

Importance of knowledge management in organisations

(BMSW5106 – BIRM)

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1- *why are information systems essential for the case company Zopa?*

Before responding to this question, let us describe first what information systems is.

According to Jessup (2018) information systems is a formal, sociotechnical, organisational system designed to collect, process, store and distribute information. In this perspective, information systems have four components (task, people, structure and technology) which allows organisations to collect, filter, process, create and distribute data.

In this specific case of Zopa, information systems have the purpose to support operations, management and decision-making by using information and communication technology as a support of business processes. As a peer-to-peer lending company, Zopa uses information systems to acquire data by gathering essential, important and necessary details from borrowers and lenders. Indeed, Zopa plays a great role to link parties and facilitate transactions or agreement throughout its platform zopa.com by using data stored in computer databases to obtain information giving a value to those raw facts after having been processed. This helped Zopa to create its own platform credit test to credit-checked borrowers and using external information from a credit reference agency if more information is needed to reduce uncertainty and improve its decision behaviour. Information systems can help to manage company and improve performance, so it plays some fundamental roles for the company Zopa.

The first are requirements such as network where people can access to the application from their workstation, security meaning that only authorized personal has access to data and functions, speed with powerful components to handle operations needed and storage capacity to store all data which can be backed-up.

After we have operations, and in this case Zopa uses information systems to carry out specific functions in support of operations such as preparing and storing company documents, credit card processing and borrowers' credit- checked.

Monitoring and controlling borrowers and lenders is an important function of information systems for Zopa. In effect, to prevent fraud and theft, security is critical for tracking loans given. Because, as a financial technology (Fintech) company using new technologies to do financial activities (apply for credit, money transfer) without the assistance of person and by passing in bank branch, Zopa needs more controls about its information systems.

And at the end, information systems support management in making decisions by getting all the information they need about borrowers from the system. Complete and accurate information helps to get more effective decisions that could have predictable results about efficiency, innovation, quality and growth.

2- What information systems are implemented by Zopa? Describe the input, processing, and output of any one of such systems

Many specialists define information systems as an integrating technology solutions and business processes to meet the information needs of businesses and other enterprises (Silver & Al, 1995). Therefore, organisations use information systems in business operations throughout information technology which allows use of computer to store, retrieve, transmit and manipulate data or information. So, in many companies' various types of information systems are implemented like transaction processing systems which is a way of computing that divides work into individual and indivisible operations. We have also decision support systems which is an information system that support business or organizational decision-making activities. Knowledge management systems which is the process of creating, sharing, using and managing the knowledge and information of an organization. Learning management systems which is a software application for courses, training, learning and development programs. Database management systems which are organized collection of data, storage and accessible electronically from a computer system.

In this specific case, the main types of information system implemented by Zopa are transaction processing systems, decision support systems and database management systems.

In the same way we will going to describe the input, the processing and output of these different systems implemented by Zopa company.

Transaction processing system is a type of information system that collects, stores, modifies and retrieve the data transactions of an enterprise. As a Fintech company, Zopa has implemented this system to get a rapid processing of transactions to ensure that customer data is available to the process that require it, and reliable, allowing systems to remain operational permanently, standardized and secured. Zopa collects and stores data from lenders and borrowers in the form of batches or in real time that may be processed anytime in the aim of providing a quick verification of the transaction, throughout its platform or its multiuser interface which be assessed anywhere there is online network.

Zopa has implemented also a decision support system; a computerized program used to support judgements, to solve problems and decision-making by analysing massive amounts

of data and information. In this case Zopa gathers and analyses data, synthesises it to produce comprehensive reports allowing to credit-check customers throughout its platform and using also a credit reference agency, before making decisions for the users at a quicker pace.

At the end, Zopa has also implemented a database management system as an information system which helps to bring individuals who have money to lend and individuals who wish to borrow money. And to do this, Zopa uses data analytics throughout digital signal processing (DSP), a data management cloud platform that delivers support, consulting services and multi-cloud technologies. By using the structured query language (SQL) Microsoft server database and in partnership with an information technology such as HCS (Highlander computing Solutions). DSP supports the database on a continuous improvement plan learning for Zopa to concentrate on development and innovation. Indeed, Zopa uses this system to collect, store, disseminate and analyse data to make an agreement between lenders and borrowers and to ensure that a particular interest rate is fair to both sides.

3- Explain why Zopa has a structure composed of different functions and levels. How computer-based information systems can support managers at each level and functions of Zopa operations.

Organisational structure helps for operational efficiency by giving clarity to employees at all level of a business. It exists different forms of organisational structure, but any company adapts its strategy, its functioning to become more effective and efficient. In this specific case of Zopa we have a structure that outlines activities directed to achieve its goals including rules, responsibilities and roles at each level and functions of the company operations supported by computer- based-information-systems.

That is why in the structure of Zopa we notice that in the leadership, after the group CEO, we have the chief risk officer (CRO) responsible for developing Zopa's overall approach to risk management and leading the control functions that make up Zopa's second line of defence. This position needs Executive information system (EIS) or decision support systems (DSS) to make decisions that affect the entire company by using high level of data. Business intelligence system (BIS) and management information systems (MIS) are also used to make business decisions based on the collection, integration and analysis of the collected data and information.

After, we have the chief customer officer (CCO) who leading the marketing, human resources and operations teams, ensuring that the company internal culture, award winning customer service, and marketing and communication align to strengthen the business. This position is one of the most important for the company. In effect, as a digital business the

brand is linked to the customer service by delivering the customer experience principally online and through the operational teams, on how applications and requests are fulfilled. Based in multifunctional teams orientated around delivering products regarding credits, Zopa has a responsible for customer experience with a team including developers, compliance and copywriters, commercial and analysts who doing everything from customer insight to product specification to building those products. This marketing team has expanded his staff with a director and a website lead, as well as a social media research and support. Marketing teams use marketing information systems to report on the effectiveness of past and current campaigns and use the lessons learned to plan future campaigns.

After coming the chief of staff and chief strategy who oversees deposits as well as the overall strategy and operational rhythm of the business. He uses human resources management to track employee performance records and payroll data and also knowledge management system.

The chief of technology officer (CTO) is responsible for Zopa's research and development as well as its technological needs. He examines the short and long-term needs of the company and utilises capital to make investments to help it reach its objectives. He generally uses financial accounting systems (FAS) to be supported in its operations.

The peer-to-peer CEO plays an integral role in developing products and offering operational capabilities. For this, transactions processing systems (TPS) could be a point-of-sale system, or a system that allows a customer to become a lender or a borrower. This system can use the credit data to report and track customers over time.

At the end, in top managers we have the Head of insecure personal loans business responsible for customer acquisition, credit risk management, pricing and the growth strategy of the product. He uses decision support system, transaction processing systems and executive support system to be helped in his functions and to make decisions.

4- Discuss Zopa's potential knowledge management challenges and offer recommendations to strengthen their knowledge management practices from the knowledge acquisition-retention-transfer perspectives.

Before discussing Zopa's knowledge management challenges, we will be going to talk about knowledge management. Knowledge management is a process of defining, structuring, retaining and sharing the knowledge and experience of employees within an organisation and allows companies to improve efficiency and maximise effectiveness in a cycle of

creating, sharing, structuring and auditing it. In a competitive marketplace, organisations need to acquire and codify knowledge and encourage team to share their expertise to capture knowledge from imminent retired employees and to use knowledge management to assist in the training of new employees. For this, organisations need to accumulate knowledge, to store it and to share it throughout tacit knowledge which is more intuitive and based on innovative thinking and understanding body language, and explicit knowledge which is information codified and taught to others.

In this case, the major challenges faced by Zopa are related to security that the company needs to be accommodated at the right level. In effect, information gathered from most users of its platform should be shielded which allowing them easy access with proper credentials.

Also, getting people motivated, by developing a culture that embraces learning, sharing, changing and improvising. Zopa needs to find the quick way to regulate how knowledge should be dispensed and transferred to adapt changing structures on learning how to be smart, agile and responsive.

And at the end, Zopa needs to keep accurate and authentic in its platform and facilitate more transactions.

To strengthen its knowledge management practices, some recommendations need to be given to the company to become more efficient, faster and having better decision-making, to build organisational knowledge, to increase employee happiness and retention throughout training and innovation. Concerning Zopa, those knowledge management practices must be related to knowledge acquisition, knowledge retention and knowledge transfer.

As we know knowledge is acquired through the development of new knowledge and in different ways such as consultancy, external training programs, databases, machinery and equipment, from new and existing employees, mergers, acquisitions... However, outsourcing research and development is recommended for better knowledge practice. Indeed, research and development allow business like Zopa to obtain new knowledge applicable to its business needs, which can result in new products, systems or services and by increasing sales and profits, and by finding channels in order to open to new customers.

In the case Zopa, knowledge retention is the most important tool in knowledge in management life cycle, because it defines how the company stores and protects knowledge to prevent or control its widespread dissemination. And, as a Fintech company, Zopa stores collected information in an organised way to be able to select and retrieve quickly all data regarding loan sales on the platform and not to lend riskiest loans to riskier borrowers and losing money by the way. Zopa also needs to integrate business intelligence systems by gathering data from various sources (customers, Bank of England...) to held in a special

database called data warehouse in order to support decision-making and speed up delaying loan sales on the platform.

And finally, important for business, knowledge transfer increases efficiency and productivity, and is considered as a process by which experienced employees share or distribute their knowledge, skills and behaviours to the employees replacing them, and sometimes knowledge may be transferred between departments and groups within organisations (Beccerra,2004). So, Zopa needs to emulate continuous learning through face-to-face interactions (conferences, seminars, workshops, meetings...) or the use of technology (conferencing software, emails...).

5- Discuss how the overall approach adopted by Zopa incorporates Porter's generic competitive strategy and in what ways the use of IS/IT has enabled Zopa to achieve a competitive advantage?

Before discussing about Porter's generic competitive strategy of Zopa and the use of IS/IT in its competitive advantage, we are going to explain and understand better what Porter's five forces are.

Used to identify companies' structure to determine corporate strategy, Porter's five forces is a model that identifies and analyses five competitive forces that shape every organisation and helps determine its weaknesses and strengths, and to understand the level of competition and enhance a company's long-term profitability (Porter,1979). Created by a Harvard Business school professor Michael. E Porter, the business analysis model has five pints:

The threat of new entrants to a market, the bargaining power of suppliers, the bargaining power of customers, the threat of substitute products and the degree of competitive rivalry.

And incorporated Porter's five forces in its approach, Zopa has adopted the cost leadership in its competitive strategy. Indeed, as one of the three largest lenders in Britain with 61% revenues rising in 2016, Zopa has seen its gross profit margin improved, but the gains were hit by increased administrative costs as a result adding staff. The strategy in the following years was to reduce costs and retain customers by investing in systems to respond to a competitive consumer credit market. And, in this post Brexit situation, Zopa needs to slash its interest rates and adjust it to base rate of Bank of England in search of new borrowers.

With many competitors such as Poper rate setter, Bondora, Capally, Lending club..., Zopa must use a differentiation strategy to create a product perceived unique. That is why the company has been granted a full UK bank licence in June 2020 and will launch, in addition

to Zopa' existing personal loan and auto loan products, a fixed term saving account with innovative credit card.

Working with the UK's leading credit agencies to reach a decision, Zopa has a focus strategy based on borrowers who must meet a few minimum criteria to become eligible for a loan. The company focuses on customers with difficulties to find a loan on traditional banks due to their risky situation of affordability.

And finally, Zopa has opted to virtual value chain focusing on digital product and consisting of procurement of data, operations, sales and marketing and services using information technology to have visibility, virtual processes by mirroring capability and use of information to create new customer relationships by delivering value in new ways. So, Zopa needs to gather and organise, select and analyse captured information to add value to customers, synthesise the available data and distribute information to customers.

As a peer-to-peer lender, the use of technology is what makes a difference between Zopa and banks and maintain a competitive advantage from competitors. This is due to the growing competition from platforms and challengers' banks, forcing the company to enhance its technology making it smoother and more automated. In this way, Zopa has launched an income verification tool that automatically pulls in customer data made available through the data-sharing (zopa.com), by automating the process of applying and removing the manually fill out forms and upload documents. The company is also boosting its new products throughout an offensive marketing across the internet.

6- how does the knowledge management practice of the case company will benefit from progress in information technology?

The progress of information technologies affects organisations to management information and knowledge. In effect, emerging technologies tend to provide real time performance information to managers to enhance decision-making by adopting online collaboration and social networking to improve coordination, and knowledge sharing, and, by adopting telepresence videoconferencing and web conferencing technologies to reduce travel time and cost. Now, businesses use more and more social networking platforms, including Facebook, Twitter, and internal corporate tools to interact with employees, customers and suppliers.

For this, organisations are using cloud computing platform; a flexible collection of computers on the internet, big data allowing throughout new data management tools to capture, store and analyse huge volume of data from web traffic, email messages, social media contents and machines. And at the end, businesses are using mobile digital platform competing with

the personal computer through mobile devices, able to download many applications, to support collaboration, communication with colleagues and location-based services.

Regarding the case Zopa, the progress in information allows the company to focus on developing application programming interface (API) and data protocols and increasing the efficiency of transaction flow. In a nearest future, combined with open banking, Zopa is going to introduce Artificial Intelligence (AI) software and use of blockchain technology in its platform, to reduce money laundering, crime and fraud. And to use big data analysis and algorithms from globalised and standardised financial database to forecast which loans could become delinquent or being recovered. Nowadays, seen that many younger people do not use computers but only phones with simple user-interface, Zopa needs to invest heavily in mobile applications for the future.

That is why the company has created “borrowing power” which is an innovative combination of AI and data science to allow customers to borrow at the best possible rate, having the impact on loan availability and price if they improve their score by a set amount-linking improvement to a tangible outcome. Zopa is also very interested in blockchain technology which are transactions recorded securely on an online database and shared among a large network of computers, open to the public and practically impossible to falsify and giving greater cost savings.

7- How would the case organisation implement enterprise resource planning systems, explain both advantages and challenges of having ERP systems with example?

Considered as software providing solutions to an integrated business organisation, enterprise systems in large complex computing systems allow to handle large volumes of data and enable many companies to coordinate their business processes. In effect, the supply chain, distribution channels, accounting systems, and other information transfers are coordinated among the firm and relevant collaborators throughout web-based information systems such as supply chain management (SCM), customer relationship management (CRM) and enterprise resource planning (ERP). And if SCM is the management consisting of activities that moves materials supplier through the organisation to customer, CRM allows businesses to capture and integrate customer data from all over the organisation, to consolidate and analyse data and distribute the results to various systems and customer touch points across the enterprise. ERP systems are based on a suite of integrated software modules and a common central database which collects data from different departments and making it available for applications that support an organisation’s internal business activities. Sometimes it is too difficult to implement ERP.

In this case Zopa, we are going to see how this company would implement ERP in purpose to change the processes, culture and systems. That is why the use of Microsoft SQL server database is important to manage growth through an innovative development of technology, to implement a long-term solution to strengthen Zopa's platform performance. With its trusted IT services partner Highlander computing Solutions (HCS) and its support partner DSP, in a flexible commercial approach and an initial performance study on a fixed price, are provided services in three key steps to implement ERP: first, in performance review by analysing the existing system and process and come up with an improvement plan. Then, to execute performance plan by delivering services to implement the plan and finally an on-going support to maintain availability and performance of the systems in line with the long-term growth strategy.

However, we notice that in changing and globalised world where companies are competing to get advantages over their competitors, ERP helps to increase creativity, efficiency and business productivity by making decisions quickly and flexibly. ERP presents some advantages such as optimisation of business processes, ability to share information between all components of the organisation, elimination of unnecessary operations and data, improving performance of all departments by saving time and optimising the control and analysis of management decisions which reduce costs in the long-term for the company. There are also accurate and timely access to reliable information, good customer service and competitiveness.

And disadvantages are resistance in sharing internal information between departments reducing the efficiency of the software, absence of skills and experience of the workforce including education and how to make the system work properly, and sometimes change of staff with administrators who are not trained to manage the ERP may influence the success of the organisation. Installation of the ERP system is very expansive and the budget for consultants can become costly.

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