Chapter 4
Factors Influencing KM Strategic Alignment in the Banking Sector: The Case of Persian Gulf Countries

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ABSTRACT
In today’s business environment, knowledge is increasingly recognized as the most important and valuable asset in organizations and a key differentiating factor in business. Therefore, many organizations are positioning themselves strategically based on their tangible and intangible internal resources, and their capabilities rather than on their products and services. However, in order for an organization to be successful in the exploitation of knowledge assets to drive competitive advantages, a holistic approach that spans Knowledge Management (KM), business strategy, and organizational and human factors should be used. The aim of this study is to investigate the effect of some factors on KM Strategic Alignment between KM and business strategy in the banking sector at Persian Gulf Countries. The results have indicated factors such as knowledge sharing, trust, openness to change, IT infrastructure and skills, and existence of CKO are strongly correlated to the strategic alignment between KM and business strategy. Thus, managers in the Persian Gulf banking sectors should adopt new rules using flexible organizational culture, reforming and redesigning their organizational structure, and incorporating an advanced information technology in their operations for competitive advantage.

INTRODUCTION
In today’s business environment, knowledge is increasingly recognized as the most important and valuable asset in organizations and a key differentiating factor in business (Stewart et al., 2000; Murray, 2000). Some experts consider knowledge to be perhaps the only sustainable competitive advantage (Williams, 2008). Teece (2000) argued that the competitive advantage of organizations depends on their ability to build, utilize, and protect difficult to intimate knowledge assets. For this reason, many organizations are positioning themselves strategically based on
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their tangible and intangible internal resources, and their capabilities rather than on their products and services (Zack, 2002a, b; Jashapara, 2004; Murray, 2000; Kankanahalli et al., 2003). It is also recognized that competitive advantage based on resources and capabilities is more important in contributing to superior performance and sustainability than just solely based on products and market positioning (Prahalad & Hamel, 1990; Zack, 2002a; Jashapara, 2004).

However, in order to an organization to be successful in the exploitation of knowledge assets to drive competitive advantages, a holistic approach that spans Knowledge Management (KM), business strategy, and organizational and human factors should be used (Cedar, 2003). Thus, KM should be aligned with business process, organizations, and IT to continuously capture, maintain, and reuse the key information, and arbitrates the strategic knowledge assets that improve business performance (Cedar, 2003). When such alignment is established, the KM system will be directed towards the goal and objectives of the organization which will build and enhance its long term competitive advantages. The lack of such strategic alignment leads to poor strategic planning, which results in misallocation of resources (Cascella, 2002; Luftman, Papp & Brier, 2002) and ultimately poor organizational performance. Therefore, KM Strategic Alignment (KMSA) should be allocated at a high priority of the organizational agenda for organization seeking sustaining their competitive advantage. The alignment is a complex topic as it includes KM, business strategy, human resources and IT. There are many factors embedded in the organization context and culture that may affect the strategic alignment and so the organization performance. Therefore, organizations simply can’t enhance the KMSA without adopting new rules using flexible organizational culture, reforming and redesigning its management style and structure, and incorporating an advanced information technology in their operations for competitive advantage (Choi, 2003).

Considerable researches have been devoted to investigate the importance of the alignment between KM and business strategy (Jones, 2000; Smith & McKeen, 2003; Zack, 1999; Aidemark & Sterner, 2002; Davenport, 1999; Sabherwal & Sabherwal, 2003; Sunassee & Sewry, 2002, Al-Ammary, 2008). However, few researches attempted to explore the contingency and antecedent factors which guide KMSA. Then, there is a need for more research into the factors that affect KMSA.

RESEARCH OBJECTIVES

The aim of this study is to investigate the effect of some factor on KM Strategic Alignment between knowledge strategy and Business Strategy KMSA-BS in the Persian Gulf Countries. In addition the study will investigate the effect of KMSA-BS on the organizational performance.

This study focuses on Persian Gulf countries for two reasons. First, knowledge considered by many experts as a powerful driver of economic growth through higher productivity. Knowledge could help the region to expand the scope of human independencies and enhance the capacity to guarantee those independencies through good governance (AHDR, 2003). Second, as developing countries, there is a need for a context specific model for KM, KM strategy, and KMSA-BS in such countries. It was noted that most of the available models and frameworks proposed to guide KM and its issues in organizations are based on skills, practices and studies in Western industrialized countries (such as USA and UK). Most of these countries are already becoming knowledge economies. In addition, most of the models have not considered the national environments, regions and specific local organizational factors that could affect KM and its performance. A study done by Al-Ammary and Fung (2007) provide a more comprehensive picture of the current situation of KMSA-BS at the Persian Gulf banking sectors.