Attitudes of managers in the Iraqi Kurdistan region private banks towards the impact of knowledge management on organizational effectiveness

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ABSTRACT

This study aims to identify the impact of knowledge management through its dimensions; namely knowledge creation, storage knowledge, knowledge sharing, knowledge application and technology knowledge on organizational effectiveness based on the managers’ attitudes in private banks in the Erbil city in Kurdistan region, Iraq. To achieve the study objectives, a questionnaire was constructed consisting of (40) questions distributed to a sample of (80) managers and supervisors, (76) of which were returned, while (69) were valid for statistical analysis. The main objective of this study is to design a default model and test in the study field in order to understand how managers can successfully implement the knowledge management to achieve the organizational effectiveness. The study found that knowledge management had an impact on organizational effectiveness according to the study samples perspectives. Based on the results, the study presents a set of recommendations regarding the knowledge management which most importantly the private banks should adopt in a logical sequence. This could contribute in achieving an organizational environment supportive of enabling environment to the practice of radical changes.

Keywords: Knowledge management, Knowledge creation, Storage knowledge, Knowledge sharing, Knowledge application, Technology knowledge, Organizational effectiveness

1. Introduction

The end of the last century saw great interest in the subject of knowledge and its impact on organizations. Knowledge is considered to be one of the main assets and it plays direct role for the success of organizations in a highly competitive environment and constant change. This requires the application of the concept of “knowledge management” because of its importance in achieving outstanding performance. Knowledge management is one of the new topics that has become a growing concern in the world of management and is being applied in various organizations (Song et al., 2006). Techniques for knowledge management need to be selected based on the purpose for which knowledge is “managed” (Norang, & Nooshin, 2016). Knowledge management is the entrance for the development of contemporary organizations and enables them to build intellectual capital capable of meeting future challenges (Alavi et al., 2006). It is the processes of effective learning along with creating, organizing, and exchanging knowledge (Zhengwei et al., 2019). Many changes such as globalization, increasing the volume of world trade, increasing competition, and rapid transfer of capital have enhanced the role of knowledge management in achieving organizational efficiency and productivity to achieve competitive advantage (Sadq et al., 2018). The aim of knowledge management is to improve an organization's efficiency by using the knowledge resource properly (Jamil &
Knowledge management seeks to achieve the following things:

1. Empower employees and increase their abilities to perform their tasks efficiently and effectively.
2. Creates a positive environment that stimulates workers to innovate, releases their inherent knowledge and makes it available to the organization (Dalkir, 2005),
3. Seeks to find effective leadership with the capacity to build and apply knowledge management,
4. Contribute to raising the efficiency of performance and improve the quality of the product or service provided (Mathew, 2008),
5. Seeks to find effective leadership with the capacity to build and apply knowledge management,
6. Empower employees and increase their abilities to perform their tasks efficiently and effectively.
2.3 Processes of Knowledge Management

The processes of knowledge management can be identified as follows:

2.3.1 Knowledge Creation

It begins with an idea presented by knowledge makers through acquisition or innovation, and is one of the keys to the organization in the long term, as well as competing through the creation of new ideas (Bourdeau & Couillard, 1999). It is the process of creating knowledge within an organization and acquiring new knowledge (Jashapara, 2004). It is an interaction between implicit and explicit knowledge through which new knowledge is created, derived and created within the organization to secure various types of knowledge for future decisions (Sadq et al., 2019). Explicit knowledge is a set of codified knowledge in the form of organizational manuals, documents and databases. However, implicit knowledge represents intangible knowledge such as the experience and perspectives of individuals (Manab & Aziz, 2019).

2.3.2 Knowledge Storage

This is the process of organizing, collecting and storing data in certain ways so that they are easily accessible to employees. It includes all activities that preserve knowledge, allow them to stay in systems and tools, be updated and easily retrieved by the beneficiaries (Rao, 2012). The need for a knowledge base according to Turban (2001) is vital and determines the amount of open part of that base, and that the value of knowledge does not depend on the moment of generation, but on the remote value of knowledge, so the repositories of knowledge must be sustained. Storage of knowledge has become a significant process because knowledge is becoming increasingly invaluable. Furthermore, when individuals leave an organization for one reason or another, organizations face a significant risk resulting from knowledge loss. Knowledge storage, retention and protection are therefore significant elements, particularly for organizations suffering from high turnover (Albream & Maraqa, 2019).

2.3.3 Knowledge Sharing

Knowledge sharing is the process of transferring knowledge to the employees who need it in time to perform essential tasks (Dalkir, 2005). Coakes (2003) mentioned that the process of sharing knowledge is the first step in the process of using knowledge, and is intended to deliver the right knowledge, to the right person at the right time, in an appropriate form and at an appropriate cost. Knowledge sharing can take place at the individual or organizational level. Employee-level sharing is to talk to coworkers to help them do things better, faster and more effectively. At the organization level, it refers to the creation, organization and reuse of knowledge and the transfer of knowledge based on existing expertise within the organization and making it available to other organizations (Lin, 2007). Sharing and transferring knowledge depend on the existence of efficient processes. For instance, reports, manuals, training, formal meetings and on-the-job or informal learning, for instance informal conferences, seminars and sessions that generally take place outside working hours (Albream & Maraqa, 2019).

2.3.4 Knowledge Application

It includes using the knowledge in performing tasks such as problem solving, decision making, new idea generating and learning (Jamila & Lodhib, 2015). It refers to making it more suitable for use in the implementation of organizational activities and more relevant to its tasks (Martins et al., 2001). The purpose of knowledge management is to apply the knowledge available to the organization, the process of practice and the actual use of the knowledge acquired or generated (Zaied et al., 2012). The application of knowledge is one of the objectives of knowledge management and the most prominent operations, and this process includes the use of terms specific to knowledge such as: use, reuse, utilization, and application (Dalkir, 2005).

2.3.5 Technology Knowledge

Technology knowledge refers to the means, methods and actions used to convert organizational inputs into outputs. It refers to the most significant developments in information technology that have contributed to the emergence and development of knowledge management, such as knowledge work systems, knowledge-based decision support systems. Information technology can store human intelligence and experience, such as databases, software, etc., but it cannot store the sensory meaning of the parts of data stored in the minds of individuals. Technology is therefore only a tool to facilitate knowledge management.

2.3.6 Organization effectiveness

The concept of effectiveness is essentially based on doing the right thing. Effectiveness should be based on clear, impartial and fair objectives. Griffin (1999) supports this view in his definition of organizational effectiveness by pointing out that it is the planning and preparation for doing the right things. Organizational effectiveness is the degree to which the organization achieves its objectives (Daft, 2001; Muslim et al., 2019). It is the ability of an organization to exploit the opportunities of its environment to access scarce and valuable resources to perform its function (Hall, 1992). Jones (2001) links organizational effectiveness to the extent to which an organization can meet and achieve stakeholder goals. Organizational effectiveness is the continuous success in achieving the mission of the organization (Kushner, 2006). Organizational effectiveness is the
measurement of the extent to which the objectives or degree to which management can control organizational and environmental conditions in order to provide the products expected by the community and external entities (Isoraite, 2005). Organizational effectiveness is the ability of the organization to produce more and higher quality, and its ability to adapt effectively to the surrounding environmental problems (Basol & Dogerlioglu, 2014). It is the ability of the organization to mobilize power centers for efficient production and adaptation to environmental and internal problems (Schriesheim & Eisenbach, 1995. Organizational effectiveness is the ability of the organization to manage its internal operations along with taking benefit from its internal and external environment, acquire scarce resources and exploit them in order to achieve the objectives of the organization (Sadq et al., 2019).

2.4 The significance of organizational effectiveness

1. It increases the organization's ability to achieve its objectives by making better use of its available resources (Robbins, 1998).
2. It can promote the achievement of goals since it is the key to the initiative to succeed by adopting a final measure of a successful initiative (Kerr and Ladaduer, 2004).
3. Active organization meaning the organization is characterized by the high performance of its workers (Esfahani, et al., 2013).
4. It increases the ability of the organization to formulate its strategy in such a way that it can exploit the opportunities available and avoid the threats it faces. Ultimately, to strengthen its strengths and overcome its weaknesses (Robbins, 1998).

3. Methodology of the study

The study adopted the descriptive analytical method to collect the necessary information as follows. Firstly, primary sources based on the data collected from the study sample through a questionnaire was prepared for this purpose. Secondary sources were used to cover the theoretical aspect of this study such as books and related scientific studies. The questionnaire used as a tool to collect primary data consists of two sections. The first section contains (30) end-closed question aimed at identifying managers' attitudes towards the adoption of private banks in the Kurdistan Region of Iraq to the concept of knowledge management. Section two contains (10) end-closed question to identify the level of organizational effectiveness felt by the respondents. The questionnaire is based on the Five-Likert scale: strongly agree (5), agree (4), uncertain (3), disagree (2), and strongly disagree (1). The statistical program (SPSS) was used to analyze the questionnaires through various statistical analysis. The study population consists of all managers in the private banks in Kurdistan Region of Iraq. In the Erbil city there are 42 private banks. The researcher distributed the questionnaire to a (80) managers and supervisors and (76) were returned, however (69) forms was suitable for analysis. In light of the problem of the study and its objectives, the following model has been proposed to diagnose the impact of knowledge management on organizational effectiveness as shown in Fig. 1.

![Fig. 1. study model](image-url)

The study model was built in light of the review of relevant literature. The independent variable “Knowledge Management” has been based on some recent studies (Zaied et al. 2012; Chang & Chuang, 2011; Rašula et al., 2012; Liao & Wu, 2009). However, organizational effectiveness has been based on Sadq et al. (2019). The model assumes an impact of knowledge management through its elements (knowledge creation, storage knowledge, knowledge sharing, knowledge application, and technology knowledge) as an independent variable, on organizational effectiveness as a dependent variable.
4. Results

4.1 Scale Validity and Reliability

Modeling approach of structural equation (SEM) was used to test the model. The method is recognized for its utility in testing both the accuracy and validity of the survey-tracked and applied measures. While the conceptual model type is relatively complex, a SEM-PLS approach was also used through bootstrapping procedure in a 2000 sub-sample of the SEM-PLS software (Othman et al., 2019a). In order to use modeling structural equations, it is essential to check the validity of each latent variable and to do so, using the Confirmative Factor Analysis (CFA), the relevant factors are raised. Then we have to check the “validity of discrimination” and the “validity of convergence”. In order to test the first step, according to Ramé et al. (2012), we examined the Average Variance Extracted (AVE) and factor loadings that must always be greater than 0.5. The AVE root must be linked to all factors while at the same time confirming the validity of discrimination based on the criteria given (Othman et al., 2019b). In addition, when using the “structural equation model”, the “composite reliability” must exceed 0.70 and the reliability of the latent variable is confirmed by helping Cronbach’s $\alpha$ to exceed the recommended 0.6 threshold (Sarstedt et al., 2014).

4.2 Measurement Model

According to Table 1, the latent variables are categorized by the “convergence validity” of all loading factors and for all study variables, the value of (AVE) is higher than 0.5 and for all latent variables, the CR values are higher than the 0.7 criteria, showing that the qualified components maintain good reliability. However, using the reliability measure; namely Cronbach’s $\alpha$, all latent values were greater than 0.6, and this evidence is sufficient to determine that the study content is accurate. While reviewing the validity of discrimination, Table 2 shows that AVE root square values are greater than inter-structure correlations for all variables. We can therefore conclude that the measurement model has good reliability and its validity to indicate the study variables is constructive and reliable.

### Table 1

<table>
<thead>
<tr>
<th>Variables Measurement Model</th>
<th>Cronbach’s Alpha</th>
<th>rho A</th>
<th>Composite Reliability</th>
<th>Average Variance Extracted (AVE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>KA</td>
<td>0.765</td>
<td>0.772</td>
<td>0.852</td>
<td>0.593</td>
</tr>
<tr>
<td>KC</td>
<td>0.865</td>
<td>0.868</td>
<td>0.908</td>
<td>0.713</td>
</tr>
<tr>
<td>KS</td>
<td>0.887</td>
<td>0.888</td>
<td>0.917</td>
<td>0.690</td>
</tr>
<tr>
<td>OE</td>
<td>0.754</td>
<td>0.755</td>
<td>0.844</td>
<td>0.576</td>
</tr>
<tr>
<td>SK</td>
<td>0.898</td>
<td>0.924</td>
<td>0.923</td>
<td>0.707</td>
</tr>
<tr>
<td>TK</td>
<td>0.703</td>
<td>0.701</td>
<td>0.818</td>
<td>0.530</td>
</tr>
</tbody>
</table>

**Note:** KA= Knowledge Application; KC= Knowledge Creation; KS= knowledge sharing; OE= Organizational Effectiveness; SK= Storage Knowledge; TK=Technology Knowledge.

### Table 2

<table>
<thead>
<tr>
<th>Discriminant Validity of Latent Constructs</th>
<th>KA</th>
<th>KC</th>
<th>KS</th>
<th>OE</th>
<th>SK</th>
<th>TK</th>
</tr>
</thead>
<tbody>
<tr>
<td>KA</td>
<td>0.770</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>KC</td>
<td>0.666</td>
<td>0.844</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>KS</td>
<td>0.673</td>
<td>0.603</td>
<td>0.831</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OE</td>
<td>0.608</td>
<td>0.611</td>
<td>0.556</td>
<td>0.759</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SK</td>
<td>0.597</td>
<td>0.589</td>
<td>0.526</td>
<td>0.619</td>
<td>0.841</td>
<td></td>
</tr>
<tr>
<td>TK</td>
<td>0.609</td>
<td>0.688</td>
<td>0.532</td>
<td>0.551</td>
<td>0.464</td>
<td>0.728</td>
</tr>
</tbody>
</table>

**Note:** KA= Knowledge Application; KC= Knowledge Creation; KS= knowledge sharing; OE= Organizational Effectiveness; SK= Storage Knowledge; TK=Technology Knowledge.

4.3 Path Coefficients

The researcher conducted tests of bootstrapping with 2000 resampling to derive the significance test of t-values structural paths. To do this, the path coefficient is significant if the t-test is higher than 1.96 because a 5 percent two-tailed test is used by the meaning level (Hair et al., 2014). Table 3 displays the results.

### Table 3

<table>
<thead>
<tr>
<th>Hypothesis results</th>
<th>Original Sample (O)</th>
<th>Sample Mean (M)</th>
<th>Standard Deviation (STDEV)</th>
<th>T Statistics (O/STDEV)</th>
<th>P Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>KA → OE</td>
<td>0.150</td>
<td>0.148</td>
<td>0.055</td>
<td>2.752</td>
<td>0.006</td>
</tr>
<tr>
<td>KC → OE</td>
<td>0.159</td>
<td>0.158</td>
<td>0.058</td>
<td>2.740</td>
<td>0.006</td>
</tr>
<tr>
<td>KS → OE</td>
<td>0.121</td>
<td>0.122</td>
<td>0.049</td>
<td>2.489</td>
<td>0.013</td>
</tr>
<tr>
<td>SK → OE</td>
<td>0.305</td>
<td>0.309</td>
<td>0.049</td>
<td>6.186</td>
<td>0.000</td>
</tr>
<tr>
<td>TK → OE</td>
<td>0.144</td>
<td>0.145</td>
<td>0.064</td>
<td>2.228</td>
<td>0.026</td>
</tr>
</tbody>
</table>

**Note:** KA= Knowledge Application; KC= Knowledge Creation; KS= knowledge sharing; OE= Organizational Effectiveness; SK= Storage Knowledge; TK=Technology Knowledge.
The findings suggest that variables such as the knowledge application (β = 0.150, p≤0.05), knowledge creation (β = 0.159, p≤0.05), knowledge sharing (β = 0.121, p≤0.05), storage knowledge (β = 0.305, p≤0.05), technology knowledge (β = 0.144, p≤0.05) have positive and significant effects on organizational effectiveness. Results from the output of Smart-PLS also show support for all hypotheses. The positive impact on customer based on the results implied the positive and significant impact of the knowledge management on organizational effectiveness.

For academic researchers, the study suggests some implications. This gives the relationship between organizational effectiveness and knowledge management a clear and profound understimation. Although some studies have also conducted questions about the separation of information management and relationships of organizational effectiveness, the areas such as private banks together has not been investigated. In addition, this study targeted the region of Iraqi Kurdistan, where there was a lack of such contribution in the banking sector. The outcome and suggestion of this study will be very helpful for various practitioners in the banking sector as well as directors, managers and staff members as there is still an evolving stage in the banking sector. To achieve sustainable growth and competitive edge over others, Private Banks need to concentrate more on their customer satisfaction, which leads a customer to loyalty as shown in the study result. Such results also have great importance in designing multiple approaches, policies and proposals for banking sectors for policymakers and various high-level authorities.

5. Discussion and Conclusion

The study has shown that the private banks in the Erbil city adopt the application concept of knowledge management from the attitude of its managers and supervisors. The dimensions of knowledge management that were studied can be ranked according to their relative importance as: storage knowledge, knowledge sharing, knowledge creation, storage knowledge, and technology knowledge. Knowledge is power in today’s era of competitive advantages, and if it captures the knowledge management tools it can be easily used to its advantage to empower organizations and achieve organizational effectiveness. Furthermore, the study has shown that organizational effectiveness is a goal and a tool. As a goal, it is a necessary phenomenon to ensure the long-term viability of the organization. It is also the main tool to help organizations achieve their goals and outcomes. It is important to emphasize that there are clear differences among organizations in terms of size, type, sector or objective. Therefore, elements or criteria for measuring effectiveness in one organization may not be applicable for another organization. This requires careful attention when selecting each organization for the criteria that will be used to measure its effectiveness.

6. Recommendations

The private banks should adopt the knowledge management in a logical sequence that contributes in achieving an organizational environment supportive of an enabling environment up to the practice of radical changes. It is important to build an organizational culture based on cooperation between employees, and encouraging the exchange of knowledge in order to reach the learning organization characterized by the fact that much of its core knowledge is internal, and that its management and staff learn from their experiences. Improving the work organizational climate through providing a comfortable working environment for employees and delegating sufficient powers to enable them to apply their knowledge. Involving employees in policy-making and decision-making related to their work could increase their morale, improve performance and enable organizations to retain their best competencies.

References


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