

# Chapter 5

## Consumer Centric Knowledge Management in Zakat Institutions as Strategic Approach to Reduce Poverty

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### ABSTRACT

*This chapter explores the implementation of Consumer Centric Knowledge Management (CCKM) in Zakat institutions. It aims to expand and to clarify its understanding extending the notion how the CCKM approach improves the effectiveness of these institutions to attain the community objectives. Although the implementation of CCKM in businesses around the world is well documented, its value added for Zakat institutions stems from a consensus to alleviate poverty and to reduce the number of poor people. The chapter addresses knowing the poor and needy, organizational learning; poverty intelligence and institutionalization process as the main starting-up components of implementing CCKM in Zakat institutions. The chapter, in this sense, reinforces the importance of the approach in putting poor and needy orientation into practice.*

### INTRODUCTION

Consumer Centric Knowledge Management means that institutional structure, processes, and services are driven by consumers' needs, preferences, and capacities in a given context. The approach can add value to a business by differentiating themselves from competitors

who do not offer the same experience (Gebert, 2003). Many service – oriented organizations adopted Consumer Centric Knowledge Management approach to support collaboration oriented activities (Tsai *et al*; 2006). Its effectiveness in these organizations depends on social capital and knowledge management processes (Abuo Zeid; 2007). The approach in this sense highlighted the

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importance of communities of practice in creating and sharing tacit and explicit knowledge in understanding organizational learning processes.

Zakat as a third pillar of Islam is defined as the proportion of a person's wealth to be designated for the poor and needy seeking purification and growth<sup>1</sup>. Legally, it means transfer of ownership of specific wealth to specific individual or individuals under specific conditions (Abdul Rahman, 2007). It indicates that poor people have the right in the wealth of the rich. Zakat Institutions are legal entities aim to implement the divine objectives of Zakat including collection, distribution and management. Hussain (2001) showed that the theoretical framework of Zakat institutions comprises the scope (objectives), focus (rules, regulations and policies) and processes (different methods and techniques). Accordingly, its stakeholders include Zakat payees (obligatory and voluntary payees), employees (admin staff, Sharia boards/committees etc), community, government and Zakat receivers prescribed in the holy Quran. This chapter focuses on the poor and needy as the main targeted sections (stakeholders) where the whole social policies and Zakat institutional image revolved around.

The CCKM approach in Zakat institutions remains invisible especially in poverty reduction and resource management processes. These two factors necessitated the integration of consumer centric approach and knowledge management in Zakat distribution. The quest for a quality Consumer Centric approach is derived by the dynamism of identifying and reaching the poor and needy as the prime target of Zakat institutions, while the elements of knowledge management improves organization's thinking and processes in creating, acquiring, sharing and using knowledge. Other practical reasons ignited this investigation include:

- Despite the rich accumulated heritage in poverty reduction practices; most of the Muslim countries ranked in the bottom half of poverty indexes worldwide; sug-

gesting lapses in resource management expressed in the UNDP Human Development Reports; World Bank, (2009); Ali (2003) and Al-Qaradawi (2000). The increasing numbers of poor people in the developing world in general and in the Islamic world in particular suggests reaching the poor is the most challenging factor in the processes of Zakat distribution.

- Islamic obligation and the millennium goal of reducing poverty is the common strategic goal heightening the dynamic nature of poverty reduction processes as a multifaceted phenomenon.
- Rapid growth of information prompted the move towards knowledge management in Zakat activities and processes in collection and distribution. Given the unstable flow of collected funds, distribution is highly dependent on the allotted funds beside other charitable sources.
- While more Consumer Centric imputes came from inside these institutions, other stakeholders including community questioning how to integrate Consumer Centric processes to achieve the societal objectives.

This chapter aims to expand and to clarify the understanding of Consumer Centric Knowledge Management in Zakat Institutions. It extends the notion how the approach improves the effectiveness of these institutions to attain their community objectives. It is intended to be descriptive furnishing how some element of consumer centric approach integrates with Zakat Institutions processes can influence poverty outreach as strategic goal. These include who are the poor and needy, institutionalizing organizational learning and poverty intelligence. It is evaluative probing the strength and weaknesses of each element realizing knowledge gaps. The chapter is assertive stressing on deliberating these gaps to improving consumer centric knowledge management approach as a mean to reduce poverty. It enhances

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