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LAYSIA ?

SCHOOL OF BUSINESS AND ECONOMICS UNIVERSITY MALAYSIA SABAH 2006

KNOWLEDGE MANAGEMENT IN THE PUBLIC SECTOR: A STUDY ON THE RELATIONSHIP BETWEEN ORGANIZATIONAL ELEMENTS AND KNOWLEDGE TRANSFER PERFORMANCE IN THE PUBLIC SECTORS OF KOTA KINABALU CITY



Dissertation submitted in partial fulfillment of the requirements for the degree of Master of Business Administration (MBA)

SCHOOL OF BUSINESS AND ECONOMICS UNIVERSITY MALAYSIA SABAH 2006

UNIVERSITI MALAYSIA SABAH

BORANG PENGESAHAN STATUS TESIS @

JUDUL : Knowledge Management in the Public Sector: A Study on the Relationship between Organizational Elements and Knowledge Transfer Performance in the Public Sectors of Kota Kinabalu City.

IJAZAH Master Of Business Administration (MBA).

SESI PENGAJIAN : 2004 - 2006.

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DECLARATION

The materials in this research are original except for quotations, excerpts, summaries and references, which have been duly acknowledged.

ROSENIH BINTI SALIM PS04-002(K)-034 21st JULY 2006



ACKNOWLEDGEMENT

I would like to extend my gratitude to both my supervisors, Dr. Hajah Arsiah Haji Bahron and Mr. Mohd. Rahimie Abd Karim for their continuous guidance and advice. I would also like thank Miss Azlinda Shazneem Bt. Md. Shuaib, Miss Najihah Hanisah Bt. Marmaya and Mr. Shangkar Ganesh C for their help and support.

A heartfelt gratitude to my father Mr. Salim Abdul Kadir, my mother Madam Sarinah Foo Yien Ping Abdullah and my brother Saharom Salim for their unconditional support and understanding.



ABSTRACT

The world now is facing a rapid change fuelled with globalization, knowledge-based economy and the immensely fast development of information, communication and technology (ICT). Nowadays, every organization is on the odyssey to look for and to attain that competitive edge that sets apart one organization from the rest. Little research has been performed on knowledge management and knowledge transfer in the public sectors, it is even less in developing countries. Thus this research exposes on how knowledge management can improve performance of the public sectors in Kota Kinabalu City by studying the relationship between organizational elements and the performance of knowledge transfer. By unraveling organizational elements, namely, organizational culture, the organizational structure, technology and human resource, this research attempts to explore on how these organizational affects the performance of the knowledge transfer in the public sectors of Kota Kinabalu City. By analyzing deeply into these organizational elements, the public sectors in Kota Kinabalu City would be able to identify which organizational element that has the most influence on the knowledge performance and to focus more on the identified transfer organizational element. Hence, these findings would be useful in implementing a successful knowledge management in the public sectors in Kota Kinabalu City. In addition to that, the premise for an efficient and effective knowledge transfer performance is prominent in the public sectors because it will contribute numerous benefits to both the public sectors, the employees as well as to members of the public.

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ABSTRAK

PENGURUSAN PENGETAHUAN DI DALAM SEKTOR AWAM: KAJIAN KE ATAS HUBUNGAN DI ANTARA ELEMEN-ELEMEN ORGANISASI DAN PRESTASI PERPINDAHAN PENGETAHUAN SEKTOR-SEKTOR AWAM DI BANDARAYA KOTA KINABALU

Dunia sekarang sedang mengalami perubahan yang mendadak selari dengan era globalisasi, ekonomi yang berlandaskan kepada ilmu pengetahuan dan pembangunan yang cepat di dalam dunia maklumat, komunikasi dan teknologi. Pada masa sekarang, semua organisasi berlumba-lumba untuk mencari satu 'kelebihan' yang boleh membezakan sesebuah organisasi itu dengan yang lain. Kajian tentang pengurusan maklumat dan prestasi perpindahan pengetahuan tidak banyak dilakukan di sektor awam, lebih-lebih lagi di negara yang sedang membangun. Justeru itu, kajian ini bertujuan untuk memberikan pededahan tentang bagaimana pengurusan pengetahuan boleh memperbaiki prestasi prestasi kerja sektor-sektor awam di Bandaraya Kota Kinabalu dengan menganalisa hubungan di antara elemen organisasi seperti budaya organisasi, struktur organisasi, teknologi dan sumber manusia dengan prestasi perpindahan pengetahuan. Justeru itu, berdasarkan kepada keputusan yang diperolehi, tumpuan atau fokus yang lebih boleh diberikan ke atas elemen organisasi yang mempunyai pengaruh yang kuat ke atas prestasi perpindahan pengetahuan boleh dijalankan. Dalam masa yang sama juga, maklumat yang diperolehi akan membolehkan implementasi pengurusan pengetahuan di sektor-sektor awam di Bandaraya Kota Kinabalu boleh dijalankan dengan lebih berkesan Keperluan untuk prestasi perpindahan pengeatahuan yang efisyen and efektif adalah amat penting kerana ianya akan mendatangkan banyak kebaikan kepada sektor-sektor awam di Bandaraya Kota Kinabalu, bukan sahaja kepada penjawat awam malah kepada orang awam.

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ABBREVIATIONS

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CHAPTER 1

INTRODUCTION

1.1 Overview

The dawning of the new century on the 1st Jan 2000 has brought with it a whole new perspective on the meaning of 'knowledge'. The phrase 'Knowledge is power' is synonym with our everyday lives because only when we have the right knowledge, we can execute our respective duties. The fact that all of us are in the transition from an industrial to a knowledge-based economy makes the concept on knowledge management prominently important(Baines, 1997).

However, having the knowledge alone but not be able to manage it effectively would only lead to the knowledge of not being fully reap to its fullest potential. This is especially true when it comes to managing and learning the very elusive tacit knowledge. Knowledge management is very crucial in any organization, both private and public sectors, big or small because knowledge management is one of the key elements that will determine the survival of an organization and it is even more pertinent nowadays because of the competitive environment.

It was only in the mid-1980s that both individuals and organizations began to appreciate the important role of knowledge in the emerging competitive environment (Wiig, 1997). However, it is only recently that organizations have began to finally realized of the importance of managing their organizational knowledge in order to gain the competitive advantage, hence, searching for knowledge management best practices all over(Chong & Choi, 2005). In addition to that, it has been predicted that knowledge will become the key economic resource and the dominant of competitive advantage today (Drucker, 1995). The significance of knowledge management is further emphasized with a report in the June issue in 2000 of the CIO Magazine that spending on the implementation of the knowledge management effort worldwide will grow from \$776 million in 1998 to a staggering \$10 billion by 2004.

1.2 Rationale of this Research

Several studies have been done on knowledge management but little study has been done in the public sectors and it is even less in the developing countries(Syed-Ikhsan & Rowland, 2004). This is further supported by Cong & Pandya (2003) who posited that the role of knowledge management in the public sectors did not receive as much attention as compare to the private sectors.

The concept of knowledge management is widely used in the private sectors because it encourages the organization to be more innovative via knowledge sharing and knowledge transfer. 3M Company, one of the world's innovative companies has embarked on a vast range of knowledge management system in the company in order to stay competitive in the industry(Brand, 1998). Contrary, the concept of knowledge management is relatively new to the public sectors because the nature of business of the public sector that do not have any competition with other organization.

The critics have claimed that knowledge management is just another management fad or 'an emperor in the new clothes' but this claim is inconclusive. It has been shown that management philosophies were first implemented in large organization(McAdam & Reid, 2000). Once it was proven to have worked, it is adopted at other organization(Cong & Pandya, 2003). Examples of these management philosophy are enterprise resource planning (ERM), business process reengineering (BPR) and total quality management (TQM)(Cong & Pandya, 2003).

According to Levett & Guenov (2002), these management philosophies preceded knowledge management and it is considered to complement knowledge management.

Therefore it is crucial for public sectors to embark on knowledge management because it will help to develop the public sectors to become a learning organization and to develop a highly knowledgeable human capital(Chong, 2005). In the context of this research, the public sectors in Kota Kinabalu City are not excluded from embracing knowledge management. Coupled with the rapid change driven by globalization; it is an opportune time for the public sectors in Kota Kinabalu City to implement knowledge management and to further improve on its delivery services and performance. This is because through an effective and efficient knowledge transfer among the employees in the public sectors, the employees will be able to acquire and to learn new knowledge on how to further improvised the current work system, the quality and quantity of the current work performance and numerous work-related aspects.

In addition to that, knowledge management is also beneficial in terms of retaining the knowledge within the organizations even if the employees have left the organizations. Retaining the knowledge is vital because certain knowledge of the organization such as the tacit knowledge cannot be obtained from other outside sources. It is the tacit knowledge that is difficult to capture and to learn because it is embedded in the minds of the employees and it is personal to the employees who have the tacit knowledge. Therefore, the tacit knowledge requires a more personal, informal approach and a high degree of trust in order for the employees to be able to learn or to acquire. Thus, this research is conducted in order to identify how the organizational elements: organizational culture, organizational structure, technology and human resource affects the knowledge transfer performance in the public sectors on Kota Kinabalu City. By identifying which of the four organizational elements that has the most significant impact on the knowledge transfer performance, the public

sectors can further improvised or improved on the approach taken on the identified organizational elements.

1.3 Problem Statement

Organizations are of a dynamic nature rather than static structure(Van Iterson, 2000; Kazanjian & Rao, 1999) and this mean employees will come and go. When the employees are retiring, resign or frequent transfer across departments, this will create challenges for the organization in terms of retention of knowledge and the preservation of institutional memory(Cong & Pandya, 2003). The problem occurs because when an employee leaves an organization, he or she brings together with him or he the knowledge which inevitably creates intellectual liabilities.

Failing to address the problem on how to preserve this knowledge will have an impair effect on the performance on the organization including the public sectors. Without a proper knowledge management, the knowledge loss caused by employees who left the organization will be significant. In Finland, it is estimated that until 2012, about 85% of the senior civil servants will leave(Cong & Pandya, 2003). Hence, the problem on how to capture and to retain the knowledge from retiring employees will also happens in the public sectors and this matters need to be address seriously.

1.4 Research Question

For this research, the author is attempted to find answers to the following Research Questions:

- What are the advantages of knowledge management in the public sectors of Kota Kinabalu City?
- 2. Which of the organizational element that has the most significant effect on the knowledge transfer performance?
- 3. What are the measures that can be implemented in order to enhance the capability of the organization element that has the most significant effect on the knowledge transfer performance?

1.5 Objectives

The objective of this research is to explore the relationship between the organizational elements and the knowledge transfer performance in the public sectors in Kota Kinabalu City. By having an in-depth understanding on the organizational elements that are being studied in this research, it will lead to the second objective of this research which is to identify ways on strengthening the organizational element that has the most significance effect on the knowledge transfer performance. By focusing more on the organizational element that contributes the most to the success of the knowledge transfer performance, the organization can fully reap the benefits that the knowledge management has to offer.

1.6 Significance of the Research

The notion of knowledge management in the public sectors is relatively new in Sabah and particularly to Kota Kinabalu City. It is hope that the outcome from this research will necessitates the public sectors in Kota Kinabalu City to consider knowledge management seriously and to take future measure in ensuring that the knowledge among the civil servants of Sabah is retained in the respective government agencies even after they have retired as well as to encourage the continuous learning culture among the civil servants.

Furthermore, this research will determine the key contributing factors that will determine the success of the knowledge management in the public sectors in Kota Kinabalu City. By studying these contributing factors, further action such as establishment of organization's policy on knowledge management can be carried out. Moreover, the public sectors in Kota Kinabalu City would be able to learn the benefits of the knowledge management concept which includes faster decision making, transparency, innovation, improved services or product and high quality work, just to name a few.

1.7 Summary

This research posits that knowledge management is essential for the public sectors in Kota Kinabalu City in order to improve on its productivity and efficiency. Inevitably, the performance of the knowledge transfer associated with knowledge management is crucial because of the influence of the four organizational elements: organizational culture, organizational structure, technology and human resource. The public sectors must embark on the quest of seeking knowledge as the means to move ahead with the 'wind of change' of the globalization era. This is vital because the public sectors' approaches or actions will determine the quality, success and viability of the society. (Wiig, 2002).

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

According to Van Beveren (2002), knowledge management has become increasingly important due to the fact that we are living in the 'information era' or 'knowledge era'. The significant importance on why organization need to manage its reservoir of knowledge wisely is further supported by Shariq (1997) who stated that it begins to dawn on us how our future will be shaped by how we use knowledge which is a precious global resource. Essentially, knowledge transfer has become one of knowledge management most critical processes (Albino *et al.*, 2004).

According to Hansen *et al.*,1999, the concept of knowledge management is not something new and organizations have been practicing knowledge management in various ways to produce goods or services. However, no technological advancement or system can properly capture and restore knowledge to its fullest potential because the heart of the knowledge management effort is the people issue, the employee which has been one of the difficult aspects to address efficiently and effectively.

In this chapter, the emergence of knowledge management is further deliberated as well as an extensive deliberation on explicit knowledge and tacit knowledge. The dichotomy of the tacit-explicit knowledge is also reviewed.

A further exploration on the adaptation of Demarest Knowledge Management Model will also be discussed in this chapter. This chapter wills also covers an in-depth elaboration on the four organizational elements which are the organizational culture, organizational structure, technology and human resource, which are for the purpose