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THE IMPACT OF ORGANIZATIONAL CLIMATE ON KNOWLEDGE MANAGEMENT IN BANKING SECTOR OF LAHORE, PAKITSAN

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ABSTRACT: *The objective of this research paper is to find the effect of organizational climate on knowledge management. In this regard, this research has proposed five hypotheses. The results of the study describes that these entire hypothesis are accepted. The research type for this paper is quantitative and for the collection of data questionnaires were used .The sample size for this study was 210 and the population was the banking sector of Lahore (Pakistan). The results shows that organizational climate has a significant relation with knowledge management.*

Key words: Organizational climate, Knowledge management, Banking sector Lahore, Pakistan

1. INTRODUCTION

According to researcher [1] Knowledge is the most valuable asset of companies led to the development on the basis of the knowledge-based theory. In today's increasingly competitive environment, knowledge is broadly recognized as the main source of competitive advantage of organization [2, 3, 4]. Those organizations are successful that can consistently manage and integrate knowledge assets into their day to day operational activities to fulfill their objectives and achieve superior performance of the organization [5, 6]. Knowledge management includes the variety of management concerns from knowledge creation or codification to knowledge application and sharing [7, 8]. Previous researches attempted to focus primarily on the knowledge creation or codification processes in organizations [9, 10, 11]. However, knowledge creation and codification do not have importance to lead performance improvement or value creation [12]. Value is created only when knowledge is shared throughout an organization and applied where it is needed [13, 14, 15]. Therefore, organizational competitive advantages depend not only on knowledge creation but more importantly on knowledge sharing and application [5, 13, 14, 15]. Although the importance of the sharing and application phase of knowledge management in organizations is recognized, it is still least theoretically appeared [16]. Therefore, our study has a primarily focus on the application and sharing phase of knowledge management.

Organizational climate is shared values, beliefs, and work atmospheres that could have significant impacts on the behaviors of employees [17, 18]. Organizational climate has been stated for its possible role in organizational learning [12 and 19] because it may provide supports and incentives to promote interpersonal relationship and communication [20, 21]. Owing to its nature of stickiness, knowledge is too difficult to spread among members within an organization [22, 15, 23]. Moreover, our study has another important factor how organizational climate has a significant impact for knowledge sharing and application and in this regard the researchers have opted the two dimensions of organizational climate.

In the knowledge management literature, little has been done in investigating the role of organizational climate in the process or outcome of the knowledge management. This deficiency is serious because the organizational climate of the workflow is the primary mechanism available to the organization for cooperation and innovation for controlling knowledge management activities. Therefore, current study is an attempt to examine whether organizational climate will directly affect the knowledge management.

Problem Identification:

Knowledge management has become the important topic for the organization. Many organization fails due to lack of proper knowledge management system. Some researchers indicate that the failure rate is 50%, but this number of failure could be increase if the organization would not introduced effective and efficient knowledge management system (Akhavan, Jafari, and Fathian, 2005).

Problem statement:

Pakistan is developing country and facing numerous challenges. So in this regard our study will provide the best solution for economic development and growth for the banking sector of Pakistan.

Objective of the Study:

The main objective of the current study is to check impact of organizational climate (cooperative and innovative climate) on knowledge management (knowledge sharing and knowledge application).

2. LITERATURE REVIEW

Organizational climate

Organizational climate defines to common practices, shared beliefs, and value systems that an organization follows [24, 18]. For the individual members within the organization, climate describe the overall pattern of organizational activities [21]. Organizational climate plays an essential role in shaping employees' behaviors and influencing their perception of knowledge management [7, 17, 25]. One of the key to remain competitive advantage for organizations is to foster the continuously innovative atmosphere to set in motion in its internal processes, procedures, and capabilities [26]. Firms can encourage employees to think freely, to communicate their opinions and ideas openly, and to explore non-routine alternatives through formulating an innovative climate [27, 21, 28]. Under an innovative climate, when team

members encounter certain project dilemmas, they may participate aggressively in their work teams and interact with each other to find out appropriate solutions [20]. When firms possess a higher level of innovative climate, employees are more inclined to increasing interaction to exchange and share knowledge for creative thoughts [27, 28]. When insightful and innovative ideas occur to individuals, cooperation between individuals typically plays a critical role in developing these ideas [21, 25]. Effective collaboration in the use of information is one of principal source of competitive advantage [29, 4].New organizational knowledge initially generated by the individual is developed through the communities of interaction [30] When cooperative climate exists in companies, members of a group are more inclined to working together to share and develop tacit knowledge and try to promote each other's performance and learning [31]. In other words, firms can enhance individuals' willingness to interact with others by nurturing a cooperative climate. When employees perceive a higher degree of cooperative atmosphere inside the organization, they will be more likely to build up the interactive relationships with other members. If the organization possesses a strong innovative and cooperative climate, knowledge will be easily share and apply. Conversely, if the innovative and cooperative climate is relatively weak or inexistent, then firm cannot share and apply knowledge properly.

Knowledge Management:

Knowledge management refers to identifying and leveraging the individual and collective knowledge in an organization to support the organization in becoming more competitive" [32]. Along with knowledge creation and knowledge storing, knowledge sharing represents another important KM process which has been discussed extensively in the literature. It is not enough to create knowledge, there must be an intention to use and share it [33, 34, 35] believe that knowledge transfer requires the willingness of a group or individual to work with others and share knowledge to their mutual benefit. Without sharing, it is almost impossible for knowledge to be transferred to another person or group. Knowledge transfer can only take place in an organization where its employees display a high-level of co-operative behavior [36]. According to [37] knowledge transfer involves two actions which are a) the transmission (sending or presenting knowledge to a potential recipient) and b) the absorption by that person or group. They further stress that transmission and absorption together have no value unless they lead to some change in behavior, or the development of some idea that leads to new behavior [37]. Knowledge does not flow automatically through organizations. Indeed, people's time and energy is limited and they will choose to do what will give them the best return given their scarce resources [37]. Broad explanations about why individuals and organizations share knowledge are that knowledge sharing reduces uncertainty [38 and 39] turns individual learning into organizational learning [40], prevents reinventing the wheel [41] or/and creates shared understanding [42]. According to [43] found through their research that knowledge sharing is the result of information search and problem solving in situations, where people must solve complex problems with short time horizons. The last of the four main KM processes identified through the literature and to be discussed is knowledge application. The assumption that the source of competitive advantage resides in the application of the knowledge rather than the knowledge itself, is an important aspect of the knowledge-based theory of the firm [12 and 13]. According to [13] identifies three key mechanisms for the integration of knowledge in order to create organizational capability [12]: a) Directives refer to a specific set of rules, standards, procedures and instructions developed through the conversation of specialist's tacit knowledge to explicit and integrated knowledge for efficient communication to non-specialists. b) Organizational routines refer to the development of tasks performance and coordination patterns, interaction protocols, and process specifications that allow individuals to apply and integrate their specialized knowledge without the need to articulate and communicate what they know to others. c) Self-contained task teams are formed for problem solving in situations in which task uncertainty and complexity prevent specifications of directives and organizational routines. While knowledge creation, storage and transfer do not necessarily lead to enhanced organizational performance; effective knowledge application does because organizational performance often depends more on the ability to turn knowledge into effective action and less on knowledge itself [12].

3. HYPOTHEIZED RESEARCH MODEL

As Organizational climate (cooperative and innovative climate) are the good predictors of Knowledge management (knowledge sharing and application). On the basis of above discussion, this study has proposed following hypotheses.

Hypothesis:

There is positive impact of organizational climate on knowledge management [7]. On the basis of this fact current research has proposed the following hypothesis.

H_1: The effect of organizational climate on knowledge management is positive.

From the best of researcher knowledge, the relationship between the dimension of organizational climate and knowledge management was not proposed in pervious study. So, in this article researchers will find out the relationship between the dimension of organizational climate (innovative climate, cooperative climate) and knowledge management (knowledge sharing and knowledge application). Researchers has proposed the following hypothesis in this regard:

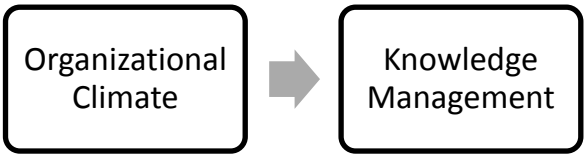
H_2: Cooperative climate has a positive impact on knowledge sharing.

H_3: Cooperative climate has a positive impact on knowledge application.

H_4: Innovative climate has a positive impact on knowledge sharing.

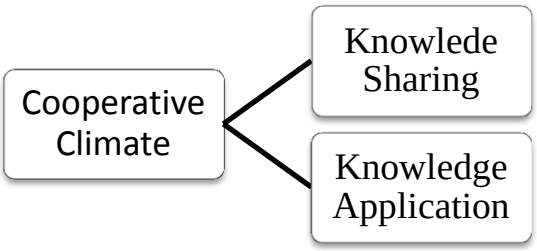
H_5: Innovative climate has a positive impact on knowledge application.

Research Model 1

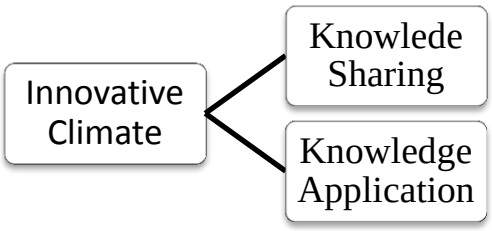


Independent Variables **Dependent Variable**

Research Model 2



Research Model 3



4. METHODOLOGY

Data Collection

The present study involved three variables:

- The independent variables in the study is organizational climate.
- The dependent variables is knowledge management.

The research paper is carried out in the banking sector of Lahore, Pakistan. Selected banks in this study has a strong position in market.

Sampling Procedure:

The research paper uses the simple random sampling technique to collect the data from the targeted Sector. A total of 210 responses were collected from targeted banks and actually 240 were distributed and response was 88%. This study used scale of 10 statements and responses were collected at 5 points Likert scale and reliability of the statements was 0.885.

Scale for Measurement

To measure the said concept, as a readymade instrument has been adopted. The items of knowledge sharing are three and knowledge application are two from the instrument developed by researchers [46, 47]. Based on the work of researchers [48}, two dimensions of organizational climate including innovative climate and cooperative climate has been taken and the number of item scale in innovative climate are three and cooperative climate are two.

Table No1:

Reliability Statistics

Cronbach's Alpha	N of Items
.885	10

The data was analyzed by using Statistical Package software for Social Science (SPSS) and other tests of the study were correlation and regression. Correlation was used to find out the relationship between variables. The method of regression was used to test the hypothesis and find out the results for the research. The results for the analysis are mentioned below.

Correlation Analysis

Table describes that organizational climate, innovative climate, cooperative climate, knowledge management, knowledge sharing and knowledge applications are positively correlated with each other's. All the variables are positively correlates with each other's. There is strong correlation between OC and KM. IC and CC has a weak relationship with KA and similarly IC and CC also has a weak relationship with KS because values is less than 0.50.

Table No.2 A

	OC	KM
OC	1	
KM	.525(**)	1

In Table 2A and 2B, it can be seen from the results of analysis carried out in SPSS that r=0.525 this shows that there is a strong relationship between the independent and dependent variables i.e. Knowledge management and organizational climate.

Table No.2 B

	IC	CC	KA	KS
IC	1			
CC	.583(**)	1		
KA	.466(**)	.459(**)	1	
KS	.392(**)	.300(**)	.487(**)	1

Regression Analysis

H_1: The impact of organizational climate on knowledge management is significant.

Table 3

	B	T	P
(Constant)	1.827	9.179	0.000
OC	.503	8.897	0.000
R Square	.276		
F	79.160		0.000

Table No.3 indicates that value of β is showing 50.3%. This shows that one unit change in organizational climate (OC) will change the level of knowledge management (KM) up to 50.3%.

Table 4

	B	T	P
(Constant)	2.422	9.999	0.000
CC	.298	4.536	0.000
R Square	.090		
F	20.573		0.000

Therefore, it can be concluded that organizational climate highly effect on knowledge management. The P value of the results is 0.000 which is less than 0.01 thus proposed hypothesis is accepted.

H_2: Cooperative climate has a positive impact on knowledge sharing.

Table No.4 indicates that value of β is showing 29.8%. This shows that one unit change in cooperative climate (CC) will change the level of knowledge sharing (KS) up to 29.8%. Therefore it can be concluded that cooperative climate highly effect on knowledge sharing. The P value of the results is 0.000 which is less than 0.01 thus proposed hypothesis is accepted.

H_3: Cooperative climate has a positive impact on knowledge application.

Table 5

	B	T	P
(Constant)	2.046	9.379	0.000
CC	.441	7.448	0.000
R Square	.211		
F	55.496		0.000

Table No.5 indicates that value of β is showing 44.1%. This shows that one unit change in cooperative climate (CC) will change the level of knowledge application (KA) up to 44.1%. Therefore it can be concluded that cooperative climate highly effect on knowledge application. The P value of the results is 0.000 which is less than 0.01 thus proposed hypothesis is accepted.

H_4: Innovative climate has a positive impact on knowledge sharing.

Table 6

	B	T	P
(Constant)	2.177	9.888	0.000
IC	.398	6.147	0.000
R Square	.154		
F	37.785		0.000

Table No.6 indicates that value of β is showing 39.8%. This shows that one unit change in innovative climate (IC) will change the level of knowledge sharing (KS) up to 39.8%. Therefore it can be concluded that innovative climate highly effect on knowledge application. The P value of the results is 0.000 which is less than 0.01 thus proposed hypothesis is accepted.

H_5: Innovative climate has a positive impact on knowledge application.

Table 7

	B	T	P
(Constant)	2.119	10.348	0.000
IC	.457	7.587	0.000
R Square	.217		
F	57.563		0.000

Table No.7 indicates that value of β is showing 45.7%. This shows that one unit change in innovative climate (IC) will change the level of knowledge application (KA) up to 45.7%. Therefore it can be concluded that innovative climate highly effect on knowledge application. The P value of the results is 0.000 which is less than 0.01 thus proposed hypothesis is accepted.

5. CONCLUSION & DISCUSSION

Outcomes of current research have proved that organizational climate; innovative climate and cooperative climate are the critical predictors of knowledge management; knowledge sharing and knowledge application. Banking sector of Lahore, Pakistan should articulate the stable strategies regarding these variables. Innovative and cooperative climate has positive impact on knowledge application. Moreover, Innovative and cooperative climate has also strong impact on knowledge sharing. Banking sector of Lahore, Pakistan should make better policies about organizational climate for the enhancement of knowledge sharing and application.

Limitations:

The paper studies the effects of organizational climate on knowledge management, which is a wide topic. However due to shortage of budget the sample of the paper is kept low and only few banks were taken into account and the numbers of questionnaire were limited. Also the results from the research paper are limited to the banking sector of Lahore, Pakistan only so the ability of generalization of this research paper is limited. It is recommended that a bigger sample size, with a wider area of research include more banks and other sectors specially education sectors for the next research to make the results more generalized.

RECOMMENDATIONS:

From the research paper it is recommended that banking sectors should pursue to invest in organizational climate and knowledge management system and properly trained to their employees which will help them not only create cooperative climate for knowledge sharing and application but also maintain their core competences and also enhance their productivity and level of performance in their organization.

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