Do Knowledge Management and Competitive Advantage affect Ethiopian Commercial Banks Performance?

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Abstract

Management of knowledge plays a vital part in organization performance when competitive advantage is used as a mediator. Therefore, present empirical research particularly aims to investigate the causes and effects of management of knowledge perspectives with blend of competitive advantage in Ethiopian commercial banks. The study focused on a sample of 383 bank account holders in the Ethiopian town of Dilla. To choose a sample, a straightforward random sampling procedure was used. The KMO test was used for reliability and data adequacy, the CFA test was utilised for validity and hypothesis testing, and SEM was used for mediation and model fitness. The sampled firm's organisational performance and knowledge management procedures were found to be moderate, as supported by the results. This suggests that the businesses should continue to improve their knowledge management practices in order to improve their organisational efficiency. The study concludes that, when combined with competitive advantage, acquiring knowledge, sharing, retention, and utilisation substantially foresee the organisational performances of commercial banks in Ethiopia. As a result, commercial banks should pay careful attention to knowledge management practices to enhance their performance.

Key terms: Knowledge Management, Competitive Advantage, Bank Performance.

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1. Introduction

In this era of competition, information and the management of knowledge are crucial topics. Lately, knowledge management (KM) has emerged as a strategic instrument for improving organisational performance (Negeri et al., 2023; Arsawan et al., 2022). The process of integrating individual knowledge into an organisation to improve performance is known as knowledge management (Mahdi et al., 2019). KM also helps to accomplish and improve organisational goals by producing, gathering, organising, and applying knowledge (Ferreira et al., 2020). Knowledge collection, sharing, storage, and application are other components of KM (Ogutu et al., 2023). The enhancement of firm's competitive advantage lies implementing knowledge management (KM) practices (Sahoo et al., 2023).

Studies demonstrate a favourable correlation between knowledge management (KM) procedures and operational and organisational performance. Combining explicit and tacit KM techniques also reveals a positive correlation with organisational performance, suggesting a synergistic influence of KM on performance (Santoro et al., 2019). There are two kinds of knowledge: implicit and explicit. While explicit knowledge may be readily communicated and codified, tacit knowledge is the knowledge that exists in people's minds (Sahoo et al., 2023). Both forms of knowledge exist in organisations. When knowledge management is combined with competitive advantage, it leverages the organization performance (Ogutu et al., 2023).

Knowledge is a primary source of sustained competitive advantage in the knowledge era, making knowledge management an essential instrument for improving performance and fostering sustainable growth (Arsawan et al., 2022). These days, a dearth of knowledge management results in missed opportunities and a diminished competitive edge (Di Vaio et al., 2021). As a result, organisations stop making progress towards better performance (Mansur, 2022). The capacity of individuals and organisations to recognise and respond appropriately when competitive advantage is utilised as a mediator may be used to characterise knowledge in the workplace. It is run by supervisors, employees, and proactive people (Demir et al., 2023; Ogutu et al., 2023).

Institutions and practices for knowledge development and sharing receive little to no attention in Ethiopia. Although KM is not well-known or well-developed in Ethiopia, there are some connected efforts in this field, and researches have supported this fact (Mahdi et al., 2019). The majority of labour in the commercial sector depends on the expertise of staff members, supervisors, and coworkers (Ganguly et al., 2019). Thus keeping employees happy is essential. With rising competition and client demand, businesses are compelled to embrace cutting-edge knowledge management solutions (Sahoo et al., 2023). Hence, the

assessment of knowledge organization activities in commercial banks in Ethiopia is the focus of this study. The relationship between competitive advantage and organisational performance is crucial in this context.

1.2 Statement of the Problem

In the contemporary era of knowledge, organisations are realising that knowledge is the key to gaining a competitive edge and a basic instrument for improving organisational performance (Shea et al., 2023). Knowledge obtained both inside and outside the organisation determines an organization's success, and knowledge management has emerged as a critical success factor (Nezafati et al., 2023). The value of knowledge in the existence of humans has grown to the point that it is now considered indispensable for day-to-day living and that knowledge management is now a vital aspect of many academic fields (Demir et al., 2023).

The banking sector views knowledge as its most valuable asset, with commercial banks in particular fighting for a competitive edge over public banks (Nezafati et al., 2023). It has come to recognise the critical role that knowledge organization activities. Ethiopian commercial banks are important to the growth of the nation and to general economic activity (Wakjira et al., 2022).

Commercial banks therefore need to acknowledge and implement knowledge management practices in their services through knowledge collecting, storing, transfer or sharing, applying, and employing in order to accomplish organisational goals and win the current fierce competition (Mahdi et al., 2019). In today's competitive and knowledge-driven world, losing the ability to manage knowledge equates to losing competitive strength. This also suggests that inadequate or poorly managed knowledge management may have an impact on the efficiency of an organization (Mansur, 2022). Thus, when competitive advantage is utilised as a mediator, performing research studies focused at analysing knowledge management practices and their link with organisational performance is crucial (Fikadu et al., 2023).

Nevertheless, there have only been a small number of studies carried out in Ethiopia to far, and nearly all of them focused on government banks, with little focus on commercial banks (Wakjira et al., 2022). Therefore, this study aims to close the knowledge management application gap that exists in commercial banks and the business industry at large due to its lesser-known nature. In order to better understand the relationship between knowledge management practices and organisational performance with competitive advantage as a mediator, this study was look in Ethiopian commercial banks.

2.1 Literature review

2.1.1 Knowledge management defined

There is no widely recognised definition of knowledge management, owing to the broad scope of the notion and the complexity of information (Mahdi et al., 2019). The world has recently been forced to recognise the significance of information and knowledge management issues because knowledge has been accepted as a very critical asset for competitive advantage as well as improved organisational performance (Ferreira et al., 2020). However, there are several definitions of knowledge management that have been provided by different scholars (Mansur, 2022). Knowledge management is the collection of methods relating to creating, sharing, using and managing the knowledge and information of an organization. It refers to a multidisciplinary approach to achieve organizational objectives by making the best use of knowledge (Ganguly et al., 2019). Knowledge management is the process of more effectively collecting, sharing, maintaining or managing, and deploying organizational knowledge. As a discipline, knowledge management recognizes three basic forms of knowledge: explicit knowledge, tacit, and implicit knowledge (Demir et al., 2023).

Many academic works have concurred that knowledge management is a process that involves the acquisition, storing, dissemination, and application of knowledge (Shea et al., 2023). In addition to this process, there are crucial tools that help make knowledge management practices in the workplace easier and more efficient (Wakjira et al., 2022). These tools are thought to have a positive impact on the efficacy of knowledge management as it relates to organisational performance.

2.1.2. Knowledge Management Process

Every organisation needs a strong knowledge management approach to stay ahead of the competition and make steady growth. The process's primary goals are to increase organisational efficiency and maximise the use of group knowledge inside the company (Nezafati et al., 2023). The knowledge process encompasses the gathering and sharing of knowledge as well as enabling elements like technology and organisational structure that operate as precursors to knowledge management aspects (Ganguly et al., 2019). The knowledge management process, which primarily consists of four fundamental steps—knowledge collection, storage, sharing, and use—has a high correlation with organisational effectiveness.

A crucial phase in a company's knowledge is management process. These include the generation and acquisition of knowledge, the transmission of knowledge, the interpretation of knowledge to further organisational objectives, and the use of knowledge to accomplish those objectives (Ferreira et al., 2020).

2.1.3. Knowledge Creation or Acquisition

This process entails acquiring new information or updating the explicit and tacit knowledge currently held by the organisation. The process of gathering, organising, and extracting knowledge from human specialists in order to convert it into a format that is computer readable is known as knowledge acquisition (Adula et al., 2023). Knowledge capture refers to an organization's capacity to make sure that information accessible inside it is archived for future use in either databases or manuals. Organisations must look both inside and outside the company for fresh ideas, information, and knowledge in general (Mansur, 2022).

Collaboration among organisations enables the creation and expansion of knowledge. Through the appropriate application of information gained both inside and outside the organisation, it is a task that generates new knowledge (Berwal et al., 2022). When information is internalised, it becomes accessible to a person through the group and an organisation as a whole as opposed to externalised knowledge, which is represented by a traditional or virtual sign (Shea et al., 2023)..

2.1.4. Knowledge Storage

Reserving both fresh and current information for immediate and upcoming use is referred to as "storing knowledge." It is important to store any explicit information that persons inside organisations acquire (Ferreira et al., 2020). In order to provide quicker access to knowledge, organisations should organise and manage it. It is the activity of gathering and recording both newly learned and organisational information for future use (Mansur, 2022). In order to increase customer satisfaction, enhance internal efficiency, and lead the market, data must be regularly gathered, transformed into actionable facts (information), and stored in ways that can be used, such as journals, bulletins, magazines, and annual abstracts, making it available to all stakeholders (Asefa et al., 2022).

2.1.5. Knowledge Transfer or Dissemination

This crucial KM process allows organisations to transform individual knowledge into collective or organisational knowledge. The sharing of knowledge amongst personnel within an organisation is known as knowledge sharing. Rewards, benefits, and associations of practice are just a few examples of practices that encourage knowledge sharing within an organization (Shea et al., 2023). This is an important process that involves knowledge sharing and exchanging among individuals or networks of individuals, an organisation of people to the organisations, and a person to explicit sources of information. Sharing information is essential to creating new knowledge (Shea et al., 2023).

In order to prevent the loss of tacit knowledge, organisations must make sure that knowledge is converted from tacit to explicit during the process (Di Vaio et al., 2021). They must also install formal structures and foster a culture of knowledge sharing among staff members to enable knowledge management and guard against knowledge loss (Berwal et al., 2022). Finally, they must use technologies to effectively disseminate knowledge and prevent the loss of organisational memory. Innovation and new information are produced as a result of knowledge exchange, and this will enhance organisational performance (Asefa et al., 2022).

2.2 Organizational performance

Organizational performance refers to activities an organisation does to increase productivity, strategize to outperform the competition, and plan for the future (Negeri et al., 2023; Asefa et al., 2022). Organisational performance may be defined and interpreted from a variety of angles that are related to the organization's predetermined overall goals (Mansur, 2022).

Performance is the process of carrying out a certain task; in most cases, organisational performance is connected to three main areas of the outputs of the firm. The first is to increase in finances (profit, return on investment, return on asset, etc.) The second is to enhance performance of the product and promotion (sales, market share etc.) The third relates to increase in returns to investors (economic value). Many organisations have tried to use the Balanced Score Card (BSC), a management tool that helps a company to create, monitor, and accomplish its business goals and objectives, to manage organisational performance in current years" (Negeri et al., 2023).

BSC is a unified framework that describes and translates the benefits of using connected performance objectives, targets, metrics, and strategic initiatives from the views of the four balanced scorecard: learning and growth, internal processes, customers, and finances (Ogutu et al., 2023). The four viewpoints that make up a balanced scorecard are similar to the four roots, branches, and leaves of a tree (Berwal et al., 2022). The roots are the growth and learning perspectives, the branches are the customers, and the leaves are the monetary aspects perspectives (Mansur, 2022). Each perspective depends on both the perspectives above and below it. It is an ongoing cycle of development and rejuvenation. Falling leaves, or money, fertilize the earth and the root system, promoting development all the way through the organization (Berwal et al., 2022).

2.3 Empirical literature review

2.3.1 Knowledge management and organization Performance

A key element for sustaining competitive superiority and boosting productivity is information administration. Information acquiring, analysis, archiving, and dissemination on commodities, production techniques, and components are conscious actions (Shea et al., 2023). Knowledge management procedures would improve organisational intelligence and adaptability while being helpful for problem-solving, dynamic learning, planning for strategy, decision-making, and preventing burnout (Ogutu et al., 2023).

Having the appropriate tools at work to collect, arrange, and disseminate tacit knowledge may help foster a more meaningful work environment. As a result, there is more trust among team members and the group as a whole is happier and more effective (Panigrahi et al., 2022). Knowledge management facilitates and promotes cooperation, idea exchange, and access to the most recent data. Additionally, it enables people to foster the creativity and cultural shifts required to advance the company and adapt to shifting market demands (Mansur, 2022).

2.3.2. Competitive advantage and Knowledge management

The results demonstrate that knowledge management particularly competitive advantage are positively correlated, and that this link is significantly strengthened by the interaction effect of market orientation (Mahdi et al., 2019). When market-based knowledge is properly acted upon, the organization's competitiveness is increased (Arsawan et al., 2022). Organisations must focus on a few important issues in order to acquire these skills: hiring knowledgeable staff; providing training; inspiring, empowering, offering incentives; maintaining a flexible work environment; maintaining strong databases; and developing internal human capital-related capabilities, which will give them a competitive edge (Ferreira et al., 2020).

If a business can pick things up quickly and use what it has learned ahead of its rivals, it will be greater achievement. In order to obtain or sustain a competitive edge, a corporation must be able to learn new talents while also strengthening its existing ones (Mansur, 2022). Promotions highlight knowledge management as a critical and vital component of organisational survival and competitive strength maintenance (Berwal et al., 2022). "Knowledge" is the main focus. The progression of locating the data need to made it easier by management of knowledge. It makes you further efficient and productive and improves your ability to work, decreasing the propensity to take risk (Ogutu et al., 2023).

2.3.3. Competitive advantage and organization Performance

Through organisational performance, competitive advantage also strengthens the link between competence and knowledge management (Sahoo et al., 2023). The efficiency of human resources may be improved by managers at all levels, which will enhance the competitive advantage of the company (Demir et al., 2023). A point of differentiation is the capacity of a business to create items or provide services more cheaply or efficiently than its rivals. These components allow the profitable business to beat its rivals in the industry when it comes to of revenue or margins of profit (Dereso et al, 2023).

Customers consider a company's competitive edge as what sets it apart from its competitors (Yadete et al., 2023). According to Ferreira et al. (2020), these advantages help a company achieve and maintain more earnings, a more advantageous dynamic profile, or higher levels of customer loyalty. Market competition forces businesses to improve their offerings, which are subsequently transferred to clients in the form of increasingly particular, efficient, and superior products (Di Vaio et al., 2021). The most evident benefits of competitiveness for consumers are lower costs and increased purchasing power. It helps businesses to offer their target market a product or service that is more valuable than those of their competitors in the same industry (Dereso et al., 2023). In the long run, this improves the business's reputation in the marketplace and leads to higher revenue than competitors (Ogutu et al., 2023).

2.3.4. Mediation of competitive advantage between knowledge management and organization performance

A firm's appealing position of strategic importance to acquire competitive advantage, which results from its strategic actions, is recognised from the standpoint of competitive advantage and performance (Demir et al., 2023). It has long been established as a vital tool for any company looking to outperform competitors and achieve improved performance (Ganguly et al., 2019). It entails deciding to conduct the company's various operations in a distinct manner from competitors in order to generate values for clients. This indicates that competitive advantage investigates how companies run their operations to enhance performance (Di Vaio et al., 2021).

In the field of strategic management, knowledge management has long been acknowledged as a crucial concept and, more specifically, as a strategic resource (Mansur, 2022). Because of this, a wide range of topics have been the subject of in-depth research, including the various aspects of organisational practices and performance indicators used by businesses, as well as the direct and indirect relationships between knowledge management and accomplishment influence that have produced mixed results in many commercial contexts and large organisations (Kant et al., 2022). The inconsistent results are complicating the conceptual development of the knowledge management concept. Various organisational practices have

been utilised as mediators to address the contradictory results about the effectiveness of knowledge management (Sahoo et al., 2023).

Nevertheless, despite academics' claims that knowledge management and edge over others must be aligned for a synergistic impact, competitiveness edge has received less attention, especially in emerging economies' banking sectors (Shea et al., 2023). For example, as banks' entrepreneurial owners are viewed as the forerunners of innovation, enhancing their knowledge management will benefit the economy (Yadete & Kant, 2023). Furthermore, the decision-making processes as well as knowledge systems capabilities of major companies vary, which makes it improper to apply management theories and research findings to the banking industry. This study aims to close this gap by examining the function of competitive advantage in mediating the link between performance and knowledge management.

2.4. Conceptual framework

Figure 1: Proposed model
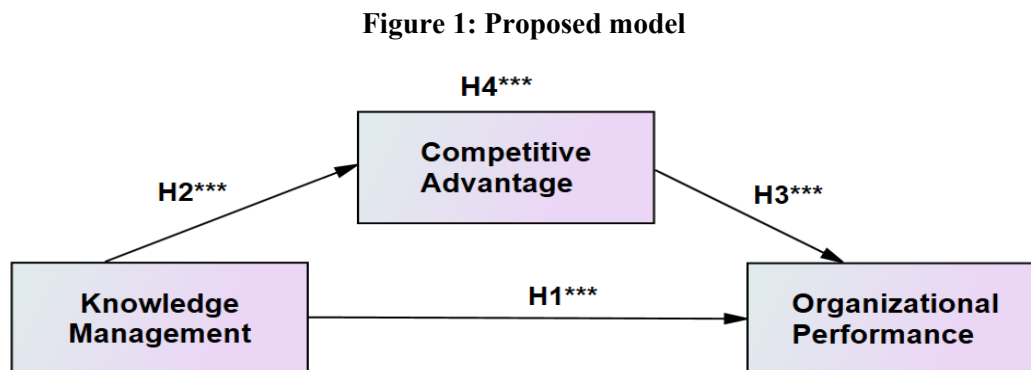
Source: Researchers proposed model (2023)

3. Materials and Methods

3.1. Sampling and population

The 210,039 clients of the Commercial Bank of Ethiopia, which operates six bank branches in the Dilla area, comprise the population under study. The investigation used an arithmetical technique, as suggested by Dillaman (2000), to determine the sample size using a sampling formula.

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

Where N = 210,039, P = 0.5, B = 0.05, C = 1.96

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

$$n = 383$$

This sampling strategy is essential for reducing the likelihood of systematic residual and biases in the sample process. Finding a representative sample is also desirable in order to draw conclusions about the population that may be applied to a larger population. Because of this, the sample size used in the proportionate stratified approach for each strata matches the population size of that stratum in the bank branches. Following the reduction of the sample size to 381 samples, samples are collected using convenience sampling methods. Through convenience sampling, a type of non-probability sampling, members of the population under study who meet specific practical criteria—such as easy access, close proximity, and availability for involvement at a specific time—are included for the investigation.

3.2. Scale and proxies used for analysis

The four components of knowledge management—acquisition, storing, sharing, and application—may be used to quantify knowledge management (Ferreira et al., 2020). The extent of knowledge management practices in Ethiopian commercial banks is determined by each component, which also plays a vital role in performance management (Ganguly, et al., 2019). Contemporarily balance score card (BSC), which represents four fundamental components—the customer's perspective, internal business process, learning and growth, and financial perspectives—is used to assess organisational performances. Performance is rated using a Likert scale.

3.3. Methods of data analysis

The data-driven methodology employed in this work is structural equation modelling, or SEM. The t-test is used to determine if direct affect exists or not, using a 5% relevance threshold. The following criteria must be met in order to evaluate a hypothesis as either accepting or rejecting it: if the likelihood value is greater than 5%, then either H0 is accepted or H1 is declined; if the probability value is 5%, then either H0 is denied or H0 is acknowledged. When conducting a full or partial mediation, the competent advantage test is used.

3.4. Data adequacy test

The KMO establishes the minimum sufficiency of data that must be more than 0.5 in order for a factor analysis to be deemed both acceptable and integer.

Table 1: Sample Adequacy Teat

"Kaiser-Meyer-Olkin" evaluate of data sufficiency.		.786
"Bartlett's investigation for Sphericity"	Likelihood value	1262.271
	Degree of freedpm	19
	P-Value	.000

Source: SPSS result, 2023

The data demonstrated sphericity and moderately tight correlation structures, as seen by the established KMO value of 0.786, which falls between 0.6 and 1. This allowed factor analysis to produce unique and dependable factors. The KMO assesses sample adequacy; a value of more than 0.5 is required for the recognition of an adequate factor evaluation. Rewards for employees take into account both incentives and appreciation. KMO and Bartlett's Test were used to gauge the sphericity of the data, and the results showed that KMO=0.786. Findings thus demonstrated that the data were founded sufficient for further analysis.

3.5. Hypothesis testing

Figure 2: Analysis to confirm the factors
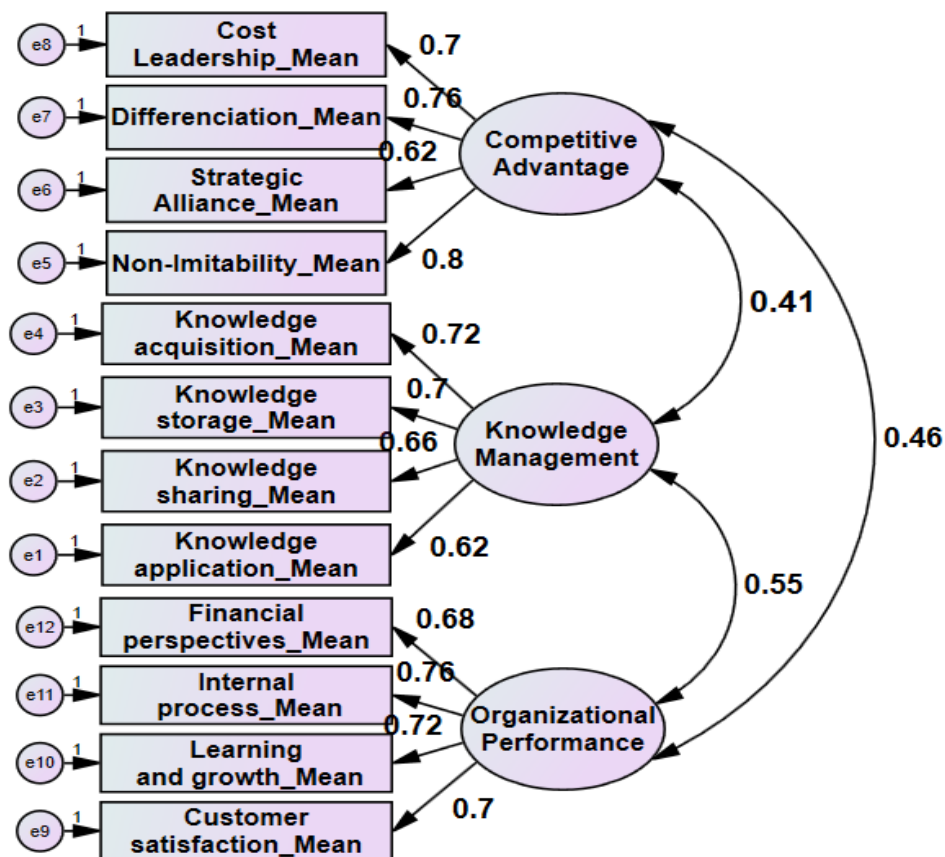
Source: AMOS extract, 2023

Table 2: Covaraiances

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

Specific distribution of statistics assumptions underpins hypothesis testing protocols, confidence intervals, and efficiency promises made by Amos in maximum likelihood or generalised least squares estimation. First, observations need to be impartial. Secondly, there are distributional conditions that the exogenous variables need to fulfil. It will be sufficient, for example, if exogenous factors have a multivariate normal distribution. More than that, maximum likelihood approximate may be used in one more common scenario. The fixed variables may have an arbitrary conjoint distribution if some exogenous variables are random and some are fixed, that is, either known in advance or measured accurately.

It is calculated that there is a correlation of 0.145 between knowledge management and competitive advantage. The standard residual of the covariance approximate, 0.145, is around 0.025. Z =.145/.025 = 5.702 is the result of dividing the covariance approximate by the approximate of its standard residual. Stated otherwise, the approximate of covariance is 5.702 standard residuals above zero. There is a less than 0.001% chance of obtaining a crucial ratio with an absolute value of 5.702. Stated differently, at the 0.001 level (two-tailed), the covariance between Knowledge Managements and Competitive Advantage is statistically different from zero.

It is calculated that there is a 0.213 correlation between knowledge management systems and organisational performance. The standard residual of the covariance approximate, 0.213, is approximately.031. Z =.213/.031 = 6.810 is obtained by dividing the covariance approximate by the approximate of its standard residual. Stated otherwise, the approximate of covariance is 6.81 standard residuals beyond zero. It is calculated that there is a 0.227 correlation between Organisational Performance and Competitive Advantage. The standard residual of the covariance approximate, 0.227, is roughly.030. Z =.227/.030 = 7.444 is the result of dividing the covariance approximate by the approximate of its standard residual.

Stated otherwise, the approximate of covariance is 7.444 standard residuals above zero. There is a less than 0.001% chance of obtaining a crucial ratio with an absolute value of 7.444. Stated differently, at the 0.001 level (two-tailed), the covariance between Organisational Performance and Competitive Advantage is statistically different from zero. Under appropriate assumptions, these claims hold for big samples.

3.6. Equation model

Table 3: Regression weights

|			Approximate	S.E.	C.R.	P	Label
Competitive Advantage	<---	Knowledge Managements	.418	.069	6.052	***	H2
Organizational Performance	<---	Competitive Advantage	.451	.062	7.292	***	H1
Organizational Performance	<---	Knowledge Managements	.423	.064	6.622	***	H3

Source: AMOS result, 2023

Competitive Advantage increases by 0.418 when Knowledge Managements increases by 1. The ordinary residual of the regression weight approximate, 0.418, is approximately 0.069. Z =.418/.069 = 6.052 is obtained by dividing the regression weight approximate by the approximate of its standard residual. Stated otherwise, the approximate of the regression weight is 6.052 standard deviations above zero. There is a less than 0.001% chance of obtaining a crucial ratio with an absolute value of 6.052. Stated differently, at the 0.001 level (2-tailed), the regression approximate for Knowledge Managements in the Competitive Advantage prediction is substantially different from zero.

Competitive Advantage increases by 0.418 when Knowledge Managements increases by 1. The standard residual of the regression weight approximate,.418, is approximately.069. Z =.418/.069 = 6.052 is obtained by dividing the regression coefficient weight approximate by the approximate of its standard residual. Stated otherwise, the approximate of the regression weight is 6.052 standard deviations above zero. There is a less than 0.001% chance of obtaining a crucial ratio with an absolute value of 6.052. Stated differently, at the 0.001 level (two-tailed), the regression approximate for Knowledge Managements in the Competitive Advantage prediction is substantially different from zero.

Organisational Performance was increases by 0.423 for every unit Increase in Knowledge Management. The standard residual of the regression weight approximate, 0.423, is approximately.064. Z =.423/.064 = 6.622 is the result of dividing the regression weight approximate by the approximate of its standard residual. Stated otherwise, the approximate of the regression weight is 6.622 standard residuals above zero. The likelihood of obtaining a crucial ratio with an absolute value of 6.622 is less than 0.001. Stated differently, at the two-tailed 0.001 level, the regression weight of knowledge managements in the prediction of organisational performance differs substantially from zero.

3.7 Mediation of competitive advantage between knowledge management along with performance of organization

Figure 3: Structure of equation model
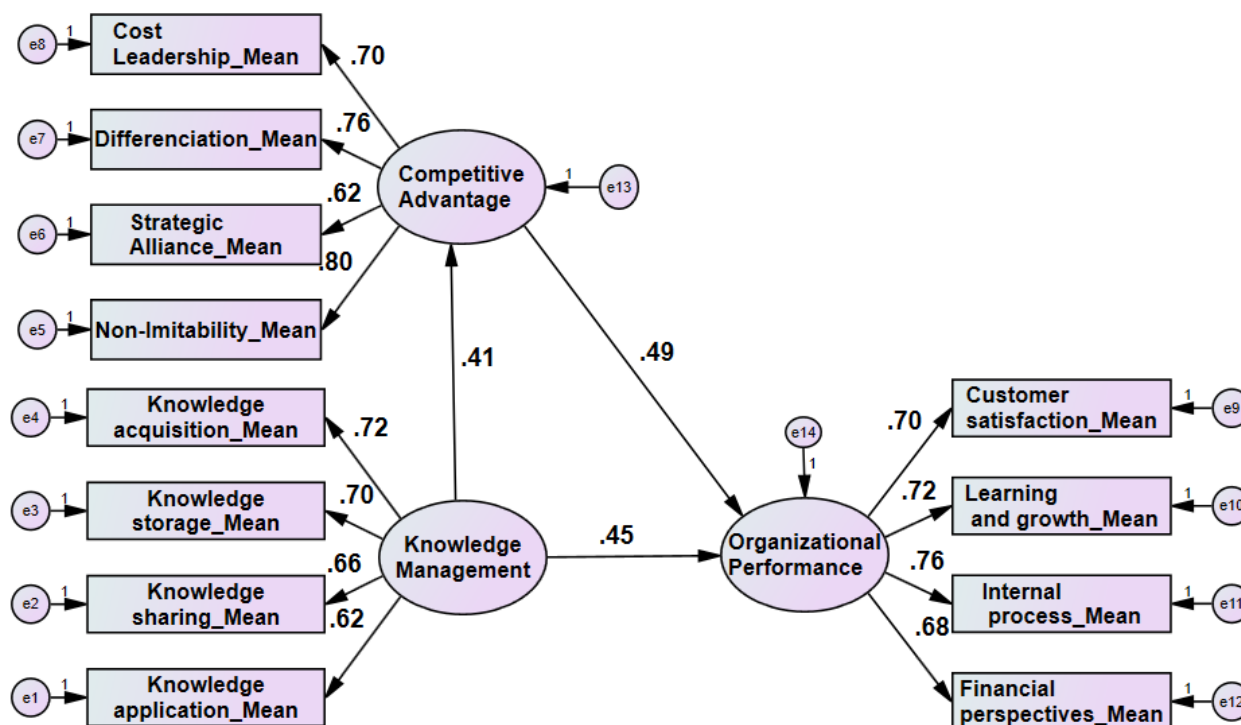
Source: AMOS result, 2023

The examination of competitive advantage's mediating function in the link between knowledge management and bank performance is depicted in the results in the above figure. The SEM paths were used to conduct the evaluation. The model's indices, displayed in the table below, demonstrate how effectively the specification fits the data. The index values align with the different levels of reference values. The value of the root root mean square residual of the approximation, or RMSEA, is smaller (0.06) than the benchmark of 0.08 that was given. The relative fit index (0.93), incremental fit index (0.95), normed fit index (0.93), and comparative fit index (0.97) are all less than what is needed to meet the specification's fit requirements.

Table 4: Model Fit Indices

Fitness indices for goodness	SEM outcome	Orientation significance
χ^2	2.25	$1 < \chi2/df < 3$
"Comparative Index for Fitness – CFI"	.976	.9<-1
"Normed Index- for Fitness – NFI"	.932	.9-1
"Relative Index for Fitness – RFI"	.919	.9-1

"Incremental Index for Fitness – IFI"	.946	.95-1
"Tucker-Lewis Index for Fitness – TLI"	.956	.95-1
"Residual Root Mean Square – RMSEA"	.051	less than 0.08

Source: Result AMOS, 2023

The first method for assessing the competitive strategies of the Bank's mediating function is to look at the direct relationship between the two variables under consideration (performance and knowledge management). This will facilitate the assessment of whether the competitive advantage inclusion has truly mediated the two variables.

Table 5: Knowledge Management effect on Performance of Bank

Determinant	flow	determinant	approximate	Critical Ratio	P	observation
Organization performance	<---	Knowledge management	.363	2.673	.007	sufficient

Source: AMOS result, 2023

Table 5 displays the findings showing the direct relationship between knowledge management and bank performance. Knowledge management has a positive but substantial direct impact on performance ($P < 0.05$). The outcome implies that ineffective knowledge management reduces performance by 36.3%. Moreover, the research assesses competitive advantage's mediating impact on the two variables after determining the direction and size of knowledge management's effect on performance. Table 6 displayed the analysis of the mediation.

Table 6: Mediation of competitive advantage

Determinant	Direction	Determinant	approximate (Standardized)	P-Value
Organization Performance	<---	Knowledge management	0.112	***
Organization Performance	<---	Competitive advantage	0.798	***

Source: AMOS result, 2023

According to the mediation results, there is a strong partial mediating influence of competitive advantage on the connection between knowledge management and bank performance. According to the Table 6, management of knowledge has a significant impact on bank performance. Nonetheless, the detrimental effects of knowledge management are lessened when competitive advantage is used to mediate he connection. As a result, competitive advantage contributes to the 36.3% positively. This suggests that applying competitive advantage to the Bank's processes and business operations might maximise the potential ain of performance value, which could be caused by adequate knowledge management application.

In sum, this investigation uses competitive advantage as a mediator variable to examine how knowledge management techniques affect performance. The study's general conclusion is that, given the setting in which it is conducted, competitive advantage serves as a basis for improving performance. This is the first study, to the best of the researcher's knowledge following a meticulous and comprehensive examination of the literature, which illustrates the mediating impact of competitive advantage on the relationship between management of knowledge and performance in banks. This suggests that knowledge management residuals will have a positive impact on business performance.

The results of the study provide credence to the customer relation and RBV theory (Milgrom & Robert, 1995). These results are consistent with the theory put out by Song et al. (2019) that a complementary impact influences the third variable more strongly. The complementary benefits of knowledge management techniques will result in synergistic effects on business performance, as demonstrated by Choi and Lee's (2023) study. Furthermore, the adoption of knowledge management and competitive advantage lend credence to the resource-based hypothesis.

4. Conclusion and Recommendations

The main issue facing businesses in the current economic climate is figuring out how to get a competitive edge over rivals so they can fulfil their financial targets. Nonetheless, this is made feasible by the capacity to learn about clients in order to offer distinctive goods that satisfy their requirements and tastes. However, the lack of agreement among earlier academics about the management of information and its impact on business results prompts a search for organisational practices that might serve as a method for generating value to please clients and enhance business performance. In light of this, the study attempts to look at how competitive advantage may act as a mediator in the relationship among knowledge management and bank performance.

The study discovered that although knowledge management systems had a large direct influence, they also significantly impact bank performance. Nevertheless, the incorporation of competitive advantage considerably decreased the unfavourable results, suggesting that competitive advantage has a mediating role in the links between knowledge management and performance.

According to the study's findings, bank operators must use knowledge management techniques more than ever before, especially when it comes to how they apply knowledge. This is because the positive but significant coefficient of knowledge management strategies suggests that there is less value being created through knowledge application. Business managers also need to identify complementary practices that will have a synergistic impact on the results of their operations. The pursuit of creating a better business

model must be applied in order to offer value to customers in a special way and do it at a cheap cost in order to outperform rivals.

The use of a cross-sectional survey to gather information on company performance is one of its weaknesses. Future studies could employ a longitudinal survey to offer a thorough examination of the issue. Additionally, the study employed a perceptual scale to gather performance data from bank workers in a region of the nation with a unified culture.

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