Enhancing competitiveness and commercial success through the modern managerial model

DAGMAR KOKAVCOVÁ
Faculty of Economics, Matej Bel University, Banská Bystrica, Slovakia

Abstract: The executives, theorists, and academics agree with the idea that the managerial models emphasized the hierarchy, orthodox management decision-making practices and importance of labour and capital inputs lost the validity and effectiveness nowadays. Traditional hierarchical structures and rules must be modified to allow innovation to flourish. The paper concerns to the main processes of creating, sharing and exchanging knowledge especially in informal communities in organisation; human ability to learn, develop and improve knowledge is closely connected and determined by the trust. There are the main components of modern managerial concept – knowledge-based organisation.

Keywords: knowledge management, knowledge sharing, knowledge-based organisation.

1 Introduction

Knowledge management (KM) as well as handling knowledge is nothing new for the companies. As the foundation of industrialized economies has shifted from natural resources to intellectual assets, executives have been forced to identify and understand the knowledge underlying their businesses and how that knowledge is used. The necessity of knowledge management derives largely from the desire to improve competitiveness especially through innovation. The reuse of knowledge saves work, reduces communication costs and allows a company to take on more projects and activities. Roberts [1] argues that nowadays we are living in a knowledge economy where knowledge work is the primary occupation of most of the productive workforce.

A growing number of organizations have included knowledge management into their strategies and have as a result reported:

- business process efficiency improvements,
- better-organized communities,
- and higher staff motivation Nonaka and Takeuchi [2].

Hansen [3] declares that some companies have given the knowledge management the same attention as they have given cost cutting, restructuring or international expansion. In companies where that is the case, knowledge management takes place – if at all – in functional departments such a HR or IT. But companies that isolate knowledge management risk losing its benefits, which are highest when it is coordinated with HR, IT, and competitive strategy. In effective companies the knowledge management model stays the same even as new products and services mature.

The ability to create knowledge and diffuse it throughout an organization is recognized as a major strategic capability for gaining competitive advantage. Both, academics and

practitioners accept the fact that the knowledge is the main prerequisite of innovation. One of the most important managerial tasks nowadays is how to release the tacit knowledge and to develop actionable models and tools for learning, knowledge creation and knowledge transfer.

2 Framework and benefits of knowledge management in organization

Although management writers like Peter Drucker had written about 'knowledge workers' in the 1960s, attention to what we now call and understand knowledge management really started in the middle of 1990s.

Skyrme [4] titled this era as a childhood of knowledge management and argues that knowledge management took off as a focussed activity in several knowledge intensive industries, such as hi tech (e.g. Siemens), oil and gas (e.g. BP), speciality chemicals (Buckman Laboratories), pharmaceuticals (e.g. Hoffmann La Roche) and all the 'Big 5' management consultancies (PriceWaterhouse et. al.).

Early efforts to manage knowledge in organizations tended to treat it as a tangible object that could be moved over the organization like any other organization resource.

From the historical and conceptual perspective Kokavcova [5] explains three stages of knowledge management:

- techno-centric KM – knowledge management based on handling with data and information supported intensively by ICT,
- socio-centric KM – concerns on human being like a knowledge owner and creator,
- value-centric KM – knowledge management oriented to wisdom and value creation like the main prerequisites of wealth.

Technology in itself will not make or ensure a competitive advantage based on knowledge; technology can act as a facilitator to encourage and support knowledge sharing by making it easier and effective. Due to this reason an enhancing the involvement of human factor into the knowledge management processes became the core activity in second stage of knowledge management evolution.

Socio-centric approach is based on the key factors in the process of creating knowledge, particularly on:

- culture, which increases trust, experimenting and sharing the knowledge of individuals and the organization,
- flat organizational structure, which will help to create an environment for sharing knowledge,
- non-formal mechanisms of communication and interaction among individuals, especially concerning the position in the organization so as to create new knowledge in a stimulating environment,
- environment enhancing creativity with an appropriate system of remuneration that will be advantageous for both employees and employers, the degree of change of individual knowledge to such organizational knowledge that will ensure the organization a competitive advantage.

The socio-centric approach with a focus on the organizational environment, and human ability and willingness to learn, create, and exchange knowledge brings about the need to examine the role of particular knowledge management processes and activities.

Firestone and McElroy [6] in their conceptual work also presents three accounts of generation of knowledge management:

1. The first account is proposed by Koenig [7]. He argues that the first stage of KM evolution focuses on IT-driven KM or knowledge sharing. The use of IT, in particular internet/intranet, and tools for knowledge sharing and transfer can create value-added to the enterprise. Moreover, this stage emphasizes ‘‘best practices’’ and ‘‘lessons learned’’. On the other hand, the second stage focuses on socialization issues, including human and cultural factors. This stage stresses the importance of organization learning applied from the work of Senge [8], knowledge creation adapted from the SECI model Nonaka and Takeuchi [2], and Communities of Practice Wenger et al., [9]. This first account suggests that the next generation of KM will focus on taxonomy development and content management.
2. The second account is proposed by Snowden [10]. The first stage of his theory emphasizes the sharing and transfer of information for decision support. The second stage focuses on processes facilitating tacit/explicit knowledge conversion inspired by the SECI model Nonaka and Takeuchi [2]. Snowden [10] envisions the next age of KM as knowledge viewed as a thing and a view; centralization of context, narrative and content management; an understanding of organizations as engaged in sense making; and scientific management and mechanistic models.
3. The third account is proposed by McElroy [11]. He identifies two generations of KM The first generation focuses on ‘‘supply-side KM’’ or knowledge sharing: ‘‘It’s all about capturing, codifying, and sharing valuable knowledge, and getting the right information to the right people at the right time’’ McElroy [11]; while his second generation emphasizes ‘‘demand-side KM’’ or knowledge creation. While this definition of the evolution of KM has received a wider acceptance, authors argue that this perception of change relates more to the evolution of knowledge processing than to knowledge management. Firestone and McElroy [6] argue that the first and second accounts have many weaknesses and are not clear enough to theorize the proposed generations of KM. The difficulties in Koenig’s account begin in that the first stage makes no reference to IT support to develop ‘‘best practices’’ and ‘‘lessons learned’’. Furthermore, in stage two, the theory does not provide the connection between communities of practice and the work of Senge, Nonaka and Takeuchi, and the connection between communities of practice and knowledge creation and innovation.

Roberts [1] noted that traditional hierarchical forms and structures of management based on the exercise of authority are not the most appropriate means of coordinating the activities of highly skilled knowledge workers in modern organization. It is for this reason that Adler [12] suggested community forms of organization as an alternative in knowledge-based organization.

The critics of knowledge management argue that the knowledge is impossible to manage. For instance Alvesson and Kärreman [13] claim that knowledge is an ambiguous, unspecific

and dynamic phenomenon, intrinsically relate to meaning, understanding and process, and therefore difficult to manage. There is the contradiction between knowledge and management.

On the other hand the theorists declare benefits of knowledge management (Fig.1). Skyrme [14] explains them as follows:

- *Knowledge Benefits* - these are those derived from more efficient processing of information and knowledge, for example by eliminating duplication of effort or saving valuable time. For example, a survey carried out by the AMS knowledge centre showed that information management professionals at a knowledge centre could find relevant information 8 times faster than non-knowledge management professionals.

- *Intermediate Benefits* - these are how the knowledge benefits could be translated into benefits that can be expressed in terms of efficiency or effectiveness. A common example is that best practices databases helps to eliminate less efficient operations through transferring knowledge from the best practitioners.

- *Organizational Benefits* - this class of benefits are those that impact some of the organization's key goals, such as productivity and customer service.

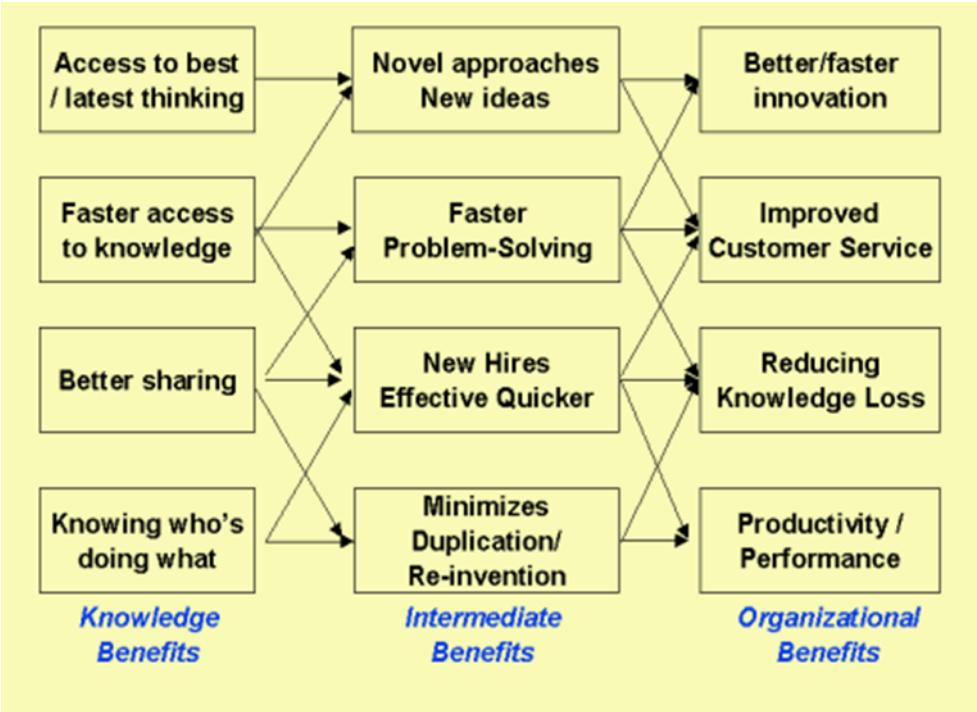

Fig.1 Benefits of knowledge management
Source: http://www.skyrme.com/tools/bentree.htm

To summarize the benefits and threats of knowledge management we can argue that the people and their knowledge play the most important role in reaching success of the company. Nevertheless, many organizations fail to realize this fact in time. A clearly formulated connection of knowledge management to the company´s strategy is a fundamental precondition of success. Theodoulides [15].

3 Knowledge-based organization and the core knowledge management processes

Anderson [16] alleges knowledge-based organization encompasses every type and method of indexing, abstracting, cataloguing, classification, records management, bibliography and the creation of textual or bibliographic databases for information retrieval.

Knowledge-based organizations (also often referred to as knowledge-enabled or knowledge-intensive organizations) are usually described in terms of the knowledge intensity of their product or service. The greater degree to which knowledge forms the core of the product or service, the more knowledge-based the organization is. Zack [17].

We argue the characteristics of a knowledge-based organization go beyond products or services to include processes, purposes, environment, and perspectives.

Knowledge sharing among individuals with different domains and expertise can create organizational knowledge that is beyond what one individually owns. Individuals who share organizationally relevant information, ideas, suggestions, and expertise with one another would be able to jointly create new knowledge which helps convert individual knowledge into economic and competitive value for the organization. Therefore, knowledge sharing at the individual level would be a basic step toward creating organizational knowledge. Sue Young Choi [18].

Leonard et al. [19] emphasize the importance of knowledge sharing in organization and explain that the critical knowledge sharing will enable managers to:

- determine the seriousness of their knowledge loss,
- identify the deep smarts essential to their business,
- utilize proven techniques for transferring knowledge when its loss is imminent,
- identify and implement long-term transfer program apprenticeships,
- set up individual learning plans for successors,
- assess the success of their knowledge transfer initiatives.

Our perception of knowledge management realm is formulated based on primary research, case studies, literally dialogues with academics and practitioners. The core knowledge management processes we consider are: learning, knowledge sharing and knowledge creation. All these processes are inconceivable without massive support of technical systems and ICT.

Indeed, the modern organizational concept should comprise both the socio and the technical systems coherently (Fig. 2) to ensure the dynamic progress and development of the company.

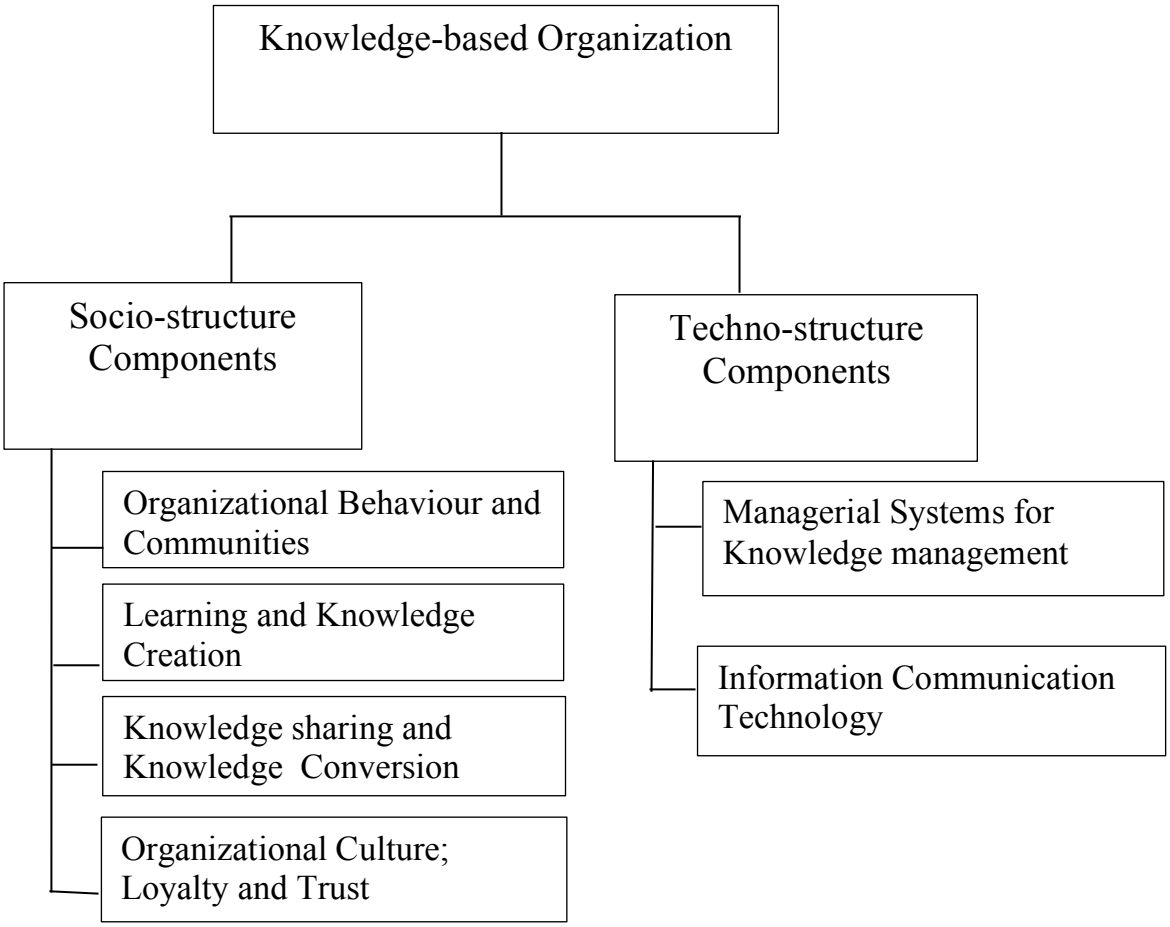

Fig. 2 Knowledge-based organization concept
Source: own processing

Many knowledge management initiatives fail because of excessive dependence on technology. So to get the maximum out of any knowledge management activity the organization should focus on culture, trust, and environment building. The challenge is, according Kormancova and Koval'ova [20], to find what brings all employees together and what are the values and interests that they share. Technology just provides a platform for exchange of knowledge but it itself can't be called as knowledge management. A strong culture of learning, knowledge sharing and innovating is what brings success to any organisation. By sharing creative ideas, the company culture is able to embrace change.

4 Conclusions

Scholar's papers and studies as well as practical examples of companies declare that knowledge management as a discipline and practice has undergone significant development during the last two decades. It responded successfully to the criticism and we can generalize that it is integrated into the general organization processes. Knowledge management is seen as

an approach mainly to increase effectiveness of knowledge resources, and as a tool to boost innovation.

Roberts [1] argues that from an academic perspective, there are vested interests in maintaining the field of knowledge management. Over the past 25 years the discipline has become self-sustaining through an expanding number of academic journals, conferences, research centres, and degree programmes and modules focused on knowledge management.

Managers can assist the knowledge management effort by clarifying what type of knowledge is most important to the company and focusing effort on the core business priorities; removing barriers and providing funding for the infrastructure; and making sure that the organization's commitment to the knowledge management effort is widely communicated throughout the company. Apostolou and Mentzas [21] The impact of a successful knowledge management can be seen in terms of new and better product developments, higher customer satisfaction, reduce in input cost, higher productivity, and finally in higher organizational competitiveness.

Modern knowledge-based organisation composes the human and technical items and follows the socio-technical perspective in knowledge management. The human being and knowledge centred all these processes encouraged by technical systems and ICT tools.

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Contact data:

Dagmar Kokavcová, Assoc. prof., Ing., PhD.

Matej Bel Universtiy, Faculty of Economics, Tajovského 10, 975 90 Banska Bystrica, Slovakia

dagmar.kokavcova@umb.sk