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# An Investigation of Factors Affecting the Implementation of Knowledge Management in Insurance Industry

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## ABSTRACT

The main purpose of the present study is to investigate the effect of knowledge management implementation in Pasargad insurance with the aim of the firm's ability to achieve the goal of being a knowledge oriented organization. The secondary objectives of the study include the relation between knowledge gathering and creation, knowledge storage and maintenance, knowledge transmission, knowledge distribution, use of knowledge and knowledge enrichment (dependent variables). This work is an applied study using correlation-descriptive method. The statistical population of the study involves 31 members of Director of Boar's members, managers, assistants, and some experts of Pasargad insurance's central office. Sampling has been done using compound method (random stratified and clustering methods). The data has been gathered using questionnaires distributed among 28 people with respect to Morgan's table.

**Keywords:** Knowledge, Knowledge Management, KM, Implementation, Insurance Industry.

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## Introduction

Today, the core of development is not wealth and human forces but is human knowledge and the ability to manage it effectively. Reviewing the experiences and achievements of globally pioneer organizations indicate that such achievements have been achieved by creating, processing, developing, exchanging, recording, and publishing organizational knowledge.

Knowledge management is an unlimited process starting from a simple visit and negotiation, established gradually in the beliefs of workers, and finally turned into a new style of life (the article collections of the

first national conference of knowledge management, 2007) . It should be taken into consideration that the present world needs prompt accountability. Prompt adjustment, rapid results and importantly, the need of individual growth are influenced by the changes requiring knowledge and creativity. Knowledge and wisdom elements as the main source and capital of organizations and highlighting knowledge workers open new horizons to organizations management. Entering into the information era, expansion of new tools and technologies of communication and information introduce

new approaches to organizations management issues and also, it should be considered that knowledge and thought capital is the main basis of main qualifications as well as a strategy for better performance. To achieve sustainable competitive advantage, it is highly important to consider available knowledge and using it effectively and create a structure to use new knowledge. Such fact should be taken into consideration by organizations since knowledge management acts like a work strategy, simultaneously, in whole organization and is regarded as a development tool of organization's general plan. This tool creates power in organization to solve external challenges. Peter Drucker believes that knowledge management is the key factor of organizations' success in the 21th century (Ansari, 2007). Therefore, knowledge management should necessarily be implemented in organizations of the third millennium to achieve organizational objectives and they should attempt to set exact planning to implement it accurately.

### **Problem Statement**

From the late 1990s, knowledge management as a new management method was hot discussion of management texts and other related scopes. This method, in fact, is the evolution of the management methods but not a suddenly discovered thing which can be implemented in an organization during 6 months. Successful organizations found that knowledge is their most important property and some basic principles of knowledge management exist in workers and organization and they consider knowledge management is a key factor of organizations' success. So, huge costs have been invested for applying this kind of cost management. The main issue investigated is the necessity of considering the after sale services with respect to the place and expectations related to knowledge management process in Iran.

However, no significant effort has been done in this regards so far. It seems that by studying and identifying the factors affecting knowledge management in Pasargad management, a continuous improvement can be created in whole structure. At the present time, knowledge is dispersedly available for many active people in this system and it can be shared by exact study, recognition and classification of the factors affecting knowledge management establishment.

Today, wisdom and active management is the most important and valuable capital and the most efficient tool for development of countries. Other capitals should be applied and their downfall should be avoided by using knowledge capital. In such conditions, wisdom is ability. During the periods of communities' being knowledge oriented, those organizations are successful that can make the best use of their resources by knowledge management. Iranian Banks also are not excluded from this principle with respect to the rate of technological, economical, and scientific development in the world and should not be away from global scientific convoy. They should also put knowledge management as their strategic objective to achieve development and prosperity and seek to attract, develop and optimize knowledge capital. Therefore, they can use the past experiences effectively and attempt to documentize experiences, record them and enrich knowledge regularly through establishing an information site which leads to knowledge creation idea.

Reviewing other aspects, with respect to economic, social and cultural plan of Iran emphasizing wisdom in wisdom oriented national economic growth in interaction with global economy, knowledge management should be treated as a main process of organizations and has a specific place in organizational structure to prevent hoarding knowledge in libraries and minds of workers; and on the other hand, it should be able to

increase organization's business, update the knowledge and make it accessible for others.

### **The Significance of Study**

The significance of the present study in Pasargad insurance is of importance due to the followings:

Recognizing/ designing/ implementing knowledge management mechanisms as a project of strategic management of Pasargad insurance which should be implemented by research and development unit of the firm. Pasargad insurance seeks to use an alternative new system instead of currently used software. The new alternative has being investigated for several years but has not been used so far. Considering the fact that the firm has undergone huge financial and human costs in this regard, it is needed to provide accurate and efficient trainings and create positive attitude to apply the new system by workers.

### **The Research Objectives**

Determining the necessary infrastructures to create knowledge in order to implement knowledge management in Pasargad insurance

Determining the necessary infrastructures to save and retain knowledge in order to implement knowledge management in Pasargad insurance

Determining the necessary infrastructures to transfer knowledge in order to implement knowledge management in Pasargad insurance

Determining the necessary infrastructures to apply knowledge in order to implement knowledge management in Pasargad insurance

Determining the necessary infrastructures to enrich knowledge in order to implement knowledge management in Pasargad insurance

### **The Research Hypotheses**

H1: There is a positive relation between applying determined infrastructures to create knowledge in Pasargad insurance and knowledge management implementation.

H2: There is a positive relation between applying determined infrastructures to save and retain knowledge in Pasargad insurance and knowledge management implementation.

H3: There is a positive relation between applying determined infrastructures to transfer knowledge in Pasargad insurance and knowledge management implementation.

H4: There is a positive relation between applying determined infrastructures to apply knowledge in Pasargad insurance and knowledge management implementation.

H5: There is a positive relation between applying determined infrastructures to enrich knowledge in Pasargad insurance and knowledge management implementation.

### **Research Background**

In a study done by Aqaei (2006) investigating knowledge management implication in industrial management organization and presenting appropriate model, she proposed an eight stages model including acquiring knowledge, exchanging knowledge, retaining knowledge, applying knowledge, developing knowledge, feedback, recognizing knowledge, and evaluating knowledge. Based on the findings, systematic thinking team work, and common perspective among workers, meeting the requirements of culture, welcoming new ideas and participating in decision making, and appropriate communication systems are the requirements of being knowledge oriented of an organization.

Lahijanian (2004) studied knowledge management in universities. The main findings of the study was presenting an appropriate model to apply knowledge management in higher education system of

Iran including philosophy and objectives, theoretical principles, perceptual framework of knowledge, perceptual framework of insight, perceptual framework of skill, implementation stages of the model, evaluation system, and reengineering of the model.

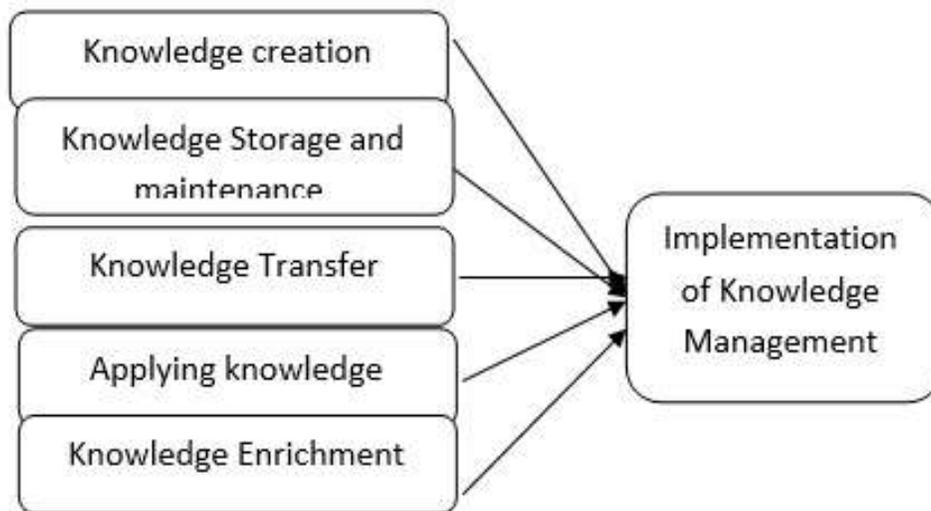
Gold (2004) investigated knowledge management effectiveness. The objectives of the study involved innovation in production, increasing ability to determine market opportunities, identifying customer, and learning product.

A study also conducted by Michalopoulos *et al.*, (1999) investigating the balance between knowledge management and state organizations. The research findings indicated the importance of organizational teaching and learning process as well as the importance of managers' role in successful knowledge management in state organization. In this study, managers were investigated at three organizational levels of senior, middle and operational in terms of the effect in knowledge management in state

organization. The findings revealed the higher importance of middle managers in this regards.

Nonaka and Takeuchi (1998) conducted a study on developing knowledge amangement in Chinese organizations and companies from a competitive advantage. They focused on knowledge production way and the importance of organizational culture in knowledge production. The research findings showed that leading organization has an important role to encourage individuals to express ideas and beliefs about their roles. Further, knowledge is transferred due to individuals' communication and interaction, so communicative systems can play an important role to create and transfer knowledge in organization. On the other hand, the more the organization structure is flexible, the more successful the organization will act in business, creation and transferring new ideas.

**Research Theoretical Model**



**Figure 1.** The Research Model

**Methodology**

The present research is an applied study using correlation-descriptive method. Each

field of study needs a model presenting the variables and their relations in the frame of

appropriate analytical tool. According to the model of Quivy and Kampenhood, each variable is a concept which is divided into some dimensions and each dimension is divided into some features or components, and each component is divided into some branches which is the last level of concepts (variables) quantification.

**Data Gathering Tools**

The data has been gathered through interview and questionnaire using library and field methods in industry and bank. The questionnaire used in the study consists of two sections: the first section includes an attached letter containing some explanations about the research objective, the necessity of responding to the required information and the instruction of responding to the questions. The second section involves the questions of the questionnaires. The questionnaire entails 41 items based on Likert scale.

**Statistical Population**

The statistical population of the study involves 31 members of Director of Boar’s members, managers, assistants, and some experts of Pasargad insurance’s central office

**The Sample Size and Sampling Method**

Sampling has been done using compound method (random stratified and clustering methods). The data has been gathered using questionnaires distributed among 28 people with respect to Morgan’s table.

**Discussion and Results**

In the present study, K-S test has been used to measure the data normality and with respect to the following results, it has been observed that the data of the study are normal, i.e. all the tested questions through K-S test are normal at the confidence level of 95%.

**Table 1.** Normal measurement

Asymp. Sig. 2tailed	Kolmogorov-Smirnov Z	Questionnaire items	Asymp. Sig. 2tailed	Kolmogorov-Smirnov Z	Questionnaire items
000 .0	2.290	22	000 .0	2.942	1
000 .0	2.286	23	000 .0	2.678	2
000 .0	2.573	24	000 .0	2.231	3
000 .0	2.244	25	000 .0	4.268	4
000 .0	2.63	26	000 .0	2.030	5
000 .0	2.454	27	000 .0	2.508	6
000 .0	3.081	28	000 .0	2.204	7
000 .0	2.151	29	000 .0	2.762	8
000 .0	2.325	30	000 .0	2.280	9
0.000	2.188	31	000 .0	2.75	10
0.000	3.001	32	000 .0	4.278	11
0.000	2.567	33	000 .0	3.018	12
000 .0	2.225	34	000 .0	2.125	<b>13</b>
000 .0	2.558	35	000 .0	2.151	<b>14</b>
000 .0	2.55	36	000 .0	2.326	<b>15</b>
000 .0	2.647	37	000 .0	2.198	<b>16</b>
000 .0	2.554	38	000 .0	3.001	17
000 .0	2.998	39	000 .0	2.662	18
0.000	2.145	40	000 .0	3.002	19
0.000	2.324	41	000 .0	2.557	20
			000 .0	3.005	21

## Research Findings

To test the research hypotheses, Spearman correlation coefficient has been used.

**The first hypothesis:** There is a positive relation between applying determined infrastructures to create knowledge in Pasargad insurance and knowledge management implementation.

$H_0$ : There is no positive relation between applying determined infrastructures to create knowledge in Pasargad insurance and knowledge management implementation.

$H_1$ : There is a positive relation between applying determined infrastructures to create knowledge in Pasargad insurance and knowledge management implementation.

Considering the fact that the observed significance level is less than 0.05, the null hypothesis is rejected and there is a correlation between two variables ( $r= 0.415$ ). So, it is concluded that there is necessary infrastructures to create knowledge in Pasargad insurance for knowledge management implementation.

**The second hypothesis:** There is a positive relation between applying determined infrastructures to save and retain knowledge in Pasargad insurance and knowledge management implementation.

$H_0$ : There is no positive relation between applying determined infrastructures to save and retain knowledge in Pasargad insurance and knowledge management implementation.

$H_1$ : There is a positive relation between applying determined infrastructures to save and retain knowledge in Pasargad insurance and knowledge management implementation.

Considering the fact that the observed significance level is less than 0.05, the null hypothesis is rejected and there is a correlation between two variables ( $r= 0.423$ ). So, it is concluded that there is necessary

infrastructures to save and retain knowledge in Pasargad insurance for knowledge management implementation.

**The third hypothesis:** There is a positive relation between applying determined infrastructures to transfer knowledge in Pasargad insurance and knowledge management implementation.

$H_0$ : There is no positive relation between applying determined infrastructures to transfer knowledge in Pasargad insurance and knowledge management implementation.

$H_1$ : There is a positive relation between applying determined infrastructures to transfer knowledge in Pasargad insurance and knowledge management implementation.

Considering the fact that the observed significance level is less than 0.05, the null hypothesis is rejected and there is a correlation between two variables ( $r= 0.546$ ). So, it is concluded that there is necessary infrastructures to transfer knowledge in Pasargad insurance for knowledge management implementation.

**The fourth hypothesis:** There is a positive relation between applying determined infrastructures to apply knowledge in Pasargad insurance and knowledge management implementation.

$H_0$ : There is no positive relation between applying determined infrastructures to apply knowledge in Pasargad insurance and knowledge management implementation.

$H_1$ : There is a positive relation between applying determined infrastructures to apply knowledge in Pasargad insurance and knowledge management implementation.

Considering the fact that the observed significance level is less than 0.05, the null hypothesis is rejected and there is a correlation between two variables ( $r= 0.354$ ). So, it is concluded that there is necessary

infrastructures to apply knowledge in Pasargad insurance for knowledge management implementation.

**The fifth hypothesis:** There is a positive relation between applying determined infrastructures to enrich knowledge in Pasargad insurance and knowledge management implementation.

$H_0$ : There is no positive relation between applying determined infrastructures to enrich knowledge in Pasargad insurance and knowledge management implementation.

$H_1$ : There is a positive relation between applying determined infrastructures to enrich knowledge in Pasargad insurance and knowledge management implementation.

Considering the fact that the observed significance level is less than 0.05, the null hypothesis is rejected and there is a correlation between two variables ( $r = 0.298$ ). So, it is concluded that there is necessary infrastructures to enrich knowledge in Pasargad insurance for knowledge management implementation.

**Ranking Test**

Fridman test has been used to rank the variables of the study.

**Table 2.** Mean rank of variables

Ranks	Mean Rank
To enrich knowledge	2.03
To apply knowledge	2.33
To save and retain knowledge	2.27
To create knowledge	3.86
To enrich knowledge	4.52

**Table 3.** Output of ranking test

Test Statistics <sup>a</sup>	
N	28
Chi-Square	341.547
Df	4
Asymp. Sig.	.000
a. Friedman Test	

According to table 2, the highest rank belongs to knowledge enrichment and the significance level is less than 5% (confidence level of 95%).

**Conclusion**

With respect to the results obtained from the study, it can be stated that information level of workers regarding ICDL, attention to documents and trainings, the level of technologies used in the firm, as well as periodical and case studies dove in Pasargad insurance have created an appropriate opportunity to implement knowledge management in the firm. Therefore, it can be concluded that developing these tools in Pasargad insurance can be viewed effective to implement knowledge management thoroughly. The implementation with more information for workers and improvement of tools required for implementation lead to improving knowledge creation in the firm which indicates the mutual effect in the process.

**Suggestions**

Considering the results obtained from the research and the conditions existing in Pasargad insurance, the following recommendations are presented:

- Keeping on Kaizen committee sessions
- Keeping on paraKaizen sessions (specialist sessions to investigate and resolve problems)
- Re-establishing teaching-learning sessions
- Reinforcing preventive maintenance committee
- Re-establishing research and development units and increase activities
- Holding justifying seminars and sessions regarding knowledge management as well as the necessity of implementing knowledge oriented thinking in the firm
- Explaining knowledge management principles and depicting the image of

knowledge oriented organization for workers in all levels of organizations

Enabling workers through continuous training of related sciences to promote organization

Encouraging workers of organization for team work and knowing its advantages

Creating organizational attachment in workers as human capital in action

Creating workers` access to informational networks and encouraging workers to participate in ICDL courses

Developing Kaizen philosophy (continuous improvement) in organization, especially regarding information technology

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