The important tool of knowledge management

Knowledge Management (KM) is complicated and intricate. There is no established path to build and contain organizations knowledge and utilize it. To create the best value oriented knowledge management system, organizations must converge on how it is built, preserved and utilized. It takes account of everything the organization does, to provide the required knowledge to the business, be it making key inputs, building new relationships, Investment or divestment, Implementing new policies or products, introducing new technologies and many more. It is a misconception that knowledge management is responsibility of IT department. In fact the whole organization plays its part in creating, maintaining and using the related knowledge.

1. 1. Role of IT in KM:

There have been countless discussions over the past couple of decades about the importance of KM. Organizations who do not have a defined strategy for managing and leveraging the significance of their knowledge based assets are threatened with the fear of non survival. Although KM is applicable, on the large scale, to all the activities designed to administer, exchange, generate and enhance the intellectual resources of the firm but Information Technology tools and systems are termed as the " KM applications" which provide the infrastructure and platform for preserving and organizing the knowledge and information as per predefined rules and formats. Hence IT plays the central critical role in KM for any organization's KM value chain when it comes to

Knowledge acquisition – either through daily transactions, meetings, research, input, output or whatever the business process maybe. There is a

software application, data entry points etc where the relevant employees make data inputs as per the required formats.

Knowledge storage – The given data being inputs gets accumulated in the (central) database, managed by the IT, for future use.

Knowledge dissemination – The accessibility of acquired knowledge is as important. Employees are given access ID's and passwords as per their role, position and requirement to access and utilize the knowledge.

Knowledge application – Previous knowledge is worked upon to make judgments, and decisions for future work and formation of business strategies.

2. 0. KM Strategies Classification – By Business Process:

Karl Wiig and APAQ (American Productivity and Quality Centre) have introduced six emerging strategies through studying various organizations and differentiated the strategies on the basis of distinct characteristics, type and strength of the organizations studies (Wiig, 1997)

Knowledge Strategy as Business Strategy – The knowledge is perceived as the

product or service being offered in the market.

Intellectual Asset Management Strategy – It relies on the existing strengths of

the organization and there utilization.

Personal Knowledge Asset Responsibility Strategy – It promotes the individuals

employees) involved to build their knowledge and skills and encourages it to be

shared.

Knowledge Creation Strategy – This is mainly the path followed by the market

leaders who concentrate on innovation through research and development,

retain and set the future course of action.

Knowledge Transfer Strategy – The knowledge is utilized, tested and improved

through activities (operations) performed and results are analyzed to develop

and expand further.

Customer-Focused Knowledge Strategy – It concentrates on customer's

references and strives to advance with providing the customer what they want.

Another perspective and approach towards different kind of KM strategies was put forward by Mckinsey and Company, (Day & Wendler, 1998). They

identified five strategies which largely convey the same ideas as Karl Wiig and APAQ classification, as per my understanding.

Developing and Transferring Best Practices – similar to Knowledge Transfer Strategy.

Creating a new industry from embedded knowledge – This emphasizes on developing the existing knowledge for further progress in the market.

Shaping corporate strategy around knowledge – This is applicable to the different kinds of groups e. g. chemicals group and life sciences group will be maintaining different kinds of knowledge.

Fostering and Commercializing Innovation – similar to Wiig's knowledge creation strategy.

Creating a standard by releasing proprietary knowledge – similar to Intellectual asset management strategy.

2. 1. Choosing a Business Strategy:

How a corporate level business conducting organization does choose any particular strategy suitable or its organization? Almost all the accomplished organizations achieve their position through consistency and concentration on any particular business area.

Clearly, we conclude that, there are three principal areas and each of these elements has a focus point

Customer Intimacy:

If customers and their choices are the focal point, then " Customer Intimacy" will be pursued through customer satisfaction, retention strategies and customer focused approach.

Product Leadership:

If the concentration is on the product o service the " Product Leadership" will be taken up through constant development of innovative new ideas and their execution.

Operational Excellence:

Lastly the " Operational Excellence" will be put forward if the target is the organization's delivery process through internal strength, adopting best practices, cost reductions and developing efficient and waste free operational procedures.

2. 2. Knowledge Based Organizations (KBO):

The terminology of ' Knowledge based organizations' (KBO) is applied to the company's / firms which have a knowledge intensive product or service. It involved the Process, Purpose and Perspective. The Process refers to the knowledge based procedures, operations or developments. The purpose means the strategy and approach. The perspective refers to the factors such as the cultural influences, the broader view of the situation and its effects on the decisions.

We could easily conclude that almost all the corporations are in some way or the other, dependent and are benefitting from the advantages of proper

knowledge management techniques, with the help of Information Technology, to plan an peruse their target business strategies.

2. 2. 1. Bank Alfalah – Customer Intimacy:

One of the leading banks in developing Pakistan market, Ban Alfalah has created a rapid and stable customer base utilizing a customer focused and integrated management system. All contacts and interactions with the customers were updated in the system and utilized for future product developments, customers preferences etc. This helped the bank cross sell and generate huge sales revenues hence strengthening its position in the market.

2. 2. 2. Apple Inc. – Product Leadership:

Apple has had its fair share of turbulences during the course of its success to the big giant of a company it now is. As a knowledge creating company, Apple is an expert in terms of knowledge management with its focus on innovation and research and development. The organizational culture is highly supportive of knowledge sharing and most importantly, conversion of tacit knowledge into explicit knowledge.

2. 2. 3. Toyota Motors Ltd. – Operational Excellence:

Toyota is one of the top three motor car companies in the world at the moment. One of the biggest success factors for Toyota has been the development, preservation and utilization of its operational knowledge management techniques. Toyota's production system has given the competitive edge over the competitors.

The above examples clearly convey the message that how these market leaders emphasized on a particular area to capture the knowledge, saved it, added upon it and utilized it for long term standing in their respective industries. The process still continues as knowledge is created and being added as we breath.

But one must understand that although the organizations, such as mentioned above, have a focus area for application of primary knowledge management techniques but almost all of them assign secondary importance to other areas as well. E. g. if Toyota's principal KM field is its expertise in its operations, the customer focus is not far behind. The obvious collaboration between the two most important KM areas just cannot be ignored.

3. 0 Organizational Behaviour (OB) – Structure, Style, Culture and KM:

It is of most importance to differentiate between KM and Information Management (IM). The process of KM begins with IM but such a notion may well form into the misguided belief that through acquiring a state of the art IT infrastructure the organization will be able to preserve and utilize all the information as a productive knowledge. There is no denying the fact that the path leading to KM starts with setting up of specific IT applications but also that their objective may not be achieved unless the organizations structure, culture and style adopts it effectively or vice versa (Gupta and Govindarajan, 2000)

The organizational culture is the formation of social environment formed on the basis of structure, hierarchy, appraisal systems, procedures, processes,

individuals, management and many more factors. (Gupta and Govindarajan, 2000). It defines peoples interaction, their behaviors under certain circumstances, their working styles etc.

The studies on KM today have come to this conclusion that there is undividable equation between KM and OB. (Gupta and Govindarajan, 2000) have clearly defined six categories in an organization which combine to form its culture.

Information Systems – IT Infrastructure and applications

Organizational Structure – Hierarchy and reporting line

Reward Systems – HR policies and appraisal systems

Procedures and Processes – Policies, operational procedures

People – Individuals (employees – Stakeholders)

Leadership and Management – Headship, direction and control

All these factors play their role towards effective KM. A process is defined by the management and leadership, to be performed with the help of available application and assigned to an individual, demanding results with assurance of reward if the end result is achieved as per requirement. This whole cycle will produce leaning information in explicit and tacit form. The entire above factors combine together to complete the cycle and demonstrate the role of organizational culture in acquiring knowledge.

We learn that the assumption of acquiring sophisticated IT applications and setups cannot replace the importance of skill and judgment of Humans. Hence we conclude that the individuals and their roles and actions in a specific environment define the route and quality of knowledge acquired and saved.

4. 0. Knowledge Management Business Strategy – HBL Bank:

The assignment is based on the real time case study of the largest commercial bank of Pakistan, HBL – formerly Habib Bank Limited (see appendix). HBL was founded in 1941 with its HO in Mumbai (then Bombay). The HO was moved to Karachi after Pakistan came into being in 1947.

Habib Bank Limited (HBL) started its operations in Pakistan in 1947 and since then has grown to become the largest bank of the country. HBL is a banking company providing services for retail, commercial and corporate banking in Pakistan and overseas. HBL operates from its head office in Karachi. The international operations were started in 1951 with the opening of first international branch in Colombo, Sri Lanka. The Habib Family owned it until it was nationalized in 1974 and it went under complete government control.

Pakistan's Banking Sector started to evolve in the early 1990's with opening up of new private banks hence bringing in competition in the market. HBL is Pakistan's oldest bank and up to the early 1990's there were only 4 major banks offering services all over the country. These banks had created a monopolized environment as they were nationalized and the government rules favored their control.

In view of the decreasing profits and some political influence, the government decided to sell of HBL shares. On December 29, 2003 the Pakistan's Privatization Commission formally granted 51% shareholding to the Agha Khan Fund for Economic Development (AKFED) against investment of USD $ 389 M. The new management changed the name from Habib Bank Limited to HBL Bank. HBL owns a market share of 40% in Pakistan banking industry with the biggest domestic branch network of over 1400 branches.

HBL had to reconsider its organizational strategy in terms of dealing with the competitors who were fast eating into HBL's market share. Although the bank had a competitive advantage in the form of its branch network which was well spread covering the whole of Pakistan, it lacked in the customer service and operational technology sector which were the factors the emerging banks were trying to gain market share from HBL and other big established banks of the market. As an example of Bank Alfalah has been given above, there were other new entrants in the market which were rapidly gaining up on HBL market and revenue share on the basis of best possible utilization of their Knowledge Management techniques which were based primarily on Customer Intimacy secondary on Operational Excellence and Product Leadership.

The new management then underwent the Bank for a mammoth task of business reengineering. The task was not easy which included

Reduction of no. of old employees / Hiring of new employees – Fresh blood

Depower the employees unions

Reduction in no. of branches.

Rebranding and marketing.

Centralization of operations for uniformity and connectivity.

Implementation of a new banking software for quick processing, online banking and reduction of paperwork

New communication system (Interbank email)

All these changes had a huge impact on the organizational culture and the behavior as the changes were not accepted positively. This paper will assess HBL's culture, it's response to the changes made and progress with respect to the efforts made for establishing KM techniques. Furthermore a KM business strategy will be proposed which best suites HBL.

4. 1. HBL's Problems with respect to change and KM:

" It is not the strongest of the species that survive, nor the most intelligent, but the one most responsive to change

Charles Darwin 1809-1882.

The above saying is as good for any organization as for any individual. The more rapid response an organization gives the more it has chances of swift progress. Unfortunately HBL does not falls in to this category. The changes suggested and implemented were so negatively reacted upon by the existing culture and establishment that it still has not completely achieved the purpose of transferring itself into a knowledge based organization, 6 years after the process started.

4. 1. 1. HBL IT Infrastructure:

The bank did not have a sophisticated IT structure. All the branches worked as separate units (mini branches) given a software application as banking system for completion and processing of daily operations such as account opening, paying in and cashing out of cash / cheques etc. Although the centralized database did exit, it was updated in real time. All the branches were required to compile a database entry and execute the " run" on one single computer provided to them which was the only connection with the centralized database. The updates were supposed to be made on daily basis but sometimes staff delayed it due to various reasons and updates were often made 2-3 days later.

There was no communication done through email. Only few people in higher management had been given access to the use of email. This resulted in undue delays for conveying any message, information etc. from one department to the other even if they were in the same building.

4. 1. 2. HBL Organizational Structure (OS):

The OS was complex with hierarchy within another. The approach was totally bureaucratic and it did not support openness. It affected the organizational culture and did not allow creative, social working environment.

4. 1. 3. HBL Rewards System:

There was no actual presence of any motivation factor. The employees used to come to office in the morning, perform the tasks being assigned / defined and collect their pay by the end of the month. The performance appraisals were one every year finalized by the end of 1st quarter. The appraisals were

mostly done as per the managers / authorities personal opinions and perception about the employee.

4. 1. 4. HBL People:

By the early 1990's HBL had almost 31, 000 employees in 2000 branches all over Pakistan. The employee unions had huge impact on the employees of the Bank By late 1990's, new job openings were announced but the procedure was highly influenced by the employees union which effected the hiring of almost 70% of the new staff on the basis of personal favors, political hiring and resulted in redundant staff with less than required capability of job performance. This also resulted in a huge age difference in the ages of the old employees and the new ones. With almost 10 years of age gap influencing the culture. The noncompeting and old age employees were reluctant to learn new technological changes made.

4. 1. 5. HBL Leadership and Management:

The HBL was divided into regions (groups) and sub regions all over the country. Each region having it Regional Chief supported by department heads, The ROM was the Regional Operations Manager; The RCM was the Regional Credit Manager Etc. These mangers had their teams reporting to them through the sub managers / branch managers. A person assigned a job related to commercial loans in one branch was not connected to any other employee working on the same assignment in a different branch.

The managers and team leaders were performing their jobs as per assigned task and not on the basis of their personal skill and leadership qualities. They

were respected as they were the authority and decision makers and not

respected because of any personal charm or personality characteristics.

4. 2. Effects on KM:

No uniformity of data saved by the branches.

The centralized database was never completely updated for utilization of

information saved there

Irresponsive behavior due to lose checks resulted in mistakes and errors in

the data saved

No purpose was being served be it e. g. Customer Intimacy – No record of

customer preferences and choices was made as all this information existed

in form of Tacit Knowledge in minds of the relationship managers / officers in

branches.

People were not eager to learn new techniques and adapt to new

applications which affected KM process.

Lack of proper interbank communication system lead to wastage of

information which could have been saved as progressive knowledge.

5. 0. Proposed KM Business Strategy for HBL – Moving Towards The Customer:

HBL belongs to the financial service industry which has become extremely

competitive and dynamic. It has become a crucial part of daily business to

acquire as much knowledge about your customers and it is shared and

available for utilization at any time across the organization.

I propose a customer focused business strategy of knowledge management for HBL with secondary emphasis on operational excellence and product leadership. HBL implemented use of MISYS banking system which not only supports centralization and uniformity if data but also provides number of tools to store, organize and use any data and information about the customer which enables the institution to serve them as per their preference.

e. g. there is an option of saving information about customers favorite beverage, whether he prefers tea, coffee or soft drink etc. The information may well be used as soon as the customer steps into your office / branch and served with the choice drink which will give him a pleasant surprise and give the organization a personal edge over the competitors.

This was a very nominal example; this system can be utilized to manage information about customer's background, his business / investment preferences etc. The most part of knowledge in customer focused KM strategy is Tacit and the KM systems developed must support the conversion of tacit knowledge into explicit knowledge.

The information technology application choices should be made keeping in mind the kind of service industry the organization is in. Systems like Customer Relationship Management (CRM), Interaction Management, Client Account Data Management provided by MISYS, if utilized properly, will have a huge beneficial impact on HBL's growth and progress.

The new changes implemented the use of IT application MISYS which not only provided the facility of centralized database but also all the 1400

branches were connected on real time basis. It facilitated the uniformity of services and data. The customers benefitted with 24 hour call center and using any branch for any of their transactions as the whole bank started working as one branch after its implementation.

6. 0. Conclusion:

The choice of KM Business strategy refers to the steps taken by any organization towards gaining a competitive advantage by making use of the intellectual assets incorporated by the people involved I. e. employees and customers. Karl Wiig and APAQ (American Productivity and Quality Centre) came up with six KM business strategies which were also explored by Mckinsey and Company, (Day & Wendler, 1998) five strategies express almost the same ideas.

It is of utmost importance to create an organizational culture which supports and values of knowledge sharing and knowledge management. Implementing a KM procedure may require the organization to measure the values through which the business is being conducted. (Gupta and Govindarajan, 2000) have come up with six factors which make up of an organizational culture having major effects on KM. These included the IT infrastructure, operations, procedures, people, reward systems, organizations structure and leadership.

HBL, largest commercial bank of Pakistan, went through a huge BPR starting from early 2004. The existing culture and the changes implemented severely affected the KM techniques. It is proposed that HBL should work towards a customer focused business strategy for knowledge management followed

with operational excellence and product leadership KM strategy to progress and prosper.

7. 0. References:

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