

Achieving Business Competitiveness Through Knowledge Management

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Your most precious possession is not your financial assets. Your most precious possession is the people you have working there and what they carry around in their heads...—Robert Reich

Abstract

Yes, knowledge management is the most talked about subject of the day. The question is: what is this activity called knowledge management, and why is it so important to each and every one of us? Can knowledge be managed effectively? Knowledge is highly personal, while management involves organizational processes. Many knowledge workers do not like to be managed. However, knowledge is increasingly recognized as a crucial organizational resource that gives market leverage. Its management is therefore too important to be left to chance. Knowledge management is an ongoing process which never ends. This paper outlines the meaning of the term knowledge management, the need of the knowledge management in the present day scenario of business world. This paper also briefs about the components of knowledge. This paper answers the questions of managers like “How can it work in my organization?” “What benefits will it bring?”

Introduction

Knowledge Management has been in existence in our society ever since the discovery of language. Human beings learnt how to communicate and knowledge transfer took place from father to son, teacher to pupil, from educated to the uneducated through various means as written form, songs and dances or by folklore. As long as society was not widespread, these different tools and techniques served its purpose of facilitating the transfer of knowledge (Goswami, nd). Knowledge management is the **explicit** and **systematic** management of **vital knowledge** and its

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associated **processes** of creating, gathering, organizing, diffusion, use and exploitation. Here knowledge encompasses both tacit knowledge (in people's heads) and explicit knowledge (expressed as information in databases, documents etc.). A good knowledge programme will address the processes of knowledge development and transfer for both these basic forms. As effectively managing information is a must in any business, Knowledge Management is a multi-billion dollar world wide market. Implementing successful knowledge management requires a systematic change and project management approach.

What is Knowledge?

It can be considered as an abundant, vital and necessary resource. With enough preparation, one can utilise new ways to channel raw data into meaningful information. That information, in turn, can then become the knowledge that leads to wisdom. Before attempting to address the question of knowledge management, it's probably appropriate to develop some perspective regarding what is knowledge. Basically, information, knowledge, and wisdom are more than simply collections. Rather, the whole represents more than the sum of its parts. In summary the following associations can reasonably be made:

- **Information** relates to description, definition, or perspective (what, who, when, where).
- **Knowledge** comprises strategy, practice, method, or approach (how).
- **Wisdom** embodies principle, insight, moral, or archetype (why).

Knowledge Management can be defined various different ways:

- ❖ Corporate strategies employed to foster innovation, knowledge transfer, improved business process, and enhanced learning with a vision to create a learning environment to continually enhance the organization's value to its customers. In that environment, knowledge creation, sharing, and reuse are explicitly valued, expected, supported, and rewarded.
- ❖ Knowledge Management caters to the critical issues of organizational adaptation, survival, and competence in face of increasingly discontinuous environmental change.
- ❖ Knowledge management is a business activity with two primary aspects:

- Treating the knowledge component of business activities as an explicit concern of business reflected in strategy, policy, and practice at all levels of the organization.
- Making a direct connection between an organization's intellectual assets — both explicit [recorded] and tacit [personal know-how] — and positive business results.

In simpler terms, Knowledge Management seeks to make the best use of the knowledge that is available to an organization, creating new knowledge in the process.

The value of Knowledge Management relates directly to the effectiveness with which the managed knowledge enables the members of the organization to deal with today's situations and effectively envision and create their future.

Need for Knowledge Management

Knowledge being the new engine of corporate development has become one of the great clichés of recent years. Value can be generated by intangibles not always reflected in financial statements and companies have realised that these are an integral part. Recognition of the growing importance of organizational knowledge was accompanied by concern over how to deal with exponential increases in the amount of available knowledge and increasingly complex products and processes. The computer technology that contributed so heavily to superabundance of information started to become part of the solution, in a variety of domains. As effectively managing information is a must in any business, Knowledge Management is a multi-billion dollar world wide market. Knowledge Management programs are typically tied to organisational objectives and are intended to achieve specific outcomes, such as shared intelligence, improved performance, competitive advantage, or higher levels of innovation. An analysis indicates several reasons why the level of interest has grown dramatically during recent years:

- **Globalization and competition** - many organizations rely on knowledge to create their strategic advantage. With available knowledge widely dispersed and fragmented, organizations often waste valuable time and resources in 'reinventing the wheel' or failing to access the highest quality knowledge and expertise that is available.

- **Knowledge can command a premium price in the market** - Applied know-how can enhance the value (and hence the price) of products and services. Examples are the 'smart drill' that learns how to extract more oil from an oil field, and the hotel chain that knows your personal preferences and so can give you a more personalized service.
- **Sharing of best practices** - Companies save millions a year by taking the knowledge from their best performers and applying it in similar situations elsewhere.
- **Successful Innovation** - Companies applying knowledge management methods have found that through knowledge networking they can create new products and services faster and better.

These and other benefits, such as improved customer service, faster problem solving and more rapid adaptation to market changes, have resulted from an explicit focus on corporate knowledge as a strategic resource. Here are a few examples of organizations that have achieved significant benefits through knowledge management:

- *Hewlett-Packard* – HP by sharing expertise already in the company, but not known to their development teams, now bring new products to market much faster than before.
- KnowNet – The knowledge management portal of *Larson & Toubro* was set up to solve problems occurring at project sites. It uses KM to roll out real world construction projects at lower costs.
- *Infosys* – They conceived, developed and deployed internally an elaborate architecture that aims to take the company to a ‘Learn Once, Use Anywhere’ paradigm.
- *ICICI*- ICICI portal “Wise Guy” was started because need was felt to create and generate the culture of knowledge sharing.
- *Wipro Infotech*- The company believes in cultivating knowledge and with its business expanding, it has become all the more critical to get knowledge intensive, and implement

an enterprise wide KM system. It has evolved a framework in accordance with its needs, to achieve its business vision (Gupta and Kohli, nd).

- *HLL*- A communities of practice has been created as a team of practitioners of a knowledge domain who come together to capture, create and share relevant knowledge and improve the effectiveness of solutions offered. Such a team will also focus on developing best practices, creating and maintaining knowledge repositories and developing and delivering relevant training programmes to build the capability in the knowledge domain (Gupta and Kohli, nd).

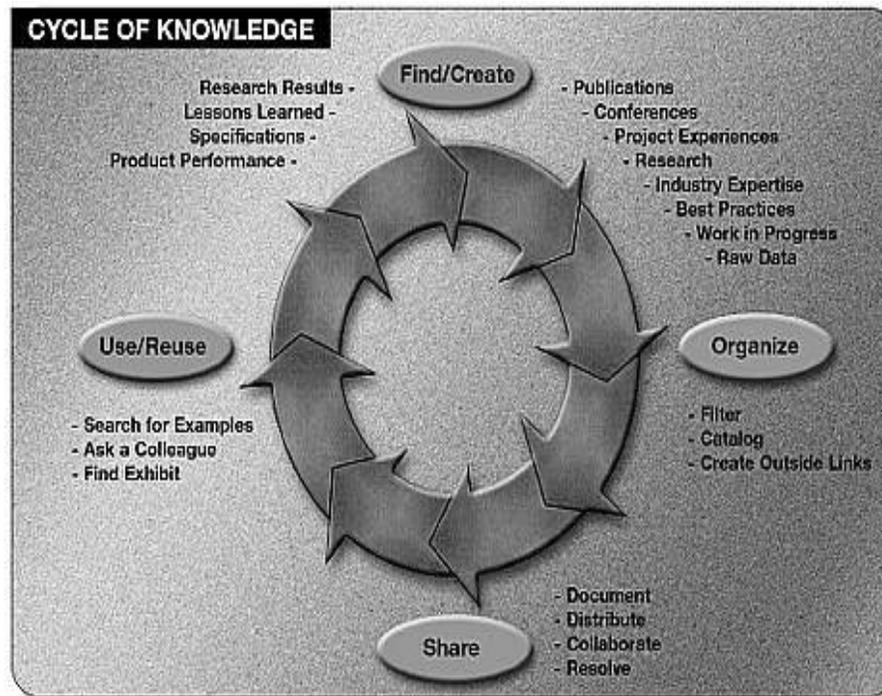
Key features of Knowledge Management

- **KM is about people.** It is directly linked to what people know, and how what they know can support business and organizational objectives.
- **KM is goal-directed.** It is tied to strategic objectives of the organization. It uses the information that is the most meaningful, practical, and purposeful.
- **KM is ever-changing.** Knowledge is constantly tested, updated, revised, and sometimes even "obsoleted" when it is no longer practicable. It is a fluid, ongoing process.
- **KM is value-added.** It draws upon pooled expertise, relationships, and alliances. Organizations can further the two-way exchange of ideas by bringing in experts from the field to advise or educate managers on recent trends and developments.
- **KM is visionary.** This vision is expressed in strategic business terms rather than technical terms, and in a manner that generates enthusiasm, buy-in, and motivates managers to work together toward reaching common goals.
- **KM is complementary.** It can be integrated with other organizational learning initiatives such as Total Quality Management (TQM).

The Knowledge Management Cycle

For humans the process of transforming data and information into knowledge and then back into value-added information is a cycle that is natural and on going. The following figure depicts this

knowledge management cycle. This cycle applies to the individual and to small and then large organizations.



Source: http://www.itdl.org/Journal/Jan_10/article03.htm

The four basic elements of the knowledge management cycle are:

- ❖ **Find/Create**-Knowledge gaining is an endless process and is gained through a variety of means, including publications, conferences and meetings, project experiences, research, and industry expertise.
- ❖ **Organize**-Once created, the knowledge is filtered and catalogued, and links to the outside are created. Then the information is shared for wide availability, making use of high-tech computer tools such as the Internet and other techniques such as conferences, journal articles, and the natural communication channels.
- ❖ **Share**- The effective implementation of knowledge management cycle relies on the abilities of people for knowledge sharing. It functions in a specific community of people having a common interest, generally referred to as knowledge manager. This person has

the task of soliciting good practices, indexing and cataloguing new information, and serving as an information broker by assisting people to obtain the information they need.

- ❖ *Use/Reuse*- It involves both informal contacts and access to reports, good practices, success stories, and other forms of communication, including exhibits, demonstrations, and training sessions. This is the step in which knowledge is applied and reapplied to solve real-world issues, such as building better bridges, operating roadways more efficiently these results are then captured as part of the lessons learned for use as the knowledge cycle begins again.

Knowledge Management is a new branch of management for achieving breakthrough business performance through the synergy of people, processes, and technology. Knowledge management typically has one or more of the following activities:

- Appointment of a knowledge leader in order to promote the agenda, develop a framework
- Creation of knowledge teams covering people from all disciplines to develop the methods and skills
- Development of knowledge bases with best practices, expertise directories, market intelligence etc.
- Enterprise intranet portal as a 'one-stop-shop' that gives access to explicit knowledge as well as connections to experts
- Knowledge centers indicating focal points for knowledge skills and facilitating knowledge flow
- Knowledge sharing mechanisms such as facilitated events that encourage greater sharing of knowledge than would normally take place
- Intellectual asset management with its methods to identify and account for intellectual capital.

Benefits of Knowledge Management

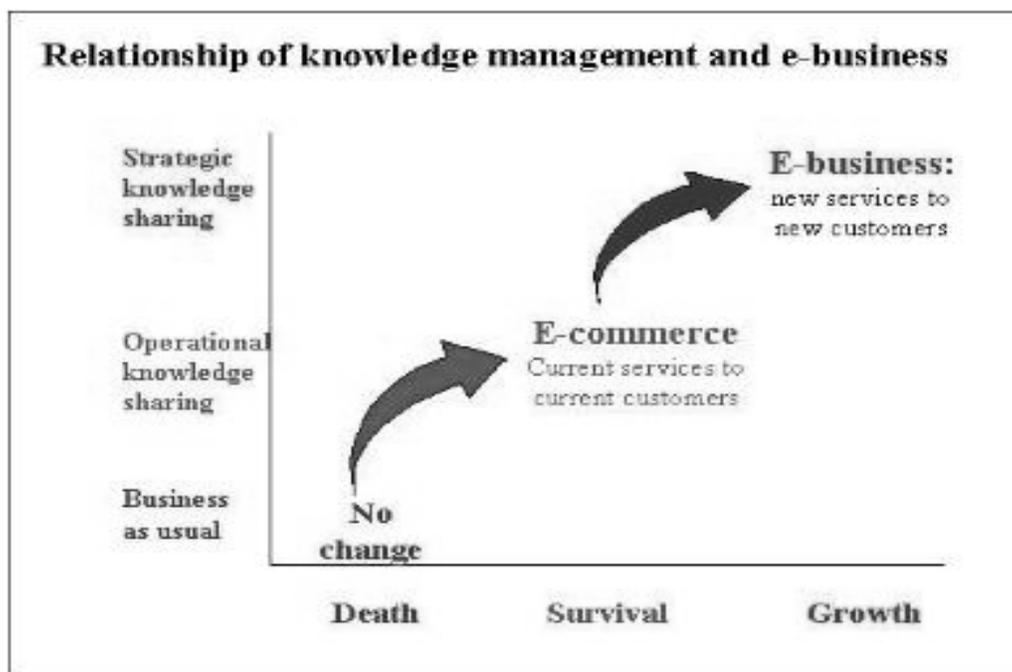
Today's business environment is characterized by continuous, often radical change. Such a volatile climate demands a new attitude and approach within organizations. Knowledge

Management (KM) provides the processes and structures to create, capture, analyze, and act on information. The emphasis in Knowledge Management is on human know-how and how to exploit it to bring maximum return for an organization. It:

- Facilitates better, more informed decisions
- Contributes to the intellectual capital of an organization
- Encourages the free flow of ideas which leads to insight and innovation
- Eliminates redundant processes, streamlines operations, and enhances employee retention rates
- Improves customer service and efficiency
- Can lead to greater productivity.

Knowledge Management and E-Business

Since management as now practiced is a faddish activity, with each new fashion following the previous, it is not surprising that managers who were caught flat-footed when knowledge management became the craze, are already looking beyond it to discern the next wave.



Source: http://www.cland.com.au/e_business_solutions.php

In fact, the arrival of e-business only underlines the necessity for organizations to adopt systematic approaches to sharing knowledge. The demands of e-business for rapid response and agile adaptation to the market-place are a challenge both for the new dot.coms springing up (the "clicks") and the older traditional companies (the "bricks") that are trying to adapt to the new world of electronic business.

Conclusion

Knowledge Management does not have a beginning and an end. It is ongoing and ever-evolving. The value of Knowledge Management relates directly to the effectiveness with which the managed knowledge enables the members of the organization to deal with today's situations and effectively envision and create their future. Each company needs to invest to be able to continuously improve itself, that is, to become smart. The objective of knowledge management is to transform companies from organizations with 'just' smart people to smart organizations. If Knowledge Management (KM) initiatives are to yield any benefit to the organization, they must affect its performance.

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