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EFFECT OF KNOWLEDGE MANAGEMENT ACTIVITIES AND DYNAMIC CAPABILITIES ON EMPLOYEE PERFORMANCE IN THE BANKING SECTOR: EMPIRICAL EVIDENCE FROM PAKISTAN

AKRAM Kashif

College of Business, University Utara Malaysia

HILMAN Haim

College of Business, University Utara Malaysia

Abstract:

The banking sector is facing constant change and fierce competition. In this scenario, banks need to align themselves with the ever-changing environment by enhancing employee knowledge base to create capabilities. The basic objective of the current study is to examine the effect of knowledge management activities and dynamic capabilities on employee performance in the banking sector of Pakistan. This research employed a quantitative method to analyse the data. The sample was taken from employees who are working in public and private banks in Pakistan. A self-administered questionnaire was distributed among employees of public and private banks adopting stratified random sampling technique. Ordinary Least Square (OLS) method is used to testify the hypothesis and factor analysis to examine the validity and reduction of the items. This research finds that both knowledge management activities and dynamic capabilities have significant effect on employee performance in the banking sector of Pakistan.

Key words: *Knowledge Management, Dynamic Capabilities, Employee Performance*

1. Introduction

Globalization and emergence of technology are the important sources that stimulate and foster competitiveness in the various industries and banking sector is not an exception to that. Banking scenario has changed rapidly since the 1990s. The decade of the 1990s has witnessed a significant change in the way banking is done (Kaur, 2010). Competition is thriving in the banking sector due to saturation and standardization of the services that banks offer to its customers. High quality service delivery contributes to building and sustaining long-term customer relationship (Rust

and Oliver, 1994; Awan et al., 2011). However, this high-quality service delivery is largely dependent on the employees of the organizations being front line service providers. Currently, due to its importance, employee performance has been intensely under discussion and evaluation from the different perspectives and in the different industries (J, 2014; Mensah, 2014; Siengthai and Pila-Ngarm, 2016; Rabbane et al., 2015). However, surprisingly there are scarce of the studies that discuss employee performance in the banks.

It is an open secret that banking has converged into the business of information from the business of money (Lamb, 2001). The volatility of global business environment compelled and led the banks to adopt knowledge management (KM) and rationalize the services in order to gain competitive advantage (Dzinkowski, 2001). KM is equally integral and important for banks as it is for other institutions and organizations. The competitive advantage of banks is dependent on their ability to leverage the knowledge. The knowledge-based theory of the organization states that ultimate competitiveness does not come through the creation of new knowledge rather than the application and sharing of the knowledge (Grant, 1996). So, the organization must train their employees in a way that they must aware about to apply and share new and existing knowledge of an organization. Sharing of new and old knowledge further enhances the existing body of knowledge which ultimately enhances the overall knowledge repository of organizational knowledge.

Researchers designate personages as the fundamental locus of knowledge and define their knowledge, skills, and abilities as human capital (Youndt and Snell, 2004). Taking into consideration this personal aspect of knowledge resources, studies have yielded enough evidence that learning, creating, integrating, utilizing and reconfiguration capabilities of the firm are highly dependent on knowledgeable, skilled and experienced employees that ultimately affect their performance (Augier and Teece, 2009; Ambrosini et al., 2009; Ambrosini and Bowman, 2009; Hsu and Wang, 2012; Teece, 2007). So, there is a clear relationship of KM activities and dynamic capabilities with employee performance. However, scarce of the studies that empirically examined the effect of both KM and dynamic capabilities on employee performance in the banking sector. Thus, the current study seeks to examine the effect of KM activities and dynamic capabilities on employee performance in the banking sector of Pakistan.

2. Literature Review

2.1 Employee Performance

Employee performance has been under discussion and evaluation as one of the most important variable in psychology and business research (Borman, 2004a; Borman and Motowidlo, 1993, 1997; Organ, 1997; Johari and Yahya, 2016). Employee performance is a key predictor of organizational performance hence, examined from many different dimensions (Organ, 1997; Emmerik & Sanders, 2004; Nasurdin &

Khuan, 2011; Saputra et al., 2015). Motowidlo (2003) argued that employee performance can be assessed in terms of task-related aspects, expected behaviors, and most importantly financial figures. Moreover, Schmitt and Chan (1998) has divided performance of the employees into two categories namely "Can do" and "Will-do". "Can do" category consists of employees' knowledge skills and ability (KSAOs) to accomplish various task whereas "Will do" indicates the employee's motivation while performing or accomplishing tasks. Additionally, Williams (2002) conceptualized employee performance as job-related behavior and task output. Task output deals with how much quality work is done, whereas job-related behavior is considered as the behavioral side that is beneficial in attaining task accomplishment/performance. Employee performance can be judged through the formal behavior while producing goods and services those appear on employee's job description (Nasurdin and Khuan, 2011; Saputra et al., 2015).

In short, employee's work-related behavior plays a significant role in determining employees' performance. Most importantly, while measuring employee performance, yardsticks can be utilised for entire organization because it affects the entire organization's performance in terms of absolute value (Jex and Britt, 2008; Wall et al., 2004).

2.2 Knowledge Management Activities

Scholars have explored several types of KM activities like acquisition, creation, transfer, application and assembling (Bouthillier and Shearer, 2002). KM comprises of several activities which process the knowledge. Alavi and Leidner (2001) elucidate that there are many core KM activities like creation, storing, sharing and application. Several authors agreed that part of managing knowledge is to acquire knowledge from different sources. There are two means to acquire the knowledge: to acquire new knowledge; and the creation of new knowledge by collaborating with individuals and partners (Cole, 1998; Leonard, 1995).

O'Dell and Grayson (1998) presented two examples of knowledge acquisition through benchmarking and collaboration. Authors elucidated that through benchmarking organizations can find out variance in the process and then filled through the acquisition of benchmarked firms. Many studies indicated the importance of collaboration for knowledge acquisition (Grant, 1996; Kimberly, 1981). Another key KM activity is knowledge application. Knowledge application is related to actual knowledge use (Gold et. al, 2001). The value and importance of knowledge assets are realized when actually products and services are offered to the target market (Wiig, 1999). Effective application of KM can enhance efficiency and effectiveness of organizations, when knowledge creation process, transfer, and storage do not enhance organization performance, knowledge application does.

Knowledge exponentially increases and grows when it is shared. Knowledge is power but nowadays, it has changed with, knowledge sharing is power. Sharing of knowledge is among the vital activities of KM (Bock and Kim, 2002). Knowledge is

shared in organizations whether it is deliberate or not (Davenport and Prusak. 2002). Cabrera (2002) pointed out that KM activities must foster skills, experience, and ideas among individuals in different forms. Willingness to share the knowledge by participants is an important factor (Koulopoulos and Frappaolo, 1999). Knowledge creation is correlated to the development of new and unique knowledge in the organizations e.g. attempts, projects, and programs to create new knowledge (Neilson, 2006). It must be understood that there are other activities as well which create new knowledge like integration and exploitation.

2.3 Dynamic Capabilities

Since the conceptualization of DCV (Teece et al., 1997) numerous researchers have explored the definitions, precursors, processes and aftermaths of dynamic capabilities (Ambrosini et al., 2009; Chien and Tsai, 2012; Easterby-Smith et al., 2009; Helfat et al., 2007; Lin and Wu, 2014; Li and Liu, 2014; Sher and Lee, 2004; McKelvie and Davidsson, 2009; Nieves and Haller, 2014; Prieto and Easterby-Smith, 2006; Teece, 2007, 12; Tseng and Lee, 2014; Wu, 2006; Lin and Wu, 2014; Zahra et al., 2006). However, the consensus is somehow missing on its conceptualization. Originally, the dynamic capability was defined as “firm’s ability to integrate, build and reconfigure internal and external competences to address rapidly changing environments” (Teece et al., 1997). Further, the dynamic capability was explained as “a learned and stable pattern of collective activities directed to the development and adaptation of operating routines” (Zollo and Winter, 2002). Later on, dynamic capabilities were described as “firm’s behavioral orientation constantly to integrate, reconfigure, renew and recreate its resources and capabilities and, most importantly, upgrade and reconstruct its core capabilities in response to the changing environment to attain and sustain competitive advantage” (Wang, Su and Yang, 2011). Based on prior literature Singh and Rao (2016) conceptualized dynamic capability as firm’s capability to manage alliances, learn, integrate and reconfigure resource base to address the changing business conditions. Learning capability refers to the firm’s capability to make operations more efficient and effective by acquiring, changing and discarding resources in accordance with environmental changes (Lavie, 2006). Integration capability denotes the capacity of the firm, to evaluate the existing resources value, integrate them, and thereby develop a new-fangled resource base and capabilities which further determines firm’s competence to meet environmental challenges (Teece et al., 1997). Reconfiguration capability refers to the recombination and transformation of existing resources that empower firms to acclimatize fluctuating market conditions (Teece et al., 1997) by timely responding to the market changes and competitors (Lavie, 2006). Alliance management capability refers to “the capacity to purposefully create, extend, or modify the firm’s resource base, augmented to include the resources of its alliance partners” (Helfat et al., 2007).

2.4 Knowledge Management Activities and Employee Performance

Due to the emergence of knowledge based economy, knowledge has become the primary source of competitive advantage and enhancing employee performance in the organizations. Dzinkawski (2001) stressed to manage the knowledge systematically and properly in order to make organization more knowledge based. The World Bank started new knowledge sharing initiatives in 1997 and emerged as a knowledge organization. The bank was committed to transforming itself as knowledge bank (Egan and Kim, 2000). Another fruitful insight about KM activities in banks can be taken from good research work of titled “KM in banks: A New Paradigm” (Ali and Ahmad, 2006). They analysed two leading banks of Malaysia Camel and tiger Bank. Authors found that both banks are implementing KM activities but the severity of integration of activities is weak. They further explored that integration was done through people and technology. They concluded that core reason of implementation and utilization of KM activities is to facilitate the sharing and dissemination of knowledge among the bank employees.

Tan et al., (2010) examined the factors that motivate employees working in banks to share their knowledge. They analyzed both intrinsic factors (behavior, trust, and learning) and extrinsic factors (reward system, information technology, and organization culture). They used Nonaka’s SECI model and found that motivational factors have a significant effect on knowledge sharing. Kiessling et al. (2009) further explained that there is a tight relationship among KM capability, innovation, product improvement, and enhancement of staff skills.

Knowledge sharing exquisite tool to enable one’s ability to retrieve and reuse the data in order to enhance learning and problem-solving skills (Din and Haron, 2012). In the success of knowledge sharing, both technological and behavioral factors contribute (Kuzu and Ozilhan, 2014). Employees having industry experience identify the changes and take superior decisions on resource allocation and pathfinding strategy thereby predicting the outcomes precisely. From this, firms tend to be more capable of facing the changing business conditions (Eriksson, 2014; King and Tucci, 2002; Macher and Mowery, 2009; Penrose, 1959). It follows that capability have bearing on an individual’s knowledge, motivation, skills, experiences and probabilistic judgments (Verma and Rao, 2016). Based on above discussion we can hypothesize that

H₁: KM activities have a significant effect on employee job performance in the banking sector of Pakistan

H_{1a}: Knowledge Acquisition has a significant effect on employee job performance in the banking sector of Pakistan

H_{1b}: Knowledge Sharing has a significant effect on employee job performance in the banking sector of Pakistan

H_{1c}: Knowledge Creation has a significant effect on employee job performance in the banking sector of Pakistan

2.5 Dynamic Capabilities and Employee Performance

Today's business environment is undergoing from a fierce completion and continues change. Organizations have to change continuously internally and externally to align and realign themselves with the dynamic environment. Since its inception, regarding its applicability, dynamic capability view has been discussed and analyzed in the context of environment change. So, during the continues change organization's everything has to be effected including its employees. However, management facing key issues of managing complex and parallel changes (Pettigrew and Whipp, 1991) such as predicting and responding changings in employee's behaviors and capabilities. The increasing pace of change also urging the organizational employees to be compatible with the prevailing and potential change. However, yet little work is done to dig out the fact that how these changes affect employees performance due to change (Stensaker and Meyer, 2012). Employee performance enhances when they become part of organizational change that has the aim to bring innovation by elevating employee skills and knowledge level (Hoyrup et al, 2012). Organizations need to develop dynamic capabilities to align themselves with the change. Dynamic capabilities provide ways to organizations to align their employee with the ever-changing environment by enhancing resources and capabilities (Vogel and Güttel, 2009). Based on the above discussion following is the hypothesis

H2: Dynamic Capabilities have significant effect on employee job performance in the banking sector of Pakistan

H_{2a}: Learning capability has a significant effect on employee job performance in the banking sector of Pakistan

H_{2b}: Integration Capability has a significant effect on employee job performance in the banking sector of Pakistan

H_{2c}: Reconfiguration Capability has a significant effect on employee job performance in the banking sector of Pakistan

H_{2d}: Alliance Management Capability has a significant effect on employee job performance in the banking sector of Pakistan

2.6 Conceptual Model of the Study

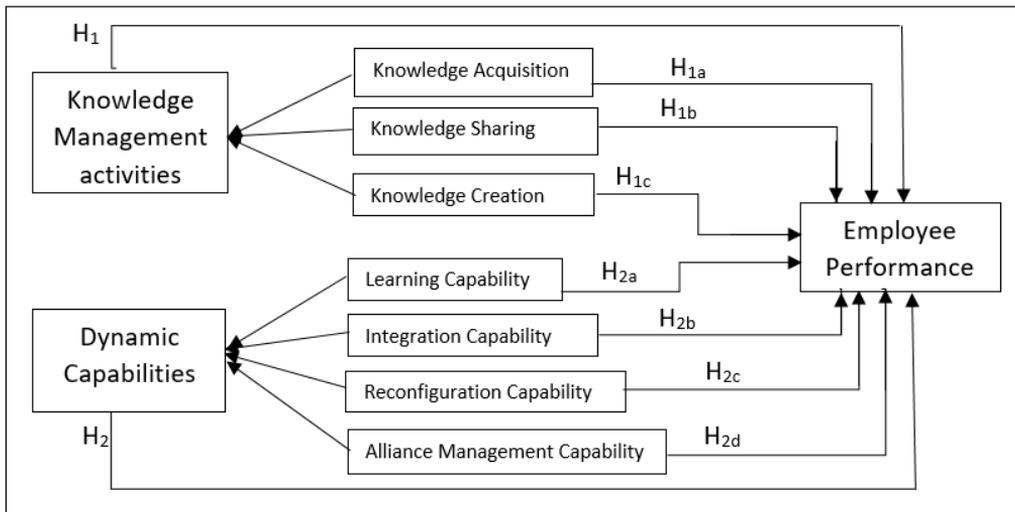


Figure 1: Conceptual Model

3. Research Methodology

The data used in this paper is based on primary source, through stratified sampling technique, total 200 managers were interviewed from 14 cities and 10 public and private banks of Pakistan. The target population was employees of public and private banks of Pakistan. Regional, branch and departmental managers were interviewed from various cities and banks of public and private banks in Pakistan. A structured questionnaire was used to gather data. In the current study takes employee job performance as a dependent variable and KM activities (knowledge acquisition, knowledge sharing, knowledge creation,) and dynamic capabilities (learning capability, integration capability, reconfiguration capability, Alliance management capability) taken as and explanatory variables. Ordinary Least Square method is applied to examine the effect of various KM activities and dynamic capabilities on employee job performance.

Econometric Model

$$Y_i = \beta_1 X_i + u_i$$

Where, Y_i is dependent variable that indices employee job performance, X_i are independent variables, β_1 is the parameter to be estimated and u_i is the stochastic error.

$$\text{Employees job Performance} = \beta_0 + \beta_1 \text{knowledge Acquisition} + \beta_2 \text{knowledge Sharing} + \beta_3 \text{knowledge Creation} + \beta_4 \text{Learning Capability} + \beta_5 \text{Integration Capability} + \beta_6 \text{Reconfiguration Capability} + \beta_7 \text{Alliance Management Capability} + \mu_t$$

Variable instrument and measurement

In the current study, questionnaire approach was employed for the data collection and questionnaires were distributed to the managers of various public and private banks in Pakistan. Questionnaire constitute of various components like employee job performance, KM activities (knowledge acquisition, knowledge sharing, and knowledge creation) and DC (learning capability, integration capability, reconfiguration capability, Alliance management capability). All instruments were adopted from the previous studies to ensure the validity and reliability of the instruments. The information was recorded through 5 points Likert scale, 5 denoted strongly agree and 1 denoted strongly disagree. Employee job performance instrument consisting of two dimensions namely, a Contextual performance that consists of 6 items and task performance consists of 8 items which were taken from the study of Kraimer et al. (2005) and Welbourne et al. (1998). KM Activities consist of three dimensions namely; Knowledge creation that consisting of 11 items which were taken from the study of Smith et al. (2005), knowledge acquisition instrument consisting of 3 items taken from the study of Kim and Lee (2010) and knowledge sharing instrument consisting of 6 items was taken from the study of Islam et al., (2015). The second independent variable Dynamic Capabilities consist of four dimensions namely; learning capability, integration capability, reconfiguration capability and alliance management capability adopted from (Singh and Rao, 2016).

4. Results

Descriptive Statistics

Socio-economic characteristics considered in this study include age, gender, experience and Specialization. This type of information is considered important because they determine the functional roles of the individuals and how they influence their job performance.

Table 1: Demographic factors

Variables	Frequency	Percent	Valid Percent	Cumulative Percent
Age of respondent				
21 to 30 years	108	57.0	57.0	57.0
31 to 40 years	43	20.0	20.0	77.0
41 to above	49	23.0	23.0	100.0
Experience				
less than 5 years	70	35.0	35.0	35.0
6 to 10	78	39.0	39.0	74.0

11 to 15	42	21.0	21.0	95.0
16 to above	10	5.0	5.0	100.0
Gender of respondent				
Male	174	87.0	87.0	87.0
Female	26	13.0	13.0	100.0
Specialization				
Accounts	26	13.0	13.0	13.0
Management	28	14.0	14.0	27.0
Finance	78	39.0	39.0	66.0
Marketing	62	31.0	31.0	97.0
IT	6	3.0	3.0	100.0

The employees who give positive response their age were 21 to 30 years, they give response 57% and 31 to 40 years old give response 20% and 41 to above year old give response 23% it shows the highest response by 21 to 30 years old employees in frequencies analysis. 21 to 30-year employees are most interested in this research responses. The youngest employees are mostly involved / interested in the banking sector.

The experienced persons have responded 35% again this percentage shows that youngest are mostly involved in the banking sector. They have experience for 1 to 5 years old and 6 to 10 years old are 39% respond and 11 to 15 years old 21% and 16 to more shows 7% experience show highly experienced are involved in it that shows 5% experienced and interested in this study. The number of the male were 174 out of 200 totally in percentage is 87% and the number of females was 26 out of 200 total percentages 13% it shows the male are highly involved in the banking sector than female. It shows male dominance in the banking sector.

The numbers of account specialize are 13 and the percentage of 13%. The number of management specialize are 14 and the percentage of 14%. The number of finance specialize were 39 and the percentage of 39%. The number of marketing specialize were 31 and the percentage of 31%. And the number of IT specialize were 3 and the percentage of 3%. This table shows more employees of the banking sector were a finance specialist. And they more prefer to work in banking industries.

Factor Analysis

The basic idea of Factor Analysis as a Data Reduction Method. To ensure meaningful statistical outcomes from the current model, the statistical reliability of the scale was calculated, on the basis of factor loadings (0.6) and composite reliability index (CR:0.6) (Anderson and Gerbing, 1988; Hair et al., 2016; Fornell and Larcker, 1981). In the current model, each measure satisfies the suggested threshold, factor loadings of all items were higher than 0.612 and composite reliability of all constructs were above 0.748. Thus, these numbers strengthen and confirm the validity of the scale, following above mentioned statistical standard. Tables 1, Table 2 and Table 3

shows the factor loading, factor score and composite reliability value of measurement model.

Furthermore, all construct were adopted from the previous studies thereby face and content validity is ensured in the current study. Convergent validity is calculated by examining the factor loadings of all constructs. All items meeting the threshold value (.06) of factor loading as depicted in Table 1 to 3.

Table 2: Factor Analysis for Knowledge Management Activities

Sr.	Items	Factor loading	Score	Composite Reliability
Knowledge Acquisition (KA)				
1	KA ₁	0.812	0.319	0.817
2	KA ₂	0.874	0.344	
3	KA ₃	0.856	0.337	
Knowledge Sharing (KS)				
1	KS ₁	0.835	0.170	0.748
2	KS ₂	0.847	0.172	
3	KS ₃	0.788	0.160	
4	KS ₄	0.834	0.170	
5	KS ₅	0.801	0.163	
6	KS ₆	0.814	0.165	
Knowledge Creation (KC)				
1	KC ₁	0.612	0.076	0.864
2	KC ₂	0.707	0.087	
3	KC ₃	0.786	0.097	
4	KC ₄	0.822	0.102	
5	KC ₅	0.711	0.088	
6	KC ₆	0.652	0.081	
7	KC ₇	0.788	0.098	
8	KC ₈	0.791	0.098	
9	KC ₉	0.713	0.088	
10	KC ₁₀	0.748	0.093	
11	KC ₁₁	0.734	0.091	

Table 3: Factor Analysis for Dynamic Capabilities

Sr.	Items	Factor loading	Score	Composite Reliability
Learning Capability (LC)				
1	LC ₁	0.783	0.255	0.755
2	LC ₂	0.765	0.249	
3	LC ₃	0.781	0.255	
4	LC ₄	0.738	0.241	
Integration Capability (IC)				
1	IC ₁	0.795	0.243	0.825
2	IC ₂	0.854	0.261	
3	IC ₃	0.818	0.250	
4	IC ₄	0.811	0.247	

Reconfiguration Capability (RC)				
1	RC ₁	0.738	0.242	
2	RC ₂	0.717	0.235	
3	RC ₃	0.752	0.246	0.782
4	RC ₄	0.847	0.277	
Alliance Management Capability (AMC)				
1	AMC ₁	0.764	0.105	
2	AMC ₂	0.784	0.108	
3	AMC ₃	0.844	0.116	
4	AMC ₄	0.807	0.111	
5	AMC ₅	0.758	0.104	0.863
6	AMC ₆	0.776	0.107	
7	AMC ₇	0.816	0.112	
8	AMC ₈	0.884	0.122	
9	AMC ₉	0.825	0.114	

Table 4: Factor Analysis for Employee Performance

Sr.	Items	Factor Loading	Score	Composite Reliability
Employee Performance (EP)				
Contextual performance (CP)				
1	CP ₁	0.712	0.122	
2	CP ₂	0.681	0.117	
3	CP ₃	0.627	0.107	0.861
4	CP ₄	0.799	0.137	
5	CP ₅	0.731	0.125	
6	CP ₆	0.752	0.129	
7	CP ₇	0.724	0.124	
8	CP ₈	0.814	0.139	
Task Performance (TP)				
1	TP ₁	0.651	0.15	
2	TP ₂	0.692	0.159	0.793
3	TP ₃	0.714	0.164	
4	TP ₄	0.788	0.181	
5	TP ₅	0.733	0.168	
6	TP ₆	0.776	0.178	

Estimation of Model

Regression analysis evaluates the research model and tests the hypothesized relationships. The estimation of goodness-of-fit ($R^2 = 0.481$) measures of the proposed model indicates that model fit is satisfactory (Bagozzi and Yi, 1988; Hu and Bentler, 1995) as shown in table 5. Therefore, overall validity of research model is supported that allowed for testing of hypothesized relationship. Next, the significance of each hypothesized path of the research model was examined. Table 5 demonstrate the hypothesis testing results and reveals operational linkages among the latent constructs.

Table 5: Regression Analysis

Variables	Coefficients		Sig.
	β	Std. Error	
(Constant)	0.252	3.329	0.940
Knowledge Acquisition (H _{1a})	0.884	0.340	0.009
Knowledge Sharing (H _{1b})	1.107	0.056	0.005
Knowledge Creation (H _{1c})	0.275	0.129	0.001
Learning Capability (H _{2a})	0.337	0.087	0.000
Integration Capability (H _{2b})	0.724	0.272	0.001
Reconfiguration Capability(H _{2c})	0.108	0.028	0.002
Alliance Management Capability (H _{2d})	0.285	0.078	0.000
R Square = 0.481	Std. Error of the Estimate = 6.13179		
Adjusted R ² = 0.473	N = 200	Df = 07	

In the first cluster of hypotheses (H_{1a}, H_{1b} and H_{1c}), analytical results established significant relationship of employee’s performance with Knowledge acquisition ($\beta = 0.884$, $p = 0.009$), Knowledge Sharing ($\beta = 1.107$, $p = 0.005$), and Knowledge Creation ($\beta = 0.275$, $p = 0.001$) as specified in Table 4. Thus, the analytical results provide strong support for H1a, H1b, and H1c. In the second cluster of hypotheses (H_{2a}, H_{2b}, H_{2c} and H_{2d}), analytical results reveal statistically significant relationship of employee’s performance with learning Capability ($\beta = 0.337$, $p = 0.000$), Integration Capability ($\beta = 0.724$, $p = 0.001$), Reconfiguration Capability ($\beta = 0.108$, $p = 0.002$) and Alliance Management Capability ($\beta = 0.285$, $p = 0.000$) as specified in Table 4. Thus, the analytical results provide strong support for H_{2a}, H_{2b}, H_{2c} and H_{2d}.

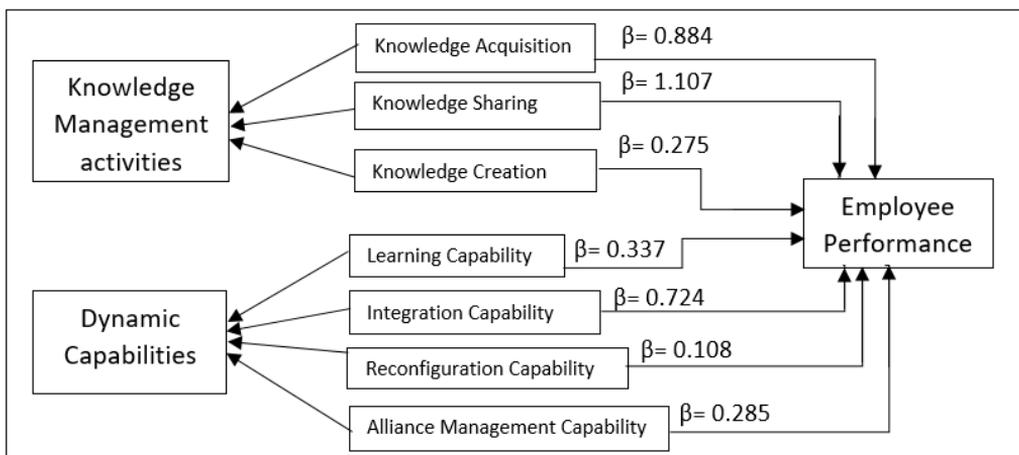


Figure 2: Hypothesis Testing

5. Discussion and Conclusion

In knowledge based economy knowledge has become the primary source of competitive advantage than the tangible assets (du Plessis, 2007; Akram et al., 2011). Employees play a vital role by executing their skills, capabilities and knowledge in attaining an organizational competitive advantage. Therefore, employee knowledge based activities are important for the organization to improve employee performance. In the current knowledge era, KM processes constitute such contextual features of the work environment, which can enrich the job and increase job satisfaction (Mohrman, 2003; Morgenson and Humphrey, 2006). KM processes in organizations help workers in knowledge-intensive environments to establish shared understanding and to derive value from knowledge (Mohrman et al., 2002). The current study reveals the significant positive relationship between KM activities and employee performance in the banking sector of Pakistan.

Results of H1a ($\beta = 0.884$, $p = 0.009$) implies that banks in Pakistan should promote knowledge acquisition culture within the organization in order to enhance their job performance, it would ultimately enhance organizational growth (Vosloban, 2012). Pakistani Banks should create a proper system through which employees can obtain knowledge from internal sources as well as from external sources to enhance their knowledge base to fulfill their tasks. The results of the study in line with the previous studies as stated by (Kianto et al., 2016) that knowledge acquisition improves job satisfaction because it involves access to new knowledge that improves efficiency in carrying out one's tasks.

The findings of H1b ($\beta = 1.107$, $p = 0.005$) reveals that knowledge sharing has also the significant positive effect on employee performance in Pakistani banks. Because knowledge sharing promotes more socialization that enhances the employee learning capability and knowledge. Moreover, it also increases social ties among the organizational employees that would enhance the ability to accomplish job tasks well. The result of the current study pertinent to the knowledge sharing and employee performance is in line with the previous studies as (Hsu, 2006) found that growing organizations are more interested in enhancing their employees' skills and capabilities through efficient knowledge sharing in the form of exchanging ideas, opinions, and knowledge. In contrast, less growing organizations do not consider employees as the integral source and less focus on their knowledge sharing. Moreover, knowledge sharing is considered as an antecedent to increase individual learning capability that is integral to accomplish job tasks (Nonaka & Takeuchi, 1995; Papadopoulos et al, 2013). The positive correlation between knowledge sharing and employee performance is further evaluated by (Kuzu and Özilhan, 2014) and they also found that positively correlated with each other in the service industry. So, Pakistan banks should adopt knowledge sharing as an indispensable norm to elevate employee performance.

Knowledge creation is a source to unfold new ways, methods and techniques to the employees for accomplishing their job tasks. Current research found the significant effect of knowledge creation on employee job performance in the banking

sector of Pakistan. This finding ($\beta = 0.275$, $p = 0.001$) is also supported by the study of Schiuma and Lerro (2008) where they concluded that knowledge creation is the most valuable and important knowledge activity in making human capital more effective. Similar findings forwarded by (Shih et al., 2010) knowledge creation has a significant positive effect on human capital of the banks, hence, plays an important role in elevating skills and capabilities of employees. Pakistani banks are operating in highly dynamic and competitive environment where change and uniqueness in financial products is inevitable. Therefore, Pakistani banks should be more responsive to the ever-changing environment through greater knowledge creation for long-term survival in the industry.

DC are a vital source to align and realign organizational resources and capabilities with the ever changing environment (Tecce et al., 1997). The banking industry also is also under rapid change and to align their resources and capabilities with this rapid changing environment is necessary. Therefore continues learning keep employees skills and capabilities upgrading. Learning activities are core to underpin the process that is intended to increase individual and organizational performance (Pritchard, 2010). Our results ($\beta = 0.337$, $p = 0.000$) also shows a significant relationship of employee learning capability and employee performance. Because, when employee continuously learns about new ways, methods and procedures to accomplish their tasks it directly affects their accomplishment of job performance. However, Pakistan banking sector is more inclined about a mechanistic structure where centralization and formalization are high thereby, learning opportunities are very limited. In the light of findings of the results of the current study Pakistani banks should build a culture that impetus and underpins the learning capability of the employees.

Learning and integrating capability are described by Teece et al. (1997) as key elements of DC (Koch, 2011). Integration capability helps employees to capitalize their diverse knowledge to accomplish the given task. In the current research integration capability shows a significant relationship with the employee performance in the banking sector of Pakistan ($\beta = 0.724$, $p = 0.001$) quite higher because in Pakistan, banks keep on rotating the employees into various departments during the job that enrich them with various type of knowledge and capabilities as Grant, (1996b) argued that the soul of capabilities of an organization in highly dynamic and competitive environments is the individual's knowledge integration.

Alliance management capability is also found to be significant in a relationship with employee performance in this study ($\beta = 0.285$, $p = 0.000$). Strategic alliances and collaboration with others in the industry and with customers provide learning opportunities to the employees because each organization in the industry possesses unique resources and capabilities that employees can learn when organizations are collaborating with other organizations. Moreover, this alliance management capability also enhances the relational capital that is hard to imitate (Srivastava, 2001). So, based on findings of the current research Pakistani banks should develop alliances and collaboration with other organizations and especially with the customers because customers want a pleasant experience with the company, not merely a product or

services (Prahalad and Ramaswamy, 2004; Kim et al., 2015). Therefore on basis of above study results and related discussion regarding study results, we conclude that there is a positive and significant effect of KM activities and various DC on employee job performance in the banking sector of Pakistan. In order to satisfy the employees and improving their job performance, KM and DC are vital in the banking sector of Pakistan.

6. Recommendations and Future Direction

Pakistani banks should focus onto to create KM culture and system along with DC to foster employee performance in the banking sector of Pakistan. Both KM and DC would play important role in enhancing employee job performance as well as customer satisfaction. Because, as discussed above, the banking sector is under constant change and severe competition, a well knowledged and trained employee can serve the customer better. Pakistani banks should develop an organic culture based on dynamic cultural values, flexibility, and adaptation to the ever-changing environmental factors.

Current research has focused and examined only employees of the banking sector of Pakistan. Future research can focus and evaluate the same model in the manufacturing sector and in the different context. Moreover, the same model can be applied in both manufacturing and services sector for comparative analyses.

7. References

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