

**A STUDY OF HOW THE INTERNAL CAPACITY OF EMPLOYEES INFLUENCES KNOWLEDGE  
MANAGEMENT AND BUSINESS PERFORMANCE**

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**ABSTRACT**

This research investigates the relationships between internal capacity, knowledge management and business performance in Korean's high-tech industries. This study proposed statistical hypotheses and a structural equation model to study these based on the data sampled from employees of tourism industry listed in the yearbook published by the Korea Information Service Incorporation. This study uses a stratified random sampling method to select 150 employees in the top tourism company. By testing three hypotheses, this study finds that knowledge management is the intervening factor between internal capacity and business performance. It also shows that internal capacity has a positive effect on knowledge management, but it has not a positive effect on business performance. Finally, managerial implications are discussed and a brief conclusion is presented.

Keywords: *internal capacity; knowledge management; business performance*