



IMPACT OF KNOWLEDGE MANAGEMENT ON ORGANIZATIONAL PERFORMANCE: EVIDENCE FROM FIRST BANK PLC, MAKURDI-Nigeria

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Abstract

Specifically the study examined the effect of knowledge creation, knowledge acquisition and knowledge sharing on the performance of Nigerian banking sector. The study focused on First Bank of Nigeria operating in Makurdi metropolis. A survey design was used for this study, a sample of 114 was arrived at using Yaro Yanene's formula while the main instrument for data collection was questionnaire Cronbach Alpha was used for reliability of instrument and factor analysis was employed to test the validity of the instrument. Quantitative data were analyzed and summarized using mean, standard deviation, frequencies and percentage while regression analysis was used to test the hypotheses based on t-statistics with the aid of Statistical Package for Social Sciences (SPSS 21). The finding of the study revealed that knowledge creation, knowledge acquisition and knowledge sharing have significant effect on the performance of the banking sub-sector. The study concludes that knowledge management is pertinent to enhance organizational performance.

Key words: *Knowledge Management, Knowledge Creation, Knowledge sharing and organizational performance.*

INTRODUCTION

In the present information and knowledge era, knowledge has become a key resource that drives organizational performance. Faced with competition and increasing dynamic environment, organizations are beginning to realize that there is a vast and largely untapped asset diffused around the organization. (Gupta, 2012). Nonak (1994) defines knowledge as a justified belief that increases an entity's capacity for effective action. The author further divides knowledge into tacit and explicit knowledge. Tacit knowledge focuses on the organization of a person, which comes from experience that is shaped by the beliefs and values of the person, while explicit knowledge is a representation of tacit knowledge in the form of an "artifact". An artifact can be a document, an image or a video. The attention and importance given to the acquisition of knowledge in literature as well as practice in recent years is also of necessity due to changes in the environment such as increasing globalization of competition, speed of information and knowledge aging, dynamics of both product and process innovations, and competition through buyer markets (Greiner, Bo'hmann and Kremar, 2007). In a knowledge based economy, knowledge management (km) is increasingly viewed as critical to organizational effectiveness and performance (Bosua and Venkitachchalem, 2013).

The resource-based view of the firm suggests that therefore, that organizations will need to be able to combine distinctive, sustainable, and superior assets, including sources of knowledge and information, with complementary competencies leadership and human resource management and development to fully realize the potential value of their knowledge. Organizations have a wealth of knowledge which, is embedded in people's head, work practices, and system. The challenge for organization is to be able to capture that knowledge and to leverage it throughout the organization. This challenge has driven organizations to codify knowledge. Codification here describes the process of converting knowledge into a form which is accessible, easy to find, and portable.

In summary form, banking sector is an inherently stressful profession with long working hours, staff competition, ethical dilemmas, regulatory bottlenecks and difficult customers (Iwouji, 2012). Sharma et al (2010) also opine that people in human resource services profession, such as banking are often required to spend considerable time in intense involvement with other people and when knowledge management is not effective, the employees may become more ambiguous, dissatisfied and frustrated, leading to poor absenteeism, poor delivery of services and

organizational performance. The main objective of this study therefore is to assess the effect of knowledge management relationship on organizational performance outcome in the banking subsector where the employee relations climate is considered to be critical to the delivery of a high quality services.

From the above objective, we generate the following research questions:

- (1) What is the effect of knowledge creation on organizational performance in the Nigerian service industry?
- (2) What is the effect of knowledge acquisition on organization performance in the Nigerian service industry?
- (3) What is the effect of knowledge sharing on organizational performance in the Nigerian service industry?

Classification of Basic Operational Terms

To avoid confusion and misinterpretation, three concepts are define here:

Knowledge Management – is a deliberate effort by institutions to develop employees’ abilities and skills through identifying, sharing and saving of knowledge for a better performance.

Knowledge Creation – indicates the organizations ability to identify information need in a scientific manner.

Knowledge Acquisition – is the organization’s ability to acquire knowledge, store and keep it in order to use it.

REVIEW OF LITERATURE

The term “knowledge” falls among those concepts that have no single universally accepted definition. In most cases, societies define knowledge according to their needs or aspirations. However, there is consensus that it has to do with good, valued and cherished activity. Thus, knowledge is an interpretation of information to improve the understanding of purpose and can be use for solving problem and wisdom includes the new activity to achieve purpose (Alryalat and Alhawari, 2008).

From the above, we shall consider the three dimensions of knowledge management – knowledge creation, knowledge sharing and knowledge acquisition.

Knowledge Creation

This type of knowledge dimension refers to the organization's ability to identify information needs in a scientific manner. This form of knowledge involves conducting research activities in order to discover the knowledge in an organization, exploiting past experiences in the organization to discover new knowledge, creating new knowledge through the continuous learning in the organization, preparing an appropriate culture and system in order to create new knowledge in the organization, developing systematic knowledge in the organization through combining explicit knowledge of people in the organization, developing sympathetic knowledge in the organization through socialization with other people in the organization, developing new ways for doing work task within the organization. Others include, referring to external consulting firms in order to discover new knowledge and new ways of doing work, etc (Chong and Choi, 2005). According to Olwes and Kandadi (2006) knowledge creation enables an organization to create a way of life that motivate people to share and utilize knowledge for the benefit and enduring success of the organization. Equally, it enables organization to work as a team and save time, resources and human energy. The capacity of organizations to innovate lies in their capacity to generate new knowledge.

Knowledge Acquisition

The term refers to the process of extracting, structuring and organizing knowledge from human experts so that it can be captured and transferred into machine in readable form for future reference. The acquisition of knowledge could come from schools, research and teaching or through other formal or informal means. Other methods of knowledge acquisition may include, brainstorming, mentoring, apprenticeship, off-the job and classroom training which can either be in terms of conferences, case study, role-playing, programmed instruction or simulation. All these have positive outcome if encouraged by management.

Knowledge Sharing

It is described as the exchange of knowledge among organizational employee. Davenport and Prusak (2008) explains that sharing must be initiated at the human level and once it is working, its application on technology will produce positive results. Hamid (2008) as cited in Wamondila (2008) also asserts that basic social interaction is done with management and employees identification of knowledge and employees are encouraged to not only increase their knowledge, but also share it for the benefit of the organization as a whole and themselves as

well. Without motivation, sense of security, healthy reward system, this cannot be achieved. There are various practices for promoting knowledge sharing within the organization, for instance, incentives, rewards and communities of practice. Also, technologies such as the intranet, internet, and web technologies encourage and promote interaction among employees leading to sharing and exchanging knowledge. Besides encouraging interaction, these technologies capture and store the exchange ideas, considerably, a company's culture and structure will be the critical factors enabling knowledge flow which will in turn affect knowledge sharing. Usually, the outcome of knowledge sharing is the creation of new knowledge and innovation that will improve organizational performance (Hawamdeh, 2010).

Research Methodology

The research employed survey research design. The use of survey method enables the researcher to study group of people who are considered to be representative of the entire group, with each employee having equal chance of being chosen as part of the sample element. The survey method adopted in this study is also relevant since it enabled the researcher to collect different opinions or perception of respondents on effect of knowledge management on organizational performance in the Nigerian banking subsector. The sample size selected is 114 employees out of which 105 respondents filled and returned the questionnaire for our analysis. This means that we have 92% response rate. To ensure validity of the research instrument for this study, content validity which deals with item validity and sampling validity is used to ensure adequate by the instrument of the scope implied by the subject of the study. In addition, experts in the field also helped in the evaluation of the question items of the instrument and adequacy of the sampled elements of the population by the measuring instrument used (Ojo, 2003). The judgment that an instrument is measuring what it is supposed to is primarily based upon the logical link between the questions and the objectives of the study. In this study, the researcher employed Cronback's alpha to test reliability of the instrument. It is most commonly used when you have multiple likert questions in a survey/questionnaire. To ensure the reliability of the measurement instrument, a pilot study was carried out on 40 respondents. the result of the reliability test indicated that all the variables had Cronbach's Alpha value of 0.824 which is greater than 0.70, hence they were considered reliable for this study.

The study employed descriptive statistics in form of tables, frequencies and sample percentage for data presentation, while multiple linear regression was used to test the hypotheses at 0.05 significance level with the aid of statistical package for social science (SPSS 21).

ANALYSIS AND DISCUSSION OF RESULTS

Table 1: Questionnaire Distribution

Staff Category	No Distributed	No Returned	No not Returned
Management staff	21	18(86)	3(14)
Senior staff	37	33(89)	4(11)
Junior staff	56	54(96)	2(4)
Total	114	105(92)	9(8)

Source: Field survey, 2018

The result in Table 1 above indicate that a total number of 114 questionnaires were distributed to the respondents out of which 105(92%) were correctly filled and returned while only 9 or (8%) were not returned. The percent of questionnaire retrieved is enough for any meaningful research work.

Table 2: Respondents view on knowledge creation

Item	SA(%)	A(%)	D(%)	SD(%)	Mean	STD	Decision
The company identifies information needs to be able to provide them	30(28.6)	54(51.4)	12(11.4)	9(8.6)	3.00	0.866	Accepted
The company employs scientific research in the provision of knowledge related to its objectives	41(39.0)	54(51.4)	5(4.8)	5(4.8)	3.25	0.737	Accepted
The company seek to provide data to fill the knowledge	36(34.3)	64(61.0)	4(3.8)	1(1.0)	3.29	0.584	Accepted
The availability of data help employees to solve problems that face them	27(25.7)	62(59.0)	11(10.5)	5(4.8)	3.06	0.745	Accepted
Cluster mean					3.15	0.755	Accepted

Source: Field Survey, 2018

The result in Table 2 shows the mean rating of employees in First Bank Plc with regards to the effect of knowledge creation on organizational performance in the Nigerian service

industry. Based on the cut-off point of 2.50, employee rated 1, 2, and 3 items accepted which indicates that the company identifies information needs to be able to provide them, the company employs scientific research in the provision of knowledge related to its objectives, and the company seeks to provide data to fill the knowledge gap.

The cluster mean of 3.15 was accepted as rated above 2.50 cut-off point. This result implies that, knowledge creation has a significant effect on organizational performance in the Nigerian service industry.

Table 3: Respondents view on knowledge acquisition

Item	SA (%)	A(%)	D(%)	SD(%)	Mean	STD	Decision
Work manuals and procedure are prepared for workers	51(4.6)	43(41.0)	5(4.8)	6(5.7)	3.32	0.814	Accepted
Regular trainings related to work activities are organized	53(50.5)	36(34.3)	9(8.6)	7(6.7)	3.29	0.885	Accepted
Data base on good practices are regularly updated	7(6.7)	72(68.6)	15(14.3)	11(10.5)	2.71	0.743	Accepted

Source: Field Survey, 2018

The result in Table 3 reveals that the mean rating of employees in First Bank Plc with regards to the effect of knowledge acquisition on organizational performance in the Nigerian service industry. Based on the cut-off point of 2.50, employees rate 1, 2, and 3 items acceptable which indicates that, work manuals and procedures are prepared for workers, regular training related to work activities are organized, data of good practices are regularly updated, employees are recruited to bring in new knowledge and most employees consult their colleagues when undertaking their duties. The cluster mean of 3.83 and standard deviation of 0.760 was accepted as rated above 2.50 cut-off point. This result implies that, knowledge acquisition has a significant effect on organizational performance on the Nigerian service industry.

Table 4: Respondent's view on Knowledge Sharing

Item	SA (%)	A(%)	D(%)	SD(%)	Mean	STD	Decision
I regularly share my experiences with my colleagues	30(28.6)	63(60.0)	8(7.6)	4(3.8)	3.13	0.708	Accepted
Staff meeting are held to distribute knowledge	25(23.8)	63(60.0)	14(13.3)	3(2.9)	3.05	0.699	Accepted
New employee are normally taken through an orientation programme	21(20.0)	69(65.7)	7(6.7)	8(7.6)	2.98	0.759	Accepted
Cluster Mean					3.08	0.781	Accepted

Source: Field Survey, 2018

The result in Table 4 reveals the mean rating of employees in First Bank Plc with regards to the effect of knowledge sharing on organizational performance in the Nigerian services industry. Based on the cut-off point of 2.50, employees rated 1, 2, and 3 items acceptable and this indicates that, employees regularly share experiences with their colleagues, staff meeting are normally held through an orientation programme, seminars are usually held for employees and members of staff are usually rotated in various functions. The cluster-mean of 3.08 and standard deviation of 0.781 was accepted as rated above 2.50 cut-off point. This result implies that knowledge sharing has a significant effect on organizational performance in the Nigerian services industry.

Table 5: Respondents' Views on Organizational Performance

Item	SA (%)	A(%)	D(%)	SD(%)	Mean	STD	Decision
There is improvement in employees performance which result to competitive advantage	51(48.6)	43(41.0)	5(4.8)	6(5.7)	3.32	0.814	Accepted
There is improved quality of service in the company	53(50.5)	36(34.3)	9(8.6)	7(6.7)	3.29	0.885	Accepted
There is efficiency and effectiveness of services as 018a result of KM practices	21(20.0)	58(55.2)	15(14.3)	11(10.5)	2.85	0.864	Accepted
The company is able to achieve its set goals	43(41.0)	51(48.6)	7(6.7)	4(3.8)	3.27	0.750	Accepted
There is increased in	41(39.0)	54(51.4)	4(3.8)	6(5.7)	3.24	0.779	Accepted

customer patronage due to good KM practices							
The percentage of profit in the company has increase over the years	30(28.6)	63(60.0)	8(7.6)	4(3.8)	3.13	0.708	Accepted
Cluster Mean					3.18	0.801	Accepted

Source: Field Survey, 2

The result in Table 5 shows the mean rating of employees in First Bank Plc with regards to organizational performance in the services industry. Based on the cut-off point of 2.50, employees rated 1, 2, 3, 4, 5 and items acceptable which indicates that, there was improvement in employee performance which results to competitive advantage, there was improved quality of service in the company, there was efficiency and effectiveness of service as a result of knowledge management practices. The company was able to achieve its set goals and there is increase in customer patronage due to good knowledge management practices in the company and the percentage of profit in the company has increased over time. The cluster mean of 3.18 and standard deviation of 0.801 was accepted and rated above 2.50 cut-off point. This result implies that KM has a significant effect on organizational performance in service industry.

Results of Regression Analysis

The study assessed the contribution of the independent variables on the dependent variable. The findings of the study illustrates that the multiple regression model had a coefficient of determination (R^2) of about 0.693. This means that 69.3% variation in the performance of the bank is explained by joint contribution of knowledge creation, knowledge acquisition and knowledge sharing.

The regression coefficient in table 8 shows that the overall equation as suggested in the conceptual framework can be represented by use of unstandardized coefficients as follows:

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \sum$$

Organizational performance = $0.416 + 0.321X_1 + 0.316X_2 + 0.304X_3$. The result as presented in Table 9, reveals that organizational performance would be 0.416 when other independent variables are zero and if the degree of knowledge creation is change by one unit, then the organizational performance would change by 32.1%. For a unit change in knowledge acquisition, organizational performance would increase by 31.6% whereas a unit change in knowledge sharing, organizational performance will increase by 30.4%.

Table 6: Model Summary

R	R square	Adjusted R square	Standard error of the estimate	Durbin Watson
.841 ²	.693	.672	.733	1.439

a. Predictors: (constant), knowledge sharing, knowledge creation, knowledge acquisition

b. Dependent variable: Organizational Performance

Table 8: Multiple Regression Coefficients

	B	Std Error	Beta	T	Sig	Decision
(constant)	.416	.600693	.000	
KC	.321	.160	.230	2.003	.048	Rejected
KA	.316	.150	.259	2.383	.010	Rejected
KS	.307	.103	.278	2.971	.004	Rejected

a. Dependent Variable: Organizational Performance

Test of Hypotheses

The three hypotheses formulated in the study were tested and the result presented as follows:

Hypothesis One: Knowledge creation has no significant effect on organizational performance in the Nigerian service industry. The null hypothesis was rejected ($\beta_1 = 0.230$; $p = \text{value} = 0.048 < 0.05$) and we accept the alternative hypothesis and conclude that there is significant relationship between knowledge creation and organizational performance

Hypothesis Two: Knowledge acquisition has no significant effect on organizational performance. The result from hypothesis two also shows that knowledge acquisition had coefficients of estimate which was significant ($\beta_1 = 0.259$; $p\text{-value} = 0.010 < 0.05$) hence we reject the null hypothesis, and conclude that there is significant relationship between knowledge acquisition and organizational performance.

Hypothesis Three: Knowledge sharing has no significant effect on organizational performance. Like the first two hypotheses tested, the null hypothesis was rejected ($\beta_3 = 0.278$; $p\text{-value} = 0.004$) hence we conclude that there is significant relationship between knowledge sharing and organizational performance.

Discussion of Results

The study examine the effect of knowledge management on organizational performance in the Nigerian service industry and findings of the study revealed a significant relationship between knowledge management and the performance of First Bank Plc. previous studies by Zaidu (2007) also found a strong relationship between the implementation of knowledge management practices and firm performance.

The findings of the study from objective one showed that knowledge creation has positive significant effect on organizational performance. Regression was used to test hypothesis at 5% level of significance and the p-value (0.048) was lower than significant level i.e. $p\text{-value } 0.048 < \alpha = 0.05$. Also, the findings of the study revealed that there is significant relationship between knowledge acquisition and organizational performance in the service industry given p-value $0.010 < \alpha = 0.05$. Finding, the result from objective three also revealed a significant relationship between knowledge sharing and organizational performance in the sector as the p-value is given as $0.004 < \alpha = 0.05$.

Conclusion and Recommendations

Based on our findings it is reasonable to state that knowledge management is a set of relatively new organizational activities that are aimed at improving knowledge, knowledge-related practices, organizational behaviour, and decisions, and organizational performance. The study established that knowledge management focuses on knowledge processes – knowledge creation, acquisition and sharing and these processes support innovation, individual learning, collective learning and collaborative decision making which lead to improve organizational behaviour, decisions, products, services, processes and relationships that enable the organization to improve its overall performance. Following the foregone discussion, it can be concluded that knowledge managements is pertinent to enhance organizational performance.

Recommendations

Based on the findings of this study we make the following recommendations:

1. Top management should invest on the knowledge management process explicit or trait; enhance the creative abilities of the workers and encourage them to show their abilities through dialogue, training and support.

2. Knowledge acquisition can be achieved by utilizing well qualified staff, by motivating and empowering employees through short courses, attending seminars, conferences and exhibitions to attain knowledge.
3. Finally, knowledge sharing culture within an enterprise should be strengthened and encouraged. The acquired new knowledge should be effectively used to generate innovative ideas which will result in increased organizational performance.

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