



Knowledge Management in Banking Industry: A Study of Islamic Banks in Bahrain

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Abstract: This study examines the impact of Knowledge Management (KM) on the organizational performance of the banking industry in the Kingdom of Bahrain. It investigated the employees' knowledge on the internal environment of the industry. It utilized the qualitative and quantitative research designs making use of the primary as well as the secondary data. The Qualitative method was employed through floating survey questionnaire and qualitative method was carried out in describing the status of the workforce management in Islamic banks as practiced. One hundred respondents were chosen through purposive sampling from the four Islamic banks in the Kingdom of Bahrain. Statistical tools such as mean, standard deviation, correlation, and T-Test were used in analyzing and interpreting data. The weighted mean was utilized to identify the average perception of the respondents. T-test was employed to calculate the difference in the perception of the respondents. The correlation was used to assess whether the means of two groups are statistically related from each other. The findings of the research are as follows: Firstly, the means for all the variables are more than 4 in the 5 points Likert Scale which indicate that respondents confirmed the effectiveness of the variables. Secondly, the p-value of the independent variables which are organizational culture and organizational structure in association with the dependent variables are both 0.000 which are smaller than 0.01. Likewise, the p-value of technological know-how and employee participation is 0.048 which is still smaller than 0.01 hence, there is strong evidence of significant relationship between the independent and dependent variables. Thirdly, there is significant relationship between the independent and dependent variables. Fourthly, there is no significant difference among the four Islamic banks which indicate that there is high validity of the results. .

Keywords: Organizational Knowledge Management, Organizational culture, Organizational structure, technological know-how, organizational policy.

Introduction

At the midst of global competition and emergence of diversified products, effective knowledge management becomes an integral part of organizational operation (Nonaka, 1994). It was in 1990s when the concept of Knowledge Management (KM) was developed and was commenced when large companies like Anderson Consulting and Earnst and Young started investing in carrying out technology and the implementation of Organizational Knowledge Management (Martiny, 1998). Hence, the effective shift of knowledge has impact on the performance and the company's capability to compete (Szulanski, 1996; 2014). To carry out such, it is indeed indispensable

that organizations design valuable knowledge management strategies so that employees recognize the means for successful operation and professional growth (Davenport & Prusak, 2003).

Common concerns in knowledge management comprise the support of the management, strategies, content currency, and the utilization of knowledge management systems (King, et al., 2002; Sharp, 2003). In the commercial framework, knowledge is described as essential data based on one's experience (Davenport, et.al., 1998). KM practices include knowledge formation, retention, allocation and utilization, while KMS include the structures, principles, rules and standards used to administer the formation, retention, allocation



and utilization of knowledge (Alavi & Leidner, 2001; Lee & Choi 2003). Ideally, KMS is a process that provides for the formation, merging and the accessibility of information in the company. Nevertheless, if the formation of information has taken by the individual outside the environment, then its individual's choice to design and keep posted his knowledge into the system. Although knowledge derives from organizational experiences, such as procedures, technologies and structures, the changing framework to knowledge is made available by the workforce (Davenport & Glaser 2002).

The banking industry in the Kingdom of Bahrain is indeed not an exception on this scheme wherein one of the leading challenges in banking operation particularly in Islamic banks have been implementing effective organizational knowledge management strategies to enhance company performance and accountability. In line with this thought, this paper addresses the relation of knowledge management in Islamic banks on the level of organizational accomplishment. Specifically, the study attempts to: 1) To determine the status of knowledge management practices in Islamic banks in the Kingdom of Bahrain in terms of organizational culture, organizational structure, technological know-how and organizational policies; 2. To verify the level of Islamic bank performance based on the knowledge management practices; 3) To validate the relationship between the status and the level of significance of knowledge management in relation with the bank performance. 4) To determine the problems encountered by the employees in relation to Islamic bank knowledge management. 5) To offer recommendations to resolve the problems.

The hypothesis states that, there is no relationship between the status and the level of significance of knowledge management as it relates to organizational performance in Islamic banks in the Kingdom of Bahrain.

Significance of the Study

The findings of the study would be of help to the following :

Banking Industry. This study will give

insights on the importance of workforce management in the banking industry. Furthermore, the study will shed light on how KM may be viewed as a line of banking activity ensuring that banks have people with cultural attributes, and thus enabling them to perform to the highest level of quality and service.

Bank Managers. It will help the bank managers fully understand KM rules and procedures. Furthermore, this research work might help bank managers demonstrate confidence and competence in managing Islamic bank employees so as to increase productivity, increase morale, and improve the Islamic banking quality. Likewise, managers can use the results of this study as bases for initiating change in the policies directly affecting employees' development.

Bank Employees. The findings of the study can be a catalyst for improving employee attitudes based on Sharia giving emphasis on advancing employees' own interest, promoting equality between personal gains and the welfare of society, creating personal and national wealth, and upholding spiritual security and material gain.

Bank Customers. It will give them a comprehensive image of the impact of knowledge management on the banking operation which in turn improve customer relation.

Researchers. The findings of this investigation can provide researchers baseline information that will help validate or negate the present findings. Further, the results of this study could be a contribution to the body of knowledge.

Scope and Limitation of the Study

The focus of this investigation is to assess the effect of knowledge management in Islamic banks on the organizational performance. Four leading Islamic banks in the Kingdom such as: Bahrain Islamic Bank, Ethmar bank, Al Salam bank and Al Hilal bank were chosen as target beneficiaries. Moreover, the purposive respondents are the 100 officers and employees taken from the four Islamic banks.



Literature Review

The meaning of Knowledge Management has been the topic of debates in the literature. The concept is associated with policies, thoughts, records shared to individuals through trainings, discussions, internships, and reports. Nevertheless, the value of information has increased recently due to technological support (Brown, 1991 and Vandenbosch, 1996). However, technologies should be developed according to proper procedure in managing company's information. Conversely, many organizations do not focus to KM processes (Davenport, 1998). Hence, the focus of this investigation is to enhance understanding of KM processes and its influence on the organizational performance.

In keeping track of the purpose of the study, knowledge is viewed as subjective rather than objective (Burrell, 1979 and Schultze, 1999). In the objective level, knowledge is taken into account as an entity, which symbolizes humanity. It is self governing and transformed into various forms and locations (Hedlund, 1994). In the subjective level, Boland and Tenkasi, 1995 and Venzin, Von Krogh, and Roos, 1998 stressed that knowledge is not an independent individual exposure but a social creation of concept and meanings hence, loses a universal entity which is objective in nature (Venzin, 1996). Such contention is parallel to the idea of Churchman's (1972) specifying that knowledge is within the individual which according to Nonaka and Takeuchi's idea of knowledge as "a dynamic human process of justifying personal belief toward the 'truth'" (1995). The same is true with the notions of Maturana (1992) and Magalh (1998) which treat organizational information as embed in a person and groups. The idea is supported by Davenport & Prusak (1998) specifying that meanings and concepts of knowledge is based on individual assessment.

The idea of Nonaka (1994, 2007) on knowledge management was investigated making used of the four KM processes which are: socialization, internalization, externalization, and combination. He stressed that the processes of knowledge management are extensive methods wherein knowledge is

formulated, shared, or utilized making used of different KM devises such as technical, social, or structural in nature (Hansen et.al., 1999).

The article of Biswadip Ghosh (2007) applies the revised KMS model of effectiveness to information management practices to Colorado USA hospital. The study includes three organizational enablers and four information management practices perceived to affect the hospital performance. The variables are tested making used of the interview and survey instruments. The investigation substantiates the previous researches on information technology (Chiasson, 2004).

In the study of Donald B. Fedor, et al., (2003), they stressed that companies are making effort to develop the formation and implementation of information. The actions related with these efforts are recognized as knowledge management. The authors made mentioned that although there are many researches published about the concept in organizational context, the achievement of the endeavor is based on how information management affect the organizational activities as viewed by individual employees who actually carry out the tasks. The research utilized the system approach to assess the relationship between management of knowledge practices and performance satisfaction and its effect on the organization. The findings demonstrate that group support which are the inputs together with knowledge formation and utilization which are the processes are the factors of member performance which are the outputs. Eventually, communication in management of knowledge activities moderately effect inputs.

The paper of Rajiv Sabherwal (2003) centers on how knowledge management processes influence perceived effectiveness of performance. This research was done in Florida, USA at John F. Kennedy Space Center of the National Aeronautics and Space Administration making used of interviews and survey to 159 respondents. The emergent model recommends that externalization and internalization influence the individual performance. Socialization and combination affect the viewed effectiveness of information management at troop and company's ranks. The findings further brace



the anticipated influence on viewed knowledge management effectiveness, from single employee to team level, the same is true from team to company's level.

P. G. Benson, et al., (1991) recommend an open system model of quality management that has something to do with concrete quality management and ideal quality management. The relationships between the two are investigated using data collected from 152 managers from 77 business units of 20 manufacturing and service companies in Minnesota, USA. A previously reported instrument is used to measure managers' view of ideal and concrete quality management in terms of eight variables such as product/service design, training, employee relations, and top management leadership. Several measures are used to characterize organizational quality context including company type, company size, degree of competition, and corporate support for quality. The findings demonstrate that organizational performance has impact on managers' view of both ideal and concrete effective management. This suggests that knowledge of organizational performance is essential for discussing and forecasting quality management practices.

The study of Robert W. Zmud (2000) on Nortel telecommunication industry in North Carolina demonstrates its transformation from technological focal point to customer centered. The purpose of such transformation is to formulate new product development wherein knowledge intensive work is related to individual employee and group expertise. The objective of the investigation is to coax the input-output of Nortel new product development process and maximize on knowledge assets. This endeavor was constructed within the realm of the process oriented knowledge management (KM) strategy focused on people, process and technology. Likewise, this study developed a representation of KM effectiveness by investigating Nortel's resources, managerial and environmental features affect Nortel's achievement. The company's exposures serve as lesson to other companies who are making used of knowledge assets in business operation.

In Iran, the study of M. Mahboudin and B. R. Ananthan (2010) tells about the

influence of the performance of knowledge management in pharmaceutical industries. In the study 7 variables were recognized such as: structure, culture, technology, staff, documents, information and communication and training. Those variables were assessed against formulation, sharing and knowledge retention along with carrying out the management of knowledge through the utilization of regression test. The findings demonstrate that four of the variables have effect on the operation of information management. Other variables might have importance in other organizations.

The study of M. Almashari, et al., (2002) in different Kuwait private and public organizations reveals that to be effective, a knowledge management should fit to flow of activities in the organization. Information relative to the project must be made available to the employees in the proper time and in the proper manner.

Synthesis of the Study

Previous study mainly focused on the Knowledge Management's theoretical ideas except for the studies conducted in American companies by P. G. Benson, et al., (1991), Rajiv Sabherwal (2003) and Robert W. Zmud (2000). The findings of the three above mentioned studies reveal weak evidence that knowledge management by itself influence organizational performance because perceptions were taken only from employees (Sabherwal), managers (Benson) and transformation from technological focal point to customer centered. Moreover, studies do not address the optimal perception of both the employees and the managers.

The researcher of this study assessed the influence of knowledge management on the Islamic banks' performance in the Kingdom of Bahrain making used of the perceptions of both the employees and managers.

Similarities

All previous studies affirmed the importance of organizational knowledge on the success of the companies' performance.



Differences

Most previous studies are centered on external (competitors, customers, locations) and internal (technology, policies, structures) management. However, few studies are focused on knowledge management in Middle East but no study has made in particular on knowledge management in Islamic banks in the Kingdom of Bahrain in relation to bank performance.

Research Methodology

Research Design

The study is based on qualitative and quantitative research design making used of the primary as well as secondary data. Quantitative method will be used through floating survey questionnaire forms and qualitative method will be on describing the status of the workforce management in Islamic banks as practiced. This will be done through conducting both semi-structured interviews and documentary reviews. Interview methods will be used to complement the information obtained through questionnaire. A questionnaire was utilized for gathering data. Purposive sampling was employed. The respondents used in this research are 100 bank officers and human resource staff. The insights of respondents regarding the organizational knowledge management were analyzed regarding organizational structure, organizational culture, technological know-how and organizational policies. As a result, the research design will secure the utmost accuracy in collecting reliable and dependable data. As such, it will be of great use in investigating the issue focusing on the assessment of the significance of organizational knowledge management on organization performance in Islamic banks.

Sampling Design

This study applies the purposive sampling technique in the selection of respondents. Such technique is chosen in order to have in-depth insights into the research question. Purposive sampling is a non-probability sampling which is utilized to choose respondents based on the opinion of a samples and the objective of the study. According to E. Babbie (2001)

a purposive sampling is one that is selected based on the knowledge of a population and the purpose of the study. He further pointed out that the selection of samples depends on the researcher’s choice. Along with this line of thought and taking into consideration the sampling technique, the objective of this investigation is to examine the status of the organizational knowledge management practices of the four leading Islamic banks in the Kingdom of Bahrain in terms of: organizational structure, organizational culture, technological know- how and organizational policies. The study also assessed the perception of the respondents as to the organizational knowledge management practices in Islamic banks on the level of carrying out organizational performance in terms of the variables cited.

Respondents of the Study

The respondents are the bank officers and employees who were chosen through purposive sampling from the four Islamic banks in the Kingdom of Bahrain. Those respondents were taken from among the total staff of the main branches of the four above mentioned banks (please see table 1).

Table 1: Distribution of the Respondents

Banks	Frequency	Percentage
1. Bahrain Islamic Bank officers and employees	25	25%
2. Ethmar Bank officers and employees	25	25%
3. Al Hilal Bank officers and employees	25	25%
4. Al Salam Bank officers and employees	25	25%
Total	100	100%

Research Instruments and Techniques

Questionnaire is the major instrument of this study which is divided into four major parts. A pilot survey was administered on thirty (20) bank officers and employees to determine the workability of the research.

Along this line, the customized questionnaire is developed composed of four parts. Part I determines the present status of



organizational knowledge management of the four leading Islamic banks in the Kingdom of Bahrain in terms of: organizational structure, organizational culture, technological know-how and organizational policies. Part II clarifies the level of significance of organizational knowledge management to bank operation. Part III evaluates the relationship between the status and the level of significance of knowledge management in connection with the organizational performance of Islamic banks. Part IV identifies the challenges in relation to the organizational knowledge management. Part V pertains to the solutions to those challenges.

To assess the perception of bank officers and employees as to status of the organizational knowledge management of the four Islamic banks in Bahrain in terms of: organizational structure, organizational culture, technological know-how and organizational policies. The following scales and interpretation will be used (please see Table 2).

To assess the level of significance of organizational knowledge management in Islamic banks in the Kingdom of Bahrain as perceived by the respondents in terms of the variables cited, the following scales were used in interpreting the means (please see Table 3).

Validity of the Research Instruments

The validity of the instrument was based on the feedbacks and comments given by the College Research Committee and the three Doctors of Philosophy in Statistics. Furthermore, the survey questionnaire was revised according to the feedbacks and comments provided by the thirty (20) respondents from other Islamic banking institutions and not part of the respondents under study.

Data Gathering Procedures

The research problem was conceptualized by the researcher based on her interest in the chosen research topic and on the appropriateness of the subject with the University thrust. To acquire more knowledge and insights of the subject, literature and studies searches were utilized. Books, journals and unpublished materials containing readings on the subject

were reviewed along with articles and research findings published in internet websites. These literature and studies served as sources of secondary data for the proposed study which helped the researcher in developing the research design, the theoretical and the conceptual framework. The validated questionnaire was personally administered to the respondents who were selected using the purposive sampling method.

Statistical Treatment of Data

The data gathered was organized, analyzed and interpreted using the following statistical tools: mean, standard deviation and correlational. The weighted mean was utilized to identify the average perception of the respondents. T-test was used to calculate the difference in the perception of the respondents. The correlation assessed whether the means of two groups are statistically different from each other. However, the SPSS program was applied in analyzing the data.

The study is based on qualitative and quantitative research designs making use of the primary as well as secondary data. Quantitative method was utilized through floating survey questionnaire and qualitative method was employed in describing the status of the knowledge management in Islamic banks as practiced. This was materialized through conducting both semi-structured interviews and documentary reviews. Interview method was implemented to complement the information obtained through questionnaire. Purposive sampling was employed in one hundred (100) bank officers and employees. Purposive sampling was utilized to choose respondents based on the opinion of the samples and on the objective of the study. The insights of respondents regarding the organizational knowledge management were analyzed regarding organizational structure, organizational culture, technological know-how and organizational policies. As a result, the research design secured the utmost accuracy in collecting reliable and dependable data. Four Islamic banks in Bahrain were chosen as subjects of the study. Those banks were: 1) Bahrain Islamic Bank, 2) Ethmar Bank, 3) El Hilal Bank, and 4) Al Salam Bank.



Results and Discussions

1. The Status of the Organizational Knowledge Management in Islamic banks in Bahrain

This part discussed the status of knowledge management in Islamic banks in the Kingdom of Bahrain in terms of organizational culture, organizational structure, technological know-how and organizational policies.

Organizational Culture. Table 4 presents the insights of bank officers and employees on the status of knowledge management in Islamic banks in the Kingdom of Bahrain in terms of organizational culture.

As reflected in table 4, the respondents agreed with the status of the knowledge in Islamic banks in the Kingdom of Bahrain in terms of organizational culture with a composite mean of 3.93. The findings imply that respondents agreed that items 1-5 of the knowledge management as to organizational culture are practiced in the workplace with mean values of 4.02, 3.98, 4.04 and 3.66 in different items. This means that Islamic bank employees are actively utilizing the organizational knowledge management in their banking operations. These findings validate the studies of Zaccaro and Marks (1999) Sundstrom and Futrell (1990) and demonstrating the effects of knowledge management on company performance. The findings signify that teamwork as an organizational culture produces beneficial effects on the operational performance of the company. Conversely, the study of Ali (2001) shows that organizational culture is not always a feature of KM best-practice. Such study was confirmed by Tanri (1997) showing that organizational culture does not relate positively to firm performance.

Organizational Structure. Table 5 presents the insights of bank officers and employees on the status of organizational knowledge management in Islamic banks in the Kingdom of Bahrain in terms of organizational structure.

As viewed in table 5, the respondents agreed with the status of knowledge management in Islamic banks in terms of organizational structure with a weighted mean of 3.92. It can

be garnered from the table that respondents agreed on items 1-5 of the status of knowledge management as pertains to organizational structure with mean values of 3.83, 3.99, 3.90, and 3.94. It means that knowledge management are carried out by Islamic banks employees. The findings establish the study of Fedor et al. (2003) wherein they specified that companies are making efforts to develop the formation and implementation of information from the various level of the organizational structure. The authors made mentioned that although there are many researches published about the concept in organizational context, the achievement of the endeavor is based on how information management affect the organizational activities as viewed by individual employees who actually carry out the tasks. The research utilized the system approach to assess the relationship between management of knowledge practices and performance satisfaction and its effect on the organization. The findings demonstrate that group support which are the inputs together with knowledge formation and utilization which are the processes are the factors of member performance which are the outputs. Eventually, communication in management of knowledge activities moderately effect inputs. The results of the study also affirms the ideas of Sabherwa (2003) specifying that in Florida, USA at John F. Kennedy Space Center of the National Aeronautics and Space, socialization and combination affect the viewed effectiveness of information management at troop and company's ranks.

Technological Know-How. Table 6 presents the insights of bank employees on the status of knowledge management of Islamic banks in the Kingdom of Bahrain in terms of technological know-how.

As reflected in table 6, the respondents agreed with the status of knowledge management in Islamic banks in terms of technological know-how with a composite mean of 3.77. The findings imply that respondents agreed that items 1-5 of the knowledge management as to the employee participation are practiced in the workplace with mean values of 3.83, 3.99, 3.90, and 3.34 respectively. This means that Islamic bank employees are actively carrying



out the knowledge management in Islamic banks. The findings establish the studies of Davenport and Prusak (1998) and Burell and Morgan (1979) where they illustrated that knowledge management is associated with policies, thoughts, records shared to individuals through trainings, discussions, internships, and reports. Thus, those concepts are transmitted to all the members of the organization through technology. Hence, technological know-how should be developed according to proper procedure in managing company's information. Conversely, many organizations do not focus to KM processes (Schultze, 1999). Hence, the focus of this investigation is to enhance understanding of KM processes and its influence on the organizational performance.

Organizational Policies. Table 7 presents the insights of bank employees on the status of knowledge management of Islamic banks in the Kingdom of Bahrain in terms of organizational policies.

As reflected in table 7, the respondents agreed with the status of knowledge management in Islamic banks in terms of organizational policies with a composite mean of 3.77. The findings imply that respondents agreed that items 1-5 of the knowledge management as to the organizational policies are practiced in the workplace with mean values of 3.83, 3.99, 3.90, and 3.34 respectively. This means that Islamic bank employees are actively carrying out the knowledge management in Islamic banks. The findings establish the study of Benson et al. (2003) wherein they measured managers' view of ideal and concrete quality management in terms of policies on product/service design, training, employee relations, and top management leadership. Several measures are used to characterize organizational quality context including company type, company size, degree of competition, and corporate support for quality. The findings demonstrate that organizational performance has impact on managers' view of both ideal and concrete effective management. This suggests that knowledge of organizational performance is essential for discussing and forecasting quality management practices.

2. The Level of Significance of Organizational Knowledge Management to Islamic banks' Operation

This part discussed the level of significance of knowledge management to the employees' performance in Islamic banks in the Kingdom of Bahrain in terms of organizational culture, organizational structure, technological know-how and organizational policies.

Organizational Culture. Table 8 presents the level of significance of knowledge management in Islamic banks in the Kingdom of Bahrain in terms of organizational culture.

As reflected in table 8, the respondents made mentioned the significance of knowledge management to Islamic banks' operation in the Kingdom of Bahrain in terms organizational culture with a composite mean of 4.12. The findings imply that items 1-5 of the knowledge management as to organizational culture with the mean values of 4.27, 4.30, 4.19, and 3.73 are significant to bank employees. This implies that employees of Islamic banks deliberately putting them into practice for its essential benefits in the business endeavors and thus, results in improved Islamic banking operations. The results of the investigation substantiate the ideas of Zmud (2000) specifying the importance of people in formulating new product development wherein knowledge intensive work is related to individual employee and group expertise. The objective of the investigation is to coax the input-output of Nortel new product development process and maximize on employee knowledge assets. This endeavor was constructed within the realm of the process oriented knowledge management (KM) strategy focused on people cultural practices, process and technology. Likewise, this study developed a representation of KM effectiveness by investigating Nortel's resources, managerial styles and environmental features which affect Nortel's achievement. The company's exposures serve as lesson to other companies that are making used of knowledge assets of employees in business operation.

Organizational Structure. Table 9 presents the perception of respondents on the level of significance of workforce management



in Islamic banks operation in terms of organizational structure.

As reflected in table 9, a weighted mean of 4.09 stipulated that there is a level of significance of KM in terms of organizational structure. It can be gleaned from the table that items from 1-5 regarding knowledge management were significant to banking operation with mean values 4.26, 4.26, 4.07 and 3.77. This implies that respondents are convinced as to the efficiency of knowledge management on the operation of Islamic banks. On the basis of analysis of findings, this affirms the ideas of Almanshari and Alathari (2002) stressing that effective knowledge management in different private and public organizations in Kuwait fit with the flow of activities of the organizational structure in the organization. Information relative to the organizational structure is made available to the employees in the proper time and in the proper manner.

Technological Know-How. Table 10 presents the perception on the level of significance of the knowledge management to Islamic banks' operation in terms of technological know-how.

As reflected in table 10, the respondents perceived that knowledge management is significant to Islamic banks' operation in terms of technological know-how with a composite weighted mean of 3.85.

It can be gleaned from the table that, items 1-5 were perceived significant with mean values of 4.13, 4.18, 3.20, and 3.88. This entails that the respondents are confident to the efficacy of technological know-how in carrying out the Islamic banking operation in its everyday business activities. The aforementioned findings substantiate the idea of Mahboudi and Ananthan (2010) telling about the influence of the performance of knowledge management in pharmaceutical industries. In the study 7 variables were recognized such as: technology, structure, culture, staff, documents, information and communication and training. Those variables were assessed against formulation, sharing and knowledge retention along with carrying out the management of knowledge through the utilization of regression test. The findings demonstrate that technology, structure,

culture and information have significant effect on the operation of information management. Other variables might have importance in other organizations. Apparently, the results of the study confirms the thoughts of Skyrme (2008) discussing the relationship between Information Technology and Knowledge Management in his work named 'Knowledge Management: Is IT delivering?'. Dr. Skyrme has analyzed the role of Information Technology and how information technology accelerated the Knowledge Management of organizations. He particularly mentions about emails, portals and enterprise content management systems and asserts that all of them have contributed for Knowledge Management in Organization.

Organizational Policies. Table 11 presents the perception on the level of significance of the knowledge management to Islamic banks' operation in terms of organizational policies.

As reflected in table 11, the respondents perceived that knowledge management is significant to Islamic banks' operation in terms of organizational policies with a composite weighted mean of 3.85. It can be gleaned from the table that, items 1-5 were perceived significant with mean values of 4.13, 4.18, 3.20, and 3.88. This entails that the respondents are confident to the efficacy of technological know-how in carrying out the Islamic banking operation in its everyday business activities. The aforementioned findings support the ideas of Firestone and Mc Elroy (2010) point out the need for having standards in knowledge processing before having knowledge management standards. They also asserted the need for a systematic metrics framework to continue to make progress in Knowledge Management. Likewise, the outputs of this investigation also correspond of the knowledge of Biygutane and Al Yahya (2011) regarding the study on knowledge management in UAE's public sectors in Dubai. This paper highlighted the importance of creating, capturing and documenting knowledge within public organizations. The study provided a set of recommendation addressed to the policy makers and Knowledge Management department heads not only in UAE but also in other GCC countries. This paper confirmed that



the current challenges faced by public sector are not only knowledge development but also knowledge Management.

3. Relationship Between the Status and the Level of Significance of Knowledge Management on Islamic Banks' Operation

This part discussed the considerable difference between the status and the level of significance of the knowledge management on Islamic banks' operation as shown in Tables 12.

Table 12 represents the considerable difference between the status and level of significance of knowledge management on Islamic banks' performance in terms of organizational culture, organizational structure, technological know-how and organizational policies as revealed by the computed sig. (2-tailed) value of .100. Thus, the computed values indicate the rejection of null hypothesis. As to difference between the status and level of significance in terms of organizational culture, a sig. (2-tailed) value of 0.100 was computed. The computed values indicate the rejection of null hypothesis. On behalf of the difference between the status and level of significance of knowledge management on Islamic banks' operation in terms of organizational structure a sig. (2-tailed) value of 0.100 was computed. The computed values indicate the rejection of null hypothesis. The same is true with technological know-how and the organizational policies. The above mentioned findings therefore demonstrate that there is a no considerable difference between the status and the level of significance of the knowledge management on Islamic banks' operation in the Kingdom of Bahrain. This entails that the knowledge management of Islamic banks is indeed noteworthy to the Islamic banking operations.

4. Problems Encountered by the Bank Employees of Islamic Banks

This part discussed the problems encountered by Islamic bank employees in terms of organizational culture, organizational structure, technological know-how and organizational policies. Among the noted problems encountered are as follows: 1). Organizational policies are

not well defined and not clearly explained to the employees especially to the newly hired; 2) Lack of teamwork among employees; 3) Lack of initiative from the employees for their professional growth through trainings and educational advancement.

5. Proposed Recommendations to Resolve the Problems

Based on the problems identified by respondents, the following solutions are recommended: 1) Islamic banks should conduct policy orientations for employees; 2) Islamic banks should adopt team activities and socialization programs for employees; 3) Implement a mechanism to enhance employees' interest for professional growth.

Conclusions

This study provides an empirical investigation of the influence of knowledge management on the performance of Islamic banks in the Kingdom of Bahrain. The findings of the study reveal that there is strong reliability in the data among all variables. The respondents confirmed the effectiveness of all variables. Moreover, there is significant relationship between the dependent variables and the independent variables which is supported by Benson (1991), Sabherwal (2003), Zmud (2000) and Mahbourdin (2010). However, the study holds a number of implications for future research. Firstly, future research could examine similar variables in different organizations. Secondly, it is also appealing to conduct the study of different variables of knowledge management in other countries with different sample size. Thirdly, future research could investigate the same variables in other areas with different political environment.

Recommendations

In reference with the findings and conclusions, the recommendations are as follows: 1.The management of Islamic banks must develop a standard in calculating the annual salary of employees; 2.The management of Islamic banks must also develop a compensation program that supports decent standard of living of their employees; 3.The management of



Islamic banks should design an effective tenure of office for the employees; 4. The management of Islamic banks should establish efficient retention scheme for the employees; 5. The management of Islamic banks should develop strategies to create an ambiance of camaraderie and team work among the employees.

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Table 2: Scales and Interpretation Used on the Perception of Respondents as to the Status of the Organizational Knowledge Management in Islamic Banks

Scale	Mean	Interpretation	Description
5	4.50-5.0	Strongly Agree	The Islamic bank officers and employees strongly agree that organizational knowledge management alleviates the organizational performance of Islamic banks in the Kingdom of Bahrain.
4	3.5-4.49	Agree	The Islamic bank officers and employees agree that organizational management alleviates the organizational performance of Islamic banks in the Kingdom of Bahrain.
3	2.50-3.49	Undecided	The Islamic bank officers and employees are undecided whether organizational knowledge management alleviates the organizational performance of Islamic banks in the Kingdom of Bahrain.
2	1.50-2.49	Disagree	The Islamic bank officers and employees disagree that organizational knowledge management alleviates the organizational performance of Islamic banks in the Kingdom of Bahrain.
1	1.00-1.49	Strongly disagree	The Islamic bank officers and employees strongly disagree that organizational knowledge management alleviates the organizational performance of Islamic banks in the Kingdom of Bahrain.

Table 3: Scales and Interpretation Used on the Level of Significance of the organizational knowledge Management with the Organizational Performance in Islamic Banks as perceived by respondents

Scale	Mean	Interpretation	Description
5	4.50-5.0	Highly significant	The Islamic bank officers and employees perceived that organizational knowledge management is highly significant on the performance of the bank.
4	3.5-4.49	Significant	The Islamic bank officers and employees perceived that organizational knowledge management is significant on the performance of the bank
3	2.50-3.49	Moderately significant	The Islamic bank officers and employees perceived that organizational knowledge management is moderately significant on the performance of the bank
2	1.50-2.49	Slightly significant	The Islamic bank officers and employees perceived that organizational knowledge management is slightly significant on the performance of the bank
1	1.00-1.49	Not significant	The Islamic bank officers and employees perceived that organizational knowledge management is not significant on the performance of the bank



Table 4: Perception of Respondents on the Status of Knowledge Management in Islamic Banks in Terms of Organizational Culture

Indicator	Mean from Banks				Weighted Mean	Qualitative Interpretation
	BISB	AL Hilal	Al Salam	ITHMAR		
1. Muslim employees are allowed to have a prayer break 15 to 20 minutes everyday	4.32	4.24	4.4	3.72	4.17	Agree
2. Non- Muslim employees are given one day off during Christmas.	4.08	4.04	3.64	3.68	3.86	Agree
3. Employees are strictly observing the wearing of company traditional clothes (tob or abaya) or corporate attire.	4.04	3.92	3.96	3.6	3.88	Agree
4. The bank is highly observing the queueing priority to all customers regardless of their status and nationality.	3.84	3.8	4.16	3.64	3.86	Agree
5. Employees observe teamwork within their respective department and inter department.	3.84	3.92	4.04	3.64	3.86	Agree
Weighted Mean	4.02	3.98	4.04	3.66	3.93	Agree

Table 5: Perception of Respondents on the Status of Knowledge Management in Islamic Banks in Terms of Organizational Structure

Indicator	Mean from Banks				Weighted Mean	Qualitative Interpretation
	BISB	AL Hilal	Al Salam	ITHMAR		
1. Organizational structure and command of leadership in Islamic banks are well defined and implemented.	3.72	3.96	3.64	3.8	3.78	Agree
2. There is free flow of communication from the highest down to the lowest level of the organizational structure.	3.72	3.84	4.2	3.32	3.77	Agree
3. Islamic bank directors have the direct supervision on their respective departments.	3.64	3.8	3.88	3.24	3.64	Agree
4. Islamic banks directors are in-charged in evaluating the employee's performance based on the assigned tasks given at the beginning of the year.	4.12	4.16	3.52	2.92	3.68	Agree
5. Employee's promotion is based on educational background and performance.	3.96	4.2	4.24	3.44	3.96	Agree
Weighted Mean	3.83	3.99	3.90	3.94	3.92	Agree



Table 6: Perception of Respondents on the Status of Knowledge Management in Islamic Banks in terms of Technological Know-How

Indicator	Mean from Banks				Weighted Mean	Qualitative Interpretation
	BISB	AL Hilal	Al Salam	ITHMAR		
1.IT employees share and transfer knowledge with each other without any reluctance.	3.72	3.96	3.64	3.8	3.78	Agree
2.IT provides employees easy access to company information using an internal website and other channels.	3.72	3.84	4.2	3.32	3.77	Agree
3.IT provides all employees training on the use of software to access required information in various departments.	3.64	3.8	3.88	3.24	3.64	Agree
4.The bank uses the latest technologies for sharing knowledge to different levels of staff.	4.12	4.16	3.52	2.92	3.68	Agree
5.Deserving employees are sent abroad to gain new technological knowledge so as to abreast the bank with the latest technological know-how.	3.96	4.2	4.24	3.44	3.96	Agree
Weighted Mean	3.83	3.99	3.90	3.34	3.77	Agree

Table 7: Perception of Respondents on the Status of Knowledge Management in Islamic Banks in terms of Organizational Policies

Indicator	Mean from Banks				Weighted Mean	Qualitative Interpretation
	BISB	AL Hilal	Al Salam	ITHMAR		
1.Bank employees are all knowledgeable about bank policies	3.72	3.96	3.64	3.8	3.78	Agree
2.Bank officers see to it that bank policies and regulations are well implemented.	3.72	3.84	4.2	3.32	3.77	Agree
3.Bank directors monitor the implementation of bank policies through close supervision.	3.64	3.8	3.88	3.24	3.64	Agree
4.Warning letters are issued to employees who violate company policies for first offense.	4.12	4.16	3.52	2.92	3.68	Agree
5.All forms of discrimination are highly prohibited in Islamic banks .	3.96	4.2	4.24	3.44	3.96	Agree
Weighted Mean	3.83	3.99	3.90	3.34	3.77	Agree



Table 8: Significance of Knowledge Management to Islamic Banks' Operation in terms of Organizational Culture

Indicator	Mean from Banks				Weighted Mean	Qualitative Interpretation
	BISB	AL Hilal	Al Salam	ITHMAAR		
1. Allowing Muslim employees to have a prayer break 15 to 20 minutes every day is effective to organizational performance.	4.32	4.32	4.48	4.04	4.29	Significant
2. One day off given to non- Muslim employees during Christmas is effective to organizational performance.	3.96	4.04	4	3.72	3.93	Significant
3. Wearing of company traditional clothes (tob or abaya) or corporate attire by bank employees are strictly observed and effective to organizational performance.	4.4	4.4	3.8	3.92	4.13	Significant
4. Queueing priority to all customers regardless of their status and nationality are effective to organizational performance.	4.4	4.52	4.52	3.64	4.27	Significant
5. Teamwork within their respective department and interdepartmental among employees is effective to organizational performance.	4.28	4.24	4.16	3.32	4	Significance
Weighted Mean	4.27	4.30	4.19	3.73	4.12	Significant

Table 9: Perception of Respondents on the Significance of Knowledge Management to Islamic Banks' Operation in terms of Organizational Structure

Indicator	Mean from Banks				Weighted Mean	Qualitative Interpretation
	BISB	AL Hilal	Al Salam	ITHMAAR		
1. Islamic banks' employees have a minimum 1% increment every year with one horizontal level higher based on the basic salary and it and it has significance on the organizational performance;	4.36	4.2	4.04	3.48	4.02	Significant
2. Islamic banks' employees are upgraded one level higher as recommended by the bank Manager and it has significance on the organizational performance;	4.16	4.12	4.28	3.72	4.07	Significant



Indicator	Mean from Banks				Weighted Mean	Qualitative Interpretation
	BISB	AL Hilal	Al Salam	ITHMAAR		
3. Islamic banks' employees receive a 2 year step higher after obtaining Master's Degree and it has significance on the organizational performance;	4.12	4.08	4.04	3.68	3.98	Significant
4. Islamic banks' employees are allowed to work overtime during their day off and weekends and it has significance on the organizational performance;	4.24	4.32	4	4.04	4.15	Significant
5. Islamic banks' employees are entitled to have 2 days and half vacation every one month and it has significance on the organizational performance;	4.44	4.56	4	3.92	4.23	Significant
Weighted Mean	4.26	4.26	4.07	3.77	4.09	Significant

Table 10: Perception of Respondents on the Significance of Knowledge Management to Islamic Banks' Operation in terms of Technological Know-How

Indicator	Mean from Banks				Weighted Mean	Qualitative Interpretation
	BISB	AL Hilal	Al Salam	ITHMAAR		
1. Sharing and transferring of knowledge with each other without any reluctance is effective to organizational performance.	4.16	4.24	4.2	3.6	4.05	Significant
2. Providing employees an easy access to company information using an internal website and other channels is effective to organizational performance.	4.24	4.28	4.12	4	4.16	Significant
3. Providing all employees trainings on the use of software to access required information in various departments is effective to organizational performance.	4	4	3.96	3.96	3.98	Significant
4. Using the latest technologies for sharing knowledge to different levels of staff is effective to organizational performance .	4.04	4.12	3.76	3.76	3.92	Significant
5. Deserving employees are sent abroad to gain new technological knowledge so as to abreast the company with the latest technological know-how is effective to organizational performance.	4.2	4.28	3.96	4.08	4.13	Significant
Weighted Mean	4.13	4.18	3.20	3.88	3.85	Significant



Table 11: Perception of Respondents on the Significance of Knowledge Management to Islamic Banks' Operation in terms of Organizational Policies

Indicator	Mean from Banks				Weighted Mean	Qualitative Interpretation
	BISB	AL Hilal	Al Salam	ITHMAAR		
1. Knowledgeable about the organizational policies is effective to organizational performance.	4.16	4.24	4.2	3.6	4.05	Significant
2. Well implementation of company policies and regulations are effective to organizational performance.	4.24	4.28	4.12	4	4.16	Significant
3. Monitoring the implementation of company policies by directors through close supervision is effective to organizational performance.	4	4	3.96	3.96	3.98	Significant
4. Warning letters issued to employees who violated company policies for first offense is effective to organizational performance.	4.04	4.12	3.76	3.76	3.92	Significant
5. Prohibiting all forms of discrimination in the bank is effective to organizational performance.	4.2	4.28	3.96	4.08	4.13	Significant
Weighted Mean	4.13	4.18	3.20	3.88	3.85	Significant

Table 12: Difference in the Perception of Respondents on the Status and the Level of Significance of Knowledge Management in Relation with Islamic Banks' Performance

Organizational Culture	Pearson Correlation	0.591
	Sig. (2-tailed)	0.000*
	N	100
	Interpretation	Statistically significant
Organizational structure	Pearson Correlation	0.573
	Sig. (2-tailed)	0.000*
	N	100
	Interpretation	Statistically significant
Technological know-how	Pearson Correlation	0.306
	Sig. (2-tailed)	0.048*
	N	100
	Interpretation	Statistically significant
Organizational policies	Pearson Correlation	0.306
	Sig. (2-tailed)	0.048*
	N	100
	Interpretation	Statistically significant