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Practices of knowledge management processes: is it often overlooked asset? A comparative study of selected public and private commercial banks in Sri Lanka

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Abstract

Research background: Knowledge Management (KM) is generally known as the process of generating, capturing, organizing, storing, disseminating and applying knowledge in an organization. Every organization finds knowledge as a very valuable asset, as need for better management of knowledge has become imperative for organizations to remain ahead of competitors, gain popularity among equals and become an integral asset for organizational functionalities. There is a clear indication that banks, both in the public and private sectors, can highly benefit from the adoption of KM. Nevertheless, one general question arises: which sector would be better off with the adoption? Since KM demands key investments of its enablers, a careful knowledge management process should be examined so as to determine a better KM implementation for sustainable success.

Purpose of the article: This study aims to examine the knowledge management processes as practiced by designated public and private banks in Sri Lanka through an empirical analysis to determine whether there are differences in the knowledge management practices of the two sectors.

Methods: The unit for analysis is banks i.e. both in the public and private sectors. The questionnaires were distributed to all the managers in various branches of the banks so as to record a high rate of return. There are two sections in the questionnaire whereby each one addresses each of the two study objectives respectively. A total of 159 responses were gathered through a survey of questionnaires containing 24 questions related to the six constructs of the KM process. SPSS version 23.0 was employed for statistical analysis.

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Findings & Value added: The result showed that there is a statistically clear variance in the mean of knowledge process scopes and KM practices between both the banking sectors in Sri Lanka. This study contributes to the existing body of knowledge by bridging the gap in researches concerning KM practices in the banking sector. The novelty of this research lies in its attempt at comparing KM processes as practiced in the public and private sector banks in Sri Lanka. The empirically derived findings offer practical recommendations to the banking sector were also enriched with the application of instruments that have been proven to be reliable and valid.

Introduction

Every organization finds knowledge as a very valuable asset, as need for better management of knowledge has become imperative for organizations to remain ahead of competitors, gain popularity among equals and become an integral asset for organizational functionalities. In addition, organizations are geared towards using knowledge assets as strategies and thereby developing tools and systems to achieve the defined goals (Nugulube, 2015, pp. 3-6). In Sri Lanka, banking sector is also categorized according to intense competition among players and this makes the players to mandate employ strategies and establish knowledge assets that are inimitable. The significant role of banking regarding this cannot be overwhelmed in the development of the national economy in as a whole, precisely after private banks were established, alongside the public bank, so as to provide more financial services and opportunities for citizenries. As of 2018, there were 26 licensed commercial banks in Sri Lanka as indicated on the Central Bank of Sri Lanka website (www.cbsl.gov.lk). There is a clear indication that banks, both in the public and private sectors, can highly benefit from the adoption of KM. Nevertheless, one general question arises: which sector would be better off with the adoption? Few are of the opinion that private banks display a much more efficient response to market demands; meanwhile, public banks are seen more as bureaucratic institutions due to their complex operating system that often hinders their potential progression. Nonetheless, there exists a gap regarding KM practices in the discourse of banking sector. Therefore, the objectives of this study are:

1. To determine the extent to which KM processes are being practiced in the public and private banking sectors; and
2. To compare the implementation of KM processes as being practiced in the public and private banking sectors.

Prior studies have acknowledged and discussed some of the important key elements or constituents in the knowledge management process namely: identification, acquisition, storage, sharing and implementation (Bashir, *et al.*, 2014, pp. 89-95); creation, acquisition, sharing, storage and implementation (Gholami *et al.*, 2013, pp. 205-216); creation, capture, organization, storage, dissemination and application (Kambiz & Aslam, 2015, pp. 153-168); and knowledge creation process and firm innovation of SECI model that was developed by Nonaka and Takeuchi (1995). In general, KM require a process that involves knowledge generation, usage and applicability. Referencing this literature, researchers have identified six known processes of KM and those processes are defined in the banking setting as a systematic process that creates, acquires, organizes, stores, disseminates and applies knowledge according to its functional capacity, sharing related areas of interest that can further enhance banking performance. As such, KM prompts bankers to not only look out for critical information, but also to creatively manipulate, utilize and re-utilize such information so as to produce new input and bridge the resulting knowledge gap. This can positively affect the sector's productivity, if it is achieved as discussed below.

Knowledge Creation: The capability to learn can be found in the creation of knowledge (Ng Sin Pei, 2008, pp. 1-3). Creation of new knowledge is mandatory as it discovered to be key input for organization's innovative. New technologies, new products or services, new organizational structures and new processes are likely to born out of the new innovative and be credited to KM. Therefore, making a creative through Knowledge should be priotize, while considering knowledge innovatively in organizations. In generating new knowledge, the organization should be certain that, the organizations have a potential or hidden benefits i.e. the source of competitive advantage for the sustainability and continual growth that creates the require wealth (Ng Sin Pei, 2008, pp. 1-3).

Knowledge Acquisition: involves the process of learning and acquiring suitable knowledge from different sources and this could be internal and external sources. This type ok knowledge acquisition is credited to experts, experiences, relevant documents, plans and other sources. Process mapping, interviewing, concept mapping, laddering, observing, educating and training are conventional means of knowledge acquisition (Gholami *et al.*, 2013, pp. 205-216).

Knowledge organization: entails document description, indexing and classification (Birger, 2008, pp. 98), which ultimately results in a set of refined knowledge. In knowledge organization, the current pool of knowledge is filtered to determine and cross-reference beneficial

knowledge in different dimensions for a variety of products and services. Contextual knowledge is thus produced to enable it to be implemented, revised and studied for sustainability i.e. in terms of relevance and contemporariness.

Knowledge Storage: knowledge that can be found in an organization's archive is commonly referred to as organizational memory. The best ways to physically store and organize knowledge are through inscribed records, organized information kept in electronic databases, classified human knowledge kept in professional systems, and documented processes and procedures. Non-physical storage of knowledge would be in the form of human brains, or in this context, employees' tacit knowledge. Process applications are useful knowledge repositories with value beyond supporting the development business processes that has been improved upon (Gareth & Svetlana, 2016, pp. 305).

Knowledge dissemination: knowledge sharing motivate organizations such as banks to come together and activate knowledge portals into use, rather than separate silos of knowledge (Lafrenière *et al*, 2013, pp. 2). Dissemination of knowledge should be encouraged among knowledgeable and experienced staff that possess such useful knowledge. The knowledge is disseminated through a common language by using tools that are common tool that every member of staff understands. The required Knowledge may be shared among the employees during seminars, conferences, team-building exercises, written reports, websites, performance appraisals and conventional programs.

Knowledge Application: is best defined as the actual application of knowledge in the process of knowledge management. In addition, when the knowledge more significant, active and pertinent tool for the firm while the firm is trying to create value is known to be application knowledge application. The performance of organization is driven by the ability to apply its knowledge. When knowledge is effectively and efficiently utilized, the operational cost as well as overhead cost of such organization can be reduced and improvement on the organizational efficiency would be recorded (Lafrenière *et al*, 2013, pp. 2).

Research methodology

In this study, the unit for analysis is banks i.e. both in the public and private sectors, whereby in each, a survey on the variable i.e. managers is carried out. One of the questions in the interview asks whether the bank prescribes

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to any KM program, and the response is used in determining the participants in the survey. In certain cases, the bank officials were prompted to illustrate the KM initiatives that they have undertaken. The questionnaires were distributed to all the managers in various branches of the banks so as to record a high rate of return. There are two sections in the questionnaire whereby each one addresses each of the two study objectives respectively. A total of 159 responses were gathered from the banks and included in the analysis. The questionnaire included 24 statements that measure the KM processes adapted from Lawson's (2003) KM Assessment Instrument (KMAI). It entails a five-point Likert scale whereby 1 = strongly disagree and goes up the scale to 5 = strongly agree. The survey instrument was distributed among 30 bankers from the private and public sectors to ensure if they are thoroughly appropriate, reliable and comprehensive, especially for the context of Sri Lanka.

Results

SPSS version 23.0 was employed to measure the reliability of the variables i.e. by testing their consistency and stability. The Cronbach's alpha value for Knowledge Creation (KC) was 0.907, Knowledge Capture (KCA) was 0.880, Knowledge Organization (KO) was 0.898, Knowledge Storage (KS) was 0.942, Knowledge Dissemination (KD) was 0.760, and Knowledge Application (KA) was 0.851. All the Cronbach's alpha values had exceeded 0.8, except for knowledge dissemination; hence, the reliability analysis confirms that all the items are accurate and consistent.

The correlation for each dimension was then obtained; for each item, the highest correlation with at least one other item should be between 0.3 and 0.9. All the variables had displayed values within this range, which implies that the constructs correlated adequately.

The descriptive statistics for the items in KC, KCA, KO, KS, KD and KA constructs were presented and the mean values for all the items were above 3. This means that the respondents generally agreed that the knowledge process was being practiced in both the public and private sector banks in Sri Lanka. For each of the items, the highest correlation displayed with at least one other item was between 0.3 and 0.9, signifying that all the items correlated adequately. Based on the results of the Exploratory Factor Analysis (EFA), the Kaiser-Meyer-Olkin (KMO) statistics for KC was 0.835, KCA = 0.754, KO = 0.803, KS = 0.834, KD = 0.661 and KA = 0.793, which are all considered to be good.

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Structural equation model was used to assess the confirmatory factors analysis on employee to estimate, so that over all measurement model would be estimated. All the loading items in the measurement model lies between 0.73-0.93, while the composite reliabilities ranges from 0.75-0.94 and values of AVE come between 0.61-0.81 as shown in the table 1, to this end, these result is an indication that, the criteria for convergent validity is met.

The following table shows the scores for all the KM processes i.e. the mean and standard deviation for both the public and private sector banks. The private sector banks recorded an average mean score of 3.16 and standard deviation score of 0.737. Meanwhile, the public sector banks are recorded an average mean score of 3.35 and standard deviation score of 0.733. In the private sector, above average mean factor ratings were recorded by four of the KM processes namely KS, KA, KC and KD in that order, with the lowest score recorded by KO. All the recorded scores for standard deviation are lower than one, signifying a consistent rating of all the elements by the respondents. Meanwhile for the public sector banks, above average mean factor ratings were recorded by three of the KM processes namely KO, KS and KA in that order, with the lowest score recorded by KD. The standard deviation scores for all the processes in the public sector banks were also all below one. Based on the results of the analysis, the comparison of the mean scores for the knowledge process dimensions and the mean scores for all the KM processes between the private and public sector banks showed statistically significant differences.

Conclusions

This study contributes to the existing body of knowledge by bridging the gap in researches concerning KM practices in the banking sector. The novelty of this research lies in its attempt at comparing KM processes as practiced in the public and private sector banks in Sri Lanka. The empirically derived findings used to offer practical recommendations to the banking sector were also enriched with the application of instruments that have been proven to be reliable and valid. The theoretical findings presented in literature concerning the six KM processes had been statistically proven by the factor analysis results.

With regards to the first study objective, it was found that over 70 percent of the respondents have a certain level of knowledge on KM. KM processes that are less systematic and not properly in place are managed by 40

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percent of the branch managers. In addition, 60 percent of the managers were not certain if some of their practices were truly a part of the KM processes. Overall, the findings recommended a need for formal establishments that can communicate KM initiatives amongst the banks. With regards to the second study objective, it was found that the respondents have a certain level of knowledge on KM processes and that respondents from the private sector had shown a higher awareness level of formal KM programs in their banks. Based on the mean scores attained, it was indicated that both banking sectors only practiced KM processes moderately. Effective KM practices cannot be achieved without the establishment of a comprehensive KM program and improvement on the implementation of the KM processes. The analysis results indicated a significant difference between the public and private banks' KM processes; the public sector banks showed higher scores on three out of the six KM processes, signifying that they have more responsibility in terms of community service within the community in which they operate. Facilities such as information technology (IT) are better provided by the private sector banks. Most of the banks in both sectors have some form of database, repository and knowledge application use in place.

The recommendations below function as a guide in institutionalizing an appropriate KM Program:

- 1) Communicate all KM strategies to the employees to ensure alignment between the KM initiatives with the banks' vision, mission and objectives.
- 2) Knowledge sharing initiatives need to be intertwined to ensure sustainability of the benefits attained from the KM implementation and of the general success of the banks. The role of IT as an enabler of KM must be duly acknowledged to ensure proper implementation of the tasks. Since knowledge sharing is largely dependent on humans, the support of IT infrastructures is highly essential. It is apparent that advances on the knowledge of KM processes is currently lacking in the banking sector.

Additionally, the recommendations are hoped to be beneficial in providing insights as to how the banks can properly organize their KM processes, in such a way that would give them competitive advantage in dealing with global challenges and fulfilling stakeholder expectations.

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Annex

Table 1. Validity Testing

Construct	Items	Factor Loading	Composite Reliability (CR)	Average Variance Extracted (AVE)
Knowledge Creation (KC)	KC4	.914	0.914	0.731
	KC3	.905		
	KC2	.930		
	KC1	.837		
Knowledge Capture (KCA)	KCAP4	.948	0.897	0.691
	KCAP3	.729		
	KCAP2	.955		
	KCAP1	.648		
Knowledge Organisation (KO)	KO4	.740	0.906	0.711
	KO3	.959		
	KO2	.699		
	KO1	.942		
Knowledge Storage (KS)	KS4	.846	0.943	0.806
	KS3	.960		
	KS2	.968		
	KS1	.807		
Knowledge Dissemination (KD)	KD4	.732	0.752	0.656
	KD3	.868		
	KD2	.705		
	KD1	.961		
Knowledge Application (KA)	KAPP4	.887	0.856	0.606
	KAPP3	.728		
	KAPP2	.803		
	KAPP1	.846		

Table 2. Comparison of Mean Scores for Private and Public Sector Banks in Sri Lanka

KN Process	Ranking		Mean		SD		t Value		Significance	
	Private	Public	Private	Public	Private	Public	Private	Public	Private	Public
Knowledge Creation (KC)	3	5	3.25	3.16	0.721	0.704	8.216	8.708	0.000	0.000
Knowledge Capturing (KCA)	5	4	3.11	3.22	0.712	0.622	3.447	2.769	0.000	0.000
Knowledge Organisation (KO)	6	1	2.86	3.67	0.73	0.801	2.822	2.897	0.000	0.000
Knowledge Storage (KS)	1	2	3.31	3.58	0.701	0.784	3.422	5.586	0.000	0.000
Knowledge Dissemination (KD)	4	6	3.18	3.1	0.78	0.721	7.273	6.433	0.000	0.000
Knowledge Application (KA)	2	3	3.27	3.41	0.775	0.767	2.368	3.253	0.000	0.000
Average Mean Score			3.16	3.35	0.737	0.733				