product innovations, administrative innovations, and strategic innovations. The complexity of modern organizational innovation extends beyond single-dimension approaches; comprehensive frameworks recognize these as complementary yet distinct dimensions (Wang & Ahmed, 2004; Hanelt et al., 2021).

Teece's (2010) foundational work distinguishes between incremental innovation and radical innovation. Organizations require ambidexterity in innovation—simultaneous capacity to exploit existing capabilities while exploring new possibilities. This dual capability proves particularly critical for consulting firms, which must balance delivery excellence on current projects while simultaneously innovating service methodologies (Abbas et al., 2020).

2.3.2. Drivers and Enablers of Organizational Innovation

Knowledge Management emerges as a primary driver of organizational innovation (Obeidat et al., 2016). The transformation of knowledge stocks into innovation flows requires systematic processes for idea generation, evaluation, and implementation (Ronceros et al., 2023).

Leadership plays critical catalytic roles in fostering organizational innovation. Knowledge-oriented leadership styles emphasizing learning, experimentation, and openness to new ideas create climates conducive to innovation (Gürlek & Çemberci, 2020). Organizational culture represents another critical enabler;

cultures characterized by psychological safety demonstrate substantially higher innovation performance (Damanpour, 1991). Technological infrastructure and digital capabilities increasingly function as innovation enablers, but they must be complemented by human capital development and management practices aligned with innovation objectives (Hanelt et al., 2021; Kraus et al., 2021).

2.3.3. The Dynamic Nature of Innovation Capabilities

Recent research positions innovation capability as a dynamic capability for a higher-order organizational competence enabling firms to sense market opportunities, seize emerging possibilities, and transform resources into innovative outcomes (Teece, 2010). Innovation capability encompasses multiple dimensions, including strategic, operational, and product innovation capabilities. Firms with strong innovation capabilities demonstrate superior adaptability to market changes and competitive pressures (Gürlek & Çemberci, 2020; Kraus et al., 2021).

2.3.4. Relationship Between Knowledge Management and Organizational Innovation

Empirical evidence consistently demonstrates positive relationships between KM practices and organizational innovation performance. KM enables organizations to access diverse knowledge sources sparking creative thinking, facilitates collaboration synthesizing disparate expertise, and establishes organizational memory (Abdi & Senin, n.d.; Obeidat et al., 2016).

Knowledge management practices combined with organizational learning demonstrate joint positive effects on innovation performance; organizations simultaneously investing in KM and learning capabilities achieve substantially higher innovation outcomes (Yudhistira et al., 2025). Knowledge-oriented leadership significantly strengthens KM-innovation relationships, highlighting

leadership's importance in translating knowledge into actionable innovation (Gürlek & Çemberci, 2020).

2.4. Research Variable 3: Project Management Office (PMO) Success

2.4.1. The Evolution and Strategic Positioning of PMOs

A Project Management Office represents a centralized organizational function responsible for defining, maintaining, and improving project management practices, methodologies, and governance mechanisms. The PMO serves as a strategic hub translating organizational strategy into project outcomes (Project Management Institute, 2021). Evolution of PMO roles has progressed substantially from early service-support functions focused on resource management to contemporary strategic roles encompassing governance, portfolio management, innovation facilitation, and organizational learning (Ibbs & Kwak, 2000; Jugdev & Thomas, 2002).

2.4.2. PMO Functions and Their Impact on Organizational Outcomes

PMO functions encompass diverse but interconnected responsibilities critical to organizational project delivery. Governance and strategic alignment functions ensure projects remain connected to organizational strategy (Aubry et al., 2007). Monitoring and controlling project performance involves establishing metrics, tracking progress, and managing deviations from the plan (Dai & Wells, 2004). Empirical research demonstrates that when PMO functions are tailored to the business context, they significantly change project performance variables, adapting their function emphasis to organizational requirements and industry dynamics (Albaiti & Alsulami, 2021; Project Management Institute, 2021).

2.4.3. Critical Success Factors and Barriers to PMO Effectiveness

Research consistently identifies top management support and leadership commitment as most critical success factors for PMO implementation (Aubry et al., 2007). Strategic alignment between PMO functions and organizational objectives ensures that PMO activities contribute meaningfully to business outcomes rather than becoming isolated administrative functions (Project Management Institute, 2021). Adequate resource allocation including skilled personnel, technology infrastructure, and budget supports PMO capability development (Dai & Wells, 2004). Significant barriers to PMO implementation include resistance to change and lack of standardization (Jugdev & Thomas, 2002).

2.4.4. PMO Success Metrics and Performance Dimensions

PMO success extends beyond traditional project metrics (on time, on budget delivery) to encompass broader organizational impacts. Modern frameworks recognize that PMO success encompasses strategic dimensions including organizational alignment, capability development, and innovation enablement (Aubry et al., 2007). Organizational maturity progression represents a longer term success indicator; organizations achieving higher maturity levels demonstrate substantially better on time and within budget completion compared to lower maturity organizations (Ibbs & Kwak, 2000; Project Management Institute, 2021).

2.4.5. PMO in Knowledge-Intensive Professional Service Organizations

In consulting firms, PMOs function within distinctive contexts. The project-based nature of consulting work makes project management discipline particularly critical. PMOs in consulting firms increasingly emphasize capability development and knowledge capture, recognizing that intellectual capital and methodology represent competitive differentiators (Jafari & Ramezani, 2018). The integration of PMO activities with knowledge management processes enables professional

service firms to leverage project experiences as sources of competitive advantage and innovation capability (Foster et al., 2023; Sepúlveda-Rivillas et al., 2022).

2.5. Relationship Between Research Variables

Table.1: Relationships Between Research Variables.

Research Variables Interplay	Key Authors & Empirical Evidence	Primary Mechanism
 KM → Organizational Innovation	Obeidat et al. (2016); Gürlek & Çemberci (2020)	KM acts as a critical transformation mechanism; knowledge sharing and leadership directly drive innovation capacity.
 KM → PMO Success	Jafari & Ramezani (2018); Foster et al. (2023)	Systematic capture of project knowledge establishes repositories that improve project planning, risk management, and PMO maturity.
 Organizational Innovation → PMO Success	Hanelt et al. (2021); Alves & de Carvalho (2023)	Innovative cultures allow PMOs to adapt methodologies, leading to measurable improvements in delivery excellence and stakeholder satisfaction.
 The Mediating Role of Innovation	Yudhistira et al. (2025); Abbas et al. (2020)	KM builds intellectual assets, but these assets enhance PMO effectiveness significantly when transformed into dynamic, innovative delivery methodologies.

Note. This table synthesizes the empirical evidence linking Knowledge Management (KM), Organizational Innovation, and Project Management Office (PMO) success based on the reviewed literature.

2.5.1. Knowledge Management as Driver of Organizational Innovation

Empirical evidence from diverse organizational contexts establishes that Knowledge Management practices significantly predict organizational innovation performance (Obeidat et al., 2016). Advanced empirical research reveals that knowledge management practices mediate relationships between learning organization practices and innovation performance (Yudhistira et al., 2025). Knowledge-oriented leadership significantly strengthens KM-innovation relationships (Gürlek & Çemberci, 2020). The transformation of knowledge assets into innovation flows requires proactive organizational processes for idea generation, fostering organizational agility (Abbas et al., 2020).

2.5.2. Knowledge Management and PMO Success

Knowledge Management directly influences Project Management Office effectiveness through multiple pathways. PMOs that systematically capture and organize project management knowledge from completed engagements establish organizational repositories enabling improved project planning (Foster et al., 2023). Integration of KM and PMO functions creates synergistic benefits: PMOs ensure projects execute according to organizational standards, while KM systems preserve and leverage insights from project experiences for organizational learning (Jafari & Ramezani, 2018; Sepúlveda-Rivillas et al., 2022).

2.5.3. Organizational Innovation and PMO Success

Organizational innovation capabilities represent important drivers of PMO effectiveness. Organizations with strong innovation cultures demonstrate greater ability to adapt project management methodologies in response to changing business requirements (Project Management Institute, 2021; Hanelt et al., 2021). The relationship between innovation and PMO success appears particularly pronounced in knowledge-intensive sectors where projects involve complex problem-solving requiring creative methodological approaches (Alves & de Carvalho, 2023). Organizations integrating process innovation within PMO functions achieve substantially higher project success rates (Kraus et al., 2021).

2.5.4. The Mediating Role of Organizational Innovation Between KM and PMO Success

A critical theoretical proposition emerging from literature examination is whether organizational innovation mediates the relationship between Knowledge Management and PMO success. The theoretical logic supporting a mediating mechanism rest on several foundations: KM practices develop organizational capacity for innovation; this enhanced innovation capability enables organizations to improve project management practices; these innovations directly enhance PMO effectiveness (Yudhistira et al., 2025).

Dynamic capabilities theory provides a theoretical foundation for understanding these mediating mechanisms. Organizations with strong dynamic capabilities leverage KM investments more effectively for innovation and project management success (Alves & de Carvalho, 2023; Teece, 2010). The consulting sector context amplifies the potential importance of this mediating relationship. PMO effectiveness in consulting firms depends substantially on the organization's capacity to innovate project delivery methodologies, innovations directly enabled by effective KM systems (Den Hertog, 2000).

Figure 2. *Conceptual Framework of the Study.*



2.5.5. Contextual Factors: Saudi Arabia's Vision 2030 and Consulting Sector Dynamics

The consulting sector in Riyadh operates within a distinctive context shaped by Saudi Vision 2030 and rapid economic transformation. The emphasis on diversification, efficiency improvement, and innovation embedded in Vision 2030 creates environmental pressure for consulting firms to enhance their capability for innovation and project delivery excellence (Saudi Vision 2030, 2016).

In this dynamic environment, the integration of KM, organizational innovation, and PMO excellence becomes strategically imperative rather than merely operationally desirable. Organizations excelling in all three dimensions—KM, innovation, and PMO—develop competitive advantages difficult for competitors to replicate in this rapidly evolving market (Alharbi & Aloud, 2024).

2.6. Conclusion

This comprehensive literature review has established robust conceptual foundations for investigating the interconnected roles of Knowledge Management, Organizational Innovation, and Project Management Office success within consulting sector contexts (Alavi & Leidner, 2001). Project Management Office success, evolving from administrative support to strategic governance and organizational learning functions, directly impacts organizational effectiveness in executing complex initiatives (Project Management Institute, 2021).

Empirical evidence indicates that Knowledge Management practices significantly predict organizational innovation outcomes through multiple transformative pathways. The potential mediating role of organizational innovation between KM and PMO success whereby KM enabled innovation capability enhances project

management methodologies appears theoretically plausible and practically significant but remains empirically underexplored, particularly in professional service consulting contexts (Alves & de Carvalho, 2023).

The distinctive context of Saudi Arabia's consulting sector, characterized by rapid economic transformation and the imperatives of Vision 2030, amplifies the strategic importance of understanding these integrated relationships (Saudi Vision 2030, 2016). Future research investigating these relationships within the consulting sector context will contribute substantially to both theoretical understanding and practical guidance for organizations seeking to transform their intellectual capital into sustained competitive advantage (Yudhistira et al., 2025).

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