

Knowledge Management and Organizational Performance of Nepalese Commercial Banks

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Abstract

This paper attempts to examine the effects of knowledge management on organizational performance of Nepalese commercial banks. Data are collected through structured questionnaire from 300 respondent of Kathmandu valley. Descriptive and casual comparative research designs are used to achieve the objectives and descriptive statistics as well as multiple regression models have been used to analyze the data. It is observed that organizational performance will be better provided that appropriate knowledge management ensured. Knowledge acquisition, knowledge sharing, knowledge storing, information technology and organizational culture have positive effect on organizational performance.

Keywords: organizational performance, knowledge acquisition, knowledge sharing, knowledge storing, information technology, organizational culture

Introduction

Organizational performance is a researchable issue for practitioners and researchers for last few decades. Prior research has linked organizational performance with different predictors. Among them, knowledge management (KM), an important element along with the land, labor, and entrepreneurship, is one of the important predictors which is one of the most attractive areas for researchers over the last decade in banking sector. Knowledge management and organizational performance are essential for the success in business. Performance is associated with expectation for success and it is a measure of how well a firm has achieved its goals. Shah and Kant (2020) revealed that the successful knowledge management enablers (KMEs) implementation improves the socialization, externalization, combination, internalization (SECI) KM process that enhance the organizational performance. According to Mahapa (2013), knowledge management aids in achievement of organizational performance. Knowledge is an asset of the organization and its effective utilization is the core competency that brings the desired results such as improved organizational performance. It is the process of creating value from an organization's intangible assets. Knowledge management has positive effect on organizational performance (Shah & Kant, 2020; Khanal & Poudyal, 2017;

Raza, Ghani, & Rafique, 2016; Emadzade, Mashayekhi, & Abdar, 2012; Fugate, Stank, & Mentzer, 2009; Daud & Yasuf, 2008; Gao, Li, & Clarke, 2008).

Additionally, Hussainnaik (2018) revealed that knowledge management is a process that transforms individual knowledge into organizational knowledge. According to Lee (2001) knowledge acquisition significantly and positively influences knowledge management systems and efficient knowledge management systems significantly and positively influence firm performance. There is positive and significant impact of knowledge acquisition on organizational performance (Gholami et al., 2013; Daud & Yusuf, 2008; Darroch, 2005; Gold et al., 2001). Knowledge sharing implies that individuals mutually adjust their beliefs and actions through more or less intense and this variable is positive and significant relationship with organizational performance (Gold et al., 2001; Lee, 2004; Jasimuddin, 2008; Ramirez et al., 2011; Gholami et al., 2013). Likewise, the next variable knowledge storing is also positively and significantly related with organizational performance (Gholami et al., 2013; Ramirez et al., 2011; Gold et al., 2001).

Information technology plays vital role in modern business world to enhance the organizational goals. According to Lee and Choi (2003), better the use of information technology tools, the better the knowledge creating processes. Information technology has significant and positive impact on the organizational performance (Kim et al., 2014; Omar Sharifuddin Syed-Ikhsan & Rowland, 2004; Agbim et al., 2013; Rasula et al., 2012). Organizational culture is also an important factor that affects positively and significantly on organizational performance. It has positive relationship with organizational performance (Omar Sharifuddin Syed-Ikhsan & Rowland, 2004; Zheng et al., 2010; Emadzade et al., 2012; Agbim et al., 2013). Therefore, the research on knowledge management and organizational performance is of greater importance. Moreover, research has been done concerning the issue of impact of knowledge management on organizational performance in western context; however, very few researches have been done in the context of Nepal. Hence, this paper attempts to examine linkage between knowledge management and organizational performance in Nepalese context.

Statement of Problem

Santosh et al. (2015) found that knowledge identification, knowledge acquisition, knowledge storage, knowledge dissemination and knowledge application have significant factor loadings on efficient knowledge management. Further, financial performance, firm productivity, employee performance, innovativeness and customer satisfaction have significant impact loadings on organizational performance. The results

indicated that knowledge management practices leads to efficient knowledge management in a firm and directly influences the organization's performance. Similarly, knowledge acquisition, knowledge storage, knowledge creation, knowledge sharing, and knowledge implementation are the major predictors of knowledge management (Gholami et al., 2013). Wang and Wang (2012) revealed that both explicit and tacit knowledge sharing practices facilitate innovation and performance. Further, explicit knowledge sharing has more significant effects on innovation speed and financial performance while tacit knowledge sharing has more significant effects on innovation quality and operational performance. Likewise, Zheng et al. (2010) found that theoretical implications for knowledge management literature as they extend the scope of research on knowledge management from examining a set of independent management practices to examining a system-wide mechanism that connects internal resources and competitive advantage.

In Nepal, some studies have been found to be carried on by few management scholars and professional by making relation between knowledge management and organization performance. Khanal and Poudyal (2017) revealed that components of KM process (KM obtaining, KM organizing & KM applying) are positively correlated with the organizational performance measured in terms of financial and market results, organizational effectiveness, employee satisfaction and customer satisfaction. Moreover, they found that performance of any financial institution is significantly affected by various KM processes and practices adopted by these organizations. Likewise, Khanal (2016) stated that the level of KM awareness amongst Nepalese banking and financial institutions is medium in which some companies understand the principles of KM but they observe many difficulties in pursuing a KM approach. Some Nepalese scholars and academicians have involved in research of this area but it is more to do.

Research Questions

The question in this paper involves addressing the impact of knowledge management on organizational performance. However, the following are the common questions of this paper:

- Is there any significant relationship of research variables with organizational performance?
- Do knowledge acquisition, knowledge sharing, knowledge storing, organizational culture and information technology have significant impact on organizational performance?

Research Objectives

This paper attempts to achieve the following objectives.

- To examine the relationship of knowledge acquisition, knowledge sharing, knowledge storing, information technology and organizational culture with organizational performance.
- To analyze the impact of knowledge acquisition, knowledge sharing, knowledge storing, information technology and organizational culture on organizational performance.

Significance of the Study

Knowledge management can influence organizational effectiveness when it is in alignment with organizational culture, structure, and strategy. Focus on knowledge management practices, such as providing knowledge management tools, and supporting knowledge management initiatives, would help transfer the impact of organizational contextual resources to the bottom line. Management plays a major role to shape how the organization processes and utilizes IT knowledge. It also can hinder change in an organization. Change takes place when organization discovers, invents or develops solutions to problems it faces. Therefore, this paper is beneficial for management of organizations as they will get to know about the effects of knowledge management on organizational performance. Furthermore, this paper will also provide reference to academicians who wants to study further on the similar topic or related areas.

Framework of the Study

In this study, dependent variable is the organizational performance. The independent variables used in the study are the knowledge management variables which are measured by knowledge acquisition, knowledge sharing, knowledge storing, information technology and organizational culture. The conceptual framework of the research is shown Figure 1.

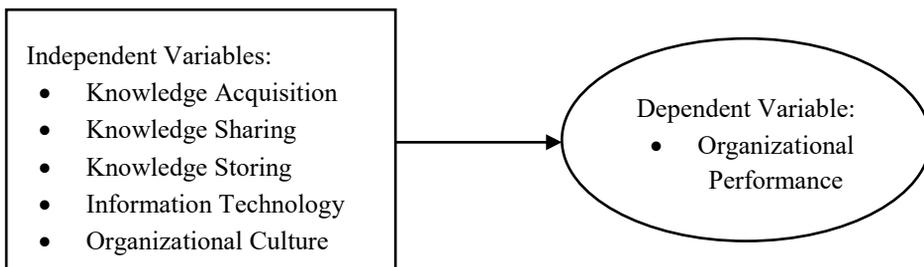


Figure 1. Research framework

Research Hypotheses

This study has set following alternative hypotheses:

H₁: There is a positive relationship between knowledge acquisitions with organizational performance.

H₂: There is a positive relationship knowledge sharing with organizational performance.

H₃: There is a positive relationship between knowledge storing with organizational performance.

H₄: There is a positive relationship between information technology with organizational performance.

H₅: There is a positive relationship between organizational cultures with organizational performance.

Research Methods

This paper has used descriptive research design for facts finding and identifies adequate information about the effects of knowledge management on organizational performance and also has been used casual comparative research design to ascertain and understand the direction, magnitude and forms of observed relationship between knowledge management and organizational performance. To achieve the objective of the study, structured questionnaire was prepared and distributed to 450 respondents of Kathmandu valley and out of them 300 complete responses are collected. The first part of questionnaire deals with demographic information which is for descriptive analysis of the respondents. Similarly, second part of questionnaire that consist of various statements of the knowledge acquisition, knowledge sharing, knowledge storing, information technology on organizational performance is designed to analyze the effects of knowledge management on organizational performance. Multiple regression model is used in this paper which is presented as:

$$OP = \alpha + \beta_1 KA + \beta_2 KS + \beta_3 KST + \beta_4 IT + \beta_5 OC + e$$

Where, *OP*=organizational performance, *KA*= knowledge acquisition, *KS*= knowledge sharing, *KST*= knowledge storing, *IT*= information technology, *OC*= organizational culture, α = intercept, *e* = error term and $\beta_1, \beta_2, \beta_3, \beta_4$ and β_5 are beta coefficients.

Data Analysis

Reliability Test

Table 1 shows the results of value of Cronbach alpha for all selected variables where all values are greater than 0.70 which indicates the collected primary data are reliable and valid.

Table 1
Coefficient of Cronbach's Alpha

Variable	Cronbach's Alpha	No. of Items
KA	0.794	5
KS	0.801	5
KST	0.823	5
IT	0.835	5
OC	0.782	5
OP	0.799	5
Overall	0.815	30

Descriptive statistics

The mean value of knowledge acquisition ranges from a minimum value of 1.77 to the maximum value of 2.24 and weighted average is 2.04 that means employees are satisfied by the effects of knowledge acquisition on organizational performance. Similarly, the mean value of knowledge sharing ranges from minimum value of 1.72 to maximum value of 2.09 and weighted average is 1.98 that indicates employees are satisfied by the effects of knowledge sharing on organizational performance. Likewise, the mean value of the knowledge management in terms of knowledge storing ranges from a minimum value of 1.90 to the maximum value of 2.22 and weighted average is 2.05 that reveals employees are satisfied by the effects of knowledge management on organizational performance. Additionally, the mean of the knowledge management in terms of information technology ranges from a minimum value of 1.87 to the maximum value of 2.11 and the weighted average is 1.95 which exhibits employees are satisfied by the effects of information technology on organizational performance. Furthermore, the mean of the knowledge management in terms of organizational culture ranges from a minimum value of 1.89 to the maximum value of 2.15 and the weighted average is 2.01 that shows employees are satisfied by the effects of organizational culture on organizational performance.

Correlation analysis

Table 2 shows that organizational performance is positively correlated with all independent variables which reveals that better the knowledge acquisition system, higher would be the organizational performance; knowledge sharing enhances the organizational performance; better the knowledge storing, higher would be the organizational performance; better the information technology, higher would be the organizational performance; better the organization culture, higher would be the organization performance.

Table 2
Kendall's Tau Correlation Coefficients Matrix

Variables	Mean	SD	OP	KA	KS	KST	IT	OC
OP	2.05	0.5124	1					
KA	2.04	0.5725	0.502**	1				
KS	1.98	0.5913	0.411**	0.554**	1			
KST	2.05	0.5863	0.487**	0.502**	0.513**	1		
IT	1.95	0.5715	0.431**	0.568**	0.486**	0.578**	1	
OC	2.01	0.6142	0.507**	0.599**	0.597**	0.531**	0.598**	1

*Notes: The asterisk signs (**) and (*) indicate that the results are significant at 1 percent and 5 percent level respectively.*

Regression analysis

The Table 3 shows that beta coefficients are positive and significant for knowledge acquisition with organizational performance that reveals knowledge acquisition has positive impact on organizational performance and this result is similar to the findings of Daud and Yusuf (2008). Similarly, positive and significant beta for knowledge sharing with organizational performance states that knowledge sharing has positive impact on organizational performance and it is consistent to the result of Jasimuddin et al. (2005). Likewise, positive and significant beta for knowledge storing with organizational performance indicates that knowledge storing has positive impact on organizational performance and this findings is similar to the study of Gholami et al. (2013). Additionally, it is also found that beta coefficient are positive and significant for information technology with organizational performance that means information technology has positive impact on organizational performance which is similar to the findings of Lee and Choi (2003). Furthermore, organizational culture has positive and significant beta with organizational performance that indicates organizational culture has

positive impact on organizational performance and this findings is similar to the findings of Emadzade et al. (2012).

Table 3

Estimated Regression Results

Model	Intercept	Regression Coefficient of					Adj. R ²	SEE	F Value
		KA	KS	KST	IT	OC			
1	0.934 (6.615)**	0.731 (9.737)**					0.743	0.476	95.74
2	1.317 (8.326)**		0.648 (6.998)**				0.714	0.528	49.13
3	0.871 (6.435)**			0.745 (11.14)**			0.721	0.446	124.32
4	1.136 (7.851)**				0.761 (7.987)**		0.667	0.532	63.17
5	0.98 (7.997)**					0.675 (10.318)**	0.702	0.489	106.11
6	0.903 (5.576)**	0.653 (6.334)**	0.314 (2.213)*				0.611	0.453	51.35
7	0.617 (3.861)**	0.318 (0.481)**	0.115 -0.987	0.543 (6.135)**			0.672	0.444	55.34
8	0.631 (3.864)**	0.365 (3.432)**	0.135 -0.971	0.478 (5.705)**	0.123 -0.432		0.652	0.456	41.54
9	0.652 (3.897)**	0.452 (3.124)**	-0.103 -0.554	0.456 (4.871)**		0.356 (3.311)**	0.715	0.428	47.65
10	0.543 (3.991)**	0.542 (3.134)**	-0.035 -0.487	0.426 (4.876)**	-0.049 -0.601	0.376 (3.432)**	0.698	0.412	38.57

Notes:

- i. *Figures in parentheses are t-values.*
- ii. *The asterisk signs (**) and (*) indicate that the results are significant at 1 percent and 5 percent level respectively.*

Conclusion

It is found that organizational performance will better by appropriate knowledge management. It is concluded that knowledge acquisition, knowledge sharing, knowledge storing, information technology and organizational culture have positive effect on organizational performance.

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