



Ministry of Civil Service
Royal School of Administration (RSA)

Case study:

Transforming civil servant salary payment through the banking system in Cambodia civil service in comparing with Nonaka's knowledge creation approach.

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Acronym

ASEAN – Association of Southeast Asian Nations

ATMs – Automated Teller Machines

CAR – Council for Administrative Reform

CDC – the Council for the Development of Cambodia

D&D – Decentralization and Deconcentration

HE – His Excellency

HRMIS – Human Resource Management through Information System

IT – Information Technology

MCS – Ministry of Civil Service

MEF – Ministry of Economy and Finance

MoU – Memorandum of Understanding

NPAR – National Program for Administrative Reform

NPDD – National Program for Decentralization and Deconcentration

NPM – New Public Management

PAR – Public Administrative Reform

PFM – Public Financial Management

PFMRP – Public Financial Management Reform Program

RGC – Royal Government of Cambodia

RSA – Royal School of Administration

SECI – Socialization, Externalization, Combination, Internalization

UNPAN – United Nations Public Administration Network

USD – United States Dollar

WTO – World Trade Organization

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Chapter 1: Introduction

After the complete collapse of the Khmer Rouge regime and its organizational management during the 1990s through the government's win-win strategy, Cambodia has embarked on various fundamental reforms to achieve its governance agenda, economic growth performance as well as rebuilding its civil service system from scratch. For instance, during the early 1990s, Cambodia was seen to adopt high speed reform through "a comprehensive macroeconomic policy and structural reform program" which was aimed at integrating Cambodia's economy into the region and the world such as the Association of Southeast Asian Nations (ASEAN), and the World Trade Organization (WTO). Such reform achieved some significant outcomes such as average annual growth between 6 and 7 percent, and inflation dropped to less than 5 per cent. In such regard, the Royal Government of Cambodia (RGC) through the Ministry of Economy and Finance (MEF) set its focus on strengthening and establishing "good governance system" such as (1) macroeconomic policy framework management, (2) improving budget system, (3) modernizing tax system, (4) improving public accounting system, (5) developing audit system, (6) privatizing public enterprises, and (7) strengthening state property management. Such focus led to formulation and adoption of various laws and regulations (such as financial system, taxation, public procurement, budget expenditure, public accounting, investment, privatization) (MEF 2004, p.i).

At the same time, during such post-conflict situation, Cambodia's civil service system was seen to be poorly equipped with low pay which failed to provide a living wage and encouraged various corrupt behaviours in public service such as the seeking of second jobs, rent-seeking and poor public service delivery. Such remuneration challenges caused difficulty in attracting and motivating high skilled employees and encouraged the practices of various salary supplements such as performance-based pay / incentives in various donor-financed projects without clear policy guidance or oversight. (World Bank 2013)

In response, the government enunciated certain principles for guiding salary reform such as defining uniformity and equity of salary throughout the public service, introducing basic salary through folding from the different aspects of allowances and other additions, and ensuring fiscal sustainability of wage bill and so on. However, the challenges still persisted regarding insufficient across-the-board increase in basic salary, lack of differentiating salary for different jobs, and lack of performance accountability focus (World Bank 2013)

During the second term of RGC (1999-2003), the "Triangular Strategy" was set out which focused on (1) ensuring peace, stability and security, (2) integrating Cambodia into regional and

international community, (3) socio-economic development and poverty reduction, which implemented through four reform programs including Military reform, Administrative reform, Judicial system reform, and Economic reform. From 2004 onward, the RGC has updated its political platform and development strategy into the 'Rectangular Strategy' for Growth, Employment, Equity and Efficiency, where 'Good Governance' has become the core through focusing on four reform areas such as (1) anti-corruption, (2) legal and judicial reform, (3) public administration reform, and (4) reform of armed forces (RGC 2004).

Among the key reform agenda, public administration reform has been regarded as one of the cornerstones in achieving good governance as well as improving the livelihood of civil servants across the country. Public administration reform (PAR) is mainly interconnected with three reform programs such as National Program for Administrative Reform (NPAR) (under the supervision of the Council for Administrative Reform, and after 2013, under the supervision of Ministry of Civil Service and PAR Committee), Public Financial Management Reform Program (PFMRP) (under the supervision of Ministry of Economy and Finance and PFM Committee), and National Program for Decentralization and Deconcentration (D&D) (under the supervision of Ministry of Interior and National Committee for Decentralization and Deconcentration - NCDD). However, such PAR's synergy among the three reform programs are closely cooperated only after 2013.

To understand the concept of civil servant's salary reform, the evolution of NPAR will be examined due to its 2015-2018 third goal focuses on improving pay system to ensure equity, consistency, productivity and budget affordability, which is believed to fundamentally support other two goals of NPAR such as human resource improvement and quality of public service delivery (RGC 2015). NPAR is seen to have been introduced since the late 1990s which provided the first foundation for the subsequent phases of reform programs. Within the first foundation reform, the focus was on building mechanism to manage and motivate civil servants, certain key reform activities were achieved such as the implementation of civil service census, the development of a New Career Path System and Remuneration System, and the Computerization of Payroll System. Such Public Administration Reform including pay reform is seen to be initiated and announced by HE Sok An, Senior Minister, during the development partner Consultative Group Meeting on 19-21 June 2002, which included a new pay and remuneration system to cover not only the base salary but also other allowances. The average pay was seen an increase from USD 19.5 per month in 2001 to USD 28 in 2002 and to over USD 51 per month in 2006, and with the computerization of payroll system and database (HRMIS) to reduce human errors and cost (CDC 2002; UNPAN 2004; MCS 2016a).

Though there was some increase in civil servant salary during the early 2000s, various problems still challenged the reform efforts such as the delay in payment due to the manual process (such as delayed payment from one to two months), inaccurate amount of payment (not in right amount), security-related and risky taking for cash carrying (particularly in sub-national level and rural areas), and waste of times and resources (such as people took long queue to get their salary, needed many cashiers to check each name and amount) (Youk Bunna 2019).

In responding such problems, the RGC announced the implementation of salary payment through the banking system on December 2008 to release the burden of cash flow, reduce the chance of corruption (ghost employees, informal fee charges) and ensure timely payment. To implement such electronic payment, MEF has selected some private financial institutions such as Aceda Bank, Canadia Bank, and Wing to sign Memorandum of Understanding (MoU) with MEF to deposit salaries and provide payroll service for government officials from early 2014 onward (Aceda 2013; Phnom Penh Post 2013; The Cambodia Daily 2013). The rolling out of salary payment through banking system is seen to be started as pilot phase with some priority ministries at both national and sub-national levels such as the Ministry of Education, Youth and Sports, Ministry of Health, Ministry of Economy and Finance, Ministry of Interior and Ministry of Defence, but excluding police and military. This is because these ministries represent about 84% of the total civil servants in the country. Such reform is believed to make salary payment more accessible (due to the availability of 24-hour basis ATMs), in efficient and timely manner. (The Cambodia Daily 2013; MEF 2014b).

To deal with the salary payment through the banking system and to have comprehensive coverage of the payment (within all government's ministries and institutions), an inter-ministerial working group was created in late 2013 through the RGC's Decision No. 46 (dated 13th November 2013) which is known as the Pay Reform Taskforce or Taskforce for Reforming the Salary System. The Taskforce is seen to be under the new leadership and management of the newly established Ministry of Civil Service (MCS) and with representatives from five ministries such as (RGC 2013):

- Secretary of State, Ministry of Civil Service (Chair)
- Representative of Ministry of Economy and Finance (Deputy Chair)
- Representative of Ministry of National Defense (member)
- Representative of Ministry of Interior (member)
- Representative of Ministry of Social Affairs, Veterans and Youth Rehabilitation (member)

The taskforce was positioned in MCS and used seal, means and resources of MCS to perform key functions as following:

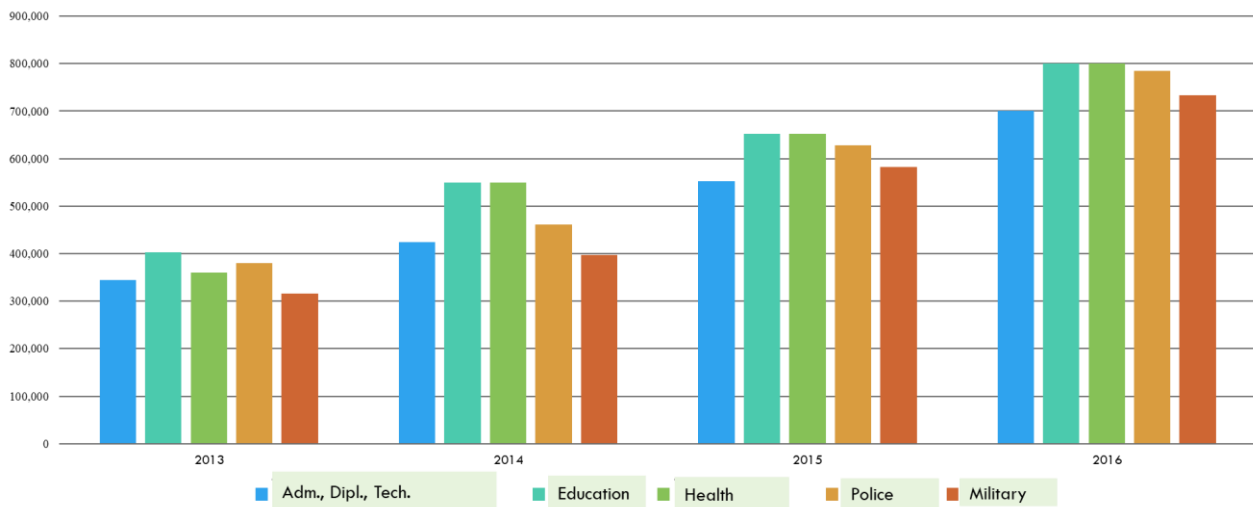
- Review the whole system of government pay system (national and subnational civil servants including retired and disabled civil servants, military, and police,)
- Propose the package of pay reform (policy and strategy) for 2014-2018 to MCS, MEF and to get approval from the RGC

In this regard, it is also noted that the chair of the taskforce was given some authorities in inviting and consulting with senior and professional staff of relevant ministries, local and international consultants/advisors as well as establishing sub-taskforces to study and review on specific cases of pay reform.

With the establishment of the taskforce and the new leadership, there are some expected benefits of the pay reform such as efficient and effective management of civil servant (reduced ghost employees, corruption), budget saving from the elimination of irregular civil servants, cash flow management in the banking system, risk reduction in cash-related issues, timely payment (within the 4th week of each month), accurate and accessible payment.

According to MCS’s 2016 progress report (MCS 2016a), the minimum pay of civil servants from 2013 to 2016 is seen to have double increase, and the high increase is seen in education and health sectors, while the military and police have been aligned and harmonized with the general administration sector. For instance, the minimum salaries for education and health civil servants have been increased from around 402,800 riels (USD 95.90) and 360,000 riels (USD 85.71) respectively in 2013 to 800,500 riels (USD 190.59) equally in 2016. While the minimum pay of

Figure 1: Minimum salary increase for civil servants and armed forces



Source: MCS (2016a)

the general administrative civil servants, police and military have been increased from 344,000 riels (USD 81.90), 379,930 riels (USD 90.45) and 315,990 riels (USD 75.23) in 2013 to 700,500 riels (USD 166.78), 784,730 riels (USD 186.84), and 733,730 riels (USD 174.69)³ accordingly in 2016. (See figure 1).

Civil servants' salary reform in Cambodia is seen not only to be delivered through an efficient banking system, but also increasing in its amount due to the strong RGC's reform commitment as well as the leadership of the Pay Reform Taskforce. Though such achievement of pay reform, some challenges still remain regarding the improvement of human resources such as the control of absence and performance, as well as the quality of public service delivery (RSA 2019a, 2019b).

Based on the above insights, a case study will be developed to provide a good lesson learnt in reforming the delivery of administrative service regarding the transforming civil servant salary payment through the banking system which is believed to contribute to the framework of knowledge creation and innovation based on Cambodia's local context demands. The case study development will apply the concept of Nonaka (1994)'s knowledge creation, especially the SECI model (Socialization, Externalization, Combination, and Internalization), leadership and ba, which believe to form as an assessment method in examining the success factors as well as in understanding the limitations and the areas for further improvement.

³ The USD calculation is based on USD 1 = 4200 riels

Chapter 2: Literature review

The Concept of Knowledge and Knowledge Creation

Starting from the 1990s, knowledge has been widely recognized as the meaningful resource of economy as well as the key source of competitive advantage for organizations in generating innovation due to the context of rapid change (such as market, products, technologies, competitors). However, the understanding of how knowledge is created and managed in organizations is limited. This can be reflected that the general understanding of knowledge is mostly just referred to information management and organization which is regarded as an information processing machine and fail to understand the dynamic process in creating knowledge (Nonaka et al 2000; Nonaka et al 2018). In responding such limitation, the concept of knowledge creation by Nonaka and his colleagues (1994; 2000) is seen as the promising source in explaining the dynamic process of how knowledge is created, maintained and exploited within organizations.

The concept of knowledge is multifaceted in meaning. The traditional meaning of knowledge can be referred as the “justified true belief” (Nonaka 1994, p.15; Nonaka et al 2000, p.7) where the focus of truthfulness is the key attribute of knowledge in the traditional Western aspect which can be regarded as “universal, scientific, logical and objective” (Nonaka et al 2018, p.1) and it is mostly seen as “non-human view of knowledge” (Nonaka et al 2000, p.7). Such definition of knowledge is focused only on the explicit mode of knowledge. However, by using the work of Michael Polanyi (1966 cited Nonaka et al 2018), knowledge can be both explicit and tacit, where explicit knowledge can be regarded as the tip of visible iceberg, and tacit knowledge represents the wide and deep submerged part under the water. Explicit knowledge is easy to be stored and transmitted due to its formal form of expressed languages, while tacit knowledge is difficult to be formalized and transmitted due to its informal and personal characteristics. It is believed that “tacit knowledge is deeply rooted in action, procedures, routines, commitment, ideals, values and emotions” and “indwells in a comprehensive cognisance of the human mind and body” (Nonaka et al 2000, p.7). Though there is different between explicit and tacit knowledge, but they are complementary, and their relationship is significant for knowledge creation. In such regards and in the present context, a personal belief is regarded as the key justification of knowledge, where the concept of knowledge creation emphasizes knowledge as “a dynamic human process of justifying personal beliefs as part of an aspiration for the truth” (Nonaka 1994, p.15).

The term knowledge and information might be used interchangeably, but there are some different aspects. For instance, “information is a flow of messages or meanings which might add to, restructure or change knowledge” (Machlup 1983 cited in Nonaka 1994, p.15). Then, information is used to create knowledge which is based on the beliefs and commitment of individuals who possess such information. The understanding of knowledge can be seen in the form of human action which is related to the aspect of artificial intelligence. Though information is believed to be the key factor for initiating and validating knowledge, but it depends much on the content of the information rather than its form (Dretske 1981 cited in Nonaka 1994), which provides meaning for knowledge creation. Then, it can be commonly perceived that the fundamental basis for knowledge creation in organizations is highly influenced by the beliefs and commitment of individuals.

In such regard, individual knowledge is believed to be shaped by the social context (language, culture, history) where that person belongs to and provide space for interactions to fabricate knowledge. Knowledge is believed to be significant for organizations not only in transforming input into finished goods and services, but also improving the internal processes and procedures to respond to the external forces, where the conceptualization of know-how, know-what and know-why emerges within the organizational evolutionary process. Such knowledge is believed to be enhanced by employees’ interactions within the organizational processes (Kapofu 2014).

In the concept of knowledge creation, “organizations create and define problems, develop and apply new knowledge to solve the problems, and then further develop new knowledge through the action of problem solving”. In such perspective, organization is not just a machine of information processing and problem solving, but also creating knowledge through action and interactions. Then, capability of organization in creating knowledge is not about possessing stock of knowledge at one point in time, but it is about dynamic capability that continuously creates new knowledge between the boundary of self and other with the interactions among or between individuals and their environment. In this sense, individual is regarded as micro level, while the environment is macro level where influences can be made from either side during their interactions. (Nonaka et al 2000, p.6; Nonaka et al 2006).

Therefore, within the process of knowledge creation, the key characteristics can be notified such as: (1) knowledge is created by human through the process of interactions among themselves and environment, (2) knowledge is not about self-contained substance, but rather a creation from internal self through interactions with outside world, (3) knowledge is about

information of actual context which is internalized and transformed into knowledge. In such sense, it is believed that organization envisions different future due to different beliefs and commitment; then, “to achieve an envisioned future we need to create new knowledge, and this is what management and strategy should be concerned about” (Nonaka et al 2018, p.3).

The SECI model

The concept of organizational knowledge creation through the SECI model (SECI stands for Socialization, Externalization, Combination, and Internalization) is seen to be proposed by Ikujiro Nonaka with other co-authors namely Hirotaka Takeuchi, Georg von Krogh and others during the early 1990s to explain the dynamic model of knowledge creation. The SECI model is seen to be accepted by many researchers and practitioners due to its clear and logic delineation between the tacit and explicit knowledge through the use of Polanyi (1958)’s management theory. In such regards, the key factor for creating organizational knowledge is through dynamic interactions and dialogue between tacit and explicit knowledge that embedded in individuals and groups (Nonaka 1994; Nonaka et al 2000; Rice and Rice 2005; Nonaka et al 2006; Kapofu 2014).

Such relationship is called by Nonaka (1994) as “spiral” model which provides continual dialogue between tacit and explicit knowledge in creating new ideas or concepts through expanding around the community of individuals. In such spiral model, “concepts which are thought to be of value obtain a wider currency and become crystallized”. In the SECI model, the key assumption is that there is continuous encouragement of knowledge flows between tacit and explicit knowledge among individuals and groups for the purpose of knowledge improvement and creation in different levels of organization. Such process is called as the knowledge conversion process (Nonaka 1994, p.15; Nonaka et al 2000; Rice and Rice 2005).

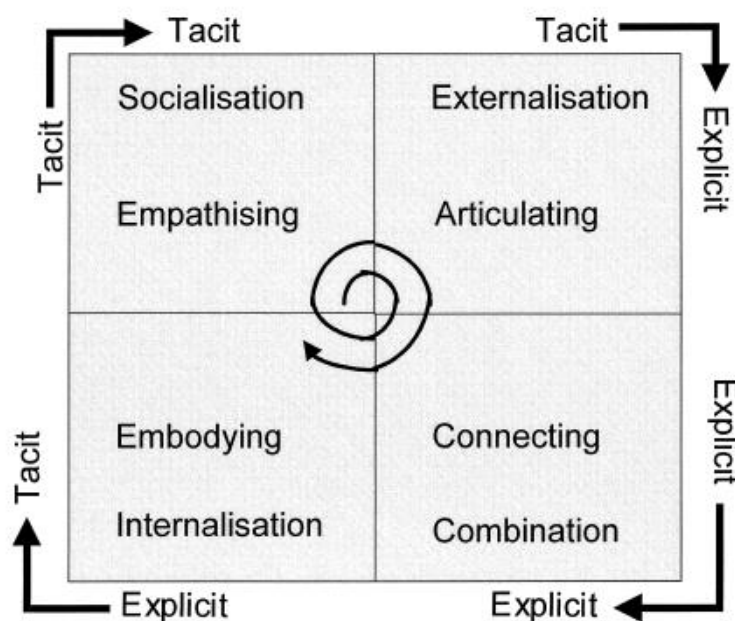
According to Nonaka (1994, p.15), knowledge is believed to be generated from the minds of individuals, but interaction between individuals plays significant role in generating such knowledge and ideas which is called as the “communities of interaction” where the new knowledge can be generated. Knowledge creation is believed to be related with the role of individuals where commitment or intention of individuals is perceived. Also, though there is limited research on the relationship between tacit knowledge and explicit knowledge as well as between individual and organization, it is clearly believed that tacit knowledge is both embedded in individual and organization and it tends to be influenced by organizational cultures. In such regard, tacit knowledge is believed to emerge from practical intelligence where experience perceives (Rice and Rice 2005). Such cognitive elements of tacit knowledge can be notified through individual action

and visions that are articulated through the form of communication which is aimed at building mutual understanding through sharing such tacit knowledge (through analogue quality, where parallel or simultaneous processing occurs). While, explicit (codified) knowledge is regarded as knowledge that can be transmitted through formal and systematic channel or language. It is believed that knowledge that is expressed in words and numbers is regarded as “the tip of iceberg of the entire body of possible knowledge” (Nonaka 1994, p.16; Nonaka et al 2006).

Fundamentally, organizations cannot generate knowledge with the absence of individuals or without providing “a context for such individuals to create knowledge”. Then, the creation of organizational knowledge requires to have organization that supports individuals to create knowledge and forms network of knowledge for the organization. In such context, there involves various levels of social interactions that individuals’ knowledge is transformed and legitimized. (Nonaka 1994, p.17)

Also, in the process of knowledge creation, the role of top management is believed to be important in articulating and emphasizing the knowledge vision of organization and at the meantime the role of middle management is regarded as knowledge producers in energizing *ba* (the concept of *ba* will be discussed in the next section). In such concept, it can be summarized that organization can create new knowledge through the use of existing knowledge assets within the SECI process which is facilitated by *ba*. When new knowledge is created, it will evolve into the new spiral process of knowledge creation. (Nonaka et al 2000).

Figure 2: the SECI process



Source: Nonaka et al (2000, p.12)

Within the knowledge conversion process, there are four modes of interaction between tacit knowledge and explicit knowledge where “the existing knowledge can be converted into new knowledge” (Nonaka 1994, p.18). The four modes of interactions in knowledge conversion can be summarized as in the following (see figure 2):

(1) Socialization (S) is the process where knowledge is converted from tacit knowledge into tacit knowledge through the form of sharing experience such as the apprentice work, learning craftsmanship, and on-the-job-training that can be done without language interaction but through observation, imitation and practice. Such process requires time to learn from the hand-on experience or apprenticeship rather than from textbooks or written manuals.

(2) Externalization (E) is a process of converting from tacit knowledge into explicit knowledge. It is believed that when tacit knowledge is converted into explicit knowledge, it is crystallized and easy for sharing and transferring which becomes a basis for new knowledge creation. The successful conversion can be done through the sequential use of metaphor, analogy and model.

(3) Combination (C) is the process of converting from explicit knowledge into another explicit knowledge which is more systemic and complex in form. Explicit knowledge can be collected from both inside and outside the organization; then, a new knowledge is created through the ways of combining, editing and processing. The new explicit knowledge is used for dissemination among members. The use of creative technology such as computerized network and large-scale databases is seen to be helpful for such combination process. In combination process, the breakdown of concept also happens to create systemic explicit knowledge such as breaking down from organizational vision into operationalized concepts.

(4) Internalization (I) is the process of converting explicit knowledge into tacit knowledge through sharing and learning by doing among individuals. The action and practice of explicit knowledge such as training programs, reading job-related documents or manuals and so on can enrich individual tacit knowledge which is triggered by the experience of learning by doing. Such tacit knowledge which is resulted from the explicit knowledge through the process of internalization will become a valuable asset of shared mental model or technical know-how. Such accumulation of individual tacit knowledge will become a new spiral process of knowledge creation among others in the socialization process. (Nonaka 1994; Nonaka et al 2000; Nonaka et al 2006).

Though the four modes of knowledge conversion can generate new knowledge independently, but the dynamic interaction between the different modes is significant for knowledge creation especially through the interchange between the two aspects of internalization and externalization to build dialogue between tacit and explicit knowledge. Regarding the combination and socialization, knowledge creation may have limitation due to the lack of facilitation in wider social context and lack of applicability of knowledge beyond the specific contexts respectively. (Nonaka 1994)

According to Nonaka et al (2000), to constitute the process of knowledge conversion, some factors are required. For instance, in Socialization process of converting tacit knowledge into tacit knowledge, it requires the role of managers in collecting information from inside and outside organizations to share and discuss with relevant stakeholders (suppliers, customers, competitors) including experience, dialogue, and informal meetings to find new strategies for the organization. In transferring such tacit knowledge, managers can create working environment that facilitates the sharing and demonstrating of expertise through the practices of master. Also, in Externalization process of converting tacit into explicit knowledge, it requires managers to provide supportive and creative dialogue through the use of abductive thinking, metaphors in dialogue and involvement of industrial designers. Also, in the Combination process of converting explicit knowledge into explicit knowledge, it requires managers to involve in various activities such as acquisition and integration of knowledge (planning strategies and operations, assembling internal and external data), synthesis and processing of knowledge (creating manuals, documents and databases of services and products), dissemination of knowledge (presenting and transmitting the new knowledge). Finally, in the Internalization process of converting explicit knowledge into tacit knowledge, it requires managers to establish liaison team from various functional departments to search and share new values and thoughts which are mostly related to management vision and values through communication among individual members. Managers also have to engage in facilitating the challenging spirit within the organizations through the establishment of team in conducting experiments and sharing results.

Moreover, the shifts between different modes of knowledge conversion are seen to be induced by various causes. For instance, the team-building and experience-sharing are seen in the mode of socialization. The continuity of meaningful dialogue through the use of metaphors can be found in externalization mode to reveal the hidden tacit knowledge among team members. The combination mode involves the coordination of various stakeholders such as team members and other sections

of organization forming and combining concept through the use of existing data and external knowledge to form concrete and sharable specifications. Finally, the internalization mode involves the trial and error process where concepts are articulated through experimentation (process of learning by doing) until becoming concrete form (Nonaka 1994)

At individual level, tacit knowledge is seen as the starting point of knowledge creation process where its benefit become externalized and amplified through dynamic interactions among the modes of knowledge conversion, which is regarded as the spiral model of knowledge creation. Also, “the interactions between tacit knowledge and explicit knowledge will tend to become larger in scale and faster in speed as more actors in and around the organization become involved”. Such process is seen in the form of upward spiral process which starts moving from individual to collective or group level and continues to organization level and sometimes reaches the interorganizational level (Nonaka 1994, p.20).

In such regard, individual is seen as the prime mover within the process of organizational knowledge creation and accumulates tacit knowledge “through direct hand-on experience”. There are two key factors that influence the quality of tacit knowledge including high quality experience (that involves the nature of job), and the knowledge of experience (deep personal commitment). The explanation of the quality of explicit knowledge can be done through a knowledge of rationality which is dominant in the Western culture in describing rational ability to reflect on experience. Such approach is found in the combination mode of knowledge conversion where the discrete declarative knowledge is created, but it tends to ignore the significance of commitment (Nonaka 1994, p.21). However, in raising the quality of individual’s knowledge, there requires improvement of tacit knowledge and in continual interaction with explicit knowledge. Then,

“individual knowledge is enlarged through the interaction between experience and rationality and crystalized into a unique perspective original to an individual. These original perspectives are based on individual belief and value systems, and will be a source of varied interpretations of shared experience with others in the next state of conceptualization” (Nonaka 1994, p.22)

Example in the case of Japanese firms show that a successful team is formed in an appropriate size between 10 and 30 individuals, and when the size of the team increases, it tends to decrease the direct interaction of the group members. It is also noticed that the team usually has core members of 4 to 5 individuals who possess career histories of multiple job functions to form as focal points in the team. Such team building is believed to provide not only shared information and knowledge

but also visions for the future development where represent the socialization mode of knowledge creation. In such regard, the self-organizing team creates organizational knowledge in two ways – (1) building mutual trust among members in sharing tacit knowledge through experience sharing, and (2) continuous dialogue among members to conceptualize the shared implicit perspective (but creative dialogue happens only when there is redundancy of information). However, the role of team leader is significant in balancing the divergence and convergence of various interaction which incurs in the process of dialogue and shared knowledge (Nonaka 1994)

Institutions for knowledge creation

It has been widely recognized that human society is a “knowledge society”, where involves various aspects of innovation (“technical innovation, product innovation, or strategic or organizational innovation”) (Nonaka 1994, p.14). Such aspects of innovation require organizations to create the process that can create new knowledge. It is believed that the organizations that can actively respond to the changing environment tend to generate information and knowledge effectively, which require the understanding of the organization’s design and capability in processing such information and knowledge. Knowledge that is created by the organization becomes the key form of organizational innovation. However, innovation can be explained not only through the capacity of problem solving or information processing, but also through the process of creating and defining problems and actively responding to those problems by creating new knowledge (Nonaka 1994). Then, it is believed that the quality of institution is significant for the process of knowledge creation.

In such regard, the governments in many developing countries are seen to have adopted various institutional reforms by focusing on the outcome-oriented initiatives or New Public Management (NPM), good governance or good institution reform. Such reform initiatives are mostly inspired by the success of the developed countries and also supported by international development assistance in the purpose of transforming public sector organizations to be more efficient, innovative, and agile in generating the desired outcomes. However, many scholars criticised that the reform remedy was seen not only to worsen poverty and injustice, but also fail the expected growth which caused balance-of-payment crisis across developing counties, and led to widespread corruption, fraud and dysfunctional market across developing countries (Easterly 2001; Chang 2002; Rapley 2007; Easterly 2007; Rapley 2007; Fritz and Menocal 2007; Rothstein and Tannenbergs 2015).

Likewise, such reform initiatives seem to fail to understand the developing countries’ local contexts and societal institution. Matsunaga (2018) defines societal institution “as a state where the members

of a society, who are termed as stakeholders, share the same set of recognitions and behaviours, coupled with accompanying knowledge and skills” (p.263). Then, to improve societal capacity or overall capacity of a country, it is important to have societal institutions in various policy domains. However, the evolution of societal institutions is a kind of endogenous process (individual, sub-institution in sub-domain) where requires government to intervene through localized measures and with a meticulously systematic approach, where achieving outcome in public sector is more challenging than the private sector (Matsunaga 2018).

Many studies also have agreed that the quality of institutions has significant effect on economic development such as economic decisions of individuals in the market (Feng 2003), the ‘right’ institutional framework (Rodrik 2007), and effective policy implementation (Besley and Persson 2011). As Acemoglu and Robinson (2012) claim, the reason that nations stay poor is not about geography, climate, or culture, but it is about “institutions do not create the incentives needed for people to save, invest, and innovate” (p.231). This reflects that different institutional setting provides different incentives and behaviours, and results in different development outcomes (Greif 2006; Rothstein and Tannenbergs 2015).

According to North (1990), institution refers to ‘the rules of the game’ (p.3) in society which consist of formal rules, informal constraints and their enforcement characteristics. Formal rules are precisely defined such as ‘laws, constitutions, regulations’, and informal constraints refer to informal norms of behaviour which believe to be more important than formal rules. Both formal rules and informal norms are significant for effective enforcement, but “enforcement is never perfect”, which requires understanding the background and cultural heritages of society that influence formal rules, informal norms and enforcement as well as polities’ performance (North 2003, p.2).

Moreover, in the world of free market, information tends to be incomplete and imperfect, and agent relations are asymmetric and limited insights where the use of dynamic trial and error process emerges to find the right meaning and answer (Friedrich Hayek 1978 cited in Nonaka et al 2018). North (1990; 2003) calls such situation as the shift from personal exchange (people clearly know each other and well cooperate) to impersonal exchange (people never know each other) where uncertainty increases. The shift to impersonal exchange requires building institutions that enable players to cooperate with each other and punish when they do not.

In this sense, it is believed that market is embedded by tacit knowledge and the social interaction of knowledge creation is seen to be started with informal community which provides forum for

nurturing the emerging new knowledge or ideas through the organizational boundaries. However, such informal group knowledge may contribute to the organizational knowledge creation depends much on the formal hierarchical structure of the organization which has capacity to integrate the emerging knowledge into the organizational strategic development. Knowledge creation is also possible to be formulated at interorganizational level where informal communities of interactions are expanded and linked with other relevant stakeholders (suppliers, customers, competitors) through the formal establishment of alliances (Nonaka 1994; Nonaka et al 2018).

In such sense, some believe that the implementation of SECI processes may impose structural challenges for traditional or Weberian management systems due to its implication on both managerial style and organizational structure where the whole human process of communication is regarded as “an essential component of organizational knowledge management and learning” (Rice and Rice 2005, p.673). The concept of Weberian bureaucracy is believed to be originated from Max Weber (1864-1920) which consists of (1) organizational and functional hierarchies (2) continuity in career structure, (3) impersonality or impartiality in implementing rules, and (4) professional expertise. Such features of Weberian bureaucracy have been regarded as the foundation for the concept of impartiality (Lawton and Rose 1994; Evans and Rauch 1999; Rothstein 2011).

However, Weberian bureaucracy was criticised as lack of flexibility and innovation in responding to turbulent environment, which was believed to cause rent-seeking and predatory behaviours due to vested interests. The critique has encouraged the governments across the developing countries to undertake various reform initiatives which are commonly understood as the concept of outcome or New Public Management approach, which is developed in the private sector. In such focus, public organizations are seen to transform into outcome-oriented bodies with the managerial framework and practice of the market system. The reform initiatives also involve political reform (democratization, decentralization), and bureaucratic reform (Matsunaga 2018).

The idea of outcome-based or NPM reform is believed to fine-tune the Weberian bureaucracy of the developed countries rather than fitting the developing countries. For instance, before the late nineteenth century, Western bureaucracies (including Britain, France, Germany, US and others) also faced corrupt system, sales of offices and nepotism which led to the subsequent adoption of Weberian bureaucracy. Such historical evidence shows that developed countries have gone through various stages of Weberian bureaucratic reforms which contrast with most

developing countries where the basic Weberian bureaucracy has yet been attained (Evans and Rauch 1999; Chang 2002; McCourt 2013; Berman 2015).

It is rationally believed that when state bureaucracy is more “dependable, predictable, minimally competent and committed to long-term growth”, it is more likely that investment will be increased due to less perceived risks (Evans and Rauch 1999, p.753). In this regard, it can be understood that cooperation among agents will not happen if they do not trust or expect everyone else to provide such cooperation. For instance, in systemic corruption society, corrupt practice has become a standard of operating procedure due to absence of trust institutions where report on corruption or refraining from corruption might take high risk and high cost. In this sense, if government’s institutions (such as bureaucracy, regulations) give opportunities for corruption, distrust behaviours will increase which lead to disincentive for investment and production and subsequently affect economic performance (Rothstein 2011; Persson et al 2013; Algan and Cahuc 2014; Rothstein and Tannenbergs 2015)

It is also noted that public sector reform in developing countries including Asia and Japan requires a localized model which the concept of capacity development is highly instrumental. Such capacity concept can be classified into three levels: “capacity of individuals, of organizations, and of the society in general”. In this regard, capacity of society is formed by the capacity of organizations and individual respectively, where each level comprises of several physical factors and knowledge factors. Physical factors can be included “the quality and quantity of natural endowment and man-made facilities represented by various economic infrastructures”, while the knowledge factors involve human capacity and knowledge assets within society “which include laws, decrees, plans, designs, and intellectual properties and share tacit codes of conduct among others”. It is believed that societal problems occur because there is deficiency in physical and / or knowledge factors where require government and its public organizations to build capacity for positive changes in such factors. (Matsunaga 2018, p.161, 162).

Furthermore, it is believed that individual members of organization are the key movers of knowledge creation for the organization where individuals are continuously committed in developing their world of knowledge. Then commitment of individual members is important in promoting and forming new knowledge for the organization. According to Nonaka (1994), there are three factors that can encourage individual commitment within the organization such as intention, autonomy, and environmental fluctuation. Intention refers to the action-oriented concept which deals with the way individuals act through the understanding of their environment. Such

understanding can be actualized through the capacity to judge the meaning of information with conscious perception.

Autonomy is another factor that encourages individual commitment which deals with various levels of organization, individuals and groups, but the analysis is seen to be started conveniently at the individual level. Individuals may possess different intentions and personality, which may lead to unexpected opportunities through the increase in autonomous act. “Individual autonomy widens the possibility that individuals will motivate themselves to form new knowledge”. It is believed that intention and autonomy will form an organizational context for knowledge creation such as intention may serve as basis of conceptualization, while “autonomy provides individuals freedom to absorb knowledge”. (Nonaka 1994, p.18).

The final factor that encourages individual commitment is fluctuation. Fluctuation refers to the discontinuity or chaos relation which is influenced by the external world. Knowledge creation is seen to start from individual intention (individual level), but the continuous interaction of individual intention is much involved with the external world. In such relation, the discontinuity or chaos may create new shapes of interaction between individuals and their environment. Individuals may “recreate their own systems of knowledge to take account of ambiguity, redundancy, noise, or randomness generated from the organization and its environment”. Such fluctuations are different from disorder, it is about the pattern of the order that is changed unpredictably. Such environmental fluctuation provides opportunity for individuals to reconsider their perspectives and attitudes toward the world. (Nonaka 1994, p.18)

It is also observed that in generating organizational knowledge, it is important to have efficient organizational design where the middle-up-down management model provides supportive infrastructure (mostly referred to hypertext organization, by borrowing concept of computer software, which allows problems to be viewed from different angles) where allow knowledge creation in several contexts (acquisition, generation, exploitation, accumulation) in a non-hierarchical way of self-organizing activities. The hypertext organizational design has capacity to differentiate between the routine operation of hierarchical formal organization and knowledge creating activities of self-organizing teams and stresses the distinctive importance of such two activities in contributing to knowledge creation. In such regard, it is found that the hierarchical organization provides room for combination and internalization, while the self-organizing teams involve socialization and externalization (Nonaka 1994).

However, to have such appropriate organizational setting that can maximize and routinize the efficiency of organizational knowledge creation activities, there requires having appropriate leadership capacity. This is because within the concept of institutions, institutions are believed to be created upon the activities and behaviours of individuals through “strong self-reinforcing and self-perpetuating characteristics” (Hodgson 2006, p.7). This can be understood that though institutional structure and actors are different, but they are mutually and interdependently connected and interacted. Then, when it comes to restrict behaviour and individuals perceive advantage of transgression, the role of leadership is important in policing and enforcing the rules as well as knowledge creation and innovation.

Leadership

Individuals are perceived to play the role in processing information, representing problems and situations, providing alternative solutions and maximizing utility. However, an accurate, timely and well-informed decision making depends much on the role of leadership such as top manager’s explanatory communication on strategies’ rationale and goals, as well as leaders’ accurate explanation and presentation on the set vision (Nonaka et al 2006).

The concept of leadership in organizational knowledge creation is primarily to keep efficiency in business system layer through enabling knowledge creation in project system layer, and at the same time shaping, maintaining and securing the knowledge system layer. Following the concept of heterarchy (non-hierarchy) form, leadership can be seen to support the flow of knowledge through the middle to the top and down model, which is believed to promote the SECI process and requires certain abilities. In sum, “leadership is about enabling knowledge creation, not controlling and directing it” (Nonaka et al 2006, p.1192)

Nonaka (1994) argues that in promoting efficient knowledge creation for the organization, it requires to have a new model of management which is called ‘middle-up-down management model’. Middle-up-down model recognizes the importance of all members (horizontally and vertically) where wide scope of cooperation exists (top, middle, and lower managers). The model believes that “no one major department or group of experts has the exclusive responsibility for creating new knowledge” (p.30). Such model emphasizes the significant role of top and middle management in encouraging knowledge creation. However, there are still some different roles and responsibilities among the management. For instance,

“in the middle-up-down model, top management provides vision for direction and also deadline by which the visions should be realized. Middle management translates these

visions into middle-range visions, which are to be realized in the fields – the groups... in other words, while top management articulates the dreams of the firm, lower managers look at the reality. The gap between these two forms of perspectives is narrowed by and through middle management” (Nonaka 1994, p.30).

It is believed that the process of knowledge creation cannot occur within the traditional management of controlling information flows. The knowledge creation requires managers to provide certain conditions for active and dynamic processes of knowledge creation which is related with leadership style. The role of middle managers is regarded as the role of knowledge producers as they intersect with both vertical and horizontal flows of information in the organizations, actively interact with other stakeholders through participating and leading *ba* in knowledge creation. In knowledge creation, the distributed leadership through the middle-up-down management is believed as the key which is different from the traditional top-down leadership. In such regard, the leadership role of top and middle managers is seen through reading and leading situation for knowledge creation. The leadership role may include providing knowledge vision (direction for knowledge creation by linking with organizational vision), developing and promoting the sharing of knowledge assets, generating and energizing *ba* and enabling the spiral process of knowledge creation (Nonaka et al 2000).

For instance, frontline employees and lower managers are more involved in the day-to-day details of technical tasks and influenced by highly specific information, which inhibit them to turn such information into useful knowledge (narrow perspective, lose sight of broader context, difficult communication with others). Oppositely, the roles of top and middle managers are more concerned with orienting such chaotic condition into purposefulness of knowledge creation through providing conceptual framework to their subordinates to make sense of their own experience. Top management provides future vision and sets direction for the organization which induces knowledge creation as the vision represents the organizational intention rather personal intention. Such organizational intention can be questioned the whole organization such as “what are we trying to learn? What do we need to know? Where should we be going? Who are we?” (Nonaka 1994, p.31). Such leadership style of managers can be regarded as ‘catalyst’ for the process of knowledge creation and innovation as well as allowing employees and self-organizing teams to have freedom and autonomy in setting their own goals.

Also, in the middle-up-down model, staffing is seen to be important for knowledge creation as middle managers are seen to be selected by top managers in performing task. Then, top managers should provide a sense of challenge and trust to middle managers. Middle managers are seen as

team leader in organizational knowledge creation who are at the intersection of information flow both at vertical and horizontal directions and every individual employee who works with middle managers become the key knowledge creating individuals. In such regard, middle managers become a strategic knot between the top and bottom of the organization and “play the role of change-agent for self-revolution of the organization”. In other word, middle managers are believed to be “the true knowledge engineers of the knowledge creating organizations” as they synthesize tacit knowledge of both top and bottom of organization into explicit knowledge (Nonaka 1994, p.32).

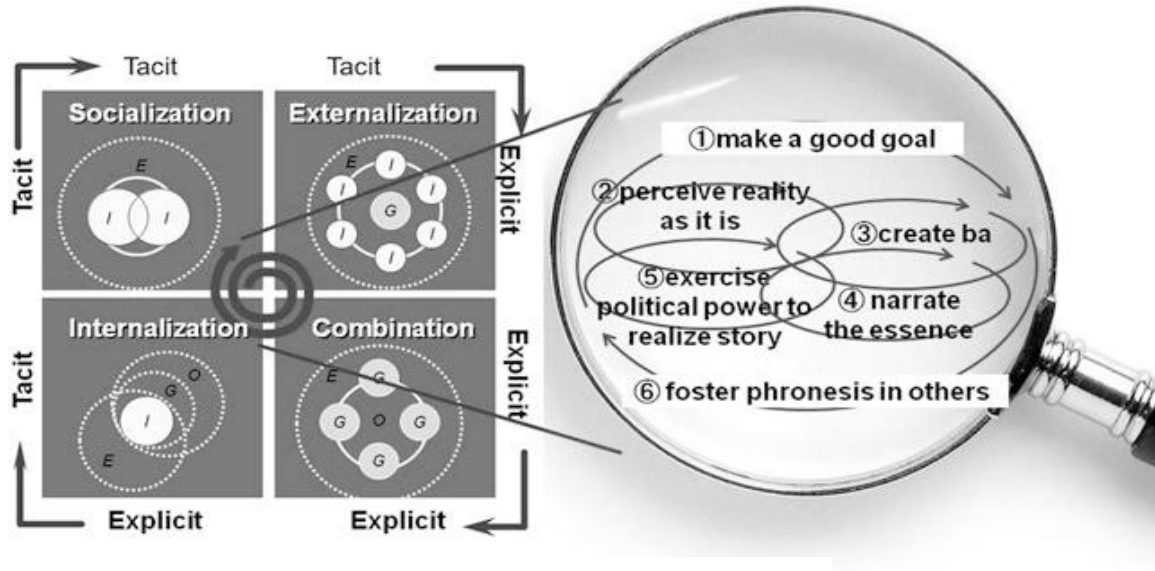
Moreover, it is noted that leaders’ wisdom (judgement) and action are significant in providing room for generating continuous SECI spiral in creating and accumulating new knowledge. Such judgement and action of leaders can lead to pursue for the common good of the organization which Nonaka and Takeuchi (2011 cited in Nonaka et al 2018 p.7) call as “Wise Leader”. The concept of wise leader is believed to be originated from Aristotle’s Phronesis (practical wisdom or reason). Such concept of phronesis can be defined as “a practical wisdom for exercising the best judgement for the common good in a particular context” (Nonaka et al 2018, p.8).

In testing the concept of wise leaders who successfully leads the organizations to achieve their goals, six common abilities can be identified for wise leadership which include (Nonaka et al 2018) :

1. Ability to set good goal and judgement on goodness,
2. Ability to perceive reality,
3. Ability to create ‘Ba’ (Ba is Japanese word meaning a place or field) to share context among employees,
4. Ability to articulate essence into narratives by linking micro concepts to macro context and to form future vision,
5. Ability to exercise political power to achieve envisioned goal (by using suitable power and rhetoric to bring people together to carry out action in committed manner to achieve goals), and
6. Ability to promote phronesis in others by creating system of distributing and sharing phronesis capabilities among other individuals, such as fostering formal education or sharing different pure experiences both of success and failure.

It is believed that by combining the SECI model and the concept of wise leadership, it becomes a Dynamic Triad Model (see figure 3) for organizational knowledge creation, where the six abilities of wise leadership become the spiral process in moving around the SECI model to promote new knowledge creation (Nonaka et al 2018).

Figure 3: the dynamic triad model



Source: Nonaka et al 2018, p.10

Wise leaders, it doesn't matter at top level or ground level of organization, are those who pursue common good. It is believed that leaders who possess such abilities will be able to mobilize political and economic resources and generate social power to build national wealth. Apart from the six abilities, national leaders need to have other two capacities such as historical imagination ("ability to comprehend a wide and deep time-space nexus") and idealistic pragmatism ("ability to synthesize idealism and pragmatism in an effective combination") (Nonaka et al 2018, p.13).

Nonaka et al (2018) argue that the world is becoming complex and chaotic where uncertainty and unpredictability increase which inhibit the ability to fully understand such causal relationship. In such complex context, a cause can be an effect, and such effect can be the cause of other issues. However, such cause-and-effect relationship can be changed when we change our views. Such fluctuation and change only be captured by good and timely judgements which are influenced by historical imagination. Historical imagination leads us to construct histories based on the relationship of various past events, but it depends on the ability to pick up key events to build historical narrative that is accepted and agreed by other people. To avoid the

butterfly effect in generating historical narrative as time can broaden the differences, wise leader needs to stick with reality in making appropriate judgements, which mean based on the present to synthesize the past and the future. Such capacity of historical imagination depends on the leader's commitment and practical wisdom in going back and forth between insights into past facts and creating future scenarios or strategies for the country or organization. Wise leader allows such future strategies to be implemented, justified and improved.

It is widely believed that the national wise leader though having extreme abilities, still cannot work alone to achieve their vision or goals, which require the building of fractal organization among all layers (national, regional, community). In such fractal structure, "each layer can make its own judgements and act with the same vision and direction as the nation at large" through the given autonomy and freedom to interact with other fractal parts and with inclusive and open boundaries. It is believed that if nation can build such autonomous fractal organizations, it will become resilient and quickly responsive to crisis, as well as generate policy innovation. According to Nonaka et al (2018, p.14), though Weberian bureaucracy provides structure for efficient information processing and command, but it tends to "fail in terms of flexibility, creativity and effectiveness". Then, it requires to synthesize the utilization of both bureaucracy and fractals with contextual demands.

Ba

Knowledge creation is a context-specific process which requires a physical context. The context that facilitates the knowledge creation in organization is called *ba*, which refers to the shared space (physical, virtual or mental) for building relationships among individuals to form common understanding which can be generated from individuals' experiences through effective interactions (engagement, dialogues, practices) (Nonaka et al 2006). The concept of *ba* (Japanese philosophy which refers to place, space or context) has been introduced for the sharing, creating and utilizing knowledge. *Ba* is significant not only in providing a place but also quality and energy for individuals to convert their knowledge along with the spiral movement of knowledge conversion (Nonaka et al 2000; Rice and Rice 2005).

Ba is a kind of space where people can interact to share and connect their knowledge and it spirals the SECI process to create new knowledge. The examples of *ba* are not only limited to physical or real spaces, but also involving virtual spaces where enable people's gathering in particular context. This means individual interactions alone are not enough for knowledge creation, which *ba* provides not only the context for interactions between individuals but also

shape the individual commitment and action. *Ba* can be regarded as the shared context in motion which shape the way participants view the world. In other word, *ba* is a platform where participants share time and space to build close interactions and form common language of understanding. *Ba* is not formed by the structures of formal organization, but through people and their commitment (Nonaka et al 2000; Nonaka et al 2018)

In such regard, there are four characteristics of *ba* that contribute to the knowledge spiral in the four modes of SECI model such as:

(1) Originating *ba* (local sharing of individual feelings, experiences and perceptions) is a process of socialization which provide place for face-to-face interactions where individuals can share both experience and emotional feelings to capture not only physical senses but also psycho-emotional feedbacks. Such interactions are important for sharing tacit knowledge between individuals and groups through the sympathising of care, love, trust and commitment,

(2) Dialoguing *ba* (the sharing and transfer of explicit knowledge through dialogue and metaphor creation) provides context for the process of externalization which individuals can share and articulate their tacit knowledge through dialogue to build common terms of understanding among participants. As dialoguing *ba* is a kind of consciously constructed process, it requires the right selection of individuals with specific knowledge and capabilities in managing knowledge creation.

(3) Systemizing *ba* (recombining existing explicit knowledge to create new explicit knowledge through the facilitation of information technology) provides the context for combination process of explicit knowledge where collective and virtual interactions occur. The written form of communication and with the support of information technology (online networking, documentation) provide virtual collaborative environment for systemising *ba*.

(4) Exercising *ba* (the conversion of explicit into tacit knowledge) provides context for internalization process where individuals' explicit knowledge is communicated through virtual media (written manuals) and synthesized through action. (Nonaka et al 2000; Rice and Rice 2005; Nonaka et al 2006; Nonaka et al 2018).

In fostering organizational knowledge creation, there must have leaders in every part of organization which are developed through the concept of *ba* and dynamic fractal organization. It is noted that the successful organizations are the ones that have capacity to create and use various *ba* in their processes of knowledge creation.

The concept of *ba* is seen to be created and connected in various levels and transcends the boundary between micro and macro; for instance, individuals create *ba* of teams, teams create *ba* of organization and so on. *Ba* is seen to act as autonomous and self-sufficient unit and may connect with other *ba* to expand knowledge through organic interactions (trustful sharing of knowledge and continuous exchanges to create and strengthen the relationships) (Nonaka et al 2000).

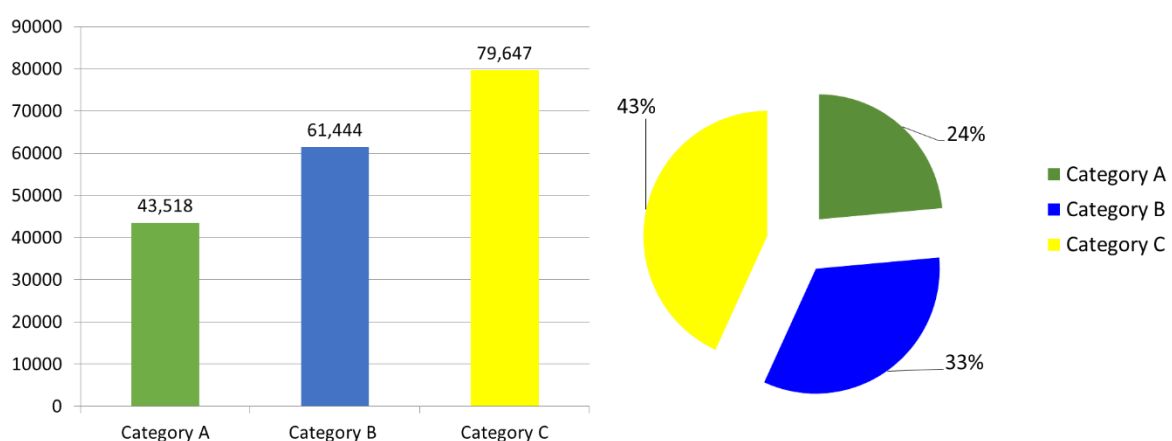
Ba can be distributed in multiple layers of organization through the fractal phenomenon. The concept of fractal is about “one part can represent the whole”. Such organizational structure is called as ‘dynamic fractal organization’ where each part can stimulate dynamic interactions among other parts and the whole. Such fractal organizational structure will enable the distribution of phronesis leadership or practical wisdom at every level of organization. Such phronesis distribution will stimulate the SECI process spiral to build agile and resilient capacity for the whole organization in responding the rapid change of the environments (Nonaka et al 2018, p.10).

Chapter 3: Case study on Transforming salary payment through the banking system in Cambodia

Introduction

During the 1990s and early 2000s, Cambodia's civil service system was seen to be poorly paid which led to encourage various corrupt behaviours. It is believed that such condition contributed to the difficulty in attracting and motivating high skilled civil servants across the civil service (World Bank 2013). However, from the mid-2000s, Cambodia's civil service system is seen to go through various key reforms such as the New Career Path System and New Remuneration System which the number of civil servants has been classified into different categories based on their education levels (CDC 2002; MCS 2016b) (see figure 4). Such key reforms have contributed to the continuous improvement of both salary increase and payment where some private financial institutions such as Aceda Bank, Canadia Bank and Wing have been selected and negotiated to provide the payroll service for government officials (Aceda 2013; Phnom Penh Post 2013; The Cambodia Daily 2013). For instance, the average salary is seen to have increased from USD 19.5 in 2001 to USD 51 in 2006, and in 2016 the minimum salary for education and health sectors has remarkably reached the highest level of around USD 190.56 per month (see figure 1) (CDC 2002; UNPAN 2004; MCS 2016a).

Figure 4: Civil Servants by Category



Source: MCS (2016b)

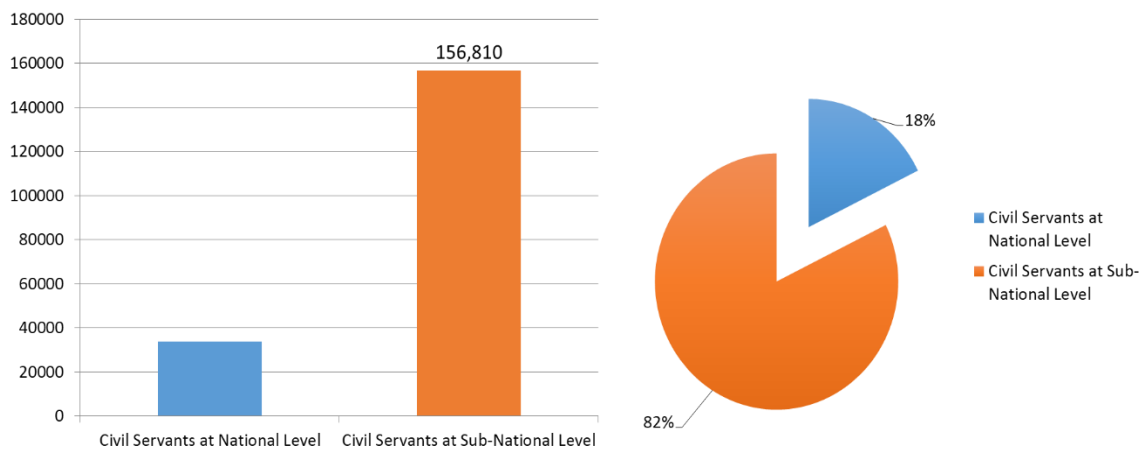
From 2013 to 2016, Cambodia's civil service is seen to have improved both in salary payment and procedures which contribute to the saving cost of the national budget loss of approximately 960,000,000 riels per year. Such budget loss is mostly the cost of printing payrolls, transportations and other travelling missions. At the meantime, the minimum salary of civil

servants is also seen to be highly increased around 203.6 percent from 2013 to 2016 (MCS 2016a).

It is also noted that over the last ten years from 2003 to 2016, the number of civil servants has slightly increased which is believed to be the result of rigid control over the recruited number of new civil servants. For instance, according to the Ministry of Civil Service’s payroll (MCS 2016b), the number of Cambodia’s civil servants is totalled around 184,609 in 2016 which is seen to have slightly increased from 166,872 in 2003 (Taliercio 2004). In such figure, the increasing rate is less than 10 percent over the last ten years.

Cambodia’s civil servants are classified into three Categories such as Category A (for high ranking officials), Category B (for middle ranking officials), and Category C (for low ranking officials) (see figure 4). Within the total figure of civil servants, the number of teachers in education sector accounts for 60 percent (more than 110,000 teachers), and the number of civil servants who are working at the sub-national level accounts for more than 80 percent (MCS 2016b). (see figure 5)

Figure 5: Total Civil Servants at National and Subnational Levels



Source: MCS (2016b)

It has also been witnessed that Cambodian civil servants’ salary reform is seen not only to be significantly increased in its amount over the years, but also delivering through an efficient banking system, which is believed due to the strong RGC’s reform commitment as well as the strong leadership of the Pay Reform Taskforce that was established in 2013 (RGC 2013). The Taskforce is a kind of inter-ministerial committee, but the strong leadership of MCS (as the chair of the committee) is seen to be the driving force for the subsequent achievements and transformation of salary payment in Cambodia’s civil service.

The advent of salary reform

In Cambodia, civil servants' salary reform has been introduced since early 2000s through the establishment of the Council for Administrative Reform (CAR) and with the implementation of civil service census, the development of New Career Path System and Remuneration, and the Computerization of the Payroll System (HRMIS – Human Resource Management through Information System) (CDC 2002; Taliercio 2004; UNPAN 2004). Such key reform initiatives are believed to provide foundation for the subsequent public administrative reform. For instance, in late 2000s the RGC has announced its ambition of transforming salary payment through the banking system to further reduce the burden of cash flow, the chance of corrupted opportunities such as ghost employees and the informal fee charges, and to provide an accurate and timely salary payment for civil servants (Aceda 2013; Phnom Penh Post 2013; The Cambodia Daily 2013).

However, until late 2013, an inter-ministerial Taskforce for Reforming the Salary System has been created to speed up and facilitate the comprehensive transformation of salary payment through the banking system. The creation of the Taskforce is believed to be the result of CAR and other Reform Secretariats dispersal and the establishment of the new Ministry of Civil Service (MCS) during the late 2013 (Royal Kram 2013; Royal Decree 2013). The inter-ministerial Taskforce is chaired by the Secretary of State of MCS, His Excellency (HE) Mr. Youk Bunna, and participated by other four key relevant ministries such as Ministry of Economy and Finance, Ministry of National Defence, Ministry of Interior, and Ministry of Social Affairs, Veterans and Youth Rehabilitation. The Taskforce's duties are not only to cover the salary system reform of civil servants (including the retired and disabled civil servants) at both national and sub-national levels, but also the salary system reform of military and police to be harmonized and aligned with the national budget to ensure equity, coherence and sustainability (RGC 2013).

Within the given authority, the leadership of the Taskforce is seen to play significant role and impact in negotiating and consulting with relevant stakeholders (senior and professional members of government, local and international consultants), as well as establishing the necessary sub-taskforce for the specific case of pay reform to ensure that the salary expenditure is conforming to the RGC's principle of equity, coherence, productivity and national budget affordability (RGC 2013; MCS 2016a).

According to the MCS's mid-term report (MCS 2016a), some key achievements of pay reform from 2013 to 2016 can be summarized as following:

- The improvement of the process of salary payment for civil servants, military and police has been issued within the fourth week of each month
- The salary payment through the banking system has been expanded to cover employees of other independent organizations such as the Senate, the National Assembly, the Constitutional Council, the Audit Authority, the National Election Committee, the Police and Military
- The transformation of salary payment through the banking system has also facilitated and supported the process of salary tax deduction. For instance, starting from August 2014 to December 2015 the deducted salary tax has gained from the total of 4,191,272,610 riels to 5,636,551,803 riels.
- The improvement and increase in salary are also seen to happen in other positions such as political positions, judges and prosecutors, contractual teaching staff, council members of cities, provinces, towns, districts, communes and the grassroot village staff.

Furthermore, in improving the salary payment process, some key relevant ministries such as MCS, MEF, and other ministries/institutions including the Provincial and Municipal administrations, departments and agencies have been instructed by the RGC to ensure the salary payment to be fast, on time, and efficient (RGC 2014; MEF 2014a). Such instruction includes (see the summary flow of instruction process in figure 6)

- (1) The changes and updates of civil servants' administrative and family status in all ministries/institutions have to be done and submitted to MCS by the first week of each month, and MCS has to provide detailed guidance on the required forms and documents for such changes and updates to all ministries/institutions
- (2) The monthly payroll and salary tax rates must be provided by MCS to all ministries/institutions within the second week of each month for preparing monthly payment order. The payment related documents have to be copied to MEF (especially the General Department of Treasury and Municipal-Provincial department of Treasury)
- (3) The issuance of the monthly payment order has to be developed by all ministries/institutions to cover the expense of salaries which is based on the monthly payroll provided by MCS
- (4) To facilitate the process of salary payment, the signature of monthly payment order has to be delegated accordingly such as:
 - a. At Ministerial level:

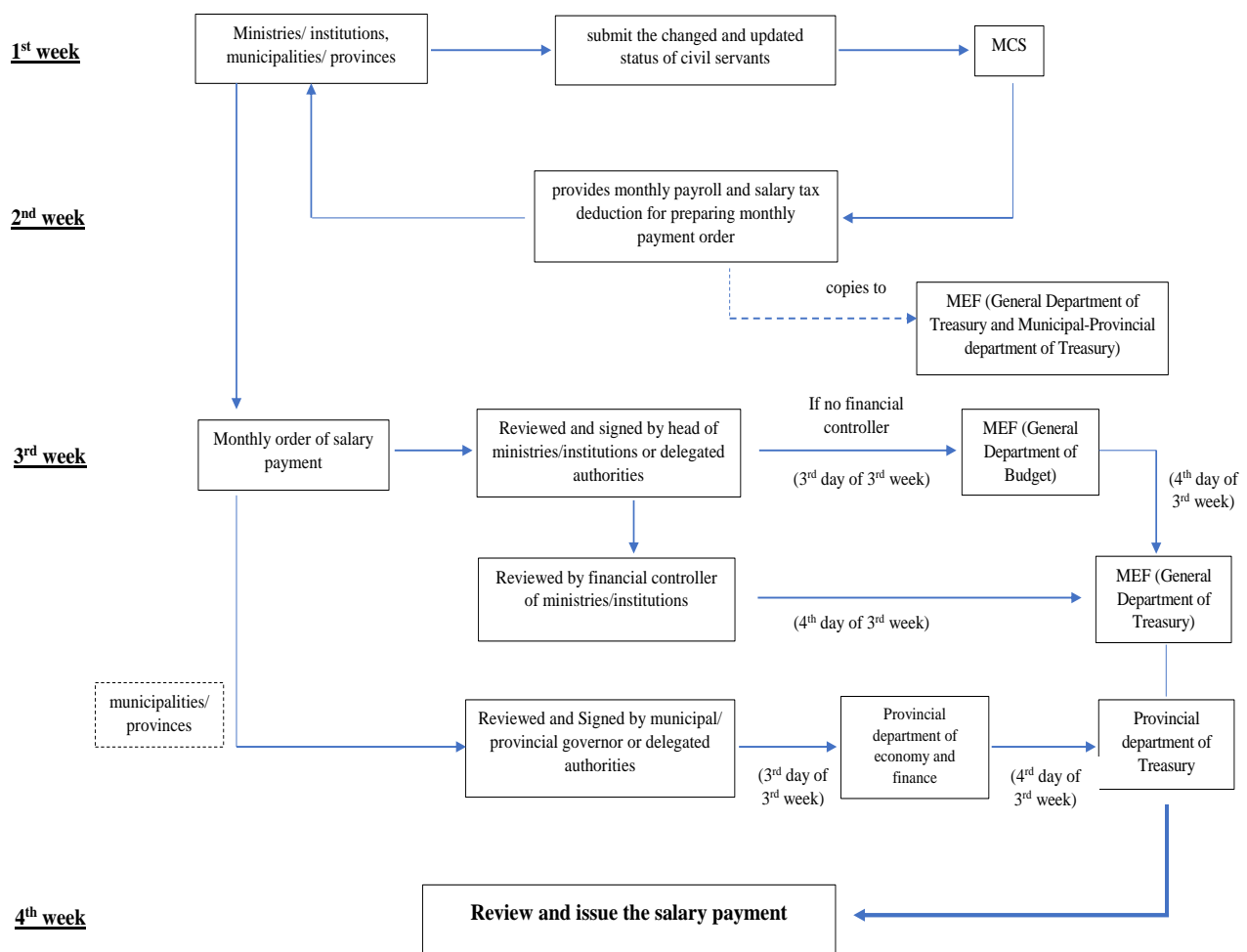
- The principal authority in reviewing and signing the salary payment is belonged to the head of ministry/institution. However, such authority can be delegated to the subordinated agents such as the Director-Generals or Secretary-Generals who are responsible for financial management or the Director of Financial Department or Head of financial management agency of each ministry/institution.
 - The salary payment orders that are signed by the delegated authority must be reviewed by the financial controller of ministries/institutions and submitted to MEF (General Department of Treasury) at least by the fourth day of the third week in each month. In the case that the ministry/institution has no financial controller, the delegated authority must sign and submit the salary payment order to MEF through the General Department of Budget by the third day of the third week of each month to get the visa approval before passing to the General Department of Treasury for review and approval.
- b. At Municipal-Provincial level
- Municipal-Provincial governors are given the principal authority in reviewing and signing the salary payment order for civil servants who work at municipal-provincial administrations, districts, towns, and communes. However, such authority can be delegated to the Municipal-Provincial deputy governors.
 - The heads of Municipal-Provincial departments or agencies are delegated authority by the head of ministry/institution in reviewing and signing the monthly orders of salary payment for civil servants who work for the departments/agencies or such authority can be delegated to the deputy heads of Municipal-Provincial departments or agencies
 - The monthly orders of salary payment must submit to the Municipal-Provincial department of Economy and Finance by the fourth day of the third week in each month

(5) The delivery of salary payment:

- After receiving the monthly order of salary payment that is submitted by ministries/institutions and municipal-provincial administrations, departments and agencies, MEF (via General Department of Treasury and municipal-provincial departments of treasuries) must review and issue the salary payment within the fourth week of each month

- In case some ministries/institutions, and municipal-provincial administrations, departments and agencies have not submitted on time the monthly order of salary payment to MEF and municipal-provincial departments of economy and finance, MEF (General Department of Treasury and municipal-provincial departments of treasuries) must issue the salary payment through advance payment approach and base on the monthly payroll which was provided by MCS during the second week of each month (see figure 6) to ensure that the salary payment is made on time and with the assumption that those ministries/institutions, municipal-provincial administrations, departments and agencies automatically agree with such salary payment. However, those ministries/institutions, municipal-provincial administrations, departments and agencies still need to provide legal justification through the signed order of salary payment to MEF and municipal-provincial departments of economy and finance to clear the advance payment in compliance with the financial process.

Figure 6: Summary process of monthly salary payment



Source: adapted from RGC (2014); MEF (2014a)

From the summary of the monthly salary payment, it is noted that to ensure the salary payment is made on time within the fourth week of each month and to reduce the bureaucratic process, the authority in signing salary payment order has been delegated accordingly to the lowest levels of the organization. More than that, to prevent the delay in submission of salary payment order from ministries/institutions and municipalities/provinces, the advance payment approach will be used to provide salary payment for ministries/institutions that have not submitted or made late submission of the monthly order of salary payment (RGC 2014; MEF 2014a)

Moreover, according MEF's Guideline on implementing the process of salary payment (MEF 2014a), the General Department of Treasury is responsible for providing salary payment, allowances and other remuneration to all civil servants, contractual staff, floating staff, police, military at both national and sub-national levels. In the process of transferring payment through the banking system, the General Department of Treasury and municipal/provincial treasuries will transfer salary, allowance and other remuneration to each civil servant's banking account through the banking system in one day before the payment day as defined in salary payment timeframe. In such case, all ministries/institutions, provincial departments, municipalities, provinces, districts, communes must specify their civil servant's bank account numbers, total required budget and the bank partners for the transaction in the monthly payrolls.

Based on the above instruction and guideline, the progress has been notified through MEF's reports to the Prime Minister. For instance, by the end of July 2014 the salary payment and other social security pension payment have been remarkably processed through the banking system. This includes 174,951 civil servants (97%) out of total 180,334 civil servants have opened their salary accounts through the banking system. Through the RGC's instruction and MEF's guideline and with the General Department of Treasury as Secretariat in coordinating, monitoring, and collaborating with other relevant ministries/institutions, the payment of salary and social security has been made on time within the fourth week of each month (MEF 2014c).

Importantly, by the end of the first semester of 2017, the number of civil servants who have opened salary accounts and received salary through the banking system is seen to be fully achieved 100%. On the other hand, the public security staff of the Ministry of Interior which are about 47,013 (97%) out of total 48,478 public security staff have also remarkably achieved their salary payment through the banking system. At the same time, the military staff of the Ministry of National Defense are also seen to have positively achieved where 4,257 out of ten thousand military staff have received their salaries through the banking system within their first phase of implementation. (MEF 2017)

Within the process of transforming salary payment through the banking system, some effective measures in tackling irregular cases of civil servants have also been made such as controlling the accurate number of civil servants and reducing the chance of corruption as well as unnecessary processes and procedures. For instance, by mid-2017, the total of 4,458 irregular cases of civil servants have been found and tackled such as 4,205 civil servants have been removed and put on leave from the payroll system, while other 253 civil servants are underway of removing and putting on leave. (MEF 2017; Youk Bunna 2019)

SECI process, leadership and *ba*

Within the process of knowledge creation, according to Nonaka and his colleagues (1994; 2000; 2006), there are four modes of knowledge conversion which include Socialization, Externalization, Combination and Internalization (which is known as SECI process) where tacit knowledge and explicit knowledge are interacted in the ‘spiral’ manner. In supporting the SECI process, leadership of the organization or team and the establishment of various *ba* are seen to be the key factors in supporting the knowledge conversion process. The tacit knowledge which is the key part and represents the wide and deep submerged part of explicit knowledge is believed to play important role in transforming the shared individual knowledge through informal and personal experiences and interactions. In such regard, the action, commitment and values of the Cambodia’s Pay Reform Taskforce can be reflected to identify such tacit knowledge embeddedness, where personal experience and belief of the Taskforce leadership become emphasized.

In Cambodia’s context, salary reform is regarded as the strategic mission of NPAR in improving the living standard of civil servants and performance in the public sector especially in improving the quality of public service delivery. The initiative of salary reform through the banking system is believed to tackle some key challenges within the civil service such as (Youk Bunna 2019) :

- the salary of civil servants tended to be uncompetitive and below the market price,
- the salary and pension level of civil servants was seen to be lower than and not aligned with military and police,
- the salary payment in cash was often late and not in the right amount, and
- there was often lack of consistency between salary increase and budget forecast with the support of human resource planning and control.

The key objective of salary reform is to focus on ensuring equity, consistency, productivity and budget affordability (RGC 2015), where such objective is believed to learn from the early NPAR initiatives and achievements as well as the personal experience of the Taskforce leadership in the previous NPAR reform involvement especially in the remuneration reform. In such regard, the leadership of the Pay Reform Taskforce, which is seen to be chaired by His Excellency (HE) Mr. Youk Bunna, can be regarded to have significant impact on the subsequent pay reform initiatives due to his permanent chairmanship as assigned by MCS while the representatives from other relevant ministries tended to be shifted around their participants.

HE Mr. Youk Bunna, before joining MCS and Pay Reform Taskforce, is seen to have profound knowledge and experience in dealing with reform initiatives. Such personal knowledge and experience can be reflected through his academic achievement and working experience. Regarding academic achievement, HE Mr. Youk Bunna has gained most of his high education from overseas such as Bachelor of Law, Master of Public Law, and Research study from Lumière Lyon 2 University in France during 1997 to 2000, and Master of Business Administration from Monash University in Australia during 2004 to 2006. In his employment experience, HE Mr. Youk Bunna is seen to have embarked on various professional experience ranging from university lecturer and legal and policy consultant to the middle manager and director at MEF and PFM reform program. From 2013 until present, he has been appointed by RGC as Secretary of State at MCS. In his position as Secretary of State and due to his professional expertise, he has been assigned to undertake various responsibilities such as the Vice-Chairman of PAR committee, the President of Royal School of Administration (RSA), the chair of the Pay Reform Taskforce and so on.

In his professional experience, HE Mr Youk Bunna seems to have close relationship with MEF due to his previous working experience and networking as director of personnel department as well as in the PFM project during the mid-2000s. Such informal and close relation may be the cause of his motivation in linking PAR with other reform programs such as PFM and D&D reforms as well as salary reform to support service delivery to ensure efficiency and coordination in reform synergy. In such perspective, the streamline of salary payment between civil servants, police and military has also been introduced and the salary payment through the banking system has been effectively implemented (MCS 2014).

In supporting the salary reform through the banking system, many regulations and processes have been reviewed and many negotiations and consultations with relevant stakeholders have

been undertaken. For instance, the electronic payment between MCS, MEF and commercial banks, and the Drag and Drop system (IT based payroll process) have been implemented since the end of 2014, as well as many human resource management-related regulations have been revised such as common principles on civil service structures, functional allowances, salary scales, position classification, family and social safety funds, absence control and so on in the aim at ensuring efficiency and productivity, equity and coherence and with insurance of budget affordability and sustainability (MCS 2014, Youk Bunna 2019).

Moreover, in supporting salary reform through the banking system, many other technical sub-groups have been initiated under his (HE Mr Youk Bunna) leadership to support reform initiatives and the members are seen to be involved by relevant ministries (MCS 2014). Such technical sub-groups can be regarded as the platform or ba in creating knowledge and innovation especially to support the salary reform initiatives. For instance, some sub-groups can be identified such as.

- the group to review civil servant management and location allowance of the Ministry of Education, Youth and Sports,
- the group to review civil servant management and location allowance of the Ministry of Health
- the group to conduct functional review of the Ministry of Education, Youth and Sports
- the group to conduct functional review of the Ministry of Health
- the group to review work performance and absence of civil servants
- the group to review the needs, performance system and structure of personnel departments

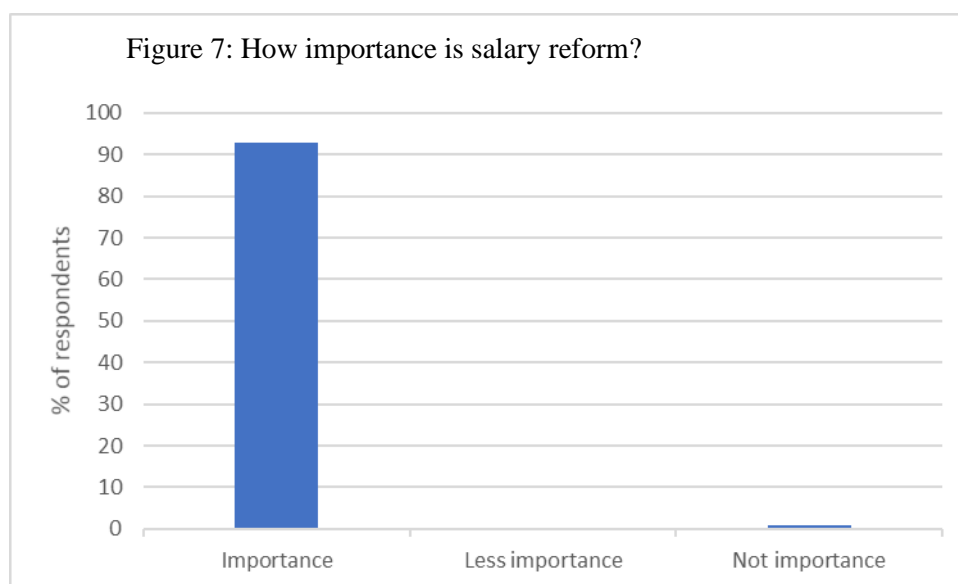
More than that, in the process of salary reform, there seems to have various challenges such as the lack of specific structure in pay reform, the lack of clear indicators in pay reform's principles, objectives and targets, and the lack of consistency in coordinating and supporting pay reform in other sectors such as military and police. However, in tackling such challenges, according HE Youk Bunna (2019), the establishment and the use of various technical groups where their members are from key ministries/institutions (such as Ministry of Interior, Ministry of National Defense, Ministry of Economy and Finance, Ministry of Social Affairs, Veterans and Youth Rehabilitation) have provided significant inputs in proposing tentative solutions for the managerial level decision-making and with the operational support from MCS task force.

Such groups are not only to review the current situations for developing sequential solutions, but also to coordinate and encourage early and full participation from various key stakeholders both at political and technical levels to build common understanding and implementation in salary reform.

The results and challenges of pay reform through the banking system

The key performance of the Pay Reform Taskforce and other technical groups seems not only to adhere to the strategic reform and policies of the RGC which lead to the development of clear workplan and sequential priorities, but also to build team spirit through capacity and leadership training programs as well as involving regular consultations and progress review meetings with the base of mutual respects and cooperation among key partner institutions. It is also noted that to support and encourage the performance of the Taskforce and other technical groups, the national budget and performance-based incentives have been used (Youk Bunna 2019).

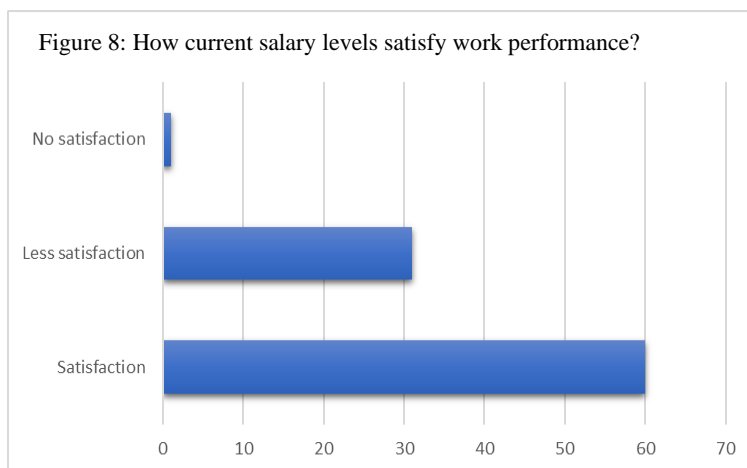
Furthermore, according to the interview with the beneficiary civil servants and the banking partners of salary reform during the workshop at the Royal School of Administration on the 8th February 2019, there seem to be happy and confident among civil servants on the salary reform through the banking system. This is because the salary through banking system has provided various benefits for civil servants such as more safety and efficiency compared to the manual and cash payment which was often long delay and with inaccurate amount of payment. The benefits may also include the reduction of cash-related risks such as crimes, loss and red-tape



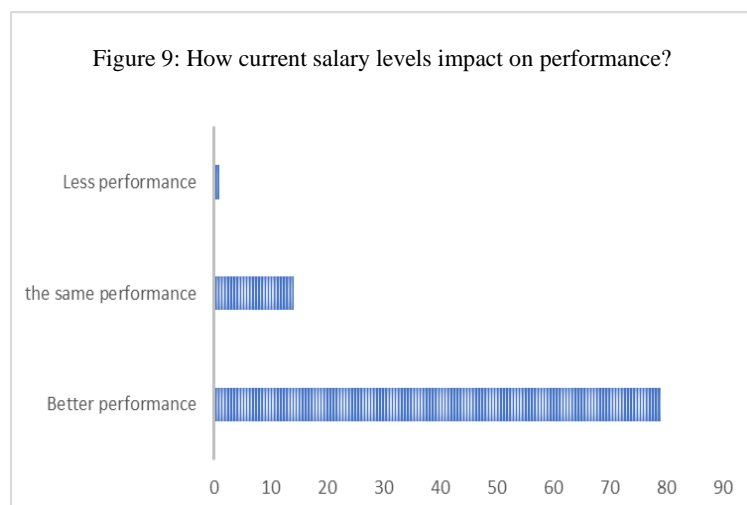
Source: RSA (2019b)

in the payment process, the control of cash flow in the market, the enhancement of time and cost-saving, and the increase in payment accessibility at anytime and anywhere across the country. It is believed that the increase and payment of salary through the banking system may contribute to the increase in civil servants' performance; however, it depends much on the management capacity and job flexibility among different organizations (RSA 2019a).

Likewise, among the participants of the workshop who are the beneficiaries of salary reform, there are more than 90% of respondents (see figure 7) believe that salary reform is important which requires government attention, and more than half of them satisfy with the current salary levels. However, there are one third of respondents that seem to less satisfy with the current salary levels (see figure 8) even government keeps increasing the minimum salary to more than 200 percent between 2013 to 2016. Though there is less satisfaction among respondents on the current salary levels, more than 80 per cent of respondents seem to believe that the current salary levels have impact on their performance (see figure 9) (MCS 2016a; RSA 2019b).



Source: RSA (2019b)



It is also noted that with the significant increase in salary and payment through the banking system, some challenges still persist such as the limited capacity of civil servants in using the banking system and ATMs and the insufficient number of ATMs and amount of cash in ATMs especially during the payment days, which need further improvement. Also, the pay increase seems to be not fully responding to the inflation rate and the market price, and such increase is not yet responding to the specific skills and workplace demands across ministries/institutions where high skilled and talent people are needed (RSA 2019a)

Among the interviewees on the benefits of salary reform, some suggestions and recommendations are made for further improvement of salary reform through the banking system such as increasing the number of ATMs or banking agents and the amount of riel currency in the ATMs especially in the rural areas, easing the banking process for salary related requirement, increasing the number of supported staff to maintain and provide guidance on the use of ATMs and banking process, and improving some banks' staff attitudes towards their customers. (RSA 2019a; RSA 2019b)

Table 1: Recommendations or suggestions from civil servants on the salary reform through the banking system
further improvement of salary payment through the banking system
the bank partners and agents should provide easiness in their procedures especially improving staff attitudes towards their customers
more collaboration from the banks in speeding up the salary payment process
banks should provide sufficient cash in ATMs, and set up more ATMs
provide salary payment alerts
salary increase should link to performance
some bank agents take service fee when withdraw more than two times
the provincial-municipal departments (such as MEF, treasury, MCS) should speed up the working process and collaborate among each other
should provide high interest rates for keeping money in account
should increase the salary gap between the management positions and staff

Source: RSA (2019b)

From the private bank partners who participate in the workshop, there seems to have strong confirmation on the collaboration with the RGC in supporting the salary payment through the banking system. The essence of collaboration is based on the bank's motivation in supporting PAR, improving quality of public services, as well as enhancing the living standard of civil

servants through the safe and efficient salary payment of the banking system with the aim of enhancing civil servants' productivity and performance. As noted by the bank partners, it seems that during the early stage of the salary transformation through the banking system, there were various meetings, directions and guidance from the Pay Reform Taskforce as well as the MEF and General Department of Treasury. But after the salary process being settled and transformed through the banking process, such meetings, directions and guidance have been reduced from one a month to one in three months. (RSA 2019a)

Also, from the bank side there seems to have strong commitment from the government through the on-time provision of fund to support the bank's salary payment mechanism. Based on such commitment of the government and with the clear and well-defined policy such as the Rectangular Strategy, the bank partners confirm their continuous cooperation with the government to see further success of reform. In such regard, the bank partners seem to face no big challenges within the salary reform processes. However, there are some minor contests especially regarding the salary payment and requirement at the commune levels as well as the use of internet banking and password generation and safety. This may be related to the local civil servants' capacity which can be improved (RSA 2019a).

Although there is strong commitment and strong collaboration between the government and the bank partners, there are still some recommendations and suggestions regarding the speed-up process of salary payment and collaboration among the relevant stakeholders especially at the provincial levels such as the provincial-municipal departments of MEF, treasury, and MCS. It is also noted by the workshop participants that the improvement and increase in civil servants' salary should be linked to performance and productivity of civil servants (see table 1) (RSA 2019b).

(Below are photos of the workshop on “the Concept of Knowledge Creation and Experience of Salary Transformation through the Banking System”, Chaired the opening by HE Chhay Chatravuth (under-Secretary of State, MCS) and with the presentation of Professor Dr. Ayano Hirose Nishihara (Assistant Professor at the Rikkyo University, Japan) and HE Youk Bunna (President of RSA), and group interview)



Chapter 4: Discussion

Introduction

Based on the narrative of the case study on salary transformation through banking system in Cambodia's civil service (chapter 3), various key progress and achievements have been made especially regarding the significant increase in salary levels, the efficient and safe process of payment through the banking system, the participation and collaboration of civil servants and key relevant stakeholders in the salary reform, the saving cost of national budget, the appropriate disciplinary measures on the irregular cases of civil servants and the improvement of other human resource management-related regulations and policies (Acleda 2013; Phnom Penh Post 2013; The Cambodia Daily 2013; RGC 2014; MEF, 2014a, 2014c, 2017; MCS 2016a; Youk Bunna 2019).

Such achievements and progress are believed to be the result of strong commitment of the government and strong leadership of the Pay Reform Taskforce and its related sub-groups, which lead to the development of various consequential solutions and priorities in salary reform. Such salary reform initiatives and leadership provide the platform or ba for knowledge consultation and creation where tacit knowledge has been socialized and externalized among individuals and groups and later become explicit knowledge when the salary transformation through the banking system become realised. In such regard, the explicit knowledge such as banking payment process and procedure, and other salary reform-related regulations become sharing and practising among groups such as the inter-ministerial groups, relevant ministries/institutions and banking partners which can contribute to the internalization process of converting explicit knowledge into a new tacit knowledge among individuals, groups and organizations through the process of combination. Such relationship between tacit and explicit knowledge is the process of creating new knowledge. However, broad and deep creation of new knowledge is seen to be much influenced by the environment of organization to provide dynamic interactions that can generate various types of ba and accept the diversity (Nonaka 1994; Nonaka et al 2000; RGC2013; RGC 2014; MEF 2014a; MCS 2016a; Nonaka et al 2018).

Sharing tacit and conceptualization

Though there is strong commitment of the government and strong leadership of the Pay Reform Taskforce which emphasizes the common goal of reform with participation from various stakeholders, the leadership of the middle and low-level management of both national and subnational administrations as well as the government's partners including private banks who

support and implement salary reform initiatives needs to be developed to build team spirit and common understanding for the sake of full coordination and participation.

It is believed that the enlargement of individual knowledge within the organization is the key trigger in generating the process of organizational knowledge creation. Individual builds their own perspectives based on the interaction between knowledge of experience and rationality where individual can articulate their perspectives and solve their conflicts; however, “such perspectives remain personal unless they are articulated and amplified through social interaction”. In such regard, to create organizational knowledge, it requires the creation of “a field or self-organizing team in which individual members collaborate to create a new concept”, and this can be regarded as the creation of organizational mind to accommodate the diversity of thinking pursuing new problems and solutions (Nonaka 1994, p.22).

According to Nonaka (1994, p.27, 28), in managing the process of organizational knowledge creation, there requires having “organization-wide enabling conditions” to promote conducive environment for effective knowledge creation. The enabling conditions may include creative chaos, and redundancy of information. At organizational level, creative chaos is seen to be generated by environmental fluctuation where “organization faces nonrecursiveness” and existing knowledge is not effectively responding which requires the creation of new knowledge. In such regard, chaos is perceived and produces another chaos. In the situation that organization faces the real crisis (such as declining performance, changing technologies or market needs, competition), creative chaos is believed to be naturally and intentionally generated by leaders of organization through provoking the sense of crisis among members and proposing challenging goals. Such creative chaos induces tension within organization as it seeks solutions for the new problems. However, such process happens only when members have reflection on their actions. “Without reflection, the introduction of fluctuation tends to produce destructive chaos”. It is believed that when members of organization can reflect while in action he or she will become researcher not based on the established theory and technique but based on the construction of new theory of unique case. In such regard, organization needs to institutionalize its process and structure with ‘reflection-in-action’ to ensure that the chaos is truly creative.

Another principle for managing knowledge creation in organization is redundancy of information which refers to “the existence of information more than the specific information required immediately by each individual” (Nonaka 1994, p.28). The sharing of extra information among members is the way of sharing individual tacit knowledge which can be

regarded as ‘learning by intrusion’ as individuals can enter other members’ area of perception and operation. The redundancy of information can be the factor of reducing managerial hierarchy due to the generation of problem and knowledge occur differently from the official organizational structure (non-hierarchy) where all members participate based on consensus and equal preparation which may lead to synergetic and creating requisite degree of diversity. The redundancy of information is also believed to build deep and mutual trust among members through the interactions and transfers of tacit knowledge and elimination of cheating among members due to less chance of opportunism. Such trust building can form synergetic cooperation for knowledge creation.

According to Nonaka (1994), the establishment of redundancy can be done in several ways such as:

- internal competition: develop different approach and provide variety of perspectives which leads to build best approach,
- overlapping approach in product development: different divisions work together to share labour), and
- strategic rotation: build members’ understanding on organizational business, wide access to organization information.

However, redundancy of information may increase overwhelming amount of information for processing, if there is no appropriate location within organization for storing information and knowledge.

Moreover, it is also noted that “the capacity of a public organization is primarily defined by the quality of its internal organizational institutions as well as that of members’ capacity”. The differences in outcomes among organizations or countries are caused by their routinized processes in inducing creativity. Creative routine is believed to cause organizational learning and motivate organizational members to produce innovation and agility through learning and practicing. Then, in reforming public organization, there requires understanding the mindset of stakeholders which is regarded as tacit form of organizational institutions (Matsunaga 2018, p.264).

Matsunaga (2018) believes that the cognitive dimension of stakeholders is the avenue for evolution of institution where the knowledge factors and endogenous process are located. It is found that solution is a kind of explicit knowledge that presents in the form of laws, guideline, program and so on, while institutional evolution is a kind of endogenous process which possess

the tacit knowledge of stakeholders such as belief, judgement, attitude and so on. Solution may become ineffective when it fails to achieve the indicated outcomes. Based on the concept of knowledge-based management, the institutional evolution in creating solutions can be processed through dynamic interaction between the tacit knowledge of stakeholders and explicit knowledge (Nonaka et al 2008 cited in Matsunaga 2018). Then, the factors that may affect the quality of solutions can be included ‘content-factors’ (content of solutions) and ‘process-factors’ (the process of creating and implementing solutions), which both factors are mutually intertwined, and the solution targeting stakeholders’ behaviours needs to be localized in content by incorporating stakeholders’ tacit knowledge as well as the context-based process needs to be clarified.

Building basic institution for creative routines

Public organizations in Cambodia as well as in other ASEAN countries are often regarded as incompetent and ineffective which encourages political leadership as well as government to strengthen organizational efficiency and accountability with prioritized agenda. Effective institutions have been widely regarded as the source of organizational outperformance, which is believed to be supported by the evolution of societal institutions in building basic institutions at different sectorial institutions to assure flexibility and agility in coping with issues of policy domain as well as environmental complexity and changes (Matsunaga 2018).

At societal level, the national system of civil service, legislature, decentralization, fiscal management and so on are regarded as basic institutions. At public organization level, the systems of making decisions, structure, planning, personnel management, evaluation and so on are also regarded as basic institutions. Such two levels of basic institutions are interacted with each other. This means that the basic societal institutions determine and affect the function and mode of basic institutions within public organizations which are believed to define the function or operating system of sectorial institutions in the country. In this regard, it can be explained that the copy of Western reform programs for Asian countries tends to fail due to the import of solution’s incompatibility in replacing the local basic institutions, and cause various crisis such as widespread corruption, fraud and dysfunctional market and declined growth. In this sense, a systemic approach is needed to support the evolution through incremental and flexible manners to sufficiently localize and internalize with the existing system. Then, the effective approach of achieving basic institution evolution is to constitute the creative routine within organization where the behaviour of each organizational member embedded to build innovative organizations. (Easterly 2001; Chang 2002; Rapley 2007; Easterly 2007; Rapley 2007; Fritz

and Menocal 2007; Rothstein and Tannenbergs 2015; Matsunaga 2018). In such regard, it is believed that the theory of knowledge-based management is appropriate for initiating reform program for Asian context. Therefore, it can be reflected that idealistic pragmatism is the way of behaving for national wise leadership who must possess his or her own ideals based on social reality and through the means of trial and error (actual experience of practising) in synthesizing the ideal and reality. The approach to idealistic pragmatism is about reaching the ideals through pursuing common good which is the good of the nation rather than the majority vote (Nonaka et al 2018).

Leadership capacity building

Within the success of salary transformation through the banking system, strong leadership and commitment of the government as well as the Pay Reform Taskforce are seen to be the key driver. However, leadership capacity of the middle and low-level managers requires further improvement and attention to ensure and sustain the true knowledge creation and innovation in supporting and implementing reform.

It is also noted that societal or organizational problems are seen to have various issues where require government to identify the right issue as well as creating the right approach which is believed as the initial step to reach the desired outcomes, and often regarded as the difficult stage of problem-solving process due to the involvement of diverse stakeholders (public organizations, private organizations, media, academics, advocacy group) and priorities. In such process, the compromise of endogenous process (socialization) among diverse tacit knowledge is important to synthesize the different views and justify the solution, and importantly with the creation of Ba to facilitate the mobilization and synthesis of tacit knowledge in the light of local context (process of issue identification and concept creation) where become a major source of innovation and knowledge creation. In such regard, according to Matsunaga (2018), the effective public sector program can be included the organizational development (such as mobilizing stakeholders' tacit knowledge to form concrete solution for implementation among stakeholders), and leadership development program (such as identifying key actors' roles and defining their capacity). For instance, sending the right person abroad to acquire tacit knowledge can be an effective approach for solution formulation stage due to the effect of awakened stakeholder who hardly find the hidden issue at home.

Moreover, after the concept of solution is created, the implementation process needs to be clarified which takes the form of explicit knowledge and to interact with tacit knowledge of

the created solution with all stakeholders especially the experts of issues. In such respect, the tacit knowledge of middle managers and frontline operatives needs to be synthesized in the solution creation process. In such regard, flexibility of the created solution and implementation is required to activate tacit knowledge and to reflect the reality in fine-tuning solution (Matsunaga 2018)

It is seen that the solution of the problem may lead to a new issue or problem, which requires a continuous spiral process of problem solving to find out effective solution. The ineffective solution implementation can be linked to the capacity of implementors which requires government to intervene to equip with required knowledge and skills to not only the implementation stakeholders but also the beneficiaries (Matsunaga 2018).

Also, the creation of opportunities for organizational members to have autonomous thinking and judgement as well as agile and proactive problem-solving capacity is the way of nurturing their phronesis effectively and efficiently. Such establishment is a rational choice in supporting government's limited capacity in solving societal problems where endogenous initiatives of middle managers are significant in facilitating knowledge creation and institutional evolution between the top management and the frontline staff by keeping organization cohesion. In such regard, the wise top leadership is not only about making good goal, perceiving reality, creating ba, narrating essence, and exercising political power, but also fostering phronesis in others which is about producing more competent leaders across organizational levels especially at the middle and low-level management which is believed not only to support and implement the reform but also to sustain and energize the establishment of different types of ba across the knowledge creation spirals (Nonaka et al 2000; Matsunaga 2018; Nonaka et al 2018)

Chapter 5: Conclusions

Salary transformation through the banking system in Cambodia's civil service is seen to have been successfully progressed and achieved its objective especially in responding to the high increase in salary level, efficient payment procedures, and collaborative engagement and support from various key stakeholders including both the government's ministries/institutions and the private banking partners. Such success and achievement, according to the lens of knowledge creation process, are influenced by the strong commitment and leadership of the government and the Pay Reform Taskforce in initiating, coordinating and consulting with the key stakeholders (key relevant ministries/institutions, key reform secretariats such as PFM and D&D) to build common understanding and support of the reform, as well as learning from the previous NPAR achievement and implementation.

The success of pay reform can be witnessed through the attachment of the subsequent initiatives and priorities to the strategic policy of the government as well as base on the common goals and mutual respect among stakeholders. However, such competence and leadership are mostly found only among a few political leaders and top management who are the drivers of reform where the leadership and competence of other middle and low-level managers are also significant in creating new knowledge as well as implementing and supporting the reform initiatives. In such regard, the establishment of organization's enabling environment is believed to be significant and to have influence on generating dynamic interactions and accepting diversity for the sake of broad and deep knowledge creation.

The sharing of tacit and explicit knowledge through the created ba or sub-groups may be the starting point of knowledge creation in producing reform initiatives, but it requires each sub-group leadership and members to institutionalize the reflection-in-action environment for creativeness as well as the sharing and learning of different information in the sense of synergic and trust cooperation regardless of official organizational structure. In such environment, there requires competition among internal groups and individuals to identify the best approach and product as well as building members' understanding on the organizational business (Nonaka 1994).

The collaboration of stakeholders is important in initiating reform solutions and implementation, where the understanding of stakeholders' tacit knowledge and dynamic interactions are significant. Therefore, the building of basic institution for supporting creative routines requires the understanding of local institution context rather than copying the Western

reform program to find compatibility of existing system through the incremental and flexible manners, where the leadership capacity of the middle and low-level managers needs further improvement and attention. Such middle and low-level management leadership is important in supporting and implementing the reform initiatives through the endogenous pragmatism of knowledge creation and innovation (expert of issues) within the local and different context demands and keeping organization cohesion as well as sustaining and energizing the establishment of various ba (Nonaka et al 2000; Matsunaga 2018; Nonaka et al 2018).

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