

# **The Impact of Knowledge Management in Financial Companies' Imperial Case Study**

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## **Abstract**

The study tries to adopt and validate knowledge management instrument which enables financial companies to characterize initiate knowledge management profile. The researchers introduce a systemic strategy of how to create and provide knowledge processing tools to enable workers to accomplish work. The aim of the study is to identify the extent of knowledge management activities that are practiced by financial companies in the Hashemite Kingdom of Jordan. The researchers conclude that: Financial companies were successful in establishing its own concept of knowledge management, and it is start to expand the knowledge management concept in financial institutions in order to support competitive advantage. Researchers recommend that it is necessary to sharing knowledge internal financial firms; companies need to adapt knowledge management applications, through practicing activities services.

Finally it is the researchers recommend its necessary to held training courses to the employees who work in financial institutions, to recognize the knowledge management process importance, and for better understand to the role of knowledge management in all financial activities services.

**JEL classification numbers:** G20, M10

**Keywords:** Knowledge Management, knowledge management system, knowledge management process, financial Jordan institutions.

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## **1 Introduction**

Knowledge management is the process that helps organization discover, store, and organize, important information. Knowledge management systems are use three sets of technologies: communication, collaboration, and retrieval. Knowledge management efforts, it is typically focus on organizational objectives such as improved competitive advantage, through sharing the lessons learned, and continuous improve of the organization Gupta., et al. (2004).

The knowledge management should identify and integrate their process to meet the organization goals achievement Turban, E. et al.(2012).

The study was focus in the financial companies in Jordan characterize knowledge management profile, to deliver knowledge workers to accomplish their work effectively. The importance of this study is to shows the effects of knowledge management process on the financial companies in order to addresses and identify knowledge management concept in financial companies, and to measure the knowledge management concept in financial companies. The study is organized as the follows: first section was, introduction and, literature review, second section will be about research framework, and discuss phase of this framework. The next section, was about methodology, and statistical analyses a finally, conclude and recommendation

## **2 Literature Review**

### **2.1 Knowledge Concept**

Data are a collection of facts, observations, or perceptions, processed data that are timely be accurate information, knowledge is information in action and these include the contextual, relevant, and actionable of knowledge. Knowledge is at the highest level in a hierarchy with information at the middle level, and data to be at the lowest level (Sekaran,2003). Byounggu et al., (2008) defines the knowledge as the full utilization of information and data, coupled with the potential of people's skills, competencies, intuitions, and this indicates that knowledge id a means of information and data that's help organization to solve their problems. Knowledge is present in ideas, judgments, talents, relationships, perspectives of every individual. Knowledge resides in an individual brain or is encoded in organizational processes, documents, products, services, facilities and systems. Knowledge is the result of learning which provides the only sustainable competitive advantage; Knowledge is all about action (Hambrick, et al., 2005). Knowledge Management: is managing the corporation's knowledge through a systematically and organizationally specified process for acquiring, organizing, sustaining, applying, sharing and renewing both the tacit and explicit knowledge

of employees to enhance organizational performance and create value (Nonaka, and Takeuchi, 1995) (Marc Demarest., 1997).

Chin-Chun Hsu., al et. (2008) thought that knowledge management is a process that helps to improve organization through, find, select and transfer important information and expertise.

Carlson., al et(2013) Argued that knowledge is referred to as an expensive commodity, which, if managed properly, is a major asset to the company. Knowledge is a complex and fluid concept, it can be either explicit or tacit in nature, explicit knowledge can be easily articulated and transferred to others. In contrast, tacit knowledge, which is personal knowledge residing in individuals' heads, is very difficult to articulate, codify and communicate (O. Folorunso.,2005).

Drucker (2004) indicates that society is knowledge based and he argues that the knowledge society has to be highly specialized to be productive and need to apply two new requirements:

1. Knowledge workers work in teams; and
2. Knowledge workers have to have access to an organization which, in most cases, means that knowledge workers have to be employees of an organization.

The conclusion of this study is that, there are social problems, the rise of knowledge workers and the emergence of the knowledge society will pose any number of new social problems and new social challenges which will occupy us for decades to come.

Mitrović, et al. (2008) argued that, the role of knowledge management systems is to create competitive advantage by making it difficult to develop and maintain, because of rapid technological developments, and the ability of competitors to watch and tradition of the organization quickly and therefore, the organization must blending resources, competencies and capabilities that they possess, and continually learns how to use this combination to develop and maintain competitive advantage. According to the role of knowledge management systems highlights through coming with the rest of the resources and skills that belong to the employees.

Some researchers believe that knowledge income is a greater impact on achievement than that depicted in the below facts

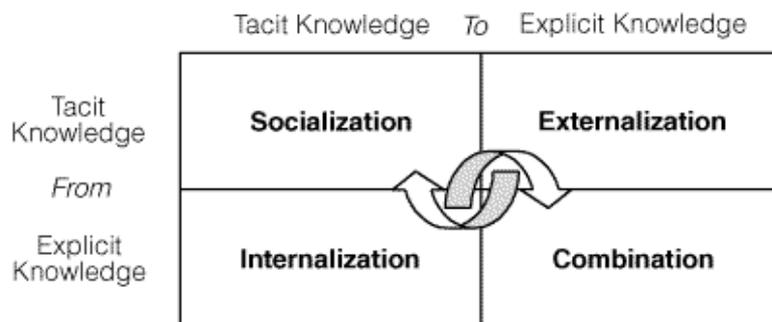
- Knowledge management systems that assist in the acquisition, storage, deployment, retrieval, and knowledge management.
- Information and knowledge are collected and disposed of through knowledge management systems, which are available to members of the organization to facilitate the development and the invention of goods and services and operations.
- Material and financial resources, human and organizational owned by the organization, affecting the organization's ability to benefit from the knowledge.

- Internal processes such as: strategic planning, knowledge management; by which transfer information, knowledge and resources owned by the Organization to undesirable results.
- Career system through which to improve the level of goods, services, processes and the development of new goods and services.
- Permanent competitive advantage is the outcome of interaction between the KM, and the organization's ability to achieve the level of performance (Robert J. Marzano .,2004).

Medakovic, Dj. (2010) introduced a study deal with the issue of converting knowledge into improved performance, to improve the understanding of knowledge management. The model linking knowledge with performance is presented. Managing knowledge so as to improve performance is less well discussed.

Will in most of the discussed approaches, there is, evidently, an assumption that there are few obstacles to the use or capitalization of knowledge.

Finally, Gupta, et al., (2004) investigated to clarify the effect of the development of a knowledge management system for the organization's performance by comparing the performance of organizations that have adopted knowledge management systems with those that had not developed systems for knowledge management, the study showed that when the organizations adopt knowledge management systems it helped to achieve a reduction in administrative costs and increase the productivity during the second year of adopting knowledge management systems, because the financial performance of organizations that do not embrace the knowledge management systems fall with time, while it remains steadfast to organizations that adopt knowledge management systems. Finally we should differentiate between explicit, tacit and explicit forms of knowledge. Explicit knowledge is that which is stated in detail and leaves nothing merely implied. It is termed "codified" or "formal" knowledge because it can be recorded. Tacit knowledge is that which is understood, implied and exists without being stated. It is informal, experiential, and difficult to capture or share. It is knowledge that cannot be expressed (Brigadier. al et.,2014).



Nonaka Convert Model

Resource: (Brigadier. al et.,2014).

### 3 Research Models



Figure (1) Research Framework  
Resource: researchers adapted

The researchers was used the quantitative research design to explore the significant positive correlation between the overall knowledge management process and financial companies' activities services.

### 4 Methodology

The researchers adapt the quantitative study because it can answer questions such as “what is” or “what was. The researcher involving data collection using existing records, to collect data, that important to emphasize research methods can describe a set of observations or the data collected. Sekaran(2010). The researchers adapt the quantitative study, to exp correlation between the overall knowledge management process and financial companies' activities services. It was focus in important area related to knowledge, it a kind of statistical researched efforts, in order, to spot in banks services activates, to present foundation that support the field. Next research hypotheses

#### 4.1 Research Hypotheses

H1: there is a statistically significant positive correlation between the overall knowledge management process and financial companies' activities services.

H2: there is a statistically significant positive correlation between the knowledge creations and financial companies' activities services.

H3: there is a statistically significant positive correlation between the knowledge Acquisition and financial companies' activities services.

H4: there is a statistically significant positive correlation between the knowledge storage & representation and financial companies' activities services.

H5: there is a statistically significant positive correlation between the knowledge distribution and exchange and financial companies' activities services.

H6: there is a statistically significant positive correlation between the community of practice and financial companies' activities services.

H7: there is a statistically significant positive correlation between the knowledge application and financial companies' activities services.

#### 4.2 Data Collection

The data collected from primary and secondary sources, researchers conducted questionnaire and distributed to four directors in financial companies to measure the knowledge management practices in financial companies. The study consists of all levels in financial institutions. 60 questionnaires had been distribute on random sample of managers, head departments, assistant managers and other sections heads for the financial firms. (53) Questionnaires had been returned and 48 had been analyzing that mean about 80% percent from all responds, returned and analyzed.

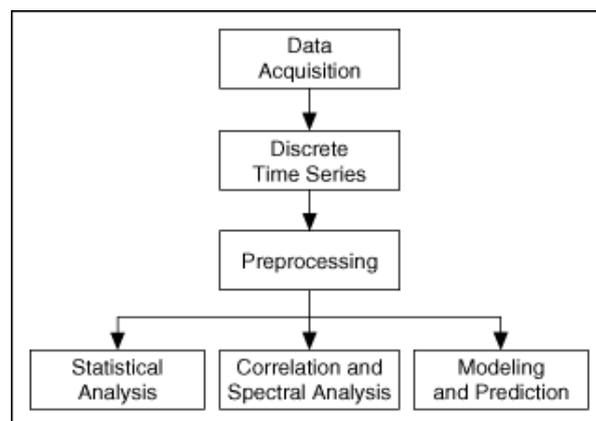


Figure (2) Data collection

Resources: Researchers adapted

### 4.3 Validity Tests

Content validity and construct validity of an instrument can be established through a correlation analysis Sekran (2003). Pearson correlation test was used to establish the content and construct validity of knowledge management activities measurement instrument used and its strategy.

### 4.4 Reliability: Cronbach's Alpha Coefficient

Cronbach's alpha was used to test the knowledge management dimensions (knowledge creation, knowledge acquisition, knowledge filtering, knowledge storage, knowledge auditing, knowledge application, knowledge distribution, knowledge development, community & practice and knowledge strategies).

The Cronbach's coefficient alpha values for the all knowledge management activities more than (0.60), which mean its good result except knowledge acquisition activity. The greatest percentage is (.874) for Community & Practice activity whereas the least percentage is (.238) of knowledge acquisition activity. The reason for the low value of consistency coefficient is the differences of viewpoint on the concept of knowledge acquisition in financial companies

## 5 Results

Table (1) Means and Std. Divisions of knowledge management dimensions:

Field	Mean	Std. Division	Agreement degree
Knowledge Creation	4.54	.50811	strong
Knowledge Acquisition	4.25	.46732	strong
Knowledge Storage & Representation	4.44	.52219	strong
Knowledge Distribution & Exchange	4.70	.35253	strong
Community Of Practice	4.04	.75337	Strong
Knowledge application	4.50	.41918	strong
Total	4.54		

Table (1) describes the descriptive statistics of knowledge management processes in financial companies activities, the result shows that there is a strongly degree of practicing in KM activities which general mean is (4.54), the results that are mentioned in table (1) indicate that all knowledge management affects the financial companies activities.

### 5.1 Study Hypotheses Test

The statistically analysis proved that there is a significant positive correlation between the overall knowledge process and financial institutions services.

Table (2) Pearson's Correlations between Knowledge management activities

		Knowledge Creation	Knowledge Acquisition	Knowledge Storage and representation	Knowledge Application	Knowledge Distributing and exchange	Community of Practice	
Pearson correlation	Knowledge Creation	1						
	Knowledge Acquisition	.566**	1					
	Knowledge Storage and representation	.645**	.534**	1				
	Knowledge Application	.778**	.459**	.570**	.757**	1		
	Knowledge Distributing and exchange	.825**	.606**	.611**	.825**	.734**	1	
	Community of Practice	-.057	.176(*)	.341**	-.024	-.016	-.033	1

\*\* Correlation is significant at the 0.01 level (2-tailed).

\* Correlation is significant at the 0.05 level (2-tailed).

## 6 Results and Analysis

The results revealed that there is a statistically significant positive correlation between the overall knowledge processes. The correlation of except community of practice was (-0.57), the reason for this weak result is due to the differences of viewpoint of the concept of community of practice; the hypothesis was accepted, the result is also consistent with (Choo, 1998). The table indicates that there is the deference of correlation between the knowledge management processes, the results indicate that the knowledge management methods conduct in Jordan banks influence of services activates and the consequences of that the strategy will influence by the essential infrastructure of knowledge management.

The results for dimensions measuring of the other knowledge management process: knowledge creation (4.57), knowledge acquisition (4.27), knowledge storage and representation (4.44), knowledge application (4.50) hypothesis was accepted.

The results revealed that there is a statistically significant positive correlation between the overall knowledge activities except community of practice activity that its correlation was (-0.057) hypothesis was accepted, even that the result was weak due to the differences of viewpoint of the concept of community of practice.

The heads managers in Jordan banks their experience between (3-10 years) with percentage of (63.3%), whereas the heads their experience (more than 10 years) with percentage of 24.5%.

## **7 Conclusion**

The research had applied in Jordan financial institutions. The response was high attained rate, and the researchers believed that the results reflect the actual situation regarding to the knowledge management in financial institutions; the findings report can be generalized to Jordan financial firms. Knowledge management / process learned have progressed substantially in either the Jordanians banks. Ultimately, recognizing that resources are an essential component, until sufficient resources are dedicated to knowledge management and the process formalized through explicit direction.

## **Recommendation**

The researcher recommend that the organizations should adapt effective approach in knowledge management process, and it is necessary to held training courses to the employees who are in financial companies, to recognize the new types of knowledge and skills, and to better understanding the role of knowledge management system in all financial activities. Researchers recommend that it is necessary to sharing knowledge internal financial firms, because it is importance to generates new advantages. Also researchers recommend that companies need to adapt knowledge management applications, through practicing activities services. Finally it is necessary to held training courses to the employees who worked in financial institutions to recognize the knowledge management process importance for better understand to the role of knowledge management in all financial activities services.

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