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## A survey of Critical Success Factors for Strategic Knowledge Management implementation: applications for Service Sector

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### Abstract

Organizations are implementing knowledge management (KM) systems with the assumption that the result will be an increase in organizational effectiveness, efficiency, and competitiveness. Practices of knowledge management are context-specific and they can influence organizational effectiveness. In the e-economy era, for achieve and sustain the competitive advantage, the implementation of strategic knowledge management (SKM) is undeniable. Through knowledge driven reconfiguration, integration and innovation of organizational competencies, are gained. The main purpose of this research is to identify the critical success factors (CSFs) that are very important for SKM implementation. For this purpose data was gathered from services sector of Iran and with focus on the biggest part of this services sector that is banking industry. Data was gathered from both academicians and professionals of the field. After appropriate literature review and also data that gathered from the research population through a question, data was analysed and eventually the more important critical success factors for SKM implementation in this sector was identified and presented. Also the structural equation modelling has been run to demonstrate the validity of basic CSFs in this research. In the final section of this paper the both applied and theoretical recommendations will be presented.

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### 1. Introduction

Knowledge has been recognized as an important source of competitive advantage and value creation (King and Zeithalm, 2003; Massa and Testa, 2009), as an indispensable ingredient for the development of dynamic core competencies and, more generally, as a determinant factor for firms with global ambitions. Moreover, knowledge that firms acquire is a dynamic resource that needs to be nourished and managed carefully.

An increasing range of disciplines has drawn attention both to the significance of knowledge and its various codified and explicit forms in terms of business success (Shaw and Williams, 2009). It is worth underlining that the concepts of knowledge and information tend to be used interchangeably throughout the literature and praxis

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(Kakabadse et al., 2001; Ritcher and Niewiem, 2009). Knowledge management must encompass people, process, technology and culture.

In the e-economy era, for achieve and sustain the competitive advantage, the implementation of strategic knowledge management (SKM) is undeniable. Through knowledge driven reconfiguration, integration and innovation of organizational competencies, are gained. And consequently knowledge oriented organizational subsystems, provide the basis for strategic knowledge management enabling competencies to combine their knowledge on markets and products to gain sustainable competitive advantage. Thus, the main question of this research is: What are the important critical success factors for the Strategic Knowledge Management implementation in the service sector with focus on banking sector of Iran? Based on the framework of this research after appropriate literature review, a questionnaire will formed that based on this questionnaire data will gathered from research population and then final critical success factors for the Strategic Knowledge Management implementation in the service sector will identified and presented. As banking industry is the biggest service sector in Iran, data will gathered from this sector.

## **2. Theoretical Background**

Knowledge management (KM) is one of the emerging topics of academic and professional discourse in many fields of knowledge, including cognitive sciences, sociology, management science, information science (IS), knowledge engineering, artificial intelligence, and economics (Kebede, 2010; Dalkir, 2005; Martin, 2008; Sinotte, 2004; Rowley, 2007; Wild & Griggs, 2008; Makani, 2008) Knowledge integration can broadly be defined as the processes by which several individuals combine their information and uniquely held knowledge to create new knowledge (Soderlund, 2010) Knowledge management (KM) is considered a strategic and value-added endeavour for improving an organization's effectiveness in the changing social and business environment (He et al, 2009). Drucker (1993, 2000) described knowledge, rather than capital or labour as the only meaningful resource in the knowledge society, and Senge (1990) has warned that many organizations are unable to function as knowledge based organizations, because they suffer from learning disabilities. Although, there is recognition that the knowledge society and the knowledge economy have arrived, and that knowledge is a key business asset, organizations are still in the early stages of understanding the implications of knowledge management. Rowley (1999) and Bhatt (2000) determined by organizational capabilities and core-competencies. Prahalad and Hamel (1990) continue by stating that the increased realization of knowledge as the core competence is becoming a crucial survival factor. The recent advances in the emerging field of computing and high-speed communications have increased the organizations interesting the topic of KM. This growing field is categorized with the Information and Communication Technologies (ICTs). With increasing capabilities of ICTs, an understanding of different knowledge strategies has become much more important (Bontis, 2001). Strategies to investigate Knowledge Management (KM) would be to increase the level of social interaction that occurs in the organization, as only some of which may be technologically assisted.

## **3. Methodology and Design**

The method of this research are Applied Research in goal, and in the view point of data gathering is Descriptive-Analytic (non-experimental) that is implemented with the case study format. In this study, after appropriate literature review by using a standard questionnaire critical success factors for SKM implementation in the area of service sector was identified and presented. After recognition the CSFs, by interview with experts of the field, some modification was made and finally the appropriate questionnaire for data gathering was established. Then by using the questionnaire the final CSFs will test and analyzed. Cronbach's Alpha Coefficient was used to measure reliability. The Cronbach's Alpha calculated for this research was 0.86 that is more than the mean acceptable alpha. Hence, the questionnaire is reliable ( $\alpha > 0.7$ ). Table 1 shows the critical success factors for strategic knowledge

management implementation for the service sector (Safari Kahreh, 2011) with focus on banking sector as the biggest service sector based on the expert’s viewpoint.

Table 1. The final CSFs for SKM implementation for the service sector (Extracted from: Safari Kahreh, 2011)

No.	CSFs	No.	CSFs
1	Organizational alignment and articulates explicitly its purpose, vision and values consistent with responsible business	14	Social norms and the impact of community factors
2	Information provision	15	Organizational culture
3	Knowledge sharing	16	Job satisfaction
4	Cooperation	17	Job enrichment
5	Legal norms	18	Job enlargement
6	Organizational ambiguity	19	Competitive orientation of the organization
7	Employee volunteering	20	Organizational citizenship behaviour
8	Corporate Social Responsibility (CSR)	21	Formal strategic planning
9	Community involvement in corporate decision making	22	High level of communication in the organization
10	Organizational trust	23	Organizational orientation for the domestic competition
11	The involvement of the Board of directors	24	Organizational orientation for the environmental competition
12	Inspirational leadership		
13	Organizational commitment		

Table 2. The results of affectability of CSFs for SKM implementation in the service sector by t-test

CSFs for CSR implementation	T-Statistic	d.f	Sig*	mean	Test-Value	Confirm / Reject
Organizational alignment and articulates explicitly its purpose, vision and values consistent with responsible business	23.456	74	0.000	2.8385	3	Confirm
Information provision	14.1254	74	0.000	2.2385	3	Confirm
Knowledge sharing	34.120	74	0.000	2.0385	3	Confirm
Cooperation	22.345	74	0.000	1.5692	3	Confirm
Legal norms	12.760	74	0.000	1.4615	3	Confirm
Organizational ambiguity	20.400	74	0.000	1.542	3	Confirm
Employee volunteering	11.879	74	0.000	3.640	3	Confirm
Corporate Social Responsibility (CSR)	18.435	74	0.000	4.233	3	Confirm
Community involvement in corporate decision making	17.8660	74	0.000	1.500	3	Confirm
Organizational trust	13.435	74	0.000	4.911	3	Confirm
The involvement of the Board of directors	23.192	74	0.000	1.101	3	Confirm
Inspirational leadership	18.889	74	0.000	2.2385	3	Confirm
Organizational commitment	15.435	74	0.000	2.0385	3	Confirm
Social norms and the impact of community factors	14.435	74	0.000	2.900	3	Confirm
Organizational culture	14.320	74	0.000	2.112	3	Confirm
Job satisfaction	16.667	74	0.000	3.506	3	Confirm
Job enrichment	17.657	74	0.000	2.2385	3	Confirm
Job enlargement	11.812	74	0.000	2.888	3	Confirm
Competitive orientation of the organization	15.721	74	0.000	2.0386	3	Confirm
Organizational citizenship behaviour	14.860	74	0.000	3.011	3	Confirm
Formal strategic planning	16.534	74	0.000	2.760	3	Confirm
High level of communication in the organization	18.250	74	0.000	1.990	3	Confirm
Organizational orientation for the domestic competition	11.546	74	0.000	2.140	3	Confirm
Organizational orientation for the environmental competition	10.034	74	0.000	3.021	3	Confirm

\*α=0.05

### 4. Structural Equation Modeling (SEM)

In order to run the basic conceptual framework that is 24 basic CSFs in the study the Structural Equation Modeling (SEM) has been used. Using LISREL8.7 this model has been run. Results showed that the model of this study was highly appropriated to present the basic critical success factors for strategic knowledge management for the service sector. Figure 1 shows the SEM results for the model of this research.

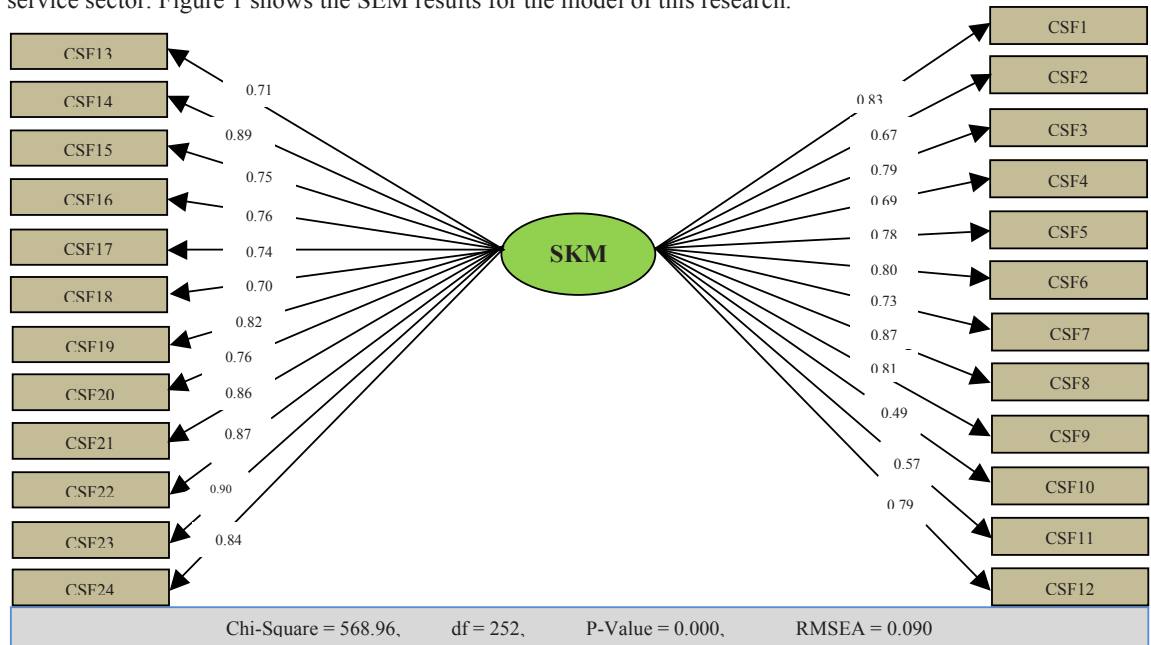


Figure 1. Standardised Solutions of SEM for basic CSFs of the strategic knowledge management in this research

Also table 6 shows the results of fitness the model of SEM for basic CSFs of the conceptual framework of research. As obvious from the table this model is completely fit to present the basic critical success factors for implementation of strategic knowledge management.

Table 3. Indices of Fitness for Structural Model of basic CSFs of research

Structural model	$\chi^2$	df	p	$\chi^2/df$	RMSEA	CFI	GFI	AGFI	RMR
Research Conceptual Framework	568.96	252	0.000	2.257	0.090	0.88	0.84	0.92	0.077

### 5. Conclusion

Knowledge form is an important asset in modern organizations especially in the financial services industry. To gain and sustain competitive advantage, lifetime relationships with customers and long-term profitability, financial services organizations must manage their knowledge resources, which are referred to as knowledge management (KM). There are different types of KM with regard to how organizations accumulate knowledge, insights, and valuable expertise over time. However, regardless of type, the goal for KM is to support learning and organizational improvement in the processes and functions. The application of KM in the crucial sections of the organizations, that we named strategic areas or the organization, is strategic knowledge management. In this research for achieving the appropriate approach for SKM implementation in the service sector we focus on banking sector that is the biggest service sector in Iran. In this paper the appropriate approach for SKM implementation in the service sector was presented and this approach is CSFs approach. In this paper the most important CSFs for SKM implementation was

identified and presented. Number of 24 CSFs was identified that provide an appropriate framework for SKM implementation. Structural equation modeling in this research for analyzes basic critical success factors of the research have been run. Indices of fitness showed that this model is completely fit to demonstrate the basic CSFs for strategic knowledge management. So these CSFs are completely valid in this strategic research. The results of this research are very useful and applicable for both academicians and professionals of the field. Future researchers may use the results of this research and develop the framework for the other industries. Also the results are helpful for decision makers and policymakers for achieve very useful CSFs for implement SKM in their organizations and firms.

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