



CAIIB

Module-A Unit-5

Human Resources Management



CAIIB HRM Module A Unit 5- Knowledge Management

Knowledge Management

- The banking is steadily shifting from '**labour-intense enterprise**' to '**knowledge-driven economy**' and as such in the futuristic outlook, the effectiveness and success of the banks largely depends on the level of intellectual capital which they could build up and nurture. This necessitates the banks, not only to acquire young talents potent with new and up-to-date knowledge and skills in abundance, but also to retain such talents by employing attractive HR interventions.
- The banks need to handle a new area of management, i.e., 'Knowledge Management' as the '**Management as the Knowledge**' is the key to manage all other areas of management. The quality of performance in other areas of management depends greatly upon how effectively the banks manage their key knowledge assets.

Types of Knowledge Management

Knowledge is of two types. They are explicit and tacit knowledge.

- The term '**explicit knowledge**' can be defined as that component of knowledge which can be codified and transmitted in a methodical and prescribed language. For example, documents, databases, webs, e-mails, charts, etc.
- On the other hand, '**tacit knowledge**' is personal, intuitive, contextual, and difficult to formulize, and record or articulate. It is built out of experience and is stored in the minds of people
- '**Knowledge Management**' can be defined as a process encompassing various steps, viz., gathering, organizing, sharing and analyzing the knowledge of individuals and groups across the organisation in order to leverage such knowledge for organisational performance and to generate a new set of value system in the organisation.
- The companies where KM initiative are already in place and practiced with success may be called **Knowledge Intensive Firms (KIF)**. A **Chief Knowledge Officer (CKO)** as is called, is mainly assigned the task of managing the reservoir of knowledge residing in the individual employee and setting up a mechanism by which knowledge is shared by all concerned that would otherwise remain in some remote department of the company.

The key drivers for KM initiative are:

- ✓ Rapid advances in the field of Information and Communication Technology (ICT) which has revolutionized the way in which businesses are being carried out.
- ✓ Extremely high business competition arising because of the globalisation of economies
- ✓ Increased complexity of business and complexity of management.
- ✓ Faster pace of innovation because of growing industry competition.
- ✓ Increased mobility of workforce.

- ✓ Growing recognition across all industries regarding the need and significance of ongoing and life-long learning, etc.

Significant Features Of Knowledge Management

- **KM initiatives can substantially contribute towards cost cutting, product and process innovations, competitiveness**, and hence can ensure improved operational efficiency as well as better systems, procedures and internal control systems.
- KM can tremendously improve the competency profile of the employees in an organisation in respect of their skills and knowledge levels. It provides the employees with a wider and holistic perspective of their own organisation vis-à-vis competitor firms.
- Unlike in case of physical assets which deteriorate in value over a period of time, organisational value gets enhanced progressively as it is used.
- KM initiatives can significantly contribute towards creation and addition of value in organisations.
- KM initiatives can significantly contribute towards customer service to a large extent and can support CRM initiatives considerably.
- KM can provide inputs in assessing the risks associated with a loan proposal and hence can help in taking more informed and objective credit decisions. Latest developments like **Knowledge Discovery and Data Mining (KDD)** software have further revolutionized the field.
- KM ensures the availability of relevant and up to date information regarding customers, competitors as well as other markets and enables faster and more scientific decision making in organisations.
- KM initiatives can inculcate a habit of continuous learning among the workforce to drive the organisation towards a **'Learning Organisation'**. A 'Learning Organisation' is an organisation which is not only skilled in creating, acquiring and transferring knowledge but also at modifying behaviour to reflect new knowledge and insights.

Knowledge Management In Banks

- The term knowledge itself is in a banks' context – **the difference between ordinary and the extraordinary handling of any task, process or interaction-between employees**, with customers or with any other stake holder of the bank-has always been the explicit and tacit usage of knowledge by the person guiding the transaction.
- Successful banks of the 21st century will be those who do the best job capturing, storing and leveraging what their employees know.
- Continuous improvisation of selection procedure for quality manpower, a more competitive compensation structure, promotions based on competency assessment, are certainly aimed at an objective and knowledge based procedure.

- Encouragement for Study, Training, Group Activities, and Knowledge sharing through network portals have improved communication within organisations and helped development of knowledge sharing attitude to some extent.
- KM guides the personnel in being able to deliver projects in time in a cost effective manner which is critical in a service industry like banking. KM instills in the minds of the employees that projects assigned to them have to be delivered.
- In present era of competition, banks have to acquire, develop, update and make use of the requisite knowledge of business environment by identifying the areas in respect of which knowledge is required and acquiring the desired knowledge by induction of the right quality manpower.
- Some banks have recruited '**Chief Knowledge Officer (CKO)**' in the rank of **Asst. General manager/Dy. General Manager** who is exclusively responsible for managing the entire portfolio of KM in the bank right from identifying the knowledge needs, identifying the sources of knowledge, process of acquiring and sharing and disseminating such knowledge among workforce.

KM Models for Banks

Banks can follow the DIKAR model, which is recommended strongly for the software industry. This model is different from the usual approach in the sense it starts from the end i.e. from the results, which is a reverse process. Since, results are kept at the very top and one works backwards, there is greater possibility of achieving the desired results. In that sense, DIKAR is turned upside down and approached as RAKID where:

- **R = Ensuring Worthwhile Results.**
- **A = Taking effective action such that the effects of which generate data.**
- **K = Procuring the knowledge which is the basis for the above.**
- **I = Having the necessary information which is reflected to produce.**
- **D = Accordingly data is collected, stored and processed to create the above information.**

Implementation of 'Knowledge Management' Systems in Banks

- The **banking culture, knowledge acquisition, learning and innovation** are all important aspects of the knowledge Management Practices in Banks. In the preparatory stage, banks help the employees make an effort to understand the critical business processes within.
- KM is used for developing a new or customising an existing scheme or product with suitable enabler technology. Once implemented, banks can set up evaluation machinery which could generate data and knowledge about the KM systems, status and awareness. The essence of KM implementation is thus, developing individuals' capabilities to deal with the organisational knowledge profitably and developing organisational capability through enhancement of support systems.
- Considering the high rate of attrition in the IT Sector which is a highly knowledge-based industry, some of the world-class players in this industry said to have introduced certain incentives and rewards for encouraging

- Its employees to share knowledge, besides incorporating the aspect of **'Contribution to Corporate Memory/Intellectual capital'** as one of Key Result Areas (KRAs) in their Annual Performance Appraisal.
- Such initiative has a dual objective, i.e., to encourage the knowledge-workers to stay attached to the organisation thereby preventing high exodus on one hand and to enhance the organisational knowledge out of their implicit talents, which will keep the organisation intellectually alive even after such talents eventually leave the organisation.

Application of Knowledge Management in Banks

- The increased thrust of service orientation in banks have brought in considerable use for technology as knowledge management plays a pivotal role in not only securing to protect the customer base but also broad-basing it in the long run. Customer Experience Management (CEM) which involves understanding the customers, their preferences, dislikes as also reasons for choosing another bank, could all, form a major decision making tool.
- The ultimate objective of instilling the effective Knowledge Management Systems in the banks, is to meaningfully apply such acquired knowledge for the business development.
- The success of such meaningful application of knowledge in the organisation largely depends on the concerned employee's attitude and also the organisation's rules and policies.

Knowledge Management Applications in Banks — Present & Future

With liberalization and globalization of business, competition has become the very core of business success or failure of firms. This is particularly relevant in the banking industry in India in the post reforms period. **KM can facilitate competitiveness of a product significantly;** because it can contribute, towards putting into practice all the three generic competitive strategies viz.

- **Cost Leadership**
- **Differentiation and**
- **Focus.**

In the present scenario, especially in the public sector banks, and old private sector banks, there is no provision to consider knowledge contributions of the employees as part the performance appraisal system and also to offer rewards or incentives to such contributions. For solving such cultural and behavioral issues, banks can adopt certain measures like changing their HRM policies to incorporate rewards/incentives to staff for sharing of their knowledge and also consider such contributions during the performance appraisal process.

The Future

- Banks will see themselves appointing **Chief Knowledge Officers** who would be responsible for the implementation of the KM concept effectively in the near future.
- Since the future of banking industry would be based on the knowledge economy which is thriving and developing by the day, thanks to IT explosion, KM would be the only way in which banks can sustain themselves till another major revolution which could match the one on the IT front takes place and which would force people and processes to look for alternatives to IT.

IT And Database Management

- In banks, the Data Management is done through application modules driven by information technology. A **Database Management System (DBMS)** is a computer software application that interacts with the user, other applications, and the database itself to capture and analyze data.
- The Centralized Data Warehouse where the data of all customers of the branches of a bank is stored-should be in a position to provide readily the required information called for, as undue delay would tell upon the quality of service.
- New technologies are also making knowledge less dependent on the direct contribution by employees as the only means of acquiring new knowledge such as:
 - **Data mining allows for gaining new knowledge by analyzing past performances.**
 - **Electronic access to external sources of information, provide rich resource to create new knowledge.**
 - **Video conferencing, application sharing and electronic meetings are useful knowledge sharing enablers.**

Some of the commonly used KM tools and technologies as a part of their Database Management Systems are as under:

- **Online Discussion Forums:** Discussion groups enable the exchange of ideas and information, helping a geographically separated team function as efficiently as if the team members shared the same office. It provides an efficient way to get specific answers and keeping every one informed on the relevant issues.
- **Online conferencing and collaborations:** Online meetings and collaborations make it easier to communicate and collaborate with people in an organisation's network.
- **Instant messaging:** Instant messaging system helps every day, more people to collaborate with co-workers, immediately sharing business information across widespread geographical locations and time zones.
- **Communities of Practice:** KM technologies provide a convenient and effective way to form 'Communities of Practice' (COP), around areas of common interest or projects. Communities are subgroups of people who have a shared specialisation, interest or project.

- **Document and Content Management:** Document management is a systematic method for storing, locating and keeping track of information that is valuable to a business. A structured document management system can increase productivity by workers reusing existing documents and expertise already generated.
- **Web Intelligence:** It brings together some key information pieces vital for an organisation's survival by focusing on the organisation's information, public relations and market intelligence needs. It also helps integrate the organisation with its customers, so as to offer a seamless, time-independent blend of services.
- **Personalized Portal Interface:** A personalized, portal interface becomes a great motivator to receive and share information. Different users are able to have different home pages based on their roles. One single screen on the computer enables the user to find relevant information in minimum possible time.

Role of Contemporary Information Technology Tools in Knowledge Management

Knowledge Management (KM) has become the key factor for the success of all organisations. Information and Communication Technologies (ICTs) are technologies which facilitate the management to share knowledge and information.

The following contemporary technologies contribute in organisation's knowledge management environment:

- **Intranets:** An intranet can be defined as a private network used by an organization. Its primary purpose is to help employees securely communicate with each other, to store information, and to help collaborate.
- **Dashboards:** A dashboard is a visual display of the most important information needed to achieve one or more objectives; consolidated and arranged on a single screen so the information can be monitored at a glance.
- **Document Management System:** Document management systems are repositories for organisation's document or explicit knowledge in an organisation. These systems are mainly used for creating, processing and reviewing documents.
- **Information retrieval engines:** Information retrieval from corporate text repositories or searching through intranet exist in many organisations as a knowledge silo.
- **Groupware and Workflow systems:** Groupwares are used in the organisation for communicating and collaborating among workgroups and departments in formal or ad hoc conversations when users cannot communicate in real time. The workflow systems are used for codification of knowledge transfer processes.
- **Brain storming applications:** These are used to convert tacit knowledge into explicit knowledge. These applications are useful knowledge creating tools that help in categorizing, organisation and identifying knowledge resources.

- **Data warehousing and mining tools:** Organisations create data warehouse and provide the managers with data mining tools to take decisions based on increasingly complex set of data.

Artificial Intelligence (AI) in Banking Industry

- AI is the ability for machines to interact and learn to do tasks previously done by humans. Through machine interaction and learning, natural language can be processed and decisions made faster and more accurately than was possible in the past.
- AI makes it possible to automate vast amounts of data, analyzing and applying it at record speeds. New cognitive-based solutions also enables a more pro-active and personal customer experience at a lower cost than was ever possible before.
- Two of the biggest challenges that remain in banking is the absence of people experienced in data collection, analysis and application and the existence of data silos. This was reflected in the research done by Narrative Science.

Benefits of Artificial Intelligence (AI) in Banking

- **Enhanced customer personalization:** Personalized communications and advice as enabled by AI can be reflected by robo advisors – online wealth management services that provide automated, algorithm-based portfolio management advice without the help of a human counterpart.
- **Productivity Gains:** From customer communication flows to basic back office processing, AI can take rather routine, repetitive processes and make them both more efficient and effective
- **Fraud detection:** By an ongoing review of account activity patterns can be monitored, with aberrations to patterns being flagged for further review. Over the last decade, AI has not only significantly improved the monitoring process, but is now able to respond in real time to potential fraud.
- **Better Customer Recommendations:** AI provides the ability to have improve customer recommendations and advice. Mobile banking apps like Moven and Simple let users track their spending and increase their savings with automated, personalized recommendations via a specialized debit card linked with their smartphone app.

Database Management – Adding Value to Customer Services in Retail Banking

- The databases of the clients can play a very important role in customizing the services and hence adding value to it. Highly competitive environment has made the marketing of retail banking services a challenging job.
- The Indian Banking Sector has evolved immensely through history—starting from the early coinage system to the era of credit cards and now furthers on to Internet and home banking.
- Today we have a host of Nationalised, Public sector and Private sector banks that are ready to cater extensively to the needs of the customer. Banks are no longer restricted to any particular arena of Finance. With rapid changes in the economic

environment, Indian banks have diversified into several sectors, viz.:
Consumer/Retail banking, Corporate Banking, Rural Development, Industrial Development, etc.

Customer Knowledge: Relevance in Knowledge Management

- This is one of the most vital sources of knowledge of a bank. However, banks in India, in general, **except a few foreign banks and progressive private sector banks, are yet to put in systems for creation, maintenance and updation** of suitable customer databases, and to advantageously use the same for various managerial decision making.
- These decisions include customer segmentation based on various parameters, studying the behavior of customers based on their track record in respect of facilities already availed, launching various innovative and **“tailor made”** products to different customer groups/ segments, etc.
- **Customer Relationship Management (CRM)** is a term that refers to practices, strategies and technologies that companies use to manage and analyze customer interactions and data throughout the customer lifecycle, with an objective of improving business relationships with customers and assisting in customer retention. KM along with sufficient IT support can be used as a powerful enabler of CRM.
- **KM for Business Innovation:** KM can act as an important enabler for the innovation efforts of a bank, since it can provide the latest and relevant information and other decision inputs. The basic point behind product innovation or process innovation being such factors as changing customer tastes, preferences, aspirations, profitability considerations etc. KM systems can make development of new products and processes very fast as well as very cost effective.
- **KM for assessing loan risks:** KM can provide tremendous inputs in assessing the risks associated with a loan proposal. Modern KM systems make use of latest **Knowledge Discovery and Data Mining (KDD) software**. These systems can extract unknown useful information from different databases and use the same in the given application. Accordingly, these systems can predict the repayment behavior, credit risk of loans and hence, help take sound credit decisions.
- **Knowledge Analysis:** The process of identifying specific skills contributing to the success of a firm is called knowledge analysis. It is not an easy subject. Constant practice is required for its development. Leadership among banks will depend on which bank leads in knowledge.

Database Management in Banks

- **Database Management’ is “a collection of related data organized for efficient retrieval and manipulation”.** The names of customers in the database could be obtained from internal and external sources. They may also have been created to meet specific requirements of the bank.

- Most organisations now make or try to make optimal utilisation of the database in its marketing activities and in the up gradation of the quality of its services. Such kind of marketing is termed as the Database Marketing. Database marketing can be defined as **“A Direct marketing technique emanating from the use of data collection on actual and prospective customers”**.
- **Database Management and Database Marketing** adds to the strength of this pillar by helping in knowing a clear picture of the customer profile to understand who requires what and the specific type of service and meet such expectations as closely as possible.

Database Management Methodology

Among the various methods used by Banks the world over are:

- Segmentation Techniques,
- Custom Clustering,
- Data mining technologies,
- Online Analytical Processing Methods,
- E-Retail, Database Conquest Marketing,
- Telebanking.

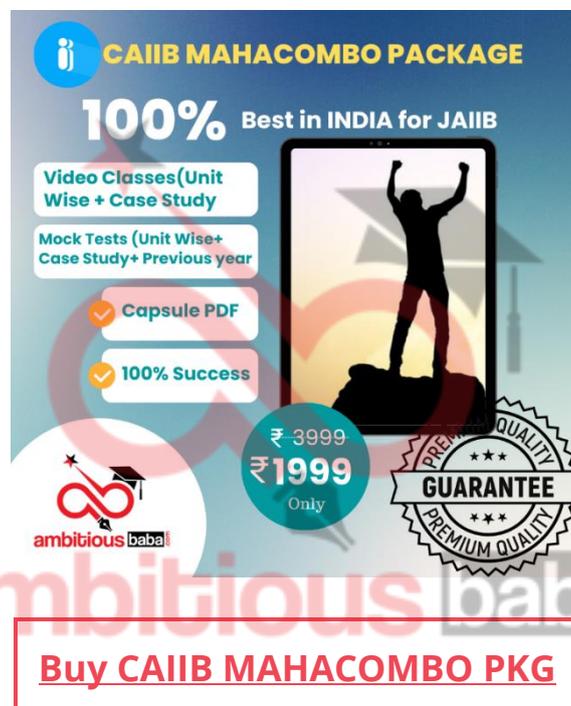
Call Center and Call Processing Units. In banks, the Data Management is done through application modules driven by **information technology**. A Database Management System (DBMS) is a computer software application that interacts with **the user, other applications, and the database itself to capture and analyze data**.

Data Mining

- **‘Data Mining’** is the process of analyzing data from different perspectives and summarizing it into useful information – information that can be used to increase revenue, cuts costs, or both.
- Data mining software is one of the number of analytical tools for analyzing data. It allows users to analyze data from many different dimensions or angles, categorize it, and summarize the relationships identified. Technically, data mining is the process of finding correlations or patterns among dozens of fields in large relational databases.
- Towards a systematic approach to the knowledge generation, the banks need to introduce the Data Warehousing and Data mining by leveraging the Information Technology for its competitive advantage so that such pooled data can be used as a source of knowledge and intelligence to the workforce.
- As most of the knowledge is generated through constant learning, research and its application in the work arena, banks have to encourage its employees to take up research in the core business areas and also to depute them to outside.

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