

FACTORS INFLUENCING ON KNOWLEDGE MANAGEMENT PRACTICES OF COMMERCIAL BANKS IN TRINCOMALEE DISTRICT

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ABSTRACT

Organizational survival depends on knowledge management practices which are important to achieve organizational competitive position in the market. This paper intends to explore the factors which influences to obtain proper knowledge management in the banking sector as a research problem. Conceptual framework has been developed with research objectives. Primary data was collected from the employees of Commercial banks in Trincomalee District. Simple random sampling was used to obtain 150 responses from employees. Data were analyzed and evaluated by Univariate, Bivariate and Multivariate techniques. The results revealed that Transformational Leadership, Organization Culture and also Information Technology have the high level of contribution and also knowledge management practices are in high level of commercial banks in Trincomalee District. The results show that there is a positive relationship between the factors and knowledge management practices. This study was found that Organization Culture and Information Technology are significantly influence on the Knowledge Management Practices, and Transformational Leadership is not significantly influence on Knowledge Management Practices. Lastly, the Regression analysis between knowledge management factors and knowledge management practices indicated that 60.2% of total variance of knowledge management practices was explained by knowledge management factors. This show that there are some policies would be developed to enhance the knowledge management practices of banking sector in Trincomalee District.

Keyword: - Transformational Leadership, Organizational Culture, Information Technology, Knowledge Management Practices

1. INTRODUCTION

Banking environment is become as more dynamic and competitive due to continuous and rapid changes in environment as a result of new innovation by information technology. Knowledge management is important to protect organizations and to gain competitive position in the market. According to Conner et al. (1996) and Nickerson et al. (2004), knowledge is become as basic element to develop management to reach the competitive advantage. Knowledge management is process of creating, organizing, spreading knowledge by using different technologies, and creating knowledge sharing culture within the organization (Long, 2000; Desouza, 2003). Organizations are improving their business process by regulating knowledge management practices with business

strategies (Apostolou et al., 1999). Knowledge management is process of sharing the knowledge to connect the people in order to create intellectual asset into greater value for the organization. Most of the companies see knowledge management as critical asset for firm's success (Ibrahim et al., 2006). However, most of Asian countries are not engaged with knowledge management due to their inability to understand well about the concept (Wong and Aspinwall, 2005). This shows that many Asian firms are lacking to knowledge management strategies in their organizations. Companies have to face various problems in the market without knowledge management. Nowadays, people are admitting the practices to use organizational resources properly. Competitive edge can be achieved by managing knowledge of most valuable employees in organization. According to Malhotra (1997), financial resources are not considered as primary resource but knowledge is enclosed in the mind of the human. Lesson was taught to companies the importance of knowledge management after the effects of economic crisis because knowledge resources encourage them to achieve their goals even they lost financial resources. Banking is one of growing sector in Sri Lanka and knowledge management is most significant financial sector because this sector has to face problems in rapidly changing environment. But there is knowledge gap in identifying factors which are influencing on knowledge management.

2. RESEARCH QUESTIONS

- What is the level of transformational leadership of Commercial Banks in Trincomalee District?
- What is the level of organizational culture of Commercial Banks in Trincomalee District?
- What is the level of information technology of Commercial Banks in Trincomalee District?
- What is the level of knowledge management practices of Commercial Banks in Trincomalee District?
- What are the relationship among transformational leadership, organizational culture, information technology and knowledge management practices of Commercial Bank in Trincomalee District?
- Do knowledge management factors (transformational leadership, organizational culture, information technology) influence on the knowledge management practices in Commercial Banks in Trincomalee District?

3. LITERATURE REVIEW

3.1. Knowledge Management

Knowledge management is process of understanding and applying knowledge to provide adequate support to the decision maker to direct the organization (Moss, 1999). Grey (1996) defines it as "collaborative and integrated approach to the creation, capture, organization, access, and use of an enterprise's intellectual assets". According to Dunn and Neumeister (2002), knowledge management is adoption of specific systematic approach to manage knowledge asset of the organization. King (2007) defines knowledge management as "planning, organizing, motivating and controlling of people, processes and systematic in the organization to ensure that its knowledge-related assets are continuously improved and effectively employed". Knowledge management factors consist of transformational leadership, organizational culture, and information technology (Pham, 2010).

3.1.1. Transformational Leadership

Transformational leadership is process of achieving goals by leaders and followers' motivation to proposed change. (Burns, 1978). Transformational leaders influence followers to feel trust, loyalty, and respect and they achieve more than they have expected to do (Yukl, 2006). According to Yukl & Van Fleet (1992), Transformational leaders seek to raise the consciousness of followers by appealing to higher ideals and moral values such as liberty, justice, and equality, peace, not to baser emotions such as fear, greed, jealousy, or hatred. Transformational leadership includes idealized influence, individual consideration, stimulation, and inspirational motivation. Idealized influence is leaders show model to their followers who are respected, admired, and trusted by followers (Northouse, 2001). Individual consideration is that leaders provide individual attention to their followers and leaders listen and share personal concerns to build confidence of followers (Avolio et al. 1991). Stimulation is leaders motivates to be innovative and creative which helps intelligence, rationality, and problem solving (Northouse, 2001; Bass, 1990). Inspirational motivation is leaders motive followers by providing meaning and challenges using language, symbols, and images (Bass, 1997).

3.1.2. Organizational Culture

Organizational culture defines as peoples' values, believes, assumptions, norms which help to perform their daily activities (Hofstede, 1980). Culture play a vital important role in creating, sharing, and using knowledge (De Long and Fahey, 2000). Culture shows the way people want to cooperate with each other to work together and it also shows type of people who fit into the organization (Gupta and Govindarajan, 1998). Mullins (2005) defines culture as "the collection of traditions, values, policies, beliefs, and attitudes that constitute a pervasive context for everything we do and think in an organization. Organizational culture consists of involvement, consistency, adaptability, and mission (Denison, 1990). Involvement defines as participation of organizational members to decision making (Denison, 1990). Consistency is beliefs, values, and expectation which are characterized consistency by organizational members (Denison & Mishra, 1995). Adaptability is organizational ability to behavior, structures, and systems to survive in changing environment (Denison & Mishra, 1995). Mission refers to purpose for which organization exists in the market (Denison & Mishra, 1995).

3.1.3. Information Technology

Information technology makes well administered approach and easiest way to achieve the knowledge management. According to Dougherty (1999), proper utilization of information technology leads to success of knowledge management. Knowledge management practices can be formed as system and it can be stored and shared among the employees (Duke et al., 1999; Bonner, 2000). Information technology includes capturing knowledge and usage of information technology tools. Capturing knowledge is understanding explicit and tacit knowledge through information technology. Usage of information technology consists of quality of information, user satisfaction, usage level, accessibility of information, and efficiency.

4. CONCEPTUAL FRAMEWORK

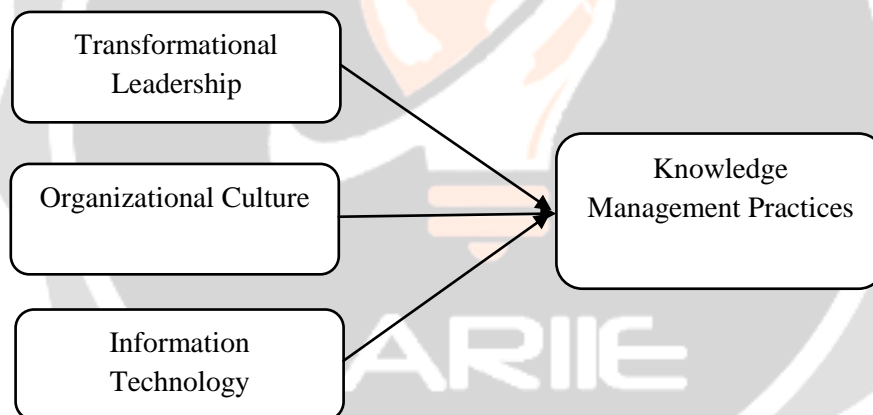


Fig -1: Conceptual Framework

(Developed for research purpose)

5. FINDINGS AND DISCUSSIONS

5.1. Reliability analysis

Table-1: Reliability analysis

Variables	Cronbach's alpha
Transformational Leadership	0.852
Organization Culture	0.877

Information Technology	0.727
Knowledge Management Practices	0.812

According to table 1, cronbach's alpha of all the variables are more than 0.7 therefore all items considered are to be reliable.

5.2. Univariate Analysis

5.2.1. Transformational Leadership

Table - 2: Level of Transformational Leadership

Dimensions	Mean	SD
Idealized influence	3.81	0.559
Inspirational motivation	3.89	0.624
Individualized consideration	3.89	0.623
Intellectual stimulation	3.72	0.618
Transformational leadership	3.83	0.468

(Source: Survey Data)

The variable of Transformational Leadership is high level in Commercial banks in Trincomalee District (Mean= 3.83). In addition, most of the employees have merely same opinion regarding the Transformational Leadership (Standard Deviation=0.468). This result shows that inspirational motivation and individual consideration have high level of attribute on transformational leadership in Commercial banks in Trincomalee District.

5.2.2. Organizational Culture

Table - 3: Level of Organization Culture

Dimensions	Mean	SD
Involvement	3.96	0.697
Consistency	3.71	0.626
Adaptability	4.08	0.616
Mission	3.94	0.577
Organization culture	3.92	0.511

(Source: Survey Data)

The variable of Organization Culture is high level in Commercial banks in Trincomalee District (Mean= 3.92). In addition to this most of the employees have merely same opinion regarding the Organization Culture (Standard Deviation =0.511). This result shows that adaptability and involvement have high level of attribute on organizational culture in Commercial banks in Trincomalee District.

5.2.3. Information Technology

Table - 3: Level of information technology

Dimensions	Mean	SD
Capturing knowledge	3.97	0.511
Usage of Information Technology tools	4.18	0.509
Information Technology	4.08	0.406

(Source: Survey Data)

The variable of Information Technology is high level in Commercial banks Trincomalee District (Mean= 4.08). In addition to this most of the employees have merely same opinion regarding the Information Technology (Standard Deviation =0.406). This result shows that usage of information technology tools has high level of attribute on information technology in Commercial banks in Trincomalee District.

5.2.4. Knowledge Management

Table - 4: Level of knowledge management

Independent Variables	Mean	SD
Transformational Leadership	3.83	0.468
Organization Culture	3.92	0.511
Information Technology	4.08	0.406
Knowledge Management Practices	3.94	0.320

(Source: Survey Data)

Transformational Leadership, Organization Culture and Information Technology mean values are 3.83, 3.92 and 4.08 respectively and overall Factors mean value is 3.94. In addition, most of the respondents have expressed the common opinion toward the independent variables (Standard Deviation is 0.468, 0.511, 0.406 and 0.320). Information technology is high level of attribute of knowledge management of commercial banks in Trincomalee District.

5.3. Bivariate Analysis

5.3.1. Correlation between transformational leadership and knowledge management practices

Table - 5: Correlation between transformational leadership and knowledge management practices

Pearson Correlation	0.212**
Sig. (2-tailed)	0.009

** Correlation is significant at the 0.01 level (2-tailed).
(Source: Survey Data)

Table 5 shows that the Pearson correlation between Transformational Leadership and Knowledge Management Practices is 0.212. It is found as a weak positive correlation between Transformational Leadership and Knowledge Management Practices. The significant value of 0.009 indicates that the relationship is statistically significant.

5.3.2. Correlation between organizational culture and knowledge management practices

Table - 6: Correlation between organizational culture and knowledge management practices

Pearson Correlation	0.429**
Sig. (2-tailed)	0.000

** Correlation is significant at the 0.01 level (2-tailed)
(Source: Survey Data)

Table 6 shows that the Pearson correlation between Organizational Culture and Knowledge Management Practices is 0.429. It is found as a medium positive correlation between Organization Culture and Knowledge Management Practices. The significant value of 0.000 indicates that the relationship is statistically significant.

5.3.3. Correlation between information technology and knowledge management practices

Table - 7: Correlation between information technology and knowledge management practices

Pearson Correlation	0.534**
Sig. (2-tailed)	0.000

** Correlation is significant at the 0.01 level (2-tailed)
(Source: Survey Data)

Table 7 shows that the Pearson correlation between Information Technology and Knowledge Management Practices is 0.534. It is found as a strong positive correlation between Information Technology and Knowledge Management Practices. The significant value of 0.000 indicates that the relationship is statistically significant.

5.4. Regression Analysis

Table - 8: Multiple Regression analysis

	Unstandardized Coefficients		Sig.
	B	Std. Error	
(Constant)	1.127	.368	.003
Transformational Leadership	.098	.063	.122
Organization Culture	.226	.061	.000
Information Technology	.461	.077	.000

a. Dependent variable: Knowledge Management

(Source: Survey Data)

Table 8 shows that organizational culture and informational technology explain variation of 22.6% and 46.1% in knowledge management practices significantly. However, transformational leadership explain variation of 12.2% in knowledge management practices but it is not significant. It can be concluded that information technology and organizational culture have an influence on knowledge management practices of commercial banks in Trincomalee district. In that, information technology has more influence on knowledge management practices. Therefore, commercial banks have to consider more on informational technology and organizational culture to improve the knowledge management practices.

6. CONCLUSION

Human resource is essential for any organization and they need to have certain knowledge management practices. This research focuses on knowledge management factors are at high level in the commercial banks in Trincomalee District. Commercial banks have realized the certain factors which can improve quality of services to customers. Information technology has the highly contributing attribute in commercial bank because it is needed to easy to access the information and appropriate IT tools. Transactional leadership has not contributing on knowledge management practices so management has to adopt transformational leadership to motivate the employees by acting as a role model and giving meaningful challenges. However, commercial banks have high level of knowledge management will improve employees' knowledge, skills, and involvement to achieve the common goals of the organizations. it has been found that knowledge management factors influence on knowledge management practices of the employees in commercial banks in Trincomalee District.

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