

Empirical Investigation of Knowledge Management on Organizational Performance: Evidence from Financial Industry of Sri Lanka

M. P. N. Janadari

Department of Human Resource Management, Faculty of Commerce and Management Studies, University of Kelaniya, Sri Lanka
njanadari@kln.ac.lk

Abstract: Even though the world of work has been energized by the growing aspects of the arena of the information technology, yet it is believed to be the focus and the emphasis of the knowledge factors has increasingly proven its swelling importance to every individual, organization, and to every nation. Believing this, the current organizations strive to put a valuable emphasis on the knowledge resources as a means of nurturing their individuals' performance with the view of enhancing the overall organizational performance. The present study aims to explore how the knowledge management drives on the organizational performance especially with special reference to the financial institutions in Sri Lanka. Researcher adapted epistemological philosophy with deductive and explanatory approach and conducted to find the impact between Knowledge Management and organization performance by using survey strategy. This research was quantitative in nature which was data collected through the questionnaires from the management of top 12 financial companies in the finance industry by using stratified sampling method and analyzed using correlational and regression analysis techniques. The findings revealed that there is a significant positive relationship between knowledge management and the organizational performance of the organizations in finance industry in Sri Lanka. Thus, the study would provide a valuable insight for every organization especially the organizations in the financial industry to re-think about the effective ways that can ensure the knowledge management in their organization.

Keywords: *Knowledge, Knowledge Management, Organizational Performance, Finance Industry*

Introduction

Twenty first century serves as a starting point of a knowledge era which pressures the economies around to seek and open the eye of the world to be more spirited. The competitive nature in the world of work has converted the business organizations into technology driven icons where ensuring their survival has become even more

challenging. Herein, make certain their endurance by obtaining the competitive advantage over the competitors, strengthening the organizational resources base has become one of the major focuses of the business entities where efforts to attract the most talented blood as a way of intensification of the human resource are considered being imperative as humans are the major source of the creation and the dissemination of



knowledge. Considering the stated significance, the efforts to create and disseminate knowledge has been identified as an extremely critical factor which has been widely examined in diverse perspectives (Kaldeen & Nawaz, 2020). Knowledge management is recognized as an important weapon for sustaining competitive advantage and improving performance (Ramdani & Hadijah, 2020). The evaluation of knowledge management (KM) has become increasingly important since it provides the reference for directing the organizations to enhance their performance and competitiveness. "When you know better you do better". It simply says that the person who has knowledge can perform better than the person who doesn't. Therefore "Knowledge" is the difference of the productive and unproductive human resources of any organization (Angelou, 2006) which provides access to obtain the new knowledge about the emerging labor markets and stakeholders, which eventually energize the organizations to get the competitive advantage (Darroch, 2003; Dalkir, 2013; Wong *et al.*, 2013, as cited in Ning & Ali, 2020). The creation and diffusion of knowledge have become ever more important factors in competitiveness in today's knowledge economy. Use of knowledge is not just about consuming it; rather transferring of knowledge to one another. It does not result in losing it but end of the day many organizations' valuable knowledge walks out of the door.

The success of any Knowledge Management (KM) initiative is likely to be critically dependent on having

rightfully motivated people taking an energetic role in the process. Organizations are aware of the competitive advantage in transforming individuals' tacit knowledge into well-structured explicit knowledge to be reused. According to the popular research done by Soon and Zainol (2011) knowledge is looked upon as the most important resource. The objective of developing a knowledge management model is to "create knowledge repositories it attempts to improve knowledge access, and attempts to improve knowledge cultures and environments" (Davenport and Prusak, 1998). Broadbent (1998) indicates that "knowledge management is about enhancing the use of organizational knowledge through sound practices of information management and organizational learning" whereas explained by Leung, Chan, & Lee, (2003), the process which encompasses the steps as if identifying, producing, presenting, distributing, enabling insights, and experience adaptation is known as knowledge management (as cited in Ramdani & Hadijah, 2020).

On the other hand, one of the seminal work of Ioannis, Nikolaos and Yiannis (2010) shows that organization performance is to improve performance by developing skills and the capacity to work effectively. Nevertheless, as per the previous studies, organization performance is depending on not only the financial perspectives but also the non-financial perspectives. Therefore, through the proper knowledge acquisition, capturing, sharing and using organization can build a strong work

force where they will drive the entity towards the success. Strong unity players who fulfill with knowledge never be the same as the traditional out of dated rutting players. According to all above mentioned things it can be argued that the HRM can contribute for a successful implementation of KM through handling its functions according to the way demand by the KM. Therefore, to improve the contribution of people aspects towards creating, sharing and using knowledge through HR functions, policies and practices is the role of HRM for an effective KM practice. With the effective KM practice organizational goals can be achieved and organization performance may grow. Therefore, to have a sustainable performance, any organization should know how to manage their knowledge within the existing employees and how to keep improving the existing knowledge and make use of it in ensuring organizational goals. However, most organizations in Sri Lanka are still unable to implement a well-built systematic Knowledge Management (KM) approach which will help organizations to build up a sustainable competitive advantages that may aid them to survive in long run but definitely can assume that the leading firms in Sri Lanka must have put their attention on built up a KM practice which are unique to them. Especially in the service sector where the higher participation for the annual Gross Domestic Production (GDP) in Sri Lankan economy doesn't show much attention on it even though their performance is highly depend on knowledge in this sector. Organizational performance is a recurrent theme in most branches of

management, and it is of interest to both academic scholars and practicing managers. Although the importance of the performance concept (and the broader area, organizational effectiveness) is widely recognized, the treatment of performance in research setting is perhaps one of the thorniest issues confronting the academic researcher today. From a traditional perspective, organizational performance is commonly referred to as financial performance where considerations of budgets, assets, operations, products, services, markets and human resources are crucial in influencing the over-all bottom-line of an organization.

Objectives of the Study

The primary and secondary objectives of this research are as follows.

Primary Objective:

- To investigate positive impact of Knowledge Management on Organizational Performance.

Secondary Objectives:

- To assess the positive impact between Capturing Knowledge on Organization Performance.
- To assess the positive impact between Creating Knowledge on Organization Performance.
- To assess the positive impact between Sharing Knowledge on Organization Performance.
- To assess the positive impact between Using Knowledge on Organization Performance.

Research Questions

- Is there positive impact of Knowledge Management on Organizational Performance?
- Is there positive impact between Capturing Knowledge on Organization Performance?
- Is there positive impact between Creating Knowledge on Organization Performance?
- Is there positive impact between Sharing Knowledge on Organization Performance?
- Is there positive impact between Using Knowledge on Organization Performance?

Statement of the Problem

The dynamic nature in the business environment has created enormously competitive challenges for business organizations which stresses them to go hand in hand with new knowledge creation and dissemination efforts (Kaldeen & Nawaz, 2020). Today knowledge or Intellectual capital has become the most important asset for any organization in the world. In particular, in the world today, companies are moving from traditional management processes to the knowledge creation processes. Herein, the focus has been shifted towards an effective management of the knowledge gathered. According to Karl- Eric Sveiby (1998), knowledge management can be identified as an art which attempts to leverage intangible assets in an organization (as cited in Ramdani & Hadijah, 2020). Considering all of these significances,

the current study examines the development of knowledge management as a management concept and tool, in the process explaining why it is important to consider about proper knowledge management process for finance industry especially explaining the organizational performance.

Finance sector is one of the fields that make a higher contribution to the GDP which is very crucial and end of the day it makes an exhausted job for most of the employees due to the riskiness of it. Currently financial institutes' staff turnover is very high, not only in the individual organization but also in the whole industry. Especially the marketing staff was heavily head hunted and they left the organization with all the learning and their creative ideas which gain from the organization. This was utter waste to the organization and badly affect to the growth as well. For an instant Merchant Credit of Sri Lanka Limited where the main issue can be seen staff turnover for the 2019 was around 7% to 10% according to the Training and Development Manager of the company. It was gradually increasing throughout the years. In 2016 it was around 4% to 5% and before 2010 it was nearly 2%. Most of the individuals, teams are continually 'reinventing the wheel' which is so costly to the organization. It is because the level of KM practices is very much low. They practice KM in a very informal way and it doesn't link with the HR policies of the organization. Employees simply do not know that what they are trying to do and have already been done in elsewhere. So, from this research paper it discusses how important the knowledge management for an organization to

enhance the performance and how it enables to make creative staff and drives to the good performance. In addition, the findings of this study may direct them to understand the importance of practicing KM to reduce their issues and use as a strategy to drive the organization. Every organization strives harder to be more proficient in terms of their business performance. According to Surjadi (2009), in achieving organizational goals and objectives productively, effective and efficient organizational performance is considered being imperative (as cited in Ramdani & Hadijah, 2020). Similarly, previous studies highlighted the importance of the concept of KM and one of the scholars Liao, Wu (2009) emphasized that Knowledge management (KM) and organizational performance are essential of the success in business. The different results in literatures that declare KM affects organizational performance positively. Jayasundara (2008) addressed in his study that there is no debate about the value of knowledge management as a business practice in banking industries. However, most organizations do not take it seriously and it is a vital requirement to make information and knowledge available at right time in the right place immediately. Conversely, there were very few research can be found knowledge management impact in organization performance relating to the finance sector. Therefore, it was observed that there was research gap in world as well as in Sri Lankan context, relating to the knowledge management impact in organizational performance in financial institutions. Since the role of financial industry is vital in world economy, to uplift the organizations

relating to this sector is impotent. This research may assist to fulfill the research gap relating to the knowledge management and organization performance in finance industry.

Literature Review

The world has turned towards to be an icon which is being characterized by fast exchange of information across large geographic areas especially through internet where this has created a world with knowledge-based economies which stresses the effective management of human resources who can create the right value for the economy (Omotayo, 2015). Information has proven its mounting importance in any nation or an economy especially in today's context and business organizations consider that the knowledge can deliberately create a competitive advantage while being a critical resource to form a successful business model (Anantamula & Kanungo, 2010 as cited in (Meher & Mishra, 2019). However most of the business organizations have been flooded with information and herein the knowledge management comes in to play and tries to resolve the troublesome paradox for business organizations (Anthes, 1998). This valuable resources of information is considered being the currency which exchanges in the knowledge economy and the human expertise can be identified as the bank where individuals deposit or keep, invest, and exchange the knowledge whereas it was stated that a firm's competitive advantage largely depends on its knowledge (HR Magazine, 2009, as cited in Omotayo, 2015). During last

couple of years, the concept of knowledge management has proven its significance as an emerging concept and has ensured its significance as a critical function in the businesses (McKeen, Zack, & Singh, 2006). It is important to understand the fact that the organizations in today's context no longer complete with each other on the financial gains rather they strive to strengthen their knowledge resource as a way of gaining competitive advantage (Omotayo, 2015; Janadari & Chathurani, 2010). Herein, knowledge can be identified as an essential part of the process of knowledge management (Omotayo, 2015) and according to Baloh, Desouza, and Paquette (2011) without possessing knowledge to manage, there would be no knowledge management (as cited in Omotayo, 2015).

Every organization possesses many operational and strategic needs where they fulfill such needs basically by executing a scientific and systematic manpower planning which is known as knowledge management (Awad and Ghaziri, 2007, as cited in (Meher & Mishra, 2019).

Knowledge Management

According to Hislop (2013), "knowledge management is an umbrella term which refers to any deliberate efforts to manage the knowledge of an organization's workforce, which can be achieved via a wide range of methods including directly, through the use of particular types if ICT, or more indirectly through the management of social processes, the structuring of organization in

particular ways or via the use of particular culture and people management practices" (as cited in Omotayo, 2015). Knowledge management (KM) has been defined in different ways in scientific literature; Wiig (1999) defined it as "a group of clearly defined process or methods used to search important knowledge among different knowledge management operations". Jayasundara, (2008) stated that Knowledge Management (KM) attempts to get the best balance between what can and should be written down and what should be shared among a community of knowledge workers. According to Jayasundara, (2008) the purpose of knowledge management is to add value to information already held by the business organization, resulting in knowledge that will be of strategic use to the organization whereas it specifies that the knowledge management deals with expertise or human capital, financial management, customers, operations marketing and sales, intellectual property, technical processes and products. Knowledge Management for Value Creation has focused more on the knowledge sharing culture where formal processes or approaches are available to distribute implicit and more importantly, tacit knowledge residing in the intellectual capital will no doubt create value in individual employees. Within an appropriately designed internal environment, employees, who add a value through a formal knowledge management system, will be motivated to create organizational value (Jeyarajeswaren, 2006). According to Soon and Zainol (2011) the concept of "Knowledge management" has been most important

phenomenon to emerge in recent years in the study of management. Knowledge management has been defined as the process involved in seeking to “understand, focus on, and manage systematic, explicit, and deliberate knowledge building, renewal, and application that is, manage effective knowledge processes”. According to Wiig (1993), the organization’s perception of the knowledge management emphasis three roots where each with different horizon and purposes.

1) Business Perspective – Focusing on why, where and to what extent the organization must invest in or exploit knowledge. Strategies, product and services, alliances, and acquisitions should be considered on knowledge related point of view.

2) Management Perspective - Focusing on determining organization direction, facilitating and monitoring and knowledge related practices and activities required to achieve the desired business strategies and objectives.

3) Hands on Perspective - Focusing on applying the expertise to conduct explicit knowledge related work and task.

Most importantly, the empirical evidence has explained the dimensional nature of knowledge management. According to Blackler (1995), knowledge appears in five different forms including embodied knowledge that is gained from the training which is important to perform the given tasks, embedded knowledge which can be found in routines, embrained knowledge that a person possesses where he experiences a difficulty in expressing or sharing, encultured knowledge that is shared among people who belongs to a similar cultural environment, and finally the encoded knowledge which can be easily written down or expressed in words or diagrams (as cited in Omotayo, 2015). Furthermore, it has revealed that there are two types of knowledge which are known as tacit/implicit knowledge and explicit knowledge (Omotayo, 2015). As Nonaka, Toyama, & Konno (2000) pointed out, explicit knowledge can be articulated as formal, proper and systematic language shared in the form of data, scientific formulae/function, specifications and manuals and so on. Tacit Knowledge is intensely embedded in action, procedures, routines, commitment, ideals, values, beliefs and emotions.

<u>Tacit Knowledge</u>	<u>Explicit Knowledge</u>
Difficult to articulate	Easy to express
Subjective	Objective
Hard to codify	Codifiable
Personal	Impersonal
Difficult to share	Shareable

Figure 01: Difference between Tacit Knowledge and Explicit Knowledge

Source: Nonaka (2000)

In oppose to said two dimensions, Koenig (2012), revealed three major aspects including explicit, implicit and tacit where he further explained that the knowledge that is set out in tangible form as explicit, the knowledge that is not set out in tangible form as implicit and finally the information that a person would find extremely difficult to operationally setting out in tangible form (as cited in Omotayo, 2015).

Organizational Performance

Possessing an enhanced level of organizational performance has become one of the primary goals of the business organizations (Novak, 2017). Organization performance comprises the actual output or results of an organization as measured against its intended outputs where according to Richard *et al.* (2009) organizational performance encompasses three specific areas of firm outcomes financial performance (profits, return on assets, return on investment, etc.) product market performance (sales, market share, etc.), and shareholder return (total shareholder return, economic value added, etc.). Simply

the organizational performance is about the organization’s performance compared to its goals (Novak, 2017). Asli, Gholami & Noruzy (2013) interpret that organizational performance is one of the most important structures discussed in management research and could be considered as the most important criterion for testing the success. Performance is one of the most critical areas of management, which many management scholars and practitioners have focused on improving via strategic variables such as KM practices. Past studies have conceptualized firms’ performance with measures of return on assets, sales growth, new product success, market share and overall performance, sales growth, market share and profitability, overall performance, new product success, change in relative market share, profitability, sales growth, and overall customer satisfaction. According to the Ioannis, Nikolaos and Yiannis (2010) the primary purpose of performance management is to improve performance by developing skills and the capacity to work effectively. This is important in learning and development aspect of

performance management and it takes place at every important point in its cycle of planning, managing and monitoring and reviewing outcomes. Improvement and Learning are casually related while the experience of work always will provide the richest learning. This is where Performance management has a key role to play by helping people to appreciate the need for improvement and how it should take place and by ensuring that learn from experience.

Impact of Knowledge Management on the Organizational Performance

It was stated that the management of knowledge has created a considerable interest to the business organizations and the management circles especially because of the capabilities it can deliver to the organizations (Chua, 2009; Jeon, Kim and Koh 2011, as cited in Omotayo, 2015). Studies have emphasized the significance of managing knowledge effectively and efficiently in ensuring the organizational survival, competitive differentiation, globalization effect, and aging workforce (Omotayo, 2015). It was stated that the potential for knowledge management which is being directed towards to achieve competitive advantage is favorably

linked with the organizational performance (Schulz and Jobe, 2001, as cited in McKeen, Zack, & Singh, 2006). According to Riege (2007), the process of knowledge management is involving the activities such as recognizing, creating, transforming, and distributing the knowledge they possess while managing and transferring it effectively to be more innovative and to perform better (as cited in Omotayo, 2015).

Most of the successful organizations have understood the fact that why they need to manage knowledge and develop plans in order to be more productive and this is entirely because of the knowledge management which serves as a key driver or the organizational performance ((Bousa and Venkitachalam, 2013, as cited in Omotayo, 2015). It is obvious that every organization, whether for-profit or not-for-profit is competing with each other where their ability to obtain the competitive differentiation is being strengthened by the knowledge management (Omotayo, 2015). Hassan, Hussein & Zaied (2012) used Knowledge management infrastructure and Knowledge management process in enhancing organizational performance.

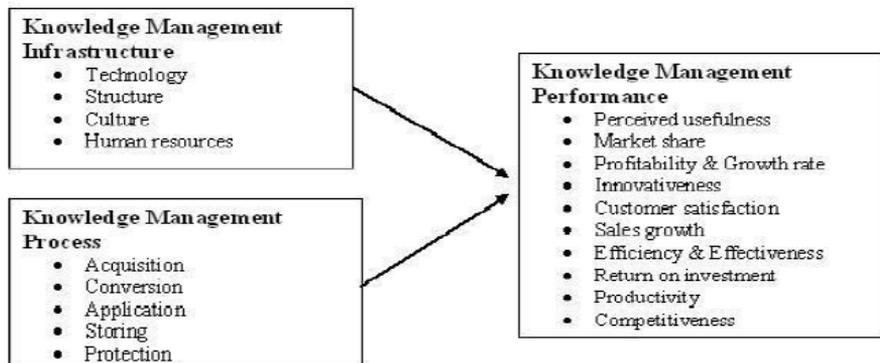


Figure 02: Model used for Measure Knowledge Management Infrastructure and Process in Enhancing Organizational Performance

Source: Zaied, et al, (2012)

In the survey that conducted by the Ioannis, Nikolaos and Yiannis (2010) for the performance management strategies in Greek companies shows that there were posed some questions for the current practices in learning processes in order to trace what are the factors that influences learning procedures within the organization. Those responses were collected from CEO's, HR professionals and other managers. The key findings according to that was consideration of knowledge transfer at the individual and at the team or collective level. According the respondents when employees are assigned successively to different project teams, they can transfer their knowledge to other parts of the organization. Interpersonal trust in the learning processes is facilitated by good interpersonal relations that can improve feedback and communication

which will facilitate individual learning, development and growth. If there is no trust, employees will not be cooperative and willingness to share their knowledge to their colleagues. Employees can be different in many aspects, like different skills, knowledge, personality characteristics. This diversity will be beneficial to the boom of new ideas and consequently new knowledge. This refers to dimensions like power distance, uncertainty avoidance and individuals. For example, if in the performance management procedures it is included coaching the distance between the line manager and the employee will be smaller. The learning process should be related with motivation techniques. For example a personal development plans in order to help employees to progress their careers or a new position or promotion within the organization.

Conceptual Framework

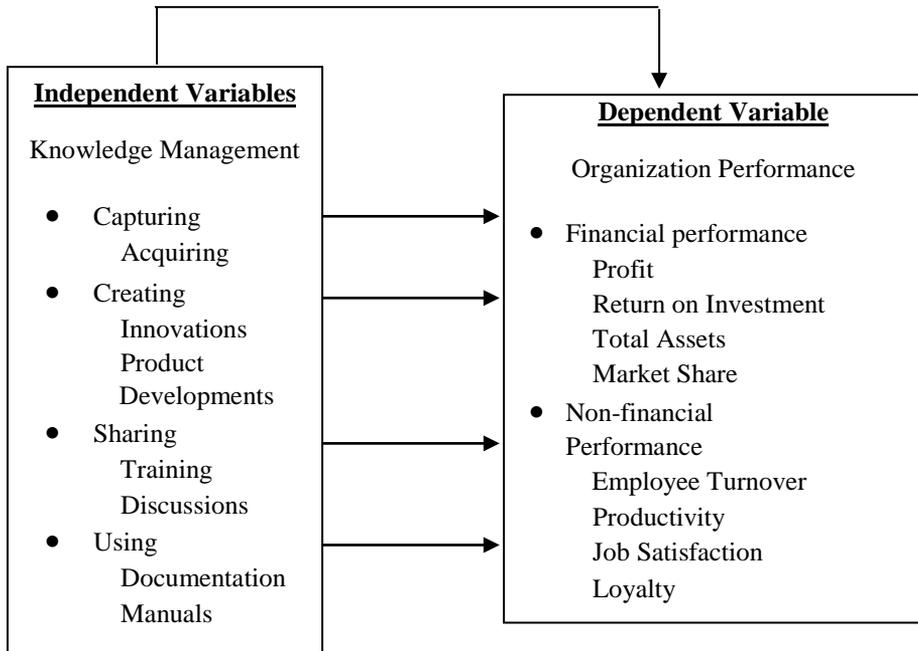


Figure 03: Conceptual Framework of the Study

Source: Author, 2020

Hypotheses of the Study

Followed by the conceptual framework, the following hypotheses have been advanced.

H1: *There is an impact of Knowledge Management on Organization Performance.*

Based on Lio&Wuo (2009) thought similar to any organizational resource, effective knowledge management through the development of capabilities should contribute to key aspects of organizational performance. Also, when firms develop greater knowledge management capabilities, they can more effectively develop offerings to meet customer needs. With

greater knowledge management capabilities, firms can obtain and use knowledge more effectively and efficiently, which results in above-normal performance. Rasula, Stemberger & Vuksic (2012) also emphasize that results collected in a logistics operations context prove the existence of a strong positive relationship between a KM process and operational and organizational performance. Husan, Hussain & Zaied (2012) emphasize that, there is a relationship between Knowledge Management and Organization Performance. The results show that all elements of knowledge management capabilities have a positive significant relationship with all measures of the

performance at 1% level of significant; it means that there is a great correlation between knowledge management capabilities and organizational performance. Liao, Wu (2009) and Janadari & Chaturani (2010) said that Knowledge management (KM) and organizational performance are essential of the success in business. The different results in literatures that declare KM affects organizational performance positively.

***H1a:** There is a positive impact between Capturing of Knowledge Management on Organization Performance.*

Liao, Wu (2009) emphasis that relationship between knowledge management is positively related to organizational performance, it meaning that business with more organizational learning, knowledge capturing show higher capability in enhancing organizational performance.

***H1b:** There is a positive impact between Creating of Knowledge Management on Organization Performance.*

Ramdani & Hadijah (2020) identified in their study that there is a significant relationship between knowledge sharing and organizational performance which is being strengthened by the ERP. Based on Jayarajeswaran (2006) organization needs to design the environment where the value added individual is motivated to create organizational value. He further emphasizes creation of organizational value will be linked to reward systems and that will be having an impact on organization performance. Soon & Zainol (2011) said that "Organizational creativity is the

creation of a valuable, useful new product, service, idea, procedure, or process by individuals working together in a complex social system." This can be taken as an operational definition for an examination of organizational creativity. It is necessary to be able to see what can and has been achieved through promoting organizational creativity, innovation, etc., and this is best done through measuring "organizational performance". Organizational performance can be measured in various ways, as in terms of profitability, growth rate, market share or even competitive advantage.

***H1c:** There is a positive impact between Sharing of Knowledge Management on Organization Performance.*

Given the benefit of KM, it creates a formal and structured way of learning to share knowledge.

It can gain immense value through knowledge shared by the experienced professional. Based on that experience has been and is being shared and that will be immensely affected to the organization performance. A knowledge sharing culture where formal processes or approaches are available to distribute implicit and more importantly, tacit knowledge residing in the intellectual capital will no doubt create value in individual employees. Within an appropriately designed internal environment, employees, who are value added through a formal knowledge management system, will be motivated to create organizational value. (Jayarajeswaran, 2006).

H1d: There is a positive impact between Using of Knowledge Management on Organization Performance.

Using knowledge means that knowledge gather through created by someone, captured by somehow, shared by someway has to practicing in day to day work. Ultimately using knowledge increasing quality of work, commitment, motivation, job satisfaction, loyalty, productivity and end of the day it will affect to the performance of the organization (Soon & Zainol, 2011).

Methodology

Researcher adapted epistemological philosophy with deductive and explanatory approach and conducted the current study to find out the impact of Knowledge Management on the organizational performance. The type of the investigation of this study was correlation rather than causal and exploratory study. Nature of study was analytical or hypothesis testing as this study attempted analyze impact between dependent variable (organizational performance) and the independent variables. Time horizon of study was cross sectional because data of this study were collected at a single point at a time (Sekaran, 1999). To find out that whether the knowledge management drives to the organization performance, the financial industry of the Sri Lanka was selected. This research was quantitative research which was data collected through the questionnaires from the management of the financial companies in the finance industry in Sri Lanka. Also as

secondary data collecting methods financial reports, informal and formal interviews was considered. The population of the study was above executive grade employees of top 12 finance companies (1/3 of population of the finance industry) according to the higher graded financial companies based on the Fitch ratings and using the stratified random sampling method selected 200 above executive from 12 listed companies. There were 38 registered financial companies according to the statistics of the Central Bank of Sri Lanka. Data was collected from top 12 (one third of the population) organizations in the financial industry where the Fitch rating was highly rated as A+ to B-ranked, and the targeted group was above the executive grade employees. Fitch ratings and using the stratified random sampling method selected 200 above executive from 12 listed companies and therefore from each company managerial level staff was target and 1/3 of managerial level staff was targeted and expecting and the sample was decided as 250. To collect the data 250 questionnaires were directly issued to above executive grade employees by emails and direct handover. The collected data (primary data) from respondents were to be subjected in order to analysis under the package of SPSS. For this purpose, the researcher could be able to find the factors and relationship between dependent variable and independent variable by using three types of analysis, Descriptive Analysis, Correlation Analysis and Regression Analysis. The results are tabulated and evaluated.

Table 1: Fitch Rating as per 2012 (Fitch Rating Lanka Ltd- www.fitchratings.lk)

Central Finance Co PLC	Fitch Rate	Populatio	Samples
Central Finance Co PLC	A+(lka)	260	9
The Finance Co PLC	A+(lka)	960	34
Commercial Credit PLC	AA+(lka)	1200	42
People's Leasing Finance PLC	AA-(lka)	1600	56
Softlogic Finance PLC	A-(lka)	472	17
Abans Finance PLC	A-(lka)	410	14
L B Finance PLC	BBB+(lka)	430	15
Singer Finance (Lanka) PLC	BBB+(lka)	350	12
Arpico Finance Co PLC	BBB+(lka)	290	11
Senkadagala Finance Co.	BBB+(lka)	320	11
Mercantile Investments Ltd.	BBB+(lka)	490	17
Vallibel Finance	BB-(lka)	350	12
Total Sample		7132	250

Among the distributed questionnaires only 208 were received and among the filled questionnaires 8 were rejected due to incompleteness and finally 200 questionnaires were accepted and the response rate was 83.3 per cent. Graphs, bar charts are drawn to explain the factor in the questionnaire. Data exploration revealed that assumptions of normality and linearity had been met reasonably.

Operationalization

It develops specific procedure and Describes variable (Concept), Dimensions and sub dimensions. Dimensions are major aspect or characteristics or the feature of the concept. Then, under each dimensions sub- dimensions had to be identified and developed (see below tables). These sub- dimensions were called as

element of the concept. Each element was converted into one question items. These question items were used to tap the concept. Dimensions sub-dimensions were called as main indicators and sub indicators. Knowledge Management divided in to four dimensions and each dimension has one to two elements. Each element was measured in the questionnaire by using nine main questions where each question consists with four to nine sub questions. Organization Performance also divided in to two dimensions and those two dimensions measured by using three elements. Each element was measured in the questionnaire by using five main questions where each question consists with four to nine sub questions. The response to the questionnaire were elicited on five point Likert type scale of 'Extremely agree, Agree, Average, Disagree and

extremely disagree' weights of 5, 4, 3, 2, and 1 were given to these responses

depending on the nature of the questions.

Table 2: Knowledge Management & Organization Performance

Variable	Dimensions	Elements	Likert Scale
Knowledge Management	Capturing	1.Acquiring	(1), (3), (7),(8)
	Creating	1. Innovation	(1), (2), (3), (7),(8)
		2.Product Development	
	Sharing	1.Training 2. Discussion	(1), (3), (4), (5)
Using	1.Documentation 2. Manuals	(7), (8), (9)	
Organizational Performance	Financial Performance	1.Profit	(10),(11),(12),(14)
		2.Total Assets	(10),(11)(12),(14)
		3. Market Share	(10),(11),(12),(14)
	Non financial performance	1.Employee	(1),(10), (11), (12)
2.Prductivity		(10),(11),(12),(13)	
		3.Job satisfaction	(11),(12),(13)
		4. Loyalty	(6), (12), (14)

These dimensions and elements were tested by the earlier researches done by the past researches. Since this was deductive approach research questionnaire was based on qualitative measurement questionnaires (Zaied, *et al.* 2012).

Reliability Statistics

To get internal item Consistency reliability (Consistency aspect) Cronbach's alpha coefficient was used. In respect of instrument for Knowledge Management and Organizational Performance, first run of the reliability test and there were no items that were negatively correlated. Also there were no items indicating alpha increased if deleted. Results were suggesting that each instrument's internal consistency was satisfactory.

Table 3: Internal Reliability Statistics

Instrument	Cronbach's alpha
Knowledge Management	0.761
Organisation Performance	0.837
Overall	0.799

Descriptive Statistics

Table 4: Descriptive Statistics

Dimension	Knowledge Mangement				Organisation Performance	
	Capturing	Creating	Sharing	Using	Financial	Non Financial
Mean	4.5181	3.8163	3.7224	3.9211	3.9833	4.18
Meadian	5	4	4	4	4	4

Above table shows the summaries of the each dimension elements mean and median. All elements mean is greater than 3.5 and median is above 4.

Correlation Statistics

Correlation between Knowledge Management and Organizational Performance

Table 5: Correlation between Knowledge Management and Organization Performance

		Knowledge Management	Organizational Performance
Knowledge Management of the company	Pearson Correlation	1	.148(*)
	Sig. (1-tailed)		.018
	N	200	200

* Correlation is significant at the 0.05 level (1-tailed).

Correlation was test among Knowledge Management of the company and the Performance of the company where the

independent variable was Knowledge Management and the depended variable was Organization

Performance. Knowledge Management positively related on Organization Performance. Correlation was significant at the 0.05 level (1-tailed). Since the p was < 0.05 the Alternative hypotheses can be accepted at the 0.05level. The above table presents Pearson correlation coefficient its significance value and the sample size that the calculation was based on. Pearson Correlation Coefficient, 0.148 and that was significant at the 0.018. (p=0.018)

Correlation between Capturing of Knowledge Management and Organization Performance

Below table indicates that the correlation between personal competencies of Capturing and Organizational Performance. According to that there is a positive relationship exist between Capturing and Organizational Performance.

Table 6: Correlation between Capturing of Knowledge Management and Organization Performance

		Capturing Organizational Performance	
Capturing	Pearson Correlation	1	.132(*)
	Sig. (1-tailed)		.012
	N	200	200

* Correlation is significant at the 0.05 level (1-tailed).

For this analysis the personal competencies of emotional intelligence is correlated against the organizational learning scores. According to the table 4.1 the correlation coefficient is 0.132 at significance level of 0.05 (1tailed test). This is positive value and there is a positive relationship between Capturing of Knowledge Management and Organization Performance. Thus, there is statistical evidence to claim that Capturing of Knowledge Management and Organization Performance are positively related. Therefore hypothesis two (H1a) is

accepted.

Correlation between Creating of Knowledge Management and Organization Performance

Below table indicates that the correlation between personal competencies of Creating and Organizational Performance. According to that there is a positive relationship exist between Creating of Knowledge Management and Organizational Performance.

Table 7: Correlation between Creating of Knowledge Management and Organization Performance

		Creating	Organizational Performance
Creating	Pearson Correlation	1	.135(*)
	Sig. (1-tailed)		.020
	N	200	200

* Correlation is significant at the 0.05 level (1-tailed).

In the analysis personal competencies of emotional intelligence is correlated against the organizational learning scores. According to the table 4.12 the correlation coefficient is 0.135 at significance level of 0.05 (1tailed test). This is positive value and there is a positive relationship between Creating of Knowledge Management and Organization Performance. Thus, there is statistical evidence to claim that Creating of Knowledge Management and Organization Performance are positively related.

Therefore, hypothesis two (H1b) is accepted.

Correlation between Sharing of Knowledge Management and Organization Performance

Below table indicates that the correlation between personal competencies of Sharing and Organizational Performance. According to that there is a positive relationship exist between Sharing of Knowledge Management and Organizational Performance.

Table 8: Correlation between Sharing of Knowledge Management and Organization Performance

		Sharing	Organizational Performance
Sharing	Pearson Correlation	1	.183(*)
	Sig. (1-tailed)		.033
	N	200	200

* Correlation is significant at the 0.05 level (1-tailed).

For this analysis the personal competencies of emotional intelligence is correlated against the organizational learning scores. According to the table

4.13 the correlation coefficient is 0.183 at significance level of 0.05 (1tailed test). This is positive value and there is a positive relationship between Sharing

of Knowledge Management and Organization Performance. Thus, there is statistical evidence to claim that Sharing of Knowledge Management and Organization Performance are positively related. Therefore hypothesis two (H1c) is accepted.

Correlation between Using of Knowledge Management and Organization Performance

Below table indicates that the correlation between personal competencies of Using and Organizational Performance. According to that there is a positive relationship exist between Using of Knowledge Management and Organizational Performance.

Table 9: Correlation between Using of Knowledge Management and Organization Performance

Use of Knowledge Management	Use of KM Organizational Performance	
	Pearson Correlation	1
Sig. (1-tailed)		.010
N	200	200

* Correlation is significant at the 0.05 level (1-tailed).

For this analysis the personal competencies of emotional intelligence is correlated against the organizational learning scores. According to the table 4.4 the correlation coefficient is 0.176 at significance level of 0.05 (1tailed test). This is positive value and there is a positive relationship between Using of Knowledge Management and Organization Performance. Thus, there is statistical evidence to claim that Using of Knowledge Management and Organization Performance are positively related. Therefore hypothesis two (H1d) is accepted.

Correlation between Dimensions of Knowledge Management and Organization Performance

Below table indicates that the correlation between Dimensions of Knowledge Management and Organization Performance. According to that there is a positive relationship exist between dimensions of Knowledge Management and Organization Performance.

Table 10: Summary of Correlations

Variable		Organization Performance
Capturing	Pearson Correlation	0.132(*)
	Sig. (1-tailed)	0.12
	N	200
Creating	Pearson Correlation	0.135(*)
	Sig. (1-tailed)	0.20
	N	200
Sharing	Pearson Correlation	0.183(*)
	Sig. (1-tailed)	0.33
	N	200
Using	Pearson Correlation	0.176(*)
	Sig. (1-tailed)	0.10
	N	200

*Correlation is significant at the 0.05 level (1-tailed).

According to the above table 4.15 Pearson Product Movement Coefficient (r) for capturing, creating, sharing and using 0.132, 0.135, 0.183 and 0.176, (at the significant level of 0.01). Among these values sharing show the highest value and it indicate moderate relationship with dependent variable. The least relationship shows between capturing and organization performance. Thus, there is statistical evidence to claim that all the sub dimensions of knowledge management and organization performance are positively related. According to the above analysis of Pearson Product Movement Coefficient there is a positive relationship between Knowledge Management and Organization Performance.

Regression Statistics

Knowledge Management is the independent variable and Organization Performance is the dependent variable from these independent and dependent variable the following relationship are formulated.

$$C = f(S1) \text{ ----- (1)}$$

To test the impact of Knowledge Management on Organization Performance the following equation can be formulated.

$$C = \beta_0 + \beta_1 (S1) + e_i$$

Where β_0 and β_1 are the regression coefficient.

C – Organization Performance and S1 – Knowledge Management

Table 11: Model Summary (a)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.854(a)	.630	.621	1.6535

a Predictors: (Constant), Knowledge Management

b Dependent Variable: Organization Performance

Table 12: ANOVA (b)

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.887	1	.887	79.796	.002(a)
	Residual	39.593	198	.200		
	Total	40.480	199			

a Predictors: (Constant), Knowledge Management of the company b Dependent Variable: Organization Performance

Table 13: Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	1.593	2.896	.854	0.550	.536
	Knowledge Management	.654	.074		8.866	.000

a Dependent Variable: Organization Performance

The results show that the regression coefficient (R) of the Knowledge Management independent variable and the organizational performance was 0.854, the R square 0.630 and adjusted R Square was 0.621. Adjusted R Square is significant at 0.05 as F value

is 79.796 with an observed significant value of 0.002 (which is less than 0.05). The results suggest that about 62 percent of variance (adjusted R Square) in organizational performance has been significantly explained by Knowledge Management.

$$C = 1.593 + 0.654(S1) \text{ ----- (1)}$$

Equation (1) indicates that when the knowledge management increases by one unit, organization performance will increase by 0.654 (65.4%). So it is indicating that knowledge management impact on the organization performance.

Summary of Hypothesis Testing

Pearson correlation between the independent variable and the dependent variable resulted with 0.854 correlation coefficient and hence, it was concluded that there exists a positive relationship between Knowledge Management and Organizational Performance. Further the previous findings (Soon & Zainol, 2011; Soliman, & Spooner, 2000; Ioannis, et.al, 2010) were consistent with the findings of this study. In order to determine the impact of independent variable on the dependent variable, simple linear regression model was used and the analysis exposed that a correlation coefficient of 0.654 plus constant of 1.593 will determine the impact on Organizational Performance for a given amount of Knowledge Management effort. As the Bivariate correlation analysis was 1.653 and significance was

0.002 ($\alpha \leq 0.05$), it can be concluded that Organizational Performance can be significantly impacted through Knowledge Management activities. All hypotheses were tested using bivariate correlation analysis and the results were evident to showcase that hypothesis of H1, H1a, H1b, H1c & H1d were true. Therefore it can be concluded that Capturing, Creating, Sharing & Using aspects of Knowledge

Management positively impact on Organizational Performance which can be financial aspects such as profit, return on asset, market share etc as well as non-financial aspects such as productivity, employee job satisfaction, loyalty, employee turnover, etc. From H1 to H1d hypothesized are acceptable since result shows that there is a positive relationship between each sub dimensions and the organization performance. With the regression analysis the results suggest that about 62 percent of variance (adjusted R Square) in organizational performance has been significantly explained by Knowledge Management.

Findings

The main problem of this research was “Whether there is any impact from Knowledge Management to Organizational Performance?” This was the research gap that was primarily addressed in this research. Based on this problem, other questions were formulated. To decipher this problem researcher developed several objectives. The main objective of this research was to find out “whether there is any relationship between Knowledge Management to Organizational Performance”. That was the primary objective of this research. Then the secondary objective was to emphasize the importance of the Knowledge Management to the managers of finance industry. Based on the theoretical background, researcher developed conceptual framework and knowledge management was the independent variable, organizational performance was the dependent

variable. According to the findings, it is substantiated that there is a positive relationship between knowledge management and organizational performance. The correlation analysis further revealed that there is a positive relationship between knowledge management and organizational performance. The previous findings (Soon & Zainol, 2011; Soliman, & Spooner, 2000; Ioannis, et al., 2010) were consistent with the findings of this study. To understand the impact of knowledge management and organizational performance, it was used simple linear regression model. According to the simple linear regression analysis, it was found that knowledge management has significant impact on organization performance. The results show that the regression coefficient (R) of the Knowledge Management independent variable and the organizational performance was 0.854, the R square 0.630 and adjusted R Square was 0.621. Adjusted R Square is significant at 0.05 as F value is 79.796 with an observed significant value of 0.002 (which is less than 0.05). The results suggest that about 62 percent of variance (adjusted R Square) in organizational performance has been significantly explained by Knowledge Management. Hypothesis testing was tested by using of bivariate correlation analysis. Correlation was tested among Knowledge Management of the company and the Performance of the company where the independent variable was Knowledge Management and the dependent variable was Organization Performance. Correlation was significant at the 0.05 level (1-tailed). Since the p was < 0.05 the Alternative hypotheses can be accepted

at the 0.05 level. Pearson correlation coefficient its significance value and the sample size that the calculation was based on. Pearson Correlation Coefficient, 0.148 and that was significant at the 0.018. ($p=0.018$) From H1 to H2d hypotheses are acceptable since result shows that there is a positive relationship between each sub dimensions and the organization performance. With the regression analysis the results suggest that about 62 percent of variance (adjusted R Square) in organizational performance has been significantly explained by Knowledge Management. In overall this may conclude that according to the analysis shows the companies who are practicing the knowledge management, who believes on it and who wants to implement the culture of knowledge creation, sharing and using is positively impact on organization performance. Not only in financial perspective it drives to the employee job satisfaction, loyalty and build sharing, learning organizational culture.

Therefore according to the research findings this research has covered primary and the secondary objectives. Based on findings it shows that the primary objective achieved by concluding that there is an impact of Knowledge Management on Organizational Performance. In secondary objectives correlation coefficient and the regression analysis shows the relationship and the degree level of each independent and the dependent variable.

Conclusion

The findings of the study revealed that knowledge management does

influence organizational performance and based on the empirical investigation of the research it can be concluded that there is a positive relationship between knowledge management and organizational performance. This research makes a contribution by providing Finance industry with better insights into KM practices, including knowledge acquisition, creation, sharing, and using, in order to improve organizational performance. Further, by linking these issues to performance, this study demonstrates the importance of KM for better firm performance. Moreover, Finance industry managers should perceive the benefits of KM practices that can increase productivity, financial performance, and innovation. Looking ahead, the challenges of dynamic business world will only get more complex and more demanding. Reducing research time and cost, increasing resolution accuracy, managing increasing service volumes, and creating and innovating products and service and employee loyalty and satisfaction through learning curve insight will all be instrumental in helping to build brand value while simultaneously managing the costs of operations.

Whether your focus is on reducing costs or improving the employee knowledgeable experience, there has never been a better time to investigate the benefits and productivity improvements of a complete, comprehensive knowledge management process.

According to the above findings research can conclude as follows. The results show that all elements of knowledge management capabilities

have a positive significant relationship with all measures of the performance at 5% level of significant; it means that there is a positive correlation between knowledge management and organizational performance.

Recommendations and Benefits

Through analyzing the findings of this research, it can be concluded that managing knowledge positively impacts the performance of business organizations. Knowledge can be tacit or explicit however which shall be properly captured, created, shared and used in order to achieve organizational success which can be financially as well as non- financially. Service and support sector organizations are under unprecedented pressure. Products & services of the service sector have become ever more complex while resolution times are demanding. When the trained and well experienced knowledge workers leave organizations subject expertise knowledge will be too hard to find and replace. By providing each team member collective experience of the organization organized through a knowledge management system, known issues can be handled quickly, consistently, and with confidence as re-inventing the wheel degrades profitability of business organizations drastically. Organizations which are related to the industries where employee turnover is very high can use the practicing of knowledge management to reduce the employee dissatisfaction and set effort to improve performance of those organizations. Therefore, it is highly recommended to implement appropriate knowledge

management practices in financial institutions. Knowledge Management practices are important due to many reasons and this research has emphasis that it drives organization performance in positive way. Not only had that but also to remain the new knowledge with the existing and future staff and to use in further training purposed of existing and future staff. Service and support organizations are under unprecedented pressure. Products of the service sector become ever more complex. Customer expectations continually increase. Yet, in the face of these challenges, inefficiencies occur in the organization. When knowledge is in over many places, so people just fed up and don't bother to acquire or capture it and that is too hard to keep up-to-date. When the trained well experienced staffs left the company knowledge is too hard to find. By providing each team member with the collective experience of the organization, organized in a knowledge management system, known issues can be handled quickly, consistently, and with confidence.

Areas of Future Research

Regardless of the fact that there are some limitations and supplementary areas to study, the findings of this study ascertain fairly important implications for the management of Sri Lankan IT systems integration business organizations. The major implication of the study is that the sample was limited to only five business organizations and results would have been further precise if the sample consist different industries of the economy. Despite the fact that there are some limitations and further areas to

study, the findings have some important implications for the management specially Registered Financial Companies in Sri Lanka. The major implication of the study is that the sample is only limited to the Registered Financial Companies in Sri Lanka (RFCs) and it will be more accurate if the sample consist with covering all the industries of the economy. Organizational performance is a broad area which can be explored with elements such as culture, organization learning etc. and hence, future researches can be conducted factoring more elements which will enable to determine more findings in relation to knowledge management efforts. This research was aimed to determine only the relationship of the knowledge management and organizational performance using a population & sample from Sri Lankan financial industry where the practices and knowledge are highly volatile which shall be upgraded with up-to-date advancements of theories, rules and regulations, otherwise valuable knowledge management efforts will be unusable. Hence, it is suggested to conduct the same aspects of the study in future for determining the evolution of management though process of knowledge management towards organizational performance. On the other hand this study addressed executive level employees of Registered Financial Companies. Therefore this study can be extended to non-executive employees in the same industry and as well as from other industries.

Limitations

As the limitation of this research can be identified as that the data is collecting only within the financial industry. Therefore as further researchers can take many industries and compare the results. Also that will not be covering the whole industry but only the selected companies in the industry. Another limitation of this study is that data collected may be subjected to informants' personal biases.

Furthermore this study was the sample consisted only above executive level employees and it may not accurately reflect the attitudes of the all employees. As a result of that the findings cannot be generalized across all the organizations in the service sector or financial institutes. Also organization performance is the only concept that taken to measure with knowledge management and there are lot of concepts left behind to be use. Therefore, it can be used as further research area.

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