

The Study of Impact Factors in Knowledge Management on Business Performance in Chinese Enterprises

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Abstract— This study develops a research proposal to exam the relationship between knowledge management with business performance in small size enterprises in China. The author also tries to figure out the critical impact factors that affect the business performance in these enterprises during implementation the knowledge management process. In the relevant fields, the researcher figures out the important variables including: knowledge management, business performance, strategy, organizational culture, organizational processes, leadership, technology, corporate politics, and educational level.

Keyword – business performance; impact factor; knowledge management; small size enterprise.

1 INTRODUCTION

The concept of knowledge management was established in the early 90s in last century. Most of the large enterprises have enough resources to develop and implement their enough knowledge management system and utilize into their business developing process (Heisig 2003). Knowledge management efforts typically focus on organizational objectives such as improved performance, competitive advantage, innovation, the sharing of lessons learned, integration and continuous improvement of the organization. These efforts overlap with organizational learning and may be distinguished from that by a greater focus on the management of knowledge as a strategic asset and on encouraging the sharing of knowledge (Gold and Arvind Malhotra 2001).

Nowadays, the technology has been developed faster than ever before, change is the only certain factor that can be confirmed today. Due to the rapid change of the market and customer needs, the enterprises must be more competitive than before, that means the enterprise must improve themselves in all aspects, then, it can only catch up with the trends. To do that, the enterprises need to be faster to create, share and use the new knowledge, since in today's new economic circumstance, knowledge is the main factor to push the economic growths. It is estimate that 80 percent of the economic growth depends on the new knowledge in this century (McDermott 1999).

1.1 Problem Statement

The enterprises in China today must face a new era which is the Era of knowledge management. With the fast development of the economic since the 2000, the economic circumstance, economic policies, rules and regulations, and the concept of business management have been different from the old days, the manufactural industry need innovation, the marketing need innovation, and the management methods need innovation as well. Knowledge management is the core content of the business management and innovation in the recent year in all the industries in China. There are good opportunities for the enterprises in China to develop their own knowledge management system and implement that into

their business development process due to the advantages of using the internet and information technology (Lee and Choi 2003).

However, according to the statistic, 99% of the enterprises in China belongs to the small size enterprises, its number already over 70 million by the end of 2016. In this context, it is necessary to analyse the circumstances within these enterprises in China, whether there are issues that will affect the implementation of knowledge management and business performance. Firstly, there is limited resources to establish and carry out the knowledge management system in these small size enterprises in China.

Furthermore, the culture of knowledge management has not been adopted by most of the small size enterprises in China. In most of the small size business in China, most of the employees don't obtain higher education. Therefore, it is difficult to raise the awareness of the importance on knowledge management concept into the workers, and most of them don't even believe the values of implement the system. It will take quite a long time with great effort to foster this knowledge management concept into the culture of these small size enterprises (David and Fahey 2000).

Hence, most of the employees don't understand how to implement the knowledge management system, as it was mentioned above, the educational level among most of employees in the small size business in China is considered as low. The consequence is the small size enterprises in China spend lots of money and resources to build the knowledge management system, however, due to the above issues mentioned above, the system has not been operated and implemented into real practice. It made these small size enterprises waste a lot of money and lose the confidence in knowledge management (Bhatt 2001).

1.2 Research Gap

The previous study and research already stated the importance of the knowledge management in the business development process, however, according to the literatures, most of the enterprises that develop and implement the knowledge management system in the business development are belong to the larger companies which have enough resources. This is lack of study in the

field of knowledge management in the small size organizations in the developing countries, especially in the emerging market like China. Therefore, this study will figure out whether the knowledge management will help most of these small size companies in China with their sustainable business development. Hence, this study will try to identify the main factors that impact the implement of the knowledge management in these small size companies in China.

1.3 Significance of Research

The findings of this research will help the small size enterprises in China to confirm that whether the implementation of knowledge management will help them with their business development, and it will also help them enterprises in China to identify the factors that prevent the implementation of the knowledge management in their organization. Therefore, the findings of the study can help the management level in these Chinese enterprises to decide whether they should use their limited resource in developing a knowledge management system into their own organization and help these managers to predict the issues that will happened during the implementation of the knowledge management system in their business.

1.4 Objective of the Research

The main objective of this research is to find out whether the knowledge management will help the business performance in the small size enterprises in China. And the sub-objective of this study is to figure out the factors that prevent the knowledge management implementation in these small size enterprises in China.

1.5 Research Question

There are two research questions that conducted base on the objectives above.

Research Question 1: What is the relationship in between knowledge management and business performance in small size enterprises in China?

Research Question 2: What are the factors that impact the knowledge management and business performance in small size enterprises in China?

1.6 Operational Definition of Concepts

Operational definition of concepts explains the meanings of certain words or phrases that using in this research proposal.

Small size enterprises: The business has less than 100 employees in China;

Higher education: Formal learning after completion of secondary school in colleges or universities including vocational schools.

1.7 Scope of the Study

This study is conducted to identify the factors that affect the correlation between knowledge management and business performance in the small size enterprises in China. Besides that, the study also focuses on whether there is a significant relationship between knowledge management and business performance in the small size

enterprises in China. The study will adopt a quantitative approach, all the data will be collected through the survey questionnaire, the questionnaire will send to 1000 small enterprises in China by email.

1.8 Type of Research

The research proposal studies the issues that faced by the small enterprises in China will adopt the quantitative research method with questionnaire as the research instrument. By using quantitative research method, with the questionnaire answered by the study population in China, the result will be able to answer the research question and hypothesis.

2 LITERATURE REVIEW

2.1 Theoretical Background

This research paper is based on the theory of planned behavior (TPB). TPB is a theory that links human's beliefs and behavior. The concept was proposed by Icek Ajzen to improve on the predictive power of the theory of reasoned action by including perceived behavioral control. It has been applied to studies of the relations among beliefs, attitudes, behavioral intentions, and behaviors in various fields. The theory states that attitude toward behavior, subjective norms, and perceived behavioral control, together shape an individual's behavioral intentions and behaviors (Davenport, De Long, and Beers 1998).

2.2 Knowledge Management in Enterprises

Knowledge includes experiences, values, professional opinions, and various aspects. Usually, it has been categorized as tacit knowledge and explicit knowledge. Explicit knowledge means the knowledge that can be expressed by words, figures, or tables; and it is able to communicate and code. On the other hands, tacit knowledge means the knowledge that can't expressed directly, but need a long time to understand, like personal skills and experiences (Tuomi 1999).

Knowledge management is a new way of management idea, different scholars and researchers have their own opinion towards knowledge management. Although this concept only started from early 90s in last century, due to the rapid development of technology, there is a need of knowledge management in sustainable business development. Today, knowledge management in the concept of business development means manage the knowledge into a systemic way and coordinate the business management during business development process (Swan et al. 1999).

There are totally four parts in knowledge management namely: knowledge creating, knowledge sharing, knowledge using, and knowledge managing. These knowledge is usually from the employees, customers, competitors, and publics; then it will be divide into useful and irrelevant information, only the useful one will be transfer into knowledge; next step will be knowledge innovation, including employees, customers, and company itself; last, these knowledges will be shared and updated in the business processes (Darroch and McNaughton 2002).

2.3 Business Performance Factors

Business performance usually refer to the capability of sustainable business development. According to the previous research, it has been proven that human resources management, marketing strategies, customer relationships, customer satisfactions have the relationships with business performance, besides that, the official websites and organizational culture also have impact towards the business performance. On the other hands, it can be measured the business performance in the following 5 factors: profitability in the industry, level of business development, reputation in the industry, branding value in the industry, and its knowledge management capability (Darroch 2005).

2.4 Knowledge Management & Business Performance

According to the previous study, it is stated that knowledge management capability the only reason that enterprises have the capability of sustainable development and to be competitive in the industry. That is because some elements like the plants, facilities and objectives can be imitated. However, the knowledges within the enterprises can not be imitated. Therefore, to be competitive and dominated in the industry, investing in knowledge management and establish own knowledge management system within the enterprise is the most effective way (Alavi and Leidner 1999).

It has been proven that with the good capability of knowledge management, the enterprises can have better business performance. For example, innovation of a new product or service, it will start from the customers knowledge management, from the useful information that gather from the customers, with the knowledge within the enterprise, the company is able to transfer these knowledge into new products or service to fulfil the needs of customers. In this case, customers provide tacit knowledge and enterprise provide explicit knowledge, and with the information and knowledge from both side, a new knowledge is created and transferred into new products and services to fulfil the market needs and consumer desires. This kind of products and services could help the enterprise to obtain a group of loyal customers, which will contribute the sustainable business performance for the enterprises. On the other hand, without good knowledge management system and implementation in the enterprises, the organization will not be able to identify the market need or customer desires, then the new developed products or services may not have satisfied the customers, which will result a sequence of bad influences to the enterprises (Earl 2001).

2.5 Factors Affect the Implementing Knowledge Management

According to the previous study and literature review, there are several factors that will impact relationship between the knowledge management and business performance of small size enterprises during the process of implementing knowledge management (Yew Wong 2005): Strategy: it is essential to make sure that the knowledge management strategy coped with the organizational strategy. Therefore, when implement the knowledge management, it will enhance the business performance

(Quintas, Lefere, and Jones 1997).

Organizational Culture: to adopt a habit of knowledge management into the enterprise is as important as the knowledge management system itself. Since, it is always the employees who create, share, use and manage the knowledge within the knowledge management system. Without a good habit of utilizing the knowledge management system among the enterprise as a culture, the knowledge management system can't contribute to the business performance at all (Varun Grover 2001).

Organizational Processes: the knowledge management system need to cope with the organizational processes, then, it won't be mess up during the implementation process. So, it is important to have a clear picture with fully understanding of the organizational processes when design the knowledge management system in the first place.

Leadership: leadership is the key factors in all the operational level, knowledge management implementation also requires strong leadership in all the management level within the organizational to ensure the system is utilized in the right way with the right person under the right position.

Technology: the knowledge management system usually required IT technology to support, therefore, a technology team or department with the newest technology is essential all the time within the enterprises.

Corporate Politics: The organizational support and endorsement in the policy level is essential for the knowledge management system to be implement well during the business development process. By doing so, the employees will be encouraged to utilize the system in the daily business operation.

Educational level: this is one of the most important factors that exist in most of the small size enterprises in China. Most of the employees don't have higher education. It will be difficult for them to understand and operate the knowledge management system.

3 RESEARCH METHODOLOGY

3.1 Research Design

This research is a quantitative research with survey questionnaire that was approached for the data collection purpose; the study population are the small size enterprises in China and the questionnaires were send to them randomly; after the data collection completed with the responded questionnaires, several analysis such as descriptive, correlation, regression and factor analysis will being taken place in order to investigate the relationship between the factors and the performance of small size enterprises in China.

This research is aimed to study the critical factors that impact the business performances of small size enterprises in China. The critical factors include: strategy, organizational culture, organizational processes, leadership, technology, corporate politics, and educational level of the employees.

3.2 Sampling Design

The research will be carried out in Mainland China. All the

small size enterprises in China will be involved in this research. Therefore, the study population in this study consists of over 70 million small size enterprises in China. According to the textbook, consider that confidence level as 95% with Margin of error, the population size of the study population (Small size enterprises in China) is more than 1 million, therefore, the sample size will be 385. The questionnaires will be send to the target population randomly, the selected sampling technique for this study will be convenience random sampling.

3.3 Research Instrument Design

The literature review will develop the research instruments. By utilizing the quantitative research method, questionnaire as a research instrument will be used to figure out the factors that affect the business performances of small size enterprises in China. The questionnaire will be written in both English and Chinese. Pilot test with validity and reliability will be conducting to ensure the questions in the questionnaires are relevant to the research.

3.4 Data Collection

After consulting with the research supervisor and pilot test, the revised survey questionnaire will be send to 1925 of the target population randomly in China, since the Estimated response rate is 20%, the duration of the data collection was designed as 3 months.

4 CONCLUSIONS

This study is to develop a research proposal to exam the relationship between knowledge management with business performance in small size enter-prises in China, and to figure out the critical impact factors that affect the business performance in these enterprises during implementation the knowledge management process. By reviewing the literatures in the relevant fields, the researcher figures out the important variables includ-ing: knowledge management, business performance, strategy, organizational culture, organizational processes, leadership, technology, corporate politics, and educational level of the employees. This study provides a clear understanding on how these impact factors affect the business performance during the knowledge management implementation process. The re-sult of the study will benefit the researcher to help the enterprises in China to develop an effective knowledge management system for their own organizations.

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