The influence of Organizational Climate and Organizational Socialization on Knowledge Management: An empirical study in banking sector of Pakistan

Abdul Khaliq Alvi¹, Raza Hussain Lashari²*
Management Sciences Department, Lahore Garrison University (A Project of Pakistan Army)¹&²
khaliqalvi@gmail.com¹
razahussain10312@gmail.com²

Abstract-The basic objective of the empirical study is to identify the influence of organizational climate (OC) and organizational socialization (OS) on knowledge management (KM) in banking sector of Pakistan. The above said sector is selected as population of the current research. By using the simple random sampling technique, different branches of public banks and private banks are selected as a sample. 270 questionnaires were circulated to top level managers and middle level managers. 240 questionnaires were filled by employees and used for analysis. The overall response rate was 89%. Different statistical techniques i.e. Pearson’s correlation analysis, multiple regression analysis and reliability analysis are applied on collected data. The results of Pearson’s correlation analysis shows that there is positive relationship between organizational climate (OC), organizational socialization (OS), knowledge management (KM), its dimensions i.e. knowledge sharing (KS) and knowledge application (KA). Moreover, regression analysis’s results explain that organizational socialization is strong predictor of knowledge management as compare to organizational climate. From the managerial point of view, the results give clear clue to Pakistan’s banking sector must understand the importance of organizational socialization, organizational climate for the purpose of knowledge management. In future researches, data may be collected to other sectors like telecom industry, textile industry and education sector etc. for more generalizing the results. Moreover, researches some other variables like social interaction, perceived organizational support, and perceived supervisor support may also be conducted.

Keywords – Organizational Climate; Organizational Socialization; Knowledge Management; Knowledge Sharing; Knowledge Application; banking sector Pakistan

1. INTRODUCTION

Currently, knowledge management (KM) is recognized as core element for the success of organizations and plays the crucial role for competitive advantage (Nonaka & Takeuchi, 1995[40]; Matusik & Hill, 1998[38]; Spender & Grant, 1996[51]; Chen, 2004[9]). Moreover, organization’s effectiveness is positively influenced by knowledge management (Dutta, 1997[17]; Drucker, 1993[15]). In modern era, many firms are moving towards knowledge based economy to attain superior results (Danish, et al., 2014). Effective organizations constantly manage knowledge into their regular activities to attain longer and desired outcomes (Teece, 1998[57]; Droge, et al., 2003)[14]. A research arranged by 40 most reputed management consultant firms of US in which 60% of cited firms acknowledged that knowledge management (KM) is important success factor for their organizations (Ofek & Saravay, 2001)[42]. A survey, conducted by 200 best organizations, exposed that organizational knowledge is a crucial capital of the 21st century and 88% of successful managers argued that knowledge management is at its top priority (Shafia et al., 2007)[49].

Organizational climate (OC) is a set of practices, beliefs, and values which is followed by organizations (Schneider, 1990[48]; Janz, et al., 1997)[30]. Moreover, employee’s perception and behavior about knowledge management are strongly influenced by OC (Long, 2000[36]; Chen & Lin, 2004[10]; Sveiby & Simons, 2002)[54].

Organizational socialization (OS) is a transitional process by which newcomers become organizational insiders from organizational outsiders (Bauer, et al., 2007)[7]. OS also shows a vital role in knowledge management because it is the process by which employees acquires new knowledge about the climate & norms of organization and then adjust them with these cultures and norms so that organization growth can be substantiated (Haueter, et al., 2003[25]; Saks, et al., 2007)[47].

Thus, the theme of empirical study have to investigate the impact of organizational socialization (OS) and organizational climate (OC) on knowledge management (KM) among Pakistan’s banking sector because this sector is playing vigorous role in country’s economy...
(Shah, et al., 2012b). According to State Bank of Pakistan SBP, (2015)[53] the performance rate of above said sector is 16.8% which is better than all other service sectors. Furthermore, KM is an emerging concept and initial stages of its implementation in Pakistan (Tayyab, 2009)[56]. The objective of the current empirical research is not only explore the fact of what extent organizational socialization and organizational climate influences knowledge management in this sector but also provides them the suitable practices that are helpful for their competitive survival in currently constantly changing environment in view of knowledge management (KM).

The remaining portion of research study is arranged as follows. Section 2 covers the preceding literature. Section 3 deals with hypothesized research model of study and methodology. Section 4 presents the results of empirical study. Conclusion is provided in Section 5.

2. LITERATURE REVIEW

2.1 Knowledge Management (KM)
Knowledge is implanted in human mind and considered as a main resource of any organization (Malhotra, 1997)[37]. According to Baker, et al., (1997)[6] different individuals resolve different issues of an organization by keeping some specific set of information, expertise, abilities and experiences in their mind this is called knowledge. Creating, using, applying, sharing and storing knowledge is called knowledge management (Probst, et al., 1998)[44]. Knowledge management provides a tool of improving procedure and practices of new tasks to new employees, it also guides the new employees, how to develop and enhance employee abilities (Roman, 2004)[46]. To get competitive benefits, knowledge management assists managers to control the knowledge of individual or mutual (Carlsson, 2003)[8]. Knowledge management is a set of planned actions, these plans believe on knowledge and its sufficiency to manage and control the different situations that are continuously influenced by rapidly changing environment (Alvesson & Karreman, 2001)[4]. In this study, researchers focus on two dimensions of knowledge management i.e. knowledge sharing and knowledge application.

2.1.1 Knowledge Sharing (KS)
Knowledge sharing is a process of delivering and multiplying knowledge within members and stakeholders of an organization so that problems will be tackled and decisions will be made on time with effectively and efficiently (Cross & Sproull, 2004)[12]. Knowledge cannot be delivered to individuals and groups without knowledge sharing (Quink, 2008)[45].

2.1.2 Knowledge Application (KA)
Knowledge is nothing and it is obsolete without its application. Therefore, it is the knowledge application which provides the competitive advantage to an organization and moreover it is also the main feature of knowledge based theory of the organization (Grant, 1996b[23]; Alavi & Leidner, 2001)[3].

2.2 Organizational Climate (OC)
The shared belief, value system and common practices that an organization follows is called organizational climate (Schneider, 1990[48]; Janz, et al., 1997)[30]. The overall arrangement of organizational activities designed either for individuals and groups in an organization is called climate of the firm (Jaw & Liu, 2003)[31]. Furthermore, employee’s behaviors are shaped by the organizational climate towards knowledge management (Long, 2000[36]; Chen & Lin, 2004[10]; Sveiby & Simons, 2002)[54]. According to Chen & Huang, (2007)[11] organizational climate is framed with two dimensions i.e. innovative climate and cooperative climate.

2.2.1 Innovative Climate (IC)
In innovative climate employees works dutifully and by doing so they are able to find out the best solution of any problem (Hoegl, et al., 2003)[27]. This is the fact that in an innovative climate knowledge is shared and exchanged creatively with resourceful thoughts (Norrgren & Schaller, 1999[41]; Edmondson, 1999)[18]. With the help of Innovative climate, an organization is able to develop its distinguished internal process, capabilities and procedures that provide it a competitive edge (Merrifield, 2000).

2.2.2 Cooperative Climate (CC)
The environment where individuals or members cooperate or coordinate with each other to seek out the best solution of any problem (Chen & Huang, 2007)[11]. In cooperative environment, the employees are highly motivated or interested to share knowledge to improve each other’s performance (Janz & Prasarnphanich, 2003)[29]. Basically cooperative climate increase trust factor among members of organization and trust provides a knowledge sharing mechanism within firm (Zulanski, et al., 2004[55]; Leana & Buren, 1999[33]; Zaheer, et al., 1998)[60].

2.3 Organizational Socialization (OS)
Organizational socialization (OS) is a process by which persons learns the values, norms and behaviors so that they would be able to participate in affairs as a member of organization accordingly (Pitts, 2010)[43]. According to Wooldridge & Minsky, (2002)[59] organizational socialization as a challenge to achieving the coordination among organization with knowledge management goals. The researchers showed that the employees cannot be able to show loyalty to organization unless they have a good understanding about the internal organization processes or organizational socialization (Walker, 2009)[58] and they don’t have satisfactory responsibility (Pitts, 2010) and they don’t believe in goals and values of organization (Walker, 2009)[58]. Thus, negative consequences
including disorder of performance, job turnover, low efficiency and absenteeism lead to the lack of innovation in organization. Organizational socialization can develop the opportunities of a person for success in job (Jie & Derek, 2010)[32]. According to the theorists of human resources management, organizational socialization is a process of transformation of academic learning to practical exposure and the organization can consider socialization process the cost of skillful management of organization (Gao, 2011)[19]. Thus, socialization can turn the people to active employees and this employee development leads to the organization development providing suitable opportunities to increase competition (Hitsanen, et al., 2011).

3. RESEARCH METHODS

3.1 Hypothesis
Chen & Huang, (2007) proposed that organizational climate (OC) has a significant impact on knowledge management. In the light of above cited fact, research propose the hypothesis:

H_1: Organizational climate (OC) puts significant influence on knowledge management.

The below describe relationship is not checked in pervious literature according to the best knowledge of researcher. In this regard study suggest the following hypotheses:

H_2: Organizational socialization (OS) puts a significant effect on knowledge management (KM).

H_3: Organizational climate (OC) plays an important role in knowledge sharing (KS).

H_4: Organizational socialization (OS) plays an important role in knowledge sharing (KS).

H_5: Organizational climate (OC) shows significant role in knowledge application (KA).

H_6: Organizational socialization (OS) shows significant role in knowledge application (KA).

3.2 Research Instrument
Already developed instruments are used in this research to measure the above said concept. By using the concept of Gold, et al., (2001)[21] & Lin & Lee, (2005)[35] researchers are selected the scale of KM with its two dimension i.e. Knowledge sharing (KS), knowledge application (KA) that is based on five items. By using the work of Jaw & Liu, (2003)[31] researchers are acquired the scale of organizational climate with its two dimension i.e. cooperative climate, innovative climate that is based on five items. Based on the work of Haueter, et al., (2003)[25] researchers are selected the scale of organizational socialization that is based on 10 items. 5 point Likert scale from strongly disagree to strongly agree is used. 20 statements are finalized to measure the above cited concept.

3.3 Population
Employee of the banking sector of Pakistan are selected as a population of the current research. Banks of Lahore region are opted as a sample of the research due to shortage of resources.

3.4 Sampling technique and Sample size
By using simple random sampling (SRS), 270 questionnaires were distributed in different branches of Lahore’s region banks. 200-500 is a good sample size for simple and multiple regression analysis (Israel, 1992)[28]. Therefore, 270 questionnaires were circulated among banks. 240 questionnaire were received back in data collection process and used for research analysis. Top level managers and middle level managers were included in sampling framework. Response rate of return was 89% overall.

Figure: 1 (Theoretical Framework)
4. RESULTS

4.1 Reliability
Response of 240 employees of banking sector are used for data analysis. By using the reliability test in SPSS, the Chronbach’s alpha of overall study is 0.816. According to George & Mallery, (2003)[20] this value is good enough for study.

In order to inspect the relationship between organizational climate (OC), organizational socialization (OS), knowledge management (KM), knowledge sharing (KS) and knowledge application (KA), a correlation analysis is used. Table 1 shows the results of correlation analysis:

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

Table 1 elucidates that all the variables are positively correlates with one another and all the relationship are prominent and significant.

4.3 Regression Analysis

**H1:** Organizational climate (OC) puts significant influence on knowledge management (KM).

**H2:** Organizational socialization (OS) puts a significant effect on knowledge management (KM).

Regression analysis imparts the relationship of independent variables with dependent variable. First two hypothesis are about the relationship of organizational climate (OC) and organizational socialization (OS) with dependent variable knowledge management (KM) and results are given in Table 2.

R² displays the influence of the predictors on criterion. The value of $R^2 = 0.448$ this value > 25% which is in acceptable range. F explains level of association predictors and criterion. Value of F= 92.242 and p value = 0.000. In regression analysis all the values of t are non-zero. For the link of OC and KM, $\beta=0.273$ i.e. which indicates that 1 unit change in organizational climate (OC) consequence in 27.3% variation in knowledge management (KM). For the link of OS and KM, $\beta=0.453$ i.e. which indicates that 1 unit alteration in organizational socialization (OS) consequence in 45.3% variation in knowledge management (KM). For the association of organizational climate and knowledge management $p=0.000$. Moreover, for organizational socialization and knowledge management $p=0.000$. Both the values of $p < 0.01$. This presents that hypothesis No 1 and 2 are accepted.

**H3:** Organizational climate (OC) plays an important role in knowledge sharing (KS).

**H4:** Organizational socialization (OS) plays an important role in knowledge sharing (KS).

In Table 3, the value of $R^2 = 0.282$ this value > 25% which is in acceptable range. Moreover, the value of $R^2$ displays the influence of the predictors on criterion. F explains level of association predictors and criterion. Value of F= 44.598 and p value = 0.000. In regression analysis all the values of t are non-zero.
Table 3: (Regression Analysis)

<table>
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<th>Beta</th>
<th>Std. Error</th>
<th>t-value</th>
<th>p-value</th>
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<tr>
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<td>44.598</td>
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***Significant at the 0.01 level, **Significant at the 0.05 level, * Significant at the 0.10 level

Dependent Variable: Knowledge sharing (KS)

Independent Variable (Predictor): Organizational Climate (OC), Organizational Socialization (OS)

For the link of OC and KS, $\beta=0.294$ i.e. which indicates that 1 unit change in organizational climate (OC) consequence in 29.4% variation in knowledge sharing (KS). For the link of OS and KS, $\beta=0.391$ i.e. which indicates that 1 unit alteration in organizational socialization (OS) consequences in 39.1% variation in knowledge sharing (KS). For the association of organizational climate and knowledge sharing $p=0.000$.

Moreover, for organizational socialization and knowledge sharing $p=0.000$. Both the values of $p < 0.01$. This presents that hypothesis No 3 and 4 are accepted.

$H_3$: Organizational climate (OC) shows significant role in knowledge application (KA).

$H_4$: Organizational socialization (OS) shows significant role in knowledge application (KA).

Table 4: (Regression Analysis)

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<tr>
<th></th>
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<tr>
<td>F</td>
<td>83.637</td>
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</tbody>
</table>

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

Dependent Variable: Knowledge application (KA)

Independent Variable (Predictor): Organizational Climate (OC), Organizational Socialization (OS)

In Table 4, the value of $R^2 = 0.424$ this value $> 25\%$ which is in acceptable range. $F$ explains level of association predictors and criterion. Value of $F= 83.637$ and $p$ value $= 0.000$. In regression analysis all the values of $t$ are non-zero. For the link of OC and KA, $\beta=0.242$ i.e. which indicates that 1 unit alteration in organizational climate (OC) consequence in 24.2% variation in knowledge application (KA). For the link of OS and KA, $\beta=0.242$ i.e. which indicates that 1 unit alteration in organizational socialization (OS) consequence in 24.2% variation in knowledge application (KA). For the association of organizational climate and knowledge sharing $p=0.000$. Moreover, for organizational socialization and knowledge application $p=0.000$. Both the values of $p < 0.01$. This explains that hypothesis No 5 and 6 are accepted.

5. CONCLUSION & DISCUSSION

This study observe the impact of organizational socialization (OS) and organizational climate (OC) on knowledge management (KM) and at micro level with two dimensions of Knowledge management i.e. knowledge sharing (KS) and knowledge application (KA). The results of current study show positive effect of both organizational socialization and organizational climate on knowledge management, knowledge sharing, and knowledge application. The positive influence of OC and KM is also seen in preceding researches (Chen & Hung, 2007)[11]. So, it can be concluded that this study is in compliance with the earlier researches. According to the best knowledge of researcher, the relationship between organizational socialization and knowledge management is checked first time. Furthermore, the results of the regression analysis indicate that if organization will provide suitable climate, give proper socialization to the organizational members then it will improve the knowledge management activities in term of knowledge sharing and knowledge application within banking sector of Pakistan. The focused sector should make better policies about organizational climate, organizational socialization for the advancement of knowledge management within the organization.

This study has some limitations. The banking sector of Pakistan is selected as a target population of current study but other sectors are not explored like education sector, textile sector, and telecommunication sector. Due to limited resources, the banks of Lahore region is taken as a sample. This is cross-sectional study because data is collected from respondents at specific point of time.
It is recommended that to make the results more generalize a bigger sample size, with wider area of research, numbers of banks and other sectors as well must be taken into account. From the research paper it is recommended that banking sectors should pursue to invest in organizational socialization, organizational climate and knowledge management system and properly provide them knowledge about organization and provide effective climate to their employees which will help them not only create suitable climate for knowledge sharing and application but also enhance their productivity and level of performance in their organization.

6. REFERENCES


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