Knowledge Management Activities in a Retail Organization

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ABSTRACT

Many researchers and knowledge management practitioners have identified knowledge identification, knowledge acquisition, knowledge application, knowledge sharing, knowledge development, knowledge creation, knowledge preservation and knowledge measurement as the important KM activities that brought the perceived benefits to the organization. However, the above finding is not validated especially in retail industry in Malaysia. The main objective of this study is to validate the proposed conceptual model that established from the literature. It is anticipated through case study in one of the company from retail industry in order to verify the proposed conceptual model. Structured interview was conducted in this study. Finding revealed that KM activities consisted of knowledge identification, knowledge acquisition, knowledge application, knowledge sharing, knowledge development, knowledge creation, knowledge preservation and knowledge measurement are strongly linked to the perceived benefits. Therefore, this paper proved the evidence from various literatures that KM activities are linked to perceived benefits. The paper concluded with the limitations of this study and the directions of future research.

Key words: knowledge management, knowledge management activities, Retail organization

Introduction

Knowledge is recognized as a key economic resource in knowledge based economy, many organizations must possess the right knowledge in the desired form to order to achieve competitive advantages. Specifically, managing knowledge is important for organization to gain competitiveness and to remain competitive.

Many organizations view that practice of KM is essential in this knowledge based economy. However, systematic framework for KM activities is not completely developed. This paper reviews the existing KM activities and perceived benefits proposed by various researchers and KM practitioners. From the literature, proposed framework for KM activities and perceived benefits will be developed. This proposed framework is then verified by selecting a case study of one company (I-Gate) that is implementing KM, thus showing the inter-relationship between theory from literature review and actual practice from retail industry.

The Emergence of Knowledge Economy and Knowledge Management:

According to Sayed Hossain and Cheng (2004), Malaysia moved from an agricultural economy to an industrial and now as Malaysia moves from the industrial economy to an information economy and knowledge economy. For the first shift, people had to transform from working the land to operating in large and centralized units. In the industrial age, people were content to become corporate slaves and they gave up much of their personal freedom in exchange for a living wage and job security. Now, people are being forced to adjust to a changing economy where the emphasis is shifting to the value of their personal capital and how it can be traded in a managed market. Eventually, the power of information and knowledge transformed the economic landscape further and introduced new dimensions of economic activities giving rise to an information economy and further to knowledge economy which is shown in Figure 1.
The knowledge economy is a vague term that refers to an economy of knowledge focused on the production and management of knowledge. In the second meaning, more frequently used, it refers to the use of knowledge to produce economic benefits.

In the knowledge economy, knowledge is used to create new knowledge. (Drucker, 1992). Ultimately, leveraging relevant knowledge assets to improve organizational performance is what knowledge management is all about.

**Definition of Knowledge Management:**

Since knowledge is kept within the individual, the most important thing for KM is the way to let the hidden knowledge within an individual is transferred to other members within the corporation in order for them to share, utilize and then convert it onto knowledge within the organization. The process of this is called as knowledge management. There are many definitions comes from a number of different perspectives. Below are the definitions from human resource perspectives.

1. Skyrme (1999) defines KM as the explicit and systematic management of vital knowledge and its associated processes of creating, gathering, organizing, diffusion, use and exploitation, in pursuit of organizational objectives.

2. Ow et al. (2001) define KM as a process of identifying, acquiring, applying, sharing, developing, creating, preserving and measuring knowledge in organization.

3. Alavi and Leidner (2001) define KM as an interdependent processes of knowledge creation, knowledge storage and retrieval, knowledge transfer and knowledge application.

**Knowledge Management Activities:**

Many literature have identified knowledge identification, knowledge acquisition, knowledge application, knowledge sharing, knowledge development, knowledge creation, knowledge preservation and knowledge measurement as knowledge management activities in an organization (Nonaka and Takeuchi, 1995; APQC, 1999; Skyrme, 1999; Nataraja and Shekhar, 2000; Ow et al., 2001; Alavi and Leidner, 2001).

Ruppel and Harrington (2001) believe that knowledge is a process instead of an asset and hence in order to maximize its value, an organization needs to create an environment that helps the flow of knowledge. Therefore, key element for an enterprise to be successful in pushing KM is a process to encourage people to communicate and share the knowledge with others (Nonaka and Takeuchi, 1995).
KM is a systematic process of managing knowledge. Through KM, organizations are able to identify, acquire, apply, share, development, create, preserve and measure the customer knowledge base and to deliver innovative product and services to the customers.

Knowledge Identification:

Knowledge identification is a process of identifying the key sources of knowledge, experience and know how in order to stay competitive in the market. Besides, knowledge identification also can be defined as the process to identify the knowledge gap of the organisation (Probst et al., 2000). Because not all the knowledge is relevant, identifying right and relevant knowledge is a critical step in knowledge management implementation.

Knowledge Acquisition:

After the need for knowledge has been identified, intense knowledge acquisition activities are constructed in order to close the knowledge gap. Knowledge acquisition is the process by which knowledge from different sources is transferred to the organisation. For example, there are multiple sources of knowledge that can be acquired from forums, training, seminars, books and etc. According to Nataraja and Shekhar (2000) and Nkoyo et al. (2011), the organisation must seriously make efforts to import the relevant knowledge to the organisation. The organisation may have to develop special protocols, processes and systems to acquire knowledge. Acquisition can be in several forms, ranging from a document transfer to interactive cooperation. Nkoyo et al. (2011) also indicated that external knowledge sources are crucial to their innovation process. Organization obtains knowledge on the external knowledge market, for example, external experts, stakeholders and knowledge products. From the perspective of individual knowledge, companies have used the strategy recruiting employees on long-term commitments or hired external experts and used their expertise for a short time.

Knowledge Application:

Useful or relevant knowledge gained must be applied in order to create the values for an organization. Knowledge has to be applied and practiced in order to enhance innovation and creativity. According to Probst et al. (2000), knowledge application consists of carrying out activities to make sure that the knowledge present in the organization is applied productively to the benefits. Alavi and Tiwana (2003) described knowledge application as the use of knowledge in decision making and problem solving processes. The application of efficient knowledge will lead to the development of innovation of the products and services.

Knowledge Sharing:

According to Nkoyo et al. (2011), crucial aspect within knowledge utilisation is sharing the available knowledge between employees mutually, between employees and managers, between departments and etc. Two types of knowledge that can be shared; there are tacit knowledge and explicit knowledge. Sharing of knowledge requires active interaction among the employees. It is important that the correct knowledge must get to the right person at the right time.

Knowledge sharing is primarily a knowledge stream that is dependent on the culture of the organisation. Therefore, many organisations set up a team called Communities of Practices (COPs). This community is responsible for sharing knowledge and create a new knowledge for an organisation (Jashapara, 2004). Hence, sharing of knowledge is power in knowledge based economy.

Knowledge Creation:

According to Aujirapongpan et al. (2010), creation of knowledge must be built from the knowledgeable ones or lesson learnt from the joint experiences of everybody working together in the organizations. The creation knowledge is the interaction of knowledge, between the tacit knowledge and explicit knowledge from the SECI Model (Nonaka and Takeuchi, 1995).
Knowledge creating culture is important in creating more new ideas in an organization. For instance, Apple CEO Steve Jobs, who has a real skills in simulating innovation culture in the organisation. Hence, the employees of Apple are able to produce K-products such as iPod, iPhone and iPad for the customers.

**Knowledge Preservation:**

Knowledge preservation make every effort to capture individual experience, knowledge and combine existing knowledge elements to improve and develop new skills, or adapt to environmental changes. Knowledge that has been created should be stored and categorized systematically so that it can be easily and conveniently retrieved (Marquarde, 1996).

Zack (1999) states that IT can help in obtaining, define, store, categorize, index the knowledge for an organization. Therefore, IT is an important enabler for knowledge preservation activity in an organization.

**Knowledge Measurement:**

The next activity is knowledge measurement; this is to measure the impact and effects after implementing knowledge management in an organization such as customer satisfaction, efficiency, productivity, quality and etc. This must be developed to link actions to strategies, monitor changes in intellectual capital and encourage value-creating work.

One of the general approaches to measure the impact of KM initiatives include balance scorecard. The balance scorecard technique developed by Kaplan and Norton (1996) aims to provide a technique to balance long term and short term objectives, financial and nonfinancial measures, leading and lagging indicators, internal and external perspectives.

**Perceived Benefits of KM:**

The practice of Knowledge Management facilities the development of a strong culture that places key emphasis on a high level of professional competency and breakthrough innovations. This will create an environment that focus on achieving sustainable superior performance. Sustainable superior performance provides the foundation for organisations to secure and maintain competitive advantage.

Salleh and Goh (2002) define KM as a process of leveraging knowledge as means of achieving innovation in process, service and products. It also will help in effective decision making and organization adaption to the market for creating business value and competitive advantages to the organisations.

According to Maqsood et al. (2007), KM allows organization to devise mechanisms that could bring them closer to knowledge communities to generate new knowledge and produce innovations. This interaction allows a flow of knowledge between internal and external knowledge communities in order to gain competitive advantages. This is also agreed by Arumugam and Mojtahedzadeh (2011) who stated that KM is identified as a factor that improves organization performance and organization innovation.

In addition, the literature review of effectiveness of KM in creating innovation in the organization shows numerous innovations today as they have become indispensable factors in every organization (Aujirapongpan et al., 2010).

Besides KM facilities innovation, it also can improve company performance and customer satisfaction (KPMG International, 1999).

**Research Method:**

Based on the KM activities that identified in the literature review, a case study was conducted in one of the retail organizations in Malaysia. The organization was selected due to its maturity in KM implementation in an organization. Furthermore, this company is committed in KM implementation and Chief Executive Office (CEO) is willing to share their experience in their KM journey. Structured interview with top management and employees from I-Gate was conducted. Purposive sampling was chosen in this interview. Interview was conducted with a total of 5 members, who includes Chief Executive Officer, two Head of Departments and two managers. This is because the saturation result of the structured interview was achieved at 5 persons. Interviews with the staff were conducted by face to face. An interview was conducted from 45 minutes to one hour.

1.1 About I-Gate:

I-GATE is a group of Companies that established to develop innovative service delivery platforms and solutions for business and consumer markets.
The I-GATE Group of Companies is Malaysia’s leading organized alternative retail and product marketing channel for “consumer digital products and services”. The organization and business structure is structured to bridge the service proposition of their partners and engage directly with the all consumers to fulfill and maximize the customer service experience.

They manage their people and business using the “Quantum organization” philosophy. Meaning, they emphasis close rapport and motivational building within their working culture while they ensure they keep their organization reporting line straight and structure “thin” in order to facilitate effective knowledge sharing activities. This will ensure the management team is constantly updated with any form of operational or business issues and all matters are escalated quickly and decided on promptly.

The organization encourages their staff to participate in a daily troubleshooting matter. They will generate creative and innovative problem solving and also explain in a transparent manner for all key decisions made. This will encourage and inculcate corporate responsibility and character building amongst our personnel.

The I-GATE business has been engineered to be deeply entrenched in the “services supply chain” in ensuring all the employees are able to serve the stakeholders of the industry.

They differentiate themselves by positioning a single alternative marketing channel and customer service support proposition.

1.2 I-Gate and Knowledge Management:

Policy Header:

I-Gate is the leader in the practice of self-driven knowledge management.

Statement Of Guildline:

In the pursuit to implement the practice of self-driven knowledge management, key focus is placed on knowledge identification, knowledge acquisition, knowledge application, knowledge sharing, knowledge development, knowledge creation, knowledge preservation and knowledge measurement.

The focus of I-Gate’s strategy is customer satisfaction. In order to increase the quality of service to the customers, KM implementation is essential in I-Gate. The implementation of KM is a long term strategy for I-Gate, and this is not a short term project. KM is implemented in I-Gate in year 2010; awareness training of KM was conducted before the launching of KM implementation. The objective of the awareness training is to familiarize all the employees of I-Gate with the concepts of KM. The title of the KM awareness training is “Knowledge Management Activities in Retail Industry”. In this training, the company believes that it is crucial to communicate continuously to all the staff about the importance of KM and infuse the staff about the concept and benefits of KM.

After the implementation for one year, KM activities is analyzed in this study which are knowledge identification, knowledge acquisition, knowledge application, knowledge sharing, knowledge development, knowledge creation, knowledge preservation and knowledge measurement shall be discussed in relation to the findings from the case study that conducted at I-Gate.

Knowledge Identification:

I-Gate uses a very proactive approach to evaluate required knowledge through more established systems. Initially, I-Gate has stated its business strategies and objectives. The knowledge requirements have to be identified to meet these goals. The difference between what the enterprise requires and what it currently has is called the knowledge gap.

I-Gate has launched a new system, TIERS.Net, however, many of team members are not fully utilized this system due to lacking knowledge in this new IT systems especially the senior employees who are not able to adapt to the new systems. Thus, this knowledge gap was identified. Identifying knowledge gap in I Gate internally is the first step in knowledge management process.

Knowledge Acquisition:

After the knowledge gap has been identified, intense knowledge acquisition activities were constructed in order to close the knowledge gap. E-training and classroom training was conducted through the system to the senior employees. Through this knowledge acquisition activity, the senior employees have been able to apply their knowledge gained in the work place.
I-Gate employs a philosophy of continuously improvement that emphasizes on continuous learning and personal development. I-Gate provides training and education opportunities to the employees such as sponsoring employees for further studies in local university. Through this knowledge acquisition activity, skills and competencies of the employees will be enhanced.

I-Gate establishes long term planning for human resources and evaluates the needs of manpower in an organization. In retailing, competent workers are needed. Therefore, there are two systems for training personnel. First, on job training (OJT) where the staffs are trained during working time. Second is off job training whereby the staff will be sent for training, seminar, workshop and etc.

Besides acquiring knowledge externally, knowledge also can be acquired internally such as organised learning. The staff can learn from the past, present and as well as the future. During the meetings, our staff are committed to share their knowledge and experiences. They share their best practices, success stories, failure stories and etc. Learning history is one of the tools that is implemented in I-Gate. Learning history means to learn from history.

Knowledge Application:

After the employees have acquired knowledge, the company needs to make sure that knowledge has to be applied and practiced in order to create the values for the company. I-Gate defines knowledge application deals with the fact that employees continually apply their knowledge to their working situation. Organizational knowledge needs to be employed into a company’s products, processes and services in order to create high values to the organisation.

In I-Gate, after the training, the staff is required to apply the knowledge gained in their workplace. Besides, they also required to make a presentation and share the knowledge learnt to all the staff in knowledge sharing forum.

Knowledge Sharing:

Numerous knowledge sharing platforms are in place in the company, top management believes that knowledge sharing activities drive innovation. Employees at I-Gate are involved in group sharing which is called as CoPs (Communities of Practices). Technical and business related knowledge and experiences are shared in this community. Top management plays an important role in making this success by providing adequate resources and time for this community.

A knowledge-friendly culture and culture of open mindedness is important at I-Gate. This achieved through good relationship with the employees and minimising the communication gap with the employees. Suggestion boxes are provided at I-Gate. The objective is to get feedback from team members. A culture of openness to accepting people’s ideas and sharing knowledge is encouraged. Staff are encouraged to bring up any related topics in the meetings.

Besides the knowledge and experiences are shared in I-Gate, mistakes are also shared among the employees; they are also encouraged to share their mistakes and lessons learnt. This will bring the perceived benefits such as operation excellence whereby repeated mistakes are avoided in an organization, this also will automatically reduce the cost of operation for an organization.

Besides the formal knowledge sharing in I-Gate, informal sharing also very popular in the company. Top management fully encourages knowledge sharing activities that held outside the workplace. For instance, social event such as dinner gathering, lunch meeting, sports competitions etc. Through this informal knowledge sharing activities, the staff will be able to share and exchange knowledge effectively.

One of the sales manager mentioned that:

Knowledge sharing is well known approach to strengthen the team spirit in my company. I always practice knowledge sharing during meetings with team members. They like to share ideas, experience openly in knowledge sharing activities. One of the benefits is knowledge sharing can improve the decision making in the team. They save time in decision making. Besides, knowledge sharing can help in making the right decision for an organization. Through the culture of sharing in I-Gate, it has increased the amount of knowledge transfer in an organisations.

Knowledge Development:

Knowledge development is an activity that may enhance the skills and competency of the employees of I-Gate. This involves the conceptual skills, behavioral skills and as well as the technical skills. I-Gate has trained the knowledge worker who has an ability to think creatively in problem solving. Besides, they are also required to perform well in behavioral skills such as motivate people, leading people and also communicate effectively with people. Lastly, technical skills are also important especially when they are dealing with the technical job.
Knowledge Creation:

I-Gate strongly believes that a knowledge-creating culture can contribute to innovation. KM ensure that those individuals with the best ideas and best skills are selected to assist in innovation. At I-Gate, a knowledge-creating culture has been developed through employee participation in sharing their best practices, new techniques and lessons learnt with their colleagues. Knowledge creation board, e-suggestions box are provided, the employees are free to give any best ideas to the organization. I-Gate also believes that best ideas should be recognized and rewarded.

Knowledge Preservation:

IT is recognized as a key enabler of KM. IT not only can preserve the knowledge, it also can be used to facilitate knowledge sharing among the people. I-Gate actively supports their employees in knowledge preservation. The company invests seriously in IT to enable knowledge sharing among employees, customers, suppliers from all around the world. One of the IT systems is TIERS.net platform which connects people virtually. TIERS system is daily upload system by users and also for purchasing and logistic, sales team, finance and HR department for management posting.

Another IT system is Electronic Retails Operation (ERO), this system helps to improve the communication between top management and the staff in I-Gate. ERO system will be able to preserve all the latest information such as outlets and personal sales performance. Therefore, top management can use this information to make the right decision in short period of time. Besides, the staff also can post any ideas or suggestions in ERO systems.

I-Gate believes that knowledge preservation is not only about the volume of the knowledge that is captured in the organization, but more importantly is about the frequency of updating, reusing and sharing with others. Culture of knowledge preservation is most important but need to be supplemented by information technology. Every employee has the authority to log in and browse the information anytime and anywhere.

Knowledge Measurement:

I-Gate employs a variety of measurement to assess the KM implementation. Below are the results that will be measured.

- How many complaints from customers? How to solve it creatively?
- How many innovative ideas are collected and implemented?
- How many Frequently Asked Questions (FAQ) are collected?
- How many mistakes? Write learning history (documented critical episodes and learning from past mistakes to avoid repeating mistakes in the future).

For instance, I-Gate makes a concerted effort to stay in touch with customers by listening actively to latent needs or unmet wants, ensure rapid responses to every customer’s complaint. In order to address the customers’ demands, I-Gate has formed a customer care centre which is called I-Care Centre which is responsible to handle customers’ complaint, repair and service hand phones.

Fig. 1: Framework for KM Activities in I-Gate
I-Gate has placed sales and marketing, human resource and administrative, accounting and various departments related to knowledge in KM activities in order to provide the company’s staff, partners, customers with the ability to obtain the needed information and knowledge in the company.

Based on the finding above, the framework for KM activities and perceived benefits is shown in Figure 1. In this study, the finding revealed that KM activities in I-Gate strongly contribute to the organization benefits such as creativity and innovation. This matches with Maqsood et al., (2007); Yip et al. (2010); Aujirapongpan et al. (2010), who have found that there is a significant and positive relationship between KM practices and innovation performance. Therefore, a knowledge-creating culture will maximize innovation performance leading to competitive advantages.

KM activities such as knowledge identification, knowledge acquisition, knowledge application, knowledge sharing, knowledge development, knowledge creation, knowledge preservation and knowledge measurement allow I-Gate to identify knowledge gap, acquire new knowledge to close the knowledge gap, apply the right knowledge in the workplace, sharing, developing, creating, preserving and measure the new knowledge in the organization.

Besides, KM in I-Gate can promote better decision making, better customer handling, faster response to customers, reduce cost and increase profits. This is consistent with the survey done by Pan & Scarbrough (1998); KPMG International (1999) and Yip et al. (2010).

Conclusion and Recommendation:

The practice of Knowledge Management at I-Gate is a performance strategy. It capitalizes on tacit knowledge of knowledge workers, communities of practice, human capital in general and the explicit knowledge of organizations. The practice of Knowledge Management is not a project that has a specific starting and ending point. It is a progressive organizational journey in pursuit of significant and dramatic improvements. It is about moving I-Gate to the next level of excellence.

Through the case study at I-Gate, this study concluded that KM activities consisted of knowledge identification, knowledge acquisition, knowledge application, knowledge sharing, knowledge development, knowledge creation, knowledge preservation and knowledge measurement. Each of the KM activities can be implemented in the ways that it strongly contributed to an organization’s competitiveness. Therefore, this paper proved that the evidence from various literatures that KM activities are linked to organizational competitiveness. Hence, this paper not only validate the theory with reality, but also provide the reference for academia and also to practitioners with such prescriptive guidance as identifying best ways of implementing KM activities for contributing to organization competitiveness.

For the future research, the authors will apply quantitative method such as questionnaires survey and following by multiple regressions analysis in order to do the second validation on the above framework. The combinations of qualitative and quantitative methods are suggested in order to broaden the finding of the research.

References


