

## Knowledge Management Effect on Ethiopian Commercial Banks by Mediation of Competitive Advantage

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### Abstract

*This study investigates the influence of knowledge management upon performance of organization in the segment of banking, addressing the topic of using knowledge practices to enhance competitive advantage as well as overall performance. The study analyzes data obtained from 391 banking experts using structural equation modelling (SEM) and AMOS software. The analysis employs quantitative indicators to examine the associations between Knowledge Management, Competitive Advantage, along with organizational performance. The study determined that Knowledge Management had a strong beneficial impact upon Organizational Performance ( $p < 0.001$ ) as well as Competitive Advantage (0.421). Competitive Advantage has a significant standardized effect of 0.801 upon Organizational Performance ( $p < 0.001$ ), indicating a mediating role in the link among Knowledge Management and Organizational Performance. The outcomes emphasize the prominence of management of knowledge in improving organizational performance through Competitive Advantage. Organizations ought to focus on Knowledge Management projects in order to enhance their performance indicators. Future directions involve designing complete information Management systems, cultivating a culture of information sharing, and aligning knowledge strategies alongside corporate goals for optimum effectiveness.*

**Keywords:** Management, Knowledge, Competitive Advantage, Bank, Performance.

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### **Introduction**

In this information and competition-driven world, information and knowledge management are critical concerns. Knowledge management has recently emerged as a strategic tool for increasing business performance (Negeri et al., 2023; Arsawan et al., 2022). Knowledge management (KM) is the practice of integrating individual knowledge into an corporate in order to improve performance. Knowledge management also aids in the achievement and improvement of company objectives by developing, gathering, organizing, and applying knowledge (Ferreira et al., 2020). Other aspects of knowledge management include collecting, sharing, storage, and application. Improving organizational performance is a significant benefit of using knowledge management (KM) strategies in a company (Sahoo et al., 2023).

Empirical investigations show that knowledge management (KM) methods have a positive link with operational and corporate performance. Combining explicit and tacit KM strategies also indicates a positive association with corporate performance, indicating that KM has a synergistic effect on success (Santoro et al., 2019). The two types of knowledge are implicit and explicit. While specific details may be easily shared and codified, tacit knowledge resides in people's brains but cannot be transmitted (Sahoo et al., 2023). Both types of knowledge exist in businesses and must be addressed. When competitive advantage is used as an intermediary mediator, knowledge management (KM) collaborates with the organized and pre-existing structure to govern all information-related behavior of the businesses (Ogutu et al., 2023).

Despite increased acceptance of Knowledge Management's role in improving organizational performance, there is a considerable Gap in the research addressing its benefits in Ethiopian commercial banks. Existing research frequently focuses on broad banking or knowledge management frameworks, failing to take into account the Ethiopian banking sector's particular economic, social, and regulatory characteristics. Besides, while the role of Competitive Advantage as a mediator is recognized in broader contexts, there has been little empirical research into how the dynamic operates within Ethiopian banks, particularly in regard to specific knowledge procedures and their direct impact upon performance results. This gap emphasizes the importance of doing specific research on these linkages in order to provide insights that might improve strategic management strategies within Ethiopia's unique financial institution ecosystem.

In this knowledge era, knowledge is the key source of sustained competitive advantage; therefore knowledge management (KM) is a critical tool for boosting performance and encouraging long-term growth. In today's world, a lack of knowledge management leads to missed opportunities and a loss of competitive advantage. As a result, organizations stop making progress toward higher performance (Mansur, 2022). Individuals' and corporates' ability to perceive and respond properly when competitive advantage is employed as a mediator can be used to describe workplace knowledge. It is handled by managers, employees, and proactive individuals.

In Ethiopia, organizations and procedures for knowledge development and sharing received little or no attention. Although KM is not well-known or established in Ethiopia, there are some related activities in this sector, and academic study has validated this claim (Mahdi et al., 2019). The bulk of commercial labor is dependent on the knowledge of employees, managers, as well as coworkers (Ganguly et al., 2019). This indicated that keeping employees happy is critical. While rivalry and rising consumer interest push firms to adopt cutting-edge knowledge management systems (Sahoo et al., 2023). The present investigation, conducted by a group of academics, focused on assessing knowledge organization activities beginning at commercial banks in Ethiopia. The main research question is *“What is the effect of Knowledge Management on the performance of Ethiopian commercial banks, and how does Competitive Advantage mediate this relationship?”*

### **Statement of Problem**

Organizations are realizing that information is the key to attaining a competitive advantage and a basic tool for boosting business performance in today's knowledge era (Shea et al., 2023). Knowledge collected within as well as outside of the business determines an organization's performance, and knowledge management has emerged as an important profitable component (Nezafati et al., 2023). The importance of knowledge in human existence has expanded to the point that it is now regarded important for daily living, and knowledge management is increasingly an essential component of many academic subjects (Demir et al., 2023).

The financial services industry considers knowledge to be its most significant resource, with commercial banks in particular competing with state banks (Nezafati et al., 2023). It was able to recognize the essential function that knowledge organization activities—which include "knowledge acquisition, storing, distributing and application"—play toward improving corporate performance, as evidenced by the Balanced Score Card, which consists of the following

components: the internal procedures of the company learning and growth, finance, and customer satisfaction. Ethiopia commercial banks are particularly vital for the nation's growth as well as economic development (Wakjira et al., 2022).

Commercial financial institutions must thus acknowledge and adopt knowledge management methods in their services through knowledge collection, storage, transmission and sharing, application, and employment in order to achieve corporate goals and win the present harsh competition (Mahdi et al., 2019). In modern competitive and knowledge-driven world around us, losing the ability to manage knowledge is equivalent to losing competitive advantage. This also shows that insufficient or badly managed knowledge management might have an influence on an organization's efficiency (Mansur, 2022). Thus, when the competitive advantage is employed as a mediator, conducting research investigations analyzing knowledge management techniques as well as the connection they have to company performance is critical (Fikadu et al., 2023).

Still, just a few studies have been conducted in Ethiopia thus far, with virtually all of them focusing on government banks and little on private banks (Wakjira et al., 2022). As a consequence, the purpose of this research is to fill a knowledge management implementation gap that exists in commercial banks as well as the business industry as a whole owing to its lack of visibility. This study was look at knowledge management practices among Ethiopian commercial banks to better understand the link between knowing management practices that business success when competitive advantage is used as a mediator.

## **Literature Review**

### **Knowledge Management**

There are no universally recognized description of knowledge management due to its breadth and complexity (Mahdi et al., 2019). The world has lately been obliged to realize the prominence of information and management of knowledge challenges, as knowledge has been accepted as a crucial asset for competitive advantage and enhanced corporate performance in the knowledge era (Ferreira et al., 2020). However, different researchers have proposed various definitions about knowledge management (Mansur, 2022). Growth and innovation, productivity and efficiency as indicated by cost savings, client interactions, decision making, innovative thinking, corporate agility (Demir et al., 2023), rapid development of fresh services, employee training, loyalty and customer satisfaction (Ganguly et al., 2019).

Numerous scholarly publications agree that knowledge management is a process that encompasses the collection, storage, dissemination, and application of information (Shea et al., 2023). In addition to this procedure, there are additionally significant technologies that may make workplace knowledge management processes easier and more efficient (Wakjira et al., 2022). These techniques are regarded to have a detrimental influence on the management of knowledge effectiveness in terms of business performance.

#### Knowledge Management Process

In order to remain ahead of competitors and expand consistently, every organization needs a robust knowledge management methodology. The procedure's key aims are to improve corporate efficiency and maximize the application of group knowledge inside the organization (Nezafati et al., 2023). The knowledge process includes information collection and sharing, alongside enabling components such as technology and organizational structure, which serve as antecedents to knowledge management (Ganguly et al., 2019). The knowledge management approach, which consists of four core steps—information collection, retrieval, sharing, and use—has a strong relationship with business effectiveness. The management process is an important stage in a company's knowledge development. These include knowledge development and acquisition, knowledge transfer, knowledge interpretation to promote business objectives, and knowledge application to achieve those goals (Ferreira et al., 2020).

#### Knowledge Creation or Acquisition

This procedure comprises collecting new information or upgrading the explicit along with tacit knowledge presently maintained by the company. Knowledge acquisition is the procedure of acquiring, organizing, and extracting knowledge from human professionals in order to turn it into computer-readable format (Adula et al., 2023). Knowledge acquisition is an organization's ability to ensure that knowledge available inside it is stored for future use in either databases as well as instruction manuals. Corporates must seek out new ideas, data, and information from both within and beyond the organization. Coordination among corporations allows for the production and dissemination of information. It is an activity that develops new knowledge via the right use of information obtained both within and outside the corporation (Berwal et al., 2022). When information is internalized, it becomes available to a person through the group and the corporation as a whole, as opposed to externalized knowledge, which can be expressed by a traditional and virtual sign (Shea et al., 2023).

### *Knowledge Storage*

"Storing knowledge" means the process of reserving both new and existing knowledge for immediate and future usage. It is critical to save any particular information that individuals within corporations obtain (Ferreira et al., 2020). Corporations would arrange and manage knowledge to offer faster access to it. It is the action of acquiring and recording both freshly acquired and corporate knowledge for future reference (Mansur, 2022). To maximize customer satisfaction, improve internal efficiency, and give rise the market, data must be collected on a regular basis, transformed toward actionable facts (information), and stored in usable formats that involve journals, bulletins, magazines, and annual abstracts, making them readily accessible to all stakeholders (Asefa et al., 2022).

### *Knowledge Transfer*

Such critical KM process enables companies to convert individual knowledge towards collective or corporate knowledge. Knowledge sharing refers to the exchange of information among employees inside a company. Rewards, advantages, and practice associations are only a few of the strategies that foster knowledge sharing inside a company (Shea et al., 2023). This is a critical process that involves knowledge sharing and trading among individuals or networks of persons, a corporate of people to corporates, along with a person to explicit sources of information. Sharing information is vital for developing new knowledge (Shea et al., 2023). To avoid the disappearance of tacit knowledge, corporations must ensure that it is changed from tacit to explicit during the process (Di Vaio et al., 2021). They additionally have to establish formal procedures and develop a culture of information sharing among employees in order to facilitate knowledge management and prevent knowledge loss (Berwal et al., 2022). Finally, corporations must employ technology to efficiently communicate information and avoid the loss of corporate memory. Knowledge sharing generates innovation and fresh information, which improves business achievement (Asefa et al., 2022).

### **Organizational performance**

It pertains to the activities as well as corporate actions taken to boost productivity, strategy to outperform competitors, and prepare for the future in order to discover performance gaps (Negeri et al., 2023; Asefa et al., 2022). Corporate achievement can potentially be defined and understood from a range of perspectives relating to the organization's overall goals (Mansur, 2022). Performance is the process of carrying out a certain assignment; in the majority of

situations, corporate performance is linked to three major areas of the firm's outputs: financial growth, product performance and marketing, and returns to investors. BSC as a management tool required for managing current business performance (Negeri et al., 2023).

BSC is a cohesive framework that outlines and conveys the benefits of employing integrated performance objectives, targets, measurements, and strategic initiatives via the lens of the four balanced scorecards: development and learning, internal processes, customers, and finances (Ogotu et al., 2023). A balanced scorecard's four views resemble the four roots, branches, and leaves of a tree (Berwal et al., 2022). The roots represent education and development, the branches represent clients, and the leaves represent financial factors (Mansur, 2022). Each perspective is dependent on both the perspective above and below it. It is a continuous cycle of growth and renewal. Falling leaves, especially money, nourish the ground and root system, fostering growth.

### **Empirical Literature Review**

#### ***Knowledge management and organization Performance***

Information management is a key component in maintaining competitive advantage and increasing productivity. Conscious acts include gathering, analyzing, preserving, and disseminating information on commodities, processes of manufacture, and components (Shea et al., 2023). Knowledge management techniques would boost business intelligence as well as flexibility while additionally aiding in issue solving, dynamic learning, strategic planning, decision-making, as well as burnout prevention (Ogotu et al., 2023). Possessing the right tools at work to gather, organize, and communicate tacit knowledge may help you create a more meaningful workplace. As a consequence, team members trust one another more, and the group as an entire is happier and more productive (Panigrahi et al., 2022). Knowledge management encourages collaboration, idea sharing, and access with the latest data. Furthermore, it allows individuals to promote the innovation and cultural shifts needed to progress the organization and adapt to changing market needs (Mansur, 2022).

*H1: Knowledge management has a significant relation with organization Performance.*

#### ***Competitive advantage and Knowledge management***

The findings show a favorable association among managing knowledge as well with competitive advantage, which is greatly reinforced by nurturing the market mindset (Mahdi et al., 2019). When market-based information is correctly applied, the organization's competitiveness



increases (Arsawan et al., 2022). To acquire these skills, corporations must focus on a few key issues: hiring knowledgeable employees, granting training, inspiring, empowering, and offering incentives, maintaining a flexible work environment, maintaining strong databases, and developing internal human capital-related abilities, which can give them a competitive advantage (Ferreira et al., 2020). A company's ability to pick things up rapidly and apply what it has learnt ahead of its competitors will result in higher success. To gain or maintain a competitive advantage, a company must be able to develop new skills while improving current ones (Mansur, 2022). Promotions emphasize knowledge management as a fundamental component of organizational survival as well as competitive strength maintenance (Berwal et al., 2022). "Knowledge" is the key topic. The path of locating data must be made easier through knowledge management. It increases your efficiency and productivity while also improving your job abilities and minimizing your proclivity to take risks.

*H2: Competitive advantage has a significant association with Knowledge management.*

### ***Competitive advantage and organization Performance***

Competitive advantage enhances the relationship between competence and knowledge management via company performance (Sahoo et al., 2023). Managers at all levels may increase human resource efficiency, enhancing the company's competitive edge (Demir et al., 2023). A point of distinction is a company's ability to produce goods or offer services more cheaply or efficiently than its competitors. These components enable the profitable firm to outperform its industry contestants (Dereso et al, 2023). Customers view a company's competitive advantage as what distinguishes it from competitors (Yadete et al., 2023). According to Ferreira et al. (2020), these benefits assist a firm in achieving and maintaining higher profitability, a more beneficial dynamic profile, or greater levels of customer loyalty. Market rivalry encourages corporates, satisfy clients in the form of increasingly unique, efficient, and superior goods (Di Vaio et al., 2021).

Consumers gain most from competition since it lowers costs and increases purchasing power. It enables firms to provide their target customers with a better valuable product or service than competitors in the same sector (Dereso et al., 2023). In the long run, this boosts the company's market reputation and results in more revenue compared competitors (Ogutu et al., 2023).

*H3: Competitive advantage has a meaningful association with organization Performance.*



### *Mediation of Competitive advantage*

A company's attractive position of strategic relevance in acquiring competitive advantage as a result of its strategic activities is recognized in terms of competitive advantage and achievement (Demir et al., 2023). It has long been recognized as a vital instrument for any business seeking to beat competitors and enhance performance (Ganguly et al., 2019). It requires deciding to run the company's various activities differently than rivals in order to create value for customers. This indicates that competitive advantage researches how businesses operate their operations to improve performance (Di Vaio et al., 2021).

Knowledge management has been around for years recognized as an important notion in strategic management, especially as a strategic resource (Mansur, 2022). As a consequence, extensive research has been conducted on a wide range of topics, including the various aspects of corporate practices along with performance indicators used by businesses, and additionally the direct and indirect relationships between knowledge management and accomplishment influence, which have produced mixed results in many commercial contexts and large corporations (Kant et al., 2022). The contradictory findings complicate the theoretical creation of the knowledge management paradigm. Various business approaches have been used as mediators to resolve the inconsistent findings about the efficacy of knowledge management (Sahoo et al., 2023).

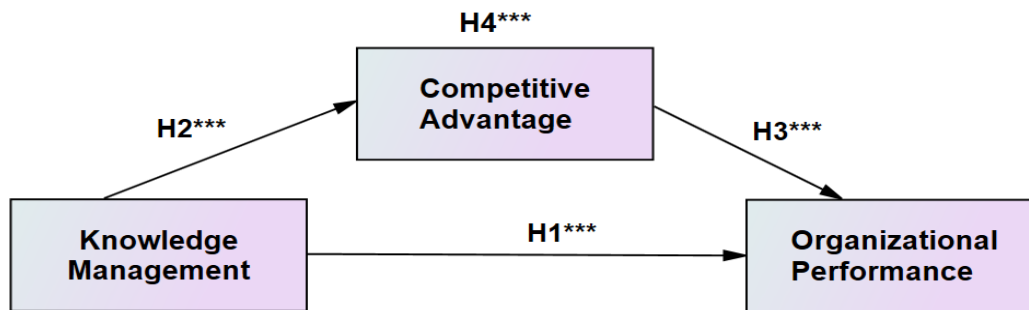
Yet, despite academics' arguments that knowledge management and competitive advantage need to be matched for a synergistic impact, competitiveness edge has gotten less attention, particularly in emerging nations' banking sectors (Shea et al., 2023). For example, because bank entrepreneurs are seen as forerunners of innovation, improving knowledge management would help the economy (Yadete & Kant, 2023). Likewise, the decision-making processes and knowledge systems capabilities of big corporations differ, making it inappropriate to apply management theories and research findings to the banking business. This study tries to fill this gap by investigating the function of strategic edge in moderating the association between performances as well knowledge management (Sahoo et al., 2023).

*H4: Competitive advantage has a mediation function among knowledge management and organization Performance.*

## Conceptual Framework

On the base of empirical literature and hypothesis the following model was proposed for the study.

**Figure 1: Proposed Model**



*Source: Researchers Proposed Model (2023)*

## Research Method

### Sampling and Population

The demographic being studied consists of 210,039 Commercial Bank of Ethiopia consumers, who have 6 bank locations in the Dilla region. The sample size was determined using an arithmetic approach given by Dillaman (2000).

$$n = [(N) (p) (1-p)] / [(N-1) (B/C)^2 + (P) (1-P)],$$

$$n = [(210,039) (0.5) (1-0.5)] / [(210,039-1) (0.05/1.96)^2 + (0.5) (1-0.5)]$$

$$n = 391$$

### Scale and Proxies Used for Analysis

Knowledge management was quantified using four components: acquisition, storing, sharing, and application (Ferreira et al., 2020). Each component determines the level of knowledge management techniques in Ethiopian commercial banks, and it also plays an important part in performance management (Ganguly et al., 2019). BSC, which stands for four key components, customer's perspective, internal business processes, learning and growth, and financial perspectives—is used to analyze organizational performance. Performance is evaluated using a Likert scale. Given the current status of commercial banks, management must focus on a unique and critical paradigm of thought. Knowledge management is proven by the collection, storage,

sharing, and application of knowledge, all of which contribute to knowledge management and ensure overall organizational effectiveness.

### Data Analysis Method

At the first stage data cleaning was adopted with help of z score. The respondents 25, 106 and 256 were considered as outlier. Therefore these 3 responses were removed from the data set. To check data adequacy the Kaiser-Meyer-Olkin (KMO) test was conducted to check data adequacy. Confirmatory Factor Analysis was conducted to confirm that “is observed variable able to manifest the behavior of latent variable?” with help of factor loading and discriminant validity. After this Structure equation model was framed to check the direct as well as indirect effect. The method based on data used in the current study is structural equation modeling. The analysis was employed with a 5% relevance criterion to establish whether or not there is a direct effect. To accept or reject a hypothesis, the conditions that follow must be met: if the p-value is more as compare to 5%, at that time H0 is acknowledged or H1 is refused. The reasonable advantage test is utilized during full or partial mediations.

### Sample Appropriateness

The KMO specifies the minimal amount of data required, which must be above to 0.5, to consider the sample.

**Table 1: Sample Appropriateness**

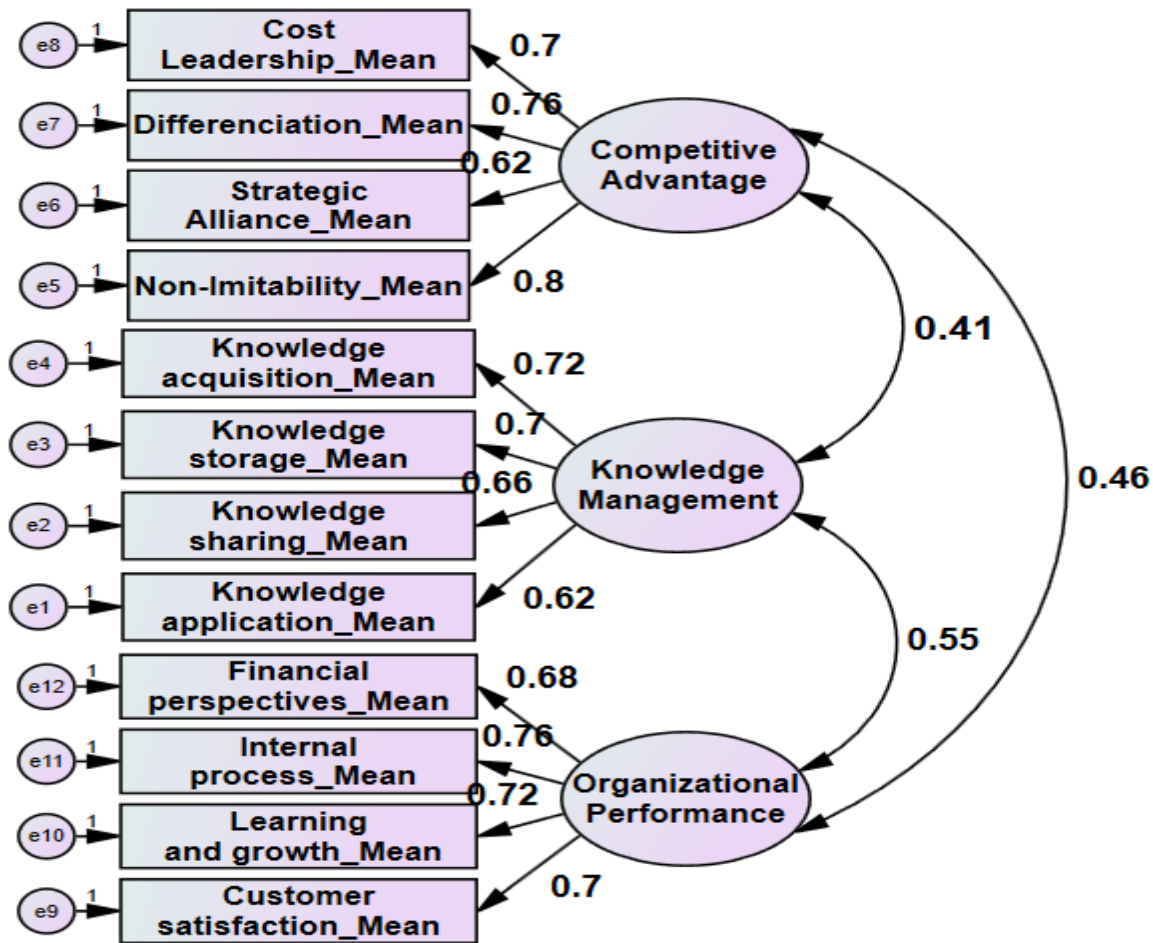
“Kaiser-Meyer-Olkin” evaluate of data sufficiency.		.852
“Bartlett's investigation for Sphericity”	Likelihood value	1109.952
	Df	21
	P-Value	.000

*Source: SPSS result, 2023*

The results exhibited sphericity, as shown by the conventional KMO value of 0.852, which is among 0.6 and 1. This enables factor analysis to generate distinct and reliable factors. The KMO determines sample adequacy; a value greater than 0.5 is necessary to identify an appropriate factor evaluation. Rewards for employees include both incentives and gratitude. KMO as well as Bartlett's Test were used to determine the sphericity of the data, as well as the findings revealed that KMO equals 0.852. The KMO results so proved whether the data was sufficient.

## Confirmatory Factor Analysis

Figure 2: Analysis to Confirm the Factors



Source: AMOS extract, 2023

Table 2: Covariance

Covariance			Approximate	S.E.	C.R.	P	Label
Knowledge Managements	<-->	Competitive Advantage	.145	.025	5.702	***	H2
Knowledge Managements	<-->	Organizational Performance	.213	.031	6.810	***	H1
Organizational Performance	<-->	Competitive Advantage	.227	.030	7.444	***	H3

Source: AMOS result, 2023

Table 2's covariance demonstrates substantial correlations between the constructs Knowledge Management, Competitive Advantage, as well as Organizational Performance. The correlation across Knowledge Management with Competitive Advantage is 0.145, with a standard error of 0.025, generating a critical ratio (CR) of 5.702. This high C.R. value suggests a statistically substantial association, implying that good knowledge management techniques help firms gain a competitive advantage. Likewise, the correlation involving Knowledge Management and Organizational Performance is considerably stronger, with a Pearson correlation coefficient of 0.213 as well as a C.R. of 6.810. This link emphasizes the significance of knowledge management as an enabler of improved organizational performance, implying that businesses that successfully harness information are more likely to experience advancements in their overall performance indicators. Finally, the covariance across Organizational Performance and Competitive Advantage is 0.227, with a correlation coefficient of 7.444. This substantial link shows that high-performing firms are more likely to sustain a competitive advantage, emphasizing the interdependence of these characteristics. In general the findings emphasize the importance underlying knowledge management in supporting both competitive advantage as well as organizational performance, implying that businesses should engage in knowledge management techniques to enjoy both advantages.

**Table 3: Validity check**

	<b>CR</b>	<b>AVE</b>	<b>MSV</b>	<b>MaxR(H)</b>	<b>OP</b>	<b>KM</b>	<b>CA</b>
<b>OP</b>	0.823	0.539	0.142	0.831	<b>0.662</b>		
<b>KM</b>	0.771	0.508	0.166	0.794	0.252	<b>0.639</b>	
<b>CA</b>	0.863	0.513	0.166	0.867	0.377	0.407	<b>0.716</b>

*Note: OP= Organizational Performance; KM= Knowledge Management; CA= Competitive Advantage*

Table 3 provides the validity checks for the terms Organizational Performance (OP), Knowledge Management (KM), as well as Competitive Advantage. The Composite Reliability (CR) scores demonstrate the inner consistency among these constructs, with OP at 0.823, KM at 0.771, and CA at 0.863. Every outcome is above the universally recognized criterion of 0.7, indicating that the constructs are very reliable. Overall Average Variance Extracted (AVE) values add to the statistical reliability regarding these constructs. The AVEs for OP, KM, and CA are 0.539, 0.508, as well as 0.513, respectively. These values are above the suggested threshold of 0.5, suggesting

indicating a large fraction of the variability in every construct is captured through the corresponding indicators. NIt indicates that the constructs constitute accurate representations of the underlying theoretical notions. The Maximum Shared Variance (MSV) values show the degree of discriminant validity among the constructs. OP has an MSV of 0.142, KM around 0.166, and CA of 0.166. These modest MSV values in proportion to the AVE indicate that the constructs remain different, each of them explaining more variation than the others. subsequently the MaxR(H) values indicate the constructions' greatest conceivable reliability coefficients, with OP at 0.831, KM at 0.794, and CA at 0.867. The results reported here support the general reliability and validity of the study's measures, indicating that they appropriately reflect the theoretical characteristics of performance of organizations, management of knowledge, and edge over the competition.

### Regression Model

**Table 4: Regression Weights**

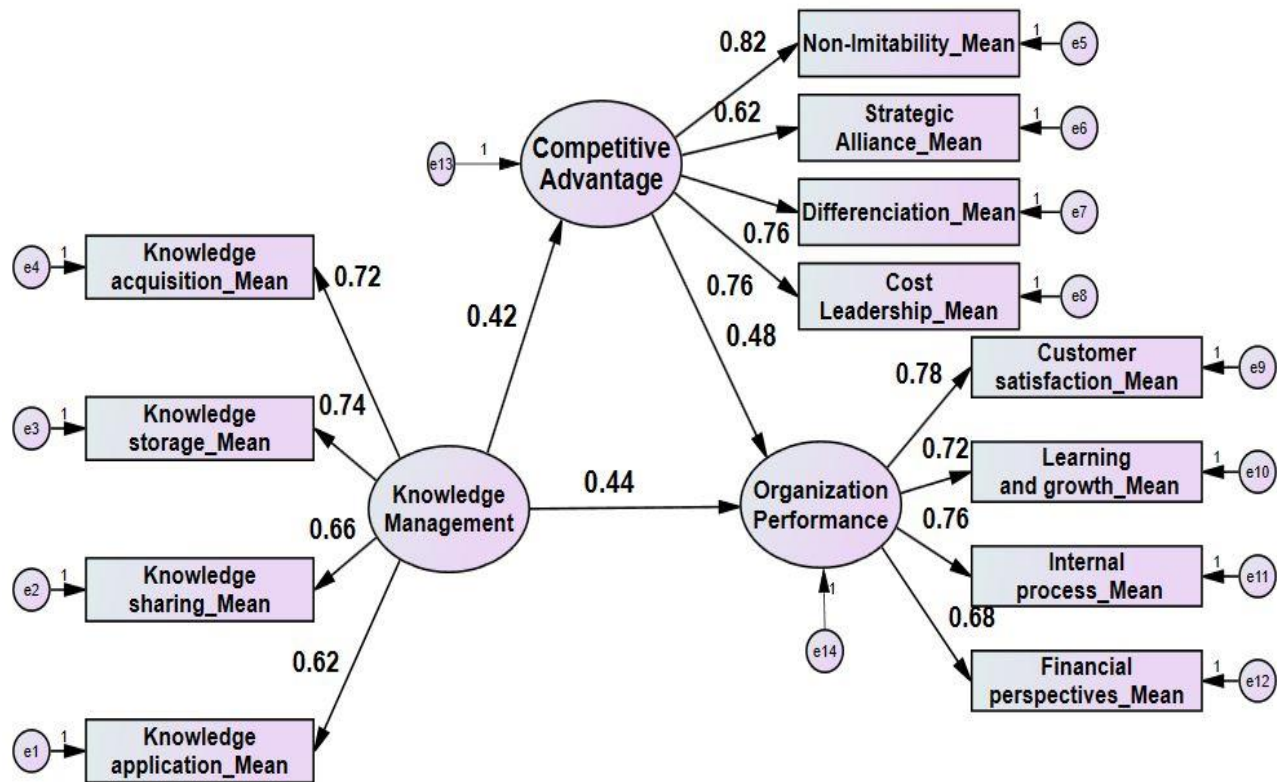
			Approximate	S.E.	C.R.	P	Label
Competitive Advantage	<---	Knowledge Managements	.421	.070	6.051	***	H2
Organizational Performance	<---	Competitive Advantage	.448	.059	7.289	***	H1
Organizational Performance	<---	Knowledge Managements	.419	.062	6.631	***	H3

*Source: AMOS result, 2023*

The table 4 shows the regression model weights generated based on the AMOS results for 2023. The study shows a statistically significant link among Knowledge Management and Competitive Advantage, with a weight of 0.421 as well as a standard error value 0.070, providing a critical ratio (C.R.) equal 6.051 ( $p < 0.001$ ). Competitive advantage has a considerable impact over organizational performance, with a regression weight of 0.448, standard error of 0.059, and critical ratio of 7.289 ( $p < 0.001$ ). The management of information has a direct influence on the performance of the organization, including a weight of 0.419, standard error equal 0.062, and critical value of 6.631 ( $p < 0.001$ ). This evidence confirms hypothesis H1, H2, and H3.

## Mediation Analysis

Figure 3: Structure of Equation Model



Source: AMOS result, 2023

Table 5: Model Fit Indices

fit indices for Goodness	SEM outcome	orientation significance
$\chi^2$	2.03	$1 < \chi^2/df < 3$
“Comparative Index for Fitness —CFI”	.964	.9<-1
“Normed Index- for Fitness –NFI”	.928	.9-1
“Relative Index for Fitness – RFI”	.917	.9-1
“Incremental Index for Fitness – IFI”	.938	.95-1
“Tucker-Lewis Index for Fitness – TLI”	.947	.95-1
“Residual Root Mean Square – RMSEA”	.049	less than 0.08

Source: Result AMOS, 2023

Table 5 summarizes the mathematical model's fit indices from the AMOS 2023 findings, which measure the general goodness of fit within the structural equation model (SEM). The chi-square



coefficient of 2.03 is within the acceptable range ( $1 < \chi^2/df < 3$ ), suggesting a satisfactory fit. Overall Comparative Fit Index (CFI) values 0.964, which above the threshold value 0.90, indicating a high model fit. The Normed Fit Index (NFI) as well as Relative Fit Index (RFI) evaluations have been 0.928 and 0.917, correspondingly, either of which exceed the 0.90 threshold, confirming the model's adequacy. Overall Incremental Fit Index (IFI) represents 0.938, meaning it is somewhat lower than the optimum value of 0.95 however indicates good fit. In a comparable manner its Tucker-Lewis Index (TLI) is reported as 0.947, which is close to the 0.95 requirement. In the end, the residual of the Root Mean Square Error of Approximation (RMSEA) significantly 0.049, which is less than the suggested threshold of 0.08, indicating a satisfactory match. Together, these indicators show a well-fitting model, supporting the trustworthiness of the structural linkages investigated.

**Table 6: Knowledge Management effect on Performance of Bank**

Determinant	flow	determinant	approximate	Critical Ratio	P	observation
Organization performance	<---	Knowledge management	.358	2.586	.006	appropriate

*Source: AMOS result, 2023*

The table 6 investigates the influence of management of knowledge on the presentation of banks using AMOS findings from 2023. The research indicates that Knowledge Management has a considerable consequence on Organizational Performance, having a regression score of 0.358. The critical ratio underlying this association is 2.586, which indicates statistical significance (p-value = 0.006). The conclusion is regarded suitable, emphasizing the vital importance that good Knowledge Management strategies play in improving the performance of banking businesses.

**Table 7: Mediation Analysis**

Determinant	Direction	Determinant	approximate (Standardized)	P-Value
Organization Performance	<---	Knowledge management	0.109	***
Organization Performance	<---	Competitive advantage	0.801	***

*Source: AMOS result, 2023*

Table 7 summarizes the main findings of the mediation study done using the AMOS data for 2023. The research shows that Knowledge Management provides a statistically significant standardized effect of 0.109 upon Organizational Performance ( $p < 0.001$ ). Competitive advantage has a considerable impact on organizational performance (standardized impact = 0.801,  $p < 0.001$ ). The results presented indicate that both Knowledge Management and Competitive Advantage play a significant part in improving Organizational Performance, having Competitive Advantage having a greater impact.

### **Discussion**

The regression analysis from the study shows a strong positive correlation with knowledge management with competitive advantage, with a regression coefficient of 0.421. This research emphasizes the significance of good Knowledge Management methods in generating a competitive advantage inside firms. Knowledge management makes it easier to collect, share, and application of knowledge, which may lead to more innovative practices and better decisions. Organizations that invest in knowledge processes have a greater potential to be nimble, adaptable for marketplace changes, and also capable of harnessing their cognitive capabilities to achieve higher performance. The results suggest that Competitive Advantage has a considerable influence on Organizational Performance, as demonstrated with a regression significance level of 0.448. This link demonstrates that companies that can build and retain a competitive edge are more inclined to get better performance results. Competitive advantage could be an achieved through a variety of strategies, including cost leadership, differentiation, and specialized focus, customer satisfaction, along with overall organizational effectiveness. Remarkably, Knowledge Management has a direct influence on Organizational Performance (regression weight = 0.419). This implies that good Knowledge Management strategies do not just help to gain a competitive advantage; however they also directly improve organizational results. The implementation of information into daily operations enables businesses to optimize processes, increase staff productivity, and encourage a culture of constant learning and adaptability. Such twofold route confirms the idea that knowledge management is an important driver underlying organizational performance. The mediation study clarifies these associations by demonstrating that Knowledge Management exhibits a standardized effect of 0.109 on Organizational Performance, instead Competitive Advantage has a significantly greater effect of 0.801. This finding implies that Competitive Advantage mediates the connections between Knowledge Management as well as

Organizational Performance. In other words, while Knowledge Management improves Organizational Performance, most of this benefit derives from its impact on Competitive Advantage. This underscores the necessity about considering Knowledge Management not only as an isolated activity but as a strategic instrument that increases competitive positioning, which in turn drives performance. The findings highlight the vital need for organizations, particularly in the banking industry, to prioritize Knowledge Management initiatives. By fostering a culture that promotes knowledge sharing and learning, organizations can enhance their position in the market and, consequently, improve their overall efficiency. Also, leaders should focus on developing techniques that align Knowledge Management efforts about competitive strategies so they can maximize their impact on

### **Conclusion and Recommendations**

The outcomes of this investigation highlight the significance of management of knowledge in defining competitive advantage as well as improving banking sector performance. According to the findings, effective Knowledge Management techniques not only improve Organizational Performance but they also serve as a core component that reinforces Competitive Advantage. The substantial associations shown during regression and mediation studies imply that firms that emphasize Knowledge Management are better positioned to innovate, adjust to market changes, and realize superior performance results. This underscores the urgency of firms developing comprehensive Knowledge strategy documents that are aligned with their strategic objectives. Finally, the investigation underlines the need of cultivating a culture of information sharing as well as continual learning in firms wanting to prosper in an increasingly competitive world. Banks may improve operational performance, increase satisfaction with clients, and maintain a competitive advantage by efficiently exploiting knowledge.

To strengthen knowledge management practices overall banking sector growth, firms should emphasize the installation of strong systems for managing knowledge. These systems should allow facilitating the efficient gathering, storage, and exchange of essential information using user-friendly platforms like as databases and collaborative tools. By providing an atmosphere in which knowledge is widely available, banks can empower workers to make educated decisions while motivating innovation. Building a culture that supports information sharing is critical. Organizations should foster processes that incentivize teamwork and information sharing. This may be accomplished using training programs, training sessions, and recognition efforts

emphasizing the value of collaborative learning. A knowledge-sharing culture not only increases employee engagement, but it also helps to make the firm more nimble and responsive.

Likewise, it is critical to integrate Knowledge Management projects with strategic organizational goals. This coordination guarantees that knowledge efforts immediately contribute to increased competitive advantage and performance results. Corporations may guarantee that their knowledge activities are focused and effective by including Knowledge Management throughout their overall strategy framework. Staffs will be exposed to ongoing development programs to ensure that they have the skills needed to properly use knowledge-management technologies. Furthermore, data analytics may be used to measure the success of Knowledge Management processes. Organizations may make educated strategic decisions by examining the impact of these activities on performance measures. A further significant advice is to promote cross-departmental collaboration. Encouraging cooperation across departments can help to break down silos as well as boost information exchange, resulting in enhanced imagination and problem-solving capabilities. Finally, firms should perform regular assessments from their Knowledge Management projects. Regular assessments enable for the discovery of opportunities for development while also ensuring that knowledge practices stay current and efficient in meeting company goals.

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