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EXPLORING THE RELATIONSHIP BETWEEN KNOWLEDGE MANAGEMENT AND PERCEIVED ORGANIZATIONAL PERFORMANCE

AKANBI, Paul A. Ph.D⁷ and ADEYEYE, Tolulope C. Ph.D⁸

ABSTRACT

*The role that knowledge management plays in organizational performance and gaining sustainable competitive advantage cannot be ignored by organizations. The study explored the connection between knowledge management and perceived organizational performance in Dana Group of Companies, Lagos. The objectives of this research work were to determine the association between knowledge discovery and perceived organizational performance and the relationship between knowledge capture and perceived organizational performance. It is also aimed at ascertaining the nexus between knowledge sharing and perceived organizational performance as well as the link between knowledge application and organizational performance. The study employed survey research. Primary data was used for the study with questionnaires as research instruments. The subjects of the study were one hundred and forty nine employees of Dana Group of Companies, Lagos. The participants for this study were selected using stratified random technique. The hypotheses formulated for the study were tested using Pearson's Correlation. Findings from the study revealed there is a significant relationship between Knowledge discovery and organizational performance ($r = .327^{**}$, $N = 149$, $P < .01$). The research indicated a there is a significant relationship between Knowledge capture and organizational performance ($r = -.310^{**}$, $N = 149$, $P < .01$). The study showed a significant relationship between Knowledge sharing and organizational performance ($r = .321^{**}$, $N = 149$, $P < .01$). There was also a significant relationship between Knowledge application and organizational performance ($r = .440^{**}$, $N = 149$, $P < .01$). The study concluded and recommended that special attention should be paid to the relatively strong relationship between knowledge management and organizational performance in order for firms to gain sustainable competitive advantage.*

Keywords: Knowledge management, Knowledge discovery, Knowledge capture, Knowledge sharing, Knowledge application, Perceived organizational performance.

⁷ Paul Akanbi is an Associate Professor at the Department of Business Administration, Ajayi Crowther University, Oyo, Oyo State, Nigeria. E-mail:paulayobami2013@gmail.com or pa.akanbi@acu.edu.ng. Tel:+2348034813651.

⁸ Tolulope Charles Adeyeye lectures at the Department of Business Administration, Faculty of Commerce, University of Estiwani, Swaziland. E-mail:tcadeyeye@gmail.com

1.0. Introduction

Knowledge Management (KM) is the process through which organizations generate value from their intellectual and knowledge based assets (Santosus and Surmacz, 2001). In an era of knowledge-based economy, knowledge is a major resource of competitiveness (Drucker, 1993) and also a new criterion for wealth creation (Thurow, 1996). Apparently, KM has become a crucial source of corporate competitiveness (Andrew, 2005). KM: a company's foundation both organization- and technology-wise, is defined as "the continuous process of improving organizational performance by offering correct knowledge at the right time to members who need it, so they could take right action(s) accordingly". The KM process consists of stages such as the creating, confirming, collecting, categorizing/saving, sharing/storage, using/refining and retiring of knowledge (O'Dell & Grayson, 1998). A company may effectively and efficiently improve its performance by implementing such a process (Laurie, 1997). The Resource-Based Theory states that a company should re-examine its assets and make use of the most valuable ones to maximize the expected value (Barney & Baysinger, 1990).

Alavi & Leidner (2001) believe that the process of knowledge creation comprises the creation, storage, conversion and application of knowledge. Such a continuous process enables individuals, groups or companies to share explicit/tacit knowledge on an ongoing basis. This present study gives KM a *conceptual definition* that involves four dimensions, namely "knowledge discovery", "knowledge capture", "knowledge sharing" and "knowledge application". That definition is expected to ensure companies' efficient absorption of internal/external knowledge and systematically organized/stored data, which may help employees continuously share creative ideas in massive quantities. That way, knowledge will be effectively transferred to and shared among employees as a company's advantage and also the greatest asset in corporate competitions. Eventually, knowledge ensures a company makes the best decision possible.

Performance is a measure of how well an organization achieves appropriate objectives or how efficient and effective an organization is (Stoner et al, 2002). In modern economic perspectives, effective knowledge management determines organizational outcomes, organizational performance and sustainable competitive advantage (Ogunsiji and Akanbi, 2013). The expected outcomes of effective knowledge management lead to improved organizational effectiveness, improved productivity, a way to capture strategic practices, improved decision making, a more innovative organization, generation of sustainable competitive advantage and superior performance. This study therefore examines the connection between knowledge management and perceived organizational performance in Dana Group of Companies, Lagos.

2.0. Objectives of the Study

This study is generally targeted at the relationship between knowledge management and perceived organizational performance. There are four objectives that this study intends to achieve. They are:

1. To explore the link between knowledge discovery and perceived organizational performance.
2. To determine the relationship between knowledge capture and perceived organizational performance.
3. To examine the connection between knowledge sharing and perceived organizational performance.
4. To ascertain the link between knowledge application and perceived organizational performance.

2.1 Hypotheses of the Study

In line with the objectives of the study, the following hypotheses are tested in this study.

1. There is a significant relationship between knowledge discovery and perceived organizational performance.
2. There is a significant relationship between knowledge capture and perceived organizational performance.
3. There is a significant relationship between knowledge sharing and perceived organizational performance.
4. There is a significant relationship between knowledge application and perceived organizational performance.

3.0. Literature Review

In the last two decades, there has been an increasing interest in organizational knowledge as the source of competitive advantage, which can be traced back to the emergence of the resource-based perspective of the firm (Wernerfelt, 1984; Dierickx et. al., 1989; Barney, 1991; Mahoney et. al., 1992; Peteraf, 1993). Strategists describe the inclusion of knowledge as a primary asset as the extension of the resource-based view of the firm to one that is specifically knowledge-based (Grant, 1997). Knowledge is acquired both internally and externally. The major source of internal knowledge acquisition for business is through research and development (Hall et. al., 2002). Kaser et. al., (2002) however, point out that one of the difficult tasks knowledge activists face is to help such knowledge reach all the places in the organization where it can be useful.

The effectiveness of building knowledge within the firm depends on the firm's ability to monitor and absorb newly acquired knowledge from many sources and then integrate this knowledge into its existing knowledge base (Cohen et. al., 1990; Hamel, 1991). In order for external knowledge to be acquired, firms must survey research work that has previously been published (Danskin et al., 2005), for example, research on previous products, therefore gaining valuable insights about the product; excel at (benchmarking) gathering information about industry leaders (Bierly et. al., 2002), and rely on strategic alliances to acquire knowledge resources needed for their business (Grant, 1997). Firms can also acquire external knowledge about the market from their customers and distributors.

It is widely accepted that increasing the amount and the quality of knowledge sharing within firms is crucial to creating higher levels of innovation (Kaser et. al., 2002). New knowledge that drives product and process innovation really always comes out of the exchange of party formed ideas that trigger new insights. Thus KM increases the innovative performance of firms. Indeed, a firm that effectively uses its knowledge assets knows more about its customers, products, technologies, markets and their linkages, and should perform better.

This study is anchored on the theories of Knowledge-based View (KBV) and Resource-based View (RBV) of the firm which are important theories or perspectives in Strategic Management. KBV of the firm addresses the issues of the existence, the boundaries, and the internal organization of the multi-person firm (Foss, 1996). The starting point is that knowledge is the key explanatory factor, and the nature of knowledge is an important determinant enhancing understanding of firm organization and behaviour (Foss, 2005). The RBV states that a firm develops competitive advantage by not only acquiring but also developing, combining, and effectively deploying its *physical, human, and organizational* resources in ways that add unique value and are difficult for competitors to imitate (Barney, 1991). Most resource-based arguments are rooted in human resources. The RBV is mainly interested in identifying the essential productive (knowledge) resources and examining how these resources can be acquired, protected, and valued (Spender, 1996b). It is based on the cognitivist perspective on knowledge that assumes knowledge can be managed with tight procedures, policies, and defined action (Von Krogh, 1998). The KBV, in contrast, is based on the constructionist view of knowledge, which assumes that knowledge cannot be completely controlled but can only be managed by creating enabling conditions (Von Krogh, 1998), and focuses on how knowledge resources are utilized and coordinated (Spender, 1996b).

4.0. Methodology

4.1. Research Design

The design for this study is a survey design with knowledge management as independent variable which was measured by knowledge discovery, knowledge capture, knowledge sharing, knowledge application and perceived organizational performance as dependent variable.

4.2. Participants

The respondents of this study were one hundred and forty-nine employees of Dana Group of Companies, Lagos consisting of one hundred and one males and forty eight females with age from eighteen years to fifty-five years.

4.3. Instruments

The instrument for this study is a questionnaire which was divided into three parts. Section A contains demographic information of the respondents which includes age, sex, marital status, educational qualification. Section B dealt with scale on knowledge management. The second section measured knowledge management with a 12-item questionnaire based on knowledge discovery items 1-3, knowledge capture items 4-6, knowledge sharing items 7-9, and knowledge application items 10-12. This scale was based on prior work by Becerra-Fernandez et al. (2004) using a Likert scale ranging from strongly disagree (1) to strongly agree (5). The reliability coefficient of the sub scales were: knowledge discovery was 0.81, knowledge capture was 0.66, knowledge sharing was 0.71, and knowledge application was 0.71.

Section C measured perceived organizational performance. The organizational performance scale was adapted from a scale developed by Khandwalla (1977) and David et. al (2002) which is an eighth item scale with a Likert scoring format ranging from very high (6) to very low (1). The scale had a reliability Cronbach alpha value of 0.87. The scales were revalidated and the Cronbach alpha gave the following results: knowledge discovery .940, knowledge capture .910, knowledge sharing .836, knowledge application .950 and perceived organizational performance-0.87.

5.0. Data Analysis

The demographic information was analysed using frequency counts and simple percentage. Hypotheses 1 to 4 were analysed using Pearson's Correlation.

5.1. Results and Discussions

Hypotheses Testing

This section focused on the testing of the hypotheses formulated for the study.

Hypothesis 1

H1: There is a significant relationship between knowledge discovery and perceived organizational performance.

Table 1: Pearson's Correlation between Knowledge Discovery and Perceived Organizational Performance

Variable	Mean	Std. Dev.	N	R	P	Remark
Knowledge discovery	4.259508	.5138409	149	.327**	.000	Sig
organizational performance	6.23909	.601577				

** Sig. at .01 levels

It is shown in Table 1 that there is a significant relationship between Knowledge discovery and organizational performance ($r = .327^{**}$, $N = 149$, $P < .01$). The implication of this result is that a 1% shift in Knowledge discovery will cause a 32.7% shift in organizational performance. Hence, it could be deduced that Knowledge discovery influenced organizational performance in the study.

Hypothesis 2

H2: There is a significant relationship between knowledge capturing and perceived organizational performance.

Table 2: Pearson's Correlation between Knowledge Capturing and Perceived Organizational Performance

Variable	Mean	Std. Dev.	N	R	P	Remark
Knowledge capture	4.217002	.4823089	149	.310**	.000	Sig
organizational performance	6.23909	.601577				

** Sig. at .01 levels

It is shown in the Table 2 that there is a significant relationship between Knowledge capture and organizational performance ($r = .310^{**}$, $N = 149$, $P < .01$). The implication of this result is that a 1% shift in Knowledge capture will cause a 31.0% shift in organizational performance. Hence, it could be deduced that Knowledge capture influenced organizational performance in the study.

H3: There is a significant relationship between knowledge sharing and perceived organizational performance.

Table 3: Pearson's Correlation between Knowledge Sharing and Perceived Organizational Performance

Variable	Mean	Std. Dev.	N	R	P	Remark
Knowledge sharing	4.165548	.4428683	149	.321 ^{**}	.000	Sig
organizational performance	6.23909	.601577				

** Sig. at .01 levels

It is shown in Table 3 that there is a significant relationship between Knowledge sharing and organizational performance ($r = .321^{**}$, $N = 149$, $P < .01$). The implication of this result is that a 1% shift in Knowledge sharing will cause a 32.1% shift in organizational performance. Hence, it could be deduced that Knowledge sharing influenced organizational performance in the study.

Hypothesis 4

H4: There is a significant relationship between knowledge application and perceived organizational performance.

Table 4: Pearson's Correlation between Knowledge Application and Perceived Organizational Performance

Variable	Mean	Std. Dev.	N	R	P	Remark
Knowledge application	4.082774	.5311697	149	.404 ^{**}	.000	Sig
organizational performance	6.23909	.601577				

** Sig. at .01 levels

It is shown in the Table 4 that there is a significant relationship between Knowledge application and organizational performance ($r = .404^{**}$, $N = 149$, $P < .01$). The implication of this result is that a 1% shift in Knowledge application will cause a 40.4% shift in

organizational performance. Hence, it could be deduced that Knowledge application influenced organizational performance in the study.

6.0. Concluding Remarks

This study investigated the causal relationship between knowledge management and perceived organizational performance of employees in Dana Group of Companies, Lagos, Nigeria. This research concludes that knowledge management is strongly associated with perceived organizational performance. The study indicated strong and positive significant relationship between the dimensions of knowledge management and perceived organizational performance. These results aligned with earlier studies (Amir and Lev, 1996; Bontis, 2001; Edvinsson and Malone, 1997; Ittner and Larcker, 1998; Stewart, 1997; Wang and Chang, 2005; Ogunsiji and Akanbi, 2013; Shojaie and Baghbaniyan, 2009; Ramezan, 2011; Akanbi, 2016). It is concluded that strategic management of knowledge leads to improvements in organizational performance and emergence of innovative practices. Based on the findings from this study it is concluded and recommended that efforts should be made by organizations to put in place a frame work to effectively and efficiently manage knowledge in the organization to bring about superior performance and sustainable competitive advantage. It is also proposed that the organization should realign the application of knowledge to all areas of operations to bring about innovations and improved performance.