Preliminary Assessment of Knowledge Management Initiatives in Banks – The Case of Mauritius

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Abstract

It is an acknowledge fact that banks fuel the economic growth of a nation. At a deeper microscopic level, customer delight emerges from the total customer experience derived from quality services provided by banking institutions. Much of this experience depends on the efficient use of banks’ internal resources along with the increasing plethora of significance for strategic enterprise management systems that puts knowledge at the center of attention. Although knowledge brings competitive edge, it is however reckoned that knowledge management (KM) is practised at a more informal level in a good number of institutions in the banking sector. In this context, in order to promote knowledge use and reuse for competitive advantage in banking firms, an assessment of the existing level of KM was undertaken as study. The aim of this research paper has been to evaluate banks in their KM initiatives at an informal level. The preliminary assessment was done through analyzing essential variables identified at the micro, meso and macro levels. At micro level, supplier, customers, competitor and stakeholders have been considered. The meso level comprised of the KM function and top management of banks. On a global environment, the macro level encompassed political, economical, social, technological, legal and environmental (PESTLE) factors. The research methodology has been mainly quantitative approach where 13 banks in Mauritius participated in the survey. The main findings revolve around customers’ and suppliers’ collaborations in business through knowledge, competitors’ contribution, stakeholders’ relationships towards business continuity; KM function as a unit to promote knowledge propagation, approval by top management for KM to happen in banks, and impact of some PESTLE variables in relation to support knowledge within banks.

Key words: Banking, Knowledge, Knowledge Management, Environmental Assessment
1. Introduction

As a social entity, an organization depends upon its specific environment which comprises of customers, suppliers, stakeholders and others, although it remains constantly aware of the potential influences of its general environment (Robbins, 1994) which normally comprises of political, environmental, social, technological, legal and economic factors. In concert with external and internal business environment, physical resources such as personnel, material, machines, and money as well as virtual resources such as data, information, and knowledge flow from and to the organization. Cosmically, the banking sector landscape continues to change and face broad critical issues such as redefinition of business policy and strategies, delivery of desired results, continuous Business Process Re-engineering (BPR) for more customer focused, control or risk management objectives, gaining competitive edge, seeking best people management practices for value creation. Hence, all these point towards two main aspects namely (i) people to create value and (ii) technology to bring out the best of the banks’ people (Jeyarajeswaren, 2006). Nevertheless, many organisations fail to use their existing resources more precisely knowledge efficiently. Such mismanagement very often impact negatively on their internal operations, quality of products, services and customer retention capabilities forcing them out of the market. Stability in the banking system presents a series of ways banks need to adopt for their sustainable and profitable future. Knowledge is a crucial resource that is very often neglected by many organizations including banks. The main reason for such misuse is basically due to missing mechanisms that are implemented in relation to management of knowledge.

2. Literature Review

The more efficient a financial system is in the resource generation and allocation, the greater is its contribution to productivity and economic growth. The microeconomic efficiency captures the allocative function of banks at a higher level in an economy, emphasizes the capabilities to use the available technology, and to combine inputs into the production process, optimally for proper resource allocation (Lucchetti et al., 2000). In the wake of epidemic levels of gaining competitive advantage in the industry, it is predicted that banks shall successfully exist through innovation and conceptualization of new services (King, 2010). Development of these services shall depend on how banking organizations optimize on their existing resources. The resource dependence theory (Hatch, 1997) spots resources to be raw materials, labour, capital, equipment, knowledge. In this line, a good bank is assessed on performances such as continuous value delivery to shareholders, support to customers and ability to navigate economic crisis. Moreover, customers expect relationship managers to mobilize the whole bank’s resources for solving their problems.
Nonetheless, among existing solutions for these exigencies are the better use and management of knowledge within the banking firms. One particularity of the banking sector is that commercial banks operate under intensive science, technology and capital (Li & Guan, 2008). Knowledge as an intellectual capital provides useful insights for an organization towards its competitive advantage. Systematic work on the quality and productivity of knowledge is needed for performance capacity (Drucker, 1994). As a key organizational strategic asset bearing component of human capital (Peloquin, 2001), knowledge provides corporations with a competitive edge, adds value, can be maintained and increased as compared to traditional assets which depreciate (Spender, 2002), but degrade when remain unused (Pike et al., 2002) and involves creation of new understandings of nature, organizations or markets and their application by a firm in valued technologies, products or processes (Boland & Tenkasi, 1995). As knowledge is subjective, its origin could be explained as data initially gathered, processed to information, then converted to knowledge and further leads to wisdom (Ackoff, 1989).

Data (Hirschheim et al., 1995) is defined as invariances with potential meaning. It acts as the raw material for knowledge process (Warier, 2008). Information, on the other hand, is processed data that is used for further organizational purpose and decision making. Knowledge is therefore the interpretation of information in the eye of a beholder. It is ‘a fluid mix of framed experience, values, contextual information, and expert insight that provides a framework for evaluating and incorporating new experiences and information’ (Davenport & Prusak, 2000), ‘a justified true belief’ (Nonaka & Takeuchi, 1995), which may lead to different knowledge for various individuals (Warier, 2008) and increases an individual capacity to take effective action (Nonaka, 1994).

Knowledge is a public good in companies (Osterloh et al., 2001) and relevant to sustained business as compared to other assets such as capital or labour (Algharibeh, 2009) with ultimate purpose for decision making about past projects, initiatives, failures, success, and efforts readily available and accessible. The necessity to compete for knowledge (Audretsch & Thurik, 2004) is due to the nature of knowledge that is hard to replicate (Chirico, 2008). The plethora of knowledge assets in an organisation (Marr, 2003) includes (i) stakeholder relationships, (ii) human resources; (iii) physical and ICT infrastructure; (iv) culture; (v) practices and routines; (vi) intellectual property whereby all these knowledge assets need to be managed within the organisations. However, in today’s economy, knowledge remains the most abandoned asset.

KM is a strategic issue (Nonaka & Konno, 1998), an organisational discipline which bridge information demand/supply in support of learning processes within the organisation (Huizing & Bouman, 2002), helps the firm to gain insight and understanding from its own
experience (Kalam, 2004), leverage its collective wisdom to increase responsiveness and innovation, and trying to extract the most useful information (Williams, 2001). KM attempts to improve organizational learning by introducing a range of specific processes/practices for identifying, capturing knowledge, know-how, expertise and other intellectual capital, ultimately facilitating strategy-driven organisational processes for employee assimilation, dissemination, and application of organisational knowledge (Zhang et al., 2007) for competitive edge. The value of KM is very often realized when organizations face manpower reduction or retirement programs.

KM is needed to enable strategic corporate and business objectives by bringing together people, process and technology. In many organisations, there is a need to transform traditional mindsets and organisational culture from "knowledge-hoarding" to "knowledge-sharing" and create an atmosphere of trust (Bhojaraju, 2005). With regard to KM initiatives, Hasanali (2002) has brought forward leadership, culture, structure, roles and responsibilities, IT infrastructure and measurement. However, getting the "right" knowledge to the "right" employee at the "right" time in the "right" form and at the "right" cost is one of the greatest challenges of KM. The purpose is to improve customer communication by saving time, problem solving and enhancing staff participation (Alavi & Leidner, 1999).

Interestingly, the Knowledge Compass Inc. (2006) has come with a KM maturity model comprising of six levels of KM initiatives namely (i) informal (level 1) where KM is not supported as corporate program within organisation, (ii) breakthrough (level 2) where KM is funded for business unit initiatives, (iii) community (level 3) where KM program is implemented in individual business units with standardized practices, processes and technologies, (iv) enterprise (level 4) where KM is established with centralized leadership and governance, (v) managed (level 5) where KM program is stable and continually measured for progress and metrics, and (vi) optimized (level 6) where KM program established as corporate best practice, continually evaluated, benchmarked for KM practice and process improvement. However, loss of knowledge ownership, organizational/personal conflict, and organizational behavior in attributing knowledge contribution to others are among the pertinent reasons for KM failures within organisations (Awad & Ghaziri, 2007). Thus, KM is successful when staff shares the same vision of the organisation. However, according to the International Data Corporation’s (IDC) survey conducted across more than 600 banks in Western Europe, only 20% of banks are currently apply a KM principles (Blesio & Molognani, 2000).

Empirical findings show profound considerations for KM in the banking sector. The World Bank has been a knowledge bank since 1996, producing knowledge its economic, sectoral work, technical assistance, country level assessments, project preparation studies,
project evaluations and capacity building work through its Knowledge Sharing (KS) Program (Laporte, 2004) located in the World Bank Institute (WBI). The KM activities included thematic groups comprising of 80 Communities of Practice (CoP), advisory services of 25 help desk facilities, sector knowledge collections through the web, country/sector statistics, people directories, debriefings and videotaping of narratives, Africa indigenous knowledge, global development gateway, development forum, webcasting and dissemination.

Moreover, Barclays (UK) implemented KM principles on its people to facilitate ideas and information exchange on an optimum way. Minutes and other documents from the KM Working Party at divisional levels were exchanged to the Chief Executive and business units’ leaders to raise their awareness of the corporate issues. Its central KM database ensure knowledge storage capturing key lessons learned and built for similar project work undertaken in the future. This practice has encouraged sharing best practices, learning, saving external consultancy costs and innovation between sales managers and teams with knowledge about competitor activity, business intelligence (BI) for products/services innovation (Cebi et al., 2010).

Following along this vein, the ICICI (India) Bank’s KM portal named as ‘Wiseguy’ included KM, HR, technology and research. It was found that the young employees and a non dictatorial top management contributed voluntarily towards a learning organization with better understanding of the working culture and support which ultimately benefitted the technical and professional workforce through their views and upgrade their expertise. Nonetheless, emphasis need to put on the creation of a work context characterized by high levels of organizational citizenship which ultimately cultivate mutual social relationships and knowledge sharing, promote workplace communication (Chatzoglou & Vraimaki, 2009).

The results of survey undertaken by Bidmeshgipour et al. (2012) propose that banks in both private and public sector are still in the first stage of their KM practice. Banks face constraints mainly influence of the governmental dominance and failed privatization in different industries for such their KM implementations. Hence, suggestions are mainly based on managers’ creative way of thinking, stabilized decentralized decision-makings, motives to innovators and proper appraisal system, nurturing teamwork in Iranian banking organizations. Generation and creation of new knowledge in the banking sector create the need for banks to their own robust mechanisms. Such approaches may include team-oriented brainstorming and workshops (Shih et al., 2010). The Asian Development Bank (ADB, 2007) developed a knowledge-sharing network, ‘Community of Practice on Managing for Development Results’ with main purpose to promote learning, knowledge exchange among public managers, organisations, executing agencies and practitioners on management for better development results among developing countries in Asia and the Pacific region.
In the case of Mauritius, the state of KM revealed to be still at an infancy stage (Vencatachellum & Jeetah, 2008) among 10 commercial banks in Mauritius, as shown in a related study in the field of banking in Mauritius. The findings show that formal KM strategy, specialised KM unit, KM leader and even budget allocated for KM efforts are not present in the banks. 62.5% of the banks surveyed perceived formal KM strategy as too risky while 37.5% consider that KM is simply not required by them. At the regulatory level, a Knowledge Management Centre (KMC) at the Bank of Mauritius (2009) was set up with objectives to capture, transfer and create critical knowledge for long-term success. Sharing of course materials from staff attending training courses overseas and locally via the intranet is possible. By recognizing the results of these KM efforts, further research is encouraged in this field in the Mauritian banking sector.

3. Methodology
3.1 Research Questions
Organisations are under constant pressure to improve their competitive edge by optimizing their existing resources. Knowledge experts have highly advised firms to develop their competitive advantage through the use of knowledge. This paper aims to query the initiatives to encourage KM happening in the banking firms. The case of the Mauritian banking sector was taken in order to find out ways to encourage banks to increase build their capacity through KM. The effort of this investigation has been to optimize on knowledge as a critical resource. This has entailed a preliminary study on the existing status of KM initiatives in banks in Mauritius.

3.2 Modeling Volatility
The Banking Knowledge Management Model (BKMM) proposed by Ali et al., (2006) has been referred in the study. Its various components include (i) environment which comprises of both internal and external where the best decisions related to problem solving depend on circumstances and available knowledge for competitive advantage. The internal environment includes the director, CEO, manager, supervisor, clerk, peon, while the external environment comprises of government society, media, competitors and the customer; (ii) people which comprises of communication, reward systems, and leadership are important cultural factors related to people in implementing KM; (iii) technology comprises of organizations facing large volumes of knowledge dispersed in organizations; (iv) knowledge progress includes knowledge creation, retention and sharing contributing to organizational effectiveness. It should be noted that that some elements in the first, third and fourth components have been considered in the survey in the form of statements through a strategic environmental assessment conducted for KM. Evaluation was done for the (i) micro factors related to stakeholders namely supplier, customer, competitors, employees, top management;
(ii) meso level that is the KM function of banks; and (iii) macro factors, that is, PESTLE namely political, environmental, social, technological, legal and economic. KM initiatives in this research investigation are mostly informal without any official practices.

3.3 Data

A first phase of the research study comprised of telephone interviews to enquire on existing KM strategy in the banks. Ultimately, most of the banks informally notified that KM initiatives exist at a very informal level. To further officially investigate this condition, a questionnaire was designed for a population of eighteen (18) banks both in the commercial and offshore sectors. 13 banks participated in the survey. The other five (5) banks choose not to participate for main reasons that three (3) banks did not own any KM related information while the internal policies for the two (2) other banks prevent them to provide their contribution in the survey. The core of the questionnaire comprised of 65 statements under 13 factors precisely micro, meso and macro factors to preliminarily assess KM status in banks. Statements were developed from site observations. These factors are suppliers (3 statements), customers (3 statements), competitors (3 statements), employees (6 statements), and stakeholders (4 statements); meso level namely KM function (20 statements), and top management (8 statements); and macro level namely political (3 statements), economic (3 statements), social (4 statements), technological (3 statements), legal (3 statements), and environmental (2 statements).

The statements were assessed through the likert scale as 1=strongly agree, 2=agree, 3=do not know, 4=disagree, and 5=strongly disagree. The SPSS 19 was used for statistical data analysis. Descriptive statistics have been used for the basic features of the data in this research study providing simple summaries the survey. Target respondents were mostly CIOs, head of IT operations and IT officer in charge. The respondents have been CIO (12.5%), Head of IT operations (25%), IT Managers (37.5%) while some other 25% comprised of IT Executives and IT Facility Assistants. The main reason was that these respondents were the most appropriate people to contribute to the survey since there was neither the presence of a KM manager nor KM officer in the banks, and the allocated respondents were much aware about KM systems (KMS). Confidentiality of the survey in the banks was assured.

4. Results and Discussions

This survey has shown 75% of banks to be considered as learning institutions whereby their banking knowledge and techniques keep on evolving. The investigation show that only 62.5% of banks consider that knowledge has much importance in banks, although only 18.8% have set up a KM centre showing that not much importance given to a unit to look after KM matters in banks. This is perhaps due to the lack of awareness and importance given to knowledge in the organizations. On the other hand, only 12.5% has a competent Chief
Knowledge Officer (CKO), reflecting only those working in large international banks. Eventually, the findings of the main study revolve around the various micro, meso and macro factors influencing the banks which are further revealed below.

**Suppliers:** Suppliers were assessed in relation to Just-In-Time (JIT) involvement, their relationships and communities. It was found that 78.6% of banks proclaim JIT involvement in sharing of knowledge. Furthermore, 84% of banks opine that informal KM initiatives encourage long lasting relationships with their suppliers, and 75% state that these initiatives also contribute to the banks’ supplier communities based on Win-Win situations. These figures tend to show that banks are practicing KM informally based on their knowledge sharing strategy with their suppliers on a Win-Win situation.

**Customers:** 65% of banks state that their customers collaborate better with them through informal KM initiatives. Additionally, 85% also acknowledge that KM has contributed to their products/services innovation and long customer relationships. Customer knowledge is thus a valuable capital for banks to consider while improving their products/services towards a better competitive advantage.

**Competitors:** Majority among the branded banks believe that KM initiatives help them in protecting their brand image. They believe that KM initiatives develop a competitive edge for their banks. Yet, 80% believe that KM initiatives can create better collaboration among competitors in this sector, although brands of these banks speak for themselves which further show the strength of these banks in the Mauritian society.

**Employees:** 92% of banks aver that their staff value and trust knowledge acquired for further working operations. 78% also agree that all of their staff encourages KM initiatives in the banks. Right knowledge is necessary for processing any banking transactions to meet customer needs. In this sense, 71% participating banks agree that the right knowledge is diffused to the right employee at the right time. 64% agree that KM mechanisms (specifically training) exist to exchange knowledge among staff at all levels. 78.6% agree that KM related technologies are implemented to exchange knowledge and learning from activities among staff at all levels and are considered to be imperative for KM initiatives in banks. Employees thus welcome KM initiatives towards the development of practice among the banks’ communities.

**KM Function:** 78.6% banks agree that their KM initiatives are successful in supporting their organizational vision. 84% proclaim KM initiatives contribute to meet their future organisational challenges which are critical for their core business activities. Only 23.1% agree there is a KM policy that banks with regular monitoring based on rules and regulations mentioned in the banks’ KM policy are applied in each organisational function with the aim to manage knowledge. At this point, it is highly noted that KM policy has not been properly
formulated in banks showing no real structure for KM in banks. Only 30.8% agree that their KM Systems (KMS) are centralized although they do not have the latest KMS used for their core banking operations. In addition, only 23.1% confirm regular monitoring of KM infrastructure, 15.4% proclaim of a proper KM architecture and 69% state KM initiatives in supporting their backup facilities for knowledge.

38.5% agree that lack of proper KM processes in banks hinder the regular review of knowledge life cycle. 84% mention their KM initiatives provide them facilities in case of disaster. 61.5% strongly confirms their KM initiatives to be regularly revised to meet their business continuity purposes. 15.4% agree that their KM centre complies with industry best practices and internal KM audit services are done frequently. 15.4% agree that they have implemented KM framework. Lack of KM in banks shows no presence of KM framework implementations. It noted that 77% agree that training in knowledge, skills, attitudes and behaviour development contribute to their KM initiatives. Overall, KMS seem to be present but there is no formal KM implementation.

**Top Management:** 53.8% strongly agree that management has positive views of the KM function. Top management is aware of the importance of KM. However, they are not in the position to define exactly what the KM function comprises of. 28.6% agree that KM matters are a regular item on the board agenda. KM is important but no due consideration is being given to it by management. 14.3% agree that the board has clear view on the major investments on KM initiatives. KM is a great concern for top management. 31.3% agree that management aligns KM investments with business principles. There is no proper understanding of KM and its implications at top management level. 21.4% agree that the board obtain regular progress reports on major KM initiatives. Progress report is very important to monitor KM implementations. 42.9% agree that management takes quick decision and actions to address KM issues. Management has to take quick decisions and actions on all KM issues. 64.3% agree that KM initiatives can contribute to better decision making for top management whereby it is seen that better knowledgeable person can take better decision. 78.5% agree that their KM initiatives contribute to their sustainable banking.

**Stakeholders:** 50% of banks state that KM initiatives have the potential to contribute towards better relationships with the central bank eliminating thereby confusions among them. 50% agree that their informal KM initiatives such as knowledge sharing have improved their relationships with their banks’ auditors. Besides, banks’ management works in complete compliance with their auditors as per banking charter. 35.7% agree that banks’ knowledge repository is updated to meet the needs of stakeholders. It is essential that knowledge repository be updated to meet the needs of stakeholders.
Political: 21.4% banks point out that government policies encourage banks’ KM initiatives, reckoning that the state is not in a position to apply appropriate KM policies due to the fact that KM is an internal organization strategy for banks. Moreover, merely 14.3% strongly agree that banks’ KM initiatives discourage corruptive practices within their banks. On the other hand, 57% agree that KM initiatives contribute to better relationships with international authorities for them. Hence, it is seen that KM has the capability to facilitate development with foreign business activities.

Economic: 71% of banks agree that their KM initiatives have positive impact in the Mauritian knowledge hub. Mauritius is calling for the creation of knowledge hub as an economic pillar for development. Knowledge hub would be very beneficial with KM as a central facility although KM initiatives are very costly investments, especially when integrated with IT infrastructure. Only 7.1% strongly agree that international funding support banks’ KM initiatives along with the world economic crisis having an impact on their KM initiatives. International funding would mostly suit in supporting KM initiatives on a long term basis.

Social: 21.4% agree that government gives much social considerations to banks’ KM initiatives. Government is responsible for society development and could encourage KM in all economic activities. 7.1% strongly agree that banks’ KM initiatives help in monitoring their Corporate Social Responsibility (CSR) and believe that KM initiatives safeguard social and cultural values in the Mauritian society. 28.6% agree that cultural attitudes in society encourage banks’ KM initiatives. Mauritius is a multi-cultural society. Hence, knowledge is derived from all strata of the society.

Technological: 42.9% of banks agree that ICT infrastructure in Mauritius enables their KM initiatives such as knowledge creation, storage and sharing. 71.4% proclaim that the global issues in the IT industry have much impact on banks’ KM initiatives. 7.1% strongly agree that the global IT innovation contributes to banks’ KM initiatives. Thus, the general belief is thus that there is a significant level of ICT in Mauritius.

Environmental: 78.5% agree that banks’ KM initiatives contribute to green issues are important considerations for banking sustainable development. 35.7% agree that since the locations of their head office/branches are situated in populated areas and contribute to their KM initiatives.

Legal: A legal document is made of knowledge and it has to be managed properly. 28.6% agree that the government regularly reviews legislative issues for KM initiatives for banks in Mauritius. 35.7% agree that KM initiatives have high priority in the Banking Act 2004. 7.1% strongly agree that banks’ KM initiatives comply with Data Protection Act 2004 in Mauritius.
It is reckoned here that there is low consideration that government reviews legislative issues for KM initiatives.

5. Conclusions and Recommendations

A fragile banking sector is a limelight that tends to show lack of knowledge in banks for developing and innovating their products, services and stakeholders relations. The findings in the Mauritian case could be constructive for international interest. Although practiced at an informal level, the results obtained from the participant banks show the presence of KM. Suppliers can become closer to their banks and benefits accrue to both stakeholders. Customer interactions with their banks become smoother by strengthening the use of knowledge intensive products and services that create greater customer delight. With regard to competition, competing banks can collaborate much more through KM initiatives for mutual benefits.

To demonstrate remarkable leadership in the banking sector, the recommendation of the European Banking and Financial Services Training (EBNT, 2013) has proposed investing in human capital through vocational training with objective to restore trust and confidence in European banking sector. In this perspective, KM mechanisms such as formal and vocational training namely recognition prior learning (RPL) to banks’ staff development are highly encouraged in banks. Thus, KM mechanisms are calling for more efforts from employee collaboration in the organizational knowledge. Consequently, employees are expected to reap the benefits by being in a better position to serve their customers, stay on the job and earn increasing bonuses. In addition, the KM function needs to be empowered to make a valid, creative and viable contribution towards greater efficiency in bank management. As a result, KM initiatives should be more sought at top management level in order to move employees in their banks toward self-leadership and empowerment.

At a wider level, KM initiatives enable consensus decision making and create win-win situations for all stakeholders. Moreover, the political relationships among local and foreign government authorities with banks can be enhanced with stronger ties when KM initiatives are present in all concerned sectors, taking into consideration that economic development with the support of banks requires massive investment in KM initiatives. The World Bank is calling for more investment in KM in all banking firms. Furthermore, banks are advised to be creative problems solvers when engrossed in cultural knowledge activities to finance their CSR projects.

Interestingly, IT related banking services call for greater knowledge development to meet the sophisticated needs of customers. Thus, technological development calls for culture change in banking organizations whereby KM initiatives need to be developed to train employees for technological achievement. Furthermore, since legal matters are knowledge
intensive, the appropriate knowledge in banks is an on-going concern in the changing situations of the banking environment. The bottom line of this research therefore shows that banks are at an inflection point in their KM initiatives. The central idea of this paper has been to make an initial assessment of the KM initiatives that are practiced at an informal level in banking firms and much encouragement need to be developed for these organisations to manage knowledge towards achieving a competitive edge in the industry.

References


