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# Surveying and Investigation the Effect of Knowledge Management Orientation on Organizational Performance (Case Study: ERISH KHODRO Company)

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**ABSTRACT:** This article was aimed to analysis the effect of knowledge management orientation and organizational performance. In order to collecting data the questionnaire had been used. These questioners were distributed between 96members at the ERISH KHODRO Company. In order to analyzing data and concluding results, Lizrell used and then Pearson correlation used. Also our research was based on structural equation model. The result indicated that there was positive significant relationship between knowledge management orientation and organizational performance (0.674). Also there was positive significant relationship between each dimension of knowledge management orientation and organizational performance. The findings show that knowledge management orientation is a basic factor in organizational performance and confirming the main hypothesis of this study also represents the existence of a positive and meaningful relation between knowledge management orientation and organizational performance. Furthermore, the results show that considering this kind of knowledge management especially in ERISH KHODRO Company which has a high ethnic and cultural variety could be very useful for improve organizational performance.

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**Key words:** Knowledge Management Orientation, Organizational Performance

## INTRODUCTION

Knowledge management is the collection of processes that govern the creation, dissemination, and utilization of knowledge (Wiklund and Shepherd, 2003). This domain currently focuses a lot of attention from the industrial world because of its direct application in the corporate domain. For "The objective of a knowledge management structure is to promote knowledge growth, promote knowledge communication, and in general preserve knowledge within the organisation". We shall see that learning is obviously concerned by knowledge communication but that knowledge growth and preservation are also important.We consider that the representation and formalization of knowledge is amongst the successful contributions of AI, and is illustrated by the development of knowledge management applications in the corporate domain **Error! Reference source not found.**.

### Literature review

### Organizational memory

An interesting tool of knowledge management is the organizational memory. An organizational memory targets the growth, transmission and conservation of knowledge, often in a corporate context.

This applies for example to the memory of industrial projects, the knowledge of a company, etc. This knowledge can be theoretical or practical. For companies we talk of "corporate memory". They are helpful to improve the organization performance and help building on previous experiences. The term of "organizational memory" can be used for more informal communities or legal structures different from companies (Tsai, 2002).

### Knowledge sharing

Knowledge sharing in its broadest sense, refer to the communication of all types of knowledge, which includes explicit knowledge or information, the 'know-how' and 'know-who' which are the types of knowledge that can be documented and captured as information and tacit knowledge in the form of skill and competencies (Szulanski, and Winter, 2002). Knowledge sharing can be considered an important process in organizations, because it is fundamental to generating new ideas and developing new business opportunities through socialization and the learning process of knowledge workers. In today's business world, knowledge sharing is said to be power because of the benefit to the sharers (giver and receiver) and the organization (Sabherwal and Becerra-Fernandez, 2003).

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**Table 1.** organizational memory factors.

| | | | |
|---|---|---|---|
| Organizational memory | KM1 | We have systems to capture and store ideas andknowledge | Olivera (2000) |
| | KM2 | We have systems to codify and categorize ideas in a format that is easier to save for future use. | |
| | KM3 | IT facilitates the processes of capturing, categorizing, storing, and retrieving knowledge and ideas in our company. | Bloodgood and Salisbury (2001) |
| | KM4 | We systematically de-brief projects, record good practices that we should extend and mistakes that we should avoid. | Szulanski andWinter (2002) |
| | KM5 | We make efforts to remember mistakes we made and avoid making similar mistakes in the future. | Szulanski andWinter (2002) |
| | KM6 | Information and knowledge stored in our systems is relevant and sufficient. | Gray (2001) |
| | KM7 | We constantly maintain our information systems and upgrade knowledge stored in the systems. | |
| | KM9 | People are encouraged to access and use information and knowledge saved in our company systems. | Hult et al. (2005) |

**Table 2.** Knowledge sharing factors.

| | | | |
|---|---|---|---|
| Knowledge sharing | KM8 | We treat people's skills and experiences as a very important part of our knowledge assets. | De Long And Fahey (2000) |
| | KM10 | When we need some information or certain knowledge, it is difficult to find out who knows about this, or where we can get this information | |
| | KM11 | We have systems and venues for people to share knowledge and learn from each other in the company. | Becker (2001) |
| | KM12 | We share information and knowledge with our superiors. | Schulz (2001) |
| | KM13 | We share information and knowledge with our subordinates. | |
| | KM14 | We often share ideas with other people of similar interest, even if they are based in different departments. | Prieto and Easterby (2006) |
| | KM15 | There is a great deal of face-to-face communications in our company. | Podsakoff et al. (2003) |
| | KM16 | We use information technology to facilitate communications effectively when face-to-face communications are not convenient. | Olivera (2000) |

**Knowledge Absorption**

Knowledge absorption approximates to what Cohen and Levinthal (1990) define as absorptive capacity – a firm's ability to recognize the value of new wisdom, assimilate it, and apply it. KA underlines two key processes: knowledge exploration and exploitation (Newell and Galliers, 2006). Knowledge exploration focuses on the detection and acquisition of new wisdom, while knowledge exploitation emphasizes the utilization of existing wisdom (Cohen and Levinthal, 1990). In the exploration process, Knowledge absorption's role is to transform information generated to become embedded knowledge within the firm. This involves evaluating and filtering information according to its degrees of potential value to the firm. Developing the ability to understand different types of knowledge, maintain knowledge according to its different nature, and select an effective way to leverage each type of knowledge is paramount to the exploitation process (Netemeyer et al., 2003).

**Table 3.** Knowledge absorption factors.

| | | | |
|---|---|---|---|
| Knowledge absorption | KM17 | We very often use knowledge that our company possesses, either from the past experience or from external sources. | Maria and Marti (2001) |
| | KM18 | We use information technology to access a wide range of external information and knowledge on competitors and market changes, etc. | Netemeyer et al. (2003) |
| | KM19 | Through sharing information and knowledge, we often come up with new ideas that can be used to improve our business. | Maria and Marti (2001) |
| | KM20 | We have networks of sharing knowledge with other organizations on a regular basis. | Mom et al. (2007) |

**Knowledge receptivity**

Based on this research, we view knowledge receptivity as the extent to which a firm encourages ideas and evaluates them on a fair, effective, and regular basis, and subsequently incorporates them into business practice. Specifically, we develop ten items to measure knowledge receptivity (Lee and Kang, 2005). These include seven items (KM21-KM27) based on the insights of Davenport et al. (1998) to measure knowledge receptivity in terms of whether knowledge is valued as a strategic asset to improve performance, whether people are encouraged to articulate their ideas without fear of repercussions, and whether the ideas from individuals are evaluated equitably and regularly based on their merits; and three items (KM28, KM29, and KM30) based on Lee and Byounggu (2003) to measure knowledge receptivity in terms of the effects of financial reward, personal development linked to idea contribution, and personal accountability in creating a knowledge receptive culture

**Table 4.** knowledge receptivity factors.

| | | | |
|---|---|---|---|
| Knowledge receptivity | KM21 | Managers value knowledge as a strategic asset, critical for success | De Long and Fahey (2000) |
| | KM23 | We hesitate to speak out our ideas because new ideas tend to be highly criticized or ignored (Reverse coded). | Hult et al. (2000) |
| | KM24 | In our company, new ideas are evaluated equitably. | Kirca et al. (2005) |
| | KM25 | In our company, we evaluate ideas based on their merits, no matter who comes up with the ideas. | Gray (2001) |
| | KM26 | In our company, we evaluate new ideas rapidly on a regular basis. | |
| | KM27 | There is a general culture in our company where people respect knowledge and knowledge ownership. | Dobni and Luffman (2003) |
| | KM28 | People who contribute new ideas are rewarded financially in our company. | Darroch, and Mcnaughton (2003) |
| | KM29 | People who contribute new ideas are invited to participate in future development and implementation of this new idea. | |
| | KM30 | We are held accountable for our own actions and consequences. | Bock et al.(2005) |

**Research methodology**

**Conceptual model and research hypotheses**

The conceptual framework of research is based on the model as follows (figure 1). It facilitates the assessment process. The model includes two parts: KMO part and organizational performance part. Also KMO part is structured based on four factors in KM field, namely, organizational memory, knowledge sharing, knowledge absorption and knowledge receptivity.

The questionnaire in this study consist 35 multi choice questions. Also we gathered some demography information from respondents in this questionnaire. The configuration of the questions was in this way:

First of all independent variables of organizational memory in 9 first questions was analyzed. (Question 1 to 9). Actually these questions were analyzing the first hypothesis.

In the next 7 questions (Question 10 to 16) of the questionnaire we analyzed the second hypothesis of this study. These questions are identifying the parameters of the knowledge sharing of the knowledge management orientation and measuring the level of importance of them in ErishKhodro Co. Other hypothesis and questions are shown in table 5.

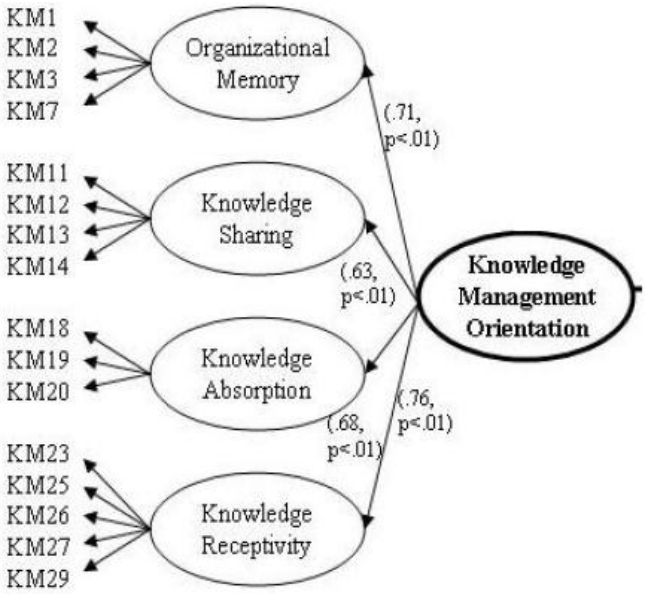


**Figure 1.** research conceptual model.

**Table 5.** Relation between questions and research variables

| Variables | Questions |
|---|---|
| Organizational Memory | 1,2,3,4,5,6,7,9 |
| Knowledge Sharing | 8,10,11,12,13,14,15,16 |
| Knowledge Absorption | 17,18,19,20 |
| Knowledge Receptivity | 21,22,23,24,25,26,27,28,29,30 |
| Organizational performance | 31,32,33,34,35 |

We should mention about the measures that we have used a spectrum in which according to the aim of the study, questions have the choices (from the very little importance to very important) below (Hosseini et al., 2013):

| Very little Important | Little important | Normal importance | Important | Very important |
|---|---|---|---|---|

Reliability and accuracy are from the scales and measurements of the scientific studies and are from the most important characteristics in an effective and accurate information gathering. Regarding this subject, in this study we have tried to evaluate two above mentioned subjects (Nemati et al., 2012).

The measured α from research parameters is calculated as shown in table 6.

**Table 6.** Questioner Alfa Cronbach

| Variables | α |
|---|---|
| Organizational Memory | 0.786 |
| Knowledge Sharing | 0.836 |
| Knowledge Absorption | 0.804 |
| Knowledge Receptivity | 0.872 |
| Organizational performance | 0.780 |

As it is obvious from the above table, in all approaches Cronbach α is accepted.

Primarily in all researches, there are some time, place and subject frames which should be defined carefully. Obviously all researchers encounter some obstacles and limitations which prevent them from doing more extensive researches in all studies, some limitations such as time required for the study, research costs and so on.

Because of this, we cannot evaluate a good or bad research without above mentioned parameters, so being good or bad for a study is defined by these 3 parameters and the level that research is done in that. Or in the other words, every research is defined with time, place and subject parameters. We will explain these 3 parameters below completely:

**Time Domain (Zone):**

This research started in 31 July 2012 as a primary study and finished in the last of January 2013.

**Place Domain (Zone):**

The place we have done this research as it is obvious from its subject is ErishKhodro Co. and its sale agents in Tehran province.

**Subject Domain:**

The subject domain of this research primarily is knowledge management orientation and specially is organizational performance which its focus is on the ErishKhodro Co. in Tehran province.

According to the statistical population in this research, (High level management, middle managers and executive managers of ErishKhodro Co. in Tehran Province) and also broad population studied, defining the exact number of required specimens is necessary. So with having indefinite number of samples in mind, we use the below formulae for sampling method:

The general formula of sampling (Cochran formulae) is as below:

$$n_0 = \frac{Z^2_{\alpha/2}\,\mathrm{var}(\theta)}{d^2}$$

Where $Z_{\alpha/2}$ is normal standard value for confidence percent equals to 100(1-α). Var (θ) is parameter variance and d is measured error.

If we have a given population volume equals to N, the above mentioned formula will be normalized as below:

$$n = \frac{n_0}{1 + \frac{n_0}{N}}$$

Surely the value for var(θ) is unknown. But if our measured population (one of the studied parameters) has 2 conditions, then we can have var (θ) = pq. What is good with this, is that we can consider the maximum value for var(θ). (The maximum value which will occurred).

This condition is true when we have:

$$p = q = \frac{1}{2}$$

$$n_0 = \frac{(1.96)^2(0.5)(0.5)}{(0.1)^2} = 96$$

So with d=0.1 we have $n_0$=96. And with having a population with N=10000, the number of the population volume will be calculated as below:

$$n = \frac{96}{1+\frac{96}{10000}} = 92.23 \approx 93$$

The number of population volume calculated 96 which were distributed between the populations.

**Analyzing the Data:**

Generally we can say that in analyzing data there is a quantitative dimension which is that special statistical calculation, and also there is a qualitative dimension which is analyzing, reasoning and concluding according to the results from statistical data.

In order to analyze and conclude the obtained results and data in this study, except using statistical methodologies, question and interview with managers and agents, we have used Delphi method to define the accuracy of the dimensions and parameters of empowering and interiorize the desired subject.

**RESULTS**

In this part of research it has been attempted to determine knowledge management orientation and its dimensions, using result analysis obtained from responses to questionnaires which were distributed between experts. Correlation test and frequency methods have been used for questionnaire data analysis. The required data for hypothesis testing is extracted from subjected response to questions. In order to test this hypothesis, we performed the following method:

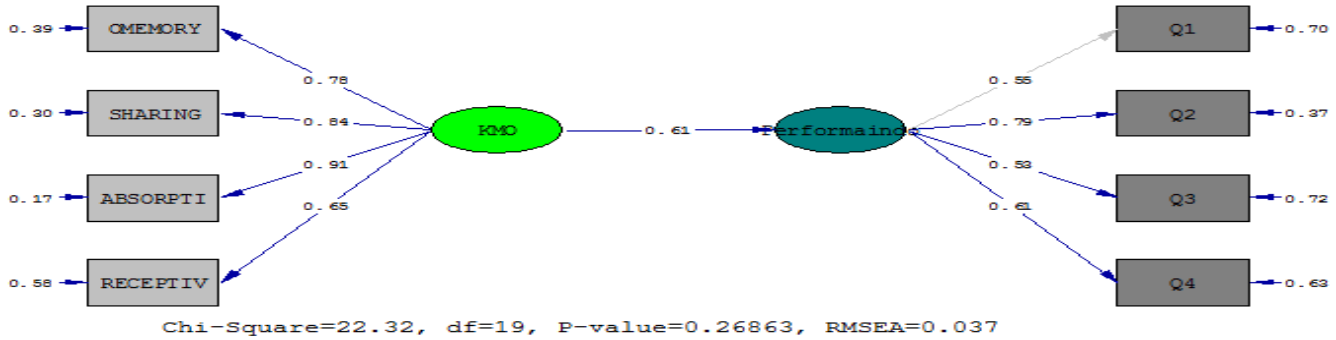


**Figure 2.** The path coefficient diagram in standard mode

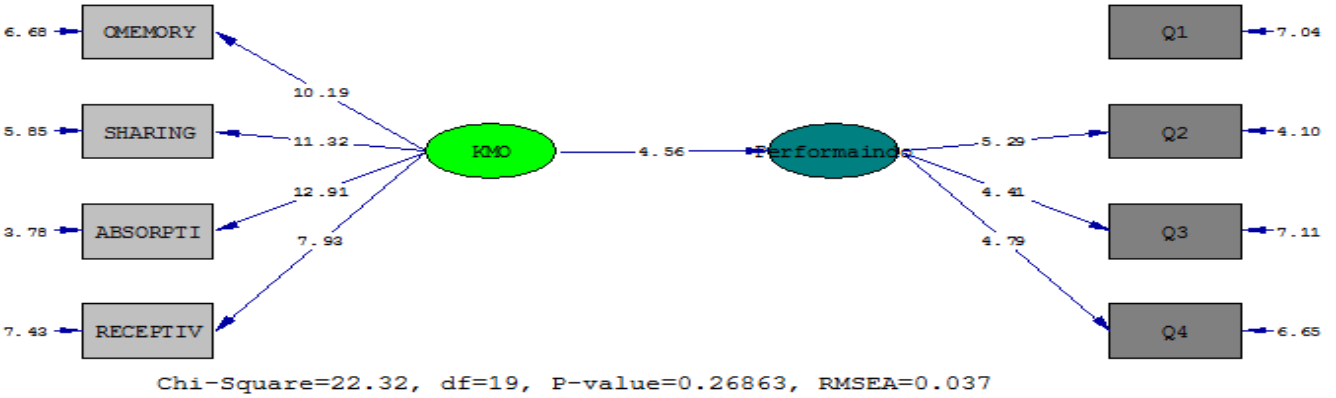


**Figure 3:** The path Factors in significant mode

**DISCUSSION**

The role of knowledge management in organizational performance has been a focus in both academic research and industrial practices. However, the area has been under-developed, particularly in empirical terms, due to lack of effective measurement constructs of knowledge management performance.

This paper, through defining the Knowledge Management Orientation, sets up a construct to measure knowledge management performance. Through the exploration of relationships between knowledge management orientation and market orientation, organizational learning, entrepreneurship and innovativeness, this paper proposes that knowledge management orientation is a first-order indicator of

positional advantage. The practical implications of this study are that organizations need to effectively develop organizational memory, knowledge sharing and a learning culture to achieve success in knowledge management and therefore organizational performance.

**Table 7.** Research results

| Hypothesis | Result |
|---|---|
| A firm's organizational memory is positively related to organizational performances | Accept |
| A firm's knowledge sharing is positively related to organizational performances | Accept |
| A firm's knowledge absorption is positively related to organizational performances | Accept |
| A firm's knowledge receptivity is positively related to organizational performances | Accept |

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