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# **Impact of Human Resource Management Practices on Knowledge Management in Selected Commercial Banks in Kandy District**

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### **Authors' contributions**

*This work was carried out in collaboration between both authors. Author LDV designed the study, performed the statistical analysis, wrote the protocol and wrote the first draft of the manuscript. Author FAS managed the analyses of the study and managed the literature searches. Finally, both authors read and approved the final manuscript.*

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## **ABSTRACT**

The purpose of this study is to explain and empirically test the impact of Human Resource Management Practices (HRM) on Knowledge Management (KM) in the selected commercial banks in Kandy District. It concentrated on HRM practices related to Recruitment and Selection, Training and Development, Performance Appraisal, Compensation and Reward and Employee Empowerment.

In order to achieve this primary aim, data were collected through open ended questionnaires from 196 employees in 12 Licensed Commercial Banks (LCBs) branches in Kandy District. Hence, quantitative research approach was used in this study. The research method was descriptive correlative type and it was based on the objective of the method applied. The stratified sampling method was used to make the sampling frame work of the study. The data were analyzed using univariate and bivariate analysis to take the descriptive and inferential statistics.

The results indicated that, the levels of HRM practices and KM exist in selected commercial banks in Kandy District were high level and the Recruitment and Selection, Training and Development,

Performance Appraisal and Employee Empowerment practices had significant positive impact on KM while Compensation and Reward practices had not significant positive impact on KM. The findings of the study provided several important implications for managers and decision makers of the banks. Little empirical research has explicitly examined the relationship between HRM practices and each of the KM processes. Accordingly, the study was contributed to the body of knowledge by filling the gaps in the management literature and by substantiating the findings of previous research while the study generates considerable theoretical and practical contributions.

*Keywords: Human resource management; knowledge management; ability-motivation-opportunity (AMO) theory.*

## 1. INTRODUCTION

### 1.1 Background of the Study

Nowadays, business environments have become much more complicated due to the rapid development of information and communication technologies, growing globalization, the acceleration in the rate of technological change, and the need to share best practices [1]. Therefore, in order to survive, the traditional business models must continue to meet the changing business environment and requires that risen the importance of Knowledge Management (KM) within organizations [1]. Hence, nowadays most of the organizations are becoming more knowledge intensive. They are hiring "minds" more than "hands" and the needs for leveraging the value of knowledge are increasing. In recent years, KM has been recognized as a key instrument for the improvement of organizational effectiveness and performance [1]. Hence, the knowledge is a critical resource for organizations and it is now increasingly being recognized as the new strategic imperative of organizations.

The Human Resources Management (HRM) can focus the skills, abilities, talent of people in the organization, whereas KM focuses existing knowledge in the organization, to create a competitive advantage for the success of organization. Knowledge creation and dissemination are the human activities and managing humans is a HRM activities. Thus, People are the basis of knowledge management system (KMS), because it is due to the fact that they are the ones who run processes connected with identification, creation, obtaining, purifying, protecting and transferring the knowledge [2].

Further, the banking and financial sector is lifeblood of the business field because, it provides all kind of financial and non-financial services for survive of the trade, commercial and industry [3]. Hence, the banking and finance sector in Sri Lanka has a very special and vital role to play for achievement of continuous economic growth of the country. Like many other organized sectors, banking sector requires multi-layer manpower for its various requirements of professionals and support staff.

Financial sector of Sri Lanka, most importantly the banking sector, has been undergoing massive changes over the years. Some of the critical factors, which influenced changes in the banking sector, include large scale competition for customer's deposits, loans, increasing customer demands, shuddering profit limits, and the need to keep up with the new financial technologies that will ease banking operations. In order to adapt these changes, needs of the KM is arisen in the banks. Past researchers stated that, effective KM implementation has provided various interrelated and multifaceted benefits to the banks, rendering to utilize its resources efficiently and effectively such as knowledge activities performance, process performance, employee performance, market performance, and organizational performance that converted to organizational performance by affecting each other directly and indirectly in banks.

The overall aim of the banking sector is to enhance their customer satisfaction and increase revenue as a result. In order to achieve this aim, they have to compete with related banks. Hence, they have to develop knowledge workers and provide opportunities to learn. Knowledge is dependent on people and that HRM issues, such as recruitment and selection, education and development, performance management, pay and reward, as well as the creation of a learning culture are vital for

managing knowledge within firms [1]. Thus, management of knowledge is crucial for banking sector. In some previous studies shows that, HRM plays a crucial role in KM. It is a success factor of KM [4]. Hence, this study attempts to identify the impact of HRM practices on KM in banking sector in Kandy District.

According to that, this study proceeds to discuss how recruitment and selection, training and development, compensation and reward, performance appraisal and employee empowerment practices predict the KM at banking sector in Kandy District.

## 1.2 Problem Statement

In recent years, KM is one of the emerging fields in the research world. But few studies have explored the impact of HRM practices on the processes comprising KM. Most of previous researches on the effect of HRM on KM adopt a partial approach. Some of them have focused on one particular HRM practice [4,5,6] or one specific KM process, mainly knowledge sharing [7] without a complete vision of the issue. And also, KM has gained a lot of attention in the developed world but has attracted a little attention of researchers in Sri Lanka. Out of this few attentions, several studies have been carried out to identify the KM with any other concepts in management but little attention in HRM as a successful factor of KM in Sri Lankan context. Hence, there are few related studies in Sri Lankan context in comparison to the wide number of studies in world related to this relationship of HRM and KM.

Thus, there is lack of understanding about the exact relationship between HRM and KM orientation in Sri Lankan context. And also, KM has been practiced in many field such as business, HRM, engineering, medicine and science [1]. Most of the previous research studies related to this relationship are carried out in fields of engineering, medicine and science but has attracted a little attention to the other industries like financial sector to examine this relationship but nowadays financial sector, most probably banking sector is becoming more knowledge incentive. According to that reasons, in a Sri Lankan context, especially banking sector in Kandy District has few related studies in relation to that exact relationship between HRM and KM implementation. Thus, in order to fulfill this research gap, this study attempts to examine

the impact of HRM practices on KM in selected commercial banks in Kandy District. Based on the above discussion this study proceeds to study the following research problem,

**“How Does Human Resource Management Practices Impact on Knowledge Management in Selected Commercial Banks in Kandy District?”**

## 2. METHODOLOGY

Accordingly, all the employees in commercial banks in Kandy District were considered as the population of this study, but researcher has failed to reach this total population because there are 12 LCBs are located in Kandy District and those banks are composed with 137 branches. Out of these all branches, this study limited to collect the data only from 12 LCBs branches in Kandy town area. Thus, these all the employees in selected LCBs branches were considered as the target population of this study. Total population of this study is 401 employees, only 200 were selected as sample by using stratified random sampling method. The questionnaires are issued to 200 employees who are working in the selected 12 LCBs branches in Kandy town area. However, out of total 200 questionnaires, 98% questionnaires were received (196 respondents) for analysis. Study totally depends on primary data. The final questionnaire includes utilized scale is Likert's five-degree range. In this study, Human resource management practices was measured by 24 questions which were developed by [1] and Knowledge management is measured by 20 questions which were developed by [8].

## 3. RESULTS AND DISCUSSION

### 3.1 Reliability Analysis of Human Resource Management Practices and Knowledge Management

All attributes of the Human resource management practices and knowledge management were tested for reliability analysis. The total alpha value of HRM practices was found 0.814 and the total alpha value of KM was found 0.799. As the Cronbach's alpha value of used scale was over 0.70, so researcher can say that, scales have internal consistency that means they are reliable.

### 3.2 Univariate Analysis

#### 3.2.1 Univariate analysis of human resource management practices and its dimensions

According to the Table 1 it revealed that, there is a high level of HRM practices in selected commercial bank in Kandy District. Further, all dimensions of HRM practices are high level in selected commercial bank in Kandy District. Among the dimensions of the HRM practices, compensation and rewards has the high mean value compare with other indicators.

#### 3.2.2 Univariate analysis of knowledge management and its dimensions

According to the Table 2 it revealed that, there is a high level of knowledge management in selected commercial bank in Kandy District. Further, all dimensions of knowledge management are high level in selected commercial bank in Kandy District. Among the dimensions of the knowledge management, Knowledge Acquisition has the high mean value compare with other indicators.

**Table 1. Univariate analysis of human resource management practices and its dimensions**

Dimension	Mean	Std. deviation	Decision attribute
Recruitment and Selection	4.34	0.500	High Level
Training and Development	4.39	0.379	High Level
Performance Appraisal	4.35	0.401	High Level
Compensation and Reward	4.45	0.415	High Level
Employee Empowerment	4.35	0.453	High Level
HRM practices	4.38	0.242	High Level

(Source: Survey data)

**Table 2. Univariate analysis of knowledge management and its dimensions**

Dimension	Mean	Std. deviation	Decision attribute
Knowledge Creation	4.53	0.400	High Level
Knowledge Acquisition	4.63	0.407	High Level
Knowledge Storage	4.52	0.407	High Level
Knowledge Sharing	4.54	0.470	High Level
Knowledge Application	4.57	0.489	High Level
Knowledge Management	4.56	0.236	High Level

(Source: Survey data)

**Table 3. Bivariate analysis between human resource management practices and knowledge management**

		Knowledge management
Recruitment and Selection	Pearson Correlation (r)	0.487**
	Significance Level (P)	0.000
Training and Development	Pearson Correlation (r)	0.342**
	Significance Level (P)	0.000
Performance Appraisal	Pearson Correlation (r)	0.530**
	Significance Level (P)	0.000
Compensation and Reward	Pearson Correlation (r)	0.401**
	Significance Level (P)	0.000
Employee Empowerment	Pearson Correlation (r)	0.193**
	Significance Level (P)	0.000
Human Resource Management Practices	Pearson Correlation (r)	0.697**
	Significance Level (P)	0.000

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

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

(Source: Survey Data)

**Table 4. Model summary of stepwise multiple regression analysis**

Model	R	R <sup>2</sup>	Adjusted R <sup>2</sup>	F	p- value/ sig.
4	0.712	0.507	0.497	49.148	0.000

(Source: Survey Data)

**Table 5. Regression results between human resource management practices and knowledge management**

Independent variables	$\beta$ - value	t-value	p- value/ sig.	Remark
(Constant)	1.792	8.382	0.000	
Recruitment and Selection	0.175	8.011	0.000	Supported
Training and Development	0.125	7.178	0.000	Supported
Performance Appraisal	0.248	3.846	0.000	Supported
Employee Empowerment	0.088	3.279	0.001	Supported

(Source: Survey Data)

### 3.3 Bivariate Analysis between Human Resource Management Practices and Knowledge Management

According to the Table 3, Results of Pearson correlation analysis indicated that, there was a significant strong positive relationship between overall HRM practices and KM in selected commercial banks in Kandy District ( $r=0.697$ ;  $p<0.01$ ).

### 3.4 Regression Analysis

The result of regression analysis between the HRM practices and KM are shown in Table 4 in order to identify the impact of HRM practices on KM in selected commercial banks in Kandy District. In this model, KM acts as the dependent variable and HRM practices act as the independent variables. From the results as shown in Table 4, the regression model was statistically significant ( $F= 49.148$ ;  $R^2=0.507$ ;  $P=0.000$ ). As well as, the proposed model was adequate as the F-statistic ( $F=49.148$ ) were significant at the 5% level ( $p<0.05$ ). The  $R^2$  is 0.507, which means that 50.7% of the variation in KM can be explained by recruitment and selection, training and development, performance appraisal, and employee empowerment. This indicates that the overall model was reasonable fit and there was a good statistically association between HRM practices and KM.

Regression results in Table 5 indicates that, recruitment and selection ( $p<0.05$ ;  $\beta=0.175$ ), training and development ( $p<0.05$ ;  $\beta=0.125$ ), performance appraisal ( $p<0.05$ ;  $\beta=0.248$ ) and employee empowerment ( $p<0.05$ ;  $\beta=0.088$ ) had statistically significant positive impact on KM.

This result indicates that overall HRM practices have significant positive impact on KM with the exception of compensation and reward practices in selected commercial banks in Kandy District. Based on the values, performance appraisal has the highest impact on KM followed by recruitment and selection, training and development and subsequently employee empowerment.

Accordingly, regression model of the relationship between HRM practices and KM can be expressed as follows,

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4$$

$$Y = 1.792 + 0.175X_1 + 0.125X_2 + 0.248X_3 + 0.088X_4$$

Where,

Y= Knowledge Management  
 $X_1$ = Recruitment and Selection  
 $X_2$ = Training and Development  
 $X_3$ = Performance Appraisal  
 $X_4$ = Employee Empowerment  
 $\beta_0$ = Intercept of the function/ constant  
 unstandardized coefficient  
 $\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$  = Slope of the independent variable

## 4. CONCLUSION

The descriptive and correlations studies were helpful to find out the level of human resource management practices and knowledge management and relationship between two variables. The finding of this study clearly shows that, level of human resource management practices and knowledge management are high level and also 49.7% of the variance of knowledge management is explained by human

resource management practices in selected commercial banks in Kandy District. So, it can be revealed that there is a positive and significant impact of human resource management practices on knowledge management in selected commercial banks in Kandy District.

## 5. LIMITATIONS OF THE STUDY

The study suffers from shortcomings that must be considered and possibly addressed in future research. First, the sample used for analysis was drawn only from Kandy District, one of the Districts in Sri Lanka. Second, the data were collected from commercial banks in Kandy District, which may restrict to some extent generalizability of findings to other industries. Third, this study limited to collect the data only from 12 LCBs branches in Kandy town area. But, there are 137 branches of those 12 LCBs are located in Kandy District. Fourth, the data were collected only from 196 employees of selected commercial banks in Kandy District. Accordingly, the data were analyzed with small sample size. With smaller samples, the power of the tests decreases. A replication of analysis with larger sample sizes would facilitate a more precise description of the phenomena.

Fifth, this study limited to explore the impact of HRM practices on KM by considering five HRM practices. Sixth, data which required for this research were collected from selected sample by questionnaire. Thus, the data may not be 100% accurate, because obtained data from questionnaires create the potential for common method variance due to response bias, which might generate some interpretation problems. Finally, employees' attitudes are very uncontrollable and their responses might not be depending on their real attitudes as they might fear to express their own real ideas. Most employees think that their responses may cause losing their jobs. Therefore, study faced some limitations regarding reliability of employees' responses.

## 6. SUGGESTIONS FOR FUTURE RESEARCHERS

Future researcher can be taken into actions to improve further research by overcoming the limitation of this study. Hence, the following suggestions are suggested by researcher to improve future research.

Future researchers can expand the present study by drawing sample including other Districts in Sri Lanka. Future researchers should also attempt to achieve a larger random sample to determine whether general results apply to a larger population sample size. So that findings can be generalized across the whole population of the country.

In future, the similar research may be conducted in different sectors (other manufacturing and service sector) of Sri Lanka. That would further help the researchers to find new and novel findings.

Future researchers can survey HRM key dimensions as several other HRM practices (e.g. job design, teamwork, employee retention and career management etc.) could probably have an effect on KM.

Also, future researcher can survey impact of other critical factors on KM such as information technology, culture and leadership can be examined as a success factors for KM.

## COMPETING INTERESTS

Authors have declared that no competing interests exist.

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