

# **KNOWLEDGE MANAGEMENT CAPABILITIES AND EMPLOYEE PERFORMANCE: MEDIATING ROLE OF ORGANIZATIONAL LEARNING**

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## **Abstract**

The objectives of the study are to analyze the effect of knowledge management (KM) capabilities on employee performance and to examine the mediating effect of organizational learning in the relationship between knowledge management capabilities and employee performance. The respondents are 174 managers and supervisors from the private banks in Myanmar. Structured questionnaire with five-point Likert scale is used to collect primary data. Descriptive statistics, reliability analysis, correlation analysis and multiple linear regression analysis are applied. According to the results, the respondents accepted that they can acquire and apply their knowledge at the banks with the provision of knowledge management capabilities of the bank. Correlation results show that knowledge acquisition and knowledge application have moderate correlation and knowledge sharing has strong correlation with organizational learning. Knowledge acquisition, knowledge sharing and knowledge application have moderate correlation with organizational learning; and organizational learning has strong correlation with employee performance. According to multiple regression analysis results, organizational learning is a perfect or full mediator of the relationship between knowledge acquisition, knowledge sharing and employee performance; and is a partial mediator of the relationship between knowledge application and employee performance. Knowledge management capabilities and organizational learning are essential for employees of private banks to achieve a high level of employee performance.

**Keywords:** Knowledge management capabilities, Organizational learning, employee performance, Private banks, Myanmar

## **Introduction**

In the knowledge-based era, knowledge is accepted as the fundamental asset of the organizations and it can create success. Knowledge is created in social interactions amongst individuals and organizations (Nonaka et al., 2000). Knowledge is a valuable resource for organizations and is one of the most significant issues that managers face in very dynamic environment (El-Chaarani & El-Abiad, 2020). In the 21<sup>st</sup> century, organizations have paid more significant attention to knowledge management (Heisig et al., 2016). The knowledge management capabilities are becoming progressively more crucial in the present knowledge-based economy (Agbim et al., 2013). In the study of Kiessling et al. (2009), knowledge management capabilities in organizations have positive impact on performance. Thus, organizations find the most possible way to create and apply knowledge among employees based on knowledge management capabilities.

In Myanmar, banking industry faces strong competition among banks. The knowledge is a tool to overcome the competitors and creates competitive advantage. The presence of knowledge management capabilities and their role in banking industry is the area to be focused. In this study, 174 managerial and supervisory level employees from private banks located in Nay Pyi Taw and Mandalay in Myanmar were selected as the respondents of the study. The results provided the knowledge related to the important role of knowledge management capabilities to create employee performance with the help of organizational learning.

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## **Literature Review**

Knowledge is the most important source to acquire competitive advantage for any organization. By infusing new organizational knowledge, firms can improve and innovate, thus obtaining competitive advantage in the market (Teece, 1998). Askarian and Abdollahi (2016) referred knowledge management (KM) as “timely giving correct knowledge to members in needs to help the members adopt correct actions to enhance the continuity of organizational performance”. In this study, knowledge management (KM) capabilities, organizational learning and employee performance were selected to prove the important role of knowledge management capabilities in enhancing employee performance with organizational learning as the mediating variable.

### **Knowledge Management Capabilities**

Gaining competitive advantage is one of the serious challenges for organizations. Knowledge-intensive organizations gain knowledge through performing several business activities. As knowledge management capabilities, knowledge acquisition, knowledge sharing and knowledge application are focused to have specific effect on employee performance through the mediating effect of organizational learning.

### **Knowledge Acquisition**

Knowledge acquisition is defined as the process of critically managing knowledge to meet existing needs, to identify and exploit existing and acquired knowledge assets and to develop new opportunities (Quinstas et al., 1997). Knowledge can be acquired from different sources of both inside and outside of an organization. Knowledge acquisition either from outside marketplace or from inside employees provides opportunities for firms to recombine current knowledge and create new knowledge to effectively apply at the job (Yli-Renko et al., 2001).

**H1a: Knowledge acquisition has positive and significant effect on organizational learning.**

**H1b: Knowledge acquisition has positive and significant effect on employee performance.**

### **Knowledge Sharing**

Knowledge sharing is the process of exchanging knowledge and information between individuals or groups in order to promote learning, collaboration, and innovation. It involves making knowledge available to others who may benefit from it, as well as seeking out and learning from the knowledge of others (Nonaka et al., 2000). Effective knowledge sharing requires a strong culture that values knowledge and encourages collaboration among people. It also requires the use of appropriate tools and technologies, such as knowledge management systems, social media, and other types of communication and collaboration tools (Zheng, 2017). Sharing information refers to the process of conveying knowledge from one person to another within the organization (Cantú et al., 2009).

**H2a: Knowledge sharing has positive and significant effect on organizational learning.**

**H2b: Knowledge sharing has positive and significant effect on employee performance.**

### **Knowledge Application**

Knowledge application is the process of using acquired knowledge to solve issues, make decisions, and improve performance. It involves taking knowledge that has been acquired and converted into a usable form and applying it in a specific context or situation. Knowledge application relates to responding to different types of knowledge by an individual within an organization (Gold et al., 2001). It involves selecting and adapting the most appropriate knowledge to the particular problem or decision at hand, and then using that knowledge to develop and implement solutions.

**H3a: Knowledge application has positive and significant effect on organizational learning.**

**H3b: Knowledge application has positive and significant effect on employee performance.**

### Organizational Learning

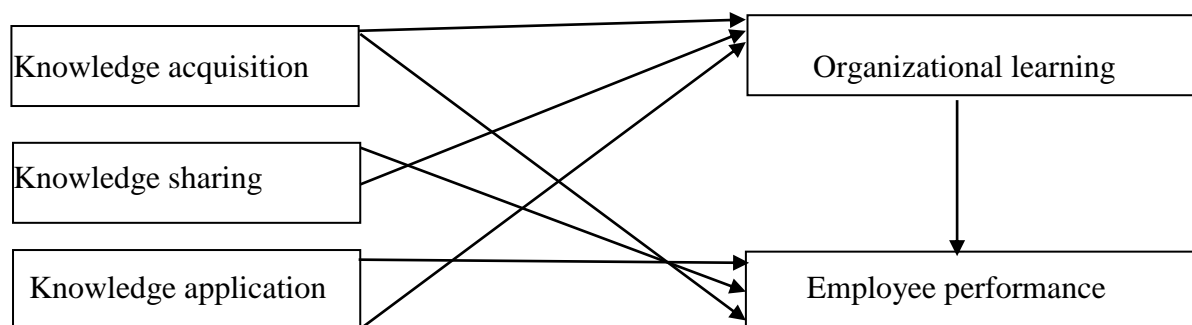
According to Andrews and Delahaye (2000), KM capabilities are being used to create learning environments in modern organizations. Moreover, effective use of KM capabilities has been increasingly associated with organizational learning (Easterby-Smith & Lyles, 2011). Goh et al. (2012) explained that organizational learning is one of the basic pillars of high performance in the current era of globalization and intense competition. Organizational learning establishes right context and structure for application of KM capabilities effectively (Brandi & Iannone, 2015). Organizational learning also means available knowledge throughout the organization and results in effective individual and organizational performance (Nghah et al., 2016). Organizational learning forces people to learn and to move an organization in the direction of continuous learning and change (Egan et al., 2004).

**H4: Organizational learning mediates the relationship between knowledge management capabilities and employee performance.**

### Employee Performance

Campbell (2013) defined employee performance as an individual level tasks, a worker performs successfully according to the predetermined standard of organization. According to Delaney and Huselid (1996), the performance of employees depends on the means that managers used to support their employees. Performance reflects the behavior and ability of individual employee to contribute to the achievement of the organization. The achievement of any business organization mainly depends on employee performance in which employee performs his or her task effectively or not (Aroosiya & Ali, 2013). Iqbal et al. (2015) revealed that employee performance includes executing duties, meeting deadlines, employee competency, and effectiveness and efficiency in doing their assigned tasks. Based on theories and empirical studies, the proposed conceptual model is shown in the following figure.

### Proposed Conceptual Model



Source: Own compilation based on previous studies

### Methodology

#### Research Instrument and Key Respondents

The study analyzes the effect of knowledge management capabilities on organizational learning and employee performance of private banks located in Nay Pyi Taw and Mandalay in Myanmar. There are 622 managers and supervisors. The required sample size was 241 and distributed questionnaire to the respondents. They were selected by using simple random sampling method. 174 managers and supervisors were included as the respondents. Structured questionnaire with five-point Likert scale was used to collect primary data. The data collection period was in December, 2023. Before the main analysis, descriptive statistics, reliability test and correlation analysis were carried out. Multiple linear regression analysis was used as the main

analytical tool to test the proposed hypotheses of the study and to explore the importance of knowledge management capabilities to upgrade employee performance through the mediation effect of organizational learning.

## Results

### Descriptive Statistics, Reliability Test and Correlation Analysis

Among 174 respondents, 54 respondents are male and 120 respondents are female. Nearly 50 percent of respondents age lies between 31 and 40 years. 129 respondents (74.1 percent) have more than 8 years of working experiences. They have attended several training programs and seminars. According to Best (1977), the mean values of knowledge management (KM) capabilities, organizational learning and employee performance gained the agreed level. They accepted that they can acquire, share and apply their knowledge which can lead to more learning and can improve performance. Among the three KM capabilities, knowledge sharing gained the maximum mean value and it can be concluded that knowledge sharing is essential for them to gain the new knowledge. According to the reliability test, the alpha values of all variables are more than 0.70 which are under the acceptable reliability level (Cronbach, 1951). The reliability and correlation results are shown in Table (1).

**Table (1) Means, reliability and correlation analysis of variables**

	Mean	KA	KS	KAP	OL	EP	Alpha	Items
KA	3.83	-					.833	7
KS	3.95	.679**	-				.782	6
KAP	3.82	.529**	.723**	-			.878	7
OL	3.96	.637**	.803**	.730**	-		.852	7
EP	4.11	.585**	.707**	.732**	.780**	-	.908	9

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

KA = Knowledge acquisition, KS = Knowledge sharing, KAP = Knowledge application, OL = Organizational learning, EP = Employee performance

According to Table (1), the correlation analysis results showed that KM capabilities have positive relationship with organizational learning and employee performance and also, organizational learning has positive relationship with employee performance. The more the KM capabilities are created, the more the organizational learning and employee performance can be expected by the banks. KM capabilities are the area to be emphasized by the banks if the banks want to promote organizational learning and to improve employee performance. Additionally, the positive relationship between organizational learning and employee performance was also explored. Because of organizational learning, the banks gain the higher level of employee performance. The next step is to analyze the mediating effect of organizational learning between KM capabilities and employee performance.

Before the moderating effect is analyzed, according to the results of multiple regression analysis, knowledge acquisition, knowledge sharing and knowledge application have positive and significant effects on both organizational learning and employee performance. Thus, Hypotheses H1a, H1b, H2a, H2b, H3a and H3b are accepted. Among these three variables, according to the standardized coefficient (beta) values, knowledge sharing has the most significant and positive effect on organizational learning followed by knowledge application and knowledge acquisition. The results also revealed that knowledge application has the most significant effect on employee performance followed by knowledge sharing and knowledge acquisition. Thus, knowledge

management capabilities are essential to achieve organizational learning and the expected employee performance by the banks.

Another objective of the study is to analyze the mediating effect of organizational learning on the relationship between KM capabilities and employee performance. According to Baron and Kenny (1986), by entering organizational learning in the model, knowledge acquisition and knowledge sharing have no significant effect on employee performance ( $\beta = 0.098$ ,  $t = 1.597$ ,  $p > 0.05$ ) and ( $\beta = 0.060$ ,  $t = 0.725$ ,  $p > 0.05$ ) but knowledge application has significant and positive effect on employee performance ( $\beta = 0.316$ ,  $t = 4.631$ ,  $p < 0.01$ ). According to the results, organizational learning perfectly mediated the relationship between knowledge acquisition and knowledge sharing and employee performance; and partially mediated the relationship between knowledge application and employee performance. Hypothesis 4 is partially accepted in this study.

It can be concluded that organizational learning plays an essential role in upgrading employee performance. Only knowledge acquisition and knowledge sharing are not enough to upgrade employee performance without building organizational learning by the banks. However, knowledge application is partially important to achieve employee performance with or without organizational learning. The banks need to find the means to build the strong organizational learning. According to the results, if the respondents have no chance to acquire, share or apply the new knowledge in the workplace, they will have no more desire to learn and direct towards the mission and goals of the banks. The results of mediation analysis are shown in Table (2).

**Table (2) Results of mediation analysis**

Variables	Dependent variables			Interpretation
	Step 1 OL	Step 2 EP	Step 3 EP	
Knowledge acquisition	$\beta = 0.149$	$\beta = 0.163$	ns	Perfect mediation
Knowledge sharing	$\beta = 0.483$	$\beta = 0.272$	ns	Perfect mediation
Knowledge application	$\beta = 0.302$	$\beta = 0.449$	$\beta = 0.173$	Partial mediation
Mediator OL			$\beta = 0.439$	Significance essential for mediation

Note: OL = Organizational learning; EP = Employee performance; ns = not significant

Dependent Variable: Employee performance

Source: Survey data (December, 2023)

## Discussion

Knowledge management capabilities, organizational learning and employee performance of private banks in Myanmar are the main area of the study. The objectives are to analyze the effects of knowledge management capabilities on organizational learning and employee performance and to examine the mediating effect of organizational learning on the relationship between knowledge management capabilities and employee performance. 174 managers and supervisors were the respondents of the study. Their perception on variables showed the agreed level. Knowledge sharing gained the maximum overall mean value with agree level. Among the statements of knowledge sharing, the respondents completely agreed that the banks create the interactive work environment to exchange knowledge, experiences and ideas widely among staff. Based on the results of knowledge acquisition, the banks offer different sources with the help of advanced technology to acquire update information related to their job. Additionally, the respondents accepted that they can quickly respond to the changing condition with their knowledge learned. The banks should retain the present perception of staff on knowledge management capabilities.

According to the correlation analysis results, KM capabilities have positive relationship with both organizational learning and employee performance. The more the KM capabilities are provided by the bank, the more the organizational learning and performance improvement of staff can be expected. The results also proved that organizational learning has positive relationship with employee performance. Without building the strong organizational learning, the staff have no desire to use the acquired knowledge to improve their performance. It is suggested that the banks should emphasize more on knowledge management capabilities especially promoting the means to acquire, share and apply the knowledge by staff in their workplace.

The multiple regression analysis results proved that KM capabilities have significant effects on organizational learning and employee performance. Among the KM capabilities, knowledge sharing has the most significant effect on organizational learning. The banks should reinforce the staff to share their knowledge. If the staff have a chance to share their knowledge, they will build an open mindset and will engage in achieving the mission and goals of the organization. Knowledge application has the most significant effect on employee performance. The actual application of knowledge by staff can promote employee performance. If the staff have no desire to apply their knowledge at work, the knowledge acquired through learning from different sources will be a wasteful result for the bank.

The mediation effect of organizational learning between KM capabilities and employee performance, organizational learning perfectly mediated the relationship between knowledge acquisition, knowledge sharing and employee performance. If the banks expect employee performance, the banks should motivate the staff to acquire and share their knowledge by promoting organizational learning. Without having organizational learning, knowledge acquisition and knowledge sharing are not enough to meet the expected employee performance. Building organizational learning is the area to be emphasized by the banks. Additionally, organizational learning has the partial mediating effect between KM capabilities and employee performance. These finding highlights the critical roles of KM capabilities for performance improvement of staff. The practical implication of the results is that managers and the responsible persons of the banks need to actively manage the performance of staff through the variety of KM capabilities such as knowledge acquisition, knowledge sharing, and knowledge application and organizational learning. It has been observed that KM capabilities are a very deep root and bring about the excellent employee performance by providing organizational learning at the banks.

### **Conclusion**

The study mainly focuses on knowledge management capabilities, organizational learning and employee performance of private banks in Myanmar. Knowledge management capabilities are essential for the banks to create organizational learning and employee performance. More specifically, employee performance is created by knowledge acquisition and knowledge sharing with the help of organizational learning as a perfect mediator. Without organizational learning, employee performance cannot be expected to acquire and share knowledge among staff. However, knowledge application can directly or indirectly influence employee performance with the partial mediating effect of organizational learning. Thus, knowledge management capabilities and organizational learning play an important role in improving employee performance. As recommendations for further research, the study focused on private banks in Myanmar. Government and semi-government banks were not focused. The managers and supervisors were selected as the respondents. Other positions were not included in this study. It is better for further research to analyze other variables such as knowledge infrastructure capabilities, building trust, organizational performance, etc., in other service organizations with different ranks of respondents.

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