

Chapter 6

Knowledge Integration Strategy in Islamic Banks

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ABSTRACT

The importance of knowledge and cultural integration has been widely recognized as a vital condition to an organization survival, especially if knowledge and culture are diverse. This diversity needs to be integrated into organizations in order to establish common knowledge and culture to support its businesses. However, limited studies have been carried out in this area in particular within Islamic banks context. This chapter discusses the strategy of knowledge and culture integration in Islamic banks in Indonesia. This study used a case study approach. Data were gathered from direct observation, in-depth interviews with informants from different level of hierarchies, and written material. The results show that the process of knowledge integration was carried out through various mechanisms such as training, seminars, workshops, formal education, regular morning praying, and religious lectures. Some facilities such as internet, intranet, telephone, books, and brochures were also used to facilitate knowledge and culture integration of the bank. Knowledge integration in Islamic banks has resulted in common knowledge creation. However, employees' beliefs, norms, and values toward Islamic banks principle are not fully changed except in practicing Islamic symbolism in works place. A model for knowledge integration within Islamic banks context is proposed.

INTRODUCTION

Knowledge is important to an organization and it exists at all levels. It is also like a lifeblood of an organization which functions as a crucial element for the survival of organizations in today's dynamic and competitive era (Asrar-ul-Haq, Anwar, & Nisar, 2016). Individuals create knowledge through the reflection and experience during their life and it is always located in individuals or group, or embedded in their daily routines (De Long & Fahey, 2000). Each individual has their own unique knowledge and bring it to an organization which causes organizations to possess a diversity of knowledge. The knowledge might be derived from workers previous education background, experience, and professional expertise to add value to organizations (Bogdanowicz & Bailey, 2002).

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The diversity of knowledge in organizations needs to be integrated to support business process. The organizations' ability to integrate and re-integrate knowledge-based resources continuously in a creative and flexible way is a critical condition of survival (Little, 2013). More importantly, when the organizations consider knowledge as a critical input to the process of all production stages and efficiency which requires knowledge creation and storing in specialized forms, then the primary role of the organizations is the integration of knowledge (R. Grant, 1996). Knowledge integration is required due to cognitive limitation of an individual to learn knowledge possessed by other specialists.

When the knowledge is integrated, it increases organizations' capability in handling their business process. Organizational capabilities is defined as a firm's ability to perform repeatedly a productive task which relates either directly or indirectly to a firm's capacity for creating value through effecting the transformation of inputs into outputs (Tell, 2013). It includes cross-functional, functional, activity-related (operations related only), specialized and single-task capabilities (R. Grant, 1996).

The need for integration is not only because the diversity of individuals' knowledge but also because of culture differences, which consists of practices, norms, and values of individuals (De Long & Fahey, 2000). Some employees are transferred from other organizations and bring in different knowledge, practices, norms, and values. For example, Islamic banks' employees who were transferred from conventional banks often bring knowledge, practices, norms, and values based on capitalism economic principles. These knowledge, practices, values, and norms acquired from their previous employment, including much that might be regarded as proprietary information by their previous employers (D. M. S. Lee & Allen, 1982).

Islamic banks possess the diversity of knowledge and culture because they employ human resources from different education backgrounds. Some human resources graduated from Islamic education institutions and others graduated from conventional education institutions. Conventional education institutions produce human resources with commercial economic knowledge, while Islamic education institutions produce human resources which focuses more on practicing Islamic teaching rather than merely seeking profit. Islamic economic knowledge holders do not possess good commercial economic knowledge, while commercial knowledge holders do not possess Islamic economic knowledge (Karim, 2016).

Therefore the focus of this chapter is to discuss human knowledge integration which involves what individuals know or know how to do, social knowledge and structured knowledge (De Long & Fahey, 2000). Individuals' knowledge is related to individuals' skill or expertise while social knowledge is related to knowledge that exists in the relationship between employees and groups that involves norms and values. Explicit knowledge which is embedded in organizations' systems, routines, process and tools is called structured knowledge. All this knowledge and culture (practices, norms, and values) are critical assets for Islamic banks that must be combined.

UNDERSTANDING KNOWLEDGE

Knowledge is one of the most important elements in knowledge management and it is an important asset to an organization, but knowledge is difficult to define. Scholars define knowledge according their own perspectives based on their studies within particular context. A seminal definition of knowledge was proposed by Davenport and Prusak (1997, p. 4) who says:

Knowledge is a fluid mix of framed experiences, values, contextual information, and expert insight that provides a framework for evaluating and incorporating new experiences and information. It origi-

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