

KNOWLEDGE MANAGEMENT AND THE CORPORATE NATURE OF LOCAL GOVERNANCE

A Case Study from the Philippines

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Abstract: This paper assessed the potential application of knowledge management in local governance in the Philippines. It is a case study of the Municipality of Cabuyao, a local government unit (LGU) in the country which extensively utilized the benefits of knowledge management to improve its corporate existence, subject to limitations of the country's law regarding the corporate powers of LGUs. The study found that the said municipality enacted an ordinance that created the organization that will serve as the municipality's corporate arm. The municipal government of Cabuyao has many practices and activities to strengthen the corporate existence of the municipality that fall under the knowledge management field, some of which are pioneering for a government organization. These include active networking and alliance building with other organizations such as the private sector, academic and research institutions; tapping experts to come up with more stable policy; and investing on research and development (R&D) to maximize the corporate opportunities for the municipality. It is recommended however for the municipality's corporate arm to set up its own knowledge management system and to designate a separate unit which will be fully devoted to its knowledge management activities.

1 INTRODUCTION

It is evident nowadays that business sectors have already recognized the value of knowledge management as a business strategy. The private sector began to adapt the idea that organizational knowledge can be managed to leverage competitiveness and assure survival. As Huang (Huang et al., 2007) claims, knowledge is a critical factor in business competitiveness and the future value of a firm. In the public sector, however, the importance of knowledge management has not yet been greatly explored. Only few research studies about knowledge management pay attention on the application of knowledge management in the public sector particularly in local governments.

However, although the study of knowledge management in local governance has not yet been greatly explored, it is still undeniable that knowledge management can bring significant benefits in this sector. Local governments in countries with decentralized form of governance such as the Philippines act as frontline service providers. They

ensure that government services such as health, education, infrastructure, and social safety nets programs reach the communities who are in need. Many countries have demonstrated that knowledge management plays a crucial role in the efficient delivery of public services and in ensuring transparency and accountability in the public sector.

In this regard, this paper examined the application of knowledge management performed by a local government unit in the Philippines—the Municipality of Cabuyao. The study paid attention on how KM can support the corporate nature of a local government in terms of effective income generation and greater autonomy from the national government. The Local Government Code of the Philippines allows the local governments to act both as political and corporate entities representing their inhabitants. The country's mandate for the local government units' corporate power aims to provide for more efficient services and to address the welfare of the people by improving their capacity to generate income on their own. Most of the local government units in the Philippines acquire the majority of their income through the national government's internal

revenue allotment (IRA). The Local Government Code's consent to exercise the corporate power in local government units (LGUs) is set to alleviate LGUs' too much dependence on IRA and instead strengthen the local government unit's fiscal autonomy.

The study sought to document and analyze the strategic application of knowledge management at the local government level to strengthen its corporate power. Specifically, this article addressed the following questions:

1. What are the unique knowledge management practices in the Municipality of Cabuyao to strengthen its corporate existence?
2. How do the members of the Municipal Council of Cabuyao share knowledge among their colleagues in order to strengthen their corporate agenda?
3. What are the knowledge management tools that the Municipality of Cabuyao uses to enhance its corporate entity?

2 RELATED LITERATURE

2.1 The Corporate Nature of LGUs in the Philippines

As stated in Section 15 of the Local Government Code of the Philippines (1991), the local government units (LGUs) in the country "shall exercise powers as political subdivisions of the national government and as corporate entities representing the inhabitants of its territory". It implies that LGUs, aside from its political activities, can also exercise corporate power, subject to limitations provided in the *Local Government Code* and other laws.

It is also indicated in the Section 18 of the Local Government Code of the Philippines (1991) that "a local government unit may also establish an organization that shall be responsible for the efficient and effective implementation of their development plans, program objectives and priorities, and to apply their resources and assets for productive, developmental, or welfare purposes, in the exercise or furtherance of their governmental or proprietary powers and functions and thereby ensure their development into self-reliant communities and active participants in the attainment of national goals."

However, only few LGUs in the Philippines exercise their corporate power and for the first time in the country, the Municipality of Cabuyao will be

the first LGU to fully exploit this mandate. As Hoffman (2005) stated, LGUs have received confusing signals from the national level regarding the desirable role for LGUs in public economic enterprises.

2.2 KM in Local Governance

Improved knowledge management (KM) is essential to governmental agencies at the national, regional or local levels because governmental organizations are basically knowledge-based organizations (Yuen, 2007). One of the notable institutions for knowledge management in local governance is the knowledge management system (KMS) of Busan Metropolitan City in South Korea. Busan KMS has opened various rooms for knowledge sharing among the employees of the city. This includes encouraging every employee to register at least one work manual, holding book reading event and rendering book summary and research information sharing services. The organization also seeks better policies by promoting Communities of Practice (CoPs) within the organization. In Australia, local government also shows strong interest in knowledge management as evidenced by the development of infrastructures and by concerns with the loss of knowledge and the deployment of mechanisms for the sharing and reuse of knowledge (Martin, 2000). Furthermore, the local government in Australia began to realize the potential benefits of the local government's corporatization and with the advent of new models of local government in the country based on shared responsibility between a council and a professional city manager, local government units have started to further engage to run their income generating affairs in a business-like manner. Clearly in what is a much more business-like and entrepreneurial environment, those responsible for the administration and management of local government need access to the best information and knowledge available. It was expected that the increasingly corporate nature of the local government in Australia would be likely to impact on the uptake of knowledge management (Martin, 2000).

3 RESEARCH METHODOLOGY

This is a case study of the Municipality of Cabuyao, a first class municipality in the province of Laguna, around 45 kms away from Metropolitan Manila. In 2009, the Philippine Commission on Audit (COA) reported that the municipality has generated an

income amounting to P681, 671, 773, the highest in the country.

The study used multiple research methods to gather the data. These are key informant interviews, document and research analyses and social network analysis (SNA).

A series of key informant interviews were done among the key officials and officers of the municipality to identify the knowledge management activities performed by the municipality. The interview questionnaires were flexible and open-ended, giving room for follow up questions to the respondents for elaborations and clarifications.

The analysis of the important documents of the municipality like the ordinances and resolutions were able to support the information acquired from the key informant interviews.

The social network analysis traced the knowledge sharing relationship of the members of the municipal council regarding the municipality's corporate agenda. As Wang (Wang et al., 2006) stated, social relationships affects the knowledge sharing activities of the individuals through their tie strength—the quality and frequency of interaction between individuals. A survey questionnaire was given to each member of the Municipal Council of Cabuyao.

4 RESULTS AND DISCUSSION

In accordance with the corporate mandate of the Local Government Code of the Philippines, the Municipal Council of Cabuyao legislated the Municipal Ordinance No. 2008-283, an ordinance that created the Cabuyao Investment and Development Authority (CIDA). Although the municipality has the power to act as a corporate entity, it is still undeniable that government officials are usually oriented in political nature of government thus the Municipality of Cabuyao created an organization that will support the corporate existence of the municipality, wherein the staff and executives to be hired have qualifications in corporate knowledge. The municipal officials will only act as ex-officio members of the organization's board of directors.

CIDA will serve as the operating and implementing arm of the Municipal Government of Cabuyao in the exercise of its corporate powers to further address the welfare of the citizens of the municipality.

CIDA will perform two major activities to strengthen the municipality's local economy. First, it

will further improve the municipality's light industry and small and medium enterprises. It will serve as a technology business incubator to the enterprises' development through provision of strategic range of technology support resources and comprehensive services (Javier et al., 2009). Second, it will empower the local entrepreneurship capability of the citizens of Cabuyao by educating them on how to be entrepreneurs. Previous studies revealed that the Municipality of Cabuyao is mainly a consumer municipality, thus the municipal government created an opportunity for the people of Cabuyao to be producers and entrepreneurs. The municipal government also provides micro-financing as starting capitals for the people.

4.1 Unique KM Practices for the Corporate Arm of Cabuyao

Unique knowledge management practices for the establishment of the corporate arm of Cabuyao includes the rigid knowledge generation activities of the members of the municipal council particularly the municipality's vice mayor who decided to pursue a master's degree in Development Management and Governance at the College of Public Affairs in the University of the Philippines-Los Baños.

In the said institution, he was able to grasp some of the best practices and knowledge in governance through his professors and his classmates who came from different government institutions in the country and abroad. He then came up with better local policy to strengthen the corporate nature of the Municipality of Cabuyao. This led to the creation of CIDA.

He articulated his knowledge to his colleagues in the municipal council through the regular municipal session and explained the benefits and opportunities of having an arm organization of Cabuyao focused on managing and boosting the corporate potentials of the municipality. The vice mayor admitted that it was not easy at first to convince his colleagues, citing that it was the first major step of a local government in the country to capitalize on its corporate nature for income generation. But after some realizations by the council of the benefits of creating a corporate arm for the municipality, adding the fact that Cabuyao is financially capable to invest as the highest earning municipality in the country, the council was finally convinced of investing for CIDA. Notice that careful analysis is still heavily incorporated in knowledge management in governance. The members of the organization did not just easily accept the newly-acquired knowledge

even if it came from their own colleague. Every decision the government has to make needs a careful analysis since it will not only affect their own organization but the public as well.

After capturing the knowledge and learning the rationality of the proposal of their colleague, it is only then that the municipal council proceeded to create a law that will correspond to the proposal of the municipality's vice mayor with the knowledge that he acquired. This was codified in the form of a municipal ordinance. The municipal ordinance that created the municipality's corporate arm reflects the integrated knowledge of the municipal council about the corporate nature of the local government unit and their corresponding actions towards it.

As the policy-creating and decision making body for pre-operational CIDA, the Municipal Council also had to generate extensive knowledge on how to operate a typical corporation to come up with better internal policies for the municipality's corporate arm. In order to do that, the Municipal Council performed different knowledge alliance activities like collaborating with multinational corporations located in the municipality and tapping partnership with academic and research institutions.

To ensure the stability of CIDA's operation, the council decided to include chief executives from multinational companies in Cabuyao among the members of CIDA's board of directors. They also sought consultations from academic and research institutions particularly the experts from the Institute of Development Management and Governance of the College of Public Affairs in the University of the Philippines-Los Baños to guide them with policy creation.

Most importantly, the Municipal Government tapped a group of researchers to conduct a pre-operational study about the municipality's physical, demographic, and policy environment, the municipality's main industry as well as the appropriate business opportunities in Cabuyao. The said study about the municipality was able to determine the strategic directions for CIDA. This gave the municipal government sufficient information about the business opportunities of Cabuyao and serves as a guide for better decisions in establishing CIDA. The said study also included extensive recommendations and key strategies for CIDA start-up. This pre-operational research, along with the collaboration with the corporate executives in Cabuyao assisted the Municipal Government to come up with the master plan of CIDA.

The highlight of the knowledge management activities of the Municipal Council of Cabuyao in

relation to its corporate plans and agenda depends on its actual application for the improvement of the corporate arm of the municipality particularly the Cabuyao Investment and Development Authority (CIDA). In order to properly apply the knowledge that they have acquired, the municipal council integrated the practice of strategic management to come up with better decisions. After making sure that everything was studied from the demographics of the municipality to the identification of feasible opportunities of investment in Cabuyao, the municipal council then proceeded to rigid evaluation of the studies' results which will be the primary basis of their decision-making.

4.2 Knowledge Sharing

The main room for knowledge sharing among the members of municipal council of Cabuyao is the regular session held every week in the municipal hall. This is where the members of the municipal council can raise their opinions and introduce their proposed resolutions or ordinances for legislation. The municipal council follows a set of rules and procedures in conducting a session set by the Local Government Code, making the meeting fall under a strictly formal setting. The study also tried to trace the knowledge sharing relationship of the members of the Municipal Council of Cabuyao in terms of the corporate agenda of the municipality through social network analysis (SNA). As social network literatures revealed, social relationships affects the knowledge sharing activities of the individuals through their tie strength—the quality and frequency of interaction between individuals (Wang et al., 2006).

The respondents of SNA are all the members of the Municipal Council of Cabuyao. This is comprised of the municipal mayor, the municipal vice mayor, the eight councilors, the SK Federation president and the Association of Barangay Captain president. Social network analysis requires all the members of the organization since network methods focus on relations among actors and the network could not be analyzed if there are missing actors in the network (Hanneman).

The members of the municipal council were asked who among their colleagues are the one/s they approach whenever they have queries about the municipal agenda and plans to strengthen its corporate nature.

The Social Network Analysis revealed that the most prominent nodes in the social network—the actors who have the most number of in-degrees¹ are

M. Gecolea, the municipality's vice mayor and the primary author of CIDA with 10 total in-degrees; and J. Hemedes, the municipality's mayor with 9 total in-degrees. Other than the two, the rest of the nodes have either one or no number of in-degree.

The node with the most number of out-degrees² is L. Opiña, a municipal councilor. The node with the most number of out-degrees is also considered as advantageous since he/she may have many alternatives to acquire knowledge. Seven of the nodes have two total out-degrees; three of the nodes have only one out-degree while C. Agullo is the complete isolate in the group, having neither in-degree nor out-degree.

The result of the social network analysis for the members of the municipal council of Cabuyao reveals that the actors of the said organization are poorly linked to each other. The network has created only 22 actual links out of 132 possible links which only constitute less than 17% of all possible links. This is dramatically low, considering that 83% of the possible links are not present. This implies that the members of the Municipal Council of Cabuyao have no strong ties to each other. The result also showed that most of the actors in the network only rely to M. Gecolea and J. Hemedes as sources of their information; only L. Opiña relies to actors other than the two prominent nodes.

4.3 KM Tools

Albeit the pre-operational stage of CIDA, the municipality already maintains a management information system (MIS) to keep all the

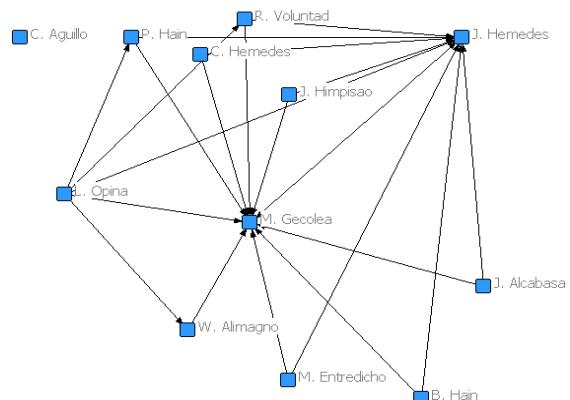


Figure 1: Social Network of the Municipal Council of Cabuyao.

¹ in-degree- number of individual/s who approach/es a particular actor to acquire knowledge/information

² out-degree- number of individual/s whom a particular actor approaches to acquire knowledge/information

transactions of the accounting and income generating offices of the municipality centralized in one database. This includes the assessor's office, the municipal treasury, the accounting office, the business permit and licensing office and the budget and management office.

The study, however, found that the Municipality of Cabuyao has a very weak information and communication technology infrastructure which is supposed to deliver great help to ensure efficiency of service in the government. Only some portion of the Municipal Hall of Cabuyao has access to internet connection. Furthermore, the municipality does not have its own website which is supposed to be the local government's room for reaching out to the public and serve as a medium for promotion of the corporate agenda of the municipality.

5 CONCLUSIONS AND RECOMMENDATION

The Municipality of Cabuyao performed various knowledge acquisition activities in order to strengthen its corporate nature. These include active networking and alliance building with other organizations such as the private sector, academic and research institutions; tapping experts to come up with more stable policy; and investing on research and development (R&D) to maximize the corporate opportunities for the municipality.

However, in order to apply in full extent the benefits of knowledge management in the corporate arm of the municipality particularly in CIDA, the organization has to set up its own knowledge management system and designate a separate office which is fully devoted to knowledge management operations for CIDA. This is for further improvement of knowledge management activities of the organization through regular monitoring and knowledge audit of the organization's knowledge. Moreover, knowledge management system, with the aid of ICT infrastructures, provides effective storage and retrieval mechanism of the organizational knowledge. As Alavi & Leidner (2001) stated, while organizations create knowledge and learn, they also forget.

The municipality also has to strengthen its knowledge management tools such as the ICT infrastructures since the study found that it is one of the weak points of the municipality that hinder the municipality's knowledge flow to improve its corporate entity.

Finally, the municipal council has to improve their social relationship with each other in terms of knowledge sharing for the municipality's corporate agenda since the study's social network analysis revealed their poor linkages to each other in terms of knowledge sharing for the improvement of the municipality's corporate existence.

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