

## THE ROLE OF KNOWLEDGE MANAGEMENT IN THE ORGANIZATIONS

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### **Rezumat**

*Managementul bazat pe cunoștințe are o poziție centrală în ansamblul tuturor proceselor care au condus la trecerea la economia bazată pe cunoaștere; analizarea condițiilor, ritmului și intensității în care această economie a fost realizată.*

*Capacitatea organizațiilor de a se adapta la acest tip de economie depinde în mare măsură pe introducerea și dezvoltarea unui nou tip de management centrat pe valorile de cunoaștere și de creativitate științifică. Acest studiu analizează rolul determinant al managementului cunoașterii în mediul organizațional. Calitățile și rezultatele importante ale cercetării cu privire la acest tip de management va fi dezvoltă și vor fi menționate avantajele sale și modalități de manifestare.*

**Cuvinte cheie:** cunoaștere, organizare, procese de cunoaștere, managementul cunoștințelor

### **Abstract**

*The management based on knowledge has a central position in the assembly of all the processes which have to be passed in order to achieve the economy based on knowledge; it conditions from many points of view the rhythm and the intensity in which this economy is built.*

*The capacity of the organizations to adapt to this type of economy depends largely on the introduction and the development of a new type of management centred on the values of knowledge and of scientific creativity.*

*This study analyse the determining role of the knowledge management in the organizational environment. The qualities and the important results of research about this type of management will be revealed and its advantages and ways of manifestation will be mentioned.*

**Key words:** knowledge, organization, knowledge processes, knowledge management

### **Introduction**

Knowledge is at the heart of much of today's global economy, and managing knowledge has become vital to companies success. (Donald Hislop, 2005)

The real question is how can a company systematically exploit all dimension of knowledge and fully utilize them to improve revenues, profits and growth. (Donald Hislop, 2005).

These statements illustrate a number of key themes that have come to prominence during the our days. Firstly, knowledge is now the most important and valuable resource in the advanced economies. Secondly, knowledge represents the most important economic asset that business organizations possess, and that is the prime determinant of their innovativeness and profitability. Finally, the nature of paid employment and business organizations is changing, with an enormous growth in the numer of knowledge workers, and knowledge-intensive organization.

The concept of Knowledge Management (KM) has been around for decades, but most organizations accept it only as theory and have not put it into practice. It has been difficult for many organizations to evolve their organizational thinking from an information focus to a knowledge focus. Problems arose when information was in abundance, but key individuals possessing that information did not or would not share it with others who stand to benefit from its discovery. (Robert F. Cope et.al, 2007)

In this work, I explore the topic of KM in the organizational context. The primary objective is to examine the character and dynamics of the knowledge processes in four different, but generic types of organization and apply the general ideas to

particular organizational context. Each issue focuses on examining both the nature of the knowledge processes in each context, as well as the key factors which shape these processes. The main reason for focusing on network-virtual organizations, global multinationals, small and medium firms and knowledge-intensive organizations is that they represent four of the most important and dominant organizational types in the contemporary business world.

### **Approaches to Knowledge Management**

Answering the question of what KM is about is difficult because 1) KM is often confused with competence management, 2) there are many different perspectives on management, each emphasizing different issues, and 3) KM, like other management areas, is a very broad category of activities ranging from strategic to operational levels (Fons Wijnhoven, 2006).

Knowledge management is a „fundamentally a systematic approach for optimising the access, for individuals and teams within an organisation, to relevant actionable advice, knowledge and experience from elsewhere” (Nick Milton, 2005). The value of corporate knowledge is also enormous, knowledge are intangible asset with great value to the organisation.

Larry Prusak of McKinsey Consulting, says: “It is the attempt to recognise what is essentially a human asset buried in the mind of individuals, and leverage it into a corporate asset that can be used by a broader set of individuals, on whose decisions the firm depends”.

Knowledge management is a „fashionable term, indeed one of the hottest buzzwords in the corporate world” (Nigel J. Holden, 2002, p.71). As a

concept, knowledge management springs from the recognition that the dimensions of competitive have dramatically changed from the dependence on natural resources to competition for intellectual resources” (Ramussen, 2000).

Knowledge management has been defined as “the systematic management of the knowledge processes by which knowledge is identified, gathered, shared and applied” (Newing 1999). Management consultants (KPMG, 1999) define it as “the systematic and organised attempt to use knowledge within organization to improve performance”

The linkage between knowledge management and competitiveness is a key theme. The key element in knowledge management is the continuous learning from experience (Collins, 2000). In practical terms, the aim of knowledge management is to “keep track of valuable capabilities used in one place that could be applied elsewhere” (Birkinshaw, 2000)

### **Knowledge creation and competitive advantage**

Consistent with Nonaka and H. Takeuchi, Bourton-Jones (1999) argues that “only tacit knowledge, whether alone or in conjunction with knowledge, can give a firm a sustainable competitive advantage”. Accordingly, firms need to acquire, create and protect tacit knowledge: the knowledge which is in the heads of their employees and embedded in the general organizational context of their work.

The aim of knowledge management is to secure “insights, judgements and understanding” (Davenport and Prusak, 1998) in order to develop company-specific knowledge, which can be converted into tacit knowledge, which both adds value to company activities in the

widest sense and is difficult for rivals to copy.

Knowledge Management is concerned with organizational knowledge. As Nymark 2000 points out, there are two kinds of organizational knowledge. The first is the paradigmatic mode in organizational science, which" is ascribed to the kind of research that has been called functionalistic in organizational analysis. It has a positivistic origin and it is inspired by a natural science research methodology. It is a primarily concerned with uncovering general, universally true laws and aims at context-free causal relationship."

The alternative approach is the narrative mode which" can be ascribed to a tradition which is commonly referred to as the interpretive paradigm in organization theory under which social constructivism is also found". Research is oriented towards comprehensiveness and it is highly contextual; it is based on human action and intentionality.

### **Knowledge processes in network-virtual organizations**

Moves towards network and virtual organizational structures represent one of the most important aspects in the contemporary restructuring of work. Collaborative modes of working, which bring together diverse individuals and groups to collectively utilize their individual knowledge and expertise, have become increasingly popular. It is argued that the highly competitive and turbulent nature of the market environment that most companies operate in, combined with the fast pace of technological change, requires organizations to be both continually innovative and highly adaptable (Donald Hislop, 2005).

Ahuja and Carley (1999, 742) define a virtual organization as a „geographically

distributed organization whose members are bound by a long-term common interest or goal, and who communicate and coordinate their work through information technology”.

To distinguish between network and virtual organizations it could be argued that virtual organizations involve dispersed, ICT-mediated working, while network organizations involve cross-boundary collaboration (functional, organizational). However, maintaining a clear distinction between them is difficult, as much as virtual working involves cross-boundary working, and equally much cross-boundary working is done by geographically dispersed teams. Thus Ahuja and Carley's definition could equally be a definition of a network organizations.

Evidence suggests that one of the main aspects in the contemporary restructuring of organizational forms has been to move away from hierarchical-based structures toward virtual and network based structures.

The rationale base for this transition is that network-virtual forms of organizing, due to the way they transcend traditional organizational boundaries, and support horizontal as well as vertical communication in organizations, are more effective for sharing and integrating knowledge than hierarchical structures. The importance of such processes is in turn related to the dynamic character of contemporary business environments, which require organizations to be flexible and continuously adaptable.

As network-virtual's forms of organizing typically bridge and transcend traditional intra-and inter-organizational boundaries, through requiring the collaboration of people from different

functions, business unit, and/or organizations, knowledge processes in such contexts represent a specific example of the cross-boundary knowledge processes. Thus the people collaborating in network-virtual forms of organizations will typically possess specific and specialized knowledge, and collectively may have a limited amount of common/shared/mutual knowledge, and possibly only have a weak sense of shared identity.

In network-virtual work contexts, creating a willingness among people to share their knowledge, and participate in collaborative knowledge processes was found to be predicated on the existence and development of trust and a shared sense of identity. When such trust exists people are likely to regard their knowledge more as a public good than an individual possession and are thus more likely to make it available to the network of collaborators, rather than to hoard it or and use it in a narrow, self-interested way.

### **Knowledge processes in global multinationals**

The large, global multinational or internationalized organizations represents an interesting and important context for examination of the dynamics of knowledge processes for a number of reasons.

Firstly, the economic importance of such organizations grew significantly in the last decades of this century. Driven by a combination of interrelated processes such as market deregulation, rapid advances in information and communication technologies, and growth through merger and acquisition, not only has there been a process of globalization, whereby more and more companies are becoming globally active, but there has also been a growth in the number of large

organizations, and in the size of already large organizations. (Korten 1995, Wir 1999)

A global multinational is a large multidivisional organizational which has sites throughout the world and whose business is global in character.

Secondly, global companies have typically been in the vanguard of attempts to develop knowledge management solutions/systems and have generally been earliest at realizing the potential of knowledge management. (KPMG 2000, McAdam and Reid, 2001)

The fragmented and dispersed character of the knowledge base within multinational organizations means that there are potentially significant benefits from effectively managing it. Thus the potential synergy that could be created from bringing together elements of this dispersed knowledge is enormous. This helps to explain why multinational organizations have been some of the most enthusiastic adopters of knowledge management initiatives. However, these same characteristics of the knowledge base make its management an extremely complex and difficult task. This is due to both the size of the knowledge base in these organizations, which means the knowledge base highly fragmented, combined with the fact that this knowledge is dispersed among communities which can have different sociocultural values and which operate within distinctive business systems.

One way in which multinational can manage their knowledge base is through the way business is structured, because, hierarchical and network-based structured produce very different knowledge-sharing dynamics. However, Birkinshaw et al. (2002) contingency perspective

suggests that the dominant logic that suggests that network structures are inherently better for knowledge-sharing compared to hierarchical structures, in all situations.

Organizational size, also, affects the character of knowledge processes. Not only organizational size directly related to the complexity of knowledge processes, but that organizational size can also fundamentally alter the character of knowledge dynamics, through shaping the type of networks that people can develop and sustain.

An another important issue is the complexity of sharing knowledge between communities that are located in different and distinctive business systems and where people possess shape the way they interpret and understand the knowledge of others. Thus knowledge-sharing in this context involves an active process of perspective-taking whereby the knowledge of others is understood in relation to a person's existing values. Equally, the sharing of knowledge between people and communities who operate within different business systems was also not found to be straightforward, and involves the transformation and customization of any shared knowledge.

### **Knowledge processes in small and medium organizations**

Consequently innovations in IT, organization, and organizational strategies jointly realize the development of knowledge management (Fons Wijnhoven, 2006). The small and medium organizations (SMOs) need much advanced knowledge that, because of SMOs limited organization size, must to a far extent be identified and acquired from other organizations, and be finally internally used.

SMOs often suffer from a lack of resources-tangible resources (physical assets), as well as intangible ones (databases, property rights, and market power). Scarcity of resources also pertains to knowledge available internally at SMOs. Therefore, SMOs are under strong pressure to identify, acquire and use knowledge generated externally.

Unfortunately, it is difficult to implement KM in SMOs, because SMO-specific KM theories, methods and techniques are rare. Most of the current KM concepts have been developed in the context of large organizations.

If KM are so important to SMOs, two major questions come up:

1. Can SMO move up into knowledge management swing and be successful by working smart, or will it become the non-knowledge-based organization that has to succeed by working hard?

2. How can SMO pick up KM, given their limited resources?

Most SMOs found out that, with respect to question 1, there is no alternative. An increasing level of production overcapacity and globalization (Internet and telecom-based) resulted in fierce competition that was not sustainable in high-wage countries (Fons Wijnhoven, 2006). Consequently, becoming smart has become the imperative for SMOs as well, and resulted in the occurrence of large number of this type of organizations. These SMOs have high capital investments, the profitability of which can only be achieved by highly educated professionals resulting in high salary costs per employee and the need to invest heavily in personal learning and development.

With respect to question 2, becoming smart has been achieved through business process reengineering, resulting lean

production, as well as through new product development processes, possibly for niche markets. In new product development processes, SMOs always have to identify, acquire, and incorporate external knowledge.

### **Knowledge processes in knowledge-intensive organizations**

The growing importance of knowledge to the world of work is also argued to have transformed both the character of the work activities people undertake, as well as the nature of organizations (Donald Hislop, 2005). Key to these transformations has been the growing importance of knowledge workers and knowledge-intensive organizations. Thus, knowledge-intensive organizations are regarded as qualitatively and fundamentally different from other types of organization.

The key knowledge processes within knowledge-intensive organizations can be divided into three broad categories: knowledge creation/application, knowledge sharing/integration, and knowledge codification, each of which is briefly described.

#### **Knowledge creation/application**

Knowledge-intensive organizations provide customized, specifically designed products/services. One of the key characteristics of knowledge-intensive organizations is, like Robertson and Swan (2003, 833) says, „their capacity to solve complex problems through the development of creative and innovative solutions”. The production/creation of such customized solutions requires and involves both the application of existing bodies of knowledge and the creation of new knowledge.

#### **Knowledge sharing/integration**

The development of customized solutions involves more than the

application and creation of knowledge: it also involves the sharing and integration of different bodies of knowledge. The importance of sharing and integration processes exists at two levels. Firstly, work done within knowledge-intensive organizations is project based and such project teams are often multidisciplinary. There is thus a need for the sharing and integration of different types of specialist knowledge. The second way in which knowledge-sharing is important is the sharing of knowledge between project teams. Project teams create and develop specialist knowledge and, such knowledge can be shared with other, non-project staff.

#### **Knowledge codification**

The codification of projects-specific knowledge and learning helps with the communication and sharing of tacit knowledge. The codification presents some difficulties: much of this knowledge is highly tacit and much project knowledge is specialized and context-specific in nature and, has only limited general relevance. Knowledge workers may not be willing to facilitate the codification of the specialist knowledge they possess.

### **Conclusions**

Organizations and work have become more knowledge intensive, because knowledge is of central importance to advanced economies and, is key to organizational performance. The character of the knowledge processes in each organizational context varies considerably.

Network-virtual forms of organizing were shown to have a complex, symbiotic relationship, with the processing power, and pace of change of ICT's representing both a catalyst to and enabler of network-virtual's forms of organizing. However, despite the optimism regarding the ability

of ITC's to facilitate network-virtual's forms of organizing, the difficulties of managing and sustaining knowledge processes in an ITC-mediated context were acknowledged. Even with the powerful capabilities of contemporary ICT's, ICT-mediated communication still constrains the type of social interactions that can be undertaken, and affects the extent to which highly tacit knowledge can be effectively shared.

Because global multinational organizations have highly dispersed and fragmented knowledge based, employ large numbers of employees, and involve the communication and interaction of people with diverse sociocultural beliefs, the dynamics of knowledge processes in such organizations are quite particular.

Knowledge management is particularly important to SMOs, create most of their value-added by knowledge work, like engineering, research, and new product development.

The theoretical correlations discussed here have provided the opportunity to continue this research and offer empirical evidence on the success of the proposed issues.

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