

# Knowledge Management at Banking Industry: A Review of the Literature and Further Guidelines

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## ABSTRACT

The present research reviews the literature had been done on knowledge management (KM) in the banking industry in different countries and provides further guidelines to ensure successful implementation of KM in banks. The findings indicated that the application of KM in banks started at the World Bank in 1996 and was followed by banks in several developed countries then spread out to different places in developing countries. The majority of banks in Western developed countries such as the UK and USA, Canada and Germany, are both human- and technology-oriented in terms of managing knowledge. The majority of KM studies in developing countries were exploratory using quantitative data to investigate to what extent these banks were aware of the importance of KM and how they practiced KM. Additionally, little research had been done to link KM in banks to different topics such as innovation, customer relation management and risk management. Finally, literature provided considerable conclusion to enhance effective KM implementations in banks.

## KEYWORDS

Banking Industry, Developed Countries' Banks, Developing Countries' Banks, Knowledge Management, World Bank

## INTRODUCTION

Drucker (1988, p. 8) pointed out that “to remain competitive, maybe even to survive, businesses will have to convert themselves into organizations of knowledgeable specialists”. Banking is customer focused, therefore banks need to acquire and utilise customer knowledge and develop their products and services to meet customer expectations (Ping and Kebao, 2010; Ribiere and Chou, 2001; Shih et al., 2010). Banking is mainly analytic work based on complex tasks, problem-solving, learning new things and computer and internet use, rather than routine (Miles, 2011). Therefore, banks need to leverage this knowledge in their operations (Chatzoglou and Vraimaki, 2009; Lamb, 2001; Mizintseva and Gerbina, 2009). The banking industry also plays an important role in the development of the national and global economy, since the economic borders between separate countries are losing importance. The globalisation of financial markets is forcing bankers to become more efficient in managing knowledge in their banking operations, to preserve and leverage knowledge and to create and disseminate new knowledge and innovations.

Due to the importance of the banking sector and its dynamic changes in the global economy, there is a need for banking managers to become efficient in managing knowledge in banking operations. They should be aware of new products and services to support the constantly changing needs of customers

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and the rapidly changing market which requires the constant exchange and analysis of information from various sources, branches, and countries. As in many knowledge-intensive industries, the possibility to create competitive advantage is dependent on the ability to leverage knowledge (Chatzoglou and Vraimaki, 2009; Lamb, 2001; Mizintseva and Gerbina, 2009).

The application of KM in banks started at the World Bank in 1996 and was followed by banks in several developed countries such as: UK, Spain, Portugal, Germany, USA, Japan, and Canada, at the beginning of the last decade. However, this was still limited. Indeed, a survey conducted by the International Data Corporation across 600 banks in Western Europe in 2000 found only 20% of them applied a KM process. Subsequently, the European banking sector spent \$155.4 million on KM systems in 2000 and planned to reach \$511.4 million by 2004 (Blesio and Molognani, 2000, cited in Ribiere and Chou, 2001). In the middle of the last decade, the application of KM started in some developing countries' banks such as Malaysia, Libya, Mauritius, Tunisia, Lebanon, and the United Arab Emirates, then extended to Egypt, South Africa, Pakistan, and Indonesia.

This present article aims to investigate the research has been done on knowledge management at the banking industry worldwide. The first section discusses the application of KM in the World Bank. Then, the paper investigates the literature has been made on KM in banking industry at both developed and developing countries. The last section is a discussion of the literature findings.

## **LITERATURE REVIEW**

### **KM in the World Bank**

The World Bank offered a good example of using both people and technology in order to be a knowledge-based organisation (Ali and Yusof, 2004). The notion of applying KM inside the World Bank started in 1996 when the incoming president announced that the "World Bank needs to be a knowledge bank to play a leading role in a new knowledge partnership" (Ramalingam, 2005). First, the managers circulated the idea and promoted the value of managing knowledge across the bank. Next, the World Bank offered particular human and technological techniques to support knowledge creating and sharing activities such as building communities of practice called "thematic groups", establishing helpdesk and advisory services, providing a dialogue space for professional conversations, establishing external access and outreach to clients, partners and stakeholders, and finally developing an online knowledge base (Cohen and Laporte, 2004; Denning, 1998).

The World Bank also launched 15 indigenous knowledge centres across Africa to support knowledge sharing in order to meet all the bank's clients' needs and to create learning officers concerned with human resource development activities (Cohen and Laporte, 2004). To enhance all these activities, the bank established extensive external and internal networks, e.g. internet and extranet, web-based intranet, portals, email and database, teleconferencing, satellite broadcasting and cable TV to connect its employees and branches (Bouthillier and Shearer, 2002).

### **KM in Developed Countries' Banks**

#### *In the UK*

Chee et al. (2000) surveyed senior managers at 25 international organisations including four UK banks to find out where KM could add value. The findings indicated that KM is important to support CRM and the decision-making process. The majority of respondents stressed that capturing and sharing knowledge can be human- and technology-oriented by linking people to people and by using supporting technologies such as the internet, intranet, human resource systems, search technologies, groupware and workflow management systems. They indicated, however, that the problems of motivating employees to share their knowledge were a major barrier in managing knowledge in these banks.

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