



**KNOWLEDGE ACQUISITION AND  
KNOWLEDGE SHARING IN BANK CO.:  
PRACTICES AND PROCESSES**


By

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## APPROVAL PAGE

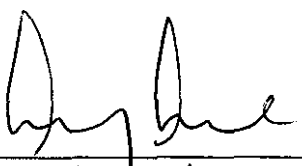
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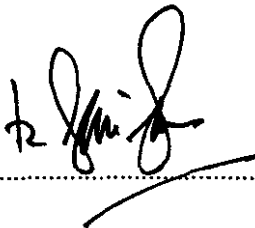
  
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## TABLE OF CONTENTS

|  |     |
|--|-----|
| Approval page                                | ii  |
| Declaration and Copyright Page               | iii |
| Acknowledgments                              | iv  |
| Table of Contents                            | v   |
| List of Tables                               | ix  |
| List of Figures                              | x   |
| Abstract                                     | xi  |
| <br>   |     |
| 1. INTRODUCTION                              |     |
| 1.0 Background of Study                      | 1   |
| 1.1 Research Problem                         | 2   |
| 1.2 Research Objective                       | 3   |
| 1.3 Research Questions                       | 3   |
| 1.4 Significance of the Study                | 3   |
| 1.5 Organization of the Project Paper        | 4   |
| <br>   |     |
| 2. LITERATURE REVIEW                         |     |
| 2.1 Knowledge Management in Banking Industry | 5   |
| 2.2 Type of Knowledge                        | 6   |
| 2.2.1 Knowledge: Tacit “Implicit”            | 8   |
| 2.2.2 Knowledge: Explicit “Codified”         | 9   |
| 2.3 Knowledge Acquisition                    | 10  |
| 2.4 Knowledge Sharing                        | 11  |

|         |   |    |
|---------|---|----|
| 2.5     | Knowledge Transfer  | 12 |
| 2.6     | Summary   | 15 |
| 3.      | RESEARCH METHODOLOGY  |    |
| 3.1     | Research Design   | 16 |
| 3.2     | Sample and Population   | 17 |
| 3.3     | Data Collection   | 17 |
| 3.3.1   | Primary Data  | 18 |
| 3.3.1.1 | Questionnaire   | 18 |
| 3.3.1.2 | Observation   | 19 |
| 3.3.2   | Secondary data  | 19 |
| 3.4     | Data Analysis   | 19 |
| 3.5     | Summary   | 20 |
| 4.      | DATA ANALYSIS AND FINDINGS  |    |
| 4.1     | Knowledge Acquisition in Bank Co.   | 21 |
| 4.1.1   | Methods of Knowledge Acquisition in Bank Co.  | 23 |
| 4.1.2   | Bank Co. Encourages Employees to Acquire Knowledge  | 30 |
| 4.1.3   | Efforts to Knowledge Acquisition in Bank Co.  | 31 |
| 4.2     | Knowledge Sharing in Bank Co.   | 33 |
| 4.2.1   | Tacit to Tacit Knowledge Sharing in Bank Co   | 35 |
| 4.2.1.1 | I prefer to teach my subordinates via face to face discussions / I was taught by the Supervisors via face to face discussions | 35 |
| 4.2.1.2 | I only share my knowledge if my subordinate ask me for it / The supervisors only share the knowledge when asked               | 36 |

|         |  |    |
|---------|--|----|
| 4.2.1.3 | I am given the opportunity to share my knowledge with others in a seminar, course, workshop, etc.  | 37 |
| 4.2.1.4 | Story telling is a good medium of knowledge acquisition and knowledge sharing on the environment and on works in the organisation  | 38 |
| 4.2.1.5 | Members informally help each other to learn or to attain new skill and knowledge regardless of the status.   | 39 |
| 4.2.2   | Tacit to Explicit Knowledge Sharing in Bank Co.  | 41 |
| 4.2.2.1 | ICT infrastructure such as e-mail, intranet, internet, etc. is a good platform for us to disseminate knowledge (e.g. relating to working experience, seminars, workshops etc.)   | 41 |
| 4.2.2.2 | I am required to write a report or paperwork on any event that occurs in my branch so that it can be properly recorded for future references (e.g. relating to working experience such as fraud case, process flow, risk mitigation, etc.) | 42 |
| 4.2.3   | Explicit to Explicit Knowledge Sharing in Bank Co.   | 43 |
| 4.2.3.1 | New employees learn using the application system related to their jobs through procedures and operation manuals.   | 43 |
| 4.2.3.2 | I can easily access to work related knowledge using ICT infrastructure such as the organisation's intranet or e-library.   | 45 |
| 4.2.4   | Explicit to Tacit Knowledge Sharing in Bank Co   | 46 |
| 4.2.4.1 | Employees are provided sufficient procedures, operation manuals, guidelines etc to do their everyday jobs.   | 46 |
| 4.2.4.2 | The procedures, operation manuals, guidelines, etc. are very useful in helping me do my work.  | 47 |
| 4.3     | Summary  | 49 |

|         |   |        |
|---------|---|--------|
| 5.      | CONCLUSIONS AND RECOMMENDATIONS   |        |
| 5.1     | Recommendations   | 50     |
| 5.1.1   | Recommendation for Bank Co.   | 50     |
| 5.1.1.1 | Improve and Update the Methods of Knowledge Acquisition in Bank Co.             | 50     |
| 5.1.1.2 | Report and Paperwork Writing  | 52     |
| 5.1.1.3 | Emphasise on the Usage of the Procedures and Operation Manuals                  | 52     |
| 5.1.1.4 | ICT infrastructure in Bank Co. Such as the Organisation's Intranet or E-library | 53     |
| 5.1.2   | New Research  | 53     |
| 5.2     | Limitation of Study   | 54     |
| 5.3     | Summary   | 55     |
|         | <br>BIBLIOGRAPHY  | <br>56 |
|         | APPENDIX 1  | 63     |
|         | APPENDIX 2  | 66     |



## **LIST OF TABLES**

|          |   |    |
|----------|---|----|
| Table 1: | Use of the explicit and tacit knowledge in the workplace    | 7  |
| Table 2: | Supervisor Knowledge Acquisition Methods in Ascending Order | 23 |
| Table 3: | Teller Knowledge Acquisition Methods in Ascending Order     | 23 |
| Table 4: | Supervisor Knowledge Sharing Perception                     | 33 |
| Table 5: | Teller Knowledge Sharing Perception                         | 34 |

## **LIST OF FIGURES**

|            |   |    |
|------------|---|----|
| Figure 25: | Bank Co.'s supervisors' perception.                                   | 30 |
| Figure 26: | Bank Co.'s tellers' perception.                                       | 30 |
| Figure 27: | Supervisors claim on the efforts of knowledge acquisition in Bank Co. | 31 |
| Figure 28: | Tellers claim on the efforts of knowledge acquisition in Bank Co.     | 32 |

## **ABSTRACT**

This project paper was conducted to determine the knowledge acquisition and sharing practices in Bank Co. The research had examined and identified the form of explicit and tacit knowledge and the knowledge transfer processes in Bank Co. Data was collected through questionnaire surveys via e-mail, researcher's observation of work related issues and reviews of the organisation's related documents pertaining to knowledge acquisition and knowledge sharing in Bank Co. The research involved 202 respondents which consisted of supervisors and tellers from the organisation's branch in Peninsular and East Malaysia. The data was analysed using SPSS to derive the mean and standard deviation to test the strength of the agreement. The mean was also used to rank the methods of knowledge acquisition as perceived by the supervisors and tellers of Bank Co. The study found many similarities as well as differences among the supervisors and tellers.

# CHAPTER ONE: INTRODUCTION

## 1.0 Background of Study

As a new employee attached to a newly established department of this organisation, the researcher has been given the privilege to conduct training to selected employees on the newly started, cheque clearing process. In the course of preparing the training modules, the researcher has witnessed that the organisation invests hundred thousands of Ringgit Malaysia (RM) annually on knowledge acquisition and sharing (Bank Co., 2009). According to McCune (1999) companies were investing large amounts of money to develop the knowledge management (KM) systems and the most popular technologies were the intranet, document management systems and data warehouses. In the case of the organisation involved in the study, the investment in knowledge is made through:

- a. Training employees via on-job training for new comers, courses for the introduction of new products and refresher course (refresh the knowledge)
- b. Enhance the ICT infrastructure to support the main business activities
- c. Enhance the organisation's operating procedures, policies, people, etc.

This suggests the organisation recognises the important roles of the knowledge acquisition and sharing practices and processes within the organisation. Due to the confidentiality issues involved, the organisation requested their name be kept anonymous. The organisation will be known as Bank Co. throughout the research.

The employees, especially branch supervisors are seen to be a catalyst of KM practices and processes in the organisation (Bank Co., 2009). Bank Co.'s knowledge initiatives can be seen through (i) the training and courses of any new product or process the supervisors were called to attend; (ii) the e-mail facilities which only the branch supervisors can access at the branch; (iii) being a senior staff in the organisation, supervisors are seen to hold much knowledge about the processes, practices and cultures of Bank Co. etc. According to Bank Co. (2010), they invest a huge amount of money to elevate and improve the supervisors' core competencies in performing the daily business activities and at the same time, is hoped they will impart the knowledge they obtain to their down liners.

## **1.1 Research Problem**

Bank Co. hopes the knowledge acquired are shared among the members so that existing knowledge can be retained and new knowledge can be created in Bank Co. According to Debowski (2006); knowledge sharing can be considered as one of an organisation's core competencies.

The research will explores the extent of the knowledge acquisition and knowledge sharing processes and practices in Bank Co. This can be done by looking into the knowledge imparting activities of the supervisors to their down liners, whom in this case are the tellers.

## **1.2 Research Objective**

The research objectives of this study are as follows:

- 1.2.1 To learn the knowledge acquisition and sharing practices in Bank Co.
- 1.2.2 To identify the sources of knowledge in Bank Co.
- 1.2.3 To identify the knowledge transfer process in the organisation.

## **1.3 Research Questions**

As mentioned above, Bank Co. was seen to invest heavily in knowledge initiatives. Bank Co. saw the importance of retaining and creation of new knowledge in order to gain competitive advantage. Therefore the research elaborated the issue of 'what is going on in Bank Co.' by addressing the following questions:

- 1.3.1 What are the knowledge acquisitions and knowledge sharing practices in related to Tacit and Explicit Knowledge in Bank Co.?
- 1.3.2 Where are the sources of knowledge in Bank Co.?
- 1.3.3 What are the knowledge transfer process practices in Bank Co.?

## **1.4 Significance of the Study**

It is hoped that the research will be beneficial to Bank Co. and future research by achieving the following:

- 1.4.1 To be better in the organisation's KM in order for it to gain and to sustain competitive advantage.

- 1.4.2 To uncover the effectiveness level of the knowledge acquisition and sharing processes and practices in Bank Co.
- 1.4.3 Useful for future planning of Bank Co's knowledge acquisition and sharing activities in becoming a knowledge organisation.
- 1.4.4 Provide some understanding on knowledge sharing processes and practices in a government linked bank.

## **1.5 Organisation of the Project Paper**

The introduction chapter will highlight the background of study, research problem, research objective, research question and significance of study. It will give an overview of the research. Then, chapter two will review and discuss on the literature review that supports the main issue of this research. Next, chapter three will provides the overview and outline of the research method. Later chapter four will present the results and discussions of the research findings and finally, chapter five will discusses the conclusions and recommendations of the overall research.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.0 Introduction**

This chapter will review and discuss on the literature review related to the area of research. The literature consisted of the present view of KM in the banking industry, the type of knowledge (tacit and explicit), knowledge acquisition, knowledge sharing and knowledge transfer which supported this research.

### **2.1 Knowledge Management in Banking Industry**

Nowadays the banking industry demands the organisation knowledge to be managed, efficiently. Among the important reasons identified by Ramanathan, Richardson and Salleh (2003) for organisation to establish the KM initiative is the need for all the organisations to develop new areas of growth in knowledge intensive areas so that it will be in line with Malaysia's knowledge economy. Drucker (1969) highlighted that one of the most importance resource is knowledge.

In the banking sector, knowledge can be information in action and it is what the banks' employees understand about their customers, products, processes, mistakes and successes and contrasting to the conventional material assets which diminish when used, knowledge asset flourished (Thampi, n.d.).

According to AlAmmary and Chun (2008), strong association was seen between KM and Business Strategies (BS) and that the alignment between Knowledge Strategies (KS) and BS were clearly witnessed to have influenced the banks performance. This is supported by Rodriguez and Edwards (2008) who



summarised that banks are affected by the internal and external changes which caused the banks' management to look across the organisation to identify the influence of strategic planning, information systems theory, risk management and KM.

According to Liew (2007), knowledge can be defined as (1) cognition or recognition (know-what), (2) capacity to act (know-how), and (3) understanding (know-why) that resides within the mind or in the brain. Bjerrum and Bødker (2002) explained that knowledge cannot be treated as a goods or entity that is to be put in a common place to be shared, but, it must be recognised as a heavily process oriented and interpersonal entity. Martini and Pallegriani (2005) noted one important source of an organisation achieving long-term competitive advantage is through KM. This is backed by Dzinkowski (2001) who stated that globalisation forced the banks to cut back on their products and services and to begin the KM initiative to gain a competitive advantage. Therefore, knowledge is recognised as the primary foundation in any competition and in gaining a competitive advantage (Revilla, Prieto & Prado, 2010).

## **2.2 Type of Knowledge**

Researchers like Herschel, Nemati and Steiger (2001) mentioned that there are two forms of knowledge which is explicit knowledge and tacit (implicit) knowledge which is recognised by most of the practitioners and researchers in the KM field. Smith (2001, pp. 313) summarises basic ways tacit knowledge and explicit knowledge is used in the workplace, and groups major concepts underlying explicit and tacit knowledge into ten general categories as shown in Table 1.

**Table 1: Use of the explicit and tacit knowledge in the workplace**

|  |   |
|--|---|
| Explicit knowledge – academic knowledge or “know-what” that is described in formal language, print or electronic medium, often based on established work processes, use people-to-documents approach | Tacit knowledge – practical, action-oriented knowledge or “know-how” based on practice, acquired by personal experience, seldom expressed openly, often resembles intuition         |
| Work process – organised tasks, routine, orchestrated, assumes a predictable environment, linear, reuse codified knowledge, create knowledge objects   | Work practice – spontaneous, improvised, web-like, responds to a changing, unpredictable environment, channels individual expertise, create knowledge                               |
| Learn – on the job, trial and error, self directed in areas of greatest expertise, meet work goals and objectives set by organisation  | Learn – supervisor or team leader facilitates and reinforces openness and trust to increase sharing of knowledge and business judgement   |
| Teach – trainer designed using syllabus, uses formats selected by organisation, based on goals and needs of the organisation, may be outsourced  | Teach – one on one, mentor, internships, coach, on the job training, apprenticeships, competency based, brainstorm, people to people  |
| Type of thinking – logical, based on facts, use proven methods, primarily convergent thinking  | Type of thinking – creative, flexible, uncharted, leads to divergent thinking, develop insights   |
| Share knowledge – extract knowledge from person, code, store and reuse as needed for customers, e-mail, electronic discussions, forums   | Share knowledge – altruistic sharing, networking, face-to-contact, videoconferencing, chatting, storytelling, personalise knowledge   |
| Motivation – often based on need to perform to meet specific goals   | Motivation – inspire through leadership, vision and frequent personal contact with employees  |
| Reward – tied to business goals, competitive within workplace, compete to scarce rewards, may not be rewarded for information sharing  | Reward – incorporate intrinsic or non-monetary motivator and rewards for sharing information directly, recognise creativity and innovation  |
| Relationships – may be top-down from supervisor to subordinate   | Relationships – open, friendly, unstructured, based on open, spontaneous sharing of knowledge   |
| Technology – related to job, based on availability and cost, invest heavily in IT to develop professional library with hierarchy   | Technology – tool to select personalised information, facilitate conversions, exchange tacit knowledge, invest moderately in the framework of IT, enable people to find one another |

Source: Smith (2001)

### **2.2.1 Knowledge: Tacit “Implicit”**

Agbeja and Fajemisin (2008) defined tacit knowledge as the knowledge which cannot be generalised on its own but it is related to the understanding, the experience and the know-how which is in the people. Another commonly held view by Nonaka and Takeuchi (1995) elaborated tacit knowledge as personal, context-specific, and therefore hard to formalise and communicate. Bhardwaj and Monin (2006, pp.73) explained “tacit knowledge interacts with the importance subsystems (i.e. psychological, intellectual, knowledge, functional, social and cultural) of an organisation thereby shaping its knowledge base”. Gertler (2003) who described tacit knowledge which is on contrary to knowledge expressed in some written or spoken form is non-verbalised, intuitive, and unstated.

Based on research by Butler, Le Grice and Reed (2006), tacit knowledge remains relatively hidden and according to Spender (1994) may only be accessible to an individual through sustained interaction. Gourlay (2002) described the importance of tacit knowledge is not only due to expertise that rests on it, but also because it is the source of competitive advantage and at the same time essential to daily management activities. Moreover, Baumard (1999) proposed tacit knowledge could be an attribute of both individuals and of groups. An example for this is the internal trainer conducting training session to the branch officers by using Train the Trainer (3T) concepts. Branch officers are then encouraged to share their knowledge gained with their staff (Bank Co., 2010).

### **2.2.2 Knowledge: Explicit “Codified”**

The next form of knowledge is Explicit or “codified” knowledge, which refers to knowledge that is formally transferable in an organised language. Daneshgar and Amaravadi (2004) view explicit knowledge as a type of information which can be used by certain people for a particular function. In addition Davenport and Prusak (1998) pointed out that explicit knowledge gives permanence to previously impermanent knowledge and it can more easily “be shared, stored, combined, and manipulated in a variety of ways”. Another commonly held view by Stover (2004, pp.164) and Bhirud, Rodrigues & Desai (2005) explained explicit knowledge as generally more organised and produced in written reports, databases, best practices or processes and other medium.

According to Butler, Le Grice and Reed (2006) explicit knowledge is the information provided by the organisation as reference books and manual to the employees in order for them to obtain additional human capital. In Bank Co., the explicit knowledge is represented as documents such as bank procedures, bank policies and operation manual, best practice, and databases such as electronic archives or electronic library.

Studies by Werr and Sjernberg (2003) observed that the sharing of tacit and explicit knowledge go hand in hand. Another view by Earl and Scott (1998) claimed even though both tacit and explicit forms of knowledge are important, but typically one is managed at the cost of the other. Therefore, Bank Co. needs to find effective and efficient ways to exploit the tacit and explicit knowledge through acquiring and sharing activities (Bank Co., 2010).

Organisations must, therefore, preserve their knowledge base and take steps to utilise effectively both the internal and external knowledge which is of relevance to their operations and make it explicitly available to their employees (Lai & Lee, 2007).

### **2.3 Knowledge Acquisition**

According to Acskteiner (2000) acquisitions can be described as tools to attain technical knowledge. Another commonly held view by Baskerville and Dulipovici (2006) defined acquisition as the ability for open-minded inquiry which comprise of skilled learning and information processing. Research by Menon and Pfeffer (2003) indicated that any activity involved in the seeking of recognition and the adapting of potentially valuable knowledge which is usually derived from outside the organisation is knowledge acquisition.

Oliver (2008) described two sources of knowledge acquisition whether it is found internally or externally. In this paper, the researcher is focusing on the internal knowledge acquisition in Bank Co.

The importance of knowledge acquisition in an organisation as described by Oliver (2008) states that to improve an organisation's performance, employees will need to attain the knowledge to make decisions and influence others. As pointed out by Jayasundara (2008), the existing and new organisational knowledge are the only sustainable thing for a business to compete successfully in the future.

## 2.4 Knowledge Sharing

Chieh (2007) stressed that the critical issue to both academia and the business community is to recognise the seriousness in predicting the intention of knowledge sharing.

Based on research by Christensen (2007, pp.37);

[...] knowledge sharing is defined as the process intended at exploiting existing knowledge, and knowledge sharing is, hence, defined as being about identifying existing and accessible knowledge, to transfer and apply this knowledge to solve specific tasks better, faster and cheaper than they would otherwise have been solved.

Another research by Chieh (2007) defined knowledge sharing as activities of sharing related experiences and information amongst individuals in the organisation. Another commonly held view by Vazquez, Fournier and Flores (2009), described knowledge sharing as a process of creating a new knowledge in which the employees jointly exchange the tacit and explicit knowledge. Lin (2007) mentioned that knowledge sharing processes consist of both employee willingness to communicate actively with colleagues (i.e. knowledge donating) and actively consult with colleagues to learn from them (i.e. knowledge collecting).

Connely and Kelloway (2003, pp.300) in their research concluded:

[...] an organisation that seeks to increase knowledge sharing among its employees may well prefer to forego implementing an expensive new knowledge sharing software in favour of hosting more social events for

employees, and having managers find more ways to demonstrate their support for having employees share their knowledge.

Given the importance of knowledge sharing, it is highlighted by Dunford (2000) that there are some concerns of not retaining the knowledge gained. In addition, Taminiau, Smit, and De Lange (2009) pointed out that whenever an employee quit the company, they will take their knowledge and experience with them. Hence, Davenport and Hall (2002) stated that it is the main function of managers to ensure the conversion of the tacit or implicit knowledge which resides within the employees into codified or explicit knowledge takes place. Another commonly held view by Lave and Wenger (1991) noted that organisations can be more relaxed and stop fearing of losing the tacit knowledge when employees quit the organisation the moment tacit knowledge is codified.

## **2.5 Knowledge Transfer**

On the other hand, Manor and Schulz (2001) defined knowledge transfer as locating, identifying and acquiring of knowledge whether from exploitation, exploration or codification. Based on Carlos and Segarra's (2006), knowledge transfer can be categorised into internal transfer which involves the exchange of knowledge among sections or departments in the organisation and external transfer which is the knowledge exchange among different organisations.

Bhirud, Rodrigues and Desai (2005) revealed that the conversation with the experts can help transfer the knowledge quickly and effectively. Besides this, Gorovaia and Windsperger (2010) summarised that in order for an organisation with

high degree of task uncertainty to have effective knowledge transfer, more varieties of knowledge transfer mechanism are needed. Baumard (1999), described that knowledge transfer process can be in the following sequence of steps:

(1) Tacit to tacit - often called “socialisation,” which occurs through apprenticeship, mentoring, or collegial relations; this step has also been described as “implicit learning” or “learning by doing”.

(2) Tacit to explicit - often called “externalisation” or “articulation;” this step includes knowledge that is usually written down or communicated in some permanent or semi-permanent way; stories (Khalid and Mahmood, 2010, pointed out that in recent times, storytelling emerge as a potential approach in knowledge transfer), narrative, multi-media presentations, group reflection, conversations, e-mails, and memos are all examples of this type of knowledge transfer.

(3) Explicit to explicit - often called “combination;” usually through a standardised and systematic procedure; an example would be a computer database or an expert system.

(4) Explicit to tacit - often called “internalisation,” which results in the distribution of knowledge throughout the organisation and beyond; this often comes through active participation and repetition.

Despite many arguments on the benefits of the KM initiative, Tehraninasr and Raman (2009) argued that expert believes that there are two things which hinder the