

# Use of knowledge management in helping companies gain competitive advantage

[Business](#), [Management](#)



Knowledge management is one of the hottest terms in organization these days. The thrust of knowledge management is to create a process of valuing the organization's intangible assets in order to best leverage knowledge internally and externally. Knowledge management therefore deals with creating, securing, coordinating, combining, retrieving, and distributing knowledge. The idea is to create a knowledge sharing environment whereby ' sharing knowledge is power' as opposed to the old adage that was simply ' knowledge is power'.

This shift in the worldwide economy from the industrial manufacturing/product-oriented economy to one based on knowledge and services, where the principle commodity is information or knowledge had made the effective management of intellectual capital a critical issue that organizations in the present times face. Knowledge management is not really managing knowledge, but rather managing and creating an organizational culture that facilitates and encourages the sharing, appropriate utilization and creation of knowledge that enables a corporate strategic competitive advantage.

An important motivation while examining the knowledge management methodology at an organization is the effect of corporate culture on the new strategic initiatives. Organizations that attempt to introduce a knowledge management initiative without having a managerial support structure will soon find that the investment in Knowledge management does not produce any perceived benefits.

Hence, many researchers state that organizational structure is an important factor in leveraging technology and more specifically that organizational structure must be flexible to encourage sharing of knowledge and collaborations across traditional organizational boundaries to promote knowledge creation (Walczak & Zwart published in Nemati & Barko, 2003: 670). In the Knowledge Age, organizations' competitive advantages are maintained by the activity and appreciation of their intangible assets and their Knowledge Workers, through promotion of internal analysis of Knowledge and its diffusion through the organization.

It is in this way, as a transforming mechanism of the circumstances of work and the skills of knowledge workers that effective knowledge management influences the quality of working life and is transformed in a bonus for the organization and for its performance as a whole.

#### Aims and Objectives of the Research

Successful implementation of Knowledge Management involves the very difficult problem of trying to change the organizational culture by identifying and breaking down the barriers to knowledge sharing, particularly the sharing of tacit knowledge (Sallis & Jones, 2002: 52).

Needless to say the first step in the process would be the identification of barriers where organization has an official Knowledge Management strategy or not. Over the decades, study of the relationships between organizational processes and results has taken on a relevant role, in as much as there is an attempt to create the relevant knowledge for organizational performance and valid scientific solutions to human problems experienced in the work

context. Identification of the factors contributing to high organizational performance, associated with organizational competitiveness has taken on a crucial role in terms of empirical investigation.

Assessment of organizations based on competitiveness is carried out through analysis of a set of organizational results, namely economic-financial, social and environmental results, and is put into operation through comparative organizational analyses. The focus of knowledge management must be placed on people and on the impact that management has on the very processes of knowledge management. Although technology is presently a widely shared means, it does not substitute the skills held by human resources.

Knowledge Management as a process of creation, share, distribution and use of knowledge with the purpose of fully achieving organizational goals, makes fulfillment of the competitiveness inherent in the strategy for organizational growth possible (Leibowitz, 1999: 1-3). The main research question that the present study seeks to answer is “ Can Knowledge Management help Companies Gain Competitiveness? ”

#### Outline of the Research Report

The outline of the present research report is kept extremely simple so as to make the analysis and study of the report easy. The research starts with the Literature review section where all the important issues related to knowledge management and its applications in organizations are discussed. In addition to this, the relation between the organizational competitiveness and successful KM application is also discussed here. Some of the previously

conducted research studies are analyzed for both their success and failure results. The next section is the methodology where the method that was used for conducting the present research is discussed in detail. The chapter first discusses the various methods available for gathering and analyzing data.

After this the reasons for the present selection is discussed. This is followed by an understanding of the advantages and limitations of the present research methodology that is chosen. As the research study is analysis using case studies, the company of choice is also defended in this section. The next section is the presentation of results, where the company's efforts in KM are analyzed in detail including the analysis of its success as well as the problems faced during the implementation of the research and the corresponding solutions. The next and final section reviews both the literature review and results section and builds a framework for the application of KM in companies and how they can achieve and measure their success.

This section presents the review of the literature of Knowledge Management and its implementation and application in organizations. The section also covers the various studies that analyze the effect of KM on organizational competitiveness and presents the cases of the success and failures of some companies in applying knowledge management in their companies.

“ Every evening when employees go back home the company loses roughly 70% of its knowledge! What would happen if employees decided not to come back the day after” (Ribere, 2008: 45) This is how Dr Vincent Ribere

startlingly begins one of his columns. While experts may debate about the exact percentage, its variations and also point out that the degree of devastation is most likely exaggerated, the statement is nevertheless a true representation of the importance that knowledge holds in present day organizations.

It also points out the extremely important and pertinent fact that most of the day-to-day information that is held by employees in the organization is at a high degree of risk of getting lost or simply forgotten. The present chapter explains what precisely is meant by knowledge, how is it supposed to be managed i. e. various related models and strategies, and last but certainly not the least how can an organization analyze the efficiency of its knowledge management practices i. e. its KM maturity level.

### Knowledge and its Importance

The American Heritage Dictionary defines knowledge as “ the state of fact of knowing; or familiarity, awareness, or understanding gained through experience or study” (Liebowitz, 1999: 6. 6). Another cognitive aspect is knowledge is the set of mental models that people develop over time to describe various properties and behaviors as well a the ability to detect direct relationships between objects and events and finally the ability to discern patterns and make sense out of a vast ocean of information.

Knowledge is stored in books, software, organizational processes products, systems, and documents. However, by far the most common and replete knowledge repository is human brain. Organizational knowledge is the collective sum of human-centered assets, intellectual property assets,

infrastructure assets and market assets (Liebowitz, 1999: 1. 14). While all companies create knowledge, not all of the knowledge is of high value. Knowledge may be manifested as raw information, applied information, comprehended information, or justified information.

A growing number of organizations in the world can be termed as knowledge companies in that they sell knowledge of their employees rather than a tangible manufactured product or service. Among the most important knowledge classifications are the categories of explicit and tacit. Explicit knowledge is that which is rather precisely and formally articulated and usually believed to result from experience and deep understanding. Tacit knowledge is often the type that makes an expert the expert in an area.

The tacit knowledge of an expert is of prime interest in the knowledge harvesting process (Snyder & Wilson published in Khosrowpour, 2000: 527-528). An organization is a repository of knowledge that is embedded in its routines & processes, stored in its memory in the form of paper files, computer databases, and carried in the heads of its individual members. Over the time, the repository expands through learning and experience and because obsolete knowledge tends not to be deleted. It is hard for the management to know what precise knowledge the organization processes and where exactly is it located.

The larger and the more established an organization, the greater its repository of knowledge and the more difficult it is for any individual or group to know what knowledge exists in an organization, who has it, and where it is

located (Jain published in Mann & Gotz, 2006: 195 ). This is precisely where knowledge management enters the picture.

## Knowledge Management

The discipline of Knowledge Management is little more than two decades old. Karl Wig, the management consultant and Artificial Intelligence (AI) practitioner, is one of the field's most important advocates as well as its likely founder.

He coined the terms in 1986 at a Swiss conference sponsored by the United Nations - International Labor Organization and defined the term as “ the systematic, explicit, and deliberate building, renewal, and application of knowledge to maximize an enterprise's knowledge-related effectiveness and returns from its knowledge assets” (Liebowitz, 1999: 1. 6). Since early nineties, knowledge management has become a hot topic. Modern organizations consider knowledge as an important resource and a source of competitive advantage. The society as a whole is considered to be evolving from an information society to a knowledge society.

Advances in information technology and the accessibility to huge amounts of information on the internet have made everyone aware of the potential for using and creating information and knowledge.

## Pillars of Knowledge Management

The works of various authors and researchers have given an extremely diverse view of knowledge management, many of which even disagreed with each other. Most of the works dealt with the definition of knowledge itself or



discussed learning and its various facets. However, there was always a lack of resources that actually addressed the issue of managing these knowledge assets.

Hence, Michael Stankosky decided to find the critical elements or what he claimed as the DNA of KM. This was because he believed that the operative work in KM was the management of these assets. According to him these were four such principal areas or groupings, each containing many elements. Hence, the four pillars of knowledge management were born. All the KM elements are grouped under the following: Leadership/Management, Organization, Technology and Learning (Stankosky, 2005: 4), as shown in the figure below.

Following is a description of the four pillars of management:

- **Leadership/Management:** Deals with environmental, strategic, and enterprise-level decision-making processes involving the values, objectives, knowledge requirements, knowledge sources, prioritization, and resource allocation of organization's knowledge assets. It stresses the need for integrative management principles and techniques, primarily based on systems thinking and approaches (Stankosky, 2005: 5).
- **Organization:** Deals with the operational aspects of knowledge assets, including functions, processes, formal and informal organizational structures, control measures and metrics, process improvement, and business process reengineering. Underlying this pillar are system engineering principles, and techniques to ensure a flow down, tracking and optimum utilization of all the organization's knowledge assets (Stankosky, 2005: 5-6).

- **Learning:** Deals with the organizational behavioral aspects and social engineering. This learning pillar focuses on the principles and practices to ensure that individuals collaborate and share knowledge to the maximum. Emphasis is given to identifying and applying the attributes necessary for a learning organization (Stankosky, 2005: 6).
- **Technology:** Deals with the various information technologies peculiar to supporting and/or enabling KM strategies and operations. One taxonomy used relates to technologies that support the collaboration and codification of KM strategies and functions (Stankosky, 2005: 6).

### Knowledge Management and Organization's Competitiveness

The main impetus of knowledge management is that it is seen as a provider of competitive advantage. Traditional approaches to competing have been to improve by doing things better, cheaper and faster.

However, firms can also compete through doing things smarter: by creating or acquiring and then applying it. However, the approach has its drawbacks too because the problems with knowledge is that it has the tendency to leak from organization. Information and Communications technology (ICT) has the ability to transmit information around the world within a few seconds, so that competitive advantage becomes more visible and easier to duplicate because entry barriers in many areas are becoming lower.

An important dimension of competitive advantage is the speed to market of a product or service because if it is innovative or novel, there is little competition and premium charges can be used. Then when other

competitors are about to come to the market, the price is dropped, so competitors find it more difficult to recoup their investment. A prime example of this was the market in hand-held calculators. Sharke (2003) says that “ An organization’s success will finally depend on the speed at which it can, generate, capture and disseminate knowledge and then use this knowledge to develop capabilities that cannot be easily copied by the rivals”.

He proposed strategic knowledge gap analysis for use in identifying what organizations should do to gain strategic competitive advantage over current and future rivals. One of the major sources of competitive advantage is that it is difficult to imitate tacit knowledge. Organizations possess numerous resources, but it is the resources that are unique, inimitable and valuable that is central to competitive advantage. An organization’s Knowledge base is one such resource.

Quickly changing environmental demands and rapid imitation by competitors make it necessary for even leading firms to continually build new knowledge. Not only must firms be able to create knowledge within their boundaries, but they must also expose themselves to a bombardment of new ideas from outside in order to prevent rigidity, to encourage serendipity, and to check their technological developments against those of competitors (Wilson, 2005: 116-118). Scholars have classified organizational knowledge across many dimensions. The dimensions and their relationships to each other are summarized in the figure below.