

Knowledge Management: Tool for Enhancing HRM Practices and Organizational Innovation

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Abstract

Knowledge management (KM) is the process of creating, utilizing, sharing, storing and reuse of knowledge for making better organizational decisions due to the availability of relevant knowledge. The proper management of knowledge and proper utilization of human capital helps in creating innovation for running any successful business. Well-structured and well-managed knowledge and knowledge-based human capital leads to innovation that is more constructive. The research proposed in this paper signifies the effects of knowledge management on HRM practices and organizational innovations in different multinationals. To perform this research, a Questionnaire was prepared to collect primary data from 200 employees working at different public and private banks. Different analysis were performed like: The Co-relation was applied to find the effects of how much knowledge management enhances HRM practices and helps in bringing organizational innovation in public and private banks in Pakistan. T-test using two variables i.e. (1) Categorical, which was 'Organization' and (2) Continuous variable, 'Knowledge' were also used to find the same impact, and it was found that, there is not much significant difference of knowledge management in public and private organizations. The correlation analysis was also performed, and results clearly suggest that a positive relationship exists between knowledge management and HRM practices, which directly enhances HRM practices and organizational innovations.

Keywords: Knowledge Management, Human Resource Management, Organizational Innovation.

Introduction

Knowledge Management (KM) is an umbrella term with the diversity of mutually supporting functions that includes knowledge creation, knowledge mapping, knowledge transport, and knowledge sharing and knowledge storage. KM has the capacity to focus on people and technology to bring advancement and improvement in the business's structure and its functions (Sveiby, 1997). According to Tan & Nasuridin (2011), knowledge management is an important approach in maintaining organization culture, its structure and effectiveness. In organizations, people possess the knowledge, skills and abilities but lacks tools and apparatuses to use that knowledge properly by applying different knowledge management tools for effectively using the effective human capital that will ultimately lead to innovative performance and create competitive advantage in multinational organizations. According to (Ruggles, 1998), knowledge management is an effective process of creating, leveraging and sharing the desired knowledge

and capabilities present in human minds. For any successful organization or business, innovation is considered as an essential element that involves new inventions and discoveries to get new products, systems and procedures (Gloet & Terziowski, 2004).

Types of knowledge

There are two types of knowledge found in organizations:

1. Tacit knowledge
2. Explicit knowledge

Tacit knowledge

This type of knowledge is actually personal, situational and eventually linked with the person who holds the knowledge. Therefore this type of knowledge is complicated to transfer, formalize and manuscript to the others (Edvardson, 2003). According to the serban and laun (2002), tacit knowledge is created with the personal experience and past history. One can share the tacit knowledge only with the help of good communication and interpersonal skills (Muhammad et. al, 2015).

Explicit knowledge

In contradictory to the tacit knowledge, explicit knowledge is considered to be ceremonial and objective and can be expressed in words, figures and measurement. This type of knowledge is easy to transfer from the person who holds the knowledge to the person who demands it with formal and informal techniques and sources and therefore can easily store and saved in documents and files (Edvardson, 2003). According to the Serban and Laun (2002), sources of explicit knowledge can be manuals, policies, procedures, reports, databases etc. Further classification of knowledge management activities and their measures as suggested by (Allee, 1997) are:

- Knowledge creation
- Knowledge retention
- Knowledge sharing
- Knowledge innovation

The research proposed in this paper assesses the level of Knowledge management in public and private banks in Pakistan including public banks like (NBP, Sindh Bank, First Women Bank Limited etc.) and private banks (Habib Bank, Sonehri Bank, UBL) were selected as the sample for this research. Employees of both genders-officers and non-officers- were selected for assessing the effect of knowledge management on HRM practices and organizational innovation.

The purpose and significance of knowledge management

The basic purpose of knowledge management is to transfer and deliver the knowledge from those who have to those who need it in order to increase the organizational performance. In today's information based economy, knowledge is an essential source for competitiveness rather than physical assets and financial resources. If multinationals effectively use and transfer the knowledge across their organizations it would be source of competitive advantage for the organization, as people and their knowledge can be helpful in creating value of their business firms rather its position in the market (Armstrong, 2006).

Human Resource Management Goals

HRM systems are helpful in producing organizational capabilities to attain new challenges and provide solutions to achieve those challenges and objectives. HRM processes helps to

accomplish human capital goals effectively and efficiently (Armstrong, 2003). The specific goals of HRM are as follows:

Achieving High Performance through People

The fundamental goal of the HRM is to contribute in achieving organizations goals and attainments of organizational performance (Armstrong, 2003). To mark out the advantages of a good human resource management, business firms and multinationals will have effective, proficient and skillful people working under useful processes to accomplish organizational objectives. Human resources also helps organizations to make sure that all resources available are properly utilized and their utilization is maximized to a level that helps to create and accomplish core competencies and distinctive features from the organization's competitors. It is basic sources to compete with other rivals through creating uniqueness with the help of effective human resources (Capelli and Crocker-Hefter, 1996).

Enhancing motivation, commitment and job engagement

This is another important goal of human resource management. It increases the motivation and performance of the employees and makes efforts to retain the talented and intellectual employees in the organizations. Purcell (2003) highlights that, enhancing motivation, commitment and job engagement helps employees make better decisions while working in their respective positions. Where as in discretionary behaviors, people usually work at their own to achieve their personal and organizational objectives based on their personal choices built according to their own interests, care, newness and productive behavior of their jobs (Mohammed et. al., 2015).

Innovation

For any successful organization or business, innovation is considered as essential component (Bagno et. al., 2017). By generating innovative ideas and creating an environment where people and employees suggest different innovative notions and thoughts helps in building the capacity and aptitude towards enhancing business's performance, create competitive advantage, adding more value to the business and plays an important role in problem solving (Shila & Choi, 2015). Innovation helps the organization to bring newness in its structure, processes and products. Innovations involves new inventions and discoveries resulting in getting new products, systems and procedures (Gloet & Terziovski, 2004).

Organizational innovation

Organizational innovation is the process of bringing innovation and newness in the existing structures, processes and products or creating new product, new ideas and new behaviors in the organization (Damanpour & Gopalakrishnan, 2001). In organization, people possess the knowledge, skills and abilities that need to be properly utilized using knowledge management tools so that the organization can fully utilize its effective human capital that will ultimately lead to innovative performance and create competitive advantage. According to the Chaung (2005), organizational innovation is categorized in two distinctive aspects:

- 1) Width of innovation: It involves processes, products, services, policies, procedures, systems etc.
- 2) Deepness of innovation: It includes the effect of innovation on long-term profitability, the degree of influence, importance of innovation etc.

Related Work

Davoudi & Kaur (2012), conducted research on "The mutual linkage between human resource management and knowledge management". The objective of this study was to highlight the linkage between human resource management and knowledge management. The researcher used

a proposed model to clarify the relationship between HRM and knowledge management and took support from relevant literature about knowledge management and human resource management and their influence on each other. This study shows the results that effective combination of HRM and KM leads to firm's superior performance and organizational higher outcomes

Jergensen et.al. (2011) conducted research on Human Resource Management and Innovation: What are Knowledge Intensive Firms Doing? The main objective of this study was to explore the influence of effective human resource management on innovation capacity and identify the impact of how HRM practices become considerable issue for sustained innovative competence of the firms. In this study, the researcher focus on shifting the trend of traditional production companies into knowledge-intensive firms (KIFs). The researcher collect the information from several literatures related to HRM and innovation in KIFs and collect data from case studies of Denmark and Australia companies accepted as most admirable in innovation. The results generated were based on case studies regarding the role of HRM in KIFs. The researcher concluded that, there is a wide difference of HRM practices between the traditional manufacturing companies and knowledge-intensive firms especially in term of employment practices.

Tan & Nasurdin (2011) conducted research on "Human Resource Management Practices and Organizational Innovation: Assessing the Mediating Role of Knowledge Management Effectiveness". The objective of the study was to convert business model from labor-intensive to knowledge intensive in order to create more value added activities. Author fills the gap between knowledge management and human resource management practices by bringing organizational innovation. Author collected data from 171 large manufacturing firms in Malaysia. By using regression techniques, the researcher finding indicates the positive relation between HRM practices which includes: (recruitment of new personnel, performance appraisal of employees, career management, training and development, reward and payroll system etc.) and organizational innovation that involve: (product innovation, process innovation, and administrative innovation) author also finds a direct relation of knowledge management with organizational innovation

Donate & Guadamillas (2011), conducted research on "Organizational factors to support knowledge management and innovation". The main objective of this study was to analyze the how knowledge exploration and exploitation practices and innovation influenced by organizational factors such as human resource (HR) practices, leadership and cultural values via an empirical study. The researcher choose 111 Spanish innovative companies and industries, collected data from these companies, and statistically tested the samples using appropriate tools. The authors also conducted surveys for gathering data related to knowledge management and organizational factors in the firms and find out the cause of knowledge based culture, knowledge based leadership and knowledge oriented HR practices on the knowledge searching and utilization practices and outcomes through innovation in the companies. The researchers concluded that managers should place a great emphasis on knowledge examination and utilization practices with effective organizational factors to bring constructive innovation in the organization.

Santana & Sierra (2010) conducted a research on "Managing Knowledge through Human Resource Practices": Empirical Examination on the Spanish automotive Industry. The main objective was to explore the link between HRM practices and KM practices and identify the ways in which HRM practices shows their impact on human capital abilities, skills, motivation and opportunities to involve in knowledge management activities (knowledge creating,

knowledge sharing, knowledge maintaining and knowledge transferring mechanism) within the organization). The results generated show that effective sharing and maintaining the knowledge plays a mediating role between HRM practices and knowledge formation.

Hypotheses

Following hypothesis were drafted to test the level of knowledge management across different banks and how it enhances the overall HRM practices.

H1: Private Banks act upon knowledge management more than public banks.

H2: Knowledge management enhances HRM practices.

H3: Knowledge management brings organizational innovation

Research Technique and Tools

For this research Independent Samples T-test was used to compare the mean score for two groups of subjects - private and public- categorical variable i.e. organization. The continuous variable for this test was knowledge management. Correlation was used in this research to find out the correlation between two variables. Here the two continuous variables were knowledge management and HRM practices. Correlation was also used in this research to find out the correlation between two continuous variables. Here the two continuous variables were knowledge management and organizational innovation.

The study used the primary source to collect the data and the instrument that was used to collect the primary data was questionnaire and the questionnaire consists of close ended questions. Which further classified into categorical and continuous variables. Sampling techniques are of two types: probability sampling which is also known as representative sampling and other one is non probability sampling which is also called judgmental sampling. Random sampling is the basic form of sampling and it is the best practice that is used for probability sampling, because it is a controlled method that assumes that each element in the given population has equal opportunity to be selected therefore every element has a non-zero chance of selection (Corbett et.al., 2014). In contrast to the probability sampling, non-probability is “a non-random”, which means there is not equal chance of selection for every element in the population therefore each member in the population does not have a non-zero chance of being selected (Emory, 1980). There are four types of probability sampling, which are simple random sampling, systematic sampling, cluster or group sampling and stratified methods of sampling, whereas purposive, self-selection, convenience and quota are the major types that are used for the collection of non-probability samples (Mark et al., 2007).

Total sample size for this research was 200. A sample size for public banks was 100. Out of which 70 were males and 30 were females and the sample size for private banks was 100. Which is further divided into 75 males and 25 females. For collection of data sampling-probability or representative sampling was used for this research. From probability sampling, Stratified method was used for collecting of data. Stratified sampling is a modification of random sampling in which the whole population is divided into two or more strata and then from each stratum a random sample is drawn. Data was collected for this research from private and public banks in Pakistan. Likert scale was used for this study, which was used for the measurement of the tendencies of the respondents about Knowledge management, HRM practices and organizational innovation. This scale is majorly used in social sciences (Chen & Huang (2009).

Research Analysis and Results

Analyzing private banks act upon knowledge management more than public banks

Analyzing private banks act upon knowledge management more than public banks was evaluated through Independent-samples t-test. Two variables were required for this test, one categorical and other continuous. The categorical variable used was organization (private and public) and continuous variable used was knowledge management.

Table 1: Group statistics for the level of knowledge management

Group Statistics					
	Organization	N	Mean	Std. Deviation	Std. Error Mean
Total Know Mgt	Public	100	23.73	4.451	.445
	Private	99	23.86	4.076	.410

Table 1 for independent sample t test shows that mean and standard deviation of public and private organization. In the above table N indicates the number of employees of public and private organizations. Here 99 employees were from private organization and 100 were from public organization.

Table 2: Independent samples Test for the level of knowledge management

Tangible Rewards	Leven's test for equality of variances		T-test for equality of means						
	F	Sig.	t	Df	Sig. (2-tailed)	Mean Difference	Std .error difference	95% confidence interval of the Difference	
								Lower	Upper
Equal variance assumed	.673	.413	-.212	197	.832	-.129	.605	-1.322	1.065
Equal variances not assumed			-.213	195.813	.832	-.129	.605	-1.322	1.064

Table 2 Leven's test show significant level of 0.413, which means the condition of equal variances has been violated because it is more than the cut out of .05. Significant value (2-tailed) is 0.832. Significant value (2-tailed) was chosen because the assumption of equal variance has been violated. As the significant value (2-tailed) is more than the cut out of .05 (.832) therefore

there was not a significant difference in the mean score of private and public organization. An independent-sample test was conducted to compare the knowledge management scores for Private and Public organization. There was not a significant difference in scores for private banks (M= 23.86, SD= 4.076) and public banks (M=23.73, SD=4.41); P=0.832 (two-tailed). Therefore it was proved that there is no significant difference in the level of knowledge management in public and private organization.

Knowledge Management Enhances HRM Practices

Knowledge management enhances HRM practices were tested through correlation. For correlation two continuous variable were required here those are knowledge management and HRM practices.

Table 3: Descriptive statistics for Knowledge management and HRM practices

	Mean	Std. Deviation	N
Total Know Mgt	23.79	4.248	200
Total HRM Practices	45.42	9.573	200

Table 4: Correlations for Knowledge management and HRM practices

		Total Know Mgt	Total HRM Practices
Total Know Mgt	Pearson Correlation	1	.547**
	Sig. (2-tailed)		.000
	N	200	200
Total HRM Practices	Pearson Correlation	.547**	1
	Sig. (2-tailed)	.000	
	N	200	200
**. Correlation is significant at the 0.01 level (2-tailed).			

Tables 3 & 4 clearly show the mean, standard deviation and number of employees from private and public organizations. In table-4 the correlation is .547 that means both the continuous variables are positively related with the strength of 0.54 that proves Knowledge management enhances HRM practices.

Knowledge Management brings Organizational Innovation

Table 5: Descriptive statistics for knowledge management and organizational innovation

	Mean	Std. Deviation	N
Total Know Mgt	23.79	4.248	200
Total Org Innovation	25.07	5.009	200

Table 6: Correlations for Knowledge management and HRM practices

Correlations			
		Total Know Mgt	Total Org Innovation
Total Know Mgt	Pearson Correlation	1	.519**
	Sig. (2-tailed)		.000
	N	200	200
Total Org Innovation	Pearson Correlation	.519**	1
	Sig. (2-tailed)	.000	
	N	200	200

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

Tables 5 & 6 show the mean, standard deviation and number of employees from private and public organizations. In table-4 the correlation is 0.519 that means both the continuous variables are positively related with the strength of 0.51 that proves that Knowledge management brings organizational innovation.

Conclusion

Hypothesis inferred that "knowledge management is more in private sector than public sector." This hypothesis was tested through independent sample t test. The results of this test showed that the private organization have mean and standard deviation (M= 23.86, SD= 4.076) that was slightly higher than the mean and standard deviation of public organization (M=23.73, SD= 4.451). It proved that the level of knowledge management is almost equals in both public and private sectors. Hence we accept the null hypothesis and reject the alternative hypothesis.

H₀: knowledge management is not more in private organization than public.

H_A: knowledge management is more in private organization than public.

The other hypothesis inferred that "knowledge management enhances HRM practices." Correlation was used to test this hypothesis. The result showed that knowledge management and HRM practices have positive relation with strength of 0.547. It proves that if knowledge management increased then HRM practices will also increase. Hence knowledge management enhances the HRM practices so we accept the alternative hypothesis and reject the null hypothesis.

H₀: knowledge management does not enhance HRM practices.

H_A: knowledge management enhances HRM practices.

The last hypothesis inferred that "knowledge management brings organizational innovation". This hypothesis was tested through correlation. The result showed that knowledge management and organizational innovation have positive relation with strength of 0.519. It proves that if

knowledge management increased then organizational innovation will also increase. Hence knowledge management brings organizational innovation so we accept the alternative hypothesis and reject the null hypothesis.

H_0 : knowledge management does not bring organizational innovation.

H_A : knowledge management brings organizational innovation.

The research proposed in the study reveals that there is the positive effect of knowledge management on public and private organizations. This study showed that the knowledge management is an important tool for enhancing the performance in the organization; therefore it should be applied in all organizations at all levels. The results of this research showed the positive relationship between the knowledge management and HRM practices and also between knowledge management and organizational innovation. This study showed that the knowledge management is an important tool for enhancing HRM practices and organizational innovation in public and private banks in Pakistan.

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