

# The Effective Knowledge Management Infrastructure and Relationship with Service Quality in Insurance Company

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## Abstract

The paper The effective knowledge management infrastructure and relationship with service quality in the insurance company, using the data from the research conducted in Insurance. The theoretical part of the paper presents the literature review on research concerning the link between knowledge management infrastructure and financial performance. The empirical part of the paper investigates the before mentioned link using the quality of knowledge management infrastructure success factors as a measure of knowledge management infrastructure , and as measures of service quality. Based on performed correlation tests, this research confirms that there is a link between knowledge management infrastructure and financial performance.

**Keywords :** Knowledge Management Infrastructure, Service Quality, Insurance Company

## 1. Introduction

With knowledge being one of the most important resources today, traditional factors of production have become secondary (Reinhardt et al., 2001, pp. 794). As organizations became aware of the power of knowledge as the most valuable strategic resource in the knowledge economy, knowledge management infrastructure became widely recognized as essential for

the success or failure of organizations. Consequently, over the past 15 years, knowledge management infrastructure has progressed from an emergent concept to an increasingly common function in business organizations (McKeen et al., 2006). According to one estimate, 81% of the leading organizations in Europe and the U.S. are utilizing some form of knowledge management infrastructure (Beccera- Fernandez et al., 2004 from Grossman, 2006). Consequently, the key question today is no longer whether to manage knowledge, but how to manage (Lee & Choi, 2003).

Distinctively, knowledge management infrastructure today has two main features: (1) more and more organizations are integrating knowledge management infrastructure into its business philosophy making it more common practice and therefore less differentiating factor of success, thus creating the need for knowledge management infrastructure practice to become more and more superior, and (2) more and more knowledge is becoming available while at the same time knowledge itself is becoming more sophisticated, making knowledge management infrastructure more complex. As a result, it seems as though businesses that could capture the knowledge embedded in their organization would own the future (Lee & Choi, 2003). In accordance, one of the most interesting activities both for organizations and for researchers became investigating the exact impact that knowledge management initiatives have on the overall service quality .

Consequently, as organizations expected evidence of knowledge management infrastructure's contribution to service quality in terms of financial indicators, this contribution is being progressively examined. Still, despite the commonness of knowledge management infrastructure in organizations, there is yet no standardized framework for measuring the contribution of knowledge management infrastructure to service quality (Kim, 2006), and there are relatively few knowledge management infrastructure texts dealing with explicit connection between knowledge and performance (Kalling, 2003, pp. 67). This can partially be explained by the fact that area of knowledge management infrastructure is still in its early stages in terms of developing its theoretical base (Zaim et al., 2007, pp. 55), as well as by inadequately developed ways of measuring the knowledge management infrastructure practice in organizations.

The link between knowledge management infrastructure and service quality has been empirically explored, but rarely through assessing the state of knowledge management infrastructure practice per se, and comparing it with direct indicators of financial performance. Namely, some empirical studies focus only on specific aspect of knowledge management infrastructure, not the whole knowledge management infrastructure system (for example Lee et al. (2005) were assessing the performance of an organization with respect to its knowledge, and Harlow (2008) was

assessing the level of tacit knowledge within organizations and its effect on service quality ). On the other hand, as Kalling (2003) annotates, the empirical studies that focus on the links between knowledge management infrastructure and performance often stop with proxies of performance; not at profit, but at proxies of profit, such as productivity (for example Choi and Lee (2003) calculated corporate performance based on five items: overall success, market share, growth rate, profitability and innovativeness – four out of five of those items are proxies of profit, while Lin and Tseng (2005) calculated corporate performance using seven items: productivity, cost performance, competitiveness, sales growth, profitability, market share and innovativeness – out of which four are proxies of profit.).

Hence, this article investigates the link between knowledge management infrastructure and service quality

by looking at the link between knowledge management infrastructure success factors and two financial indicators – ROS (return on sales) and ROA (return on assets). This link was investigated in Insurancen environment, which is at the beginning of accepting a market-based economy and where majority of organizations are only beginning to integrate knowledge management infrastructure into their business philosophy. Such environment is best suited to validate the concept that knowledge management infrastructure can be a differentiating factor of organizational success and to prove that the most successful organizations understand the value of knowledge management infrastructure concept for their success

## **2. The link between knowledge management infrastructure and service quality**

Exploring the link between service quality and various activities organizations perform is frequent and accustomed way of exhibiting the importance of investing in those activities. When it comes to knowledge management infrastructure, the attitude is no different. Even though some authors suggest that the link between knowledge and performance, which so frequently is taken for granted, might not always exist (for example Kalling, 2003), evidence of importance of investing into managing knowledge through linking knowledge management infrastructure and service quality is a topic that interests many researchers, as well as practitioners. More to it, several studies have proposed the concept of “KM performance” to describe the performance improvement of the enterprise’s capability after embracing knowledge management infrastructure (Tseng, 2008).

While knowledge management infrastructure continues to gain popularity, the acceptance of standardized knowledge management infrastructure assessment approaches has lagged (Grossman, 2006). When it comes to measuring knowledge management infrastructure two different opinions can be noticed. One group of authors considers area of knowledge management infrastructure insufficiently developed to properly quantify possible results of knowledge management infrastructure and link those results directly to knowledge management infrastructure activities such as knowledge generation, transfer and usage (for example Anantatmula & Kanungo, 2006). On the other hand, an attitude that every activity an organization undertakes, especially the one demanding substantial financial investments, must have adequate financial indicators accompanying such investments that can confirm cost effectiveness of such activity, can also be recognized (for example O’Dell & Grayson, 1998). Nevertheless, Anantatmula and Kanungo (2006) insist on importance of knowledge management infrastructure measurement and cite three reasons for measuring success of a knowledge management infrastructure system: (1) to provide a basis for valuation, (2) to stimulate management’s focus on what is important and (3) to justify investments.

Even though organizations should not expect to see a significant return on investment from knowledge management infrastructure too quickly (Vestal, 2002, pp. 2), as organizations are turning to management of knowledge and skills their employees possess as a mean of survival and success in today’s knowledge economy, knowledge management infrastructure can and should be recognized as a tool to gain competitive advantage, achieve long-term success on the market and consequently receive benefits in terms of financial performance. Specifically, full list of possible knowledge management infrastructure results is presented in table 1. Unfortunately, there is no thorough way to quantify some of the basic advantages of knowledge management infrastructure such as increased trust among employees, personal growth of employees, increased awareness of employees, value of new connections and relationships between employees or benefits from mentorship, and all the implications

arising from those advantages. Therefore many authors (for example O'Dell and Grayson, 1998 and Vestal, 2002) suggest that organizations monitor and assess the value added from managing knowledge by recording and transferring stories, anecdotes and best practices confirming the importance of knowledge management infrastructure , both those originating from the organization itself, as well as those from other organizations that are successfully managing their knowledge..

### **3. Research methodology**

Measuring knowledge management infrastructure can be performed in one of three possible ways: (1) through measuring knowledge management infrastructure success factors,[i] (2) through measuring results of knowledge management infrastructure – knowledge management outcomes[ii] or (3) through measuring perceived knowledge management infrastructure effectiveness[iii] (Clemmons Rumizen, 2002; Shih & Chiang, 2005; Anantatmula & Kanungo, 2006). In this research, knowledge management infrastructure was measured using the first mentioned way, by measuring knowledge management infrastructure success factors.

Many knowledge management infrastructure enablers have been recognized as important for successful knowledge

management in an organization, but there are five ones that are most commonly recognized as fundamental for knowledge management infrastructure (listed in table 3), which are as well used in this research. Those five key knowledge management infrastructure success factors are: knowledge management infrastructure infrastructure,[iv] knowledge management infrastructure holders,[v] knowledge culture – organizational culture that supports knowledge management,[vi] information technology for managing knowledge[vii] and measuring knowledge management infrastructure .[viii]

### **Dimensions of competitive advantage**

#### **Quality**

The quality of a product or service is what the customer demands. New look at the quality can be said that has hurt the quality of the product entering the market, there are moments. This definition seems incomprehensible at first glance, but when it can add value to a product that meets customer demands Performance.

#### **Efficiency**

To measure performance, the costs of inputs required to produce a given output can be calculated. When a company is more efficient, cost of inputs to produce an output that is less clear.

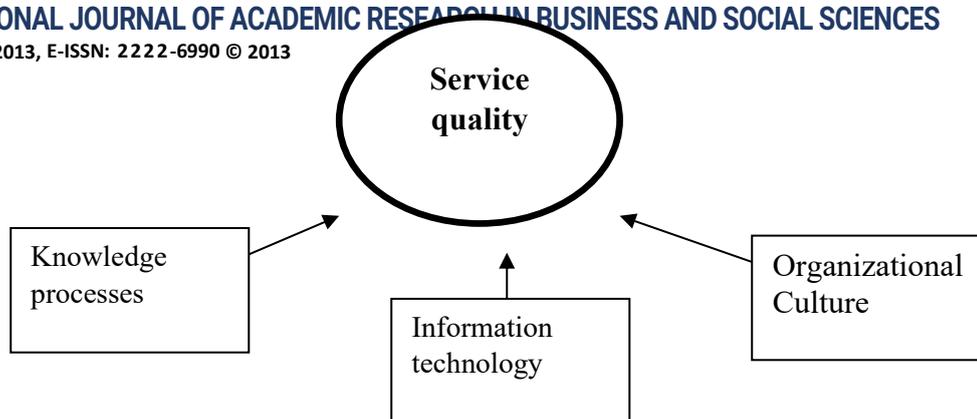


Figure (1) dimensions of knowledge management infrastructure

### Hypotheses

**The main hypothesis:** between knowledge management infrastructures and service quality insurance company that there was a relationship.

### Sub-hypothesis:

- 1 -- the state of organizational culture and quality insurance services there.
- 2 - the state of knowledge of the process and that there was no relationship between service quality insurance company.
- 3 - the state of information technology systems and service quality insurance company that there was a relationship.

### Export performance

The output of the export activities of a company say. Performance of exports, has been widely studied. Performance results export activities are export company. [28]. Although the concept and operational definitions vary in the literature [36]. Export performance of the firm as a source of income, Bavaml Inc. (dependent on exports, embracing innovation, firm size), industry factors (industrial applicability) and compliance strategy and market factors related products [11], [12], [14], [33]. Reasoning adopted RBV (Barney, 1991) and the theory of IO (run, from 1951 to 1956), this study includes strategies to adapt the product as a corporate strategy along with product features, export dependence and openness to innovation as the company's internal features and compliance with industry and have a similar market as the external features (run, 1951). Lee (1995) using revealed comparative advantage index (RCA) has reviewed the status of the industry in South Korea. To achieve this goal, Kalahas revealed comparative advantage in exports during the period (1965-1992) during the five-year period is calculated. The results show that the obvious advantage of increased light industry and user since 1965, but the downward trend is competitive. Have .In addition, the indicators, business plan confirms the results of CMS.

The second Rbksh study using time series data over the period 1998-1980 is estimated equations of China's real exports. Seaman and Yvtkylv (2004) model of trade flows from Turkey to EU research competitiveness of Europe in the component level using revealed comparative advantage index during the period 2003-1990 have been analyzed. The results showed that among 63 cases of Turkey for seven product groups have competitive advantages. Sivan and Ser (2006) in an article using criteria revealed comparative advantage (RCA) and a comparative measure of export performance (CEP) to evaluate the

competitiveness of industry, olive oil, tomato juice and Turkish markets in Italy, Spain and Greece during pay period 2004-1995.

### I. The research findings

Studying the data has been done by the software of social science. To evaluate significance of the correlation coefficients, correlation significance coefficient table has been used in which the degree of freedom is 0.01 and 0.05.

Table (1): correlation matrix of internet marketing mix and Refah virtual shop customers' internet purchase behavior

Organizational Culture	Information technology	Knowledge processes	service quality	Dimension
		-	0.554**	Knowledge processes
	-	0.44 **	0.695**	Information technology
-	0.64**	0.57**	0.639**	Organizational Culture

Level of significance: 0.01 . 0.05

As seen in table 1, there is a significant and positive relationship between internet marketing mix and customers' internet purchase behavior in Refah virtual shop in error level of 0.01 and 0.05

### II. Ranking of the dimensions

To rank indexes, Fridman test has been used. This test is used for the dependent group. The results of this group are inserted in the following table:

**Ranks**

	Mean Rank	Rank
Knowledge processes	3.91	3
Information technology	4.16	2
Organizational Culture	4.59	1

**Test Statistics<sup>a</sup>**

N	341
Chi-Square	90.597
Df	6
Asymp. Sig.	.000

a. Friedman Test

**1. Conclusion**

Regarding the proved hypothesis that there is a significant relationship between internet purchase behavior and cost for the customers, management should notice that price can be viewed as cost for customers. Price in internet shops should be lower than other normal shops and costs of goods transportation should be computed accurately. Price is the only element that produces cost. As Kotler (1991) says other elements are indicators of cost. Making decisions about prices in internet shopping is as important as that of traditional shopping [8]. With regard to the proved hypothesis that there is a relationship between internet purchase behavior and customer franchise, this variable is considered as the second priority influencing on internet purchase behavior. It is suggested: most of the sellers believe that total values obtained from goods including mind image of the goods, fame and trade mark has effects on customer franchise. According to the proved hypothesis that there is a significant relationship between internet purchase behavior and customer communication and relationship, in terms of communication, company has very close relationships with the staff. Internet shops can attract more customers through designing a beautiful website with a soft music. As it has been proved that there is a significant relationship between profits and value and internet purchase behavior, the internet sellers should provide conditions in which customers can order the goods much easier, and can communicate with the seller easily. Regarding the proved hypothesis that there is a significant relationship between ease of use for customers and internet purchase behavior, website should have some key conveniences such as search, the way of arrangement, and the process of online shopping. For example, they can design a payment process in which customers can pay more easily. Regarding the proved hypothesis that there is a significant relationship between internet purchase behavior and computing and category management, goods can be delivered in the right time and place by time and place management, and with paying attention to the size, time and place that customers want, and also with using proper way of transportation. With regard to the proved hypothesis that

there is significant relationship between internet purchase behavior and care and service to customer, Mc Geldrik (2002) believes that in the past traditional retailers were considered to be in the area of industry, and most of them thought about the quality of service. It is suggested that the proper treatment of the staff, help and guidance to the customers have effects on their making decisions. They can send birthday cards for their birthdays or some other occasions.

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