

# The Influence Of Organizational Culture And Organizational Structure On The Implementation Of Knowledge Management Process In Corporate University Of PT. XYZ

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## Abstract

Since mid-90s, knowledge utilization and management has started to get attention from the business world. It's due to a shift in business from manufacturing industry to knowledge economy-based industry. This shift leads to the emergence of knowledge worker who works using knowledge to create value-added. This change also creates requirement for the implementation of knowledge management (KM) to manage knowledge in company. Evaluation on the implementation of KM processes and factors influencing the processes is necessary so that the implementation of KM can be improved continuously.

This study measured the implementation of KM process and the influence of organizational culture and organizational structure on KM process in Corporate University of PT. XYZ.

The research respondents were 140 employees of Corporate University of PT. XYZ. The data analysis technique in study used path analysis with *software SPSS for windows* version 23. Data was collected by questionnaire containing 72 statement items related to organizational culture, organizational structure and KM process.

The analysis result showed that organizational culture and organizational structure simultaneously had significant influence (62,2%) on the implementation KM process which can be categorized as STRONG. Partially, organizational culture had significant influence (53,2%) on KM process. Partially, organizational structure had significant influence (9%) on KM process.

**Keywords:** *Knowledge Management, Organizational Culture, Organizational Structure*

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## Introduction

Knowledge has become a primary economic resources which should be managed and integrated into company business management. The implementation of knowledge management (KM) aims to manage knowledge in company. The implementation of KM also serves to avoid knowledge lost due to employee turnover.

Companies which implement knowledge management in their businesses have higher *Total Return to Shareholder (TRS)* and *Return on Revenues (ROR)* than average companies listed in Fortune 500. Asian companies which implement knowledge management in their businesses also have higher TRS and higher ROR than average companies listed in Fortune 500.

Corporate University of PT. XYZ was established for training & development, as well as to be knowledge factory in PT. XYZ in facing business turbulences. Corporate University in PT. XYZ will experience massive retirement. The average number of employees entering retirement age from 2016 to 2020 is 10% of total employees in 2016, so the number of employees in 2020 is predicted to be 70 or 50,72% of total employees in 2016. According to Droege & Hoobler (2003), employee resignation can cause knowledge lost, especially in companies whose main resources is human capital. Considering the retirement trend and the "nature of job" in Corporate University of PT. XYZ is "knowledge intensive work", without the correct strategy of implementation of KM, knowledge lost may happen.

Although Corporate University of PT. XYZ has implemented KM for a long time, according to assessment, knowledge sharing behavior hasn't become a part of daily routine in business process. Most employees access



KM system in competency assessment period as the sharing knowledge document is used for promotion. After the competency assessment period, knowledge sharing behavior disappears. According to Firestone & McElroy (2003), KM isn't entrenched yet if knowledge sharing and knowledge transfer behaviors are influenced by organizational politics and organizational incentive.

**Table 1. 1 Data of Access of Employees of Corporate University of PT. XYZ to KM System**

MONTH	DOCUMENT UPLOAD		DOCUMENT ACCESS	
	2015	2016	2015	2016
1	1	0	6	0
2	2	0	27	0
3	9	2	54	15
4	4	5	68	38
5	14	33	84	1095
6	76	104	146	361
7	16	7	146	17
8	0	0	35	0
9	0	0	266	0
10	0	N/A	321	N/A
11	1	N/A	42	N/A
12	0	N/A	39	N/A
<b>Total</b>	<b>123</b>	<b>151</b>	<b>1234</b>	<b>1526</b>

Many companies fail to implement KM because they're too focused on the technical aspects of KM and don't pay attention to cultural aspect and working climate. Companies which successfully implement KM are companies which invest energy and efforts to organizational cultural and working climate. Organizational cultural and working climate will support knowledge sharing and knowledge transfer.

Survey to measure the health of organizational culture in Corporate University of PT. XYZ in 2015 showed that it was quite unhealthy. According to Lee & Choi (2003), organizational culture had significant influence KM processes, including knowledge sharing. One of the main factors inhibiting organizational culture is **hiding information**. According to Lee & Choi (2003), hiding information due to lack of trust can be harmful to the process of knowledge creation. Lee & Choi (2003) also explain that trust, which is defined as mutual confidence, will encourage openness which supports knowledge exchange.

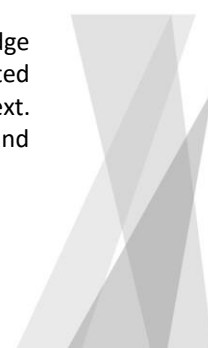
Another main factor inhibiting organizational health in Corporate University of PT. XYZ is **control**. Power and control, according to Lee & Choi (2003), are related to organizational structure which is centralization dimension. Lee & Choi (2003) also explain that organizational structure can reinforce or inhibit the success of the implementation of KM.

### Theoretical Basis and Methodology

Davenport & Voelpel (2001) propose knowledge management as a means to manage knowledge in company. Andreeva & Kianto (2012) and Matin & Sabagh (2015) state that the implementation of KM has direct and indirect effects on company performance. According to Lee & Choi (2003), there are three main components of knowledge management, i.e. KM enabler, KM process and organizational performance. They are:

1. KM process is KM activities which are structured and coordinated to manage knowledge effectively.
2. KM enabler is organizational mechanism which encourages consistent growth of knowledge.
3. Organizational performance is a degree of organization's achievement of business objective. In terms of organizational performance KM, the measured achievements are generally organizational learning, profitability, and financial benefit.

Hung & Ho (2014) states that KM process is a method to transform implicit, fragmentary, and private knowledge of individual or group into intellectual asset of an organization. Lee & Kang (2005) propose five processes related to KM process which can be used to describe the implementation of KM in organization in operational context. They are knowledge creation, knowledge accumulation, knowledge sharing, knowledge utilization, and



knowledge Internalization.

Lee & Choi (2003) describe KM enabler which significantly influence the implementation of KM, consisting of organizational culture, structure, people, and information technology. Lee & Choi (2003) also state that organizational culture is the most important factor for the success of KM. In terms of organizational structure, Lee & Choi (2003) state that organizational structure can reinforce or inhibit the implementation of KM. According to Lee & Choi (2003), there is relation among knowledge enablers. Furthermore, Lee & Choi (2003) that Bennett & Gabriel (1999) perform a study on the relations between organizational structure, organizational culture, size and environment.

Alavi & Leidner (2001) state that organizational culture is the most important factor for the success of the implementation of KM and company should make cultural shift to change employee behaviors on KM. This is supported by Zheng & McLean (2010), who state that organizational culture is the strongest factor which influence the implementation of KM and suggest that the implementation of KM should prioritizes culture-building activities. Hung & Ho (2014) determine dimensions of organizational culture which support KM process, i.e. collaboration, trust, learning, innovation, and expertise.

Hung & Ho (2014) categorize organizational structure into relating to degree of centralization and relating to degree of formalization. Lee & Choi (2003) state that centralized organizational structure will inhibit communication between departments and reduce the frequency of idea sharing. Lee & Choi (2003) also state that decentralized organizational structure (autonomy) proves to facilitate more spontaneous process of knowledge building. Autonomy is measured by indicators of employee freedom to make decision and available limitation related to the freedom. Formalization is measured by indicators of degree of freedom given to employee to follow the established rules and procedures.

Based on data from the company, journal and the reviewed theories, the following research framework was made:

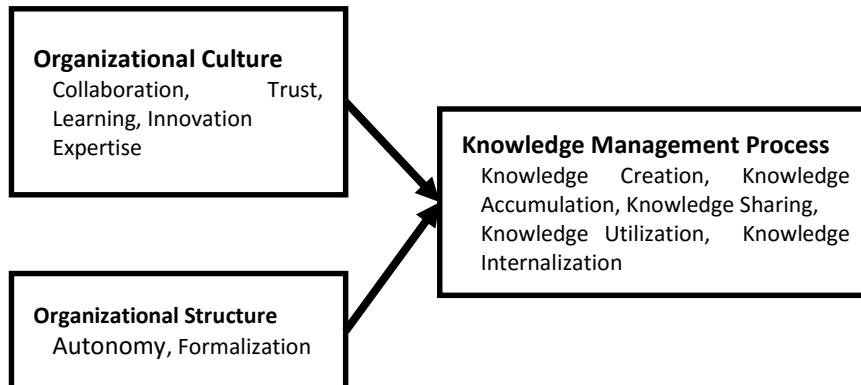


Figure 1. Chart of Framework

### Data Collection Method

Data in this study was collected by distributing questionnaire. The statements in the questionnaire were related to variables discussed in this study, i.e. organizational culture, organizational structure and KM process. The researcher also performed literature study by studying literatures related to this study. The data from this literature study was collected by reading books, online information sources, the company's books, and previous studies related to the present study. The result of literature study was used by the researcher in discussing the problem in this study.

Population of this study is employee of Corporate University of PT. XYZ. Toal According to Sugiyono (2013:80), population is generalization area which consists of objects or subjects which have certain quantity and characteristic determined by the researcher to be studied and to have conclusion drawn. This study used Non-Probability Sampling which, according to Sugiyono (2013: 66), is "A sampling technique which doesn't give the same opportunity for every element or member of population to be selected

as sample." In sampling, this study used saturated sample method. According to Sugiyono (2013: 68) "Saturated sampling is a sampling technique is all population members are used as sample. It's often used when the population is relatively small." Using saturated sampling technique, the sample used in the present study was all employees of Corporate University of PT. XYZ in 2016.

## Hypothesis

Based on the framework, the research hypothesis was Organizational Culture and Organizational Structure had significant influence on KM Process simultaneously and partially. Detailed research hypothesis are below:

1. Simultaneous hypothesis: "Organizational culture and organizational structure simultaneously had significant influence on the implementation of KM process in Corporate University of PT. XYZ."
2. Partial hypotheses:
  - a. Organizational culture had significant influence on the implementation of Knowledge Management Process in Corporate University of PT. XYZ.
  - b. Organizational structure had significant influence on the implementation of Knowledge Management Process in Corporate University of PT. XYZ.

## Discussion

The sample used in this study was 140 employees of Corporate University of PT. XYZ. The respondents were given questionnaire which was a set of 71 statements on Organizational Culture (X1) and Organizational Structure (X2) and KM Process (Y). All 140 employees filled the questionnaire.

The result of descriptive analysis showed that organizational culture which consists of the dimensions of collaboration, trust, learning, innovation, and expertise in Corporate University of PT. XYZ was strong with a value of 80,50%. It showed uniformity of employee behavior in Corporate University of PT. XYZ and indicated that employee behavior should be improved to support the implementation of KM Process. The dimension with the highest score was expertise (82,6%), showing the mastery of the employees of Corporate University of PT. XYZ of certain subjects required in the teaching process. The dimension with the lowest score was innovation (77,98%), showing that innovation in Corporate University of PT. XYZ could be improved by providing sufficient resources.

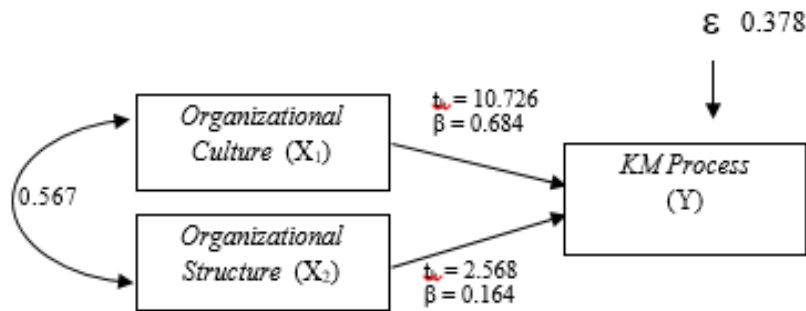
The result of descriptive analysis on variable organizational structure which consists of the dimensions of autonomy and formalization showed that the organizational structure in Corporate University of PT. XYZ was good with a value of 76,92%. It showed that the implementation of organizational structure had considered task distribution well by giving controlled freedom to employees consistent with their tasks and responsibilities.

The result of descriptive analysis on KM process which consists of 5 (five) dimensions, i.e. knowledge creation, knowledge accumulation, knowledge sharing, knowledge utilization, and knowledge internalization showed that the implementation of KM process in Corporate University of PT. XYZ was good with a value of 78,79%. Dimensions with values far above the value of the implementation of KM process were knowledge sharing (82,68%) and knowledge creation (82,26%). It showed that employees in Corporate University of PT. XYZ easily performed knowledge sharing and knowledge creation. Dimensions with values far below the implementation of KM process were knowledge accumulation (74,94%) and knowledge utilization (75,98%). It showed that the employees of Corporate University of PT. XYZ had difficulty performing knowledge accumulation and knowledge utilization. The value of knowledge internalization was 78,14%, close to the overall value of KM. It showed that the employees of Corporate University of PT. XYZ were able to perform knowledge internalization easily despite some difficulties.

## Path Analysis

Path analysis is a statistical technique used to examine the comparative strength of direct and indirect relation or influence between variables.





**Figure 2 Model of Path Analysis Study**

Based on the calculation above, it was determined that the influence of Organizational was 68,4% and the influence of Organizational Structure was 16,4% on KM process and 37,8% was influenced by other factors.

**The Influence of Organizational Culture and Organizational Structure on KM Process Simultaneously**

**Table 2 Result of F Test of Variables X<sub>1</sub> and X<sub>2</sub>**

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	23,233	2	11,617	112,706	,000 <sup>b</sup>
Residual	14,121	137	,103		
Total	37,354	139			

a. Dependent Variable: KM\_Process

b. Predictors: (Constant), Org\_Culture, Org\_Structure

Based on Table 2,  $F_{count}$  is 112.706.  $F_{table}$  with  $\alpha = 0,05$  and  $V_1 = k$ ,  $V_1 =$  total independent variable = 2 and  $V_2 = n - k - 1$  with  $n =$  total sample so  $V_2 = 206 - 2 - 1 = 203$ . Considering Table 2 and with reference to  $F$  distribution,  $F_{table}$  is 3.04, thus resulting in:

$$F_{count} (112.706) > F_{table} (3.04)$$

The result of  $F$  test above showed that  $H_0$  was rejected and  $H_a$  accepted, it meant that the research hypothesis “Organizational culture and organizational structure simultaneously had significant influence on the implementation of KM process in Corporate University of PT. XYZ” was accepted.

**The Influence of Organizational Culture on Organizational Commitment (t test)**

**Table 3 Result of t Test of Variables X<sub>1</sub> and X<sub>2</sub>**

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	,524	,209		2,512	,013
1 Org_Structure	,167	,065	,164	2,568	,011
Org_Culture	,709	,066	,684	10,726	,000

a. Dependent Variable: KM\_Process

With error rate ( $\alpha$ ) 5% or 0,05 and  $dk = n - k = 140 - 2 = 138$ , referring to  $t$  Table, then  $t_{table} = 1,9715$ . The interpretations of Table 3 are below:

- a.  $t$  test calculated the influence of variable Organizational Culture ( $X_1$ ) on variable KM Process (Y). Based on Table 3, it's determined that  $t_{count} X_1 = 10.726$  meaning  $t_{count} > t_{table}$ , so  **$H_0$  was rejected  $H_a$  was accepted**. In other words, **Organizational Culture had significant influence on KM Process in Corporate University of PT. XYZ**. The path coefficient value of variable Organizational Culture ( $X_1$ ) is shown in column *Standardized Coefficients* (Beta) as 0,684 or 68,4%. It showed positive or parallel direction. It meant Organizational Culture had 68,4% significant and parallel influence on KM Process in Corporate University of PT. XYZ.
- b.  $t$  test calculated the influence of variable Organizational structure ( $X_2$ ) on variable KM Process (Y). Based on Table 3, it's determined that  $t_{count} X_2 = 2.568$  so  $t_{count} > t_{table}$ , meaning  **$H_0$  was rejected  $H_a$  was accepted**. In other words, **Organizational structure had significant influence on KM Process in Corporate University of PT. XYZ**. The path coefficient value of variable Organizational structure ( $X_2$ ) is shown in column *Standardized Coefficients* (Beta) as 0,164 or 16.40%. It showed positive or parallel direction. It meant Organizational structure had 16.40% significant and parallel influence on KM Process in Corporate University of PT. XYZ.
- c. The value of residual variable or error factor ( $\rho_y\epsilon$ ) can be obtained by the following equation:

$$\rho_y\epsilon = 1 - R^2 = 1 - 0,622 = 0,378$$

## Conclusion

Organizational Culture and Organizational Structure simultaneously had significant influence on KM process. Organizational Culture partially had significant and positive influence on the implementation of KM process. Organizational Structure partially had significant and positive influence on the implementation of KM process.

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