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## **Acculturation of Knowledge Management Initiative in Commercial Banks: The Case of Malaysia**

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### **ABSTRACT**

Banks merger and financial liberalization has urged that banks' operation to be based on knowledge. It is deemed crucial to identify the adoption of knowledge management initiative in Malaysian commercial banks particularly on Procurement and Empowerment of knowledge; Training and Mentorship; Communication; and Incentives. A survey employing questionnaires was carried out involving all 10 domestic commercial banks focussing on Human Resource Management units. Procurement and empowerment of knowledge (four aspects), training and mentorship (six aspects), communication (three aspects), and incentives (two aspects) were examined. It is evident that knowledge management practices do exist in all of the investigated aspects. The study reveals that banks do procure and utilise knowledge from their industrial associations, competitors, customers, and suppliers and also encourage staff to pursue education by giving incentives such as reimburse the fees for job-related courses. With respect to communication, written documents such as training manuals, job procedures and practices, and articles depicting organizational knowledge are addressed. In addition, financial and non-financial incentives are also practiced which indicate that incentives are also within the concern. It is believed, this study would motivate banks in Malaysia to acknowledge the knowledge management initiative as a new activity to embark on.

Keyword: Knowledge management initiative, Commercial banks, Procurement of knowledge, Training and mentorship, Empowerment of knowledge, Possession of knowledge.

### **1. INTRODUCTION**

Knowledge is an emerging asset that could determine organisational competency besides creating organisational value. Organisations are to prioritise knowledge as a way for making quantum leap in the progress. The liberation and awareness of the importance of knowledge has pressured organisations to devise better ways of governing knowledge to avoid losses regardless of changes that take place. Also the possessed knowledge ought to be made available for access since knowledge is only meaningful if it is accessible.

Knowledge is increasingly recognized as central to enhance performance, for handling complex issues, giving quick responses, making well-informed decisions, and hindering repetitive mistakes.

This study seeks to investigate the current practices of knowledge management in Malaysian financial institutions by identifying the differences in knowledge management practices. Investigations are focussing on the acquisition and possession of knowledge; training and mentorship; communication; and incentive.

## **2. OBJECTIVE**

The objectives of this study are as below:

- i. Identify the knowledge management initiatives differences in local commercial banks in Malaysia with respect to acquisition and possession of knowledge.
- ii. Examine the knowledge management initiative differences in local commercial banks in Malaysia with respect to training and mentorship
- iii. Investigate the knowledge management initiatives differences in local commercial banks in Malaysia with respect to communication
- iv. Identify the knowledge management initiative differences in local commercial banks in Malaysia with respect to incentive.

## **3. PROBLEM STATEMENT**

Knowledge is a new promising, strategic resource, and organisational functional capability, which promulgate knowledge management (KM) initiative. It gains importance in boosting performance, foster collaboration, and increased the quality of customer service.

Mushtaq and Bokhair (2011) argue that there is a strong link between culture and its components, such as values and beliefs, as well as trust, goodwill and reciprocity as stated by Yli-Renko et al. (2001 and Keenan (2002). Managing knowledge on large-scale projects is vital. Capturing, reporting, analysing and codifying that knowledge, particularly for an outsider, is merely a challenge, which their paper addressed.

Although knowledge is crucial to the survival of organisation but studies on knowledge management particularly in the banking sector, are at scarce. Cross (2001) reports that 2/3 of banks in Europe fail to exploit intellectual capital, as there was no appropriate KM strategy in place. Financial institutions in Australia claimed that knowledge only supports banking operations, without giving priority to the creation of new knowledge despite the acknowledgment that the effective used of available knowledge could give untold advantages to organisations (Burstein, Zyngier & Rateb, 2002). Upon realising that KM is important the Royal Bank of Scotland developed a human capital model, to create an environment that encourage workers to seek appropriate knowledge that could contribute to the success of organisation (Ormerod & Aitken, 2004).

According to Hafizi and Nor (2006), the application of knowledge management in the banking industry does not really differ from other industries but the increasing complexity of bank's environment makes its implementation more difficult. Banks have realized the crucial role of knowledge management in gaining an edge in this competitive field, but there have been laggards in the adoption of knowledge management usually due to wait and see attitude of what will be the true benefits and pitfalls from early adopters.

The International Data Corporation's (IDC) survey conducted across more than 600 banks in Western Europe only 20% of banks are currently applying knowledge management principles (Blesio & Mognani, 2000). This trend is actually more prevalent among large banks. With greater awareness of the importance of knowledge management, IDC expects this situation to change in the near future, and knowledge management will become a priority for the banking sector.

Although banks in Malaysia have started to resort into knowledge-based organisations as early as the year 2000, (Bank Negara Malaysia, 2001, 2008, 2010) but

studies on KM are at scarce. A survey on domestic commercial banks, focussing on the causal factors and the repercussions for practicing KM was carried out by Hafizi and Zawiyah (2004) followed by Hafizi and Nor (2004) who introduced a Banking KM Model, with the hope that banks will foster the elements of human, technology, and environment, into the knowledge process. Based on the problem captured as the above this study seeks to investigate the KM initiatives emphasizing on the differences in the practice adopted by Malaysian commercial banks in relation to the procurement and empowerment of knowledge; training and mentorship; communication; and incentive.

#### **4. METHOD**

Survey method using questionnaires was selected as the mean to collect data as this study requires quantitative data. Quantitative approach aims to classify and count features and to construct statistical models in order to explain what is observed (Neill, 2007).

One reason for surveys is that it is generally standardised to ensure reliability and validity (Kendra, 2009). It has become highly valued by researchers for its ability to provide insights, which is not obtainable by any other means (Peter, 2009). Survey is also an inexpensive way to get information (Mark and Jolly, 2009) other than an efficient means of gathering information from a significant number of participants. Questionnaire is considered after its advantages outweigh the disadvantages as outlined by Gratton and Jones (2010). These are: questionnaire allows the collection of data from a geographically dispersed sample at less cost compared to other techniques; a well-designed questionnaire will have little or no opportunity to introduce bias into the results; allows respondents to maintain anonymity as it does not require their names; provides very structured quantitative data which is easily comparable between subject groups or between the same groups studied; and gives ample time for respondents to answer the questions.

The questionnaire was adapted from the instrument developed by Edler and Earl (2001), from Organization Economic Country Development (OECD).

This study involved all the headquarters of local commercial banks in Malaysia which amount to only 10 which make the volume of samples seem as relatively small. This has the advantage whereby the authors enable to pay attention to the data gathered. Furthermore, population sampling produces accurate data (Babbie, 2010). Respondents were comprised of the Human Resource Managers of each headquarter.

The collected data was processed using statistical analysis SPSS 12.0 (*Statistical Package for Social Science 12.0*). The statistical analysis technique used was simple percentage and Kruskal-Wallis. The later technique was used to test the hypothesis, as it is suitable for a small sample size (of less than 30) (Sekaran, 2012).

#### **5. HYPOTHESES**

The hypotheses developed in this study aims to identify the difference in knowledge management practices, in the aspect of knowledge procurement, empowerment/ training and mentorship, communication, and incentives, between local commercial banks in Malaysia.

Four hypotheses are formulated for the study. They are:

Hypothesis 1: There is a difference in knowledge management practices, in the aspect of procurement and the empowerment of knowledge, among local commercial banks in Malaysia

Hypothesis 2: There is a difference in knowledge management practices, in the aspect of training and mentorship, among local commercial banks in Malaysia

Hypothesis 3: There is a difference in knowledge management practices, in the aspect of communication, among local commercial banks in Malaysia

Hypothesis 4: There is a difference in knowledge management practices, in the aspect of incentives, among local commercial banks in Malaysia

## **6. ANALYSIS AND INTERPRETATION**

The analysis and interpretation of data is arranged sequentially based on the aims of the study. Descriptive analysis, used to test the hypothesis in answering all of the research objectives, is used.

All four hypotheses were tested using both Kruskal-Wallis and H Tests. There are significant differences in practicing KM in the aspect of knowledge procurement and empowerment; training and mentorship; communication; and incentive. All four tests yielded the same results (Kruskal-Wallis=9.00, df=9, p=0.0254), at  $\alpha=0.05$ .

Descriptive statistic is used to describe the items practiced in all aspects of KM by the respondents. Items in the aspects of knowledge procurement and empowerment are as follows:

### **i. Acquire and Use Knowledge from Industrial Associations, Competitors, Clients, and Vendors**

Only one (10%) respondent acquired and used knowledge from industrial associations, competitors, clients, and suppliers since 1999, and eight (80%) respondents acquired and used knowledge from the same source prior to 1999. Only one (10%) respondent answered 'not relevant' for this item. This shows that nine (90%) of the surveyed banks acquire and use knowledge from the identified sources listed above.

### **ii. Acquire and Use Knowledge from Public Research Institutes - Universities and Government Research Institutes**

Only four (40%) respondents acquired and used knowledge from public research institutions, such as universities and government research institutes since 1999, and three (30%) respondents acquired and used knowledge from the same resources prior to 1999. Only three (30%) respondents indicated their plan to acquire and use knowledge from public research institutes, such as universities, in the next 24 months. The remaining seven (70%) respondents already obtain knowledge from public research institutes.

### **iii. Allocate Resources for Identifying and Acquiring External Knowledge and Communicate with It In Organisation**

From the analysis, it was discovered that four (40%) respondents allocated resources to identify and acquire external knowledge and communicate with it since 1999. Only four (40%) respondents consulted external knowledge before 1999, and only one (10%) respondent planned to identify and acquire external knowledge and communicate with it in the next 24 months. One respondent indicated that it is not relevant and eight (80%) respondents allocate resources to identify and acquire external knowledge and communicate with it.

**iv. Encourage Workers to Get Involve in Project Teams with External Professionals**

Six (60%) respondents encouraged their workers to be involved in project teams that involved external professionals since 1999, and two (20%) respondents encouraged their workers to get involved in the same task prior to 1999. Only two (20%) respondents planned to encourage workers to participate in project teams with external professionals in the next 24 months. This shows that eight (80%) respondents encouraged their workers to be involved with external professionals.

**6.1 Knowledge Management Practices: Training and Mentorship**

Items analysed, from the aspect of training and mentorship, are as follows:

**6.1.1 Formal Training for Knowledge Management Practice**

Table 1 shows 60% of the local commercial banks in Malaysia do give formal training for KM practices.

Table 1: Respondents Choosing to Give Official Training for KM Practices

<b>Item</b>	<b>Frequency</b>	<b>%</b>
Not relevant	1	10.0
To be used within the next 24 months come	3	30.0
Used since 1999	4	40.0
Used before 1999	2	20.0
Total	10	100.0

**6.1.2 Deliver Informal Training for Knowledge Management Practices**

Table 2 shows that 60% local banks in Malaysia, do not handle unofficial training for knowledge management.

Table 2: Respondents Deliver Unofficial Training for Knowledge Management

<b>Item</b>	<b>K Frequency</b>	<b>%</b>
Not Relevant	2	20.0
To be used within the next 24 months	2	20.0
Used since 1999	2	20.0
Used before 1999	4	40.0
Total	10	100.0

**6.1.3 Formal Training for Mentorship, Including Apprenticeships**

Analysis of data shows that 10% respondent using formal training for mentorship, including apprenticeships, since 1999. Only 10% respondent used this same mechanism

prior to 1999. Half of the respondents (50%) plan to use formal training for mentorship, including apprenticeships, within the next 24 months. However, some respondents (30%), claim that this is not relevant to their organisation. The remaining 20% respondents use formal training for both mentorship and apprenticeships.

#### **6.1.4 Encouraging Experienced Workers to Transfer Knowledge to the Less Experienced Ones**

It is evident from the data analysis that all the surveyed banks do encourage experienced workers to transfer their knowledge to the less experienced ones since 1999. In fact, more than half (60%) already encouraged the transfer knowledge to the less experienced counterparts earlier than 1999. This indicates that all commercial banks in Malaysia do encourage the transfer of knowledge from experienced staff to the inexperienced ones.

#### **6.1.5 Encourage Workers for Further Study**

Analysis shows that two (20%) respondents encouraged their workers to pursue their study, by giving them an incentive in the form of paying the fees incurred for job-related courses, taken since 1999. Meanwhile, eight (80%) respondents had encouraged their staff to embark on similar endeavours before 1999. This shows that all respondents (100%) encouraged their staff to continue their studies.

#### **6.1.6 External Training for Improving Workers' Existing Skills**

An analysis data in Table 3 shows that 80% of the surveyed respondents offer external training to enhance the level of their workers' skills.

Table 3: Offer of External Training for Enhancing Workers' Skills

<b>Item</b>	<b>Frequency</b>	<b>%</b>
Not Relevant	1	10.0
To be used within the next 24 months	1	10.0
Used since 1999	6	60.0
Used before 1999	2	20.0
Total	10	100.0

### **6.2 Knowledge Management Practice: Communication**

Items analysed in the aspect of communications, are as follows:

#### **6.2.1 Update Database for Good Working Practices, Benefits, and Acquired Skill**

As indicated in Table 4 only 40% local commercial banks in Malaysia update their databases for good working practices, benefits, and acquired skills, in their respective organisations.

Table 4: Update Databases for Good Working Practices, Benefits, and Skills Gained

<b>Item</b>	<b>Frequency</b>	<b>%</b>
Not Relevant	3	30.0
To be used within the next 24 months	3	30.0
Used since 1999	1	10.0
Used before 1999	3	30.0
<b>Total</b>	<b>10</b>	<b>100.0</b>

### **6.2.2 Prepare Written Documents (Benefit Procurements, Training Manuals, Working Practices, and Published Articles - Knowledge Organisation)**

Analysis of data reveals that all surveyed respondents prepare written documents, such as benefit procurements, training manuals, positive working practices, and published articles (knowledge organisation). The majority of respondents (90%) prepared these documents prior to 1999.

### **6.2.3 Facilitate Collaboration through a Physically Separated Project Team (Virtual Team)**

Table 5 reveals that 50% commercial banks in Malaysia facilitate collaborative work through physically separated project teams (i.e., virtual teams) within their organisations.

Table 5: Collaborative Work through Physically Separated Project Teams (Virtual Teams)

<b>Item</b>	<b>Frequency</b>	<b>%</b>
Not Relevant	2	20.0
To be used within the next 24 months	3	30.0
Used since 1999	4	40.0
Used before 1999	1	10.0
<b>Total</b>	<b>10</b>	<b>100.0</b>

### **6.2.4 Knowledge Management Practice: Incentive**

All local commercial banks gave both financial and non-financial incentives to their employees for practicing KM. However, 40% respondents only began giving the rewards after 1999.

## **7. DISCUSSION**

In order to determine the differing aspects of KM practices, the findings of this research are discussed and compared to previous findings.

### **7.1 Knowledge Management Practice in the Aspect of Knowledge Procurement and Empowerment**

The findings of this research support Hypothesis 1 i.e., KM practice exists in the aspect of knowledge procurement and empowerment in local commercial banks in Malaysia. Even though there is a difference in terms of KM practices, in the aspect of knowledge

procurement and empowerment, this study proves that these banks do implement such practices. All respondents implement all the four items, where the acquisition and use of knowledge from industrial associations, competitors, clients, and suppliers, are given priority. Edler (2002) agrees that knowledge from outside of an organisation, such as from competitors and clients, ought to be manipulated by organisations. Organisations should obtain external knowledge by involving their workers with other professionals and they should maximise the procurement of knowledge from public research institutions (Earl, 2001). It is evident that local commercial banks in Malaysia allocate resources to acquire external knowledge, involve their workers with external professionals, and acquire knowledge from public research institutions, as a way of practicing KM.

### **7.2 Knowledge Management Practice with respect to Training and Mentorship**

The findings also support Hypothesis 2 i.e., KM practices exist in the aspect of training and mentorship in local commercial banks in Malaysia. Although each practice differs from one to the other, this indicates that local commercial banks practice the initiative, thus covering all the six items. Workers are encouraged to pursue their study by paying their fees for any job-related course attended. This also extends to any effort in transferring knowledge from experienced workers to less experienced workers. The Danish KM Project (2002) reported that organisations are concerned about transferring experience and skills, as the basis of managing knowledge. Commercial banks in Malaysia also offer external training to their workers to stabilise their existing skills. In order to enhance workers knowledge in their respective area, Earl (2001) suggests that external training is essential. To ascertain that KM is in a proper state, both formal and informal training are carried out. Edler (2002) and Earl (2001) agree that training is required to maintain KM. However, local commercial banks in Malaysia do not practice KM in the aspect of mentorship training, as according to Edler (2002), mentorship is a relatively new kind of training, which is not popular amongst service-oriented organisations.

### **7.3 Knowledge Management Practice with respect to Communication**

The findings of this research support Hypothesis 3 i.e., KM practices exist in the aspect of communication amongst local commercial banks in Malaysia. Even though there is a difference in KM practices in the communication aspect, this indicates that banks practice KM. The preparation of written documents, such as the acquisition of benefits, training manuals, positive working practices, and published articles (knowledge organisation), are amongst the main aspects of communication, managed by the banks. Edler (2002) and the Danish KM Project (2002) claim that written documents, such as training manuals, are knowledge that should be well-managed. This is to ensure that knowledge is continuously retain within the organisation. However, banks pay little attention to joint ventures between physically separated project groups, and the updating of databases for good practices, benefits, and skill acquisition. This is contrary to the research by Earl (2001) who found that KM practices could ease jobs and joint ventures amongst distant branches.

### **7.4 Knowledge Management Practice with respect to Incentive**

The findings of this study support Hypothesis 4 i.e., KM practices exist in the aspect of incentives in local commercial banks in the country. Although there is a difference in terms of KM in the aspect of incentives, this proves that local commercial banks in

Malaysia do embark on KM initiative. Both items, the financial and non-financial incentives are practiced by these institutions and perhaps received high priority. This result conform to Earl (2001), Edler (2002), and the Danish KM Project (2002), in the sense that emphasis is given by organisations on incentive when practicing knowledge management initiative.

## **8. CONCLUSION**

All the four aspects of KM practices covered in this study such as procurement and empowerment of knowledge; training and mentorship; communication; and incentives completely applicable in the banking institutions.

Our findings are based on only a study of a single group of institutions. Therefore, it may have limitation in its applicability to other settings. In relation to that, these authors suggest that future research may focus on knowledge management system practiced in banking institutions. Such research effort would help the understanding of current practices in KM technology and thereby improving theory and practice of this discipline.

Furthermore, the findings of this study outline appropriate ways in governing knowledge in local commercial banks in Malaysia as these institutions need to aggressively address the knowledge transfer and sharing, both within and outside of the organisation (Ribiere, 2001). KM practice is acknowledged as an effective tool for improving the competitive advantage, and geared workers into achieving the strategic objective (Earl, 2001). This study gives a practical implication to Malaysian banks, in confronting financial liberalization. It is time for Malaysian commercial banks to revolve on knowledge in an effort to remain competent and flourish progressively.

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