

Full Length Research Paper

The role of knowledge management in the achievement of competitive advantage: A case study of Iran Alborze Insurance Company in Western Mazandaran

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Competitive scope shows that organizations have been faced with high level of dynamism and maturity in recent years. To survive in such condition, stability and continuity in competitive privilege through development of individual and organizational capacity is necessary. In this regard, some scholars and experts state that knowledge is the major source for gaining stable competitive privilege, and for organization acquiring such privilege, knowledge management process could be considered as a strategic opportunity. The objective of this research is to investigate knowledge management role in acquiring competitive privilege in Alborze Insurance Company in Western Mazandaran. Based on this, a comprehensive revision on thematic literature similar to the relationship between knowledge management and acquiring competitive privilege was carried out. Also, of 75 members selected from the statistical population, 63 members' comments were used as sample. Collection of required data was done by using reference tools for documentation and vouchers. Questionnaire with terminal coefficient of 95% was used to specify the relationship between knowledge management and competitive privilege using statistical test, Pierson correlation and regression with SPSS software. The results of the research show six independent variables related to knowledge management including knowledge creation, knowledge gaining, organizational learning, knowledge transmission, knowledge applying and knowledge saving. They all have meaningful relation with and affect the dependant variables of competitive privilege. At the end of the research, the variables were collected and deductions are made while discussion and proposals are offered.

Key words: Knowledge management, competitive privilege, Insurance industry.

INTRODUCTION

In today's competitive market, uncertainty is its main feature. There are competitions among companies that develop new knowledge, distribute and transform it into services and products. Thus, knowledge creates competitive privilege for organization and gives the organization the ability to resolve problems and gain new opportunities. Hence, knowledge becomes not only a competitive resource, but also the only resource for it. Peter Drucker in his famous article, 'Pursuit of Perfection', published in Harvard Business Review magazine, about necessity for utilization of new knowledge in

organizations notes that "knowledge outmodes itself continually and today's pioneering knowledge is tomorrow's ignorance". Following that, he suggested that paying attention to knowledge management will be the centre of initial attention of today's organizations. In this regard, Peter Singe also said, "successful organizations create competitive advantage through decline in control and increasing learning, which could be achieved through creation and sharing of new knowledge continually". What is certain is that paying attention to knowledge and knowledge management in the 21st century, organization has been prioritized, but an important question is who is performing this in the organizations? Knowledge management is awareness of present knowledge within organization, creation, allocation, knowledge transfer and

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utilization of available knowledge, gaining new knowledge; accumulating and saving it. Knowledge management is a set of actions that involve processes or organizational availability. It is one of the critical issues, though, it has got excessive and increasing attention by organization in business arena. Veek and Prusak claimed that its roots and sources come from three thousand year before Christ. A manager's awareness of intellectual assets value orients his minds toward methods of arousing these capacities and its robust abilities. Therefore organizational knowledge is the main source of gaining consistent competitive advantage (Nonaka and Takeuchi, 2001). Peter Drucker was the first person, over 25 years ago, who called public attention to this issue and since then other management intellectuals and pioneering and sublime companies have followed suit in this field.

Competitive edge is amongst important issues that have been emphasized in management and strategic marketing literature. In this regards, different outlooks are presented about effective and determinant factors. A number of theorists have emphasized on importance of factors within organization in gaining competitive edge including resource-based view and dynamic capability view. Resource-based view sees the organization as a set of resources and believes that organization's competitive edge base are its resources, provided that they have features such as being scarce, low interchangeability, and being hard to imitate. In other words, competitive edge source are its human resources and if the resources have these features, the competitive edge is of a constant type. "Competitive edge is abundance of company's suggestion attractiveness from the costumer's point of view in comparison with other rivals" (Lismen et al., 2004: 17-35). "Competitive edge is diversity of features or any company's dimensions that enables him to perform better services to costumers in comparison with rivals." (Hao ma, 1999: 709).

Today, many managers realize basic role of knowledge in gaining competitive edge and pursuing organization strategic goals and this has shown that knowledge management has become a competitive necessity in organizations. In recent years, knowledge management has become an important issue in scientific circles and practical areas. Both business and scientific societies believe that organizations could sustain their advantages in long-term horizon in competitive arenas using power of knowledge management. Investigation of an organization's competitive outlook shows impacts of this standpoint in their strategy. Knowledge management, which is an inter-major field, is hard and makes organization's competitive outlook look complicated, unintelligible and opaque. Anyway, the belief is that it should not be totally left out due to its difficulties.

Knowledge management should be considered when an organization's strategy is been set and should have a role in it. The question that most organization deals with is how to actualize this strategy, and gain competitive edge using processed knowledge. Growth and

development are always recognized as important goals of every company. But today's challenges such as resource scarcity and increasing competition force organizations to search for more constant resources to gain competitive edge. One of the ways to gain competitive edge is by using data base, thereby analyzing each customer's profitability (Sanayeyi and Alavvshad, 2006; 4). Therefore, underlying questions of this research could be explicated as follows: Is there any meaningful relationship between knowledge management and gaining competitive edge in Alborze Insurance Company (Western Mazandaran)? To answer this question, first, the literature of knowledge management and competitive edge is studied. In this study, effective factors in knowledge management competitiveness and factors that are also identified by other researchers in non-Iranian companies will be accurately investigated. Identified factors are categorized in a proposed model in order to get more accurate analysis. As has been earlier noted, the main objective of this research is to find a relationship between knowledge management and competitive edge in an Iranian organization; therefore, by taking into consideration issues in literature, a questionnaire was designed, so that the proposed model could be tested in Alborze Insurance Corporation.

MATERIALS AND METHODS

The nature of this research is practical and reckoned as correlation research that is done in a surveying way. "Survey" means information collection that is done by plan and program in order to analysis the relationship between some variables or as an operative guideline. (Sokaran et al., 2005; Pg. 40). The statistical population used were employees and experts of Alborze Insurance Corporation including its branches and representatives in west of Mazandaran province. Alborze Insurance Corporation has 2 branches in Tonekabon and Noshahr, 5 real representatives and a company in Tonekabon and Ramsar and 15 real representatives in Noshahr and Chalous, with 75 employees. Since selecting the quantity of statistical population has superabundant importance in generalizing the research's approaches in considered society, the sample quantity for this research was obtained through Morgan Table. And considering the statistical population, 63 questionnaires were distributed and 61 questionnaires were returned (Sokaran et al., 2005; Pg. 333).

Information collection method was field research, using books and technical magazines and websites. Information collection tool was the questionnaire. Questionnaire for this research was got from the outcome of library studies, component of questionnaire of Monige Bahamirian (2005), Mona Beheshty's master dissertation, questionnaire derived from the article "knowledge creation policy, survival necessity in today's organizations" written by Alvany (2002) and instruction of adviser and consultant teachers. Regarding definitions in theoretical frameworks, knowledge management with components of knowledge creation, knowledge gaining, organizational learning, knowledge allocation and transformation, knowledge utilization, knowledge saving, were recognized as independent variable (Figure 1). Also, organization competitiveness in the form of gaining competitive edge was recognized as dependant variable.

Statistical tool used in this research in answering assumptions was regression equation model. Calculation of correlation and the

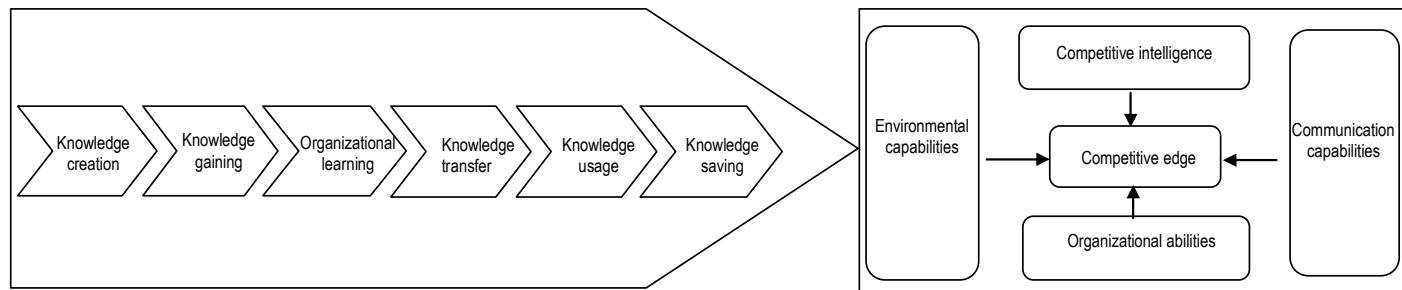


Figure 1. Regarding definitions in theoretical frameworks, knowledge management with components of knowledge creation, knowledge gaining, organizational learning, knowledge allocation and transformation, knowledge utilization, knowledge saving, were recognized as independent variable.

Table 1. Distribution of values of dependant variable was normal

Dependent variable									Independent variables
Durbin Watson	R	Sig	R ²	F	Sig	T	BETA	B	
2.318	0.875	0.000	0.765		0.252	-1.157		-12.262	Constant value
	0.532	0.000	0.730	192.024	0.000	13.857	0.875	3.942	X ₁
	0.457	0.000	0.696	67.154	0.000	8.195	0.730	2.218	X ₂
	0.345	0.000	0.588	55.349	0.000	7.440	0.696	2.645	X ₃
	0.595	0.000	0.776	31.136	0.000	5.580	0.588	2.915	X ₄
	0.608	0.000	0.369	89.172	0.000	9.443	0.776	5.431	X ₅
	0.875	0.000	0.765	34.535	0.000	5.877	0.608	0.344	X ₆

relationship between dependant and independent variables, regarding quintuplet conditions in order to use it, include: measurement of variables at least in ranking scale, normality of distribution of dependant variable values, linear relation between variables, observation of independence from one another and finally, properness of linear regression model. Regression is a model for investigating each independent variable's contribution in predicting dependant variable. It also shows the correlation of independent variable's contribution in explicating variance of dependant variable. There are many methods to qualify justifiability of measurement tool and one of those is questioning experts and connoisseurs (Bazargan et al., 1998: 166 - 171). Therefore, in order to qualify justifiability of this questionnaire, a number of teachers and experts was used. In order to qualify reliability of measurement tool, there were a number of different methods and one of them was evaluation of internal adjustment (Conca et al., 2004). Internal consistency of measurement tool could be gauged through Cronbach's alpha coefficient (Cronbach, 1951). In order to obtain reliability coefficient in this project before final implementation, a random sample was selected and 12 questionnaires were implemented within that. After that, Cronbach's alpha was calculated using SPSS that was equal to 0.95.

FINDINGS

Since regression model and calculation of correlation and relation between dependant and independent variables were utilized in this project in order to answer assumptions, it is necessary to investigate quintuplet conditions and this was done. First, measurement scales of all variables were minimum ranking. This was because all

variables in the research have at least 3 questions that were gauged through Likert spectrum of five-option based on spatial scale. Second, distribution of values of dependant variable was normal and it was confirmed through Kolmogorov-Smirnov test ($Z = 1.43, p \leq 0.05$). Third, linear relation between variables was confirmed using Variance Analysis Test and statistical calculation are showed in Table 1. Fourth, observations were dependent on one another and it was investigated and confirmed through Durbin-Watson test. Fifth, linear regression model was proper; it was tested and confirmed using coefficient of correlation and coefficient of determination. The two former results are shown in Table 1. Detailed explanation of these issues will be presented in subsequent sections.

As was earlier stated, one of the conditions of using regression equation model, which also determines the relationship between independent and dependant variables and, as a matter of course test of assumptions of this research, is normalness of distribution of dependant variable values. In Table 1, calculated meaningful level (less that 5%) shows that distribution of dependant variable values is normal, hence, regression equations model could be used in order to determine the relation between knowledge management and gaining competitive edge in Alborze Insurance Corporation, west of Mazandaran province. In determining this equation, competitive edge, that is dependant variable, is Y and

other variables, knowledge creation, organizational learning, knowledge distribution, knowledge usage and gaining knowledge that are processes of knowledge management, are considered as independent variable and represented with X_1 , X_2 , X_3 , X_4 , X_5 and X_6 , respectively.

One-way variance test between dependent and independent variables shows that with regards to calculated meaningful level (less than 5%), there was a linear relation between variables of the research. Durbin-Watson test between two variables showed that the observations are dependent on each other, because the statistics of this test was between 1.5 and 2.5. The test of appropriateness of regression model using coefficient of correlation and determination, in order to explicate variance of dependent variable through independent variable, showed that with regard to calculated meaningful level (less than 5%), the correlation between independent and dependent variable was high (0.777) and of course, their coefficient of determination was also high (0.604). Concerning the performed results in the table 1, the assumption that generally there is a meaningful relation between dependent variables of the research and gaining competitive edge variable was confirmed. Also, in the final regression equation of the research, the independent variables were confirmed from the point of view of their effectiveness on dependent variable, regarding calculated meaningful level (less than 5%). Therefore, the final regression mathematical model of the research is as follows:

(i) Non-standard model:

$$Y = -12.262 + 3.942X_1 + 2.218X_2 + 2.645X_3 + 2.915X_4 + 5.431X_5 + 0.344X_6$$

(ii) Standard model:

$$Y = 0.875X_1 + 0.730X_2 + 0.696X_3 + 0.588X_4 + 0.766X_5 + 0.608X_6$$

In the above models, the level of effectiveness of each independent variable on dependent variable of the research, are shown with regard to specified coefficient from the field research.

DISCUSSION

Supported by review of study and research literature in human and social sciences, it could be generally said that limitations related to time and place dimension in all research in all fields of human and social sciences in common, and management, in particular, do not give the users the opportunity to generalize the results to different places and times. In order to use the obtained results from the research effectively and correctly, first it should be nationalized with consideration to time and location. Regarding occasion, though results of the research could

be compared with results of some research earlier stated, it is better to compare these two in a cautious manner. This is because, we have just started in Iran and this research could be considered as an innovation and novelty in order to proceed towards more works and research in this field.

Monige Bahamirian (2005) in her master dissertation "evaluation of usefulness of knowledge management in Industrial group of university of Tehran" done in order to specify the usefulness of knowledge management in industrial group of university of Tehran, concluded that based on collected data, it could be said that statistical test of creation, distribution and saving components was at the meaningful level of 5%, but this test was not meaningful for organizational learning, gaining and use in operation components. Also, the data showed that average of all components of knowledge management was 1 - 1.66 and it could be realized that the group status in these components is in unfavorable level. This research, in addition to evaluating each components of knowledge management in Alborze Insurance Corporation, investigated the relationship and effectiveness of these components with competitive edge.

Karimy (2006) in her master dissertation, "Knowledge Management as Key Factor for Gaining Competition Accountability in Organizations with emphasis on customer relation management in central branches of domestic banks", concluded that the direct impact of knowledge management in competition accountability in banking industry of Iran is not meaningful. But this research confirmed the relation between knowledge management and competition accountability in Alborze Insurance Corporation.

Badroldin Rahman, in a research, "knowledge management activities; case study in Malaysia" studied 300 companies out of 500 registered companies in Koalalampur Stock Exchange. The researcher, using questionnaire and analysis of results, concluded that roughly 50% of respondents informed that in their respective organization, knowledge management activities were established. Results also showed that private sector expresses orientation toward knowledge management as a competitive factor too. This research investigates knowledge management as key factor of competition accountability in an Iranian organization.

Practical suggestion

(i) In order to have the ability to gain competitive edge, the company should improve its ability to create knowledge, that is, in order to acquire this, it should pay abundant attention to components such as acceptance rate of individual's mistakes, implementation of new ideas, reinforcement of individual's self-esteem in order to implement good ideas, attracting and welcoming individuals who appreciates knowledge and proper

environment in order to test organization members' ideas and opinions.

(ii) In order to have the ability to gain competitive edge, the company should improve its ability to create knowledge, that is, in order to acquire this, it should pay abundant attention to imitation components or sampling successful actions of others through experiment and systematic search. They should also pay attention and give importance to knowledge gaining as main goals of organization members.

(iii) In order to have the ability to gain competitive edge, the company should improve its learning ability, and to obtain this, it should pay abundant attention to components such as rate of forming work groups, emphasis on continuous learning, developing relation with beneficiaries, paying attention to individuals' educational needs, placing emphasis on unofficial and group learning and creation of interlocution opportunities.

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