



## **Chapter XII**

# **A Framework for Introducing Knowledge Management in the Banking Sector: State of the Art and Empirical Results**

Friedrich Roithmayr, Johannes Kepler University Linz, Austria

Kerstin Fink, University of Innsbruck, Austria

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### **Abstract**

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*The management of knowledge has become a major research field in different disciplines in the last years. A key issue is the future development of knowledge management as a “fashion” or “trend” initiative. A longitudinal empirical study conducted by the authors analyzing the literature of knowledge management from 1994 until 2004 comes to the conclusion that knowledge management is already transformed into a “trend”. Furthermore, this chapter deals with the integration of knowledge*

*management in the banking sector by applying the building block approach from Probst, Raub & Romhardt. Currently knowledge management is used in an unbalanced manner and not considering all knowledge-intensive processes.*

## **Problem Description**

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In the last decade there has been a large interest in knowledge management and knowledge management systems. Enterprise knowledge management software includes sales of content management and portal licenses, which have been growing at a rate of 35% annually (Laudon & Laudon, 2006). For each IT-investment decision of an enterprise the question arises whether the investment goes into a “fashion” or into a “trend” (Roithmayr & Steininger, 2006). In this chapter the authors follow up two objectives. One key objective is to find the state of the art of knowledge management in practice and theory. Is knowledge management a “fashion” or is it a “trend”? From the methodical point this research is done with a literature review. Outgoing from these results the authors analyzed in the second key question the impact of knowledge management in the banking sector. In theory and practice there are many types of business processes associated with different objectives.

To begin with, there is an important distinction between data, information, knowledge, and knowledge-in-action (Fink, 2004). *Data* are a set of discrete, objective facts about events. Data are unorganized and unprocessed facts (Tiwana, 2000). In an organizational context, data are most usefully described as structured records of transactions. When a customer goes to a gas station and fills the tank of the car, the transaction can be partly described as data, such as purchase process, how many gallons, and the amount of payment. The data tell nothing about why the customer went to the service station and cannot predict if the customer is likely to come back. Such facts say nothing about whether the service station is well or badly organized and whether it is failing or thriving. Data describe only a part of what happened; data provide no judgments or interpretation and no sustainable basis of action. While the raw material of decision making may include data, data cannot tell you what to do. Data are the essential materials for the creation of information.

*Information* is described as a message, usually in the form of a document or an audible or visible communication. As with any message it has a sender and a receiver. Information is meant to change the way the receiver perceives something, to have an impact on the receiver’s judgment and behavior. It must inform. The word “inform” originally meant “to give shape to” and information is meant to shape the person who gets it and to make some difference in the person’s outlook or insight. Information can be described as systematized data, this means that information

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