The Impact of Organization Culture on Knowledge Sharing Among Employees in Commercial Bank of Ethiopia (CBE)

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Abstract: Organizational culture is the main contextual factor that both directly and indirectly affects knowledge sharing among employees. There is no empirical research so far conducted on organizational culture of CBE that can inform selection of appropriate solutions from existing theoretical research. Our investigation found that risk avoidance is a key dimension of organizational culture that promotes the sharing of existing knowledge through on-the-job training and through the codification of knowledge. On the other hand, a risk avoidance culture hinders new knowledge creation and organizational innovation through individual creativity. Our case study found that when employees are held responsible for any failure that may occur if they work outside approved organizational procedures, they are less likely to find new and effective solutions to work related issues. The reuse of existing knowledge is beneficial in an organization when it is working towards eliminating routine or common errors but it is not sufficient when the goal is to improve internal efficiency, products and service. The main theoretical contribution of this study is to extend existing findings on the influence of organizational culture on knowledge sharing across different organization and socio-economic contexts.

Keyword: knowledge, knowledge sharing, organizational culture, Commercial Banks

1. Introduction

As the world economies became more globalized and the use of IT in organizations became ubiquitous the value of knowledge as a strategic resource became more apparent (Gupta et al, 2008; Grant, 1996; Bock et al. 2005; Ali and Ahmad, 2006). Labour and capital are no longer sufficient for organizations to survive in this competitive globalized market (Ali and Ahmad, 2006). As Bock et al (2005, p. 88) pointed out “[knowledge] is the foundation of a firm's competitive advantage and, ultimately, the primary driver of a firm’s value”.

Knowledge sharing among individuals increases organizational efficiency and innovation capabilities (Curado and Bontis, 2011). Through knowledge sharing individual knowledge is converted into organizational knowledge (Nonaka, 1984) and applied to create business values. Researchers identify different factors that predict individuals knowledge sharing behaviors in the organization (see Bartol and Srivastava, 2002; McDermott and O’Dell, 2001; Hendriks, 1999). Most of the factors that affect individual knowledge sharing behavior are either elements of or embedded within the organization culture (Jones et al, 2006). Each organization has a unique culture (McDermott and O’Dell, 2001) and this makes knowledge sharing one of the most challenging tasks for many organizations (Hsu, 2006; Cabrera & Cabrera, 2002).

Our study will focus on the banking industry in Ethiopia. Banking is a complex business with a wide range of activities and customers (Al-Ain and Al-Áin, 2009). It requires intensive use of knowledge resources to competitively operate in the market and satisfy its customer needs. This study will identify elements of organization culture and investigate how those cultural elements promote or hinder knowledge sharing among employees in CBE. The study has two purposes. First, it provides advice for managers and
practitioners of CBE what interventions to make on their organizational culture to promote knowledge sharing among their employees. Second, it will have a theoretical contribution for generalizability of previous findings on the impact of organizational culture on knowledge sharing under different socio-economic contexts.

2. Literature Review

Banks are the major components of the country’s financial system and play a key role in enhancing the overall economic growth of the country (see Allen and Carletti, 2008; Olokojo, 2011). They mobilize savings from lenders and ensure availability of funds for investors and borrowers. This activity is practically impossible for individual lenders. But banks collect different lenders money and act as ‘delegate monitor’ for lenders (Allen and Carletti, 2008). By doing so they also “provide intertemporal smoothing of risk that cannot be diversified at a given point in time as well as insurance to depositors against unexpected consumption shocks” (Allen and Carletti, 2008, p.6). Banks retain some amount of liquid capital in their reserve to avail cash for depositors. Banks also handle foreign trades on behalf of importers and exporters. Banks also fill the information gap between lenders and borrowers by developing an efficient information system to run their business. The efficiency of the financial system of a country has a direct impact on the country's economic growth (Allen and Carletti, 2008).

There are sixteen commercial banks in Ethiopia, of which there is only one government bank, CBE (NIB, 2010). Ethiopian financial transaction is mainly cash based. There is very limited e-banking services through ATM machines (see Worku, 2010). The number branches for all commercial banks is 680 which gives a ratio of 117, 647 people per branch (NIB, 2010). About 67% of the branches are belonged to CBE. The banking industry in Ethiopia is at lower level as compared to some other African countries (Kapur and Gualu, 2012; Worku, 2010). For example the government protects international banks to operate in Ethiopia because of weak domestic banks to compete with international banks.

Ethiopian banking business can grow if they use knowledge as their strategic resource. Labour and capital are no longer sufficient for organizations to survive in this competitive globalized market (Ali and Ahmad, 2006). As Bock et al (2005, p. 88) pointed out “it [knowledge] is the foundation of a firm's competitive advantage and, ultimately, the primary driver of a firm's value”. Knowledge is applied as a resource if it is freely circulates among its employees and organizational units (Gold et al, 2001). Knowledge is defined as information integrated with experience (Nonaka, 1994). Knowledge sharing is an exchange of organizationally relevant information, ideas, suggestions, and expertise with one another (see Bartol and Srivastava, 2002; Hendriks, 1999).

Organization culture is an important factor that affects knowledge sharing among employees in the work place (De Long and Fahey, 2000; Donate and Guadamillas, 2010). Culture is defined as a shared understanding that shapes individual interpretations and actions (De Long and Fahey, 2000). Individuals' willingness to share knowledge is more affected by the organizational culture in which the individual works than other internal individual characteristics (Ali and Brooks, 2009). Culture has three dimensions: values, norms and practices (McDermott and O'Dell, 2001; De Long and Fahey, 2000). Values are “interpretative schemes which people use to give sense to activities and human relations that are the basis of collective action” (Donate and Guadamillas, 2010, p.86).Values are frames of reference by which members of the organization give meaning to different events of the organization. It is expressed in words like “Be careful to avoid risk”. They exist in abstract forms and are reflected in organizational norms and practices. They describe desirable states of the organization (Ali and Brooks, 2009). They are usually expressed in the organization mission and vision statements (De Long and Fahey, 2000).

Cultural norms are standards that are socially accepted as ‘right’ or ‘wrong’ (De Long and Fahey, 2000). They emerge from values. They are not written explicitly in the organization formal rules (Donate and Guadamillas, 2010) but exist in everyday’s mind and applied in every day practice. If knowledge sharing is a norm in the organization, people are more willing to share their knowledge. Practices are the artifacts and patterns of visible or spoken behaviors (Donate and Guadamillas, 2010). These includes technologies, databases, organizational structure, stories, legends, and organizational ceremonies (McDermott and O'Dell, 2001; De Long and Fahey, 2000).The three variables of culture interact with each
other (De Long and Fahey, 2000). For example, appreciating the value of knowledge is not sufficient unless it is complemented by appropriate norms and practices. As organization culture emanates from its members interactions and practice, each organization has a unique culture (McDermott and O'Dell, 2001).

Organizational culture affects knowledge sharing behavior in two ways (De Long and Fahey, 2000) : (1) It shapes individual belief and interpretation towards knowledge sharing. If the organization has a knowledge sharing culture, employees will not hoard their knowledge to get personal benefits. When they share their knowledge, they know that others will also do the same thing. They are also willing to donate their personal knowledge to the organization knowledge repositories and (2) it creates a context for social interactions. An organization that promotes knowledge sharing creates different social interaction contexts such as team work, meetings, reward systems, technological infrastructure and get together that leverage knowledge sharing among its members (See Fig. 1).

![Diagram](Image)

Source: Adapted from De Long and Fahey, 2000.

**Figure 1 Conceptual Framework of Organization Culture and Knowledge sharing**

We found different lists of organizational culture elements that affect knowledge sharing among employees in the workplace (see Donate and Guadamillas, 2010; McDermott and O’Dell, 2001; Ismail et al, 2007; De Long and Fahey, 2000). The lists vary from organization to organization as each organization has a unique culture (McDermott and O’Dell, 2001). This study will explore cultural elements from empirical investigation that promote or hinder knowledge sharing among employees in CBE.

3. **Research method**

Knowledge and organizational culture are socially constructed phenomenon (Nonaka, 1984; Donate and Guadamillas, 2010). Given the complexity of knowledge and organizational culture, this research uses a qualitative research method that provides a rich understanding of the research environment. Other researchers also recommend the use of qualitative research method when the phenomenon being investigated is a social construct (see Hancock and Algozzine, 2006).

Data were collected using triangulated data collection methods: interview, observation and archival records. The use of multiple sources of data provides a holistic view of the phenomena and increases the credibility of the case research. As Baxter and Jack (2008, p. 554) pointed out “Each data source is one piece of the ‘puzzle,’ with each piece contributing to the researcher’s understanding of the whole phenomena. Convergence of data from different sources increases the validity of the research finding (Yin, 2003). A total of 30 respondents were selected using purposive sampling methods from employees in different departments of CBE. The interview was conducted from February 2011 to September 2011.

Case study data is generally voluminous and has different varieties which make it very difficult to have an explicit description of analysis procedures (Yin, 2007). Qualitative researchers are advised to make their research procedures transparent to increase the validity of their research finding (Darke et al, 1998; Yin, 1994). We followed the following procedures in the data analysis. We used digital voice recorder for interview. Then interview records were manually transcribed into text and entered into Nivo software
(Version 9), which is qualitative analysis software. Data was coded using an open coding method whereby strips of data were coded with appropriate concepts. Then each concept was further examined and grouped into categories and themes. Relationships between categories were identified during data interpretation. Finally conclusions were drawn that have implications for practice and theory.

4. Results

4.1 Study context

Established 1942, CBE is the oldest bank in Ethiopia (CBE, 2011). It has 516 branches stretched across the country. As of June 30th 2011, it had total deposits of birr 86.5 billion, assets birr 114 billion and capital birr 6 billion. By the same year it had about 2 million account holders and more than 8,000 employees (CBE, 2011). The growth of branches has been very fast since last year. For example, the number of branches has increased from 402 in September 10, 2011 to 516 in March 15, 2012 with 8% of growth in half year (CBE, 2012). This fast growth is due to Ethiopian government need to extend banking services to all parts of the county (Interview on March 8, 2011). The Bank is also known as a pioneer bank in introducing new services to its customers. It has also strong correspondent relationship with more than 50 renowned foreign banks. The Bank is larger than all other banks taken together in Ethiopia with service coverage of more than 67 (CBE, 2012). It has also a vision to be the world class bank by the year 2025.

The Bank undertook a business process re-engineering (BPR) program in 2010 and brought many changes on the Bank. The Bank provides one window service in Customer Accounts and Transaction Service (CATS) Department using in house developed software system. The Bank also established a training unit under Human Resource Department (HRM) to facilitate knowledge sharing from senior staff to juniors. The Bank prepared a procedure manual for all its departments so as to facilitate knowledge sharing and provide standardized service in all of its branches. The Bank has a vision to be a world class bank by the year 2025. The Bank is currently launching a core banking project since 2009 as one of its strategy to achieve its vision. This project is an integrated system that allows the Bank to provide all banking services using ICTs.

Previously the Bank was the only Bank in the country. But now there are many private banks which compete with CBE and forces CBE to become efficient and innovative to exist competitive in the market. So far the performance of CBE in terms of its profitability and customer satisfaction is low as compared to private banks (Kapur and Gualu, 2012). As the government bank, CBE has a big responsibility to mobilize savings and accumulate adequate capital to finance investment requests. CBE is expanding its size at a fastest rate to reach all communities of the country. The Bank works in collaboration with international banks. The above scenario requires the bank to improve its internal efficiency by using knowledge as a strategic resource and modern technologies as tools for service delivery. Since it handles the lion’s share of the country’s financial transactions, its performance has a direct impact on the country’s economic performance. CBE needs to create a work environment that promotes on-job learning through effective knowledge sharing.

4.2 Organization culture and Knowledge Sharing

Organization culture elements that have direct impact on knowledge sharing are discussed under the three dimensions of culture: values, norms and practice.

4.2.1 Organizational culture values

The Bank states its cultural values in its strategy document. The values are customer satisfaction, quality service, innovation, teamwork, integrity and importance to employees (CBE, 2011). There are also invisible values such as ‘Bank documents are money’, ‘Be careful to avoid risks’ and ‘shared responsibility’ which we have learned during the field visits. One of the Bank respondent said that if you made mistake, you will not have excuse. Avoiding risks is everybody’s top priority. These cultural values
also shape the norms and practice of the bank during knowledge sharing. Employees openly share their knowledge to avoid mistakes in the Bank.

### 4.2.2 Knowledge sharing norms

- **Openness to share bank experiences**

The bank is a high risk business. Bank policy does not allow employees to get experience by trial and error methods. Mistakes in the Bank lead to irreversible punishments for the individual who makes a mistake and the Bank at large. In order to reduce mistakes, Bank arranges different knowledge sharing mechanisms to share experience based knowledge from seniors to juniors. Most of the individuals interviewed expressed similar view. As one respondent explained that

> *When I joined the Bank, my seniors guide me to learn the Bank operations. This practice is not written as rules and regulations. But it is taken as a norm. You also repeat this practice as tradition for other new entrants (Interview on April 15, 2011).*

The respondent mentioned the difficulty of acquiring knowledge from documentary sources and people’s openness for personal interaction.

The Bank requires its employees to comply with existing procedures and rules. Any change in the bank processes and services has to be approved by the Board of directors, the top management body of the Bank. Restriction on individual creativity differs from department to department. In customer service and credit departments where employees handle financial transactions, they are expected to comply with bank procedures and rules. However in research and IT departments, there is a room for individual creativity.

- **Information confidentiality**

There is one common norm in the bank, ‘information confidentiality’. It is a basic value for the bank. Everybody says “if I give you bank documents, I will be penalized to the extent of firing from my job.” For this reason, it is very difficult to get copy of bank documents outside the Bank. Confidentiality has a lot of meaning in the Bank. Under this metaphor concept, information is hoarded in the Bank. As one of the respondent (Interview on May 10, 2011) mentioned

> *Every paper is money in our bank. Before BPR, information sharing was not free even among internal staff.*

Some informants also mentioned that they are not willing to share some confidential information even to their colleagues. As one of the respondent (Interview on May 10, 2011) explained

> *Normally customer feasibility studies are businesses. I will not give to other person even to my colleagues. If I give to other person, I don’t have any guarantee that document will be transferred to other third party. So I prefer to keep those documents in my own drawer.*

Although the norm of information confidentiality protects the Bank from the misuse of critical bank information, it also hinders flow of information within the Bank. Although openness among employees mentioned above, it is not common in all departments like in Credit Department.

- **Generalist professionals**

The Bank encourages generalist professionals rather than specialists. This is achieved by rotating employees to work in different positions. The main purpose of job rotation for junior staff is to allow them acquire bank knowledge by directly working on the task and observing their seniors. Seniors have a responsibility to educate junior staffs.
You learn all bank operations through job rotation. When you move to a new position, you learn new thing from the task and the people around you and then you become generalist (Interview on April 15, 2011).

Job rotation serves as a platform to encourage voluntary knowledge sharing among employees. The new employee is obliged to interact with seniors and subordinates in each of the new position they rotate into. The Bank’s policy to create generalist professionals has an impact on knowledge sharing across departments. Knowledge sharing exists most frequently within department. This behavior is also explained by our respondent:

*In the bank I don’t see a person who is specialized in one area. We work by rotation and we know the knowledge in other departments. We don’t seek knowledge from other departments when we have a knowledge gap* (Interview on March 8, 2011).

4.2.3 Organizational culture practices for Knowledge sharing

The Bank has different cultural practices that promote or hinder knowledge sharing behavior among its employees.

- **Codification**

The most common explicit knowledge sharing methods are procedure manual and previous documents. Almost all respondents mentioned that they start by reading the procedure manual and then previous documents when they are assigned to a new task. The Bank prepares procedure manuals for each task as a means of knowledge sharing to new entrants as well as for reference. Sometimes previous documents are more important depending on the nature of the task. If the task is a routine type, like in customer service, the procedure manual more important. However, when the task structure is dynamic and requires personal judgment like in credit, promotion and system study departments, previous documents serve as the main source of knowledge. As a one of our respondent mentioned:

“In credit appraisal, our priority source document is previous project appraisal documents. There we get history of customers and other structural information for our credit analysis task” (Interview on June 14, 2011).

Although procedure manuals and previous documents are mentioned as an important means of knowledge sharing, they are not adequate to share knowledge. This is well explained below:

“Procedure manual is normally guideline. It does not include everything that you need for your task. (Interview on June 10, 2011).

Similar view also stated by other respondent:

*Procedure manual is prepared based on past information. Past information is not always complete for current problems* (Interview on September 10, 2011).

Although procedure manuals and previous documents are mentioned as some of the main sources of knowledge, they are not properly organized to facilitate knowledge access. They are found scattered in hard copy documents in different departments or as ordinary files in an individual’s desktop computer. This indicates that the Bank does not value knowledge as vital resource to achieve its objectives.

- **On Job Training**

Training is one of the means used in the Bank to share experience based knowledge from seniors to juniors. It also encourages peer to peer knowledge sharing among trainees. During training session, employees have a chance to share their best practice experience. The Bank believes that employees who graduated from the university are not capable to work in the Bank. The Bank trains junior staffs with
different training programs and assigns them to work with seniors until they become familiarized with bank culture and operations.

Bank training on operational tasks (such as export request processing, saving and money transfer) are usually offered through practical training. Trainees take theoretical lecture in the morning and in the afternoon they work with seniors on the actual task. As a respondent explained it:

> *Practical training integrates both theoretical lecture and practical activities. For example, when we take export training, we see practically how the senior employee processes export requests up to last point. When we come back to the office, we can directly apply it (Interview on June 10, 2011).*

Trainings are also important means to share even explicit knowledge among employees. When there is a procedure change or new services introduced, the Bank also organizes training on the new procedure manual for existing or senior employees.

- **Mentoring**

Although the Bank prepares a procedure manual, it is not adequate to transfer the tacit knowledge of the employees of the Bank. This is explained by our respondent:

> *They learn most of the things through experience on the task. We tell our new entrants (juniors) step by step - do this first and do that next, do not do this because it is outside the Bank procedure. ... If you give them procedure manual, they cannot understand even the terminologies (Interview on September 10, 2011).*

Senior staffs have a perception of knowing everything. This has an influence in one way flow of knowledge like the traditional teaching learning method. Seniors don’t have the intention to learn from their juniors. Juniors also accept this one way flow of knowledge. We have also observed this in our field visit. After I interviewed the branch manager, when I asked him to recommend us some of his subordinates for additional interview, he said, “I have told you everything, they will not have any more tell you except interrupting their work”. This is, however, not common in all departments.

- **Rewards**

The Bank provides incentives for those employees who participated as trainer on job training programs. This indicates that the Bank is willing to provide incentives for measurable knowledge sharing contributions.

- **ICT infrastructure**

The Bank has good ICT infrastructure installed to automate operational tasks. The Bank also installed an intranet system in the head offices and dial up connections to regional branch offices to facilitate exchange of documents and communications. Although ICT can be used to improve internal knowledge management and dissemination among employees, its use is very limited in the Bank. In some departments, they are beginning to share internal documents through the Intranet system. So far soft copy documents are not considered as official documents for use in decision making processes. Important documents for decisions and reference have to be communicated and maintained in hard copy formats. We also observed during our field visit power interruptions, computer troubleshooting problems and low level of IT skills as the main obstacles for use of ICT as knowledge sharing tools in the Bank.

### 4.3 Discussions

Important issues were found in our data about the impact of organizational culture on knowledge sharing. We have identified risk avoidance and customer satisfaction as cultural values, openness, information confidentiality and generalist as cultural norms and codification, on-job training, mentoring, rewards and
ICT infrastructure as cultural practices of CBE (See Figure 2). These different elements of culture affect knowledge sharing in the Bank in different ways. The value and norm cultural dimensions affect employee’s belief and interpretation towards knowledge sharing (De Long and Fahey, 2000). The Bank puts risk avoidance as its main cultural values. This is reflected in the Bank’s practice to minimize risks by sharing its experience based knowledge among its employees through on-job training, mentoring and codification. Experience based knowledge is proved as risk free knowledge and safe to apply in future actions. This finding is also consistent with the resource view theory of knowledge (see Grant, 1996). The risk avoidance cultural element also causes openness among employees to share their experience based knowledge. In the Bank context, if one employee commit mistake, other employees are also responsible and share the penalties. There is no excuse for mistakes in the Bank. In addition knowledge is not used in the Bank for promotion or to get other rewards. This also contributes for the development of openness to share knowledge among employees.

The risk avoidance culture of the Bank hinders employees’ creativity and innovation. Unless there is instruction from top management, employees don’t take risks to try new things outside approved procedures. Employees are blamed for making mistakes but they are not rewarded for creating new things. There is some effort to convert employees’ knowledge into organizational knowledge, but this has to be approved through lengthy approval processes and takes more than six months. This has resulted the banking service of CBE to remain traditional and unsatisfactory to its customers (see Kapur and Gualu, 2012; Worku, 2010). Organizational innovation comes from conversion of its employees’ knowledge into organizational knowledge (see Nonaka, 1994; McDermott and O’Dell, 2001; Donate and Guadamillas, 2010)

Figure 2. Organizational culture elements that affect knowledge sharing behavior in CBE

The Bank is more concerned more on explicit knowledge than its tacit knowledge embedded with its employees. Everybody talks about the information confidentiality of bank documents, we did not hear much about the tacit knowledge of its employees. Explicit knowledge in the Bank keeps one at a safe side. If some mistake happens while using documents, it is accepted as a procedure mistake and one can be excused. On the other hand, one cannot be excused by referring other person in the Bank. From this it can be concluded that the bank environment promotes storage and dissemination of explicit knowledge than tacit knowledge and ICT will have great role to improve use of knowledge as a resource. Other experts are required to elaborate what is written in documents. However the Bank should give equal importance to tacit knowledge. It is the tacit knowledge that gives the Bank long lasting competitive
advantage and promotes organizational innovation (see Bock et al, 2005; Cabrera and Cabrera, 2002; Kubo et al, 2001).

Although ICT is widely used to promote knowledge sharing among employees (see McDermott and O’Dell, 2001; Hendriks, 1999), it has limited use in CBE. Documents exchanged electronically are not considered as official documents to be used in decision making activities. Finally our study revealed similar conclusions with regard to the strong influence of organizational culture to shape employees belief and interpretation and create a context for social interaction for effective knowledge sharing (see Jones et al, 2006; Donate and Guadamillas, 2010; Ismail et al, 2007; McDermott and O’Dell, 2001; De Long and Fahey, 2000).

5. Conclusion

Organizational culture directly or indirectly affects knowledge sharing among employees in CBE. Our investigation found that a risk avoidance culture promotes sharing of existing knowledge, The Bank has standard on-the-job training programs and codification strategy to promote the sharing of its experience based knowledge among its employees. On the other hand, risk avoidance culture hinders individual creativity and organizational innovation. Employees are responsible for any failure if they work outside the approved bank procedures. Existing knowledge is good to fix errors but not sufficient to be adaptable with the changing environment and to operate competitive in the open market. Unless the organization culture tolerates failures, employees will not have confidence to experiment and learn new process and practices which is the base for innovation. Another interesting finding of our investigation risk avoidance culture promotes use of explicit knowledge than tacit knowledge. In such environment, ICT will have great role to promote knowledge sharing among employees. This study also observed that the lack of an explicit knowledge sharing strategy undermines use of knowledge as a resource and use of existing ICT infrastructure to promote knowledge sharing in particular and knowledge management in general.

Reference