



## Knowledge Management System For The Islamic Banking Sector In Malaysia

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### ABSTRACT

This study investigates the possible causes of resistance or support among knowledge workers to knowledge sharing (KS) within a project team and organization. Today, banks are beginning to understand the relevance and importance of knowledge management systems and of KS. Similarly, banks are beginning to appreciate knowledge as the most significant and valued asset that leads to effective organizational performance. This research aims to investigate the role of certain factors in organizational culture for the success of KS. Factors such as interpersonal trust and communication among staff, information systems, rewards, and organizational structure play an important role in defining the relationships among staff, creating possibilities for breaking the obstacles to KS in the Islamic banking sector in Malaysia.

**Keywords:** knowledge sharing, Islamic banking, conventional banks.

### 1. Introduction

The well-known knowledge era has radically changed the values in organizations (Carlisle, 2001). Since the emergence of this era, the long-term viability and prosperity of organizations has been viewed as being increasingly dependent on the ability of organizations to leverage the concealed worth of this crucial, acquired, intangible knowledge. In previous years, the commodities of the capital and labor-intensive firms were gradually replaced owing to continuous change in market expectations and increased demand for new products introduced by knowledge-intensive firms (Ali & Ahmad, 2006). Knowledge sharing (KS) is undoubtedly an important component in all organizations, especially in banking institutions that pursue knowledge as an intangible and highly sought asset. KS is important in distinguishing the competitive and rapidly changing environment, as it enables not only intellectual reuse but also the renewal of knowledge possessed by bank employees. Therefore, Barachini, (2009) emphasized that these organizations must continuously motivate their employees to share valuable information to leverage their intellectual capital. This study aims to examine the KS strategies that help increase the tendencies of employees in Islamic banks in Malaysia to engage in KS practices.

Malaysia has differentiated itself from other Islamic countries, as its government has implemented a parallel system wherein Islamic and conventional banks function alongside each other, as opposed to full Islamisation (UKM. April 2004). Insufficient personnel training is one of the issues in this study (Kahf, 1999). Many Islamic banks recruit their employees from conventional banks, and these employees sometimes experience difficulties in understanding Shari'ah rulings. Conventional banks that implement a parallel system (Islamic banks) allow institutions to offer Islamic banking products and services using their existing infrastructure, including staff and branches (Khurram, 2006). The issue is whether to hire non-Muslim staff or staff who possess no information or knowledge on Shari'ah.

As a result of the lack of independence of conventional Islamic banks, independent Islamic banks have become industry leaders, particularly because their employees are ready to share Islamic information. This result therefore reflects the problem on the growth and development of Islamic banking in Islamic banks as well as on the correct non-application of religious texts. The problem of the ineffective dissemination of existing knowledge throughout the organization was addressed.

In conventional banks, which have a window for Islamic banking (CB), this issue is to hire non-Muslim staff, and to hire staff didn't have information or knowledge about shariah. This would create Problem in the Islamic banking services to customer and as well as on the correct non-application of religious texts. For help the CB to overcome problem clashes and gain a deeper understanding of its staff needs and demands from during support knowledge sharing between them. The new staff will also be trained about knowledge sharing between them, and will create more understand correct application of religious texts and to provide Islamic banking services correct.

## **2. Why this Study**

The importance of research comes from that of the research variables in contemporary organizations and societies. This importance is likewise revealed through the ways by which organizations could be provided with information and communication technology to expand the possibilities of KS, which could not have been achieved previously, as well as to provide real opportunities for KS to contribute to their strategic development. This study provides significant influence and impact in determining the success of the sharing of warranted knowledge among employees of Islamic banks to achieve organizational competitiveness. The research findings provide useful information and deepen the understanding of Islamic banks in motivating their employees to engage in KS practices.

This paper aims to assess the level of KS among the staff and managers of a number of Islamic banks in Malaysia. Through questionnaires and interviews, we evaluate the exchange of experiences and knowledge based on documents and all elements of knowledge, to identify the factors hindering KS in Islamic banks. The results of our survey are analyzed using SPSS software.

The objective is to compare KS activities through ICT between Malaysian Islamic banks and conventional banks that use a parallel system wherein the Islamic and conventional systems function alongside each other.

### **3. Literature Review**

#### **6.1 Islamic Banking**

“Islamic banking has become a substantial and fastest growing industry during the last four decades. It has followed the Islamic transactions rules and principles (Shari’ah) to carry out their business” (Henry & Wilson, 2004), (Iqbal & Mirakhor, 2007), (Dusuki & Abdullah, 2007). According to Shari’ah principles, any payment or receipt of interest is strictly prohibited, although the Islamic bank offers products and services that are more or less similar to those offered by a conventional bank.

#### **6.2 Conventional banks with a parallel system for conventional and Islamic banking**

Malaysia differs from other Islamic countries in that its government has implemented a parallel system wherein Islamic and conventional banking can function alongside each another, rather than adopting full Islamisation. This implementation is the first step of the country towards the development of a dual system where Islamic banking and the conventional system function parallel to each other (Khurram, 2006).

#### **6.3 Islamic Banks**

Malaysia, as one of the first countries to introduce Islamic banking, is deeply committed to developing a complete Islamic financial system. The Malaysian government established the first Islamic bank in the beginning of the 1980s, and followed by the Bank Muamalat. These Islamic banks have been independent since their inception. (Haron & Wan Azmi, 2005).

### **7. Theoretical Framework of the Study**

#### **7.1 Organizational Knowledge Capability**

The core capabilities of a knowledge organization are important in providing information and knowledge-based services (Yang & Chen, 2007). Wiig (1994) claims that knowledge management (KM) initiatives would fail if the investments of organizational resources and capabilities are inappropriate. In other words, effective KM should contribute to organizational performance through the development of organizational knowledge capability (Malhotra & Segars 2001). Empirical studies (Yang & Chen, 2007), reveal that the organizational capability to learn or acquire the required knowledge from other organizations is a key resource for successful KS. Thus, the enhancement of knowledge capabilities as the foundation of organizational development is beneficial for organizational effectiveness. Normally, organizations invest on process improvement, work effectiveness, learning, and supporting technology that facilitate knowledge (Lee’s 2001). As shown in Figure 1.

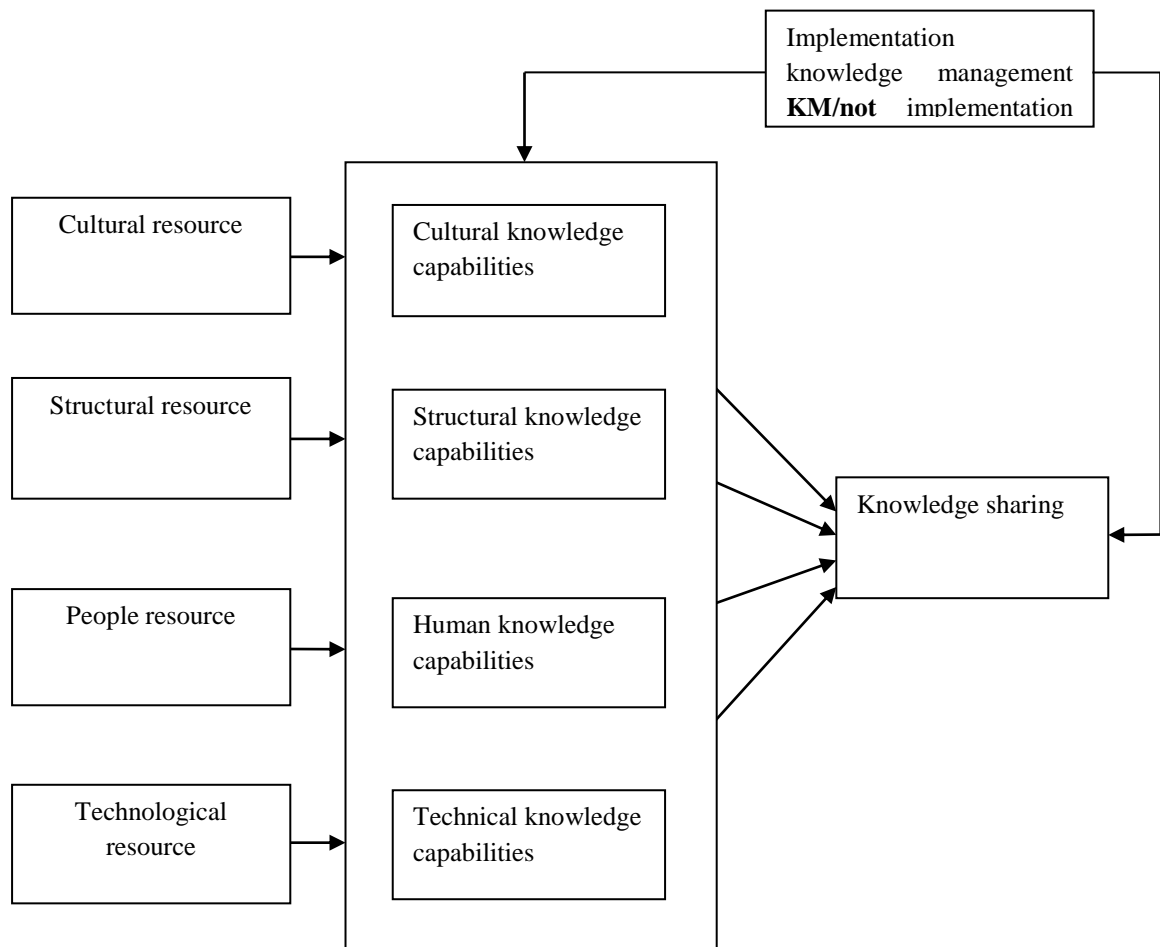


Fig 1 A framework linking organizational knowledge capabilities to knowledge sharing. Source: (Yang & Chen, 2007).

### 8.1 Research Methodology

The mixed-method approach to research developed in the social sciences, also called multi-method research, integrates approaches from different research methods in a single research study. One common practice is to differentiate between quantitative and qualitative research, based on viewing this as a dualism. However, many researchers consider this division to be superficial and to be avoided (Dunning et al. 2007). As a result, mixed-method research is employed to help overcome this divide, and to address the deficiencies of each of the single methods. Of course, as Cresswell and Plano Clark (2007) have noted, although researchers for many years have employed both qualitative and quantitative approaches in the study of the same phenomenon, mixing the data and putting them together is a new idea which has led to the introduction of the multi-method or mixed-method research style.

### 8.2 Connect the Data

In connecting the two data types, the researchers realized the need for further data collection to support results after analyzing the first set of data. Therefore, following the results of the initial phase, the second phase of data collection is marginal and supportive, intended to explain the initial results. (Cresswell & Plano Clark, 2007). As shown in fig 2.

Design of the research process

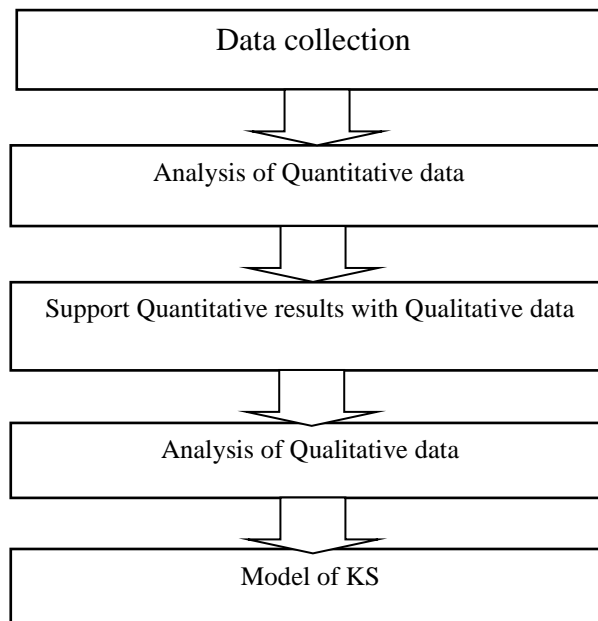


Fig 2. Connecting the data mixed method

## 9. Research Question

How can one understand the source of any observed differences in the KS activities using ICT among Islamic banks and Islamic banks adopting a parallel system?

## 10. Expected Output

- A. There is a positive relationship between trust and attitude and behavior among coworkers and knowledge sharing in organizations.
- B. Reward system and learning has a positive and significant impact on knowledge sharing
- C. Intellectual capital and social interactions for staff have a positive effect on the knowledge sharing behavior within an organization.
- D. IT and IS infrastructure has a positive and significant impact on knowledge sharing.

## 11. Contribution

Islamic banking is a growing sector in Malaysia and many other countries. KS among staff is important in improving the performance and ensuring the sustainable growth of Islamic banks. The potential for KS in developing countries is reportedly higher than that in other parts of the world (Voelpel & Han, 2005). Banking institutions that intend to fully leverage their knowledge potential must first appreciate and look forward to the enablers that affect KS as a whole. Therefore, this study eventually expects to facilitate and assist the banking sector in improving its recognition and understanding of factors that further induce KS in Islamic banks and in conventional banks with Islamic banking services. Moreover, the study

aims to determine the status of Islamic information sharing among staff and the success of KS in Islamic banks. The issue is whether to hire non-Muslim staff or staff with no information or knowledge about Shari'ah, as such employees could create problems for customers of Islamic banking services and on the correct application of religious texts. Islamic banks should overcome such issues and gain a deeper understanding of its staff needs and demands to support KS among them. New staff should be trained in KS, creating a better understanding of the correct application of religious texts and provision of Islamic banking services.

## 12. Conclusion

This study examines the KS problem and its effects on the KS process, in the context of Islamic banks in Malaysia. Islamic banking institutions must first appreciate and look forward to the enablers and barriers that affect KS as a whole to fully leverage their knowledge potential. Therefore, this study is expected to facilitate and assist the Islamic banking sector in improving its recognition and understanding of KS among staff in Islamic banks in Malaysia.

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