



The Influence of Knowledge Sharing on Organizational Performance Among Insurance Companies in Malaysia

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ABSTRACT

In this paper, the researchers hope to determine how the implementation of knowledge sharing can contribute significantly to the success of business. This is because, with the implementation of knowledge sharing, organizations can look at various ways to improve organizational performance. Therefore, the objective of this study is to examine the relationship between knowledge sharing and organizational performance among insurance companies in Malaysia. From a total of 180 managers of insurance companies participated in the survey, the results of the study confirmed the hypothesized influence of knowledge sharing on organizational performance. Besides, the results indicate that insurance companies need to focus on their knowledge sharing practices among employees especially in obtaining and managing their customers' knowledge in order to identify customer complaint, needs or wants and customer preferences. Thus, the conceptual model created through the findings will help managers and decision makers to better understand the role of knowledge sharing practices among employees in insurance companies.

KEYWORDS: Knowledge, Knowledge Sharing, Organizational Performance.

INTRODUCTION

Knowledge is an important concept for the use and improvement of information and knowledge in the world today. In an economic transformation, every organization has begun to change the way they evaluate and see the importance of knowledge. It was supported by [28] who asserted that knowledge is becoming strategically important resources and organizational performance is expected to be strong if an organization possesses and capitalizes on strategic resources [32]. Therefore, knowledge can be considered as core competence and performance driver of the firms [21] and is critical to knowledge creation, organizational learning, and performance achievement [4].

Knowledge has begun to be considered as one of the most valuable assets of the organization. In some circumstances, knowledge assets have become more valuable than physical assets. According to [6], unlike material assets that depreciate in value with use, knowledge assets appreciate in value with use: ideas breed new ideas, and shared knowledge stays with the giver while enriching the receiver. Therefore, business capability and effectiveness require an effective sharing of resources and knowledge.

Since knowledge is dispersed and embedded in individuals, equipment or routines, it would be difficult to govern knowledge related activities if knowledge cannot be thoroughly shared within the organization. Without effective functioning of knowledge sharing, the knowledge embedded and dispersed in individuals in the organization will be less likely transferred in an organization. Furthermore, knowledge that was gathered in organization is no use unless it is shared with those employees who need to know.

In particular, knowledge sharing among different companies and departments can improve organizational processes since intangible knowledge plays an important role in achieving competitive advantage. Once knowledge is created, there is an economy of scale that results from its sharing because more than one individual can use knowledge at the same time thus, stimulates the creation of new knowledge.

Organizations should learn and understand about how knowledge is created, shared and used in organizations by ensuring that employees always create and share knowledge, collaborate with others to solve problems, develop new ideas, or implement policies or procedures pertaining to share knowledge so that the organizational performance can

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be increased. Therefore, the purpose of this study is to investigate the relationship between knowledge sharing and organizational performance.

LITERATURE REVIEW

Knowledge Sharing

At present, knowledge is a very complex term, which earlier research defines it from a different perspective. Now, what is meant by knowledge? According to [26], knowledge is something that can have intrinsic value and he has outlined two types of knowledge, namely the explicit and implicit. Then, this concept has been studied by [25] based on what was stated by [26]. Many organizations have recognized knowledge as a key economic resource and it is considerably important for sustaining competitive advantage. According to [2], many organizations have realized that the creation, transfer and management of knowledge are critical for organization success in today's business environment. Furthermore, there has been growing recognition in the business community in viewing knowledge as critical resource for competitive advantage.

The definition of knowledge sharing has not yet reached consensus. This is because, scholars and academicians interpreted the concept of knowledge sharing from different perspectives such as from knowledge interaction perspective [24], learning perspective [40], knowledge market perspective [6] and communication perspective [39]. According to [16], knowledge sharing is defined as the transmission or distribution of individual knowledge in an organization. Furthermore, individual members of an organization with different ideas, jobs and experience create new knowledge by communicating and sharing that knowledge [16]. In relation to this, in [9] mentioned that there are two distinct ways of transferring knowledge across organizations which are transferring knowledge between individual and transferring knowledge through written documents.

In order to create knowledge sharing culture, the organizations need to encourage employees to work together more effectively to collaborate and to share organizational knowledge more productive thus can better perform their jobs [34]. According to [14], effective knowledge sharing among members has become a competitive requirement for organizations. Therefore, the implementation of knowledge sharing among employees can improve an organization as a whole to meet its business objectives. To synthesize the past researches, only few of them explored knowledge sharing from the viewpoint of individual interaction within an organization and this perspective needs more effort to focus [38]. This study responds to this call to provide a more comprehensive understanding about knowledge sharing from an interaction perspective and makes itself valuable by examining the impact of knowledge sharing on organizational performance.

Relationship Between Knowledge Sharing and Organizational Performance

Organizations can effectively manage knowledge resources when employees are willing to cooperate with colleagues to contribute knowledge to the firm. Thus, this can generate information for decision making [17]. New knowledge will indirectly be formed when the previous knowledge is shared through discussion, meetings, and informal conversation [11, 36]. An organization that promotes employees to contribute knowledge within groups and organizations is likely to generate new ideas and develop new business opportunities, thus facilitating innovation activities [5].

Organizational knowledge sharing can be the backbone of organizational learning and it brings enormous benefits to an organization [29]. These practices have a positive relationship with organizational human capital (employee competencies), which contribute to organizational performance [13]. Organizational performance might be attributed either from growth, product or services, product quality or organization effectiveness. In designing and clarifying knowledge sharing model in administrative agencies, it can improve performance such as learning, growth, internal process, financial and customer [22]. However, to be successful, insurance companies needs more than just the ability to enhance knowledge sharing capabilities among its employees. It needs a comprehensive knowledge sharing strategy whereby every unit or department in the insurance companies needs to be integrated in an effort to share knowledge effectively.

In this study, organizational performance will be accessed by using the perception of financial and non-financial measures as suggested by [30]. Organizational performance comprises six dimensions, namely return on investment (ROI), return on asset (ROA), sales growth, market share, product quality and new product development. In relation to organizational performance, many studies have been carried out to determine the influence of knowledge sharing on product development and product quality [12, 18, 20], sales and profit growth [15], work performance [16], financial performance [33] and organization effectiveness [37].

Based on previous study, researchers focused mostly on single aspect of organizational performance. Furthermore, further research needs to explore the effects of creation and sharing on organizational performance. He

argued that, few studies have incorporated knowledge sharing units or enablers and how it will facilitate knowledge sharing to influence organisational performance. As a result, most studies fail to link knowledge sharing with organizational performance [1]. Thus, this study will emphasize on the link between knowledge sharing and organization performance. Therefore, the framework of the study is presented as follows.

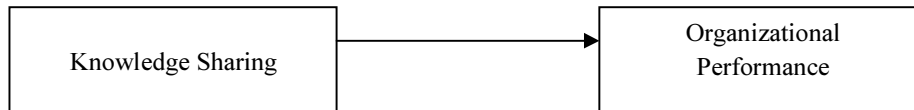


Figure 1: Hypothesized relationship between knowledge sharing and organizational performance

Based on the discussion, the following hypothesis is developed.

H1: Knowledge sharing positively influences organizational performance.

METHODOLOGY

Population and Sampling

A total of 787 insurance companies serve as the population of the study. The sampling frame of this study is Malaysian insurance companies listed and registered with Bank Negara Malaysia. The sampling frame was obtained from the database of Bank Negara Malaysia. The type and category of insurance were used to divide the insurance companies into Life and General Business Insurance, Life Business Only Insurance, General Business Only Insurance and Takaful Operators Insurance.

A stratified sampling was used to select approximately equal numbers of insurance companies using the category of insurance as the basis for stratification. According to [19], the estimated sample size for a population of 787 is 258. According to [27], a sample of one hundred to five hundred is large enough to generalize the population.

Survey Instruments

This study uses a survey questionnaire to test the hypothesis. The questionnaire is divided into two main sections. Section one contains respondent's and organization profile. The second section contains the knowledge sharing as independent variable and organizational performance as dependent variables. All constructs were measured using multiple items. The items used to operationalize the constructs were mainly adapted from the previous studies. The items were measured using a 5-point Likert scale. Respondents were asked to indicate the extent to which they disagree or agree with the given statement by selecting a point on the scale for each question (where 1 = strongly disagree and 5 = strongly agree).

RESULTS AND DISCUSSION

The data were analyzed by using the Statistical Package for Social Sciences (SPSS) version 18. The study employed descriptive approach in analyzing the data involving frequency counts and percentage analysis. The descriptive statistics was used to summarize and describe the prevalence of the study measurement.

Before the actual study, a pilot study was conducted to investigate the reliability and validity of the items, which are mostly adopted from the previous research. The reliability estimates range from 0.65 to 0.88 and this is generally considered sufficient for research purposes [23]. This means that the scales can be regarded as reliable. Early responses are compared to late responses [3]. According to a t-test analysis, these two groups of respondents had no significant differences across all of the variables. Accordingly, it seems that non-response bias did not appear to be a significant problem.

The survey was conducted over a period of two and a half months. This study received 182 questionnaires from 500 questionnaires sent, giving a response rate of 36.6%. However, two of these responses were not usable, yielding 180 effective questionnaires and a usable response rate of 36.4% and it is considered valid and acceptable [10].

Table 1: Reliability, mean, standard deviation and correlation analysis result

Variable	Mean (N = 180)	SD	1	
Knowledge Sharing	4.01	0.54	(0.82)	
Organizational Performance	3.95	0.60	.386**	(0.87)

Notes: ** Correlation is significant at the 0.01 level; * Correlation is significant at the 0.05 level; Cronbach's alphas are shown in the parenthesis along the diagonal.

Table 1 shows the relationships between knowledge sharing and organizational performance. Each construct has acceptable Cronbach's alpha coefficient value which is above 0.60 [23]. Specifically, the values indicate that knowledge sharing and organizational performance have high internal consistency (knowledge sharing - 0.82 and organizational performance - 0.87). Previous study by [16] also found that knowledge sharing and organizational performance have very high internal consistencies of 0.88 and 0.78 respectively [8]. Thus, the internal consistency reliability of these measures can be considered good.

Pearson correlation was used to describe the strength and direction of the relationship between two variables [25]. The values of the correlation coefficients (r) given in the Table 2 indicates the strength of the relationship between variables. The computation of the Pearson correlation coefficient was performed to obtain an understanding of the relationship between all variables in the study. The value of the correlation coefficients (r) indicates the strength of the relationship between knowledge sharing and organizational performance.

Table 1 shows that knowledge sharing is slightly correlates to organizational performance. The correlation between them is $r = 0.386$. According to [10], the value for the highly correlated factors is 0.5. Therefore, the correlation between knowledge sharing and organizational performance shows that there is strong, positive correlation among the variables. As a result, this study concludes that the independent variables in this study are slightly correlated to the dependent variable.

Regression Analysis

A multiple regression analysis is used to examine the hypotheses and the relationship between knowledge sharing and organizational performance. Knowledge sharing is considered to be independent variable and the dependent variable is organizational performance. As can be observed from Table 2, the relationship between the independent and the dependent variables is significant ($F = 31.13$, $p < .01$). In addition, the value of R^2 is 0.15, indicating that 15% of the variance in organizational performance is significantly explained by knowledge sharing as the independent variable. Knowledge sharing also was found to contribute positively and significantly in explaining the variance in organizational performance which is $\beta = .39$, $p < 0.01$. Therefore, hypotheses 1 is supported.

Table 2: Relationship between knowledge sharing and organizational performance

Independent Variables	Organizational Performance
	Beta Coefficient
Knowledge for customers	.39**
R	.39
R ²	.15
Adjusted R ²	.14
F value	31.13
Sig. F value	.000

Note: significant levels: ** $p < 0.01$, * $p < 0.05$

The current study supports the earlier studies that knowledge sharing can enhance new product development, thus leverage organizational performance [15]. Previous theoretical and empirical studies also argued and showed the positive link between product quality and innovation [18] as well as increase work performance [16] and financial performance [33].

In relation to this, [31, 35] argued that explicit and tacit components of organizational knowledge sharing practices play an important role in innovation that also lead to organizational performance. Besides, these findings also consistent with one of previous studies by [7], which indicate knowledge sharing practices play a significant role that lead to enhanced organizational performance. From the discussion above, knowledge sharing has been supported as positively related to organizational performance.

CONCLUSION

Managerial Implication

In recent years where the market competition is demanding, most organizations acknowledge that the sharing of knowledge among employees can enhance organizational performance, thus can bring huge economic advantage to companies. However, employees must be willingness to share knowledge at the first place to ensure the benefits from the practice can be realized. Therefore, developing a successful knowledge-sharing strategy is crucial so that customer knowledge can be a valuable resource for the organization. In addition, it is important for managers to conceive and implement a culture of knowledge sharing so that employees can understand the importance of knowledge sharing in the organization and take necessary actions to ensure its effective implementation. However,

knowledge sharing environment depends upon the individual characteristics of the employees of the organization as well as on the working environment of the organization. Thus, employees should be more motivated and confident to engage in knowledge sharing. Since the culture of the organization serves as a critical factor to the organization's ability to create value through leveraging knowledge assets, it is strictly recommended that organizations should put special emphasis on the sharing of knowledge to improve organizational performance.

Although knowledge sharing implementation in an organization is not an easy task, the benefits of knowledge sharing can have a real impact on organizational performance. By actively involving employees to share organizational knowledge, an organization can improve a new source of knowledge that can enhance the reputation of the business. Establishing the right strategy of knowledge sharing can create a competitive advantage through the introduction of new products and services that can meet the needs of customers. Understanding the importance of knowledge sharing will promote the development of knowledge sharing practices beyond organizational boundaries. Finally, to create a knowledge sharing culture in organizations, top management needs to encourage employees to work together more effectively, to collaborate and to share knowledge to enrich the organizational knowledge thus improve organizational performance.

Suggestion for Future Research

The main goal of knowledge sharing is to acquire, share and transfer individual and organizational knowledge and experience into organizations effectiveness. The more individual and organizational knowledge are converted into assets of the organization, the stronger the organization becomes. This study shows that the implementation of knowledge sharing will contribute to the enhancement of organizational performance. However future research, the researchers should look into the strategies that can be used to enhance knowledge sharing especially during environmental uncertainty such as market turbulence and technology turbulence. By focusing on the establishment of the right strategies for knowledge sharing, organizations are expected to reap the fullest potential knowledge sharing implementation during the environment uncertainty.

The results of this study also provide several implications for managers in insurance companies with regard to enhancing and improving organizational performance by focusing on the knowledge sharing implementation. It will be considered valuable to the organizations and can be used in the future to improve the organization performance. Furthermore, the present study is considered as an important ground for formulating and implementing knowledge sharing for insurance companies to identify, select, organize, share, disseminate, and use customer knowledge to achieve sustainable organization performance. Organizations should agree that the implementation of knowledge sharing can bring tremendous economic benefits to a company.

Like every study, this study also has some limitations that need to be considered in evaluating the findings. The firms that participated in this study come from insurance companies only. It is therefore recommended that further researches can be conducted on other service companies across the country. Future studies may also try to increase sample size that would help to detect the hypothesized relationships. In addition, possible future studies may also include other variables that may affect knowledge sharing and organizational performance.

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