Benefits and Challenges of Knowledge Management in Public Sector: A Case Study of Local Authorities in Malaysia

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ABSTRACT

The potential impact of knowledge management in the public sector organizations on the stakeholders is greater than that in the private sector organizations. Knowledge management is regarded as an essential component to the Electronic Government evolution in Malaysia because it uses people and technology to generate creativity and innovation in the existing systems to improve productivity and quality of services. Thus, this paper explores the role of knowledge management in the Local Authorities in a broader perspective towards achieving the Electronic Government. A case study research of knowledge management in the Local Authorities is imperative as it provides empirical evidence on whether knowledge management is a suitable platform for Electronic Government evolution in Malaysia. Survey questionnaires were distributed to the senior and middle management government officers in the Local Authorities located in the Kuala Lumpur Federal Territory and Selangor State. This group of government officers was selected as they are responsible for the strategic policies and operational management in various departments of the Local Authorities. The responses from the questionnaires were aimed to identify the potential benefits and challenges in using KM as a strategic management tool to improve the internal operational efficiency and electronic service delivery system of the Local Authorities. The findings revealed a high level of perceived importance of KM benefits in achieving the Electronic

Government paradigm. However, the main obstacles for the Local Authorities to adopt knowledge management are non-standardized processes and procedures of organizational systems and outdated information and communication technology and inadequate knowledge management tools.

Keywords: *Knowledge management, electronic government, public sector organization, local authorities*

Introduction

To overcome challenges arising from a globalized economy, Malaysia has put in place some strategic national policies to embrace Knowledge based Economy (K-Economy) such as Electronic Government (E-Government) and Knowledge Management (KM). In the era of K-Economy, the practice of KM which uses people and technologies to create E-Government is important to the public sector organizations in Malaysia. E-Government is among the early government initiatives in promoting K-Economy in Malaysia. It seeks to improve the government operations internally and externally through internet enabled operations and information communication technology (ICT) in enhancing government service delivery, constituency participation and governance (Kassim, 2003). KM is an important strategic tool at both micro and macro level in achieving specific objectives of an organization and also to a country so as to gain competitive advantage to survive in the K-Economy era (Salleh & Ahmad, 2006 and Salleh *et al.*, 2008).

KM is a systematic process of maintaining and nurturing an organization to make the best use of its individual and collective knowledge to achieve high performance for the public sector and sustainable competitive advantage for the private sector (Bennet & Bennet, 2003). Technology, process, people and the organization structure and culture are the key enablers of the KM process. Apart from having effective KM strategies and adequate ICT infrastructure, the major challenge facing organizations operating both in the private and public sector today, is to find a way to overcome the soft cultural and behavioral obstacles for successful implementation of KM. It was concluded by Ruggles (1998) and Taylor & Wright (2004) that the main barriers in implementing KM were related to people such as poor understanding of what KM involved, a lack of top management leadership and a culture that inhibited knowledge sharing.

Although KM has been widely discussed by many academics and practitioners but there is little information on KM in the public sector and in developing countries such as Malaysia. Therefore, this research paper fills the gap by exploring and identifying the critical factors for successful KM strategy that should be adopted by all Local Authorities (LA) in Malaysia in transforming towards E-Government. In the E-Government environment, KM strategy plays a central role towards realizing the benefits of K-Economy and achieving the economic competitiveness of the country. The introduction of KM strategy within E-Government environment will encompass the potential benefits and challenges to equip government staff to become knowledge workers with the relevant ICT knowledge and skills in the new working context of knowledge based public sector. The adoption of successful KM implementation strategy is a suitable platform for developing E-Government. Such strategy also acts as a catalyst to the national strategic policies in achieving K-Economy at the dawn of the 21st century.

Objectives

This research paper examines the level of readiness of LA in Malaysia in adopting KM in the reinventing process of E-Government. LA is used as a research sample for this paper as it is an important component of the government machinery. The LA is the third tier in the government system, which is at the forefront of public service delivery not only to individual citizen but also to other organizations of public and private sector. This research used a survey questionnaire distributed to all senior and middle management government officers of three types of LA located in the Kuala Lumpur Federal Territory and the State of Selangor. The respondents to this survey questionnaire are those officers in the professional and administrative positions such as accountants, engineers, architects, medical doctors, lawyers and administrators who are responsible for strategic policies and decision making purposes for different types of functions and departments in LA. Thus, this research attempts to study the responses of the senior and middle management officers from the LA on the following objectives:

1. To highlight critical issues that are seen as potential benefits and challenges to the successful implementation of KM in the LA in transforming towards E-Government.

2. To identify differences between the three types of LA (city council, municipal council and district council) in terms of readiness for KM.

Literature Review and Previous Studies

The following are some definitions of KM which are relevant to this study:

*   Wiig (1997) suggested that KM implementation deals mainly with two activities which are maintaining and applying existing knowledge and creating new knowledge. Existing knowledge includes both tacit and explicit knowledge but creating new knowledge involves a great deal of interaction among people within the organization. KM uses both formal and informal organizational structures to accomplish the creation and dissemination of knowledge.
*   KM is the process of capturing the collective expertise and intelligence in an organization and using them to foster innovation through continued learning organization (Nonaka, 1991; Quinn *et al.*, 1996; Davenport, 1998).
*   KM is defined as a process of "leveraging and articulating skills and expertise of employees with the support of information technology" (Chong *et al.*, 2000, p. 369).
*   KM is the process of creating, capturing and using knowledge from an organization's intangible assets to enhance organizational performance (Riley, 2002).

An initial research project on KM in public sector organizations was carried out by Shields *et al.* (2000) in Canada to analyze KM initiatives and the impact of K-Economy on the work of public services. One of the main findings in the research was that knowledge and information initiatives are inherently political and have an uneven impact on different civil servants and on different client groups and members of the public. Wiig (2002) also made a comprehensive study on KM in public administration and investigated how KM could play important roles in public administration particularly in four main areas: 1) enhance decision making within public services, 2) aid the public in participating effectively in decision making, 3) build competitive societal intellectual capital capabilities and 4) develop a KM work force.

In Malaysia, Syed-Ikhsan & Rowland (2004b) and Syed-Ikhsan (2006) have identified the organizational elements such as organizational

culture, organizational structure, technology and people/human resource as well as the political directives that determine the performance of knowledge transfer in the Ministry of Entrepreneur Development in Malaysia. This initial empirical study via survey questionnaire revealed that ICT know - how of the people and knowledge sharing culture of the organization have an impact on the performance of knowledge transfer in this general administration public sector organization in Malaysia.

E-Government can be defined as the transformation of public sector internal and external relationship through Internet enabled operations and Information and Communication Technology (ICT) to improve and optimize government service delivery, constituency participation and governance (Kassim, 2003).

The Malaysian government launched the E-Government initiative in 1997 to reinvent itself to lead the country into the era of knowledge economy and knowledge based competition. The implementation of E-Government dynamically improves how the government operates internally as well as enhances the efficiency and effectiveness of service delivery to the public at large. E-Government improves the convenience, accessibility and quality of interaction with the public and businesses, improves and facilitates information flows, reengineers processes within the public sector and enhances the quality and productivity of its output and services.

E-Government in Malaysia is one of the seven Multimedia Super Corridor (MSC) Flagship Applications with the aspiration of employing multimedia technologies to reinvent government operations towards a paperless Civil Service. The implementation of E-Government provides a golden opportunity to the public sector to upgrade the quality of service delivery. The concept of E-Government can bring about fundamental changes in the fabrics of society and be an important contributor in Malaysia's overall effort to become a fully developed nation as being envisaged in the Vision 2020 (Abdul Karim, 1997; Abdul Karim & Mohd Khalid, 2003).

The success of a KM implementation strategy as a suitable platform for E-Government orientation depends on the support and participation of employees to generate, capture, share, learn and apply knowledge with the support of ICT infrastructure and KM tools. As defined by Chong *et al.* (2000), KM is therefore regarded as a process of leveraging and articulating skills and expertise of employees with the support of information technology in reinventing government operations towards E-Government orientation.

Methodology

Development and Administration of the Questionnaire

The items in the questionnaire were initially developed based on various research studies on KM in public sector such as those carried out by Syed-Ikhsan & Rowland (2004a; 2004b), Bawany & Associates (2004) and Al-Athari & Zairi (2001). Subsequently, the survey instrument was tested by carrying out a pilot study. The pilot study involved conducting interviews with few senior and middle management officers in three LA in the Kuala Lumpur Federal Territory and the Selangor State. Twenty (20) questionnaires were piloted on the representative from three types of LA *i.e.* city, municipal and district councils. Respondents participated in the pilot questionnaires were excluded from the analysis of the final questionnaires.

From the pilot study, a final version of the questionnaire was prepared. The definition of knowledge and KM was included in the questionnaire to ensure that respondents get a uniform understanding of KM concept. The questionnaire was prepared in two languages (English and Malay) and contained three parts. Part 1 consists of profile of respondents, Part 2 consists of questions regarding the supply of ICT equipment and ICT skills & training and Part 3 consists of statements where respondents were asked to indicate their perceptions relating to their awareness of KM, KM technology, benefits and challenges in using KM as a strategic tool in developing and adopting E-Government concept. A five point Likert like scale were used and the level of measurement were ranging from 1-5 points which '1' means not important at all to '5' which represents very important to measure the benefits of KM or ranging from '1' which means strongly disagree to '5' which represents strongly agree to measure the challenges of KM.

The questionnaires were sent to the mayor, president and all senior and middle management officers who were responsible for strategic policies and operational management in various types of different departments of the LA located in Kuala Lumpur Federal Territory and the State of Selangor. Names and addresses of these officers were obtained from the websites and confirmation of their current status was made through telephone calls.

A total of 411 questionnaires were distributed and 163 completed questionnaires (40%) were returned. Three (3) questionnaires were not analyzed as the respondents did not answer fully the important parts of

questionnaires. The details concerning the distribution and collection of questionnaires which were analyzed were shown in Table 1 below.

Table 1: Distribution and Collection of Questionnaires

Types of Local Authorities (LA)	Number of LA	Number of questionnaires distributed	Number of Questionnaire returned and analyzed
City Councils	2	148	43 (27%)
Municipal Councils	6	195	91 (57%)
District Councils	5	68	26 (16%)
Total	13	411	160 (39%)

Reliability Analysis

A reliability test was carried out on those behavioral questions in part 2 and part 3 of the piloted and pre-tested questionnaire. The Cronbach's coefficient alpha fell in the range of between 0.80 to 0.98 which are considered as good indicators for consistency for the responses on all the items and scales that are used in the measurement.

As the response rate was about 39%, it was decided to perform a non-response bias test. This is to ensure the possibility that the results obtained from this survey will not be affected by the non-respondents. This test consists of comparing the answers of the early and late replies of the respondents. A non-parametric procedure (Mann-Whitney U test) was used to compare the mean rankings of the answers in Part 2 and Part 3. The test results showed that there were no statistical differences in 95% of the variables of the questionnaires. Thus, we concluded that a problem arising from non-response bias is minimal.

Results and Discussion

Profile of Respondents

There was a fairly good mixed of respondents from the various categories of senior and middle management officers working in different types of departments in the three different types of LA.

Table 2: Types of Local Authorities & Respondents' Profile

Types of (LA)	Number of LA N	Respondents N	Senior Management	Middle Management
City Councils	2	43 (27%)	7 (16%)	36 (84%)
Municipal Councils	6	91 (57%)	17 (19%)	74 ((81%)
District Councils	5	26 (16%)	2 (8%)	24 (92%)
Total	13	160	26 (16%)	134 (84%)

Table 2 shows the spread of responses between three types of LA and between two categories of management staff. Mayor of city councils, heads of municipal and district councils and directors and deputy directors of LA are categorized as senior management. Middle management are those officers in professional and administrative positions such as accountants, engineers, architects, medical doctors, lawyers, administrators and others who are responsible for strategic policies and decision making purposes of different types of departments in their respective LA. The demographic profiles of the 160 senior and middle management officers are presented in Table 3.

Table 3: Demographic Profile – Senior and Middle Management
Officers of Local Authorities

Description	Senior Managers	Middle Managers	Total	Average
Age: above 51 years	9(56%)	7(44%)	16(10%)	Mean = 38
41 – 50	13(30%)	30(70%)	43(27%)	Median = 37
31 – 40	1(2%)	55(98%)	56(35%)	Mode = 30
25 – 30	2(5%)	39(95%)	41(26%)	N = 163
below 25 years	1(25%)	3(75%)	4(2%)	
	26(16%)	134(84%)	160	
Work Experience:				
21 – 40	6(29%)	15(71%)	21(13%)	Mean = 10
11 – 20	4(12%)	29(88%)	33(21%)	Median = 7
6 – 10	5(13%)	33(87%)	38(24%)	Mode = 4
below 5 years	11(16%)	57(84%)	68(42%)	N = 160
	26(16%)	134(84%)	160	

Sixteen percent (16%) of the respondents were senior managers and eighty-four percent (84%) were middle managers. In terms of age, 37% of the respondents were above 40 years and 63% were below 40 years. More than half (66%) of the respondents had less than 10 years of working experience. Interestingly, 13% of the respondents have more than 20 years working experience of which 29% of them are senior level of management and 71% represents the professional and administrative officers. As can be seen from the above table, the respondents who answered the questionnaires are those with extensive working experiences *i.e.* 44% of respondents had more than 10 years of working experiences and were holding responsible positions in the various departments of the three types of LA. Their answers to the questionnaires give a high level of credibility in terms of their opinions regarding the issues raised in the questionnaires.

Perception of Respondents on the Perceived Benefits and Challenges of KM Adoption in Local Authorities

The main objective of this study is to assess the level of readiness of management staff and organizations of LA in Malaysia for the successful implementation of KM strategy. The level of readiness for KM adoption is reflected by the level of perception of senior and middle management officers on the perceived importance of KM benefits and perceived recognition of KM challenges in three types of LA *i.e.* in small, medium and large size of LA. LA in Malaysia consists of city council (large), municipal council (medium) and district councils (small). The different sizes among the three types of LA are determined by the land size of local area in-charged (territorial boundaries), locality status (urban cities & towns or rural towns), power of control and authority level and the types of revenues collected for different types of services provided by them.

The findings were analyzed using several types of statistical analyses such as scale reliability test, exploratory factor analysis and one–way between groups ANOVA (Pallant, 2001). The Cronbach's coefficient alpha to test the data reliability in part 2 and 3 of the piloted questionnaire fell in the range of between 0.80 to 0.98 which are considered as good indicators for factoring. Factors consist of variables that are highly correlated among themselves. Each group of variables which are highly correlated among themselves would represent a single underlying construct

or factor. Factor loadings are correlations between the variables and factors and variables with factor loadings more than 0.7 can form a factor (Pallant, 2001). The Kaiser-Meyer-Olkin (KMO) which is more than 6 and Bartlett's test of sphericity which is large and significant (p-value < 0.05) are used as part of the requirements of Factor Analysis (Pallant, 2001). After determining the items for each factor, the cronbach alpha has to be checked again so that items comprising the underlying factor can produce a reliable scale for further statistical analysis. The purpose of using the factor analysis was to separate and analyze several designed variables /indicators to measure the underlying constructs or factors that were identified from previous studies and interview results conducted during pilot testing. With normal distribution and highly correlated variables representing the underlying factors, one-way between groups ANOVA with post-hoc comparisons is used to compare the means of two or more groups (comparative study between three types of LA *i.e.* city councils (large size), municipal councils (medium size) and district councils (small size).

The respondents were asked to rate the perceived benefits of KM in their organization on 18 items. All the respondents gave high ratings on the benefits of KM into 2 factors as shown in Table 4. The components/ variables of the two factors have been grouped based on the similar criteria emphasized by Wiig's definition of KM activities which are maintaining and applying existing knowledge and also creating new knowledge. Wiig's definition of KM (1997) suggested that KM implementation deals with two activities which are maintaining and applying existing knowledge and creating new knowledge. Existing knowledge includes both tacit and explicit knowledge but creating new knowledge involves a great deal of interaction among people within the organization. KM uses both formal and informal organizational structures to accomplish the creation and dissemination of knowledge. According to Syed-Ikhsan and Rowland (2004a), all public and private organizations need to manage both tacit and explicit knowledge effectively especially in ensuring that the organization can take full advantage of the organizational knowledge and technologies.

The component relating to improved efficiency of people and operations, improved products and services and increased responsiveness to customers' needs are among the top three components selected for the underlying factor on how to improve the existing knowledge system. The component relating to accessing external knowledge, using knowledge in decision making and embedding new knowledge in the organization

Table 4: Perceived Benefits of KM Among 3 Types of Local Authorities
(Factor Analysis and Anova)

FACTORS/ INDICATORS	MEAN SCORE ■					
FACTOR 1: Improved Existing Knowledge System	Factor Loading	Total (n = 160)	City Council (n= 42)	Municipal Council (n = 92)	District Council (n = 26)	ANOVA Sig. (p < 0.05)
KMO: 0.943 & Barlett's test: 0.000, Eigennvalue: 11.405, Cronbach Alpha = 0.966						
1. Improved efficiency of people and operations	0.896	4.42	4.38	4.47	4.31	0.709
2. Improved products/ services	0.881	4.37	4.29	4.43	4.27	0.602
3. Increased responsiveness to customers' needs	0.874	4.34	4.26	4.42	4.15	0.376
4. Quick response to other organizations' needs	0.871	4.33	4.29	4.36	4.31	0.913
5. More innovation/ creativity	0.871	4.33	4.33	4.36	4.23	0.832
6. Sharing best practices	0.856	4.23	4.17	4.32	4.04	0.419
7. Measuring the value of knowledge assets obtained from employees	0.785	4.04	4.00	4.04	4.08	0.945
8. Higher staff productivity	0.753	4.29	4.19	4.30	4.42	0.710
9. Creating training system based on new knowledge	0.752	4.26	4.26	4.25	4.31	0.967
FACTOR 2: Creating New Knowledge System	Factor Loading	Total (n = 160)	City Council (n = 42)	Municipal Council (n = 92)	District Council (n = 26)	ANOVA Sig. (p < 0.05)
KMO: 0.943 & Barlett's test: 0.000, Eigennvalue: 2.472, Cronbach Alpha = 0.940						
1. Accessing external knowledge	0.805	4.29	4.29	4.36	4.08	0.239
2. Using knowledge in decision making	0.800	4.51	4.43	4.55	4.50	0.620
3. Embedding new knowledge in the organization	0.795	4.34	4.29	4.38	4.31	0.770
4. Creating knowledge databases	0.790	4.31	4.19	4.38	4.27	0.449

(continued)

Table 4 *(continued)*

FACTOR 2: Creating New Knowledge System	Factor Loading	Total (n = 160)	City Council (n = 42)	Municipal Council (n = 92)	District Council (n = 26)	ANOVA Sig. (p < 0.05)
5. Generating new knowledge	0.788	4.34	4.33	4.35	4.35	0.995
6. Facilitating knowledge growth through culture and incentives	0.775	4.05	3.86	4.20	3.92	0.077
7. Employee Learning	0.749	4.41	4.33	4.43	4.42	0.737
8. Transferring existing knowledge to other parts of the organization	0.747	4.23	4.17	4.27	4.19	0.781
9. Teamwork	0.721	4.62	4.52	4.67	4.58	0.480

■ Likert scale ranging from '1' which means not important at all to '5' which represents very important

☑ Extraction Method: Principal Component Analysis & Rotation Method: Varimax with Kaiser Normalization

are top three components selected for the underlying factor on how to create new knowledge system. The ANOVA tests indicated there are no significant differences on the level of perception (mean score) on KM benefits by the three types of LA at 5% level of significance. All LA has similar opinions and gave high mean score for those identified factors of KM benefits in setting up a successful implementation of KM strategy for E-Government orientation. There is a high realization amongst the management staff of all LA in respect to the important role of KM in facilitating knowledge transfer and sharing initiatives within the division and across the division of an organization.

The respondents were also asked to rate the challenges for the successful implementation of ICT infrastructure of KM as a platform for E-Government in their organization on 24 items. The respondents gave high mean score on the challenges related to the organizational structures and technological matters. Table 5 shows 5 identified factors related to technology and organization factors as perceived KM challenges. From the factor analysis result, the entire sample from the three types of LA seemed to support the difficulties of updating ICT & KM technology and the inadequate KM infrastructure & tools as technological challenges for KM adoption in LA. Confidentiality and security of information, letters are preferred from emailing, non-standardized systems & procedures, emphasis on individual rather than teamwork, lack of awareness campaign

Table 5: Perceived Challenges of KM Among 3 Types of Local Authorities
(Factor Analysis and Anova)

FACTORS/ INDICATORS	MEAN SCORE ■					
KM CHALLENGES KMO: 0.881 & Barlett's test: 0.000	Factor Loading	Total (n = 160)	City Council (n = 42)	Municipal Council (n = 92)	District Council (n = 26)	ANOVA Sig. (p < 0.05)
Technology Infrastructure	Eigennvalue: 2.084 Cronbach Alpha = 0.811					
1. Difficulties of updating ICT & KM technology	0.784	3.72	3.55	3.68	4.12	0.106
2. Inadequate ICT infrastructure & KM tools	0.691	3.55	3.31	3.51	4.08	0.040*
Organizational Structure - Confidentiality	Eigennvalue: 1.406 Cronbach Alpha = 0.852					
1. Concerns regarding confidentiality of information transmitted and received by emailing	0.850	3.95	4.05	3.84	4.19	0.235
2. Letters are seen as providing evidence as opposed to e-mails	0.840	3.84	3.81	3.84	3.92	0.556
3. Concerns over security of information and obsolete information stored in electronic databases	0.774	3.85	3.95	3.77	3.96	0.907
Organizational Structure - System	Eigennvalue: 1.237 Cronbach Alpha = 0.713					
1. Non-standardised processes & procedures	0.769	3.38	3.71	3.09	3.88	0.005*
2. Emphasis on individual rather than teamwork	0.762	3.57	3.67	3.50	3.65	0.675

(continued)

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Table 5 (*continued*)

FACTORS/ INDICATORS	MEAN SCORE ■					
KM CHALLENGES KMO: 0.881 & Barlett's test: 0.000	Factor Loading	Total (n = 160)	City Council (n = 42)	Municipal Council (n = 92)	District Council (n = 26)	ANOVA Sig. (p < 0.05)
Organizational Structure - Leadership	Eigennvalue: 1.102 Cronbach Alpha = 0.859					
I. Lack of awareness on KM						
☑ Middle management	0.853	3.31	3.33	3.21	3.65	0.311
☑ Supporting staff	0.817	3.53	3.50	3.43	3.88	0.275

■ Likert scale ranging from '1' which means strongly disagree to '5' which represents strongly agree
* Variables with significant differences between groups (3 types of LA) as tested using ANOVA test at 5% level of significance.

from leadership are considered as crucial organizational challenges for KM adoption.

However, the ANOVA tests indicated there are some significant differences in the mean score of respondents on KM challenges by the three types of LA at 5% level of significance test. Based on Tukey post hoc tests (multiple comparison) in Table 6, there is a significant difference on respondents' perception on the technological challenges in terms of inadequate ICT infrastructure & KM tools between district council (mean score = 4.08) and city council (mean score = 3.71) at 5% level of significance and between district council (mean score = 4.08) and municipal council (mean score = 3.51) at 10% level of significance. This is likely due to the limited financial resources faced by district council and the larger size and complex system of city council of which both have higher mean score for technological obstacle as compared to municipal council (medium size).

Based on Tukey post hoc tests (multiple comparison) in Table 7, there is also a significant difference on the respondents' perception on the organizational challenge on non-standardized procedures and processes among the three different types of LA at 5% and 10% level of significance. There is a significant difference on the perception in respect to organizational system - non-standardized processes & procedures between city council (mean score = 3.71) and municipal council (mean score =

Table 6: Tukey Post Hoc Test (Multiple Comparison) – Significant Mean
Differences on KM Challenges: Inadequacy of ICT Infrastructure
and KM Tools among Three Types of Local Authority

KM Challenges: Inadequacy of ICT infrastructure and KM tools			
Types of Local Authorities	Multiple Comparison	Mean Difference	Sig. Value
City Council	Municipal Council	- 0.201	0.650
	District Council	- 0.767	0.034
Municipal Council	City council	0.201	0.650
	District council	- 0.566	0.096
District Council (m = 4.08)	City Council (m = 3.71)	0.767	0.034*
	Municipal Council (m = 3.51)	0.566	0.096○

* Significant difference at 5% level of test
○ at 10% level of test

Table 7: Tukey Post Hoc Test (Multiple Comparison) – Significant Mean
Differences on KM Challenges: Non-Standardised Process and
Procedures among Three Types of Local Authority

KM Challenges: Non-Standardised Process and Procedures			
Types of Local Authorities	Multiple Comparison	Mean Difference	Sig. Value
City Council	Municipal Council	0.627	0.032
	District Council	- 0.170	0.864
Municipal Council (m = 3.09)	City council (m = 3.71)	- 0.627	0.032*
	District council (m = 3.88)	- 0.798	0.020*
District Council	City Council	0.170	0.864
	Municipal Council	0.798	0.020

* Significant difference at 5% level of test

3.09) at 0.5% level of significance and between district council (mean score = 3.88) and municipal council (mean score = 3.71. This is likely due to the limited resources and unorganized system in district council and the larger size and complex structure /functions of city council which both councils gave a higher mean score for this critical type of KM challenge.

Limitation of the Study and Suggestion for Future Research

Due to time constraint, this research is focused only on LA in Federal Territory of Kuala Lumpur and the Selangor State. Future research of KM in LA should also include all LA in Malaysia as this will add additional dimensions and perspectives in dealing with the issues of KM and E-Government in public sector organizations. It is also suggested that the perceived importance of KM as a suitable platform for E-Government should also be obtained from those who are working at the forefront offices of the ministries and government agencies of Federal and State Government.

Conclusion

This paper has revealed an important aspect of the transformation process to E-Government i.e. on the level of awareness and readiness of the senior and middle management officers on taking up the efforts and challenges of implementing KM in the LA. Thus, this will help to smooth the management change process involved in the transformation for E-Government environment. It is without doubt that the research findings of this survey showed that there is a high level of perceived importance of KM benefits by management staff in all LA with mean scores of more than 4.00. Their opinion on the perceived importance of KM benefits is crucial to the success in achieving the objectives of E-Government in LA in Malaysia.

The technological obstacles in terms of inadequate ICT infrastructure and KM tools could be overcome by increasing more financial and non-financial resources in the smaller LA especially the district councils. Based on the outcome of this survey research, we are confident in concluding that KM adoption in LA is indeed a suitable platform for LA to transform towards E-Government paradigm. This can help the country to realize the benefits of K-Economy and to attain the sustainable economic competitiveness which are essential to a fully developed nation by the year 2020 as envisaged in Malaysia's Vision 2020.

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