

**STRENGTHENING ENTERPRISES COMPETITIVENESS
THROUGH DEVELOPMENT OF KNOWLEDGE
MANAGEMENT CONCEPT**

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Abstract. *The shifting of business paradigm that begun in 1990s changed the strategic focus of organizations. Key strategic resources, instead of information, became knowledge and in line with that organizations changed their way of achieving competitive advantage. Indeed, the competitiveness of modern organizations is based on consistent knowledge management. Large number of organizations that are leaders in their business at global level begin developing their own knowledge management strategies in order to to maintain adequate competitive advantage. Development and application of knowledge management concept require prior organizational preparation, but bring series of positive effect in terms of performances improvement.*

Key Words: *Competitiveness, core competence, knowledge management, knowledge management strategies, performances.*

INTRODUCTION

During the 80s and 90s of the last century, drastic changes took place in business environment and thus a completely new business paradigm was formed. Until then, having right and timely information provided a competitive advantage, which placed the information in the category of strategic resources. Development of information and telecommunication systems enabled wide access to information for all market players, which resulted in information losing its significance. That is why many companies had to find new ways to stay competitive. The solution was found in knowledge, that is, in useful management of knowledge, as the new pattern for conducting business in the today's companies. The knowledge becomes strategic resource and the whole business is shaped in accordance with available resources of knowledge.

1. TYPES OF KNOWLEDGE

The development and implementation of the knowledge management concept in the organization is not possible without prior differentiation of the several important categories that are frequently used in a similar or identical context, while completely different in their contents. This primarily includes establishing a clear line between the following categories: data, information and knowledge.

These categories can be defined as [2, p. 206]:

- **Data** are sets of discrete objective facts, presented without judgement or context. Data become information when they are categorised, analysed, summarised and placed in context, becoming intelligible to the recipient.
- **Information** is data endowed with relevance and purpose. Information develops into knowledge when it is used to make comparisons, assess consequences, establish connections and engage in dialogue.
- **Knowledge** can be seen as information that comes with insights, framed experience, intuition, judgement, and values. In some sense, knowledge represents truth and therefore offers a reliable basis for action.
- **Wisdom** could be described as the best use of knowledge. Knowledge processes can always be improved but wisdom is necessary to determine which processes to focus on in order to achieve organisational objectives.

Literature offers several knowledge categorizations, but the most important is the one that differentiates the knowledge on tacit and explicit. The **tacit knowledge** is by its nature invisible and as such includes the knowledge that individuals have in their heads. It does not have any standard shape and relates to the expertise and skills that individuals demonstrate while carrying out direct tasks. This knowledge is highly personalized and is strongly tied to the person who owns it, which is why its transfer is very difficult.

Explicit knowledge includes patents, instruction manuals, written procedures, best practices, lessons learned and research findings. It is shared with a high degree of accuracy. Explicit knowledge can be categorised as either structured or unstructured. Structured knowledge is the data or information organised in a particular way for future retrieval. This includes documents, databases, and spreadsheets, etc. In contrast, e-mails, images, training courses, and audio and video selections are examples of unstructured knowledge because the information they contain is not referenced for retrieval [3, p. 27].

2. WHAT IS KNOWLEDGE MANAGEMENT?

Knowledge management is an integrated effort of a company to create, adopt, share and apply knowledge with the goal to create new value. It includes such a combination of people (soft factor) and technology (hard factor) that enables the most adequate utilization of knowledge resources within one company.

Rudy Ruggles, one of the leading theoreticians and consultant in this field of science, identified key activities as integral components of knowledge management [8, p. 81]:

- generating new knowledge
- accessing valuable knowledge from outside sources
- using accessible knowledge in decision making

- embedding knowledge in processes, products, and/or services
- representing knowledge in documents, databases, and software
- facilitating knowledge growth through culture and incentives
- transferring existing knowledge into other parts of the organization
- measuring the value of knowledge assets and/or impact of knowledge management.

Knowledge management concept implementation in a company includes full utilization of both tacit and explicit knowledge.

Davenport identified ten principles of knowledge management that can be used as guideline in implementation of knowledge management concept. These ten principles include [4, p. 187]:

- Knowledge management is expensive (but so is stupidity!).
- Effective management of knowledge requires hybrid solutions of people and technology.
- Knowledge management is highly political.
- Knowledge management requires knowledge managers.
- Knowledge management benefits more from maps than models, more from markets than from hierarchies.
- Sharing and using knowledge are often unnatural acts.
- Knowledge management means improving knowledge work processes.
- Knowledge access is only the beginning.
- Knowledge management never ends.
- Knowledge management requires a knowledge contract.

3. KNOWLEDGE MANAGEMENT STRATEGIES

Knowledge management strategy relates to the sophisticated management of the organizational knowledge. Four basic knowledge management strategies have been identified: socialization, externalisation, combination and internalisation, which are, in fact, based on the previous knowledge division on tacit and explicit. As such, knowledge management strategies relate to the mutual conversion and improvement of the mentioned knowledge categories.

Socialization deals with the tacit knowledge transfer from one person to another. That actually includes direct contact between the person who transmits the knowledge to the person who receives it. The strategy is implemented through mentoring, training or apprenticeship. The successful strategy depends on the mutual trust, but also on the willingness of the one who owns the knowledge to transfer it to the others.

Transformation of the tacit into the explicit knowledge actually represents the **externalisation**. It includes codification of the tacit knowledge, that is its transformation, into the explicit form. Practically, the strategy is implemented when the individuals express their knowledge and record it in some visual form by using signs on one of the known mediums.

The **combination** includes improvement of the existing explicit knowledge. The combination of the existing explicit knowledge with practice and new ideas and information can lead to creation of the new explicit knowledge of a better quality than the previous

one, which, at the same time, opens up the possibility for its even more effective application.

The **internalisation** strategy relates to going from explicit to tacit knowledge. In practice, the internalisation means action and can simply be described as "learning-by-doing".

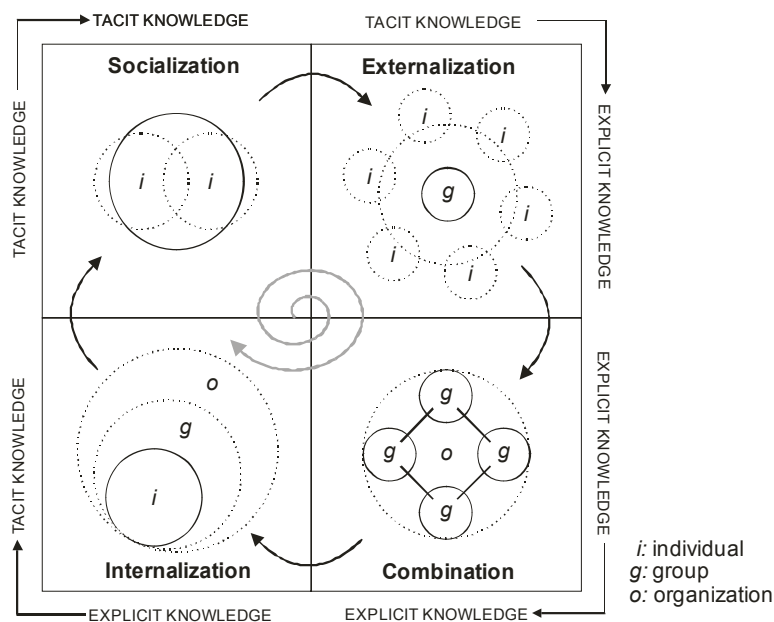


Fig. 1.
Source: [7, p. 43]

Knowledge management concept implementation requires significant investments in information technology and human resources, which is why many companies do not have their own knowledge management programs. The mentioned strategies and their application within organization are possible even without definition and implementation of the concept itself, but then the positive effects are significantly reduced.

4. ORGANIZATIONAL ADAPTATIONS TO KNOWLEDGE MANAGEMENT CONCEPT

The implementation of the concept requires smaller or greater adjustments of the organization. That primarily includes adjustment of the organizational structure and culture, and then formulation of the positions of knowledge managers, responsible for the application of the concept itself.

Knowledge manager must possess certain skills and/or competencies in order to efficiently and successfully performs his/her role [5, p. 317]:

- Interpersonal communication skills;
- Passionate, visionary leadership;
- Business acumen;
- Strategic thinking skills;
- Champion of change;
- Collaborative skills.

Organizational structure adjustment goes in the direction of transformation of the traditional forms of organizational design into network structures that are the most adequate form for application of the concept itself.

The researchers found that the most effective structures are those that [6, p. 10]:

- Eliminate bureaucracy;
- Simplify the environment, making it easy to work in;
- Promote cooperation and exchange of ideas and information;
- Put the best talent where the action is;
- Establish systems for the seamless sharing of knowledge.

Organizational culture as a set of postulates, values, beliefs and norms is a dominant factor in the application of the knowledge sharing system within the organization. It must be designed so that it enables [9, p. 59]:

- trust-based relationship,
- externally-oriented interactive relationship,
- emotionally-inclusive relationship.

5. EFFECTS OF KNOWLEDGE MANAGEMENT IMPLEMENTATION

Theory and practice in the area of knowledge management have not yet succeeded in developing unique and recognizable system for measuring of the effects resulting from the concept implementation. Therefore, already existing techniques (e.g. benchmarking, accorded list of results and the like) and indicators (such as ROI) are used for evaluation of the effects. Improvements are recorded as residual value of the current and previous state in relation to the organizational performances.

Effects of knowledge management implementation can be characterized in three dimensions [1, p. 55]:

- Effectiveness;
- Efficiency;
- Innovation.

Knowledge management impact on effectiveness is reflected in improvement of the decision-making process, reduction of mistakes and better adjustment to the changes of conditions in the environment. Compared to efficiency, knowledge management can contribute to the significant reduction of costs and increase of productivity. In the area of innovativeness, effects primarily relate to better utilization of ideas and their transformation into commercial products and services, and to the creation of the new knowledge as well.

CONCLUSION

In the rapidly changing environment and technology, knowledge management becomes the only solution for a long-term survival of the organization. Thus, it is important to emphasize that more and more organizations formulate their business strategies in accordance with knowledge resources. Significant investments required by the concept are compensated by the series of positive effects, which mean improvement of all organization's processes. The concept's big problem are high costs, which is why mainly big companies implement it. However, development of the paradigm of the network organization enables small and medium enterprises to get involved in the creation, sharing and application of knowledge. Finally, it must be emphasized that in our economy still there is no company that has defined knowledge management strategy or developed concept of knowledge management which will significantly impact their competitiveness in the global market.

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JAČANJE KONKURENTNOSTI PREDUZEĆA KROZ RAZVOJ KONCEPTA UPRAVLJANJA ZNANJEM

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Promena paradigme poslovanja koja je počela od 90-tih godina prošlog veka dovela je do pomeranja stratejskog fokusa organizacija. Ključni strateški resurs, umesto informacija, postaje znanje, a u skladu sa tim menja se i način na koji preduzeća ostvaruju konkurentsku prednost. Zapravo, konkurentnost savremenih organizacija zasnovana je na konzistentnom upravljanju znanjem. Shodno tome, veliki broj preduzeća koja su lideri u svojim delatnostima na globalnom nivou počinju da razvijaju sopstvene strategije upravljanja znanjem kako bi na adekvatan način održavali konkurentsku poziciju. Razvoj i primena koncepta upravljanja znanjem podrazumevaju prethodnu pripremu organizacije, ali donose i niz pozitivnih efekata u vidu poboljšanja performansi.

Ključne reči: konkurentnost, suštinska kompetentnost, upravljanje znanjem, strategije upravljanja znanjem, performanse.