

## Knowledge Management Process and Organizational Performance in Nepalese Insurance Companies

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### **Abstract**

In today's knowledge-based business driven environment, knowledge is considered an important aspect for the organizational success. This study examines the status of knowledge management (KM) practices and its effect on innovation and organizational performance in selected Nepalese insurance companies. A quantitative research approach has been used to achieve the objective of the study. The total number of 12,339 staff members working in insurance companies in Nepal during the study period of 2025 was considered population where only 384 employees were selected as sample using a stratified quota sampling technique and data were collected through structured questionnaires for this study. The collected data for this study were analyzed using SPSS with different descriptive and inferential statistics such as mean, standard deviation, correlation, regression, and ANOVA techniques to achieve the research objectives. The findings of this study show the strong positive relationships among different variables such as knowledge acquisition, knowledge sharing, knowledge use, innovation and organizational performance in selected Nepalese insurance companies. The results from regression analysis indicate knowledge utilization has the strongest direct impact on performance, while innovation plays an important mediating role between two variables knowledge management practices and performance in selected insurance companies of the Nepal. Knowledge acquisition and dissemination of knowledge mainly influence organizational performance indirectly through innovation in these insurance companies. The study supports the knowledge-based view and offers valuable evidence to

assist managers and policymakers in enhancing performance in the Nepalese insurance sector.

**Keywords:** knowledge, management, innovation & organizational performance

## 1. Introduction

In the contemporary knowledge-intensive business driven world, knowledge is highly increasingly recognized as the pivotal strategic assets for every kind of business organization (Drucker, 1985). Knowledge Management, which includes the systematic creation of knowledge, diffusion of knowledge and application of knowledge which has been enhancing organizational competitiveness and supporting performance in this competitive world (Nonaka & Takeuchi, 1995). Simultaneously, innovation is theorized as the conversion of different philosophies and information into value added products, services and processes which helps as a fundamental driver of organizational growth, competitiveness, adaptability and long-term resilience also (Tidd & Bessant, 2014) And also, knowledge is extremely increasingly viewed as a vital organizational asset increases both productive efficiency and adaptive capacity of the organization (Marquardt, 2011). Afterward, knowledge management is employed as a strategic tool to enhance institutional competitiveness across all types of organizations. According to Dalkir (2005), it is a continuous process involves creation and dissemination of knowledge, along with the integration of experience and expertise to improve skills, performance, innovation and organizational value (Gloet & Terziovski, 2004). Effective knowledge management practices foster a learning environment to encourage creativity, innovation and knowledge sharing, succeeding organizations to familiarize to dynamic economic circumstances (Jorfi & Heidari, 2017). Many studies consistently show the robust knowledge management practices enhance the innovation, market share and overall organizational performance of the firm (Khan et al., 2025). Contrarywise, insufficient knowledge management can lead to knowledge loss, inefficiencies and avoidable costs, undermining strategic advantage of the firm (Chaudhry et al., 2021).

The insurance industry is recognized as a highly knowledge-driven industry, where effective management of information and expertise is essential for the service quality and attractiveness of the firm (Laturkar & Singh, 2012). Although the insurance industry is an extremely knowledge-driven sector, it requires effective management of information and expertise to ensure service quality and maintain competitiveness (Laturkar & Singh, 2012), the application of knowledge management in Nepalese context leftovers limited despite snowballing competition and shifting customer expectations. While widespread international studies with association knowledge management with innovation and organizational performance, indication is context-specific. In Nepal, only a few fragmented studies such as Khanal and Paudyal (2017), Paudel (2019), Gnawali, (2020), Niroula et al. (2024), and Subedi (2025) have examined aspects of knowledge management, often focusing on limited dimensions or sectors, highlighting the need for absorbed research in the insurance industry regarding the status and relationship between knowledge management practice and organizational performance.

This study provides the empirical evidence on how knowledge management practices enhance the innovation and organizational performance of the firm in Nepalese insurance industry, supporting managers and policymakers plan effective knowledge tactics to advance competitiveness, efficiency and long-term institutional performance in the Nepalese insurance companies. This study is limited to the selected Nepalese insurance companies only and a cross-sectional research design, restricting generalizability and causal interpretation. Based on the recognized research gaps from previous studies, this study aims to address the inadequate empirical evidence on how knowledge management practices influence

innovation and organizational performance in selected Nepalese insurance companies. Given the knowledge-intensive nature of the insurance industry in Nepal and growing competitive gravities, examining these relationships is both timely and essential for the context of Nepal. Accordingly, this study systematically evaluates the status of knowledge management practices, examines relationship between these variables with organizational performance and also assesses the impact of innovation on organizational performance within the Nepalese insurance companies, with the objective of generating context-specific evidence to support managerial decision-making and inform policy formulation for the Nepalese context.

## **2. Literature Review**

The theoretical and empirical literature consistently emphasizes the importance of innovation in enhancing organizational performance of the firm. Firms originate in products, processes and managerial practices incline to realize superior performance outcomes of the organization (Conchado et al., 2015; Agarwal et al., 2014). Several studies on knowledge management practice further suggest the innovation plays a mediating role by translating organizational resources and orientations into enhanced performance outcomes of the organization (Han et al., 2009; Conchado et al., 2015).

A broad consensus of knowledge management exists among scholars, effective knowledge management (KM) is an important foundation of competitive advantage and improved organizational performance in the organization (Darroch, 2005; Tanriverdi, 2005; Lee & Choi, 2003). Empirical evidence shows the KM processes significantly inspire organizational innovativeness, which in turn improves the both administrative and practical innovation, supporting a partial mediating role of modernization between KM and performance of the firms (Kör & Maden, 2013). Knowledge management capabilities have also been found to straight and positively impact organizational performance of the firm (Tseng & Lee, 2014).

In developing economies like Nepal, the significance of knowledge management is particularly noticeable in knowledge-intensive service industries like insurance companies. Assuming the knowledge-based view allows insurance companies to manage knowledge resources more effectively, progress decision-making and support strategic planning (Sthapit & Shrestha, 2020). Innovation in products and the processes is essential for meeting developing customer weights and capturing emerging market opportunities in the Nepalese insurance sector (Karki et al., 2023).

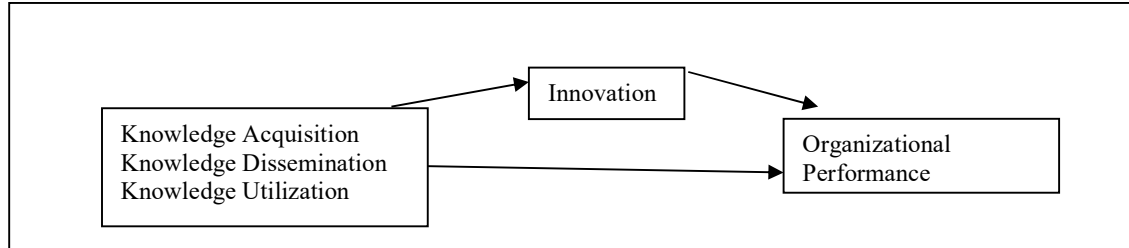
Empirical evidence identifies the knowledge sharing as an essential knowledge management process fosters the organizational learning, innovation and performance of the firm (Andreeva & Kianto, 2011; Intezari et al., 2017). Nevertheless, prior findings remain fragmented and highly context-specific, mostly within knowledge-intensive goods as well as service sectors (Zieba, 2021). Similarly, employee-related corporate social responsibility as comprehensive CSR practices have been shown to enhance organizational performance of the firm proxied by financial performance, goodwill, and employee engagement, thereby supportive strategic alignment, sustainable growth, and broader societal impact (Panthi, 2023; 2025). In Nepal, however, empirical research on knowledge management remains limited and largely confined to specific sectors (Khanal & Paudyal, 2017; Paudel, 2019). Addressing these research gaps, the present study proposes an integrated model to inspect the influence of knowledge management processes on organizational performance in selected Nepalese insurance companies.

## **3. Conceptual Framework**

To address these above-mentioned gaps, the present study develops an integrated model of knowledge management processes and empirically examines their effects on

organizational performance in selected Nepalese insurance companies. By providing sector-specific empirical indication, this study contributes to the current literature and offers practical implications for managers and policymakers seeking to strengthen knowledge management driven performance in the selected insurance industry of Nepal.

**Figure 1:** *Conceptual framework*



**Source:** *Adapted from Gold et al. (2001) and Donate & de Pablo (2015)*

#### 4. Research Methodology

This study adopted a quantitative research approach to examine the impact of different dimensions of knowledge management practices on innovation and organizational performance in selected Nepalese insurance companies. To fulfill the objective of this study, primary data were collected using a structured questionnaire from different levels of employees of insurance companies within the Kathmandu valley deploying stratified quota sampling technique. The population was first divided into strata, and then quota sampling was applied within each stratum.

The study incorporates those different types of insurance companies in Nepal, containing of life, non-life (general), microinsurance and reinsurance. As of till February 2026, there were altogether 37 insurance companies where 14 life insurance, 14 non-life insurance, 3 micro-life insurance, 4 micro non-life insurance and 2 reinsurance companies functioning in Nepal. According to the Nepal Insurance Authority, there were roughly 12,339 employees who were working in this sector, measured as the finite population for this study. Of this total, 6,082 employees were involved in life insurance companies and 6,257 in non-life insurance companies, representing roughly 49 % and 51 % of the workforce respectively. A total sample size of 384 employees was determined by using Cochran's (1977) sample size formula with a 95 % confidence level and a 5 % of error margin, applying the correction factor for the finite population of the study. The survey instrument contained of closed-ended questionnaire measured and quantified through a five-point Likert scale. The reliability of the constructs was confirmed, with Cronbach's alpha values surpassing 0.70, indicating satisfactory internal consistency.

The collected data for this study were analyzed using both descriptive and inferential statistics. SPSS was employed for data management and analysis purpose, including reliability testing, factor analysis, correlation, regression and ANOVA to inspect the associations among different variables such as knowledge management practices, innovation and organizational performance of the study.

#### 5. Results and Discussion

The result of the descriptive statistics reveals an overall positive perception of all study variables among respondents of the study. Mean values were ranging from 3.74 for knowledge dissemination to 4.01 for organizational performance, representing modest to high agreement with the statements used in the study. The number of standard deviations varied between 0.74

and 0.86, reflecting low dispersion and consistency in responses collected. All variables used in the study exhibited negative skewness ranged from  $-0.55$  to  $-0.99$ , suggesting that there was a tendency toward agreement level. Kurtosis values showed between  $-0.13$  to  $1.35$  which indicate near-normal distributions, with Knowledge Utilization slightly leptokurtic. Overall, the data were sufficiently normal and appropriate for further inferential analysis for this study.

### 5.1 Knowledge Management Process and Organizational Performance

Below given table no 1.1 presents the results of the correlation coefficient among the used variables conducted to examine the strength and direction of relationships among these variables such as knowledge acquisition, knowledge dissemination, knowledge utilization, innovation and organizational performance in the selected Nepalese insurance companies. Data analysis in this study also provides preliminary evidence on how the used independent variables were connected with the mediating and dependent variables used in the study of knowledge management process and organizational performance in selected Nepalese insurance companies.

**Table 1: Correlations**

Variables	Innovation	Organizational Performance
Knowledge Acquisition	.723**	.728**
Knowledge Dissemination	.821**	.804**
Knowledge Utilization	.799**	.835**
Innovation	1.000	.846**

\*\* . Correlation is significant at the 0.01 level (2-tailed).

The above table no 1.1 shows there was a strong, positive and statistically significant correlations ( $p < 0.01$ ) between independent variables and dependent variables used in the study. In this study, variable named as knowledge acquisition was positively related to the innovation with the value of  $r = 0.723$  and organizational performance with the  $r = 0.728$ . Knowledge dissemination demonstrates a stronger association with innovation with the  $r = 0.821$  and organizational performance with the value of  $r = 0.804$ . Knowledge utilization was strongly correlated with the variable innovation with the  $r = 0.799$  and demonstrates the highest relationship with organizational performance with the  $r = 0.835$ . Innovation itself had a very strong correlation with organizational performance with the value of  $r = 0.846$  supporting its mediating role.

### 5.2 Organizational Performance on Knowledge Management Process, mediating role of Innovation

In this study, variable used namely knowledge acquisition, knowledge dissemination and knowledge utilization were treated as independent variables in the model applied, whereas innovation was measured as mediating variable and organizational performance is the dependent variable to achieve the objective of the study, with the analysis absorbed to observe the impact of the different independent variables on the dependent variable used in the model for this study.

**Table 2: Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients	t	Sig.	VIF
		B			
1	(Constant)	.763	7.155	.000	
	A. Knowledge Acquisition	.063	1.404	.161	3.420
	Knowledge Dissemination	.259	5.286	.000	4.740
	Knowledge Utilization	.514	10.395	.000	3.759
2	(Constant)	.633	6.626	.000	
	A. Knowledge Acquisition	.043	1.069	.286	3.429
	Knowledge Dissemination	.075	1.589	.113	5.540
	Knowledge Utilization	.359	7.749	.000	4.199
	Innovation	.391	10.321	.000	3.481

a. Dependent Variable: Organizational Performance

**Source:** SPSS Output

The result presented in above table no 1.2 designates in Model 1, knowledge dissemination with the  $\beta$  coefficients of 0.259, with the value of  $t = 5.286$  and  $p < 0.001$  and knowledge utilization with the  $\beta$  coefficients of 0.514 where  $t = 10.395$  and  $p < 0.001$  had a statistically significant positive effect on organizational performance of selected Nepalese insurance companies, whereas knowledge acquisition with the  $\beta$  coefficients of 0.063 with the value of  $t = 1.404$  and with the value of  $p = 0.161$  was not significant in the data presented and analyzed for this study. Knowledge utilization shows the strongest influence, highlighting its key role in driving performance of the organization. In Model no 2 above presented, after including innovation in the model, innovation with the  $\beta$  coefficients of 0.391 with the value of  $t = 10.321$  and  $p < 0.001$  and knowledge utilization with the  $\beta$  coefficients of 0.359, with the value of  $t = 7.749$  and  $p < 0.001$  endure significant predictors in the model applied, while another variable knowledge acquisition with the  $\beta$  coefficients of 0.043, with the value of  $t = 1.069$  and  $p = 0.286$  and knowledge dissemination with the  $\beta$  coefficient of 0.075, with the value of  $t = 1.589$  and  $p = 0.113$  were not significant as statistics showed in the model. The VIF values for all independent and dependent variables ranged from 3.429 - 5.540, representing there was no serious multicollinearity issues in the model applied. Overall, these findings determine the knowledge utilization and innovation are the most significant factors in enhancing organizational performance of the selected Nepalese insurance companies, whereas the direct effects of knowledge acquisition and dissemination are comparatively scrawnier when innovation was measured in this study.

The results present the excluded variables from the regression analysis, specifically highlighting the effect of innovation when it was not included as a predictor of organizational performance of selected Nepalese insurance companies in the model. This analysis from primary helps to identify the contribution of excluded variables could improve the explanatory power of the model used to fulfill the objective of the study.

Knowledge management has developed as a critical strategic resource for organizations operating in knowledge-intensive service industries such as insurance companies. Effective KM practices sustenance learning, knowledge sharing and creativity, thereby enabling firms to respond to competitive pressures and changing customer expectations in the competitive market (Jorfi & Heidari, 2017; Darroch, 2005). In the

Nepalese insurance industry context, where empirical evidence remains limited and also very few fragmented studies were conducted, examining how KM practices influence the innovation and organizational performance is particularly important.

The findings of this study show the knowledge utilization had the strongest straight effect on organizational performance with the  $\beta$  coefficients of 0.514, with the value of  $t = 10.395$  and  $p < 0.001$ , indicating the practical application of knowledge was more significant than its acquisition or dissemination in the field of insurance company in Nepal. This result of this study is highly consistent with the study of Tseng and Lee (2014) and Khan et al. (2025), who emphasized the knowledge use in the insurance sector of Nepal as a key driver of organizational performance. Knowledge dissemination also positively affects the organizational performance with the  $\beta$  coefficients of 0.259, with the best value of  $t = 5.286$  and  $p < 0.001$  supporting the study of Andreeva and Kianto (2011); however, its effect became insignificant with the  $\beta$  coefficients of 0.075,  $p = 0.113$ , when innovation was included in the study model, suggesting there was an indirect influence through innovation, as also reported by the study of Kör and Maden (2013). Knowledge acquisition displays there was a weak and insignificant direct impact with the  $\beta$  coefficients of 0.063 and with the value of  $p = 0.161$ , consistent with the result of the study of Chaudhry et al. (2021).

Importantly, in this study, innovation plays a strong mediating role between independent and independent variables used in the study, with a significant effect on organizational performance with the  $\beta$  coefficients of 0.391, with the value of  $t = 10.321$  and  $p < 0.001$  and a high correlation with performance with the value of  $r = 0.846$ , aligning with findings of the study by Han et al. (2009); Agarwal et al. (2014) and (Panthi, 2023; 2025). These results also reinforce the knowledge-based view by demonstrating the innovation is the key mechanism through which knowledge management practices enhance the organizational performance in selected Nepalese insurance companies.

## **6. Conclusion and Implications**

The result of this study demonstrates the knowledge utilization and innovation are the most significant drivers of organizational performance in selected Nepalese insurance companies. While knowledge dissemination positively impacts the organizational performance, its effect reduces when innovation is measured, suggesting an indirect role. Knowledge acquisition shows a weak and insignificant direct influence towards the organization performance in selected Nepalese insurance companies. Innovation not only directly improves the organizational performance but also mediates the effect of knowledge management practices, highlighting its dominant role. These findings support the knowledge-based view, emphasizing practical application of knowledge and innovation are serious mechanisms for interpreting organizational knowledge into superior performance outcomes.

For managers, the results of this study highlight the importance of fostering a culture arranges knowledge application and innovation in Nepalese context. Investments in systems allow the employees to effectively use knowledge and translate it into advanced solutions can substantially advance organizational performance in Nepalese context. Knowledge dissemination should be combined with innovation creativities to maximize its influence. Policymakers and practitioners in the insurance sector should emphasis on training, collaborative platforms and innovation driven courses to capitalize organizational knowledge strategically. These measures can advance competitive advantage, responsiveness to customer wants and long-term growth, positioning organizational knowledge management practices with assessable performance outcomes.

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