

Knowledge Management and Organizational Performance: - An Analytical Study

Dr. Hawa Singh

(Retd. Professor)

Rajneesh

(Research Scholar)

Department of Commerce, Kurukshetra University, Kurukshetra.

Abstract

Haryana has emerged as the major hub for IT and the ITES-BPO industry. There is an IT and Telecommunication Complex in the Electronic City in Gurugram, which is spread over 40 acres. According to the Economic Survey of Haryana, the Gurugram region ranked third among India's major software export locations as more than 90 percent of the units are located there. IT industry is highly knowledge intensive industry. Knowledge has become one of the most important driving forces for business success. Knowledge management helps organizations to find, select, categorize, distribute, and transfer vital information within the organization. The present study based on primary data. It describes the knowledge management practices adopted by the IT industry of Haryana. It also focused on relationship between knowledge management practices and organizational performance.

Key-words:- Knowledge, Performance, Growth.

Introduction

The twenty first century is the era of knowledge economy, in which most organizations possess knowledge that enables them to improve their performance. The shift in focus from products to services has encouraged greater recognition of the importance of the knowledge held within an organization. Knowledge, management recognized as an important weapon for sustaining competitive advantage and improving performance. Knowledge management is a new method for thinking about the organization and sharing creative and intellectual resources of the organization and in the other words it consists of all the methods by which the organizations manages its knowledge-based assets including knowledge collection, storage, transmission, usage, updating and creation. The need of knowledge management based on the growth of business community perception stems from the fact that knowledge is regarded as an important element is organizational performance and access to sustainable competitive advantage. (Davenport 2001).

Knowledge Management

Knowledge is the Process of translating information (such as data) and past experience into a meaningful set of relationships which are understood and applied by an individual. As the values of employees and organizational data have become more crucial to the organization's outcomes and competitiveness, the concept of knowledge

management has emerged. Knowledge Management is the process of identifying, capturing, organizing, and disseminating the intellectual assets that are critical to the organization's long-term performance. It is ultimate competitive advantage for today's firm. 95% of information is preserved as raw material for innovation – the only competitive advantage that can sustain a company in an unpredictable business environment.

Knowledge management practices

Various authors have argued that nowadays knowledge management (KM) practices provide companies with a competitive advantage because of their impact on the organization's ability to act in more efficient, sustainable and innovative ways. Knowledge capturing, knowledge sharing, knowledge transfer, knowledge storing and knowledge application related practices used in present study.

Knowledge Capturing

The term "capture" refers to a firm's capability to identify, acquire and accumulate knowledge (whether internal or external) that is essential to its operations (Gold et al., 2001; Zahra and George, 2002). Capturing-oriented KM processes are oriented towards obtaining knowledge. However, prior to acquisition, an organization must know the knowledge it has within the organization in some form or other, and the knowledge gaps. Knowledge capturing is also called knowledge acquisition. Knowledge acquisition is a process that covers the activities of the accessibility, collecting of knowledge. It also refers to how knowledge acquired from various external and internal sources.

Knowledge sharing

Knowledge sharing is a process through which personal and organizational knowledge exchanged. In the other words, knowledge sharing refers to the process by which knowledge conveyed from one person to another, from persons to groups, or from one organization to other organization. Knowledge sharing practices refers to the process of sharing knowledge among the employees in an organization.

Knowledge transfer

Knowledge transferring is where tacit and explicit knowledge disseminated throughout the whole organization. The distributed nature of organizational cognition, an important practice of knowledge management in organizational settings is the transfer of knowledge to locations where it is needed and can be used. This practice can be driven by formal and informal approaches such as meeting, discussion, mentorship, social network, collaboration and interaction. Interactive and effective meetings and discussions provide opportunities for sharing knowledge and learning.

Knowledge Storing

Knowledge storage involves both the soft or hard style recording and retention of both individual and organizational knowledge in such a way as to easily retrieved. Organizational knowledge storage includes knowledge residing in various component forms, including written documentation, structured information stored in electronic databases, codified human knowledge stored in expert systems, documented organizational procedures and processes and tacit knowledge acquired by individuals and networks of individuals.

Knowledge Application

This means the application of knowledge and the use of the existing knowledge for decision-making, improving performance and achieving goals. Organizational knowledge should be implementing in the services, processes and products of the organization. Knowledge application is a central element in knowledge management process. The value of individual and organizational knowledge resides primarily on its application. The application of knowledge enables organizations continuously to translate their organizational expertise into embodied products. The above discussed Knowledge management practices based on the previous studies like Salina and Wan Fadzilah (2008), Sarker et al.(2005), Edler (2005), Bailey and Clarke (2000).

ORGANIZATIONAL PERFORMANCE

“From a traditional perspective, organizational performance is commonly referred to as financial performance where considerations of budgets, assets, operations, products, services, markets and human resources are crucial in influencing the overall bottom line of an organization” (Dixon, 1999; Thurbin, 1994 and Smith, 1999). “The importance of performance measurement system is manifold. Not only does it demonstrate how an organization, how well it does it and how much it makes over time in achieving its goals, most importantly, it helps to manage organizational change” (Yeo, 2003). “Financial Performance, operational performance and organizational effectiveness should involve in performance” (Venkatrman & Ramanujam).

Increasing organizational performance is an objective each organization is seeking after. Organizational performance can be most essentially characterized as company’s performance compared to goals and objective. “Measuring organizational performance was in the past limited more or less on financial measures in the form of revenue, profit, net operating income, ROA (Return on Assets), ROE (Return on Equity), ROS (Return on Sales) and other mostly revenue and profit related measures. “A more comprehensive method used in management research is the balanced scorecard (BSC)” proposed by Kaplan and Norton (1996). The balanced scorecard includes four major dimensions: finance, customer, internal process, and learning and growth. The major advantage of BSC is that it retains financial performance and supplements it with measures on the drivers of potential.

Kaplan and Norton designed ‘Balanced Scorecard’ as the measure to pull people toward the overall vision. The ‘Balanced Scorecard’ enables companies to look and move forward instead of backward. Authors elaborated that by combining the financial, customer, internal processes and learning perspectives, the Balanced Scorecard helps managers to understand the inter-relationship. Balanced Scorecard links performance measures, providing answers to four questions:-

- How do we look to shareholders? (through financial perspective)
- How do customers see us? (through customer perspective)
- What must we excel at? (through internal business process perspective)
- Can we continue to improve value? (through learning perspective)

The Balanced Scorecard (BSC) is a performance management tool for measuring whether small-scale operational activities of a company are aligned with its large-scale objectives in terms of vision and strategy and includes four perspectives: financial, customer, internal process and innovation and learning perspective :-

Literature Review

Tan & Wong (2015) analyzed the impact of knowledge management on performance of manufacturing sector. The study was based on survey method of manufacturing companies of Malaysia. Structural equation modeling (SEM) technique was used for analysis the data. The results revealed that processes of knowledge management, knowledge resources and knowledge factors have considerable and straight impact on performance of manufacturing sector. It also resulted that these three variables were correlated to each other. **Afzal and Afzal (2014)** analyzed the impact of knowledge management practices on the performance of firms in software industry of Pakistan. The study based on primary data. It carried out 38 firms of Information Technology (IT) industry of Pakistan. To test the causal relationship between the knowledge management practices, firm's performance and the moderating role of interpersonal trust multiple regression technique of analysis was used. It was important finding of the study that the direction or strength of relationship between Knowledge Management Practices (KMP) and Organizational Performance (OP) changes because of presence of interpersonal trust (IPT) as moderator. It was also found that there is positive and significant impact of knowledge management practices and organizational performance. **Anli (2013)** analyzed the factors which was influenced the knowledge management adoption, practices and innovation in different Indian industries. The study based on primary data and sample size of 160 respondents from different industries (IT, Banking & Insurance, Pharmaceutical, Cement& Engineering, Real Estate, Media& Telecom Industries). The study resulted that IT companies are more aware about knowledge management than other industries. **Daud & Yusoff (2010)** examined knowledge management, social capital and firm performance. It used a questionnaire directed to small and medium sized enterprises of Malaysia. The results showed that knowledge management processes influence social capital positively and social capital enhances firm performance and social capital is a mediator between knowledge management processes and firm performance. The study described that the survival and performance of a firm influenced by the firm's ability to use it social capital through knowledge management processes. **Kureshi and Sajid (2009)** illustrated through primary study on 107 SMEs in northern industrial belt of Pakistan that SMEs were resource constrained by their very nature and knowledge management can become a distinct source of competitive advantage among them. It suggested that Knowledge Management Practices in SMEs lead to better decision making, faster response time, increased profit and improved productivity. **Chen and Huang (2009)** analyzed with the regression analysis technique that knowledge management capacity played a pivotal role in supporting and fostering innovation. It provide evidence that knowledge management capacity played a mediating role between strategic human resource practices and innovation performance.

Objective of the study

The main objectives of the study are:

- To analyze the level of knowledge management practices in IT industry of Haryana.
- To analyze the relationship between knowledge management practices and organizational performance.

Research Methodology

Research methodology can be defined as a way to systematically solve the research problem by logically adopting various steps. The present study is analytical in nature. Following described research methodology used in this study.

Research Instrument

The present study based on knowledge management practices adopted by ITs in Haryana. Five type of knowledge management processes used in this study namely knowledge capturing, knowledge sharing, knowledge storing, knowledge transfer and knowledge re-use. Under these twelve practices are used to measure the knowledge management. The knowledge management practices scale developed by Saini (2013) used in this study. Organizational Performance is composed as Dependent Variable and is measured through the questionnaire based on the study of Chen and Liang (2011). It based on Balanced Scorecard Technique of measuring Organizational Performance.

Sampling Design

The top level managers like Chief Executives, Chief Knowledge Officers (CKO), Chief Information Officer (CIO), HR executives and other management experts is the respondents of study. The respondents are asked to rate the statements on a five point rating scale. Data is collected mainly from Gurugram (Gurgaon) district of Haryana as these are the hubs of IT industry.

Tools & Techniques

The collected data analyzed with the help of tools like mean, standard deviation, Z test and Correlation technique. Descriptive statistics like mean used for find out the general agreement of the respondents. Correlation technique used to find out the relationship between knowledge management practices and organizational performance.

Reliability of study

Cronbach's Alpha is used to measure the reliability of the instrument. Alpha value of 0.60 is normally acceptable indicator of internal consistency of an instrument. The alpha value of present study instrument is 0.79 which means consistency of data is good.

Analysis of study

This section showed the analysis results of the study. The variables of Knowledge management practices denoted as KC (Knowledge capturing), KS (Knowledge storing), KSH (Knowledge sharing), KT (Knowledge Transfer) and KR (Knowledge Re-use). The results showed below:

Ranks of Knowledge Management Practices

Table- 1 Knowledge Management Practices

Knowledge Management Practices	Mean	Rank
Knowledge Capturing Practices	4.29	5
Knowledge Sharing Practices	4.30	4
Knowledge Transfer Practices	4.31	3
Knowledge Storing Practices	4.33	1
Knowledge Re-use Practices	4.32	2

Ranks given to knowledge management practices according to their combine mean values. It is cleared from the table that Knowledge storing practices (4.33) are mostly used in Software development (IT) companies in Haryana. Knowledge re-use practices have second rank with mean value (4.32), it is second most used practice in software companies according to this study. Knowledge transfer has the third rank with mean value (4.31), followed by knowledge sharing practices with mean value (4.30) and by knowledge capturing practices with mean value (4.29).

Relationship between KM Practices and Organizational Performance

To study the relationship between KM practices and Organizational performance Pearson Correlation Coefficient method is used. It is a measure of strength of a linear association between variables and denoted by 'r'. It has a value between +1 and -1, where 1 is total positive linear correlation, 0 is no correlation and -1 is total negative correlation. Karl Pearson developed it.

Table - 2 Correlations Analysis

		Knowledge Management Practices	Organizational Performance
Knowledge Management Practices	Pearson Correlation	1	.759**
	Sig. (2-tailed)		.000
Organizational Performance	Pearson Correlation	.759**	1
	Sig. (2-tailed)	.000	

** . Correlation is significant at the 0.01 level (2-tailed).

Table- 2 explains the correlation amongst independent variable (Knowledge Management Practices) and the dependent variable (Organizational Performance).

Correlation of Knowledge management practices and Organizational performance ($r=0.759$, $p=0.000$, $p<.01$) is indicating that there is positive and significant correlation between these two variables. It means that if there is any change in one variable that would impact other variable in same direction. The results showed that Knowledge Management Practices contribute to the organizational performance in IT Sector and vice-versa.

Conclusion

The main aim of the present paper is to investigate the relationship between knowledge management practices and organizational performance of IT sector of Haryana. The study resulted positive and significant impact of knowledge management practices on organizational performance. It concluded that knowledge management plays an important role in improving the organizational performance. Most of the respondents agreed that their organization captured external knowledge from industrial associations, clients, suppliers and competitors. They also agreed that internal knowledge obtained from experienced workers and managers. They discussed the problems, failures, experiences, methods of working and try to avoid making similar mistakes in the future. Thus, knowledge management practices played an important role in growth of the industry.

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