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KNOWLEDGE MANAGEMENT AND INNOVATION; ORGANIZATIONAL LEARNING PERSPECTIVE

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ABSTRACT

The level of venture mortality rate in the Nigeria business environment is quite startling as a result of the immense global competition. The rate of knowledge management practice is low which is linked to low or lack of innovation. This mortality rate could be linked to lack of innovative capability. Therefore, this study is designed to evaluate the impact of knowledge management on innovation in selected banks in Nigeria. The objectives of the study are: to investigate the relationship between experience sharing and managerial innovation in the banking sector; to examine the effect of knowledge application process on product Innovation in the banking sector. Primary data were obtained through the use of questionnaire. Simple random sampling technique was used to select a sample of 80 respondents from the study population of 185 employees. Correlation (r) analysis was adopted to analyse the relationship between experience sharing and managerial innovation in the banking sector; and multiple

regression analysis was used to analyse the effect of knowledge application process on product Innovation in the banking sector. The result of the correlation analysis indicated that there is relationship between experience sharing and managerial innovation and the regression analysis show that knowledge application has a positive high effect on product innovation (R Square of 0.825). The study concluded that knowledge management is not only important for product innovation but also is very necessary for managerial innovation in term of experience sharing from customer, colleagues and across the units in the banks. Therefore, the study recommended that banks in Nigeria should encourage experience sharing through feedback from customer and experiences from employee in order to promote managerial innovation and also encourage knowledge application by the utilization and application of knowledge to solve new problem which will lead to product innovation that is tailored toward customer satisfaction in their organisation.

Keywords: Knowledge management, Innovation, experience sharing, knowledge application, product innovation, knowledge application process

Introduction

There has been increased emphasis on the use of knowledge management in different organisations of the world. The efficient use of knowledge management in different organisation has two fold benefits; aid organisation competitiveness in the market and also form an organisational resource based asset. According to Drucker (1995) "knowledge has become the key economic resource and the dominant and perhaps even the only source of comparative advantage". The significance of knowledge is universal whether in a society or a corporate world. Knowledge serves as a tool for enlighten of the human mind, instrument to change behaviours and assist in building human attitude. To make any society more enlightened, gaining knowledge is the foremost activity or obligation that is very important in the society. Also, it is very essential in the corporate world as well. The stakeholders in the v field of research are now stressing the need for organisation to exploit the benefit of knowledge management in order to have competitive advantage over other competitors in their industry.

There is also an increase emphasis on innovation because organisation's performance, survival and competitive advantages dependent on it (Kanter, 1984; Damanpour, 1991; Plessis, 2007; Huang&Li, 2009). Innovation has been described as managed efforts of organizations that operate in an unstable or dynamic environment which tend to have a greater need to produce innovative product as a way of keeping up with or getting ahead of other competitors.

Innovation can also be used by organizations that are trying to catch up with an industry leader (Davidson and Griffin, 2006). It has been also defined as a knowledge process that transforms knowledge into new products and services (Wilson, 2007). There are different types of innovation which an organisation can leverage on, in order to have competitive advantage over its competitors instead of focusing on single type of innovation.

For any organisation to effectively embrace and implement innovation there is need for knowledge management to be put in place (Darroch & McNaughton, 2002; Nonaka & Takeuchi, 1995). Knowledge management enhances organisation commitment to innovation by generating, using and sharing new ideas and exploring organisation's intellectual power (Huang & Li, 2009; Darroch & McNaughton, 2002; Lin & Lee, 2005; Plessis, 2007). The purpose of this seminar is to explore the relationship between knowledge management and innovation in selected banks in Nigeria.

Statement of the Problem

Organisations are faced with numerous challenges in their business environment as a result of stiff competition and the demands from their different stakeholders. The level of competition in the business environment is as a result of rapid technological development and consistent change in the environment. This level of competition in the business environment has led to the extinction of some major organisation in Nigeria especially in the banking sector.

In order for organisation to address these challenges, most organisations have resolved to the use of innovative process within their organisation. This innovative process determined how an organisation can cope with the stiff competition within their industry and also the survival and competitive advantages of the organisation. The innovation process within an organisation cannot be adequately explored without knowledge management practice.

In the past, most researchers and authors in the field of management have only focused on the relationship between knowledge management and innovation generally (Shadi & Maziar, 2012; Kashif, Suleman, Muhammad, Tauqir & Amjad 2011; Antonio, Antonio, José and Jaime, 2013) without being specific about the types of innovation that knowledge management practice is useful for. There are different types of innovation within an organisation but this research focused on the impact of knowledge management on innovation in term of product and managerial innovation which are essential for the survival and competitive advantage of the organisation.

Objectives of the Study

The broad objective of this study is to assess the impact of knowledge management on innovation in Nigeria banking sector why the specific objectives

are to;

1. evaluate the relationship between experience sharing and managerial innovation in the banking sector.
2. examine the effect of knowledge application process on product innovation in the banking sector.

Literature Review

According to Nonaka (1998) 'knowledge management (KM) is the process of discovering or creating new knowledge and refining existing knowledge. Also, KM is the sharing of knowledge among individuals and across all organizational boundaries (Leonard-Barton, 1995). The major purpose of KM is to attain superior internal operating performance and efficiencies within an organization (Drucker, 2000). This internal operating performance is to promote organisation culture of innovation.

Davenport and Prusak (1998) submit that "Knowledge Management draws from existing resources that organization may already have in place-good information systems management, organizational change management, and human resources management practices." While knowledge is an active endeavour, it is used for solving problems and making decisions (Davenport and Prusak, 1998). Knowledge management equipped an organisation to make an informed decision that will promote the organisation. According to Scarborough, Swan and Preston (1999) Knowledge management is 'any process or practice of creating, acquiring, capturing, sharing and using knowledge, wherever it resides, to enhance learning and performance in organizations'. Skyrme (1999) sees KM as "the explicit and systematic management of vital knowledge and its associated processes of creating, gathering, organizing, diffusion, use and exploitation, in pursuit of organizational objectives."

Beijerse (2000) defined KM as "the management of information within an organisation by steering the strategy, structure, culture and systems and the capacities and attitudes of people with regard to their knowledge.

Knowledge management according to Thomas (2001) is defined as the concept in which organisations intentionally collect, organise, share and analyse their knowledge within the resources, document and qualification of employees. Knowledge management is also recognised as an activity that supports the generation, growth, application and sustainability of intellectual capital in organisations (Marr, Gupta, Pike, & Roos, 2003; Marr & Schiuma, 2001), intellectual capital being defined as an organisation's collective knowledge, expertise, experience, and associated intangible assets (Klein, 1998; Marr et al., 2003; Marr, Schiuma, & Neely, 2002; Pan & Scarbrough, 1999; Teece, 2000). McInerney (2002) said that KM is "an effort to increase useful knowledge within the organization". This "useful knowledge" within the organization

promotes the sharing of appropriate knowledge artefacts that enhance storage and dissemination. Newell, Scarbrough, Swan & Hislop (2002) "improving the ways in which firms facing highly turbulent environments can mobilize their knowledge base (or leverage their knowledge 'assets') in order to ensure continuous innovation." Knowledge management according to Holsapple & Josh (2004) is "An entity's systematic and deliberate efforts to expand, cultivate and apply available knowledge in ways that add value to the entity in the sense of positive results in accomplishing its objectives or fulfilling its purpose" KM is a source for the organisation to have a sustainable competitive advantage (Hatch & Dyer, 2004)

According to *Jelavic (2011)* knowledge management is a process that aids organisations in finding, selecting, organising, disseminating, and transferring information and expertise to support necessary activities such as problem solving, learning, strategic planning, and decision making within the organisation.

Knowledge Management Process

Knowledge management processes are expected to influence both administrative and technical innovations (Huang & Li, 2009; Chen & Huang, 2009) in organizations.

1. Knowledge acquisition, which is related with using either existing knowledge or capturing new knowledge (Lin & Lee, 2005), enhances an organization's ability to efficiently perform its goals as well as increasing organization learning (McElroy, 2000; Grant, 1996; Lin & Lee, 2005). Through acquiring knowledge from both inside and/or outside the organization, each organizational member can increase his/her capacity to transform current knowledge to new knowledge and to generate new knowledge (Yli-Renko *et al.*, 2001; Autio & Sapienza, 2001; Chen & Huang, 2009). Newly acquired knowledge increases stocks of knowledge available to organizations, decreases the uncertainty, and opens new opportunities for both applying and exploiting knowledge, thereby promoting the creation of innovative results (Nonaka & Takeuchi, 1995; Gold, Malhotra & Segars, 2001; Huang & Li, 2009; Argote, McEvily & Reagans, 2003).
2. Knowledge application: this is related with the actual use of the current knowledge in order to solve existing problems (Gold *et al.*, 2001; Alavi & Tiwana, 2002), and with making knowledge more active and relevant in creating values for organizations (Bhatt, 2001). Lin and Lee (2005,) define knowledge application as the business processes through which effective storage and retrieval mechanisms enable a firm to access knowledge easily. || By effectively applying knowledge, organizations

increase their capabilities of managing different sources and types of knowledge effectively, using the right the knowledge in the right form, decreasing making mistakes, and converting collective knowledge to advantages for organizations (Alavi & Leidner, 2001; Bhatt, 2001; Huang & Li, 2009; Gold *et al.*, 2001).

3. Knowledge sharing: is defined as a business process that requires collective knowledge, skills and expertise, and dissemination of knowledge across the organizational units (Chen & Huang, 2009; Lin & Lee, 2005). Knowledge sharing also involves the exchange of employee knowledge, experiences, and skills throughout the organizational and the whole organization in order to establish new routines and mental models (Lin, 2007; Nonaka & Takeuchi, 1995). Organizational members can easily access to knowledge by sharing knowledge among themselves and/or across different units, which reduces the amount of time and investment required to gather information. Through reducing time and investment for gathering information and establishing new routines and mental models, organizations can transfer their valuable resources to innovation processes.

Concept of Innovation

According to Davidson and Griffin (2006) "innovation is managed effort of an organizations that operate in unstable or dynamic environments tend to have a greater need to produce innovations as a way of keeping up with or getting ahead of competitors. Innovation can also be used by organizations that are trying to catch an industry leader". Innovation is the key to the economic development of any company, region of a country or country itself. As technologies change, old products decrease in sales and old industries dwindle. Inventions and innovations are the building blocks of the future of any economic unit, (Hirsch, Peters & Shepherd, 2013).

Innovation refers to any new or significantly improved change resulting from research and development, whether improving existing insights or knowledge or improving the functionality, performance or other value to the user, and or exploitation of entrepreneurial opportunities (Ulhoi, 2004). Innovation according to Baumol (2011) is the process of creating something new, which is central to the entrepreneurial process. Innovation is the process of creating new ideas and putting them into practice, (Drucker, 1998 and Schermerhorn 2011). According to Drucker (1973) "innovation is an effort to create purposeful, focused change in an enterprise's economic or social potentials". It is said in a bit different way by Schermerhorn (2011) that it is the act of converting new ideas into usable applications with positive economic or social consequences.

Technical versus Managerial innovations

Technical innovations are changes in the physical appearance or performance of a product or services, or the physical processes by which a product or service is manufactured. Many of the most important innovations over the past 50 years have been technical. For example the serial replacement of the vacuum tube with the transistor, the transistor with the integrated circuit, and the integrated circuit with the microchip has greatly enhanced the power, ease of use and speed of operation of a wide variety of electronic products. Although, not all innovations developed by organizations are technical. Managerial innovations are changes in the management process by which products and services are conceived, built and delivered to customers. Managerial innovations do not necessarily affect the physical appearance or performance of products or service directly. This is the process of conceptualizing the organization as a series of core competencies as the basis for developing a strategy or for re-engineering the organization is a managerial innovation.

Product versus process innovation

Perhaps the two most important types of technical innovation are product innovations and process innovations. Product innovations are changes in the physical characteristics or performance of existing products or services, or the creation of brand new products or services. Process innovations are changes in the way in which products or services are manufactured, created or distributed. Whereas managerial innovations generally affect the broader context of development, process innovations directly affect manufacturing.

Knowledge Management and Innovation

The relationship between knowledge management and Innovation activities is obvious. According to Schumpeter, innovation is the result of a recombination of conceptual and physical materials that were previously in existence (Schumpeter, 1935). In other words, innovation is the arrangement of an organization's current knowledge assets to generate new knowledge. The major assignment of an innovating organisation is to reconfigure existing knowledge assets and resources and to explore new knowledge (Galunic 1998; Grant, 1996; Nonaka & Takuchi, 1995). Both exploration and exploitation of knowledge have been shown to contribute to the innovativeness of firms and to its competitive advantage (Swan, Newell, Scarbrough & Hislop 1999; Hall & Andriani, 2002; Levinthal & March, 1993; March, 1991). Among the various studies that focus on the role of KM in the innovation. The results found by Liao and Chuang (2006) confirm the vital role which KM has for the knowledge processing capability and in turn, on speed and activity of innovation. Huergo (2006) provides evidence for the positive role

technology management plays for the likelihood and success of firm innovations. A slightly different approach is applied by Yang (2006). He hypothesises that knowledge integration and knowledge innovation improve new product performance, via the moderating effects of marketing and manufacturing competencies, knowledge acquisition, and knowledge dissemination. This finding is supported by Brockman & Morgan (2003). They argue that the KM tools "use of innovative information", "efficient information gathering" and "shared interpretation" improve the performance and innovativeness of new products. Brown & Duguid. (1998) and Nonaka, Toyama & Konno. (2002) argues that a shared knowledge base increases knowledge creation within the community. Another aspect of the link between KM and innovation is how different types of innovation are affected by KM. According to Darroch & McNaughton (2002) different types of innovation require different resources and hence a differentiated KM strategy. They investigate the effects KM has on three types of innovation: incremental innovations, innovations that change consumers' behaviour and innovations destroying existing firm competencies. According to their findings different KM activities are important for different types of innovative success.

Theoretical Framework

Organizational Learning Theory

Notions of organizational learning gained prominence in the nineteen fifties when they were thrown into an on-going debate between behaviourists and economists. Economic models of the firm had become dominant during and after world-war, yet many researchers, especially those with a behaviourist orientation, were dissatisfied with those models. Behaviourists such as March, Simon and Cyert attacked the classical economic theory of the firm on the grounds that its models were overly simplistic and contradicted empirical evidence.

Two of the most noteworthy contributors to the field of organisational learning theory have been Chris Argyris and Donald Schon. Organisational Learning (OL), according to Argyris & Schon is a product of organisational inquiry. This means that whenever expected outcome differs from actual outcome, an individual (or group) will engage in inquiry to understand and if necessary, solve this inconsistency. In the process of organisational inquiry, the individual will interact with other members of the organisation and learning will take place, so learning is therefore a direct product of this interaction process (Alan, 2010).

In their book "Organizations" March and Simon (1958) refuted the claim of economic models that organizational decision outcomes are uniquely determined by environmental constraints.

knowledge management and innovation should be more of organisational culture that involves all member of the organisation. It only focuses on strategic innovation alone without specifying the types of innovation.

METHODOLOGY

This study adopted a survey research design, therefore it made use of primary data which were sourced through the use of questionnaire. The scope of the study is limited to banks in Ilorin metropolis, out of which four banks were selected namely Union Bank Plc, First Bank Plc, Guarantee Trust Bank Plc and Polaris bank Plc.

The total population of the study is one hundred and eighty five (185), which are the permanent staffs of the selected bank, the contract staff are excluded because there is limit to their access to information needed for innovation in the banks, this was purposely determined. Simple random sampling procedure was used to select eighty (80) staffs among the permanent staff of the selected banks out of one hundred and eighty five (185). That is twenty (20) from each bank, which constitutes 43% of the staff strength of the selected four banks in Ilorin metropolis.

Questionnaires were structured to make scoring and collation simpler. This research adopted the questionnaires of **Burcu & Ceyda(2013)** and the questions were modified to suit the purpose of this research considering the Nigeria environment. Five point likert rating scale was adopted, which is rated as follows; strongly agree (SA) - 5 Agree (A) - 4 Undecided (UD)-3 Disagree (D)-2 Strongly Disagree (SD)-1.

Method of Data Analysis

To analyse the data collected from primary sources, multi-correlation was adopted to determine the level of relationship between experience sharing variables and **managerial innovation variables** in banks and also multiple regressions analysis was used to evaluate the effect of Knowledge application process on technical **Innovation**.

Data Analysis and Discussion of Findings

The statistical analysis adopted to analyze the data generated is multiple correlations and multiple regression statistical analysis for hypothesis 1 and 2 respectively

Hypothesis I

Ho: There is no significant relationship between experience sharing and **managerial innovation in the banking sector**.

Table 1: Multiple Correlations

		CUSTOMER KNOWLEDGE	COLLEAGUE KNOWLEDGE	INTER-UNITS KNOWLEDGE	MANAGERIAL INNOVATION	ADMINISTRATIVE INNOVATION	NEW PROCESS
CUSTOMER KNOWLEDGE	Pearson Correlation	1	.737**	-.842**	-.497**	.369**	.247*
	Sig. (2-tailed)		.000	.000	.000	.001	.027
	N	80	80	80	80	80	80
COLLEAGUE KNOWLEDGE	Pearson Correlation	.737**	1	-.724**	-.796**	.596**	.176
	Sig. (2-tailed)	.000		.000	.000	.000	.118
	N	80	80	80	80	80	80
INTER-UNITS KNOWLEDGE	Pearson Correlation	-.842**	-.724**	1	.638**	-.533**	-.501**
	Sig. (2-tailed)	.000	.000		.000	.000	.000
	N	80	80	80	80	80	80
PLANNING PROCEDURE	Pearson Correlation	-.497**	-.796**	.638**	1	-.464**	-.322**
	Sig. (2-tailed)	.000	.000	.000		.000	.004
	N	80	80	80	80	80	80
PROCESS SYSTEM CONTROL	Pearson Correlation	.369**	.596**	-.533**	-.464**	1	.456**
	Sig. (2-tailed)	.001	.000	.000	.000		.000
	N	80	80	80	80	80	80
NEW PROCESSES	Pearson Correlation	.247*	.176	-.501**	-.322**	.456**	1
	Sig. (2-tailed)	.027	.118	.000	.004	.000	
	N	80	80	80	80	80	80

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

* . Correlation is significant at the 0.05 level (2-tailed).

Source: Researcher's Computation, 2018.

The result as presented above (table 1) shows that there is significant positive correlation between experience sharing variables (Customer Knowledge, Colleague Knowledge and Inter-units Knowledge) and managerial innovation variables (Planning Procedure, Process System Control and New Process).

The result indicates a significant positive correlation among all the variables of

experience sharing Customer Knowledge, Colleague Knowledge and Inter-units Knowledge. Also, the result indicates a significant positive relationship exist among the three variables of managerial innovation examine Planning Procedure, Process System Control and New Process.

Based on this finding, we reject the null hypotheses and accept the alternative hypothesis that is there is significant relationship between experience sharing and managerial innovation in the banking sector, this is supported by Kambiz and Aslan(2014) where their finding indicated that organization members with great experience of knowledge management will enhance the performance of the organization on commitment to learning, shared vision and open-mindedness..

Hypothesis II

Ho: Knowledge application process does not have effect on product Innovation

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.906 ^a	.825	.822	.42840

a: (Constant), Knowledge Utilization, Apply Knowledge &Experiential Knowledge

Source: Researcher's Computation, 2018

Table 2; reveals that the coefficient of multiple determination is 0.825; the implication of this is that about 82.5% of the variation in knowledge management is explained by variables in the model, which are, knowledge utilization, Apply knowledge and experiential knowledge, whereas the remaining 17.5% is explained by other factors which are not included in the model. The regression equation (model formulated) appears to be very useful for making predictions since the value of R^2 is close to 1. This implies that knowledge application processes has a strong effect on product innovation in Nigeria banking industry. Also, the result indicated that knowledge application process indices (i.e. Knowledge Utilization, Apply Knowledge & Experiential Knowledge) contribute to product innovation in Nigeria banking industry.

TABLE 3: ANOVA^b

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	83.803	1	83.803	455.639	.000 ^a
	Residual	17.875	78	.183		
	Total	101.690	79			

a. Predictors: (Constant), Dependent Variable: Knowledge Utilization, Apply Knowledge & Experiential Knowledge

b. Dependent Variable: Product Innovation

Source: Researcher's Computation, 2018

The ANOVA table is analyzed to see if *any* of the variables are significant. From the ANOVA table $p\text{-value} = 0.000 < 0.05$ (sig.) since $p\text{-value} < 0.05$, the null hypothesis is rejected and the alternative is accepted. This implies that at least one of the predictors is useful for product innovation in the banks used as sampled

TABLE 4: Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.675	.108		6.235	.000
	KNOWLEDGE UTILIZATION	.262	.092	.053	2.567	.040
	KNOWLEDGE APPLICATION	.564	.081	.535	6.824	.000
	EXPERIENTIAL KNOWLEDGE	.509	.070	.411	7.366	.000

a. Dependent Variable: PRODUCT INNOVATION

Source: Researcher's Computation, 2018

The table 4 "Coefficients" provides information on the effect knowledge application process on product innovation, since the p-value is 0.000 which is less than 0.05. This implies that each of the variables were significant at 5% level of significant. Therefore, Knowledge application process have effect on product Innovation in the banking sector, this is supported by **Burcu & Ceyda(2013)** that knowledge management processes relate positively to innovativeness, which in turn increases innovation in organizations.

Discussion of Findings

The result from this study indicates that employees in Nigeria banking sector in Ilorin metropolis believe that knowledge management is very essential in order for innovative culture to be practice in an organisation, be it managerial innovation or product innovation. This is supported by the findings of **Cantner, Joel & Schmidt (2009)** where **organisation using KM was compare with other Organisations not using KM as bases for innovation**. They concluded that firms which apply KM have an average higher success with product innovations and a much higher success with market novelties compared to non-KM firms.

Finding from this study is consistent with the finding of some previous studies – in terms of relationship between relationship between experience sharing and managerial innovation **Kambiz and Aslan, (2014)** exerted that organization members with great experience of knowledge management will enhance the performance of the organization on commitment to learning, shared vision and open-mindedness.

Also, the **effect of knowledge application process on product Innovation, which is supported by Burcu & Ceyda, (2013)** that knowledge management processes and organizational innovativeness significantly influence innovation types (i.e., administrative and technical) and also that knowledge management processes relate positively to innovativeness, which in turn increases innovation in organizations. This is consistent with the view of (**Shadi & Shajari, 2012; and Antonio et al, 2013**). With the evidences from these previous studies, it shows that this study is not standing alone. **Mohammadali, Habib & Mohammad (2015)** argued that any organisation which is involved in knowledge management practice will only not enjoy innovative benefit but will also enjoy strategic innovation, which enhance competitive advantage of the organisation.

Conclusions and Recommendations

In this study, efforts were made to evaluate the impact of knowledge management on Innovation in Nigerian banks. Specifically, the relationship between experience sharing and managerial innovation in the banking sector was

examined and also the effect of Knowledge application on product innovation in the banking sector was investigated.

Based on findings from this work, it showed that experience sharing variables, if present in an organisation will lead to managerial innovation in term of planning procedure, process system control and new process development. Also, the findings indicated that the application of knowledge in organisation will lead new product development and improved service development.

Thus, the study concluded that knowledge management is not important for product innovation but also necessary for managerial innovation in term of experience sharing from customer, colleagues and across the units in the banks.

Therefore, the study recommend based on the findings that banks in Nigeria should encourage experience sharing through feedback from customer and experiences from employee in order to promote managerial innovation.

Banks in Nigeria should also encourage knowledge application by utilization of knowledge in practical use and also apply knowledge management practices to solve new problem which may lead to product innovation that is tailored toward customer needs in their organisation, thereby promoting satisfaction and loyalty needed for survival and continuity of service organisation

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