12 Knowledge Management: An Instrumental Organisational Tool for Creating Competitive Advantage

Dr. Vaishali Purohit*
HoD, Business Administration, Shri Mahaveer College, Jaipur.
*Corresponding Author: purohitvaishali788@gmail.com

Abstract

The emergence of knowledge-based economies has placed an importance on effective management of knowledge. The effective management of knowledge has been described as a critical ingredient for organisation seeking to ensure sustainable strategic competitive advantage. This paper reviews the importance of knowledge management in organisation. The paper is able to demonstrate that knowledge management is a key driver of organisational performance and a critical tool for organisational survival, competitiveness and profitability. Therefore creating, managing, sharing and utilizing knowledge effectively is vital for organisations to take full advantage of the value of knowledge. The paper also contributes that, in order for organisations to manage knowledge effectively, attention must be paid on three key components - people, processes and technology. In essence, to ensure organisation's success, the focus should be to connect people, processes, and technology for the purpose of leveraging knowledge.

Keywords: Knowledge, Management, Organisation, Tool, Leveraging.

Introduction

The consequence of this globalization is the emergence of knowledge-based economies where importance is placed on effective management of human capital to ensure that workers continue to create the right value for the economy. Nowadays, organisations no longer compete solely on the basis of financial capital and strength, rather knowledge is the new competitive advantage in business. In fact the Gross Domestic Product (GDP) growth rate is now determined, amongst other factors, by the quantum and quality of knowledge stock harnessed and applied in the production process in sectors of the economy. This knowledge based economies require that Knowledge Management (KM) good practices be put in place to improve organisation effectiveness.

Four Key Components of Knowledge Management (KM)

Many organisations have realized that technology-based competitive advantages are transient and that the only sustainable competitive advantages they have are their employees and so to remain at the forefront and maintain a competitive edge organisations must have a good capacity to retain, develop, organise, and utilise their employee competencies. In order to manage knowledge effectively, attention must be paid on to four key components: Knowledge, People, Processes and Technology (KP2 T) (Desouza 2011).

Knowledge is described as an essential part of KM. Baloh, Desouza, and Paquette (2011) say that without having knowledge to manage, there would be no knowledge management. Knowledge basically refers to a collection/or a body of information. This could mean that the information is embedded in the form of theories, processes, systems, or it could be voiced in form of opinions, theories, ideas and analysis. In organisations, knowledge becomes embedded not only in documents or repositories, but also in organisational routines, processes, practices, norms and cultures.

The second component of KM is people. People are the sources of knowledge. The ability of humans to think creatively and uniquely, coupled with experiences and talents, make humans valuable sources of knowledge. People are the creators and consumers of knowledge because individuals consume knowledge from various sources on a daily basis, in addition to creating knowledge. In essence, KM begins, revolves around, and ends, with people. It is therefore pertinent to consider people in KM strategy and implementation.

Baloh et al. (2011) define processes, which is another KM component, as mechanical and logical artefacts that guide how work is conducted in organisations. Processes govern work in organisation and so are critical to the functioning of organisation. It is therefore pertinent for a KM program to recognize their importance.

The last component of KM is technology. Technology is a critical enabler and foundational element of a KM plan. With the advances in Information and Communication Technologies (ICTs), KM can be attained through technological solutions. ICTs facilitate collaboration between people and teams which are geographically dispersed. ICTs also facilitate KM activities through the codification of knowledge as well as rich and interactive forms of communication through the Internet.

Dimensions of Knowledge

Blackler (1995) defines knowledge as taking five distinct forms: embodied, embedded, embrained, encultured, and encoded. He defines embodied knowledge as knowledge that is gained through training of the body to perform a task. Embedded knowledge is a knowledge that is found in routines and systems. Organisational common tasks, routines or the common ways people go about their jobs, can hold embedded knowledge, as the routines facilitate learning amongst the employees that go beyond their job tasks.

In whatever dimension knowledge exists, the transfer is in large part a transfer of information. Knowledge is the product of the interaction of explicit and tacit knowledge and the process of creating knowledge results in a spiralling of knowledge acquisition. It starts with people sharing their internal tacit knowledge by socialising with others or by capturing it in digital or analogue form.

Knowledge Management and Organisation Strategy

Du Plessis (2007) opines that an organisation KM strategy is supposed to create an understanding of the organisation’s KM resources and where they reside; articulate the role of knowledge in value creation; and comprise a number of integrated projects or activities phased over time including quick wins as well as long term benefits. An organisation’s strategy of KM is not arbitrary but depends of the way the company serves its clients, the economics of its business, and the people it hires (Hansen, Nohria and Tierney, 1999). It has been advised that KM should not be implemented because it is just ‘‘niceto-have’’ (Greiner, et al., 2007).The question is no longer whether or not, knowledge is a critical organisational resource, but on alignment of KM to corporate strategy, measurement of KM impact and driving of business results.

KM as an Instrumental Strategic Management Tool

KM, as a strategic management tool, requires managing the collective information expertise of the employees. It means encompassing knowledge as an explicit business activity that reflects in the organisation’s business strategy, policy, guideline, and practice at all the levels. But it has been found that not all KM activities have been shown to positively influence business/organisation performance or to result in a competitive advantage. Many parameters and their interactions need to be considered for the successful application of KM initiatives in an organisation. Different KM strategies have been proposed to be adequate for different types of knowledge (Greiner, et al., 2007). It is pertinent to know that the selection of a suitable KM strategy not only depends on the type of knowledge to be shared but also on the environment the organisation operates in.

To successfully create and implement a KM strategy in organisations, so many authors have suggested that certain critical elements must be included. One of these suggestions is that, a KM strategy should be linked to what the organisation is attempting to achieve. It is also important to articulate the purpose of the KM strategy; the benefits the organisation expects to gain from their work with KM; and how it will affect the employees' work .

Conclusion

The importance of management of knowledge in organisations has been discussed. The effective management of knowledge has been described as a critical ingredient for organisations seeking to ensure sustainable strategic competitive advantage. It has been brought out that processes and technology alone are not enough to drive an organisation, but its people (staff) and the knowledge that reside in the people are a very integral pivot in organisation’s success. Therefore, in order for an organisation to be successful, attention must be paid, not only on the processes and technology, but on knowledge and its workforce (which are people who are the sources of knowledge). KM has also been demonstrated to be tightly related to objectives and business strategies of the organisation and thus a very useful tool in management. If KM fails to add value to the organisation, it is only cost intensive, useless, or counterproductive. A pertinent question that is being asked is whether knowledge is always something good? Knowledge is always assumed to be generally positive. However, it is difficult to assume that knowledge is always positive and good. It has been discussed in this paper that knowledge is one of the resources that provides organisations with sustainable competitive advantages. However, knowledge as such will not have much value for the organisation in building its competitive advantages, but having the relevant knowledge and the ability to leverage and manage knowledge is a strategic management tool. It is therefore essential for management in organisations to look for means to gain, maintain, and leverage knowledge to achieve a lead to higher levels of success for organisations. As Mayo (1998) note, many organisations have been managing knowledge for decades but few of them use KM on a regular basis. In summary, to implement a KM strategy successfully, the creation, organisation, leveraging (sharing) and application of knowledge must be taken into account.

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