Knowledge Management in Banks and Financial Sector: Bangladesh perspectives

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Abstract: Knowledge Management is becoming the key challenge for Bank and Financial Institutions all over the world. Bangladesh also part of this crucial challenge. The aim of this study is to assess KM practices in Banks and financial institutions in Bangladesh. The more specific objectives of the study are to ascertain the followings: To analyze the different KM practices used in different Banks and financial institutions (FI) of Bangladesh. To identify and analyze similarities and differences between the KM priorities in Banks & FIs of Bangladesh. To explore the present state of KM usage and practices in Banks & FIs of Bangladesh. The study reveals that there is few KM practices in Bank and FIs of Bangladesh.

Background

Knowledge management (KM) is a broad concept that addresses a range of strategies and practices used in an Organization to identify, create, organize, represent, store, share, disseminate, search, analyze and improve its insights and experiences. Such insights and experiences include knowledge, either embodied in individuals or embedded in organizational processes or practice.

The discipline of KM emerged in the 1980s as knowledge became recognized as a driving force in the global economy and as managers and scholars sought to use knowledge to increase organizational performance (Geng et al). KM is a collection of processes that govern the creation, dissemination, and utilization of knowledge in an organization (Newman, 1991). KM is “the process of creating, capturing and using knowledge to enhance organizational performance” (Hazeri and Martin, 2006). More relevant to the higher education context is Blake’s definition: ‘…the process of capturing a company’s collective expertise wherever it resides –in databases, on papers, or in peoples’ heads—and distributing it to wherever it can help produce the biggest payoffs’ (Blake, 1998). It involves the management of explicit knowledge (i.e. knowledge that has been codified in documents, databases, web pages, etc.), and the provision of an enabling environment for the development, nurturing, utilization and sharing of employees’ tacit knowledge (i.e. know-how, skills, or expertise) (Ajiferuke, 2003). The implementation of an appropriate knowledge management program in a business organization has the potential of improving customer services, continually improving business processes, quickly bringing new products to markets, and bringing innovative new ideas to commercialization (Ajiferuke, 2003).

In most organizations, the key professionals involved in KM activities are human resource managers, process and product developers, and information technologists (Taylor, 2001). KM is the explicit and systematic management of vital knowledge (Skyrme, 1997), and includes capturing, organizing and disseminating that knowledge within an organization (Rubenfeld, 2001). KM allows organizations to generate value from their intellectual and knowledge-based assets (Santosus and Surmacz, 2001), and makes it possible to get the right information into the hands of the appropriate people at the time they need it to make decisions (Petrash, 1996).

Importance of the study

The importance of this study is to assess KMS practices in the Banks and financial sectors of Bangladesh for successfully creation of knowledge, acquiring knowledge, storing knowledge, sharing of knowledge and dissemination of that knowledge in the said sectors. Variations in KM related to different Banking environment have not been studied. Especially the developing world like Bangladesh KM related research is few. The successful practice of KM is the result of accurately identifying functional priorities for knowledge, perceiving knowledge needs, applying preferred KM tools, and providing KM administrative support associated with that organization and its mission and goals. This study will help to develop KM in banking and financial sectors of developing countries like Bangladesh.

Keywords : Knowledge Management, Bangladesh, Bank and FIs
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Productivity, innovation capacity and administrative power will enhance by KM practice. Financial institutions need to share information and knowledge among the Banking industry within and outside the industry. KM has become a key issue in Banks and financial sectors due to changes in knowledge culture and facing new global challenges.

Objectives

The aim of this study is to assess KM practices in Banks and financial institutions in Bangladesh. The more specific objectives of the study are to ascertain the followings:

- To analyze the different KM practices used in different Banks and financial institutions (FI) of Bangladesh.
- To identify and analyze similarities and differences between the KM priorities in Banks & FI’S of Bangladesh.
- To explore the present state of KM usage and practices in Banks & FI’S of Bangladesh.

Research Questions:

In order to obtain/pursue the above aims and objectives, this study will formulate the following:

One Major research questions (MRQs) and three subsidiary research questions (SRQs):

MRQ1: How Banks and FI of Bangladesh are practicing KM in order to manage the explicit and implicit Knowledge?

SRQ1: What are the existing KM models used in the Banks & FI’S of Bangladesh?

SRQ2: What is the state of art of KM usage and practices among those organizations?

Methodology

The study conducted on 56 scheduled Banks, 04 specialized Banks and 31 FI’S in Bangladesh through web analysis, interview and observations. Qualitative and quantitative data collected to achieve the objectives of the Study.

Literature Review

Cader et al(2013) in their article “Knowledge Management in and Conventional banks in the United Arab Emirates” stated that “the recent global financial crisis has presented new challenges to banks: some banks will thrive and some will barely survive ,while other will under. The banks that survive will be those that have full and accurate knowledge of their customer’s profile”. Ali and Ahmad(2006) articulated “Knowledge is the main element that inspired the knowledge management initiatives in any sector. The knowledge-based era forced the banking institutions, to put knowledge as one of the main competitive advantages. 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”. Alton Chua (2010)studied Knowledge management of Singapore in Art education and pointed out that Knowledge types in Art education in Singapore were a blend of different knowledge domains. Chawla and Saxena (2012) pointed that Knowledge management is essential to manage the knowledge flow of the institution. Kidwell et al (2000) said that An institution-wide approach to knowledge management can lead to exponential improvements in sharing Knowledge. Cranfield &Taylor (2008) identified that Knowledge Management (KM) has increased in popularity and credibility as a management tool, as well as a research discipline, over the past decade. There have been concerns about whether KM is simply a fad, and researchers and academics have debated its faddish like characteristics. Chodorow & Lyman (1998) assuage that University KM priorities emerge from organizational goals and reflect structural realities. As Petrides pointed out, linking KM priorities to organizational goals is “ . . . essential to the successful design, implementation and actual use of information (i.e., KM) systems” (Petrides, 2002) As Santoro and Gopalakrishnan (2000) indicated, a KM program operating in a bureaucratic organization will be more successful if it seeks to institutionalize knowledge through formal organizational processes. On the other hand, a KM program serving a learning organization may find more success with informal knowledge transfer methods. Kennedy (1998) University knowledge needs differ from corporate needs in that Banks seek to share scholarly knowledge for the good of society whereas corporations seek a profit. However, it also is important to note that Banks have begun to manage knowledge as intellectual property to be sold or bartered, as well as given away.

Alavi and Leidner (2001) explored that IS researchers have begun promoting a class of information systems, referred to as knowledge management systems and they also viewed that the objectives of their study were, KMS was to support creation, transfer, and application knowledge in organizations. Shanhong (2000) viewed that in this knowledge era, the library would be a treasure-house of knowledge, participate in knowledge innovation, and become an important link in the knowledge innovation chain and she also added that in the 21st century, the library would inevitably face the new subject of knowledge management. Srivastava and Saxena (2002) attempted to access

**Overview on organizational Knowledge:**

There are two basic types of organizational knowledge which is equally essential for sustainable progress of any financial organization.

1. Tacit Knowledge
2. Explicit Knowledge

**1. Tacit Knowledge**

This type of knowledge was originally defined by Polanyi in 1966. It is sometimes referred to as know-how and refers to intuitive, hard to define knowledge that is largely experience based. Because of this, tacit knowledge is often context dependent and personal in nature. It is hard to communicate and deeply rooted in action, commitment, and involvement.

Tacit knowledge is also regarded as being the most valuable source of knowledge, and the most likely to lead to breakthroughs in the organization. Lack of focus on tacit knowledge directly to the reduced capability for innovation and sustained competitiveness. KMS have a very hard time handling this type of knowledge. IT system relies on codification, which is something that is difficult/impossible for the tacit knowledge holder.

**2. Explicit Knowledge**

This type of knowledge is formalized and codified, and is sometimes referred to as know-what. It is therefore fairly easy to identify, store, and retrieve. This is the type of knowledge most easily handled by KMS, which are very effective at facilitating the storage, retrieval, and modification of documents and texts.

From a managerial perspective, the greatest challenge with explicit knowledge is similar to information. It involves ensuring that people have access to what they need; that important knowledge is stored; and that the knowledge is reviewed, updated, or discarded. Many theoreticians regard explicit knowledge as being less important.

**Necessity of Knowledge Management in Banking & FI’S Sector**

Knowledge management is integral part of management in any organization of 21st century as knowledge is capital asset of any organizations. According to the research done by WenCang Zhou, in the year of 2006 on Banks of china, knowledge management strategy actually would be able to solve the following main problems (Zhou, 2006):

1. Employees’ intelligence and information cannot be shared and information required cannot be achieved. It is rather difficult to capture employees’ knowledge which embedded in the daily operations.

2. Having poor organizational memory, the banks cannot learn well from the past. They keep losing the knowledge of an expert due to their resignation or retirement.

3. Legacy computer systems may lack the capability and flexibility to adapt to a rapidly changing business environment.

The Governor of Bank Negara Malaysia paraphrased this importance during the official launch of the “Towards a Knowledge-Based Organisation” programme in October 2000:

“If we are to be a central bank, with farsightedness and an ability to face new challenges, we need to be equipped with the expertise and the means to implement appropriate policies, and have confidence in our actions. An important component of this future is that the Bank must fully embrace and employ the principles of knowledge management. Whilst the principal objectives of the central bank remain unchanged, the new knowledge management strategies refocus the Bank’s policies and practices in managing knowledge as a key corporate asset and in leveraging and exploiting knowledge to better achieve these objectives”.

**Global Scenario of Knowledge Management in Banking**

There are several examples of knowledge management application successfully implemented in banking sector such as:

- World Bank is well-known as one of the champions in knowledge management application. It has an extensive knowledge management approach in action. Relevant know-how was identified that could then be captured and entered into the knowledge base so that it was accessible by all staff.

- Asian Banking Sector implementing Knowledge management tools since recession period. Banking Sector of Malaysia, Japan, China, Singapore, Thailand and even Indian Banking sector
already started their work on Knowledge Management.

Western Banking sector i.e. USA, UK, Australia and Canada are practicing Knowledge management issues since its inception. Some instances are given below:

1. Bank of Montreal (BMO) is the oldest bank in Canada. It is also a Canadian third largest bank with sales of $US12.23 billion in 2000 (Dzinkowski, 2001). BMO is a leader in customer centric knowledge based solution. This bank wanted to change the status quo of the traditional knowledge discovery lifecycle and capture the potential benefits of improving the efficiency of turning models into production. As a result, during 2000/2001 the Bank of Montreal participated in a multimillion dollar project that would help make the knowledge discovery process more economical, error-free and faster.

2. Deutsche Bank is the biggest Euro zone bank and the world’s second largest bank (Dzinkowski, 2001). Deutche Bank has embraced the strategy of continuous, concentrated corporate learning and intellectual capital branding through its creation of the Deutsche Bank University (DBU). DBU is in initial stage of development and to a large degree follows the thinking of what are recognized by industry experts as best practices in developing a corporate university as an umbrella organization for learning.

Banks and financial sectors in Bangladesh

Bangladesh with its slow growth in financial sectors has 56 scheduled banks,04 Non-scheduled Bank and 31 FI’S. The 56 scheduled banks include 39 Private Commercial Banks (PCBs), 4 State Owned Commercial Banks (SOCBs), 4 Specialized Banks (SDBs) and 9 Foreign Commercial Banks (FCBs). These banks operate under full control and supervision of Bangladesh Bank which is empowered to do so through Bangladesh Bank Order, 1972 and Bank Company Act, 1991.

Results and Discussion

Knowledge management is actually rather new in banking industry of Bangladesh. Banks of Bangladesh practicing Knowledge management issues but they are not fully aware about future global challenges.

Web analysis:

Web content may be fundamental gateway of knowledge and information of any financial institution of 21st century. After analyzing the web content of these Banks & FI’S, it is clear that no website is fulfilling the customer’s needed information. Regular update for needed information of the customer/client is not available on web content. Web site is system centered rather User Centered.

KM officer and KM system:

Most banks did not have KM System in place and not aware about responsibilities of KM officer in financial institutions but they claim they are practicing KM in the organizational environment and committed to be a knowledge based organization.

Capturing Tacit Knowledge:

Tacit Knowledge is most important asset for any organization to continue its sustainable progress towards the attainable future. Banks in Bangladesh are practicing through traditional tools to capture the tacit knowledge unlike the globally widely used KM tools.

Knowledge Culture:

Most of the Banks & FI’S of Bangladesh nurture knowledge culture in their organizational environment through offering training courses, occasional programs, group discussions and regular study class in branch level. IBBL is pioneer in fostering knowledge culture in organizational environment.

KM practices in Banks & FI’S of Bangladesh

Most of the Banks have following practices for being a knowledge based organization:

1. For preserving and sharing explicit knowledge hard copy preservation system is vital and some banks are now started digital archival program which is Local area network based.

2. For preserving and sharing tacit knowledge there is no actual and practical system developed i.e. online interactive forum website, digital archives etc.

3. Study session is practicing in some banks for sharing new knowledge with other colleagues through presentation after office hours.

4. Most of the banks did not practice Knowledge-based marketing for their product and services marketing.

5. Knowledge culture does not exist in most of the banks.

6. Overall automation of daily operation almost completed.

Recommendaions:
Based on the study following recommendations may be drawn:

1. Every bank & FI’S of Bangladesh may appoint a KM officer for development of KM practices in their organization.
2. Web content may be updated regularly as per user’s need which will contain all updates for client.
3. Digital archive of explicit knowledge may be useful for the KM culture.
4. Interactive online forum will play vital role for sharing tacit knowledge.
5. Promote Staff awareness for KM concept
6. Fully automated HR system may be introduced.
7. Central digital Knowledge repository for every bank must be initiated.
8. A central digital knowledge repository for all banks may be initiated.
9. Recognize the importance of Knowledge-based marketing to gain competitive advantage
10. Utilization of technical system to capture organizational knowledge.

Originality
This study is a genuine work as so far such study on the Banks & FI’S of Bangladesh has not been made. Therefore, this study is a unique one for exploring the state-of-art of KM practices in Banks & FI’S in Bangladesh and enables us to build a model that may be used for the Banks of developing countries. It is expected that this study on Bangladeshi Banks & FI’S is an original work that could contribute to enhance the use of KM in Banks & FI’S of Bangladesh.

Implication and Future Study
This study will open door for further study on KM in banking sector, especially developing countries like Bangladesh and to compete with new challenges for continuous progress of the organization.

Conclusion:
Industrial economy is becoming changed to knowledge-based economy where human being will be valuable asset due to having valuable tacit knowledge. Globalization of financial market will forced to be knowledge based organization. So competition of the banking & FI’S sector becoming very complex due to global KM trend. This study found that there are only few practices of KM in these organizations of Bangladesh. Knowledge management is an effective way for Financial sector to build up the competence in the market not only to compete with foreign banking institutions but also gaining reputation in the eyes of world.

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