ORGANIZATIONAL CULTURES, KNOWLEDGE MANAGEMENT, ORGANIZATIONAL EFFECTIVENESS: THE RELATIONSHIP AND CONCEPTUAL FRAMEWORK

Abstract:

One of the major challenges an organization faces is to manage its knowledge asset, the use of knowledge is seen as basis for organizational effectiveness. This study investigates the conceptual framework of organizational culture has been significant affected knowledge management, and also examine the relationship of both variables with organizational effectiveness. The results indicate that organizational cultures are positively associated with knowledge management as well as organizational effectiveness. Furthermore, knowledge management is positively related to organizational effectiveness.

Keywords:

Organizational Cultures, Knowledge Management, Organizational Effectiveness
Introduction

In previous studies, there are several of knowledge management researches that always mentioned knowledge management in many perspectives, actually knowledge can be defined as a combination of experience; values, contextual information and expert insight that help evaluate and incorporate new experience and information (Gammelgaard and Ritter, 2000). Knowledge not only exists in documents and repositories, but it becomes embedded in people’s minds overtime and it is demonstrated through their actions and behaviors. How knowledge can be involve with management, since the growing use of knowledge in businesses contributed to the emergence of the theory of knowledge management (Aranda and Fernandez, 2002), which is currently one of the hottest topics in information technology and management literature. The process of knowledge management involves several activities such as gathering, managing and sharing capital in the organization (Bhojaraju, 2005). Knowledge management may gather with other elements such as Balanced Scorecard and strategic reward system to enhance organizational performance and competitive advantage (Chang, 2013).

Knowledge Management ('KM') comprises a range of practices used by organizations to identify, create, represent, and distribute knowledge for reuse, awareness and learning. It has been an established discipline since 1995 with a body of university courses and both professional and academic journals dedicated to it. Most large companies have resources dedicated to Knowledge Management, often as a part of 'Information Technology' (Sher and Lee, 2004) or 'Human Resource Management' (Liao, 2011), and sometimes reporting directly to the head of the organization. As effectively managing information is a must in any business, Knowledge Management is a multi-billion dollar world wide market.

The emergence of Knowledge Management has also generated new roles and responsibilities in organizations. In other word, it changed and enhanced the organizational culture and also affected the outcomes of organization. Therefore, the aim of this paper is to propose a conceptual framework of the relationship between organizational culture and organizational effectiveness, in which knowledge management is mediating variable.
Literature Review

Organizational Culture and Organizational Effectiveness

Organizational culture is a potential vehicle for improving organizational effectiveness (Kilmann et al. 1986). Organizational culture is socially embedded, constructed and reproduced over time (Schein, 1993) and can be an organizational asset or liability. As an asset, it eases communication, facilitates organizational decision making and control and may generate higher levels of cooperation and commitment. It can result in efficiency because activities are accomplished with a lower expenditure of resources. As a liability it can impede operational and process efficiency, and even strategy. There are many approaches to understanding organizational culture. It has been commonly treated by researchers as a set of cognitions shared by members of a social group (Martin and Siehl, 1983; Sathe, 1985; Weick, 1987; Schein, 1993).

Some studies suggest that leaders in an organization create the culture (Pettigrew, 1979; Schein, 1993). While other researchers, operating from a social constructivist (Smircich, 1983), symbolic (Geertz, 1973; Pettigrew, 1979) and cognitive (Gregory, 1983; Wilkins and Ouchi, 1983) perspective suggest that organizational members play a role in creating their company's culture. For the purpose of this research culture is defined as the shared values, beliefs and assumptions that shape and guide social systems, group relations and communication processes (Schein, 1983, 1985). Some organizational researchers have applied ideas directly from Schein's definition of culture, whereas others have challenged his approach. For example, subculture researchers have disputed Schein's assumption that organizational cultures are unitary (Gregory, 1983; Riley, 1983). Still others, working under a symbolic interpretive perspective, pursued paths Schein ignored (Smircich, 1983; Hatch, 1993). Despite the lack of consensus on the underlying assumptions of culture, most researchers concur that organizational culture influences behavior.

Furthermore, some studies suggest that organizational culture as a factor that influences the effectiveness of operations. As supported by Zammuto and O’Corner (1992) investigate how organizational culture impact an organization’s ability to deal with uncertainty associated with implementing computer-based technologies. They explore that an organization characterized by more flexible culture showed a higher level of effectiveness with
implementing computer based technologies than those organizations characterized as more control oriented.

According to Denison (1990) explains in his general framework about the cultural theory of organizational effectiveness that effectiveness is a function of values and belief (culture) held by organization members as well as policies and procedures (behavior). Moreover, in some of Denison’s general idea have been adopted in marketing such as extensive research investigates the specific behaviors associated with market orientation and their effect on various areas of organizational effectiveness. Hence, organizational culture and organizational effectiveness has some related. As supported by Zheng, Yang and Mclean (2010) organization culture as such adaptability, consistency, mission and involvement is direct influence on organizational effectiveness.

Along the same line, Samad (2007) gives a detail about social structure characteristics and psychological empower. His study shows that the manager need to ensure the social structure characteristics of their employees at work, in particular among customer market executives. He further makes clear, the employers concerned with developing high level of employees’ psychological empowerment need to focus their attention on providing ample self-esteem, power distribution, information sharing, knowledge, reward, good leadership and conducive organizational culture for organizational effectiveness. In other word, organizational culture effected organizational effectiveness.

According to Gupta and Govindarajan (2000), organizational culture involves six major categories: information systems, people, process, leadership, reward systems and organization structure. Each of these categories includes factors that descend from it.

**Information System:** The term information systems is used to refer to an arrangement of people, data and processes that interact to support daily operations, problem solving and decision making in organizations (Whitten et al., 2001).

Zhou et al.(2003) studies about an information system model in Chinese herbal medicine manufacturing enterprise. Due to Chinese herbal medicine manufacturing is quite backward since manufacturing facilities are often outdated and low in effectiveness. Therefore, their paper tried to describe the modeling of information system for Chinese herbal medicine
manufacturing enterprise in its structure and function, and discuss its implementation. They found that the information system model proposed in their study is feasible and can be used not only in other Chinese herbal medicine manufacturing enterprises, but also in other flow-process industries. As this result, may conclude that information system would enhance organizational effectiveness.

Due to information system is processes that interact to support daily operations as mentioned by Kumar and Harms (2004) clarify the significant technique to improve basic business practices in a company which manufactures large volume, high quality optical thin film coatings. Some of the tasks involved in identifying opportunities for improving operational efficiencies included analysis of current business processes, identification of non-value-added activities including wastes and proposing process changes. Therefore, all those process may improving and enhance the organizational effectiveness.

**People:** People referring to trust of people perceived by organization, Moye and Henkin (2005) mentioned trust or interpersonal trust also is a critical element in constructive human relationships. It is recognized as salient component of well-functioning organization (Lane, 1998). Many research studies such as Butler (1991), McAllister (1995) and Whitener et al. (1998) have confirmed important associations between higher levels of relational trust and outcomes that depend on individual and organizational effectiveness. In other word, the important of interpersonal trust relationships is for promoting individual and organizational effectiveness. Notwithstanding, Watson (2002) has suggested the potential for significantly higher rates of return to shareholders in organizations with high levels of trust among employees.

**Process:** Process here is referring to communication process. According to Irving and Tourish (1994) affirm that communication is a key factor influencing the ability of organizations to achieve their goal. In other word, the communication related with the organizational effectiveness since as a crucial concern when organizations are thrust into prolonged period of reorganization and change.

Along the same line, Tourish and Hargie (1996) explain that improved internal communication contribute to better industrial relation , fewer strikes, improved productivity,
more suggestions per employee, and heighten level of innovation, those would lead to effective into organization.

On the other hand, Grunig et al. (1992) provide a review of internal communication research and conclude: “In spite of all of this research, however, we emerge from this section with little theoretical understanding of how internal communication makes organizations more effective.” While they propose symmetrical communication as a way to improve effectiveness and achieve excellence, gaps in the literature on internal communication continue to be highlighted.

Moreover, Welch and Jackson (2007) affirmed that effective internal communication is crucial for successful organization as it affects the ability of strategic manager to engage employees and achieve the objective. In their study therefore tried to improve internal communication by proposing theory with the potential to improve practice in order to help organizational improvement.

**Leadership:** According to Scontrino (2006) who studies reinventing organization development, by enhancing leadership is a one of key organizational dimension that lead changed organization development toward improving overall organizational effectiveness, meaning that leadership has positive effect on organizational effectiveness. As supported by Mintzberg and Waters (1985) mentioned in Fu et al.(2006), in Western leadership literature, it has also been proposed that a strong and decisive leader is one of the key determinants of an organization's effectiveness.

Rudman (2002) suggests that HR managers could add considerable value to an organization’s effectiveness by exerting leadership beyond their staff role in the organization. Effective leaders exert the influence over employees to achieve the organization’s goals. On the other hand, ineffective leaders' influence does not contribute to achieving goals but detracts the employees from goal attainment. There are different leadership styles to effective leadership (cite from Plessis et al., 2006).

**Rewards Systems:** According to Ulrich and Lake (1991) indicate that reward systems should be designed “to enhance organizational capability, encourage employees to adopt behaviors that coincide with customer values, implement strategies, manage change and coincide with
customer values”. In keeping with a key element of empowerment, there should be less emphasis on punitive practices and more on rewards as a positive force aimed at shaping the desired behaviors.

As point out by Abraham et al. (1999) mentions that the empowerment of subordinates as well as recognition and reward for good work, have been clearly recognized as effective organizational practices. In other word, reward would enhance the organizational effectiveness. As supported by many studies such as Hackman et al.(1975) in their classic paper, building on the work of Herzberg (1966), emphasize the importance of recognition and feedback to employees in order to produce high satisfaction and high quality work performance. Block (1987), Sathe (1985) and Weisbord (1989) have similarly emphasized the importance of recognition and reward (cited from Abraham et al, 1999).

Along the same line, Cacioppe (1999) examines the value of team and individual reward strategies and how these can be used to contribute to organizational change and success. He explains that team rewards as important motivators to accomplishing organizational objectives, in other word term reward would lead organizational effectiveness. He elaborates further, there is four factors need to be considered in establishing team based rewards: the stages of a team life cycle, reward and recognition categories, the type of teams and the culture of the team and organization.

**Organization Structure:** Traditional organization structures are usually characterized by complicated layers and lines of responsibility with certain details of information reporting procedures. Nowadays, most managers realize the disadvantages of bureaucratic structures in slowing the processes and raising constraints on information flow. In addition, such procedures often consume great amount of time in order for knowledge to filter through every level.

According to Twale and Place (2005) study about reconceptualizing the school of education, by offering a conceptual model for a school of education that depicts the collegiate ideology, academic culture, mission statement, managerial climate, and organizational structure. It is designed to help administrators and faculty envision their school/college more holistically when dealing with issues and changes rather than forcing faculty and administrative visions to fit with the rhythms and confines of the academy. This approach should be modeled to
graduate students in educational leadership programs who as professionals must advocate for similar change in their work settings. In their study also mentioned the relationship between organization structure and organization effectiveness, since the espoused campus ethos and its fundamental beliefs and values are congruent and aligned with actual organizational structures and managerial practices, procedures, and policies to achieve organizational effectiveness for the participants and programs (Argyris, Putnam and Smith, 1985; Dennison, 1990; Schein, 1971).

**Organizational Culture and Knowledge Management**

Organizational culture as mentioned by McDermott and O'Dell (2001) referred to the shared values, beliefs and practices of people in an organization. Culture is reflected in the visible aspects of the organization, like its mission and espoused values. But culture exists on a deeper level as well, embedded in the way people act, what they expect of each other and how they make sense of each other's actions. Finally, culture is rooted in the organization's core values and assumptions. Often these are not only unarticulated, but so taken for granted that they are hard to articulate and invisible to organizational members (cited from Chan, 2007)

According to Delong and Fahey (2000), culture influences knowledge-related behaviors in four ways. First, culture, and particularly subcultures, heavily influences what is perceived as useful, important, or valid knowledge in an organization. Culture shapes what a group defines as relevant knowledge, and this will directly affect the type of knowledge a unit focuses on. Subcultures consist of distinct sets of values, norms, and practices exhibited by specific groups or units in an organization. Subcultures have characteristics that distinguish them from the firm's overall culture, as well as from other subcultures. Second, culture is that it mediates the relationship between levels of knowledge. It dictates what knowledge belongs to the organization and what knowledge remains in control of individuals or subunits. Third, culture creates a context for social interaction. It represents the rules and practices that determine the environment within which people communicate. These cultural ground rules shape how people interact and have a major impact on knowledge creation, sharing, and use. Finally, culture shapes creation and adoption of new knowledge. Knowledge ultimately assumes value when it affects decision-making and is translated into action. New knowledge
is either adopted wholesale from external sources, often in the form of structured knowledge, such as a new software-driven manufacturing process, or is created internally by taking information from the external environment and interpreting it in the context of the firm's existing knowledge to create new knowledge that becomes a basis for action.

With respect to knowledge management as mentioned by Wiig (1997) proposed knowledge management is the fact that organizations systematically and clearly implement exploration and application knowledge thoroughly to improve work efficiency relevant to knowledge and research the maximized remuneration (cited from Chang and Lee, 2007). Along the same line, Tsai and Chen (2007) clarify knowledge-based resources are embedded in multiple entities of organization such as organizational culture, routines, policies, system and documents.

Many studies attempt to give details about the relationship between organizational culture and knowledge management. As point out by Alavi and Leidner (1999) mentioned in Chang and Lee (2007), investigate on the applications of knowledge management. Result indicated that the experience of knowledge share in organization and the success of knowledge management are mostly associated with organizational culture. Hence, successful knowledge management must depend on the coordination on level of culture, management and organization. Knowing from academic statement, organizational culture is intimately related to organizational culture.

According to Chang and Lee (2007) investigate whether organizational culture has significant influence on knowledge management mechanism. The finding indicates the significant correlation between organizational culture and knowledge management mechanism. As supported by the canonical correlation coefficient was 0.829. Thus, it shows that organizational culture and knowledge management mechanism are positively correlated: namely, the higher recognition of organizations toward organizational culture, the higher knowledge management mechanism could occur. As supported by Zheng, Yang and Mclean (2010), organizational culture has greater positive contribution impact to knowledge management.

On the other hand, Kaweevisultrakul and Chan (2007) elaborated organizational culture is important to lead knowledge management to be successfully, since one of the key drivers to a
successful KM strategy is ensuring that an organization embeds a rich cultural environment into organization’s vision and mission.

**Knowledge Management and Organizational Effectiveness**

Knowledge is an organized combination of data, assimilated with a set of rules, procedures, and operations learnt through experience and practice (Keskin, 2005). There are two critical dimensions to understanding knowledge in a practical, organizational context. First, knowledge exists at individual, group, and organizational levels. Second, knowledge is either explicit or tacit (De Long and Fahey, 2000). Explicit knowledge is the type of knowledge that can be easily documented and shaped. It can be created, written down, transferred, or transmitted among organizational units verbally or through computer programs, patents, diagrams and information technologies (Choi and Lee, 2003; Perez and Pablos, 2003). Firms using explicit oriented KM strategy can achieve scale economies and organizational efficiency through reusing codified knowledge. Tacit knowledge is what we know but cannot explain (De Long and Fahey, 2000). This form of knowledge: 1) is embodied in mental processes; 2) has its origins from practices and experiences; 3) is expressed through ability applications; and 4) is transferred in the form of learning by doing and learning by watching (Choi and Lee, 2003).

According to Liu (2007) mentioned that within the area of knowledge management, the most important challenge for managers is how to manage the knowledge assets of an organization effectively. The pressure occurs in several aspects: (1) the knowledge with unique competitive superiority usually belongs to "tacit knowledge", as it cannot be transferred easily, possesses ambiguity, and is embedded in staff or routine work of organization; (2) dissimilar to traditional management, managers belong to a team of highly independent and autonomous knowledge workers; and (3) managers have to grasp full control of the external environment to achieve major sources of knowledge and strengthen the superiority of inter-organizational learning. Therefore, an organization must strengthen its "knowledge base" through the development of a knowledge transfer mechanism and exert effective leverage in order to increase organizational effectiveness. In other word, knowledge management is an important factor lead to enhance organizational effectiveness.
Along the same line, Motwani (2006), mentioned that Indian organizations the practice of knowledge management have created value by improving organizational effectiveness, delivering customer value, and improving productivity innovation. He explains further by giving an example of Tata Steel, India’s biggest private sector steel manufacturer, KM initiative was started in 1999. The initial focus was basically on creating, capturing and deploying the knowledge gained by all employees in their day-to-day work, visits to other plants, and also through improvement projects. Over the years, a system has been developed to capture organization’s knowledge including that of customers and suppliers (Khanna and Mitra, 2005).

Chen’s (2006) study showed that KM enhances an organization’s effectiveness. The study was conducted to see whether there is a relationship between knowledge sharing and the organization's marketing effectiveness. The study proposed that knowledge-sharing activities are prerequisites to enhancing organizational marketing effectiveness, both within the organization and between organizations. The findings show that: (1) knowledge sharing, except external organization knowledge sharing with strategic alliance organizations, is positively related to the organizational marketing effectiveness in the strategic alliance setting, and (2) the external organization's marketing effectiveness is mostly affected by knowledge sharing in the strategic alliance setting (cited from Kaweevisultrakul and Chan, 2007).

**Proposition**

From the preceding discussion, the following propositions are put forth:

Proposition 1: Organizational culture as perceived by the organization will positively affect knowledge management.

Proposition 2: Organizational culture as perceived by the organization will positively affect organizational effectiveness.

Proposition 3: Knowledge management as perceived by the organization will positively affect organizational effectiveness.
Proposition 4: The relationship between organizational culture and organizational effectiveness as perceived by the organization will be mediated by knowledge management.

Conceptual Framework

Based on the literatures reviewed, the conceptual framework is as follows:

Underlying Theory

In this paper employ the resources based theory which underlying that links the independent variable to mediating and the dependent variables. The conceptual framework of resources based theory (Bareney, 1991) blends concepts from organizational economics and strategic management. A basic assumption of this view has been introduced as the resource-based view (RBV) is an economic tool used to determine the strategic resources available to a firm. The fundamental principle of the RBV is that the basis for a competitive advantage of a firm lies primarily in the application of the bundle of valuable resources at the firm’s disposal (Wernerfelt, 1984, p172; Rumelt, 1984, p557-558). To transform a shortrun competitive advantage into a sustained competitive advantage requires that these resources are heterogeneous in nature and not perfectly mobile (Barney, 1991, p105-106; Peteraf, 1993, p180). Effectively, this translates into valuable resources that are neither perfectly imitable nor substitutable without great effort (Hoopes, 2003, p891; Barney, 1991, p117). If these conditions hold, the firm’s bundle of resources can assist the firm sustaining above average returns.
In addition, Barney (1991) further explained a basic of this view is that organizations can be successful if they gain and maintain competitive advantage. This competitive advantage is gained by implementing a value-creating strategy that competitors cannot easily copy and sustain, for which there are no ready substitutes. Knowledge management is one of organizational recourse that cannot easily imitate from one organization to another.

From the conceptual framework of this study, it can be conclude that organizational culture creates positive effected on organizational effectiveness that would lead positive in competitive advantage of organization with positive value consistent with Bareney (1991) resource based theory. In the relationship between organizational culture and organizational effectiveness will improve and develop their organizational culture based on knowledge management in order to reach the organizational effectiveness. Consequently, it is expected that organizational culture as predators that will determine organizational effectiveness and in order to enhance the organization effectiveness need to aware of knowledge management as an importance key for organization.

**Conclusion**

Knowledge management as an importance factor that influenced on business performance and competition since that can improve and develop competitive advantage. From this study in view of organizational cultural toward knowledge management and organizational effectiveness, all results indicate supportive culture caused more significant influence on knowledge management and organizational effectiveness. For that reason, the organization should create the organizational culture available to support knowledge activities in order to achieve organizational effectiveness.
References


Sathe, V. (1985), *Culture and Related Corporate Realities*, Richard D. Irwin Inc.


