



## A STUDY ON IMPLEMENTATION OF KNOWLEDGE MANAGEMENT IN ORGANIZATIONS- TOWARDS THE FOCUS OF DEVELOPING CSR

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### Abstract

Effective use of knowledge has been crucial to the organization's survival and success in competitive global markets and has a strong potential to problems solving, decision making, organizational performance enhancements and innovation. Hence this paper focused into the implementation of the knowledge management from the CSR perspective and also investigates the positive impact on KM developing CSR in organizations. CSR is much broader than charitable activities, philanthropy and community involvement. It embraces business practices, including environmental management systems, human resource policy and strategic investment for a sustainable future. The objective of the paper are to find out the knowledge management strategies developing CSR and how it intends to create new innovative plans for organization development. The primary data is used for the research study collected from various private and public sectors. The result of the research study shows that KM helps the organizations to build sustainable competitive advantage and strengthens the organizations towards their commitment in CSR

**Key Words:** KM, Knowledge Management, Learning, Organizational Performance, CSR.

### 1.1 Introduction

According to Bukowitz and Williams (1999) knowledge management is the set of procedure utilized by the organization to generate capital from its knowledge-based assets or intellectual. The rich service industry of Knowledge is nourishing rapidly than ever before and the greater numbers of the new jobs are demanding by the knowledge workers. In order to enhance organisational knowledge, KM must be involved across the entire knowledge spectrum. It must help knowledge development at all levels and facilitate & promote its diffusion to individuals, groups, and/or across the entire firm, in accordance with the organization's requirements. KM practices must first identify ways to encourage and stimulate the ability of employees to develop new knowledge. KM is also important for organizations that continually face downsizing or a high turnover percentage due to the nature of the industry. Organisation's strategic objectives, should help to identify the knowledge management priorities for your organisation.

In this regard, Corporate Social Responsibility (CSR) has recently gained prominent attention as a critical factor affecting success and image of businesses. Implementing knowledge management in CSR activities is not a mechanistic process. It involves introducing new practices, new tools and techniques, developing skills and changing behaviours that lead to improve the organization image to a greater extent. Companies increasingly find themselves under pressure to adopt socially responsible forms of operation. Since organizational change is crucially influenced by knowledge creation and sense-making, this paper aims to determine how knowledge management (KM) processes can foster progress towards corporate social responsibility (CSR).

### 1.2 Review of Literature

*American Production and Quality Control (1995)* defines knowledge management in terms of, "the identification of processes and strategies, leveraging and capturing knowledge." The worldwide majority organizations were implementing knowledge management and have found it comparably convenient to use process and technology in place, on the contrary greater challenges have been caused by the people and their leadership capabilities

*Davenport and Prusak (1998, 2000)* justify that at human level sharing must be initiated and once it works its application on technology will generate positive consequences. Many preceding models failed due to the reason that their focus was on technology not on humans but not on humans. The human has that ability to dissect and inter-relate the information provided to it, while technology has no capability to examine the information.

According to *Love, P. D., Edum-Fotwe, F., and Irani, Z*, effective KM facilitates innovation, reduces project duration, and can improve both quality and customer satisfaction. *Hamid (2008), Weber (2007)* approved that knowledge has to be updated continuously in order to stay in the competitive race. Due to this bring revision and change in processes; it will help to keep the competitive advantage intact.



*Lundvall, B-Å., and Nielsen* Organizations that are aware of their knowledge resources possess a valuable, unique resource that is difficult to imitate and can be exploited to achieve a sustainable competitive advantage

*Porter and Kramer (2006)* stated that strategically corporate social responsibility (CSR) can become source of tremendous social progress, as the business applies its considerable resources, expertise and insight to the activities that benefit society, surveys shows that companies should operate in ways that secure long-term economic performance by avoiding short-term behaviour that is socially detrimental or environmentally wasteful.

*Simpson and Kohers* found that the impact on business from CSR is divided into three aspects- normative, instrumental, and ethics. Instrumental means that CSR is a tool for enterprises to obtain maximum profits. The most relevant research, includes CSR and corporate financial performance and CSR and competitive advantage

*Stewart, 2002-* Effective KM is not about making a choice between “software vs. wetware, classroom vs. hands-on, formal vs. informal, technical vs. social...uses all the options available to motivated employees to put knowledge to work ... [and] depends on recognizing that all of these options basically need each other”

*Wong, K. Y* In several firms, Knowledge Management (KM) has become a main investment priority. It is recognized that the performance of KM is highly associated with the intellectual capital of the firm, which in turn affects its innovation and financial achievement

### **1.3 Research Methodology**

#### **Research Problem**

The potential of competitiveness is grounded in several ways in which competition between organizations takes place in today's business. To sustain against the competition the organization has to focus on developing CSR activities to catch the attention of the society. CSR leads to outcomes such as increased customer loyalty, willingness to pay premium prices, and lower reputation risks in times of crisis. Hence using knowledge management the organizations have to implement new innovative ideas so that they can improve the business, and also the society.

#### **Scope of the Study**

Successful KM needs a trust-based organizational culture to facilitate knowledge sharing and it should be supported by an organization structure. Here my research study focuses on developing CSR in organizations by implementing knowledge management initiatives.

#### **Objectives of the Study**

- To study the knowledge management strategies developing CSR activities.
- To examine the various innovative CSR plans the organizations implement using KM.
- To analyze the organizational barriers in implementing Knowledge Management.
- To study the employees perspective regarding KM initiatives towards the focus of developing CSR.

#### **Sampling Design**

The sampling method used in this research study is Probability sampling. It is a sampling technique wherein the samples are gathered in a process that gives all the individuals in the population equal chances of being selected. The sampling type used is Simple random sampling and the size of the sampling is 100 respondents. The respondent in this study includes shareholders, executives and functional level employees.

#### **Data Collection**

Data collection is the process of gathering and measuring information on targeted variables in an established systematic fashion and for this study the secondary data is collected through various journals and research papers. The primary data is collected through questionnaires collected from the respondents.

#### **Statistical Tools Used: (SPSS SOFTWARE)**

- Percentage Analysis
- Descriptive Analysis
- Correlation Analysis
- Factor Analysis- - KMO and Bartlett's Test
- ANOVA



### Limitations of the Study

- The survey is conducted based on a limited number of respondents, confined to particular demographic only.
- Since the research study is employees perspective the employees may response more in favour to the companies rather than the real perspective.
- Specific industry is not focused in this research study and hence the suggestions for development are common for all organizations may not suitable for particular industry.

### 1.4 Data Analysis and Interpretation

**Table 1: Percentage Analysis for Demographic Variables**

| Demographic Variables | Variables           | Frequency  | Valid Percent |
|-----------------------|---------------------|------------|---------------|
| AGE                   | Below 30 years      | 9          | 9.0           |
|                       | 31-40 years         | 32         | 32.0          |
|                       | 41-50 years         | 42         | 42.0          |
|                       | Above 50 years      | 17         | 17.0          |
| <b>Total</b>          |                     | <b>100</b> | <b>100.0</b>  |
| GENDER                | Male                | 52         | 52.0          |
|                       | Female              | 48         | 48.0          |
| <b>Total</b>          |                     | <b>100</b> | <b>100.0</b>  |
| EDUCATION             | School Level        | 24         | 24.0          |
|                       | Degree/Diploma      | 52         | 52.0          |
|                       | Professional Degree | 24         | 24.0          |
| <b>Total</b>          |                     | <b>100</b> | <b>100.0</b>  |
| FUNCTIONAL LEVEL      | Top Management      | 26         | 26.0          |
|                       | Middle Management   | 51         | 51.0          |
|                       | Low Management      | 23         | 23.0          |
| <b>Total</b>          |                     | <b>100</b> | <b>100.0</b>  |
| WORK EXPERIENCE       | Below 5 years       | 20         | 20.0          |
|                       | 5-15 years          | 33         | 33.0          |
|                       | 16-30 years         | 27         | 27.0          |
|                       | Above 30 years      | 20         | 20.0          |
| <b>Total</b>          |                     | <b>100</b> | <b>100.0</b>  |

It is inferred that majority 74% of the respondents are in the middle age group between 30 -50 years as they have an experience and broader view towards knowledge management in organizations rather than fresher's. Almost equal importance's given to both male and female employees as they both contribute equally themselves towards the company's development. Nearly 50% of the employees are qualified with degree level and accordingly majority of the respondents are from middle level management. It is inferred that 60% of the respondents are having good work experience and this supports to develop CSR by implementing new knowledge management strategies.

**Table 2: Descriptive Analysis for KM Strategies Developing CSR**

| Knowledge Management Strategies Developing CSR  | N   | Minimum | Maximum | Mean   | S.D.    |
|---|-----|---------|---------|--------|---------|
| Improving the quality of goods and services for customer beneficiaries  | 100 | 3.00    | 7.00    | 5.3900 | 1.02391 |
| Active response in business issues that destroys the company's reputation   | 100 | 3.00    | 7.00    | 5.2400 | 1.10206 |
| Improving commercialization of business towards global level by adopting various technological advancements such as internet, online shopping etc.                | 100 | 3.00    | 7.00    | 5.2900 | 1.06643 |
| Creating a customer- organization emotional binding by merging technology with socio-cultural activities such as adopting orphanages, organizing foundations etc. | 100 | 3.00    | 7.00    | 5.4900 | 1.01000 |
| Retaining the talented employees in the organization, encouraging them towards the new initiatives in CSR and reward for their knowledge asset.                   | 100 | 4.00    | 7.00    | 5.4100 | .93306  |



It is inferred that the active response in business issues will destroys the company's reputation is having least mean value of 5.24 is highly acceptable by the employees and the higher mean value statement is creating a customer- organization emotional binding by merging technology with socio-cultural activities such as adopting orphanages, organizing foundations etc. indicates that the respondents are accepting this statement only to a certain extent.

### Correlation Analysis for Innovative CSR Plans Using KM

#### Hypothesis

**Null hypothesis:** There is no significant relationship between innovative CSR plans using knowledge management.

**Alternative hypothesis:** There is a significant relationship between innovative CSR plans using knowledge management.

**Table-3**

| Pearson Correlation Analysis                                 |                 | Product innovation | Effective HR practices | Technological      | Introducing new practices, | Customization Strategies | Pollution free and green | Focusing towards specific | Charity oriented activities |
|--|-----------------|--------------------|------------------------|--------------------|----------------------------|--------------------------|--------------------------|---------------------------|-----------------------------|
| Product innovation   | Correlation     | 1                  | .660**                 | .274**             | .215*                      | .349**                   | .316**                   | .395**                    | .399**                      |
|  | Sig. (2-tailed) |                    | .000                   | .006               | .032                       | .000                     | .001                     | .000                      | .000                        |
| Effective HR   | Correlation     | .660**             | 1                      | .438**             | .296**                     | .417**                   | .273**                   | .283**                    | .284**                      |
|  | Sig. (2-tailed) | .000               |                        | .000               | .003                       | .000                     | .006                     | .004                      | .004                        |
| Technological  | Correlation     | .274**             | .438**                 | 1                  | .582**                     | .422**                   | .137                     | .122                      | .293**                      |
|  | Sig. (2-tailed) | .006               | .000                   |                    | .000                       | .000                     | .174                     | .227                      | .003                        |
| Introducing new practices                                    | Correlation     | .215*              | .296**                 | .582**             | 1                          | .479**                   | .113                     | .169                      | .286**                      |
|  | Sig. (2-tailed) | .032               | .003                   | .000               |                            | .000                     | .263                     | .094                      | .004                        |
| Customization strategies                                     | Correlation     | .349**             | .417**                 | .422**             | .479**                     | 1                        | .418**                   | .263**                    | .538**                      |
|  | Sig. (2-tailed) | .000               | .000                   | .000               | .000                       |                          | .000                     | .008                      | .000                        |
| Pollution free and green                                     | Correlation     | .316**             | .273**                 | .137               | .113                       | .418**                   | 1                        | .596**                    | .405**                      |
|  | Sig. (2-tailed) | .001               | .006                   | .174               | .263                       | .000                     |                          | .000                      | .000                        |
| Focusing segment   | Correlation     | .395**             | .283**                 | .122               | .169                       | .263**                   | .596**                   | 1                         | .352**                      |
|  | Sig. (2-tailed) | .000               | .004                   | .227               | .094                       | .008                     | .000                     |                           | .000                        |
| Charity activities   | Correlation     | .399**             | .284**                 | .293**             | .286**                     | .538**                   | .405**                   | .352**                    | 1                           |
|  | Sig. (2-tailed) | .000               | .004                   | .003               | .004                       | .000                     | .000                     | .000                      |                             |
| **. Correlation is significant at the 0.01 level (2-tailed). |                 |                    |                        | a. List wise N=100 |                            |                          |                          |                           |                             |

It is inferred that there is a correlation found between innovative CSR plans using knowledge management since the significant two tailed test values are less than 0.01 and hence the null hypothesis is rejected. That there is a significant relationship found between innovative CSR plans using knowledge management. The \*\* values in the Pearson Correlation coefficient represents that there exists a significance at the 0.01 level.

### Factor Analysis for Barriers in Implementing KM

**Table 4: KMO and Bartlett's Test**

|   |                    |         |
|---|--------------------|---------|
| Kaiser-Meyer-Olkin Measure of Sampling Adequacy |                    | .522    |
| Bartlett's Test of Sphericity                   | Approx. Chi-Square | 142.754 |
|   | df                 | 28      |
|   | Sig.               | .000    |



**Table 5: Rotated Component Matrix**

| Barriers in Implementing KM  | Component   |             |             |
|--|-------------|-------------|-------------|
|  | 1           | 2           | 3           |
| Lack of top management commitment  | <b>.881</b> | -.195       | .302        |
| Financial constraints  | <b>.919</b> | .069        | .005        |
| Technological limitations  | -.083       | <b>.549</b> | .501        |
| Lack of retaining talented and knowledgeable employees   | .171        | <b>.563</b> | -.119       |
| Ineffective communication between the employees in different management levels                       | .061        | <b>.810</b> | -.005       |
| Lack of learning and improper sharing of information   | .369        | <b>.812</b> | -.047       |
| Lack of adopting Knowledge management systems(KMS) in organizations                                  | .305        | .117        | <b>.634</b> |
| Lack of efficient Knowledge management team for formulating activities                               | -.149       | .040        | <b>.797</b> |
| Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization. |             |             |             |
| a. Rotation converged in 5 iterations.   |             |             |             |

High value of KMO (0.522>0 .05) indicates that a factor analysis is useful for the present data. The significant value for Bartlett's test of Sphericity is 0.000 and is less than .05 which indicates that there exist significant relationships among the variables. From the rotated component matrix, it is inferred that out of eight barriers, three barriers are considered to be the most important limitations in implementing knowledge management in organizations. They are

- Lack of Top management commitment
- Technological limitations
- Lack of adopting Knowledge management systems(KMS) in organizations

Top management commitment is considered to be the most important factor since if they are not showing any interest in introducing new knowledge management strategies means, the other functional levels of management will never show any initiative in developing it. Even if management is interested, if the development of technology is not found means the employees will be in a struggle to implement new ideas as the resources will not be sufficient. Introducing KMS is also a major barrier as many organizations as they are not having proper human resource expertise in all the departments to organize it properly.

#### **Anova Test for Education and Employees Perspective about KM**

**Null hypothesis H0:** There is no significant relationship between education and employees perspective about KM.

**Alternative hypothesis H1:** There is significant relationship between education and employees perspective about KM.

**Table 6**

| Employees Perspective about KM  | F     | Sig. |
|---|-------|------|
| My organization have a clear vision that KM helps in achieving the organizational CSR objectives  | .196  | .822 |
| The policies and procedures of knowledge management in my company focusing the socially responsible activities towards the greater extent             | 1.397 | .252 |
| My organization is giving opportunity for all the employees to create, share and disseminate many CSR related strategies for organization development | 1.385 | .255 |
| KM helps the organizations to build sustainable competitive advantage and strengthens the organizations towards their commitment in CSR               | .164  | .849 |

Based on the result generated by SPSS 19, the significant values of employees perspective about KM are greater than 0.05. So the null hypothesis is accepted. Hence there is no significant relationship between education and employees perspective about KM.

#### **1.5 Findings**

- It is inferred that majority 74% of the respondents are in the middle age group between 30 -50 years as they have an experience and broader view towards knowledge management in organizations rather than fresher's.
- It is inferred that 60% of the respondents are having good work experience and this supports to develop CSR by implementing new knowledge management strategies.



- It is inferred that the active response in business issues will destroys the company's reputation is having least mean value of 5.24 is highly acceptable by the employees.
- There is a significant relationship between innovative CSR plans using knowledge management.
- Top management commitment is considered to be the most important factor since if they are not showing any interest in introducing new knowledge management strategies means, the other functional levels of management will never show any initiative in developing it.
- The development of technology is not found means the employees will be in a struggle to implement new ideas as the resources will not be sufficient. Hence technological limitations are found as one of the important barrier in implementing knowledge management in organizations.
- Introducing KMS is also a major barrier as many organizations as they are not having proper human resource expertise in all the departments to organize it properly.
- There is no significant relationship between education and employees perspective about KM.

### 1.6 Suggestions

- The organization structure should be networked to provide opportunities for employees to interact and communicate with others, and support knowledge- related CSR actions.
- Many organizations are not having knowledge related workers separately to develop KM inside organizations and hence to better implement KM, organizations have to place the positions entitled with, for instance, chief knowledge officer (CKO), knowledge engineer, knowledge analyst, knowledge manager etc to administrate knowledge management (KM).
- Effective Knowledge Management System (KMS) have to integrate in organizational structure to assist in managing knowledge through intranet or internet since today's business is focusing the global customers
- All the stake holders and top management employees should be involved for the success of implementing knowledge management as they play a major role in decision making process.
- In order to transform an organization into a learning organization and ensure an effective knowledge management strategy, a knowledge audit should be conducted, which will provide a current state of knowledge capability of the organization in organizing socially responsible activities and a direction of where and how to improve that capability in internal and external CSR activities.
- Organization should give opportunity for all the employees to create, share and disseminate many CSR related strategies for organization development.

### 1.7 Conclusion

Knowledge being an expensive commodity is a major asset to the company, if it is managed effectively and properly. Majority of the organizations in this study were unanimous that companies which practiced corporate social responsibility derived many benefits from the society as opposed to those which didn't. Most of the companies are now investing in their knowledgeable assets by the recruitment of knowledgeable people to adopt new and innovative CSR practices so that the company can gain competitive advantage that helps to increase the business advantage. The Knowledge Management with strategy, new innovative practices and information technology has relationship with CSR activities both inside and outside the organizations helps to gain competitive advantage. Thus the implementation of knowledge management initiatives not only helps the organization to compete against competitors but also improves the corporate image when it focuses towards CSR.

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