

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

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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. 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 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

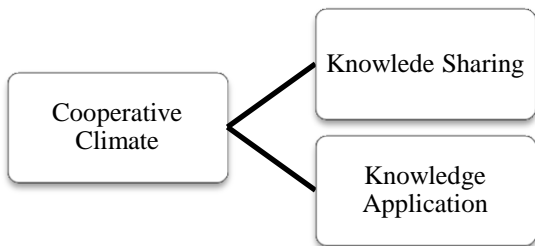
The main objective of the current study is to check impact of organizational climate (cooperative and innovative climate) on knowledge management (knowledge sharing and knowledge application).

2. LITERATURE REVIEW

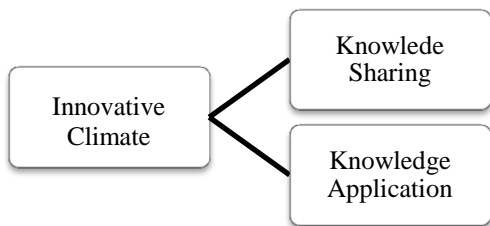
Organizational climate

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

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 No. 01

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

In Table 2(A), 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 (A)

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

Table 2(B) 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 (B)

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

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

H₁: 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 ²	.276		
F	79.160		0.000

***Significant at the 0.01 level. **Significant at the 0.05 level. *Significant at the 0.10 level.

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%.

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.

H₂: Cooperative climate has a positive impact on knowledge sharing.

Table 4

	B	t	p
(Constant)	2.422	9.999	0.000
CC	.298	4.536	0.000
R ²	.090		
F	20.573		0.000

***Significant at the 0.01 level. **Significant at the 0.05 level. *Significant at the 0.10 level.

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.

H₃: Cooperative climate has a positive impact on knowledge application.

Table 5

	B	t	p
(Constant)	2.046	9.379	0.000
OC	.441	7.448	0.000
R ²	.211		
F	55.496		0.000

***Significant at the 0.01 level. **Significant at the 0.05 level. *Significant at the 0.10 level.

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.

H₄: Innovative climate has a positive impact on knowledge sharing.

Table 6

	B	t	p
(Constant)	2.177	9.888	0.000
OC	.398	6.147	0.000
R ²	.154		
F	37.785		0.000

***Significant at the 0.01 level. **Significant at the 0.05 level. *Significant at the 0.10 level.

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.

H₅: Innovative climate has a positive impact on knowledge application.

Table 7

	B	t	p
(Constant)	2.119	10.348	0.000
CC	.457	7.587	0.000
R ²	.217		
F	57.563		0.000

***Significant at the 0.01 level. **Significant at the 0.05 level. *Significant at the 0.10 level.

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 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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