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EFFECT OF KNOWLEDGE MANAGEMENT ON ORGANIZATIONAL
PERFORMANCE: THE CASE OF PRIVATE BANKS IN ETHIOPIA

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DECLARATION

I, the under signed declare that the research project entitled “Effect of Knowledge Management on Organizational Performance: The Case of Private owned Banks in Ethiopian”, has been carried out by me under supervision of Yohannes Werkeferaw (PhD) during the year of 2021 as a part of Masters of Arts in Business Administration (MBA). The Information derived from the literature has been duly acknowledged in texts and a list of references are provided. No part of this Thesis was previously presented for another degree or any other institution.

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This is to certify that the thesis entitled” Impact of “Effect of Knowledge Management on Organizational Performance: The Case of Private owned Banks Ethiopia” and submitted in partial fulfillment of the requirements for degree of Master of Arts (Master in Business Administration) the graduate program of the department of Business Management, and has been carried out by Henok Getachw under my supervision. Therefore, I recommended that the student has fulfilled requirements and hence here by can submit the thesis to the department.

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ABSTRACT

Knowledge management is frequently identified as an important antecedent of innovation and has crucial roles in firm performances. However, empirical studies specifically aimed at addressing antecedents and consequences of knowledge management from business score card perspectives in private banks of Ethiopia is hardly limited. Therefore, the very purpose of this study was to establish the relationship between knowledge management and organizational performance of private banks in Ethiopia. The study targeted a population of 873 members (809 employees and 64 division managers) of two private owned banks (Wegagen and Enat) in Ethiopia. Simple random sampling was employed to select a sample of 274 members of which 21 respondents were division managers and 253 were employees at head offices. A pilot study was carried out using 10% of sample size which accounts 28 respondents. The Cronbach's Alpha value for all questionnaire components were greater than 0.7 indicating that the research instrument was reliable. As part of data analysis from descriptive analysis mean and standard deviation were used to assess knowledge management practices and status of organizational performances of sampled firm and from inferential statistics person correlation was applied to see association between knowledge management practices and organizational performances, whereas, multiple regression was employed to examine how much of the change in organizational performance is due to the change in knowledge management practices. Descriptive results affirmed that knowledge management practices and organizational performances of the sampled firm was moderate which implied that the firms should still expected to more enhance their knowledge management practices so as to boost their organizational performance. Besides, multiple regression results showed that knowledge acquisition with (Beta = 0.222), knowledge sharing with (Beta = 0.204), knowledge storage with (Beta = 0.156 and knowledge applications (Beta = 0.354) significantly predicted organizational performances (Customers satisfactions, learning and growth, finance and internal process). The R value (0.770) is an indication of high correlation between independent and dependent variable, while, R² value (0.593) obtained in this study demonstrated that 59.3% of the variation in organizational performance is due to change in the constructed knowledge management dimension in this study. Owing this, the study concludes that knowledge acquisition, sharing, storage and application significantly predicts organizational performances of private owned banks in Ethiopia, therefore, private banks should give due attention to these knowledge management practices.

Key terms: knowledge acquisition, knowledge sharing, knowledge storage, knowledge application, organizational performance.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Knowledge and knowledge management are very fundamental issues for this competitive and knowledge era, recently, knowledge management becoming a strategic tool for the organizational performance. Knowledge management is a process of transferring individual knowledge into organization in order to enhance organizational performance and also KM that through creating, accumulating, organizing, and utilizing knowledge helps to achieve & enhance organizational objectives. KM also consist knowledge acquisitions, knowledge sharing, storage and application. A key benefit of introducing KM practices in organization is its positive impact on organizational performance(Forghani & Tavasoli, 2017).

Researches show positive relationship between a KM processes and operational and organizational performance (Akroush & Al Mohammad , 2010)and it shows combining the tacit and explicit oriented KM strategies indicate a complimentary relationship with organizational performance, which implies synergic effect KM on performance. Knowledge can be divided in to tacit and explicit. Tacit knowledge is a knowledge in peoples mind that cannot easily transfer and codified, whereas, explicit knowledge is easily transferred and codified (Oliver, 2008), but both types of knowledge exist in organization and requires to be managed. KM deals with the systematic and well-defined system to manage all knowledge related activities of the organizations. KM is used for solving problems within the organizations, even when we are dealing with a service that represents an innovation in the private sectors. Knowledge as an asset is quite often neglected and as such the value that could be created from this unutilized resource is ignored and is not capitalized upon. Knowledge management (KM) and the capabilities that it creates within companies if utilized correctly should be able to improve business performance and therefore these capabilities should be explored, developed and utilized more frequently (Rowley, 2001).

In this knowledge era, the major source of sustainable competitive advantage is knowledge, hence KM is become a key tool for sustainable growth and improve performance. Now a day, lack of knowledge management means losing opportunity and losing competitive advantage due to this failure, the organizations become stagnant for performance improvement.

This study mainly focuses on to assess the effect of knowledge management on organizational performance. Knowledge can be defined in the workplace by the ability of people and organizations to understand and act effectively. It is managed by managers, coworkers, and proactive individuals. Successful knowledge management system enhances an organization's ability to incorporate knowledge into business processes and enables organizations to perform intelligently to sustain their competitive advantage by using their knowledge assets (Forghani & Tavasoli, 2017).The main purpose of Knowledge Management practices in organizations is to ensure productivity, profitability and improvements these also relates with the BSC perspectives achievement that increase customers satisfaction, improve internal process, enhance learning & growth and achieve financial goal. Therefore, knowledge Management can be considered as the most important tool on Organization Performance. Knowledge Management systems contribute in attaining competitive advantage in the banking sector. As banks deeply rely on information, knowledge management has become an important means of maintaining a solid foothold in the market. Knowledge management systems make it easy for the right knowledge to reach the right person at the right time, thus enhancing the overall performance efficiency in banking institutions (Khoualdi & Binibrahim, 2019).

In Ethiopia, little or no attention is provided to knowledge generation and sharing mechanisms and approaches(Haimanot & Emnet , 2019).KM in Ethiopia not well known and not yet developed well but there are some related works in this area the studies also approved this fact. Most of the private sectors works relies on staff (employee, managers, coworkers) knowledge. This implied that staff retention is very crucial. However, private banks in Ethiopia experiences turnover of employees due to various reasons which implies individual employee leaves the firm with his/her knowledge and experience without transferring to others and the organizations if knowledge management practices is poor, then the organizations/banks faces strong challenge on their operation(Fiseha, 2015). Whereas, competition and growing demand of customers pushing to use modern techniques which is managing knowledge. In this regard studies aimed at assessing knowledge management practices in Ethiopian private banks and of private banks in Ethiopia and only few researchers conducted on this area bits relation with organizational performance is very critical. Knowledge management has direct and positive relation with organizational performance. Knowledge management can be measured by the components with knowledge acquisition, knowledge storing, knowledge sharing and knowledge application,

while, each component determines the magnitude of knowledge management practices in Ethiopian private banks, also has its own significant role for managing knowledge and contribute for performance. Contemporarily Organizational performances is measured with BSC which expresses by four basic components those are customer's perspectives, internal business process, learning& growth and financial perspectives through Likert scale can rate the performance. In the current situation of Ethiopian private banks, the management should focus on the new and important thinking paradigm Knowledge management that manifest by knowledge acquisition, knowledge storing, knowledge sharing and knowledge application those helps to facilitate managing knowledge in order to ensure total organizational performance that approved with customer perspective, enhance internal business process, improve learning & growth and financial goal.

Banking industry in Ethiopia

Banking history of Ethiopia reveals that the first bank in the country was Bank of Abyssinia, founded during the reign of Emperor Menelik II in February 1905 (Teklearegay, 2015) the first bank called bank of Abyssinia was inaugurated in Feb 16,1906 by emperor Menelik, the bank was totally managed by Egyptian national bank and provided full banking services in some cities of the country but after years this bank faced enormous pressure for being inefficient and poorly profit, thus, by 1931 bank Abyssinia was legally replaced by bank of Ethiopia immediately after emperor Haile Selassie come to power, the new bank, bank of Ethiopia was first indigenious bank in Africa and established by official declare on August 29,1931, after 30 years in 1963, in the time of Ethiopian monetary and banking law declared bank of Ethiopia split in to national bank and commercial bank it goes for more than50 years, after a years the iceberg of private bank called awash international bank was established in 1994, currently, there are 16 functional private banks are providing banking The private commercial banks currently operating in Ethiopia with the year of establishment(College of Business and Economics Performance of Private Commercial Banks in Ethiopia , Pre and Post NBE Bill Periods .2016) services those are:- Awash international bank(1994), Dashen bank(1995), Abyssinia bank(1996), Wegagen bank(1997),United bank(1998), Nib international bank(1999),Cooperative bank of Oromia (2004), Lion international bank (2006), Oromia international bank (2008), Zemen bank (2008), Berhan bank (2009)Buna international bank (2009), Abay bank (2010),Addis international bank

(2011), Debut global bank (2012), Enat bank (2012).they are playing significant role for overall economic environment and country development in general, Recently, due to country economy is becoming grow the demand of banking services also increase and it entails strong competition and quality services to gain competitive power thus, in this knowledge era, accepting and implementing of knowledge management practice is a key to meet the organizational goal.

Competitive Advantage

Competitive advantage in the banking sector can be defined as the ability to make the organization superior to competitors, which depends on the quality of senior management decisions (Khoualdi & Binibrahim, 2019)it's also the banks uses of its existing resources to improve its performance and efficiency and by innovative approach to gain competitive advantage. There are several types of competitive advantage, such as: cost advantage where the bank reduces the costs of activities and processes to gain financial advantages, and differentiation advantage which is created when customers notice a significant difference in the level quality of services provided by the bank compared to competitors (Khoualdi & Binibrahim, 2019). The most important of which is effect of knowledge management this mainly related with availability of information and knowledge in the organization in order to convert to productive management decision. Creating a competitive advantage is one of the best means that any organization needs to employ to put itself in a position of relative safety from fierce competition in the market. Creating a competitive advantage is based on providing of what cannot be provided by others (Frappaolo, 2008).

1.2 Statement of the Problem

In Recent knowledge era, organization becoming to recognize knowledge as the key for competitive advantage and fundamental tool for enhancing organizational performance which is using knowledge that acquire from inside and outside of the organization determine the success of organization and knowledge management become a turning point for success. The importance of knowledge in human life has increased to the line that it has become an essential part of daily life and that the need to manage knowledge has become a critical component of activities in countless disciplines (Khoualdi & Binibrahim, 2019). Banking industry viewing knowledge as

the most significant asset specially private banks are in a battle of getting competitive advantage with in private and public banks and becoming recognize the key contribution of knowledge management practices (knowledge acquisition, knowledge storing, knowledge sharing and knowledge application) to improve organizational performance that manifest with Balanced Score Card it contains components ; -customer satisfaction, internal business process, learning& growth &finance. Ethiopian private banks play meaningful role in country development and overall economic activities. Thus, in order to meet the organizational goal and win the recent strong competition private banks forced to recognize and install the knowledge management practice in their services through knowledge acquisition, storing, transfer or sharing, applying and using. Now a days, loosing managing knowledge means losing competitive power in this competitive and knowledge era. This equally implies, organizational performance can be affected by mismanaged or lack of knowledge management. In this regard, conducting research studies aimed at examining knowledge management practices and its correlation with organizational performance are pivotal(Forghani & Tavasoli, 2017). However, only few studies have been conducted in Ethiopia thus far and almost all of them targeted government banks, whereas, private banks get no attention thus far. Thus, this study believed to fill the gap that not-well known and less application of knowledge management in private banks and business industry as a whole. Therefore, this study is sought to examine knowledge management practices in Ethiopian private banks and its correlation between knowledge management practices and organizational performances.

1.3. Objective of the Study

1.3.1. General Objective

This research study is sought to assess the current knowledge management practices and its effect on organizational performance (from business score card perspectives) in Ethiopian private banks.

1.3.2. Specific Objectives

In order to address the aforementioned general objective, the following four specific objectives are generated.

- 1) To measure the effect of Knowledge acquisition on organizational performance;
- 2) To examine effect of Knowledge sharing on organizational performance;
- 3) To determine effect of Knowledge storage on organizational performance;
- 4) To quantify effect of Knowledge application on organizational performance

1.4. Research Questions

- 1) What is the current knowledge management practice in Ethiopian private banks?
- 2) To what extent does knowledge acquisition affect organizational performances?
- 3) Is knowledge sharing significantly affects organizational performance?
- 4) To what extent does Knowledge storage affect organizational performance?
- 5) Does knowledge application has significant effects on organizational performance?

1.5. Scope of the Study

Literature on knowledge management practices reveal that knowledge management systems has multifarious application in many sectors and it is also a key tool of getting competitive power relating to organizational performance. This research focuses on assessing knowledge management practices (knowledge acquisition, knowledge storage, knowledge sharing and knowledge application) and its effect on organizational performance(BSC components those are customer's perspectives, internal business process, learning and growth, finance) in random selection of two Ethiopian private banks (Enat and Wegagen Banks) head office. Therefore, this study was geographically delimited to private banks located in Addis Ababa City Administrations. Conceptually, the current study delimited to assessing knowledge management practices of private banks and effects of knowledge management practices on organizational performances.

1.6. Significance of Study

As indicated in the preceding sections, research study pertained to measurements of organizational performances from BSC perspective are limited. As a result, association between knowledge management practices and organizational performances have not been well established thus far. Hence, the very purpose of this study is establishing model equation which indicates effects of knowledge management practices on organizational performances from BSC perspectives. The current study attempted to identify which knowledge management functions (dimension) exerts potential influences on organizational performances which in turn informs bank industries to prioritize their knowledge management practices that leads to excel organizational performances. Knowledge correlation between these two constructs has a definite impact on the organization's success, profitability and market share. Therefore, it is important to encourage private banking industry to revisit their policies, helps to organizations install formal and functional structure for knowledge management, encourage employee to question the status quo and exchange their knowledge, skill and experience, finally, to create awareness on the king of the banking industry customers to questions good service delivery which is performance improvement, ultimately expected to play significant role for country development.

1.7. Organization of the Paper

This thesis report is organized into six chapters. Chapter one discusses the background of the study and statement of the problem; it also presents general and specific objectives of the study, significance of the research, scope of the research and organization of the paper. In chapter two, literature review with pertinent materials was assessed and present previous studies on knowledge overview, knowledge management, knowledge management components, knowledge management process, benefit and barriers of KM, organizational performance measurement (components), and factors affecting the implementation of knowledge management. In chapter three research methods and techniques were population and sampling techniques and method of data analysis addressed. Chapter four was dealt about presentation, discussion and analysis of data that gathered from different sources using the various data collection methods and tools, whilst, fifth chapter comprises conclusion of the major findings and recommendation of the study.

CHAPTER TWO: LITRATURE REVIEW

2. Knowledge and Knowledge Management

2.1. What is Knowledge?

Actually, knowledge is abroad and abstract notion that has defined epistemological debate in philosophers and researchers, since, knowledge is created from the origin of humankind that related to distinguish good and bad it calls some controversy and holistic study about knowledge from different perspectives but several epistemologist, researchers and philosophers attempt to define by their own view and yet not agreed on it. The roots of human knowledge go back to the beginning of human history on the planet (Khoualdi & Binibrahim, 2019). Knowledge is the concept, skill, experience and vision that provide a framework for creating, evaluating and using the information. Knowledge is considered as a collection of experience, appropriate information and skilled insight which offers structure for estimating and integrating new experience and information. Is a collective of insights, understandings, beliefs, behavioral routines, procedures and policies which are concerned about markets, products, technologies and processes (Harlow, 2008). Knowledge is the only irreplaceable capital in the Organizations.

Productivity of the organizations in the 21st century depends on the effectiveness of the competence sharing, knowledge work and knowledge workers (Islam & Avdic, 2010). Oxford Dictionary define the knowledge is as the fact, feeling or experience known by person or groups or peoples in organization, it states the organizational knowledge that known by employee or staffs individually or in group implement to achieve organizational goal it may be organization specific or general knowledge(Stevenson, 2010).The significance of knowledge stated by several researchers and philosophers especially, in this knowledge era, knowledge becomes a key for competitive advantage and sustainable organizational improvement. Knowledge can interpret as organization context that associate with the organization task employee or staff are expected to understand their organization mission or individual tasks that breakdown for each employee and general tasks this overall understanding can be information, data, skill, experience but the aggregation of subs are knowledge because knowledge is somehow broad that involves various sources(Haimanot & Emnet , 2019). Knowledge is made up of experiences, information values and systematic attitudes that provide a proper framework for evaluation of new information and experience. Knowledge assets or resources would include explicit knowledge in the form of

captured or recorded information and tacit or implicit knowledge in the form of expertise, skills and competencies of the people working in the organization (Komanyane, 2010) Knowledge is basically of two types namely tacit and explicit. Tacit knowledge is the form of knowledge which is resided in people mind and which cannot be easily transferred, shared and understood. Whereas explicit knowledge can be codified, shared, understood easily and is context independent (Ahmad, Khan, & Johansson, 2008).

2.1.1. Tacit Knowledge

Tacit knowledge (TK) is a knowledge that personal and context specific knowledge of persons that resides in human mind, behavior and perception. Tacit knowledge is information that is gained through experience that is difficult to express, formalize and share; it can't be described in words (Yang, 2010). Tacit knowledge originally referred the influence of mind by which all language is discovered and then held to be true, its state of individual mind that perceive issues as personal perspectives and difficult to easily express for others and it grasps from personal experience, reading, beliefs, environment. Tacit knowledge is knowledge that is highly personal and is embedded in a person's daily work practice (Jain, 2011).

TK is subjective and intangible knowledge which is intuitive and difficult to express and practice with language, diagrams, figures, or numbers. It implies hidden knowledge that cannot easily manifest by language and hard for extract the knowledge from the individuals. It is job specific or context specific and hard to codify, difficult to acquire, communicate and transfer which is abstract knowledge very difficult to manage. Tacit knowledge (TK) provides direct experience that is not modifiable via artifacts. About 80% of total knowledge is tacit and the rest 20% is explicit this implies most of the total knowledge exist in persons mind that needs to extra attempt to manage and implement it. TK of know-how rather than EK of know-what (Mahajan , 2016).

2.1.2. Explicit Knowledge

Explicit knowledge (EK) is a knowledge that can be codified and transferred and recognized in systematic language (Mahajan , 2016), it is information that can be easily transmitted in to others both verbally and in to words, drawings, graphs. Its objective and rational type of knowledge that more prevalent and transmittable knowledge, sources of EK are manuals,

policies, procedures, reports and databases (Mahajan , 2016). Explicit knowledge can be understood as information and personal expertise which can be stored in various types of modalities.

The relation of both types of knowledge are intrinsically inseparable tacit knowledge is meaningless without explicit knowledge and vice versa. They are mutually complimentary both types of knowledge are existing in the organization and both are important to deliver the organization task and also needs manage both knowledge in order to improve the organizational performance.

2.1.3. Levels of Knowledge

Actually, there are various assumptions on the levels of knowledge by various scholars still yet not agreed on the levels. Knowledge can be classified into individual knowledge and organizational knowledge. Individual knowledge is the knowledge that resides in an individual's mind, while organizational knowledge is the knowledge that is formed through interactions between technologies, techniques and people (Baldasaro,2014). These two levels of knowledge, needs to be managed to align with the assumption of recent knowledge era and competitive as well as high demand of service delivery from organizations in order to meet sustainable organizational performance improvement objectives.

2.1.3.1. Organizational Knowledge

Organizational knowledge reflects organizational culture and defines organization (Nold, 2009). Organizational knowledge is a knowledge that related with the organizational culture, structure and over all mission of the organization. Knowledge management create new working environment that establish more efficient and more effective performance by facilitating knowledge management processes. Organization knowledge consist both tacit and explicit knowledge of employees to apply and considered as a strategic, non- tangible asset. It recognizes that knowledge is a key resource; companies invest considerable time and money ensuring they make the most of the potential competitive advantage. Organizational knowledge relies on knowing and understanding of the working environment, tasks given by the organization and mission of the organization that uses for effective delivery of the intended task thus, organizations expected to install the system to provide new knowledge that consists information,

data, know-how and know-what and also expected to effective form for transferring and disseminating knowledge one to another in the organization. That cumulative knowledge within organizations results when knowledge is shared by employees in an organization (Bititci, Turner , & Begemann, 2000). Knowledge management established as new paradigm to managing knowledge as an asset for an organization (Fiseha, 2015), Organizational knowledge depends essentially on the effective participation of key individuals in the process of knowledge management within an organization, which directly affects the level of organizational innovation. There are four distinct behaviors of organizational knowledge those are; organizational knowledge is unique (inimitable) refers to the knowledge that context or organization specific knowledge may not exist in other organization, second behavior is the organization knowledge is relies on employees experts and knowledge its rare, and the third one is valuable, it implies the knowledge exist in the organization adds value for organizational success so needs to manage and use effectively, the last but very important characteristics of organizational knowledge is non- substitutable of knowledge it cannot replicable. Organizational knowledge creation can be viewed as an upward spiral process from the individual level to the collective group level and then to organizational level, sometimes to the inter-organizational level (Komanyane, 2010).

2.1.3.2. Individual Knowledge

The individual knowledge is an employee knowledge that can add value to the organization success. The individual knowledge held by employees, either explicit or tacit, can add value to the product, customer and in turn the organization (Forghani & Tavasoli, 2017). Individual knowledge is one source of organizational knowledge. The knowledge sharing process among individuals provides even more knowledge not only to the organization but also to the employees themselves Individual knowledge is individual ability that uses an organization success with investing knowledge it is highly related with the knowledge sharing between employees. Without the involvement of employees sharing their individual knowledge the ability of the organization to maximize its key knowledge asset is greatly reduced (Haimanot & Emnet , 2019). Individual knowledge more relevant with sharing and disseminating individual knowledge: through experience sharing, mini-meeting, face to face dialogue, and other mechanisms to exchange knowledge.

2.2. Knowledge Management

There is no accepted definition of KM, largely due to the breadth of the concept and the complex nature of knowledge (Komanyane, 2010). In this knowledge era, knowledge has been accepted as very fundamental asset for competitive advantage and enhancing an organizational performance hence; the world forced to recognized the significance of knowledge and knowledge management issues and recently, knowledge management become very common term in organizations but there are various definitions given by several scholars. The expectations for knowledge management were that it would be able to improve: growth and innovation, productivity and efficiency reflected in cost savings, customer relationships, decision making, innovation, corporate agility, rapid development of new product lines, employee learning, satisfaction and retention, and management decision making (Nemwel , 2013). Knowledge management is the process of transferring individual knowledge in to organization that passes through distinctive process (Al-Ghazi, 2014). A knowledge transfer is important process of knowledge management and refers to transfer of knowledge to location where it is needed and can be used. Knowledge management plays significant role for the organizational success. Knowledge Management is considered to be the most important asset of an organization. knowledge can be also defined as experience or information that can be communicated or shared” or can be defined as “Knowledge, while made up of data and information, can be thought of as much greater understanding of a situation, relationships, causal phenomena, and the theories and rules (both explicit and implicit) that underlie a given domain or problem” (Ahmad, Khan, & Johansson, 2008)

KM is a systematic process of finding, selecting, organizing, distilling and presenting information which involves the design, review and implementation of both social and technological processes to improve the application of knowledge (Islam & Avdic, 2010). It refers to a process that consists from creating new knowledge analyzing and filtering, storing and disseminating the knowledge into applying and use for enhancing an organizational performance which relies on employee’s knowledge. Knowledge management is the entire set of practices and activities which involves in manipulating the stock and flows of knowledge in organization that start from acquiring and continuing to applying and using. Several literatures agreed on knowledge management is a processes knowledge acquisition, knowledge storage,

knowledge disseminate(transfer) and knowledge application in addition to this process there are important tools to facilitate and effective the knowledge management practices in the organization, this tools play significant role for knowledge management process ,its believed that reduce the effectiveness of knowledge management on organizational performance which are organizational structure or platform which is formal structure that exist to handle and manage employees knowledge and technology that enables and facilitate the process of knowledge management. Regarding banking sector, knowledge management is particularly defined as the process through which a banking institution finds, gathers, acquires, and uses knowledge to support and improve its overall performance.

2.2.1. Knowledge Management Process

Knowledge management process is very important for every organization to maintain competitive advantage over competitors and sustainable progress. Main purposes of the process are to enhance the efficiency of the organization and improve utilization of collective knowledge in the organization. Knowledge process including knowledge acquisition, knowledge sharing and enabling factors such as organizational structure and technology as an antecedent factor to knowledge management components (Haimanot & Emnet , 2019). Knowledge management process has strong link with organizational performance, the process mainly consists four basic steps/process; knowledge acquisition, storage, sharing and use. Critical stages of knowledge management of a firm's knowledge. These include knowledge creation and acquisition, knowledge transfer, interpretation of the knowledge to serve organizational goals and application of knowledge to achieve organizational goals (Nemwel , 2013).

2.2.1.1. Knowledge Acquisition or Creation

This process involves grasps of new of knowledge or replacing the current content within the Organization's explicit and tacit knowledge. Knowledge acquisition as the process of extracting, structuring and organizing knowledge from human experts so that it can be captured and transferred into machine readable form (Nemwel , 2013). Knowledge capture is organizational ability of ensuring that knowledge available in the organization is stored for future reference in either databases or manuals It requires the organizations to search for new information, idea and knowledge in general from both inside and outside of the organization.

Knowledge is able to be created, and enlarge through collaborative processes within organizations. It is an activity that creates new knowledge by suitably applying the acquired knowledge from outside and within the organization (Islam & Avdic, 2010). Knowledge derived from externalization is analogue or digital sign while in internalization, an individual's access the knowledge through group and the entire organization (Ramirez, 2007).

2.2.1.2. Knowledge Storage

Storing knowledge refers reserving existing as well as acquiring new knowledge for recent and future use. Explicit knowledge obtained by individuals within Organizations should be stored. The organizations should arrange and manage the Knowledge thus, it can be accessed easier. It is a process of accumulation and documenting available organizational knowledge and acquired knowledge for future reference (Islam & Avdic, 2010). To boost customers satisfactions, to improve internal efficiency and to lead the market; data should be recurrently gathered followed by converting into meaningful facts (information) and stored in utilizable ways in the form of journals, bulletin, magazine and annual abstract, so, that it is accessible to every stakeholder.

2.2.1.3. Knowledge Dissemination or Transfer

This is key process of KM process that enables the organizations to convert individuals knowledge in to collectives or organizational, Knowledge sharing is the exchange of knowledge among organizational employees (Islam & Avdic, 2010), Various practices promote knowledge sharing within the organization, for instance incentives, rewards and communities of practice, a very significant process that involves sharing and exchanging knowledge among individuals or network of individuals, a group of people to the organizations and individual to explicit sources. Knowledge sharing is crucial for knowledge creation (Islam & Avdic, 2010). During the process, the organizations must ensure that Knowledge is transformed from tacit knowledge to explicit knowledge to prevent the loss of tacit knowledge and also, organization facilitate the culture of knowledge sharing and install formal structure to exchange knowledge between staffs that enable knowledge management and protect knowledge losing and also needs to technologies to distribute knowledge well and prevent loss of organizational memory. The outcome of knowledge sharing is the creation of new knowledge and innovation that will improve organizational performance (Islam & Avdic, 2010). KM is the management of

knowledge through systematic sharing that can enable one to build on earlier experience and obviate the need for costly reworking of learning by making the same repetitive mistakes (Komanyane, 2010). It is a process of bidirectional flow of knowledge between individuals, groups, individual and group, between the external environment and the organizations and so on (Islam & Avdic, 2010).

2.2.1.4. Knowledge Use or Application

This process of knowledge application involves the usage of knowledge that acquire and transferred from tacit and explicit or from inside and outside of the organization in adjusting with the organization needs related with the strategic direction, solving the problems, making decision, it is an action, by which knowledge assets can be transferred into values and reflected in technical and management processes in the form of products and services (Kimaiyo, Kapkiyai, & Sang, 2015). KM process has positive relationship with organizational performance. Knowledge acquisition is expected to have significance influence on organizational performance to increase the stock of knowledge available in the organization, thereby, providing organization better capability to make timely decision that are essential to superior organizational performance (Islam & Avdic, 2010). Knowledge storage is enables organization to improve their expertise & efficiency by converting acquired knowledge in to capable organizational knowledge (Islam & Avdic, 2010). Knowledge sharing is very significant process that distributing the knowledge to where it needed and convert individual knowledge in to organization (Islam & Avdic, 2010). Knowledge application is a process of involving the actual use of knowledge for decision making and problem solving of the organization.

2.2.2. Benefits of Knowledge Management

Knowledge management has a lot of benefits; it provides employees in an organization with the knowledge they need to do their work effectively, it can empower innovation and drive competitive advantage, if implemented effectively (Mwai, 2012), it can also reduce information bottlenecks users can easily get sufficient information. More informed decision making, avoiding wasteful duplication of resources, avoiding loss of commercial opportunity and loss of knowledge when staff exits, increasing accessibility to the organizations recorded internal knowledge, improving information literacy of researchers, learners and administrators, increasing the discovery, transmission and use of recorded knowledge, and increasing the

dissemination of new knowledge (Nemwel , 2013). Knowledge management can improve organizational agility that make fast and effective service delivery through motivating and initiating employees, it nurture the culture of knowledge sharing between employees which helps transfer seniors knowledge and experience in to juniors and even helps to change hunk behaviors that leads individuals-organization knowledge transaction this also helps to reuse ideas, information's, experience, documents and expertise to apply common problem and some replicable solutions, services and even recycling the material. Knowledge management highly reduces the repetition of mistakes and increase culture of lesson learned. KM encourages and enhances team expertise and experience; Teams benefit from the individual skills and knowledge of each member. The more complementary the expertise of the team members are, the greater the power of the team. KM also helps to expose unique expertise and knowledge for entire mass in the organization through the structure and development of the culture of experience and knowledge sharing, this due to the behavior of knowledge management build trust and dispel fear between employee and in organization at large it encourages individuals to freely express their tacit or internal knowledge. In this competitive business, knowledge management can show the customers how knowledge make difference from competitors by providing special service that make benefit to customers through saving time and give unique service which is unique from other firms/ banks thus knowledge management make difference this capability entails acceleration of customers delivery which express through Speed of execution than competitors the company that delivers sooner will win because it reduce customers time of stay to wait service and can be differentiation point. in Ethiopia case, private banks face strong competition where it needs cure for win and survive in the industry, in recent economy, rule of the game relies on knowledge, it can be individual or organizational. Thus, managing knowledge is very essential in to convert organizational productive decisions which related with the target of the organization. knowledge management can be cure for this challenge through installing knowledge sharing and transferring system due to this solutions organizations can maintain their performance and competitive power and also its important for coup up the globalization challenge because the playing rule of globalization competition relies on knowledge if on organization recognize this knowledge era rule its capable for enhancing the organizational performance that leads to increase employee's satisfaction and motivation to stay and being effective and aggregately the organization become competent.

2.2.3 Barriers of Knowledge Management

Knowledge management faces several barriers that impede Knowledge creation, storage, sharing, and application and these barriers are related to people, technology, organization, environment and knowledge characteristic. Certainly, lack of reward, shortage of technical support, lack of formal authority on the part of the innovator, and lack of fitness between knowledge and important organizational goals are the most important barriers (Gakuo & Rotich, 2017). Actually, there are other various challenges and barriers of knowledge management in organization that can be vary organization to organization but common barriers are: organizational culture that associate with the lack of recognition of knowledge , a relatively rigid tacit infrastructure of ideas that shape not only our thinking but also our behavior and perception of our business environment and It is rigid mainly due to our paradigms several practices relate to culture barriers have been identify and express in varies ways in various organizations, miss use of experience and expertise, lack of culture of knowledge sharing between employee, culture of hunk, misuse of good practices from both inside and outside the organization, absence of formal structure and technology to manage knowledge, structure and technology effectively establishes a set of guidelines by which members of an organization work and how those organizations are structured. Other common barrier is motivation that relates with the employee motivation to acquire and transfer knowledge: if employees lack motivation they became to negligent and ineffective to acquire and transfer knowledge, it's also factor to hinder knowledge management process and organizational performance. In Ethiopia, most of the private organization's employees claim that organizations ignore employee's knowledge and lack of proper recognition of employee's expertise and knowledge due to these reasons' employees' distrust on managers and managers also makes far from employees this situation leads conflict and malfunction of the organization and organizations loses both individual and organizational knowledge this failure also leads lose competitive power.

2.2.4. Knowledge Management in Organizations

As knowledge has been defined and considered as one of the most valuable assets in the organization, Knowledge management helps to create and transfer information and knowledge. It helps to effective and efficient use of knowledge in order to provide strategic competitive advantages for organizations. Knowledge management is a management system that is helpful in

enabling the organization to increase and manage the knowledge it possesses by facilitating the movement and flow of information among individuals. It is an approach with which an organization treats knowledge as a strategic asset (Khoualdi & Binibrahim, 2019). The recent growing interest in knowledge management and knowledge management systems is seen to have been boosted by the transition into the information age and the theories of knowledge as the primary source of economic rent (Vu-Thi & Stenberg, 2017). Regarding banking sector, knowledge management is particularly defined as the process through which a banking institution finds, gathers, acquires, and uses knowledge to support and improve its overall performance (Khoualdi & Binibrahim, 2019). The process of shifting towards knowledge management in the banking sector is primarily based on the flow of vast amounts of information from different sources. Knowledge management is a main pillar of strategic management in modern banking sector (Khoualdi & Binibrahim, 2019). There are various requirements for implementing knowledge management in banking sector, the most important of which is the cultivation of an organizational culture that promotes flexible and transparent exchange of information among employees from all organizational levels (Khoualdi & Binibrahim, 2019). Knowledge management can be one of the main organizational strategies as it helps to create new business processes to enhance the organizations' performance. Ahmad, Khan, & Johansson (2008) stated that one of the main purposes to introduce knowledge management in organizations is to bring positive impact and outcomes on organizational performance.

2.3. Organizational Performance and Components

2.3.1. Organizational performance

Refers to what the organization does to improve efficiencies, how the organization plans to excel against the competition and how the organization plans for the future; to find out the gaps of performance occurrence (Bititci, Turner , & Begemann, 2000; Agostino & Arnaboldi , 2011). Organizational performance has various perspectives to define and interpret that relates with the organization already set of overall preferred result want to accomplish. Performance is a process of action of performing a given task, mostly, organizational performance related with three specific areas of firm's outcomes: -

1. Financial performance (profit, return on asset, return on investment etc.)
2. Product- market performance (sales, market share etc.)
3. Shareholder returns (economic value)

In recent years, many organizations have attempted to manage organizational performance using Balanced Score Card (BSC) which is management system that enables your business set, track and achieves its business strategies and objectives (Teklearegay, 2015). BSC is an integrated system for describing and translating strategy the use of linked performance objectives measures, targets and strategic initiatives in four balanced scorecard perspectives –customer, internal process financial and learning and growth (Teklearegay, 2015). Balanced scorecard is like a tree that composed of four perspectives: the learning and growth perspectives are roots, the trunk is the internal process perspectives, customers are the branches and the leaves are the financial perspectives. Each perspective is interdependent on those below as well as those above. It is a continuous cycle of renewal and growth. Leaves (finances) fall to fertilize the ground and the root system, which stimulates growth throughout organization.

2.3.2. Organizational performance components (BSC Perspectives)

2.3.2.1. Customer's perspectives:

Now days, customer's perspectives highly related with the organization existence, specially, in business industry customers are a reason of existing the organization. The customer perspective of balanced scorecard, organization must answer three critical questions: who are target customers? What is our value proposition in serving them? And what do our customers expect demand from us? This perspective will normally include measures widely used today: customer satisfaction, customer loyalty, market share (Teklearegay, 2015). customers satisfaction and loyalty also address the * how do customer see us * question focus the customers satisfaction level that express with strategic action of quality service delivery and meeting the customers demand at large, this attempt mainly related with recognizing and implementing the knowledge management. Organizations in BSC assumption identify the target customers and market segment in which they have chosen to compete to address their want then organizations evaluate them as they plan to meet the chosen customer demand which align with customer satisfaction and loyalty.

2.3.2.2 Internal Business Perspectives

It addresses the* what must we excel at* question Internal business process focus key organizational process that must excel in order to adding customer and shareholder in business industry. To satisfy customer and shareholder expectations, you may have to identify entirely new internal processes rather than focusing your efforts on the incremental improvement of existing activities (Teklearegay, 2015). Internal Process perspective of the Scorecard, identifying the key processes the firm must excel in order to continue adding value for customers and ultimately shareholders. To satisfy customer and shareholder expectations, you may have to identify entirely new internal processes rather than focusing your efforts on the incremental improvement of existing activities. Each of the customer disciplines just outlined will entail the efficient operation of specific internal processes in order to serve customers and fulfill our value proposition. This perspective as each business has unique set of processes for creating value for customers and producing financial results (Teklearegay, 2015). Value chain model provides a template that companies can customize in preparing their internal business process perspectives. This encompasses three principal business processes:

Innovation: – it creating or acquiring new business process to meet customer’s satisfaction and get competitive advantage. The innovation processes as a vital component of internal business process perspective, the organization will to put considerable weight on knowledge, research, design and development that yield new products, services and markets.

Operations: -operations process to identify the cost, quality, time and performance. - Post-sale service: -it is a process that enables companies to feature when appropriate an aspect of service that occur after the purchased product or service has been delivered to customer.

2.3.3.3. Learning and Growth Perspectives

This perspective focus on long term organizational learning and improvements that align with the current demand and project future expectations, mainly address the organizational question of can we continue to improve and create value*. Organizational learning and growth come mainly from three principal sources: people, systems and organizational procedures. It is identifying the infrastructure that the organization must build to create long term growth and improvement (Teklearegay, 2015). The financial, customer, internal business process objectives

on balanced scorecard typically, will reveal large gaps between the existing capabilities of people, systems and organizational procedures and what will be required to achieve breakthrough performance.

To close these gaps, businesses will have to manage knowledge of employees, installing structure enhancing information technology, system and aligning organizational procedures and routines. Once you identify objectives, measures and related initiatives in your customer and internal process perspectives, you can be certain of discovering some gaps between your current Organizational infrastructures of employee skills (human capital), informational system and the environmental required maintaining successes.

2.3.3.4. Financial perspectives:

Financial perspective measures whether the organizational financial performance align with the intended goal. Typical financial goals have to do with profitability, growth, and shareholder value, to survive, to prosper. Financial measures as a critical component of balanced scorecard, especially so in the profit world (Teklearegay, 2015) financial perspectives mainly address the question of how we look to shareholders. In most view, financial performance is the result of operational actions, and financial success should be the logical consequence of doing the fundamentals well. The financial objectives serve as the focus for the objectives and measures in all the other scorecard perspectives. Effective knowledge management practices are directly related to organizational performance which in turn is related to their financial performance (Islam & Avdic, 2010).

2.4. Conceptual Framework

Under this heading relation between studies variables are summarized using conceptual framework. Conceptual framework is the logical relationship between variables of the study. Thus, based on reviewed literature conceptual framework of this study is generated and presented underneath.

This study sought to examine the effects of knowledge management practices on organizational performance of Ethiopian private banks. So, knowledge management components (knowledge acquisition, knowledge storage, and knowledge sharing & knowledge application) are considered as explanatory variables and organizational performance is considered as dependent

variable. In this study organizational performance will be measured from business score card perspectives using four proxies namely customer satisfaction, learning and growth, internal process (efficiency) and finance.

Knowledge acquisition increase the stock of knowledge available in the organization, thereby, providing organization better capability to make timely decision that are essential to satisfy customers and to superior organizational performance (Islam & Avdic, 2010). Knowledge storage enables organization to improve their expertise & efficiency by converting acquired knowledge in to capable organizational knowledge (Islam & Avdic, 2010). Knowledge sharing is a very significant process that distributing the knowledge to where it needed and converting individual knowledge in to organization. Knowledge application is a process of involving the actual use of knowledge for decision making and problem solving of the organization (Islam & Avdic, 2010).

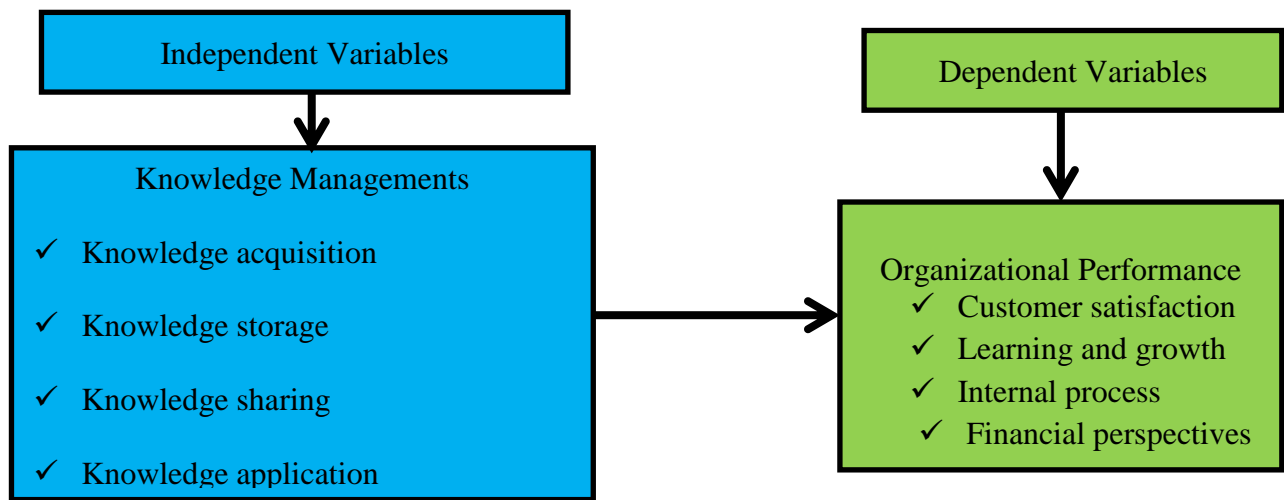


Figure 1: Conceptual framework Adapted from Baldasaro (2014)

CHAPTER THREE

RESEARCH METHODOLOGY AND DESIGN

3.1. Introduction

This chapter deals with procedures and techniques was used in collection, processing and analyzing of data. Particularly, it comprises: description of the study area, research methodology, research design, target population, sample size determination, sampling techniques, method of data collection procedures, data analysis techniques and ethical considerations.

3.2. Study Setting

As of June 2021 there are 16 private banks in Ethiopia and all of the banks head offices located Addis Ababa City Admirations the capital city. In this study randomly selected private bank's namely Wegagen and Enat Banks were selected. It is It is naturally neither practical nor feasible to study the whole population in most studies. Therefore, using reasonable sample size is mostly recommended. In this regard, 2 banks were sampled which accounts 12.5%. According to Creswell (2003) sample with 10% of the total population is reasonable size in survey study.

3.3. Research Approach

This study sought to show the Effect of Knowledge Management on Organizational Performance. For this study quantitative research approach was used. Quantitative approach is one in which the investigator primarily uses positivist claims for developing knowledge (i.e., cause and effect thinking, reduction to specific variables) (Creswell, 2003). In most cases quantitative research places emphasis on quantification in the collection and analysis of data and the data can be expressed in numbers, percentages, tables (Babbie, 2010:35). It includes the use of closed survey methods (Myers, 1997). Quantitative research is associated with the deductive approach (Babbie, 2010:36). Quantitative researchers emphasize the need for research to be reliable and generalizable and the results from the limited sample to apply to the population from which the sample was drawn (Collis, 2009).

In this study, a structured survey instrument was adopted to measure variables to make inferences from a sample of head office division managers and head office employee in selected

banks. Deductive processes, generalizations leading to predictions, explanations and understandings of the effect of KM in organizational performance was carried out in this study with respect to the methodological assumption. In view of the above discussion; the positivist paradigm was best approach; therefore, quantitative approach is preferred for this study.

3.4. Research Design

According to (Gujarati, 2004) research design is the conceptual structure within which the research is conducted. It is a plan or blue print which specifies how data relating to a given problem should be collected and analyzed. It provides the procedural outline to conduct of any investigation. The research design used varies from research to research based on research objectives (Ngalim, 2018).

This study adopted a descriptive survey research design to establish the effect of knowledge management on organizational performance of private banks in Ethiopia. Yin (2013) explains that a descriptive analysis is concerned with specific predictions, with the narration of facts and characteristics concerning individual, group or situation. It is helpful when a researcher wants to look into a phenomenon or a process in its natural contexts in order to get its overall picture instead of taking one or some of its aspects and manipulating it in an artificial setting (Cresswell, 2012). In this study, the effect of Knowledge Management on organizational performance was the situation under investigation. The design is favored since it is precisely intended to guarantee the final depiction of the circumstance, ensuring that there is least inclination in the accumulation of information and to minimize errors in translating the information gathered.

3.5. Study population

According to Stangor (2011) population is the entire group that the researcher desires to learn about; any set of persons or objects that possess at least one common characteristic or a target group who would, in the ideal world, be the subject of the research, and about whom one is trying to say something (Punch, 2005). Similarly, Saunders, Lewis and Thornhill (2007) describe a population as a group of interest to the researcher, the group to which she or he would like the results to be generalized. In general, population is the total number of participants in the study and sample is the subset of total population. For the purpose of this study target population are head office division managers and employees in private banks of Ethiopia.

For the purpose of this study head office division managers and employees of private banks currently operating in Ethiopia are target populations from which desired samples of this study was drawn.

3.6. Sampling Techniques and Sample Size Determination

3.6.1. Sampling Techniques

According to Kothari (2006) a sample design is a definite plan to get a sample from the target population. It is naturally neither practical nor feasible to study the whole population in most studies. Hence, a set of participants is selected from the population, which is less in number (size) but adequately represents the population from which it is drawn so that true inferences about the population can be made from the results obtained.

In this study a multistage sampling technique was used to draw sample from head office division managers and employees. In the first stage, private banks are purposively selected. As evidenced from (NBE, 2010) private bank operating in Ethiopia are 16 as of January 2020. In the second stage from 16 private banks currently operating in Ethiopia, 2 banks (12.5%) were selected using random sampling techniques namely, Wegagen bank and Enat bank. Using large sample size have pros and cons. Using large sample size leads to good representativeness of the populations but errors may occur due to management problem. Therefore, using manageable sample size is recommendable for such small work bounded by time and budget. In the third stage, simple random sampling techniques was applied to select the sample unit from each bank using lists of division managers and employees as sampling frame. There are 40 head office division managers and 700 employees in Wegagen bank, while 24 head office division managers and 109 employees in Enat Bank with a total of 873 workers at head office of the two banks located in Addis Ababa.

3.6.2. Sample Size Determination

Samples are very often drawn from a population to make estimates of population parameters from the corresponding sample statistics. The selection of a sample size is necessary since total enumerations of the study population are influenced by factors such as limited time and finance. The desired minimum sample size was computed using Yemane's equation (Yemane, 1967) at 95% confidence interval.

$$n = \frac{N}{1 + N(e^2)}$$

Where: N is the population size, n is the needed sample size and e denotes level of precision at 95% confidence level (5% precision level).

Accordingly, $n = \frac{873}{1+873(0.05)} = 274$, therefore, 274 is desired sample for this study, while the following formula will be used to determine sample from each stratum (division managers and employees) from each bank.

$P_i = \frac{n_i}{N}$ Where: P_i = proportion of population included in stratum i,

n_i = the number of element, N = the total number of the population

Table 1 below shows the respective population of each stratum from the two banks.

$$p_i = \frac{274}{873} = 0.31386$$

Table 1: Number of Sample of division managers and employees from the two banks

Woreda	Wegagen Bank		Enat Bank		Total Sample
	Total	Sample	Total	Sample	
Division Mangers	40	13	24	8	21
Employees	700	219	109	34	253
Total	740	232	133	42	274

3.7. Data Sources and Data Collection Instrument

3.7.1. Data Source

In this study data was collected from primary sources. Accordingly, data sources were head office division managers and employees of private bank in Ethiopia. Primary data is data that is collected first hand by the researcher. This type of data may be collected using interviews, surveys questionnaire and direct observations among others.

3.7.2. Data Collection Instrument

In this research study, structured questionnaire was adopted. Questionnaire usually consists of a set of questions that are presented in written form to a respondent who is expected to respond in writing forms, if carefully constructed, the questionnaire can be used to get information on a respondent's feelings, attitudes, interests, and so on. The format of the questionnaire could be open-ended, close-ended or a combination of the two. The format adopted for this research was close ended one.

The questionnaire was preferred as data gathering instrument because of its relative advantages to gather data from large number of respondents at once and it is economical in terms of time and resources (Best and Kahn, 2005). The questionnaire consists of two parts; Part I is used to elicit the general information of the respondents, Part II is used to elicit information regarding knowledge management comprising four sub sections (knowledge acquisition = 9 items, knowledge sharing = 10 items, knowledge storage = 4 and knowledge application = 8) and organizational performance which also comprises four subsections namely customer satisfactions(8 items), internal process (8 items), learning and growth aspects (10 items) and financial aspects (6 items).

3.8. Research Procedures

Primary data was obtained using a comprehensive questionnaire that was completed by head office division managers and employees of private bank in Ethiopia. The questionnaire will be constructed to solve the questions noted in the statement of problem. The structured questions will be presented on a Likert scale since it is apt for determining perceptions of respondents concerning knowledge management practices and organizational (Upagade & Shende, 2012).

In cases where the respondents were not available on specific days, the researcher rescheduled the meetings to an appropriate day that will be convenient for the respondent. Moreover, the researcher printed the questionnaires together with a formal letter from the College of Business and Economics of Addis Ababa University and distributed to sample respondents of the selected private banks. The researcher was personally delivered the questionnaires to the respondents Moreover, 274 questionnaires was issued. The respondents were given substantial time (at least

one week) to complete filling in the questionnaires before the researcher retrieved them back from the respondents.

Furthermore, to ensure that the questionnaire is valid and reliable pilot test was conducted and the details are presented underneath.

3.8.1. Pilot Study

A sample size between 10% and 20% of the larger sample size for the main study is a practical number of respondents to take part in the pilot study (Kothari, 2004). In this study, 28 respondents which accounts 10% of the desired sample size was used to conduct pilot study, who will be drawn from 274 members of head office division managers and employees from Enat bank and Wegagen bank. To select the 28 respondents from 274 head office division managers and employees simple random sampling technique was utilized. The choice of 28 respondents for the pilot study corroborates Mugenda and Mugenda (2006) who argue that a sample of 10 to 20 respondents chosen from the desired sample is sufficient for piloting the research instrument.

3.8.2. Reliability of the Instruments

Reliability is the extent to which measurement of the test are repeated. This implies that measuring instrument results should be consistent when the instrument is repeated. A researcher who designs a measuring instrument must ensure that the instrument gives similar, close or the same results if the study to which the instrument is applied is replicated (Cresswell, 2008). The most common measure of reliability of a research instrument is the Cronbach Alpha. The Cronbach's Alpha tests the internal uniformity among the study items. Its coefficient has values ranging from 0 to 1. A coefficient closer to 1 indicates that there is higher internal reliability of the research items while values close to zero indicate that the research item/instrument is not reliable (Rovai, 2002). Research items that have Cronbach's Alpha value greater than or equal to 0.7 was accepted since they will deem to have been measured consistently while all items whose Cronbach alpha values less than 0.7 was rejected as they regarded as unreliable.

In this study, to ensure reliability of instruments, the questionnaire items was developed and pilot study was carried on 28 respondents (2 head office division managers and 26 head office employees). To confirm the reliability of the questionnaires, Cronbach's alpha reliability test was calculated after the pilot is conducted. The results of pilot study showed that all research items

had Cronbach's Alpha values greater 0.7 indicating that the items were reliable. Additionally, the overall reliability of the knowledge management questionnaire and Organizational performance were tested and the results showed a Cronbach's Alpha value of 0.82 and 0.79 respectively indicating that overall the research instrument were reliable which implied that can be used to collect data for the main survey and the details are presented in Table 2.

Table 2: Cronbach Alpha Value

1	Constructs of Knowledge Management	Number of items	Cronbach alpha
1.1	Knowledge acquisition	9	0.88
1.2	Knowledge sharing	10	0.83
1.3	Knowledge storage	4	0.79
1.4.	Knowledge Application	8	0.76
	Over all	31	0.82
2	Constructs of Organizational Performance		
2.1.	Customer Satisfaction	9	0.72
2.2.	Internal Process	7	0.77
2.3.	Learning and development	10	0.83
2.4.	Finance	6	0.84
	Over all	32	0.79

3.8.3. Validity of the Instruments

Checking the validity and reliability of data collecting instruments before providing to the actual study subject was the core to assure the quality of the data(2005). Validity is the ability of an instrument to measure the variable it is intended to measure (Asika, 2000).Every measuring instrument is designed for a specific measurement. If it is correctly designed, it measures what it is supposed to measure. If it is faulty, then it measures something, which may not be what it is supposed to measure. Cresswell (2014) explains validity as the degree to which an instrument measures what it is supposed to measure. Accordingly, to ensure validity, experienced teachers from Addis Ababa University will be requested to provide their remark on instrument employed. Based on their feedback the instrument was modified before administered to the main

participants of the study so that irrelevant items were removed, relevant items were included, lengthy items was be shortened and many unclear items was be made clear.

3.9. Methods of Data Analysis

Data analysis involves arrangement of the obtained data, editing and coding of data thereby entered into Statistical Package for Social Sciences (SPSS) package version 24.0 for analysis. The study will utilize descriptive and inferential analytical techniques. Descriptive analysis involves measures of central tendency such as calculation of mean, standard deviations, frequencies and percentages. The inferential analysis was used in this study are correlation analysis to test the strength of the relationship between knowledge management dimensions and organizational performance, and multiple linear regression to establish the effect of dimensions of knowledge management on organizational performance. These inferential analytical techniques are discussed in the proceeding sections.

3.9.1. Correlation Analysis

Correlation analysis was carried out to evaluate the extent of association between two variables in the study and the strength of relationship is represented by the correlation coefficient (r). The value of r ranges between -1 and +1 whereby a value of +1 indicates an ideal positive correlation (perfect positive correlations), whereas a value of -1 indicates an ideal negative correlation (Saunders, Lewis & Thornhill, 2016). In this study Pearson's correlation coefficient was employed to test the strength of relationship among the independent variables and organizational performance of private owned banks if assumption to apply Pearson correlation is satisfied, otherwise the corresponding non parametric statistics will be used (Saunders et al., 2016; Kothari, 2004). The null hypothesis of Pearson's correlation coefficient is that the two variables are not significantly related with each other.

In this study Pearson's correlation coefficient was used to test the correlation between organizational performance (customer satisfactions, internal process, learning and growth and finance) and each of the dimensions of knowledge management (knowledge acquisition, knowledge storage, knowledge sharing and knowledge application).

3.9.2. Regression Analysis

Multiple linear regression analysis is conducted on data that has two or more independent variables (Greene, 2012). In this study, the dimensions of knowledge management that are postulated to influence organizational performance (customer satisfaction, internal process, learning and growth and finance) are more than one consequently the model to be specified is multiple linear regression. Therefore, the regression equation is expressed as:

$$OP = \beta_0 + \beta_1 KAC + \beta_2 KSH + \beta_3 KST + \beta_4 KAP + \varepsilon$$

Where: Y= Organizational performance

KST= Knowledge storing

β_0 = coefficient of intercept

KAP= Knowledge application

KAC= Knowledge Acquisition

ε =error term

KSH = Knowledge Sharing

$\beta_1 - \beta_4$ = regression coefficients

3.10. Ethical Consideration

To maintain ethical standards, an introductory letter from the University used to seek permission from the relevant authorities particularly Enat bank and Wegagen bank for data collection process. Moreover, getting informed consent of participants and confidentiality is equally important Dawson (2007) explains that as a researcher we need to treat both the participants and the information they provide with honesty and respect, for research is conducted for people and about people by an individual or a group. People need to be aware of why they give information about themselves or about others. This increases their consent to actively participate in the provision of data for a study (Singh, 2007). Therefore, head office division managers and employees of Enat and Wegagen banks selected as informants was briefly informed about the objective of the research. This was done in the pre-fieldwork work session, and updated for individuals and groups during the whole fieldwork rounds as much as possible. Furthermore, the informants were informed about the research, and it is kept confidential and would not be used for any other purposes other than the research objectives.

CHAPTER FOUR

DATA ANALYSIS AND PRESENTATION

4.1 Introduction

This chapter is sought to transform heaps of raw data into some meaningful facts (information). The findings presented in this chapter instigate from the survey questionnaires. In this study quantitative data method was employed in presenting a comprehensive picture of the effects of knowledge management in enhancing organizational performance in the selected private banks of Ethiopia. The study relied on primary data collected by use of structured questionnaires and the collected data was coded into SPSS Version 24.0 for analysis and presentation. In the course of analysis, first, the description of the basic information derived from the analysis is undertaken for each variable through the descriptive statistics, followed by correlation analysis to observe correlation between independent variables and dependent variable. Lastly, multiple regression analysis was used to probe how much of the change in dependent variables is due to the change in independent variables.

4.2. Response Rate

Response rate according to America Association for Public Opinion Research (AAPOR, 2011) is the rate of complete research instruments with reporting units divided by the number of eligible reporting units in the sample. In this study a total of 274 questionnaires were distributed to all the division managers and employees at head office of the selected private banks (Wegagen and Enat bank) Organizations distributed. Out of this questionnaire 266 were filled and returned to the researcher. This gave a response rate of 97.08% which is deemed sufficient for the study and the detail is presented in table 3 below.

Table 3: Response Rate of Survey questionnaires

Bank	Questionnaire Administered	Questionnaire Retrieved	Percentage
Wegagen Bank	232(84.67%)	226	82.48
Enat Bank	42(15.38%)	40	14.6
Total	274	266	97.08

Table 3 above depicts the total number of questionnaires administered and retrieved for the study. A total of two hundred seventy four questionnaires were administered and two hundred sixty six was successfully retrieved, representing a response rate of 97.07%%.

According to Mugenda and Mugenda (2008), a response rate of 50% is acceptable for analysis. Similarly, AAPOR (2011) explained that a response rate of over half is good while over 70% is very good. According to Babbie (1990), a response rate of 60% is good, 70% very good and 50% adequate for analysis and reporting from manual surveys. Bailey (1996) sets the adequacy bar at 75% and Chen (1996) argues that the larger the response rate, the smaller the non-response error.

In this study response rate of 97.08% achieved. The study therefore attained an excellent response rate.

4.3. Demography Characteristics of Respondents

The general information of the respondents from whom the data analyzed in this chapter are collected includes Gender, age, level of education, service year (experience) and their current positions. Accordingly heap of raw data collected were summarized and are indicated in subsequent sections.

4.3.1. Gender

Under this heading it is sought to establish gender distribution of respondents selected private banks under review. Consequently, the findings are indicated in Figure 1 below.

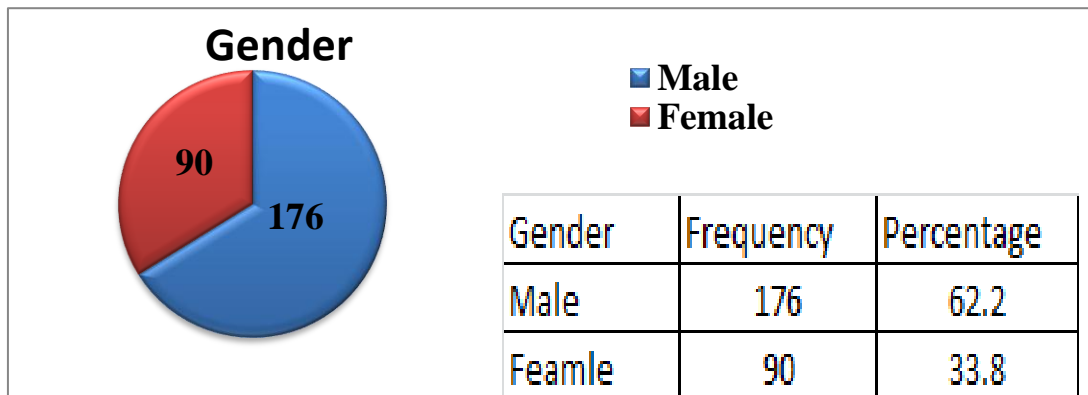


Figure 2: Gender Distribution

The result on Figure 2 revealed that majority of the respondents (66.2%) were male and 33.8% of the respondents were female. This affirms that that private bank in Ethiopia hired more men as compared to women.

4.3.2. Respondents Age

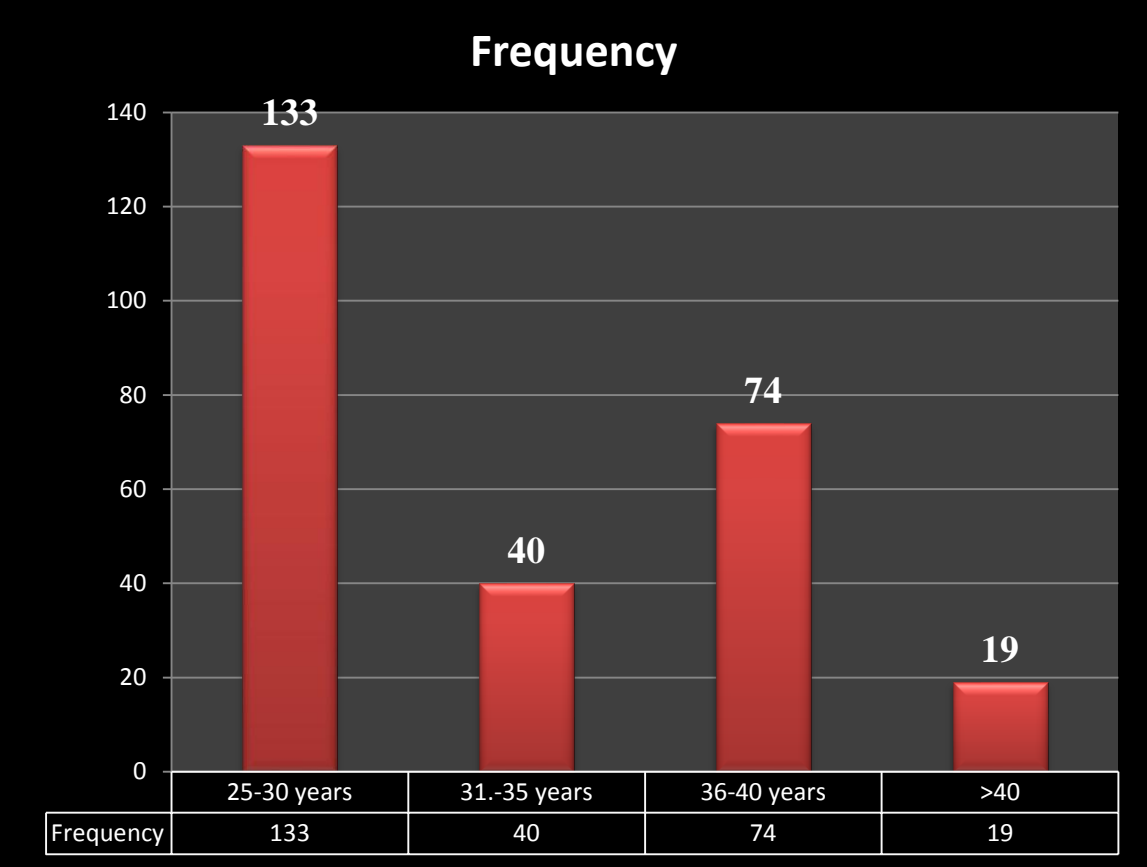


Figure 3: Respondents Age

Concerning age, most of the respondents fall with the range of 25-30 years which covers 133(50%) of the total respondents. A small number of respondents i.e., 19(7.1%) participated in filling the questionnaires are above 40. This shows that majority of the respondents are young and few of them are old. This has direct implication in knowledge management practices. Youth are highly likely engaged in learning and innovation to empower themselves and this in turn have its own implications on organizational performance.

4.3.3. Level of Education and Current Position

Table4: Level of Education and Current position of Respondents

S/No	Level of Education	Manager		Employee		Total
		Frequency	Percentage	Frequency	Percentage	
1	Bachelor's Degree	16	76.19	164	66.94	180
2	Master's Degree	5	23.81	81	36.06	86
	Total	21	100	245	100	266

The result in *table 4* show that 16(76.19%) of the managers highest level of education is first degree and 5 (23.81%) had Master's Degree. Concerning employees, 164 (66.94) are first degree holder and 81(36.06) are Master's degree holder. The finding affirmed that employees are in better position than managers.

4.3.4. Respondents experiences in Bank

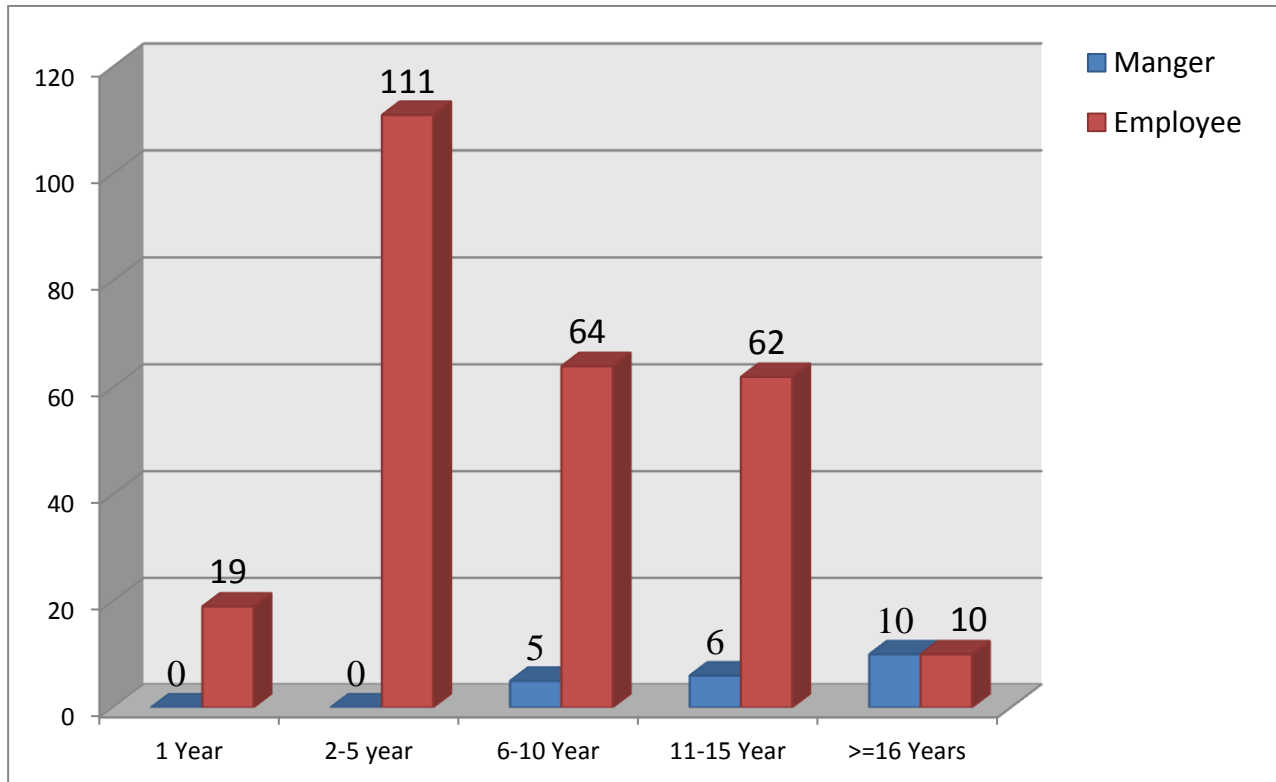


Figure 4: Work Experiences of Respondents

Regarding managers, the results in Figure 4 show that 5 (23.81%) of respondents work experiences was within the range of 6-10 years, followed by 6 (28.5%) are within the range of 11-15 years and 10 (47.62 %) have 16 and above work experiences. This revealed that majority of managers have adequate work experiences.

Concerning work experiences employees, the result in *Figure 4* shows that 19(7.76%) of the respondent have one year work experience, 111(45.3%) of respondents work experiences were within the range of 2-5 years, 59 (24.08%) were within the range of 6-10 years and 58(22.86%) of the were within the range of 11-16 years. This revealed that majority of employees, 130 (53.06%) of employees had less than five years experiences. This implied that employees of selected bank under study had less work experiences.

4.4. Descriptive Statistics

Under this heading heap of raw data analyzed using descriptive statistics is presented to establish the extent of the agreement of respondents to statements concerning knowledge management practices and organizational performances in selected private banks of Ethiopia. The questionnaire was prepared using a five point Likert scale ranges from strongly disagree to strongly agree (where, 1=strongly disagree, 2=disagree, 3 = Neutral), agree, 4=agree and 5=strongly agree. Whereas, the mean scores computed were divided in to five ranges in reporting the results. Accordingly, a mean score of [1.0 – 1.5), [1.5 – 2.5), [2.5 - 3.5), [3.5 – 4.5) and [4.5 – 5.0) respectively stands for very poor, poor, undecided, high, very high.

4.4.1. Knowledge Management Practices

This section sought to establish knowledge Management practices of selected private banks. Essentially it is sought to establish knowledge acquisition, knowledge sharing, knowledge storage and knowledge applications practices of selected banks.

4.4.1.1. Knowledge Acquisition

This section sought to examine knowledge acquisition practices of Wegagen and Enat banks and details are presented on table 5 underneath.

Table 5: Knowledge acquisition Practices

S/No	Statement	N	Mean	S.D
1	The organization sends employees for external trainings	266	4.05	.630
2	The organization invests in Research & Development	266	4.04	.661
3	The organization has assigned certain employees to identify best practices in the firm and share with management	266	4.00	.611
4	The organizations readily generate new knowledge from existing knowledge	266	4.05	.688
5	My Organization has processes for distributing knowledge throughout the organization	266	3.99	.647
6	My Organization has teams devoted to identifying best practices	266	4.03	.703
7	My Organization has processes for acquiring knowledge about competitors	266	3.98	.673
8	My Organization has processes for acquiring knowledge about new services within our firm	266	4.02	.700
9	In my Organization experienced Employees are recruited to bring new knowledge into the organization	266	3.96	.791
	Grand Mean	266	4.01	.42

The result on table 5 revealed that there is moderate provision of external training in sampled firm as demonstrated by mean score of 4.05 with standard deviation of 0.630. Similarly, respondents indicated that their firms moderately invest in research and development so as to promote organizational performance. This is demonstrated by mean score of 4.04 with standard deviation of 0.661. The mean score for item three is 4.00 with standard deviation of 0.611. This attested that the sampled banks assigned employees who identify best practices in the firm and thereby share the practices with other stakeholders. Similarly, mean scores of 4.05, 3.99, 4.03, 3.98, 4.02 and 3.96 with standard deviation of 0.688, 0.647, 0.703, 0.673, 0.700 and 0.791 for item 4,5,6,7, 8 and 9 respectively. The results demonstrate that the firms under study were high in generating new knowledge from existing knowledge, moderate in identifying competitors of the firm, moderate in distributing knowledge distribution among department is moderate, trends of acquiring new knowledge that enables delivery of new of service is moderate and recruiting experienced employees to bring new knowledge to the organization is encouraging. Moreover, grand mean of 4.01 revealed that knowledge acquisition practice is moderate in the sampled

firm, while, standard deviation of 0.42 indicates that deviation from the mean is too small which implied that individual response for each item is close to each other and this in turn indicates that good precisions. From this one can conclude that though knowledge acquisition practice is promising still it needs great effort to establish platform for knowledge acquisition system in the bank which in turn could enhances organizational performances.

4.4.1.2. Knowledge Sharing

This section sought to examine knowledge acquisition practices of Wegagen and Enat banks and details are presented on table 5 underneath.

Table 6: Knowledge sharing practices

S/No	Statement	N	Mean	S.D
1	In our bank, employees work in groups and this facilitate share knowledge	266	4.14	.620
2	Mentors share their experiences to newer staffs	266	4.11	.593
3	Employees in the organization open to one another to share their knowledge	266	4.08	.674
4	In our firm knowledge sharing is a key component of employees' appraisal system	266	4.11	.632
5	In new employees are assigned mentors to help them on personal work and accelerate their learning	266	4.03	.680
6	Employees contribute ideas and thoughts to the organization through online discussions	266	4.14	.642
7	Employees share their experiences and knowledge about work with other organizations	266	4.08	.634
8	My organization has techniques for exchanging knowledge between individuals	266	4.06	.656
9	My organization members are supportive for knowledge sharing	266	4.10	.613
10	My organization engages in the process of distributing knowledge among departments		4.05	.642
	Grand Mean	266	4.09	.341

As indicated on table 6 above mean score for item one is 4.14 and its corresponding standard deviation is 0.620. This illustrates that respondents agreed at the level of agree, this implies working collaboratively/in group is moderate and this in its turn indicates knowledge sharing is moderate among employees in the firm. Well matched to item number one respondents decided at the level of agree for item two to ten as all the mean values are in the ranges of (3.5 4.5]. These demonstrated that experience sharing to new staff is high in the sampled firm, sampled firm moderately considers knowledge sharing as key components of employees' appraisal system, mentors are assigned for new employees, Via online discussions employees' contribute ideas and thoughts to the organization, there was knowledge sharing with other organizations, sampled firms possesses techniques of exchanging knowledge techniques of exchanging knowledge between individuals, members of organizations are supportive to knowledge sharing and the organization engaged in the process of distributing knowledge among departments. The aforementioned results were demonstrated by the position of the respondents who majorly agree in each case. On the basis of these findings it is possible to conclude that knowledge sharing practices in the sampled banks were encouraging but still intensity of their knowledge sharing practices deemed moderate which call farther effort become outstanding in knowledge sharing practices. This result agrees to some extent with Yu, Yu and Yu (2013) stated that the sharing of information among staff and stakeholders of a business unit or organization are moved from one department to another.

4.4.1.3. Knowledge Storage

Under this heading, respondents were requested to indicate their level of agreement for statement pertained to knowledge storage practices and the findings are indicated in Table 7 below.

Table 7: Knowledge Storage Practices of Selected Banks

S/No	Statement	N	Mean	S.D
1	Knowledge is kept in databases/repositories	266	3.77	.592
2	The organization has knowledge procedures manual	266	3.56	.578
3	The organization has established knowledge archival systems	266	3.54	.565
4	The service has adequate servers for storing soft copies of work procedures /manuals	266	3.94	.609
	Grand Mean	266	3.70	.453

Table 7 shows that respondents agreed that knowledge is kept in data bases as supported by a mean score of 3.77. Similarly respondents indicated their agreement that sampled firms had knowledge procedure manuals as it is demonstrated by mean score of 3.56. Respondents also indicated that their firm had established knowledge archival systems and adequate servers for storing soft copies of work procedures/manuals as revealed by mean scores of 3.54 and 3.94 respectively. Moreover, the grand mean score obtained was 3.70 which revealed that respondent respondents level of agreement was agree. This illustrate that knowledge storage practices of selected bank was medium.

4.4.1.4. Knowledge Application

Under this heading it was sought knowledge application practices of selected bank was sought to examine. A scale of 1-5 where; 1= Strongly Disagree; 2 = Disagree; 3= Neutral; 4= Agree and 5= strongly agree, was used by the researcher to establish the level of agreement on knowledge application practices in their firm and the findings are as shown in Table 8.

Table 8: Practice of Knowledge application

S/No	Statement	N	Mean	S.D
1	The firm always used knowledge gained to improve quality of service delivered	266	4.18	.686
2	knowledge learned from experiences is well utilized to improve service delivery	266	3.98	.687
3	Knowledge gained are readily used to develop new services	266	4.22	.643
4	My organization has processes for using knowledge to solve new problems	266	4.23	.651
5	The firm gaining insight in running work operations from the created knowledge	266	4.11	.687
6	My organization uses knowledge to improve efficiency	266	4.21	.668
7	The firm uses knowledge collected to improve its internal processes.	266	4.19	.652
8	My organization is able to locate and apply knowledge to changing competitive conditions	266	4.14	.673
	Grand Mean	266	4.19	.365

As it is affirmed from table 8 above, in sampled banks: knowledge gained is utilized to improve service delivery, gained knowledge was readily used to develop new services, knowledges was readily used to solve new problems, there is match between problem and challenges encountered and knowledge applied to resolve it, there isa habit of running work operations from the created knowledge, knowledge is effectively used to improve efficiency, knowledge gained are was used to improve internal process and knowledge is applied to changing competitive conditions. These findings were revealed by mean score of 4.18, 3.98,4.22, 4.23,4.11, 4.21, 4.19 and 4.14. On the other hand standard deviation < 1 indicate that each individual response deviation from the mean is small which in turn confirms individual response s were close to each other. Moreover, the grand mean score obtained was 4.19 which revealed that majority of respondents level of agreement was agree from ranges of choice provided. This illustrates that knowledge application practices of selected bank was high.

4.4.2. Organizational Performances

Organizational performance is measured in different approach. Whereas, for the purpose of this study organizational performance was measured from BSC perspectives and details of the finding is presented under this heading.

4.4.2.1. Organizational Performances Pertained to Customer Satisfactions

Statements in table 9 were intended to measure the extent to which customer-related aspect of organizational performance in private banks has been performed. Accordingly, the findings analyzed from heaps of collected raw data were analyzed and summary results are presented on table 9 underneath.

Table 9: Organizational Performance from Customers Satisfaction Perspectives

S/No	Statement	N	Mean	S.D
1	Our customers are satisfied with service they receive	266	3.79	.776
2	In my organization customers are retained due to good services	266	3.71	.765
3	In my organization the quality of services that we provide has improved	266	3.76	.801
4	In my organization the number of people who are using our services has increased	266	3.78	.725
5	In my organization the demand for the services that we provide has increased	266	3.74	.734
6	In my organization consistently meets the expectations of our customers	266	3.77	.746
7	My organization takes actions to learn what services customers need	266	3.79	.697
8	Our clients are well aware of the work we do and we give regular updates	266	3.81	.682
	Grand Mean	266	3.77	.416

As it is affirmed from table 8 above, in sampled banks: customers are satisfied with service they receive, good services provided contribute for customers retention, number of customer served has been increased, customers demand has been increased, the firms meets customers' expectations, clients are aware of what the firm do and there is provision of regular update to customers regarding what the firms do. These findings were revealed by mean score of 3.79,

3.71, 3.76, 3.78, 3.74, 3.77, 3.79 and 3.81 respectively from item one to eight with grand mean score of 3.77. The grand mean score revealed that majority of respondents level of agreement was at agree level. This elucidates that customers were highly satisfied with services they receive.

4.4.2.2. Employee Learning & Growth

Table10: Organizational performances pertained to employee learning and growth

S/No	Statement	N	Mean	S.D
1	There are opportunities for continuing professional development in this organization	266	4.04	.610
2	The management encourages employees to pursue further studies	266	3.96	.694
3	Employee innovation is encouraged in the organization	266	4.03	.641
4	Employee remuneration is better than at comparable organizations	266	3.99	.664
5	In my organization my job is satisfying	266	3.98	.678
6	In my organization employee are satisfied what the organization doing for its employee	266	3.97	.692
7	My organization has better staff retention and attraction method	266	3.92	.663
8	I have enough knowledge to make optimal decisions to accomplish my performance objectives	266	3.93	.635
9	My organization provides Training that is linked to organizational goals and objectives	266	3.89	.626
10	My organization provides necessary equipment/tools to accomplish my performance objectives	266	3.88	.633
	Grand Mean	266	3.96	.350

As depicted on table 10, in sampled bank there is opportunity of continuing professional development for employees as indicated by static mean of 4.04 with standard deviation of 0.610. Mean value of 4.04 conforms that majority of respondents' position for this particular statement is agree which implies that access to continuing professional development for employee was

ranked medium, while standard deviation of 0.610 depicted that deviation of individual response from the mean is relatively small which in turn demonstrates each respondent response was close to each other. Compatible to item number one findings on table 10 indicates that, management encourages employees to pursue further studies, innovative employees' are encouraged, Employee remuneration is better compared to other firms, employees satisfied with their job, there is better employee retention and attraction techniques, employees' have adequate knowledge to make optimal decisions that leads to attain intended objectives, there is provision of training that is linked to organization goals, and there firm provide adequate equipment to accomplish intended objectives. These findings affirm though, employees' learning and growth is promising but still respondents feel that learning and growth is not sufficient as it is disclosed by grand mean (3.96). The grand mean score indicates relatively high achievement not very high. Therefore, still firms are anticipated to give more focus on employees learning and growth so to arrive at optimal performance.

4.4.2.3. Organizational performance from financial perspective

Table11: Performances from Financial Perspectives

S/N	Statement	N	Mean	S.D
1	My organization has improved its asset utilization	266	4.11	.509
2	My organization's net income (return on equity) has been increased	266	4.08	.590
3	My organization return on asset has been increased	266	4.12	.600
4	My organization utilizes financial resources economically	266	4.20	.622
5	My organization is profitable	266	4.00	.617
6	My organization's market share has increased	266	3.93	.604
	Grand Mean	266	4.06	.251

From the finding on financial performances of selected private banks, the study established that the respondents agreed that their firm has improved its asset as explained by the mean of 4.11, net income (return on equity) of the firm has been increased as indicated by mean of 4.08, return on asset has been increased has demonstrated by mean of 4.12, resources are utilized economically as disclosed by mean of 4.22, the firms are profitable as attested by mean of 4.00 and the firms market share has been increase as it is depicted by mean score of 3.93. Therefore it is possible to conclude that financial performance of sampled private banks is encouraging.

4.4.2.4. Organizational performance from internal process perspective

Table 12: Organizational performance from internal process perspective

S/N	Statement	N	Mean	S.D
1	My organization provides quality services to its customers.	266	4.06	.626
2	The organization strives to improve service delivery	266	4.07	.607
3	Use proper expertise available for the various quality issues and different business problem	266	4.45	.672
4	My organization becomes more innovative of new service	266	2.48	.645
5	implement new program or technology for a firm	266	2.41	.655
6	My organization has better service for customers	266	4.11	.601
7	My organization becomes more innovative of new service aligned with its mission	266	2.43	.641
	Grand Mean	266	3.50	.334

From the finding on internal performances of selected private banks, the study established that the respondents agreed that the firms provide quality services to customers as demonstrated by the mean of 4.06, the organizations attempts to improve service delivery, as attested by mean of 4.07, receive consultation from expertise for various quality issues and different business as indicated by mean of 4.45, innovative to new service is poor as revealed by mean of 2.48, implementing new program or technology is awful as attested by mean of 2.40, there is provision of optimal services for customers as disclosed by mean of 4.11 and poor innovative of new service aligned with its mission as disclosed by mean of 2.43. More over relative other BSc perspectives performance status of selected banks on internal process (efficiency) is low as it is demonstrated by grand mean score of 3.50. As internal process is a element in explaining organizational performances it needs more focus.

Generally the findings of this study revealed that performance status of sampled firm from BSC perspectives is promising, though it still needs reached to optimal level.

4.5. Inferential Analysis

As attested in the preceding section, in addition to descriptive statistics employed for data analysis this study also demand inferential statistics to address objectives of the current study. Consequently, since the very purpose of this study is to examine the association between knowledge management practices and organizational performance, correlation analysis and regression analysis is compatible statistical test. Thus, Pearson product moment was used to see association between predictors (independent) variables and criterion (dependent) variable, while multiple regression was used to predict how much of variations in dependent variable is due to predictors' variables.

But, before carrying Pearson product moment correlation and a regression analysis, assumption to use them was be tested. Therefore, assumptions of Pearson product moment correlation and classical linear regression model were tested by conducting various diagnostic tests for the specified models. The diagnostics that were carried out are discussed as follows.

Linearity Test

Linearity refers to the degree to which the change in the dependent variable is related to the change in the independent (predictors) variables. To determine whether the relationship between the organizational performance (dependent or criterion variable) and independent variables(knowledge acquisition, knowledge sharing, knowledge storage and knowledge plots of the regression residuals through SPSS V24 software had been used.

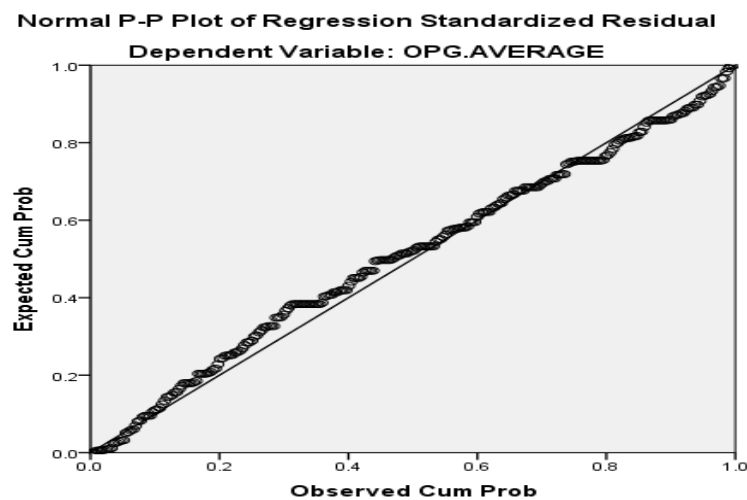


Figure 5: linearity Test

As figure 5 demonstrated that, predictors (independents) and criterion (dependent) variables are linearly related, because, all the data are distributed near the linear fit line. Therefore, the assumption to use Pearson product moment correlation and multiple regressions in this regard is satisfied.

Multicollinearity Test

Multicollinearity refers to the situation in which the independent/predictor variables are highly correlated. When independent variables are multicollinearity problem, there is “overlap” or sharing of predictive power. Multi-co linearity occurs when the independent variables are not independent from each other and in this study it is tested using tolerance and variable inflammatory factors.

Tolerance and VIF measures the influence independent variables on each other. Tolerance is calculated with an initial linear regression analysis. Tolerance is defined as $T = 1 - R^2$ for these first step regression analysis. As a rule of thumb, tolerance value greater than 1 is signals of a possible multi-co linearity problem. Variance Inflation Factor (VIF) of the linear regression is defined as $VIF = 1/T$. With $VIF > 10$ there is an indication for multi-Collinearity to be present and summery Multicollinearity test presented on 10 below.

Table 13: Multicollinearity test

Variables	Collinearity Statistics	
	Tolerance	VIF(s)
Knowledge Acquisition	.492	2.035
Knowledge Sharing	.619	1.616
Knowledge Storage	.532	1.881
Knowledge Application	.571	1.751
Organizational Performance	.492	2.035

Results on table 13 depicted that value of VIF and tolerance for all independent variables are much lower than the limit 10 and 1 respectively. VIF less than 10 and tolerance value less than 1 depicted that independent variables in this study are not highly correlated. This confirms that there is no multicollinearity problem. In light of the assumption to use multiple regressions is satisfied.

Normality Test

Normality tests are used to determine if a data set is well modeled by a normal distribution and to compute how likely it is for a random variable underlying the data set to be normally distributed and the sample data has been drawn from a normally distributed population. Normality can be measured using kurtosis or skewness. In this study skewness value used and the summary is demonstrated in table 11 below.

Table 14: Test for Normality

Variables	Skewness	error
Knowledge acquisition	.472	.149
Knowledge sharing	.312	.149
Knowledge storage	.134	.149
Knowledge application	-.171	.149
Organizational performance	.012	.149

Skewness result within the range of -1 to +1 attested that the data is normally distributed data. The result on table 14 depicts that all the variables had skewness value ranges between -1 and +1. The underlying distribution of the study data was thus found to be normal and suitable for Pearson product moment correlation and linear regression analysis or assumption to use Pearson product moment and linear regression is not violated.

4.5.1. Correlation Analysis

The primary objective of correlation analysis is to assess the linear association between two variables. The correlation coefficient examines the strength and direction of the linear relationship between two variables. It ranges between -1(perfect negative correlation) and +1(perfect positive correlation). The larger the absolute value of the coefficient; the stronger the relationship between the variables, Zero (0) indicates no relationship between two variables. The

sign of the relationship indicates the direction of relationship. The correlation is statistically significant; if the p-value is less than or equal to the significance level, then we can conclude that the correlation is different from 0. The correlation is not statistically significant; if the p-value is greater than the significance level, then one cannot conclude that the correlation is different from 0 and interpretation of this study is also made on the basis of this fact. As such the following table shows the correlation between criterion variable (organizational performances) and predictor variable (knowledge acquisition, knowledge sharing, knowledge storage and knowledge application).

Table15: Correlation between knowledge management and Performances

Independent Variables	Organizational performance)		
	N	Correlation value	Sig.
Knowledge acquisition	266	.640	.000
Knowledge sharing	266	.585	.000
Knowledge storage	266	.595	.000
Knowledge application	266	.674	.000

The correlation coefficient values on table 15 depicts that the association between variables. There is a statistically significant positive relationship between knowledge acquisition and organizational performance ($r = .640$, $p < .05$); knowledge sharing and organizational performances ($r = .585$, $p < .05$); knowledge storage and organizational performance ($r = .595$, $p < .05$) and knowledge application and organizational performance ($r = .674$, $p < .05$).

Moreover, though all of the independent constructed variables were correlated with organizational performance there is variation in strength of associations. Among the variables the highest correlation coefficient was found between knowledge application and organizational performance, followed by between knowledge acquisition and organizational performance.

Generally, from the above table we can conclude that all constructed independent variables have statistically significant positive correlation with organizational performance because the p value is less than $\alpha = .05$ level. Therefore the result depicts that as knowledge acquisition increases,

organizational performance increases. This implies knowledge acquisition indispensable contribution in increasing organizational performance. Similarly, increasing improving knowledge sharing channel, knowledge storage capacity and knowledge application habit contributes in enhancing organizational performance.

4.5.2. Multiple Regressions Analysis

Multiple regressions is a statistical technique through which one can analyze the relationship between a dependent or criterion variable and a set of independent or predictor variables. As a statistical tool, multiple regressions are frequently used to find the best prediction equation for a set of variables; i.e., to predict how much of variation in dependent variable is due to predictors variables and to evaluate the contribution of a specific variable or set of variables, i.e., identifying independent relationships. In short, the aim of multiple linear regressions (MLR) is to model the linear relationship between the explanatory (independent) variables and response (dependent) variable.

In this study multiple regression analysis was employed to quantify variation in dependent variable due to independent variable. The predictor variables for the regression analyses were knowledge management (knowledge acquisition, knowledge sharing, knowledge storage and knowledge application). Moreover as shown above a test of three assumptions underlying the regression analysis, namely, normality, linearity, and multicollinearity, revealed that no assumptions for multiple regressions were violated. Accordingly, Table 16 presents the results of the multiple regression models that measure the extent of relationship between the dependent variable and the independent variables. Goodness of fit(R-square) measures how well the regression model actually fits the data. It is the percentage of the dependent variable variation that a linear model explains and it is always between 0 and 100%. Higher R-squared values represent smaller differences between the observed data and the fitted values.

Table16: Model Summery

Model	R	R square	Adjusted R Square	Standard Error of the Estimate
1	.770	.593	.587	.19584

a. Predictors: KAQ, KSH, KST, KAP

Table 16 above shows important element about model. R shows a significant positive relationship of 0.770 which is 77.0%. The R² value =.593 meaning 59.3% of the variation in the model can be predicted using the independent variables that means with respect to this study 59.3% of change in organizational performance is explained by the constructed independent variables. But, the remaining 41.7% changes in organizational performance in this study are caused by other factors that are not included in the model. Therefore, the constructed organizational factors (such as knowledge acquisition, knowledge sharing, knowledge storage and knowledge application are good explanatory variables of organizational performance.

According to Muijs (2004) described that goodness of fit value less than 0.1 is poor fit, 0.11 to 0.30 modest fit, 0.31 to 0.50 moderately fit, and >0.50 is considered as strong fit. In this study the value of goodness of fit (R²) is 0.593 which indicates the model is strongly fit to predict the dependent variable namely organizational performance.

Table17: Anova Table

Model		Sum of squares	df	Mean Square	F	Sig
1	Regression	14.590	4	3.648	95.08	.000
	Residual	10.010	261	.038		
	Total	24.600	265			

- a. Dependent variable: TC
- b. KAQ, KSH,KST,KAP

The F- test is95.08 and p-value associated with the F value is (.000) and it is less than alpha level of 0.05. This revealed that F value is statistically significant. Therefore, we can conclude that the independent variables reliably predict the dependent variable. If the p-value were greater than 0.05, we would say that the group of independent variables do not show a significant relationship with the dependent variable, or that the group of independent variables do not reliably predict the dependent variable (Samuel, 2011).

Table 18: Estimates of coefficient

		Coefficients ^a					
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Zero-order (r)
		B	Std. Error	Beta			
1	Constant	.840	.167		5.028	.000	
	Knowledge acquisition	.160	.040	.222	3.944	.000	.640
	Knowledge Sharing	.183	.045	.204	4.071	.000	.585
	Knowledge storage	.124	.043	.156	2.886	.000	.595
	Knowledge application	.295	.044	.354	6.769	.001	.674

In the table-above table 18, beta coefficients indicated how much the dependent variable varies with an independent variable, when all other independent variables are held constant. The beta coefficients indicated that how and to what extent the independent variables influence the dependent variable. Accordingly, the result of coefficient value of regression analysis indicated the highest determinant factor which affect organizational performance is knowledge application (at Beta value=.354, followed by knowledge acquisition (Beta=.222), knowledge sharing (Beta=.204) and knowledge storage (Beta=.156). Thus, from the finding one can infer that knowledge application and knowledge acquisition are the most positive significant factors affecting organizational performance. The intercept β_0 (the constant) is the expected mean value of the dependent variable when all the independent variables becomes zero. It is the constant value where the linear regression line intercepts the y- axis representing the amount of dependent variable, when all the independent variables are zero. In this study the value of β_0 (the constant) is 0.841. On the hand the P-value for each explanatory variable is less than alpha 0.05 which implied that t-value for each explanatory variable is statistically significant and this again attested that the variation in dependent variable due to each predictor variable is significant. Thus, based on finding under table 17 the following regression model (equation) is obtained:

$$\text{Organizational performance}(OP) = \beta_0 + \beta_1KQ + \beta_2KSH + \beta_3KST + \beta_4KA + \epsilon$$

$$OP = \beta_0 + 0.222KAQ + 0.204KSH + 0.156KS + 0.354KA + 0.167$$

This revealed that when the independent variables increase by 1 unit, then the dependent variable affected by the respective coefficient β amount of that independent variable. A unit increase in knowledge acquisition while holding other factors constant, organizational performance would

be at 0.222. Similarly, organizational performance increase by 0.204 with a unit increase of knowledge sharing. The findings also show that knowledge sharing had a p value of 0.00 which is less than 0.05 an indication that the variable significantly influenced organizational performance in private banks. This is in support of Ndegwa (2015) who stated that knowledge sharing is statistically significant with a positive moderating effect to organizational performance. Hence, organizations are advised to re-evaluate the state of their firm level performance in terms of their knowledge management practices to increase sharing, storage for innovation and improved performance. Similarly, a unit increase in knowledge storage while holding other factors constant, organizational performance would be at 0.156. The findings further established that knowledge storage had a p value of $0.00 < 0.05$ an indication that the variable significantly influenced organizational performance in private bank of Ethiopia. This agrees with a study by Al-Ghazi (2014) who stated that there is a significant statistical influence of knowledge management in terms of creation, application and storage on organizational performance using the balance score card perspectives. The findings also demonstrate that with a unit increase in knowledge application while holding other factors constant, organizational performance would be at 0.354.

Moreover, from table 18 (model summary) aforementioned, the R^2 value = 0.593 meaning 59.3% of the variance in the model can be predicted using the independent variables that means with respect to this study 59.5% of organizational performance is explained by the constructed independent variables. Based on this, the following formula was employed to know how much of tax non-compliance behavior is explained by each predictor variable.

$$(R^2)(100) = (\beta_{KAQ}r_{KAQ} + \beta_{KSH}r_{KSH} + \beta_{KST}r_{KST} + \beta_{KA}r_{KA})$$

$$59.3\% = 0.222*0.640 + 0.204 * 0.585 + 0.156 * 0.595 + 0.354 * 0.674$$

$$59.3\% = 14.21\% + 11.93\% + 9.28\% + 23.86\%$$

The above computed results attested that 14.21%, 11.93%, 9.28%, and 23.86% of the change in organizational performance respectively is due to knowledge acquisition, knowledge sharing, knowledge storage and knowledge application. The results of regressions demonstrated that there is statistically significant positive relation between knowledge acquisition and organizational performance knowledge sharing and organizational performance, knowledge storage and organizational performance and knowledge application and organizational performance.

Generally the findings of this study are in agreement with research study conducted elsewhere. For instance study conducted by Reisi et al (2013) to investigate the relationship between individual dimensions of knowledge management process capability and organizational effectiveness among selected sport organizations in Iran supports the current study findings. Employing multi-variant regression analysis, the results demonstrated that all dimensions of knowledge management capabilities (knowledge acquisition, knowledge conversion, knowledge application, and knowledge protection) have direct and a significant relationship with organizational effectiveness. They further suggested that knowledge and learning activities are necessary for organizations to improve their effectiveness. Furthermore, Liu & Deng (2015) found that each dimension of knowledge management capability has a positive effect on business process outsourcing performance. Knowledge application was found to be the most significant dimension correlated to business process outsourcing performance which is also true in the current study conducted. They concluded that knowledge management capability is an effective tool to enhance performance as it provides organizations with competitive advantages that their competitors difficult of imitate. In addition, Kimaiyo, Kapkiyai, & Sang (2015) mentioned that all processes of knowledge management are very important for enhancing firm performance. Firms are suggested to apply knowledge management continuously by creating new knowledge, converting knowledge into new design or strategy, learning from previous experience, and protect their knowledge in order to achieve better performance. On the other hand, Mills & Smith (2011) conducted a study in Jamaica to examine the relationship between knowledge management capability and organizational performance. They found that knowledge acquisition, knowledge application, and knowledge protection are positively related to organizational performance, but not knowledge conversion. They argued that the relationship between knowledge management and performance is complex which, each knowledge management process is not necessary directly linked to performance even they are found to be correlated to performance from a composite model.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction

This chapter commences with the summary of findings that emanated from the study that sought to establish the association between knowledge management and organizational performance of selected private banks in Ethiopia. The chapter then continues to provide conclusion and proceeds to recommendations. Finally, suggestions for further research are presented.

5.2 Summary of the Findings

The very purpose of this study was to establish the relationship between knowledge management and organizational performance of some selected private owned banks. The specific objectives were sought to examine the influences of knowledge acquisition, knowledge sharing, knowledge storage and knowledge application on organizational performance of selected private owned banks in Ethiopia. Besides, the study also sought to assess knowledge management practices and organizational performance status of selected private banks

The findings of this study revealed that knowledge management practices of sampled bank are moderate as it were attested by grand mean score of 4.01, 4.09, 3.70, 4.19 or knowledge acquisition, knowledge sharing, knowledge storage and knowledge application respectively. Of knowledge management constructs considered in this study the finding attested that relatively knowledge application is better practiced, while, knowledge storage is the least practiced in sampled banks. Compatible to this their organizational performances from customer satisfaction perspective, from learning and growth perspectives, from internal process (efficiency) perspective and from financial perspective are also moderate as indicated by grand mean score of 3.77,3.96,4.06 and 3.50respectively. The finding affirmed that from measure of organizational performance financial performance is relatively ranked first and internal process ranked last. The finding demonstrated that though knowledge management practices and organizational performances of sampled firm were promising it still demands great effort to boost the practices and performances to fit with the competitive environment. The finding of the study further revealed that there is significant positive relation between knowledge management construct considered in this study and organizational performances as perceived by respondents.

Specifically, regression analysis indicated that the highest determinant factor which affect organizational performance is knowledge application (at Beta value=.354, followed by knowledge acquisition (Beta=.222), knowledge sharing (Beta=.204) and knowledge storage (Beta=.156).

5.3. Conclusion

Owing the aforementioned key finding it could be possible to conclude that knowledge management processes capability is a key in achieving the performance of private bank industry in Ethiopia. Moreover it is also possible to conclude that among knowledge management dimensions considered in this study the effects of knowledge application on organizational performance is ranked first as 35.4% of the organizational performance is due to the change in knowledge application (Section 4.4.2.). This implied that though all knowledge management dimensions included in this study have significant positive effect on organizational performances knowledge application was ranked first, therefore it need more attention than other knowledge management dimensions included in this study.

Generally the growing importance of knowledge has motivated businesses to adopt knowledge management as an important practice in developing their business strategies. In order to further convince businesses to apply knowledge management, businesses should have a better understanding on the consequences of implementing knowledge management. This study is expected to provide insights to the businesses by demonstrating the empirical evidences of the relationship between knowledge management capabilities and organizational performance.

5.4. Recommendations

Based on aforesaid findings the following recommendations are forwarded.

- 1) As the finding revealed performance of sampled banks were relatively low in terms of internal process therefore higher officials of the bank should give due attention.
- 2) The findings further revealed that knowledge dimensions have significant positive effects on organizational performances, therefore, understanding knowledge management effects on organizational performances the bank industries should boost their knowledge acquisition, knowledge sharing, knowledge storing and knowledge application so as to

more boost customer satisfactions, learning and growth, financial performance and their efficiency.

5.5. Potential implications

The current study would have theoretical and practical implications for both scholars and practitioners. From scholars' perspective, the findings of this study are expected to further enhance the understanding on the relationship between dimensions of knowledge management and organizational performance. From the perspective of practitioners, the findings of this study may be useful to businesses by determining the most effective knowledge management capability that may enhance their performance.

5.6. Areas for Further Study

It was established that the coefficient of determination (R square) in the optimal model was 0.593. This demonstrated that the model explained 59.3% of the variations in the dependent variable (organizational performance). It meant that the remaining 40.7% is explained by other variables other than the four study variables; knowledge acquisition, knowledge sharing, knowledge storage and knowledge application. In this regard the study therefore, proposes that further research should be conducted to establish the other variables that contribute to organizational performances in private banks of Ethiopia.

This study also recommends further research that compares knowledge management practices across a wider bank industry sectors which could provide additional insights, hence undertaking a research on a wider array of industries in future research could be instructive.

Furthermore, the current study relied on primary data, future studies should carry out similar studies by use of secondary or empirical data for a more precise result.

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COLLEGE OF BUSINESS & ECONOMICS
DEPARTMENT OF BUSINESS MANGMENT
APPENDICIES

Appendix A: Knowledge Management and Organizational performance Survey

_____Bank

Dear Respondent,

My name is Henok Getachew a graduate students at Addis Ababa University (AAU) School of Business and Economics. Currently I am carrying out a research study entitled” Effect of Knowledge Management on Organizational Performance of private banks in Ethiopia for partial fulfillment of Master’s degree in Business Management.

The purpose of this research is to investigate the effect of KM process (Knowledge Acquisition, Knowledge sharing, Knowledge sharing and Knowledge Application)) on organizational performance from BSC perspectives. To this end, the study is designed to gather data from head office division managers and employees through questionnaire for which the voluntary and cordial engagement of the participants is vital.

I am hereby kindly requesting you to complete this questionnaire in order to achieve the intended research objective. The information provided will be used only for academic purpose and will be treated with strict confidentiality. If you have any questions or concerns about completing the questionnaire, you can raise questions at any moment. By completing and submitting the survey, you are indicating your consent to participate in the study. Your participation is appreciated and I would like to thank in advance.

Regards;

Henok Getachw

This questionnaire consists of two parts, Part I deals with background of respondents and Part II consists of the main survey question of the research

Part I: Background Information of the Respondents

Instruction: Please select the correct answer by putting tick “√” mark in the space provided

S.No	Variables	Category	Response
1	Gender	Male	
		Female	
2	Age	<25 year years	
		25-30 year years	
		31-35 years	
		36- 40 years	
		Above 40 years	
3	Education Level	College Diploma	
		Bachelor’s Degree	
		Master’s Degree	
4	Experiences in bank	< =1 year	
		2-5 years	
		6-10 years	
		11-15 years	
		Above 16 years	

5. Current position in the organization: _____

Part II: Main Survey Questionnaire

2.1. Knowledge Management Process

This section sought to examine knowledge Management practices. Please put an “X” mark in the appropriate column. The options range from 1(strongly disagree), 2(disagree), 3(I have no opinion), 4 (agree), and 5 (strongly agree).

2.1.1. Knowledge Acquisition

S.No	Knowledge Acquisition Practice	Level of Agreement				
		5	4	3	2	1
1	The organization sends employees for external trainings					
2	The organization invests in Research & Development					
3	The organization has assigned certain employees to identify best practices in the firm and share with management					
4	My organization has processes for generating new knowledge from existing knowledge					
5	My Organization has processes for distributing knowledge throughout the organization					
6	My Organization has teams devoted to identifying best practices					
7	My Organization has processes for acquiring knowledge about competitors within our firm					
8	My Organization has processes for acquiring knowledge about new services within our firm					
9	In my Organization experienced Employees are recruited to bring new knowledge into the organization					

2.1.2. Knowledge Sharing

S.No	Knowledge Sharing Process	Level of Agreement				
		5	4	3	2	1
1	The organization has formalized knowledge sharing processes					
2	Mentors share their experiences so as to pass information to newer					
3	Employees in the organization trust each other (open to one another)					
4	In our firm knowledge sharing is a key component of employees' appraisal system					
5	In new employees are assigned mentors to help them on personal work and accelerate their learning					
6	Employees contribute ideas and thoughts to the organization through online discussions					
7	Employees share their experiences and knowledge about work with other organizations					
8	My organization has processes for exchanging knowledge between individuals					
9	My organization members are supportive for knowledge sharing					
10	My organization engages in the process of distributing knowledge among departments					

2.1.2. Knowledge Storage

S.No	Knowledge Storage Process	Level of Agreement				
		5	4	3	2	1
1	knowledge is kept in databases/repositories					
2	The organization has knowledge procedures manual					
3	The organization has established knowledge archival systems					
4	The service has adequate servers for storing soft copies of work procedures /manuals					

2.1.2. Knowledge Application

S.No	Knowledge Application Process	Level of Agreement				
		5	4	3	2	1
1	My organization has processes for applying knowledge learned from mistakes					
2	My organization has processes for applying knowledge learned from experiences					
3	My organization has processes for using knowledge in development of new services					
4	My organization has processes for using knowledge to solve new problems					
5	My organization matches sources of knowledge to problems and challenges					
6	My organization uses knowledge to improve efficiency					
7	My organization takes advantage of new knowledge					
8	My organization is able to locate and apply knowledge to changing competitive conditions					

2.2. Organizational Performance from BSC Perspectives

2.2.1. Customer-related aspect of Organizational Performances

The following statements are intended to measure the extent to which customer-related aspect of organizational performance in private banks. Please select the correct answer by putting tick sign (√) on the scale ranging 1 through 5 in the appropriate space provided

S.No	Item	Level of Agreement				
		5	4	3	2	1
1	In my organization our services are considered leaders in the market					
2	In my organization customers are retained due to good services					
3	In my organization the quality of services that we provide has improved					
4	In my organization the number of people who are using our services has increased					
5	In my organization the demand for the services that we provide has increased					
6	In my organization we consistently meets the expectations of our customers					
7	My organization takes actions to learn what services customers need					
8	Our clients are well aware of the work we do and we give regular updates					

2.2.2. Employee Learning & Growth Aspect of Organizational Performance

S.No	Item	Level of Agreement				
		5	4	3	2	1
1	There are opportunities for continuing professional development in this organization					
2	The management encourages employees to pursue further studies					
3	Employee innovation is encouraged in the organization					
4	Employee remuneration is better than at comparable organizations					
5	In my organization my job is satisfying					
6	In my organization employee are satisfied what the organization doing for its employee					
7	My organization has better staff retention and attraction method					
8	I have enough knowledge to make optimal decisions to accomplish my performance objectives					
9	My organization provides Training that is linked to organizational goals and objectives					
10	My organization provides necessary equipment/tools to accomplish my performance objectives					

2.2.3. Financial aspect of organizational performance in Private Banks

S.No	Item	Level of Agreement				
		5	4	3	2	1
1	My organization has improved its asset utilization					
2	My organization's net income (return on equity) has been increased					
3	My organization return on asset has been increased					
4	My organization utilizes financial resources well					
5	My organization is profitable					
6	My organization's market share has increased					

2.2.4. Internal Process aspect of organizational performance in Private Banks

S.No	Item	Level of Agreement				
		5	4	3	2	1
1	My organization provides quality services to its customers.					
2	Tender processes in the organization meet firm standards					
3	The organization strives to improve service delivery					
4	Use proper expertise available for the various quality issues and different business problem					
5	My organization becomes more innovative of new service					
6	Implementation of new program or technology for a firm					
7	My organization has better service for customers					
8	My organization becomes more innovative of new service aligned with its mission					