

COMPETITIVENESS THROUGH KNOWLEDGE MANAGEMENT



Research paper—Business Administration

*Dr.A.K.Sharma

The fastest growing companies in Europe during the eighties have been companies in the professional services, with growth rates ranging from 10 % in volume to well over 100 % in some segments (EEC Commission, 1990).¹ The companies in the knowledge industries are thus well worth attention—for one thing they are probably the fastest growing organizations in the world today. A growing number of the new successful companies being formed today in the US as well as in Europe and elsewhere are probably in the knowledge industries. In the US, it is estimated that the traditional manufacturing industry will shrink down to some 10 % of the total workforce by the year 2000. The knowledge-intensive organization is, of course, not a new kind of organization growing out of thin air. Research by the Swedish Federation of Industry `has proved that some two-thirds of the growth in the service sector in the period up to 1983 originates from companies spun out of the manufacturing companies, and most of them are to be found in the knowledge-intensive sector. The know-how companies are often founded by highly skilled professionals, who constituted what might be called a “professional island”. Ever since humans lived in caves they have been living off and by their knowledge. In the old times, the majority of the skilled were craftsmen. There were some-like artists or magicians or kings’ advisors or diplomats—they were mostly freelancers and did not form big organizations employing thousands of them as today.

The origin of “Knowledge Management”

The origins of the term “Knowledge Management” are more obscure and have not been properly researched. A couple of papers using the word “Knowledge Management” in the titles emerged in Europe around 1992-1994. Knowledge Management

consists of managerial activities that focus on the development and control of knowledge in an organisation to fulfill organizational objectives.² The early writings by US authors around 1994 also regards knowledge as objects and are inspired by the emerging Internet. The Japanese origins of Knowledge Management date back to the writings of Ikujiro Nonaka since the mid 1980’s. Researchers and practitioners in IT-Track field tend to have their education in computer or information science. They are involved in construction of information management systems, AI, reengineering, groupware etc. To them knowledge means objects that can be identified and handled in information systems. Researchers and practitioners in People-Track KM field tend to have their education in philosophy, psychology, sociology or business/management. They are primarily involved in assessing, changing and improving human individual skills and behaviour. To them knowledge is a complex set of dynamic skills, know-how etc, that is constantly changing. According to this approach *KM is a strategic issue for the whole organization*. “Knowledge boom” has hit in the recent years. American companies have often been cited as the leaders in managing knowledge effectively. European companies have taken the lead in developing measurement systems for their intangible assets and reporting the results publicly.

WHY KNOWLEDGE?

KM Can be used to reduce costs or to increase revenues. KM can address both issues. You can only save 100% of the costs, but sky is the limit when it comes to increase revenues. Reduce Costs Utilise Existing Knowledge Increase Revenues Create New Knowledge Peter Drucker contends that knowledge has become the resource, rather than a resource.

Knowledge has sidelined capital and labour to become the sole factor of production. Several fundamental shifts are working to fuel the knowledge movement. They include the following: • a shift to knowledge as the basic resource, • a shift to knowledge-based industries According to Peter Drucker The central wealth-creating activities will be neither the allocation of capital to productive uses nor “labour”. Value is now created by “productivity” and “innovation”, both applications of knowledge to work.” Japanese companies have advanced their position in international competition because of their skills and expertise at organisational knowledge creation. Organisational knowledge creation is the capability of a company as a whole to create new knowledge, disseminate it through the Organisation, and embody it in products, services and systems.

MANAGING KNOWLEDGE

American companies have taken the lead in managing knowledge effectively.⁴ Hewlett-Packard has been embarking on a number of knowledge management initiatives in recent years to create a purposeful process for capturing, storing, sharing and leveraging what employees know. Europe appears to have an edge on measuring knowledge and the US on managing it Japanese companies’ reluctance to accept knowledge management reflects Ikujiro Nonaka’s influence.⁵ Nonaka’s thoughts about knowledge are different from the popular Western view. Many American companies equate “knowledge creation” with setting up computer databases. There are two kinds of knowledge. One is explicit knowledge, which can be expressed in words and numbers and shared in the form of data, scientific formulae, product specifications, manuals, universal principles, and so forth. This has been the dominant form of knowledge in the West. The Japanese view knowledge as being

primarily tacit, something not easily visible and expressible. The West has placed a strong emphasis on explicit knowledge and Japan on tacit knowledge. **6**Explicit knowledge can easily be “processed” by a computer, transmitted electronically, or stored in databases. The KM pioneers in Siemens, one of the world’s largest conglomerates, offer a way to create value from diversity. In Unilever the KM pioneers focused their efforts on how to reduce costs in the whole value chain. Microsoft on the other hand, succeeding because it can manage its intellectual capital much better than many of its competitors. Companies need to do is to “unlearn” their existing view of knowledge and pay more attention to (1) tacit knowledge, (2) creating new knowledge, and (3) having everyone in the Organisation be involved. Only then can the Organisation be viewed as a living organism capable of creating continuous innovation in a self-organising manner. Long-term effects **KM** are:

- * make decisions faster ;
- * overcome internal and external barriers;
- * provide more opportunities to innovate; and
- * Enhance customer relationships.

This means that there are in principle two strategic paradigms available for the Knowledge Organisation. Shall the Leader listen to the professionals or to the managers? Steering the company along the organisational track means that the managers utilise their organisational know-how for growth. A common action is to acquire other companies in other professional fields. Steering along the professional track means the strategy is more in the hands of the professionals or based on the professionals’ values. They tend to add new ventures utilizing the existing professional know-how but adding new organisational know-how. Third strategic paradigm is to balance the two paradigms within in the same organisation.

REFERENCES

1. COMMISSION RECOMMENDATION of 6 May 1991, concerning the harmonization within the Community of research and technological development databases
2. Bartlett, C. (1996) McKinsey & Company: Managing Knowledge and Learning, Case 9-396-357, Boston, MA: Harvard Business School.
3. Integrating knowledge management into enterprise environments for the next generation decision support Source, Decision Support Systems Volume 33 , Issue 2 (June 2002)
4. Stata, R. (1989), “Organizational Learning—The Key to Management Innovation”, Sloan Management Review, Spring, pp. 63-74.
5. Nonaka I & Takeuchi H. (1995): *The Knowledge Creating Company*. Wiley
6. Vance, D. M. (1997), “Information, Knowledge and Wisdom: The Epistemic Hierarchy and Computer-Based Information System”, Proceedings of the 1997 America’s Conference on Information Systems,