

## Investigating the Effect of Knowledge Sharing and Market Orientation in the Development of Organizational Performance

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**Abstract:** In the era of ultra-competitive, organizations are faced with new challenges which out of them require the special attention to developing and strengthening the market orientation skills and this is done through the basics of organizational knowledge. Therefore, this study aims to Investigating the effect of market orientation and knowledge sharing on development of organizational performance. That is a descriptive-survey which has been administered in a field method. The statistical population in this study consists of all employees working for the Lorestan insurance companies (N = 121) that due to the limited number of population, data were collected by census methodology with the help of questionnaire. In this regard, four hypothesized were presented which tested by the partial least squares method and Smart PLS software. The results indicate that the positive effects of market orientation on knowledge sharing, market orientation on organizational performance and knowledge sharing on organizational performance were approved. Therefore, at the confidence level of 0.95, we can say that market orientation with a path coefficient of 0.758 has a positive and significant impact on knowledge sharing, market orientation with a path coefficient of 0.658 has a positive and significant impact on the organizational performance and the knowledge sharing with a path coefficient of 0.589 has a positive and significant impact on organizational performance. This study helps to find the ways to the synergy of knowledge and company performance. The attention Market Orientation and consequently, the use of the merits of distribution of knowledge by them can advance industry condition, coupled with the speedy strong.

**Key words:** Organizational performance, knowledge sharing, market orientation, insurance companies, Iran

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### INTRODUCTION

The globalization process and rapid of technological advancements in a wide range of different industries due to competition and also the growing demand for new products, has caused organizations activities in a dynamic, ambiguous and changing environment. To gain success in future challenging markets, it is requires a necessary readiness to response rapidly. If units have comprehensive knowledge of the competitive environment, they will receive to this readiness (Abbasi and Amangeldy, 2010).

Market orientation is a concept that has an important role in this way because of it leading to create the most value for customers through both focusing on the collect information about customers' needs and competitors' capabilities on the one hand and using an organization's resources and integration of inter-organization divisions on the other hand (Lings, 2004). Business areas in the world have been transformation. Active managers in this industry should have perfect tact in order to exploiting of opportunities and improve their organizational performance. In service organizations including the

insurance industry, human resources constitute the core of the organization and employees are service seller to customers. Knowledge as the most important capital becomes replacement to material capital, especially in the technological and competitive environment. Experience has shown if organizations used better of knowledge, then are more oriented to market mechanisms.

So, knowledge sharing plays an increasing role in creating a sustainable competitive advantage and finally organizational performance (Bock *et al.*, 2005).

In recent years, it seem in the world the continuous growth in the field of attention to Knowledge Management (KM) and its sharing via researchers and managers, especially in order to use of the best methods for organizations work (Alavi and Leidner, 2001). That is the main reason of attention to knowledge management, gaining competitive advantage and achieving many successes by organizations which knowledge sharing activities and initiatives is a key element of KM in the field of organizational and individual learning, achieving organizational goals and high performance (Nahapiet and Ghoshal, 1998).

One of the main structures in the managerial researches is an organizational performance which is undoubtedly considered as the most important measure of success in the business company. But in general, there is no complete agreement among the experts regarding to variety of variables and indicators of organizational performance. In general, organizational performance indicators are divided into two categories: objective and subjective. Objective indicators of organizational performance are measuring based on the objective data and quite really. In this study, according to the comprehensive of balanced scorecard, it used four perspectives as a basis for evaluating organizational performance (Kaplan and Norton, 1992).

**The financial perspective:** Financial performance indicators show that whether organization strategies and its implementation will help to improve the operational level or not.

**The customer perspective:** Understanding the customer perspective compared to the organization's performance, is a necessity for major management.

**The business process perspective:** Its mean that organization with excelling in their process can create value for their customers and stakeholders.

**The learning and growth perspective:** This perspective determines several parameters that are premier for organizational competitive success.

Organizations in order to development of performance and deal with competitors should have advantages, which knowledge sharing has been proposed to help of creating various organizational capabilities which is essential to the performance of organization.

In this regard, several researches have been completed that are mentioned in following. Lings (2004) in a study investigates the effect of tacit knowledge on performance of US and Canadian companies which had used the KM. The results of correlation and regression analysis showed that there is a significant relationship between tacit knowledge and performance of company (Harlow, 2008). Alavi and Leidner (2001) investigated the relationship between knowledge sharing, innovation and performance in the 89 high-tech companies in China. The results of their study showed that knowledge sharing actions (implicit and explicit) have effect on the innovation and performance. Explicit knowledge sharing has a more significant effect on the speed of innovation and financial performance while tacit sharing knowledge has a more significant effect on the quality of innovation and operational performance (Wang and Wang, 2012).

Therefore, in order to measure this relationship, the following hypothesis is offered:

- H<sub>1</sub>: Knowledge sharing has a positive and significant effect on organizational performance

Market trends and customer needs are the first new marketing features that it be remembered as a new market orientation. Kotler (2006) looked at the market orientation as the final stage of development of a commercial organization and believes that the tendency of the market, there is along the development of business trends. According to Narver and Slater (1990), market orientation is the heart of management and modern marketing strategy and a business that increase market orientation to improve its performance. Elements of market orientation from the perspective of these two researchers are the following three.

**Customer orientation:** Customer orientation is a means that understanding frequent and continuous the current and potential needs of target customers and use that knowledge to create customer value.

**Competitor orientation:** Competition orientation is i.e. the constantly understand capabilities and current and potential competitors strategies that supply the needs of the organization target customers and to use that knowledge, is to create superior customer value.

**Intra-functional coordination:** Intra-functional coordination is means being coordinates all functions of the organization and operation of the market and customers to create superior value for the customer. In the circumstances that environment in most industries is highly competitive, organizations are continually striving to create better conditions for its performance, so that they can acquire a larger market share and increase their profitability ultimately. Many studies shown that levels of market orientation in organizations leading to improved organizational performance (Narver and Slater, 1990).

Ahmed *et al.* (2003) studying the relationship between internal marketing and market orientation and its effect on the organizational performance in a Malaysia service organizations. In this study confirmed the indirect effect of internal marketing on organizational performance and market orientation has been identified as a mediator. In another study the result of Ahmed *et al.* (2003) research in England approved the relationship between market orientation and organizational performance. This researcher in his/her study to measure the market orientation used of the components: organization's customer-oriented, competition-oriented

and inter-functional coordination in organization (Berry, 1994). Therefore, in order to measure this relationship, the following hypothesis is offered:

- H<sub>2</sub>: Market orientation has a positive and significant effect on organizational performance

As mentioned, knowledge sharing is one of the affecting factors on the market orientation that has a significant important to the insurance companies. All activities related to the transmission or distribution of knowledge of an individual or organization, an individual, group or organization, called the spreading or sharing (Lee, 2001). Knowledge can be divided into two categories of explicit and implicit. Explicit knowledge can be recorded, classified and stored easily and is simple and easy move it in an official language. On the other hand, implicit knowledge hidden, rooted in everyday activities and individual mental models (Choi and Noon, 2015). In this regard, Berry (1994) examined the relationship between knowledge management orientation, market orientation and company performance. They using data from 213 companies in the United States found that organizational memory, knowledge sharing and assimilation of knowledge are importance indices to knowledge management orientation. They concluded that the knowledge management orientation can increase efficiency and market orientation is necessary variable to realize these benefits (Wang *et al.*, 2009).

In another study, Wang and Wang (2012) in their research in government organization of Australian foreign affairs concluded that knowledge sharing directly in organizations, agencies and customer is a prelude to adopt and development market orientation. In this research, knowledge management focuses on direct communication and face-to-face and cause to government departments to achieve their performance goals (Ho and Hallett, 2011). Therefore, in order to measure this relationship, the following hypothesis is offered:

- H<sub>3</sub>: Market orientation has a positive and significant effect on Knowledge sharing

Market orientation not only paid attention to outside the organization but also within the organization and not only in the domestic markets of a country but also in international markets and international (Lings, 2004). Lack of attention to distribution of knowledge, can advance industry condition, coupled with the friction and slow strong and on the other hand, step put the organization in competitive situations and market orientation, in order to

respond to the demands of overt and covert customers and create value for the market and our customers are required to use the knowledge sharing. The concept of sharing knowledge has been used frequently in market-oriented organizations in services but in an important part and the competitive business of Iran namely insurance industry have less used of these concepts. Therefore we want which examined empirically the impact of market orientation and organizational performance with respect to the role of mediator variable knowledge sharing in insurance companies in Khorramabad city.

## MATERIALS AND METHODS

**Sample and data collection:** This study in terms of target is applied and in terms of data collection is a descriptive study and field studies branch and in terms of the relationship between researches variables are causal. In the present study, we examined to above variables been used a Kaplan and Norton organizational performance questionnaire (Berry, 1994), Narver and Slater market orientation questionnaire and for knowledge sharing from (Choi and Moon, 2015) questionnaire. The reliability of the questionnaire was calculated by Cronbach's alpha coefficient, The population of this study is employees of insurance companies in Lorestan province. In this study, because of the limitation of the society, the whole members of the community were selected to the census sampling method that the numbers of them are 121 people. To adjust, classification and statistical calculation, we used IBM SPSS 20 and PLS Software and structural equations approach. Structural Equation Modeling, can be seen as a bit which helps the researchers to better organize their research, from theoretical studies and develop them to analyze experimental data in the form of multi-variable, the type of modeling as usual are a combination of measurement and structural models. There is a distinction between the two groups and reveal hidden variables, structural equation modeling.

## RESULTS AND DISCUSSION

**Research findings(the test of fitting model and test hypotheses):** During using the PLS method as well as Smart PLS software should performed these three steps in this order. Thus, first has ensured from validity of the existing in measurement models by using the criteria of reliability and validity and then paid to review and interpretation of existing relationships in section of structure as well as the final phase is an outcome of overall fit of the model. It should be noted that only the

relationship section of structure are significant and interpretation that relations and section of measured models values are acceptable. In order to evaluate section of measurement models used criteria such as Cronbach's alpha, coefficient of combined reliability, convergent validity (AVE) which then presented the results of their review (Table 1).

Thus, according to the appropriate amount for Cronbach alpha is 0.7 (Cronbach, 1951) for a combination reliability is 0.7 and for the average variance extracted AVE is 0.5 (Fornell and Larcker, 1981) and in accordance with the detailed results in the table above, all of these criteria have taken the right amount in the case of latent variables which can be confirmed the suitability situation of reliability and concurrent validity of this study.

**Assessment of the structural model:** To review the structural research model can be used to several criteria, that most important criteria is a significant Z coefficient or the t-values. Structural fitting model by using of t coefficient is in this way that this coefficient should be  $>1.96$ , so as to confirm that they are making significant at a confidence level of 95%; thus, if the value of t statistic is  $>1.96$ , at a confidence level of 95% and if the amount of t statistic is  $>2.58$  is significant of coefficient the path at a confidence level of 99% (Davari and Rezazadeh, 2013). In conceptual model of the present study, after performing computing by the Smart PLS Software, the t significant numbers is queries in Fig. 1. According to the Fig. 1, all significant Z coefficients is  $>1.96$  which shows that all hypotheses are approved at a confidence level of 95%.

**The amount of R-squares or  $R^2$ :** According to Fig. 2, the values of  $R^2$  related to the two endogenous variables of the model (knowledge sharing: 0.732 and performance: 0.816) is higher than average for this measure the 0.33, which is a sign of goodness of fit for the structural model.

For general model (measurement model and structural model) as well as used the GOF criteria. Wetzels and colleagues have introduced three values: 0.01, 0.25 and 0.36, as the amount of weak, medium and strong, for GOF. In this study, this criterion was equal to 0.667, which is indicated the very good fit of overall research model.

**Research hypotheses:** To investigate the hypothesis test been used t statistic and to assess the impact been used the standardized path coefficient. The results of the hypotheses test presented in Table 2.

Table 1: Results of the three categories of Cronbach's alpha, combines reliability and convergent validity

Factors	Cronbach's alpha	AVE	Cv
Performance	0.890	0.584	0.841
knowledge sharing	0.736	0.674	0.785
Market orientation	0.858	0.580	0.750
Financial	0.831	0.631	0.741
Learning	0.848	0.743	0.728
Customer	0.742	0.722	0.756
Process internal	0.841	0.756	0.865
Implicit	0.745	0.754	0.718
Explicit	0.824	0.541	0.711
Customer orientation	0.789	0.784	0.814
Competitor orientation	0.765	0.785	0.865
Intra-Functional coordination	0.821	0.557	0.752

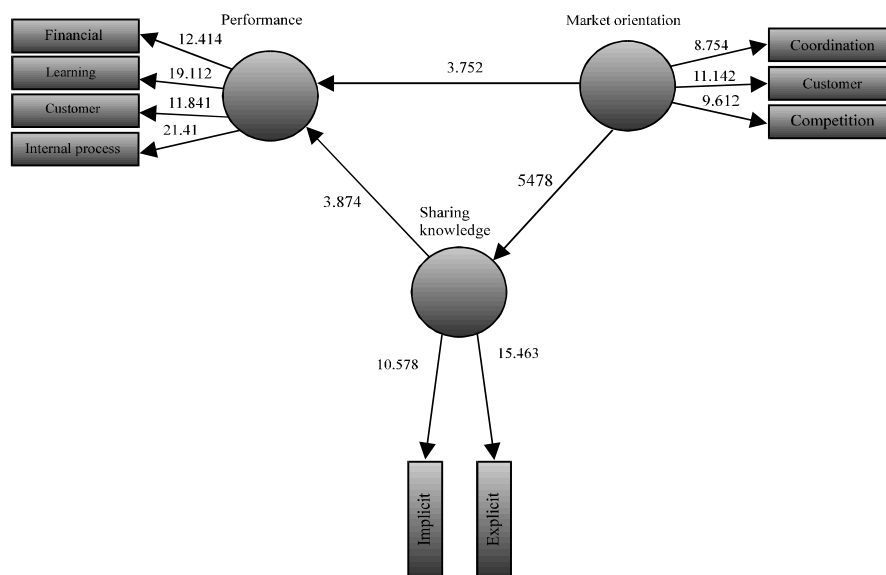


Fig. 1: PLS output in the case of significant coefficient (t-value)

Table 2: The results of this test hypotheses with partial least squares method

Theory No.	Research hypotheses	Path coefficient	t-statistics	Confidence level	Results hypothesis
1	Knowledge sharing→performance	0.651	3.874	0.05>	Confirm
2	Market orientation→performance	0.781	3.752	0.05>	Confirm
3	Market orientation→knowledge sharing	0.632	4.478	0.05>	Confirm

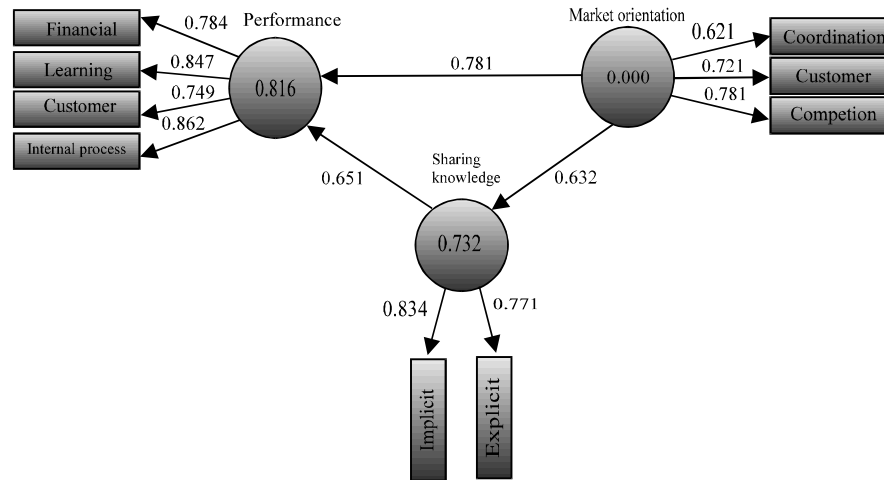


Fig. 2: PLS output in the case of standard coefficient (factor loading)

To calculate be significant paths the model, there are different methods, including z methods (values t-values), that in this way to prove be significant the path, must the path between the variables be a figure  $>1.96$ , to able confirm the correct of path and also the significance of all the questions and variables relationships at the level of confidence of 95% (Davari and Rezazadeh, 2013). Therefore, at the confidence level of 0.95, we can say that market orientation with a path coefficient of 0.632 has a positive and significant impact on knowledge sharing, market orientation with a path coefficient of 0.781 has a positive and significant impact on the organizational performance and the knowledge sharing with a path coefficient of 0.651 has a positive and significant impact on organizational performance.

### CONCLSION

Today, due to the competition boost between organizations and the increasing importance of the success of the organizations in this field, the organizations have led to the use of one of the most important resources, means knowledge. Knowledge as the most important capital has replaced physical capital, in particular, in the competitive and technology environment. Experience has shown that organizations that to make better use of knowledge and their intellectual resources are more oriented to the market mechanism.

Therefore, the concept of knowledge sharing is considered the most important and widely applied in market orientation.

This study is to evaluate the impact of market orientation on organizational performance, according to the role of knowledge sharing mediator variable and is consists of three hypothesis. The findings of the first hypothesis suggest that knowledge sharing has a direct and significant impact on organizational performance at the level of 0.95. On the other hand, standardized path coefficient between knowledge sharing and organizational performance represent this content that 0.65 of organizational performance changes is impact of knowledge sharing. The results of this study are consistent with (Cronbach, 1951).

The findings of the second hypothesis prove to the impact of market orientation on organizational performance at the level of 0.95. On the other hand, standardized path coefficient between market orientation and organizational performance represent this content that 0.78 of organizational performance changes is impact of market orientation. The results of this study are consistent with (Narver and Slater, 1990).

The findings of the third hypothesis of this study is confirmed the directly impact of market orientation on knowledge sharing at the level of 0.95. On the other hand, standardized path coefficient between knowledge sharing and market orientation is representative of this material,

which is 0.63 of knowledge sharing change is affected by the market orientation. The results of this hypothesis are consistent with research (Fornel and Lacker, 1981). Enterprise knowledge management is one of the most important success factors in insurance companies in the information age and current competitive conditions. The importance of this issue is to the extent that today, a number of organizations to measure knowledge and use it as an indicator to achieve customer satisfaction in the market.

Among the measures that could be addressed, in order to achieve the goals of development and the development of insurance companies are that the insurance companies for being pioneer in the highly competitive market of this industry to action to grow and development knowledge of entrepreneurs value their employees, so in this way with a focus on market orientation approach and satisfy the diverse needs of customers can steal outstripped of competitors. In addition, managers of insurance companies that must think measures to professional staff and their knowledge, to share their implicit knowledge with other staff, so that added to the synergy of knowledge and company performance. Also, using the transfer explicit key knowledge and experiences among employees, encourage them to creativity and innovation to develop new laws and new projects, according to the needs of society.

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