

CHAPTER 1 INTRODUCTION

As an opening, this chapter provides overview of research's background, problem statement that initiates this study, objective that necessary to be achieved, scope statement as boundary of the research, and document outline that is given to guide the presentation on the paper.

1.1 BACKGROUND

Information technology (IT) transforms organisation in the digital economy era. It has become an enabler for organisation to do its business process electronically through computer system, internet, and other computer-based tool and electronic network. An organisation uses information technology as a way to add its competitive advantage. IT helps organisation to automate both business process and manually done task. With right implementation, IT is able to facilitate task's execution in fast, accurate, and reliable manner.

During the time of knowledge-centric-economy, organisation has taken various approaches to manage its intellectual assets (Wei, et al., 2002). Knowledge can be view as information that has the properties: experience, context, interpretation and reflection, that enabled it to be put into action (Tsai & Chen, 2007). Moreover, knowledge can also be referred as executable information that relates to fact, procedure, concept, interpretation of idea, observation and judgement (Alavi & Leidner, 2001).

Because knowledge is essential yet volatile company asset, it is necessary for organisation to conduct the right action when dealing with the knowledge issue. Knowledge Management (KM) concept is believed to be the key to solve this emerging issue (Wickramasinghe, 2002).

By considering the capability of IT and the importance of KM, organisation tries to adopt KM system. , The role of IT in KM is to construct such an information system that is aimed to handle the process of KM; So that KM process can be done effectively and efficiently across the organisation.

As an instance of information system, KM system is adopted by the organisation as a tool to automate the process of knowledge identification, selection, organisation, dissemination, and transformation (Turban, et al., & Wetherbe, 2008). Moreover, organisation has to realise that IT is one way to foster knowledge within the respective organisation regardless proximity and geographical limitation (Desouza, 2003). KM system is aimed to support organisation dealing with competitive business environment by making internal knowledge that is embeded in organisation and external knowledge that influence organisation's decision widely accessible (Turban, et al., & Wetherbe, 2008). As result, organisation becomes more connect, productive, and competent in the competitive business environment.

Utilisation of KM system in organisation is believed to be beneficial (Wei, et al., 2002). However, past researches show that the practice of KM system in organisation is not always same as it was stated in theory (Wickramasinghe, 2002; Jennex, 2005; and Desouza, 2003). The fact that knowledge is growing rapidly and accumulated knowledge become less useful overtime cannot be avoided (Rich & Duchessi, 2004). This matters make KM system always need to be revised and evaluate. Moreover, the essential point of KM not only requires organisation to build sophisticated IT system but also requires organisation to involve in the way of making workers understand and aware of those links so they can apply the knowledge to the business activity (Hauschild, et al., 2001). By assessing the KM system and its impact, all expenses that have been invested by the organisation related to KM initiative can be validated..

1.1 PROBLEM STATEMENT

Performance of KM system has a great deal in determining the success of KM system implementation. If the system is able to operate as it was intended, then organisation able to utilize the system effectively. On the other hand, if the system fails to provide organisation needs, then it will not bring benefit to the organisation. As on Wei, et al.(2002), it is important to make sure that the

implementation of the KM system is able to facilitate knowledge transfer, enhance organisation personnel's productivity in the organisation.

Derived from the explanation above, problem statement that is used as base of this research is as follow: Does KM system performance positively influences organisational process performance?

1.2 OBJECTIVE OF STUDY

This paper tries to examine the implementation of KM system based on KM system performance and organisational process performance. It is necessary that implementation of an information system in organisation influences the organisational process in positive way.

By doing the right action, organisation can assure that KM system is able to be used optimally by the users to bring benefits for the organisation. The proper use of KM system is essential for the organisation, since knowledge has a huge role in determining organisation success (eBizzAsia, 2002).

The assessment is also useful as a tracking tool to actualise the KM system effort. By measuring KM system performance and impact on organisational process, organisation is able to monitor KM system development's objective attainment as well as to plan any action to improve KM performance and its impact on organisational process.

1.3 SCOPE OF STUDY

This research is conducted in order to understand performance and impacts on process of Bank X's KM system. To support this study, a hypothesis is constructed based on literature review. Align with that, there are two kinds of assessment that will be conducted: assessment on KM system performance and assessment on organisational process performance.

Assessment on KM system performance involves evaluating the extent to which knowledge is stored and shared. This assessment will use knowledge relevancy,

quality and availability as consideration factors. Therefore, others aspects that are not stated in this paper will not be covered during this study due to time and resources constraints.

Assessment of organisational process performance as impact of KM system usage involves evaluating the extent to which KM system has influenced process. Efficiency, effectiveness, and innovativeness of a process are three aspects that are considered in this research. For that reason, other aspects such as impact on people, product, and organisational performance are not discussed in this paper due to time and resources constraints.

1.4 DOCUMENT OUTLINE

The document is divided into five sections, and two additional sections as supporting materials. Each section focuses on certain topic to be discussed. Detail of each section is explained below:

- **Chapter 1 Introduction**

This section covers background of the research, problem statement, objective, scope statement and document outline that is used to organise this paper.

- **Chapter 2 Literature Review**

Literature review consists of research theory information about KM, KM system, and Bank X's Organisational process, part research opinion, and research hypothesis.

- **Chapter 3 Methodology**

This particular chapter presents a complete research framework, including research design, research site, research processes, data gathering techniques that are used in the research, research population and sample, measure and types of analysis.

- **Chapter 4 Result and Discussion**

In this chapter, result is given in two sub section: (1) descriptive analysis and (2) inferential analysis. In descriptive analysis overview on research

participant and data gathering result are given. Inferential analysis covers specification and identification model analysis and testing and estimation model analysis. In addition to complete the result, research implication and limitation are also covered.

- **Chapter 5 Conclusion and Suggestion**

This chapter concludes the research and give an outlook on further research agenda and suggestion.

Reference and Appendix are also given in this paper as materials that support the overall content of the document.

