

IMPACT OF KNOWLEDGE MANAGEMENT

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ABSTRACT:

In the current competitive Business Environment, Organizations face numerous challenges likes to obtain Competitive Advantages, to be Cost Efficient, Provide Quality Products and Services, to have an Instant Solution of the Problems, to Retain Knowledge Capital and so on. There are N number of research were held and articles printed on Knowledge Management. But still there are number of small and medium scale companies and most of the government organizations in India, were not aware about the term Knowledge Management. This research study reveals about what the term Knowledge Management is and how it impact on the organization, how it can be benefited to organization. It also revealed that how an organization moves towards Learning Organization by adopting Knowledge Management.

Key Terms: KM (Knowledge Management), LO (Learning Organization), KP (Knowledge Portal).

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1. INTRODUCTION

In the past two decades, the world has witnessed the emergence of effective forces which seek to reshape the economic and organizational communities, and has precipitated fundamental changes in the organizational strategy. These forces are represented by globalization, the emphasis on product and service quality, new technology, changing economic and political structures, deregulation, and the competition for the dollar, euro, and a new breed of sophisticated customers who have changing requirements and expectations. This new breed of customers, if well harnessed, can distinguish a firm from its competitors. These driving forces have lead individuals and organizations to appreciate the important role of knowledge in an increasingly competitive world market. These forces have also driven organizations in all varying structures to be more adaptive and responsive to change in order to guarantee their survival.

Knowledge, if properly utilized and leveraged, can drive organizations to become more competitive, innovative and sustainable. Examples of such organizations are **Dow Chemical Corp** (Dow is a leader in science and technology, providing innovative chemical, plastic and agricultural products and services to many essential consumer markets) and **Skandia** (A Swedish company that has developed from an insurance company working primarily with property & casualty insurance into a leading provider of long-term savings products and specializing in the selection and evaluation of fund managers, and product development). Both companies have set the example in adapting knowledge management practices and the use of their intellectual capital to become more competitive and sustainable.

This interest in organizational sustainability and growth has created much discourse on the methods of improving and developing organizational performance, *for example process re-engineering, innovation, and providing superior customer service.*

Furthermore, several strategies appeared to tackle these improvements; among them was the **concept of downsizing**, a prevalent strategy in the 80's, and was created under the pressure **to reduce expenditure and to increase profitability**. The effects of this strategy were the loss of vital knowledge workers, who had accumulated years of experience and knowledge, and who were **forced to leave** the organization because of the downsizing policy. By leaving the organization, they took **valuable knowledge with them**. The **departure of experienced workers proved to be a costly exercise**.

A **specific example** of this corporate amnesia can be found at **Ford**, where new car developers wanted to replicate the success of the original Taurus design Team. But no one remembered, or had recorded, what was so special about that effort.

The loss of valuable knowledge was the main reason why organizations sought to seek methods, and approaches for capturing, and storing knowledge that is in people's head, and it is this line of thinking, that has given birth to the concept of knowledge management.

2. KNOWLEDGE MANAGEMENT:

Ron Young, CEO/CKO Knowledge Associates International defines Knowledge management as "*KM is the discipline of enabling individuals, teams and entire organizations to collectively and systematically create, share and apply knowledge, to better achieve their objectives*" apart from this, "*Knowledge Management is a set of professional practices which improves the capabilities of the organization's human resources and enhance their ability to share what they know.*"

Knowledge Management can strongly impact on an organization if proper knowledge strategy, methods, system and policy were framed and implemented.

Knowledge is increasingly being recognized as the new strategic imperative of organizations. **The most established paradigm** is that knowledge is power. Therefore, one has to hoard it, keep it to oneself to maintain an advantage. The common attitude of most people is **to hold on to one's knowledge since it is what makes him or her asset to the organization.** Today, knowledge is still considered power – an enormous power in fact – but the understanding has changed considerably, particularly from the perspective of organizations. **The new paradigm** is that within the organization knowledge must be shared in order for it to grow. It has been shown that the organization that shares knowledge among its management and staff grows stronger and becomes more competitive. This is the core of knowledge management – the sharing of knowledge.

2.1 Implementation Program

For the sharing of the knowledge let's see **the sources of knowledge, Knowledge Process and Outcome**

2.1.1 Knowledge and its Sources ^[a]

Acquiring sources of Knowledge and sharing of knowledge represents the start of organizations overall knowledge creation process. It is especially important for contributing to the critical foundation of organizational knowledge creation. The modern KM practice emphasizes the creation of new knowledge and the timely application of organizational knowledge to maintain strategic advantage. The sources of knowledge refers to External knowledge sources are important and one should therefore take a holistic view of the value chain (Gamble & Blackwell 2001). Sources include suppliers, competitors, partners/alliances, customers, mergers and acquisition and external experts. Communities of practice can extend well outside the firm.

Internal sources have the most important influence on firms' innovative performance and confirm that, in their innovation process, firms mostly rely on knowledge developed through in-house r&d efforts, continuous improvements and internal education, and training programs. (Dr. Anja Cotic Svetina, Managing Global Transition) However individual knowledge sharing and KP plays important source of knowledge.

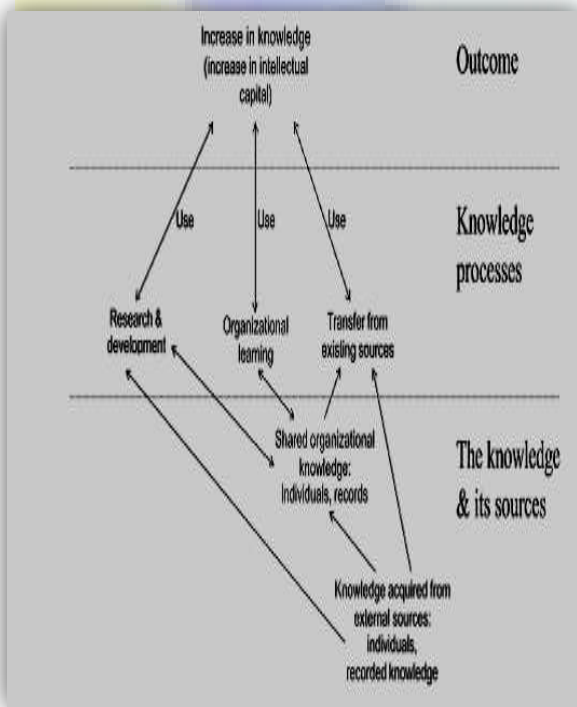


Figure 1 Sources of Knowledge, Knowledge Process and Outcome.

Source: K.A. Kanagasabapathy, Empirical Investigation of Critical Success factor and knowledge management structure for successful implementation of knowledge management system

2.1.2 Knowledge Process

Knowledge management is not really about managing knowledge, but rather managing and creating a corporate culture that facilitates and encourages the sharing, appropriate utilization, and creation of knowledge that enables a corporate strategic competitive advantage. Achieving a “knowledge culture” requires managerial focus in three areas: preparing the organization, managing knowledge assets, and leveraging knowledge for competitive advantage. Organization need to hold individual knowledge until it transform into knowledge asset for company. Acquired knowledge from internal and external sources must be utilized for the achievement of organizational goals.

2.1.3 Outcome

If knowledge strategy, methods, systems, knowledge creation program and proper policy were framed, it may lead to create Knowledge Culture in an organization. Once KC is formed it not only increases individual knowledge but also improves performance of overall organization. It also improves decision making of knowledge workers through collaboration between work teams.

3. IMPACT OF KNOWLEDGE MANAGEMENT ^[b, c]

What are the real benefits that can be gained from effective knowledge management for the individual, the team, the entire organization, the community, the nation, or even the entire planet Earth?

Knowledge management is far reaching. Maybe you are considering developing your own personal knowledge management competencies, to become a more effective player in the global knowledge economy, or becoming a more competitive knowledge leader and knowledge driven organization.

Maybe you wish to develop and apply knowledge management strategies to government, military operations, global poverty eradication, and international disaster management and even, now, knowledge management for global climate change.

The list is endless. **Knowledge management is applied today across the world, in all industry sectors, public and private organizations and humanitarian institutions and international charities.**

Most importantly, effective **knowledge management** is now recognized to be **'the key driver of new knowledge and new ideas'** to the innovation process, to new innovative products, services and solutions.

Once we can understand the value and benefits to be gained, we will then become far more motivated to look further at the implementation of knowledge management. Doing 'knowledge management' for knowledge management's sake is likely to produce **a failure or mediocre results at very best.**

Knowledge management, as a discipline, must result in better achieving, or even exceeding, your objectives. The purpose of knowledge management **must not be to just become more knowledgeable**, but to be **able to create, transfer and apply knowledge with the purpose of better achieving objectives.**

3.1 How can we better achieve objectives with effective knowledge management?

Well, for a start, effective knowledge management should dramatically reduce costs. Most individuals, teams and organizations are today **continually 'reinventing the wheel'**. This is often because they simply do not know that what they are trying to do have already been done by elsewhere. They do not know what is already known, or they do not know where to access the knowledge. Continually reinventing the wheel is such a **costly and inefficient activity**, whereas

a more systematic reuse of knowledge will show substantial **cost benefits immediately**. But as well as reducing costs, effective knowledge management should also dramatically increase our **speed of response** as a direct result of better knowledge access and application.

Effective knowledge management, using more collective and systematic processes, will also **reduce our tendency to ‘repeat the same mistakes’**. This is, again, extremely costly and inefficient. Effective knowledge management, therefore, **can dramatically improve quality of products and/or services**.

Better knowing our stakeholder needs, customer needs, employee needs, industry needs, for example, has an obvious immediate effect on our **relationship management**.

So it is very easy to see how effective knowledge management will greatly contribute to improved excellence, which is to:

- ▲ Dramatically reduce costs
- ▲ Provide potential to expand and grow
- ▲ Increase our value and/or profitability
- ▲ Improve our products and services
- ▲ Respond faster

Knowledge simply underpins everything we do.

But the benefits of knowledge management for **improved excellence**, is simply **‘one side of the coin’**. There is more.

Effective knowledge management, especially accelerated **knowledge creation**, is the **driver for innovation**. Increasingly, **products and services** are becoming 'smarter' and **more knowledge based**.

Our ability to **better collaborate** in **physical and virtual teams**, as **knowledge workers**, is driving the process of **new knowledge creation**. Ideas can now be turned into **innovative products and services** much faster.

As organizations, we are **learning faster**, and that means that individuals are learning faster. People are developing their **competencies and confidence** faster in organizations that practice effective knowledge management.

3.2 Knowledge mantra is 'know and apply what you know the best, and link to the best of the rest'

Knowledge Management helps....

1. To generate information for production increases reduction of cost of expenditure, maximizing profit through knowledgeable worker or minds of workers.
 2. To improve the natural and human resources through innovative method to reach.
 3. To save the Organization from critical capabilities
 4. To develop the right source at right timely relevant knowledge
 5. To focus the higher quality production and resource allocation
 6. To ensure their survival through creation, acquire, maintain, retain and process the new ideas and innovation
 7. To share strong cultural behaviors for achieve goals
- Source: - Dr. Sundararajan S. (2009)

Impact of Knowledge Management in HR practices

3.3 One thing is absolutely certain in this rapidly changing world,-

❖ **The best knowledge will always be in demand.**

➤ In, say, fifty years time you can be certain of one thing. Leaders of economies, industries and organizations will always be very interested in finding new and better ways to create and apply knowledge.

❖ **Effective Knowledge Management is a timeless and changeless principle.**

➤ The strategies, methods and tools of knowledge management will undoubtedly change, but the timeless principles will, of course, remain unchanged.

➤ And to survive and succeed in the new global knowledge economy, we must become far more effective and more productive. We must always strive for the **best relations and highest quality**.

➤ To do that, the successful organizations and individuals will not allow themselves to keep **‘re-inventing the wheel’ or ‘repeating the same mistakes**. This is so costly and, we suggest that **good leaders will simply not tolerate, nor be able to afford**, such cost inefficiencies caused by **knowledge gaps and bad knowledge flows**.

❖ **Would the global financial crisis have been prevented or minimized with far more effective global knowledge management?**

- Finally, those individuals and organizations that can **best sense, become quickly alerted to, find, organize, and apply knowledge, with a much faster response time, will simply leave the competition far behind.**
- All of this can only be achieved through **good knowledge leadership** that understands the unchanging timeless principles for knowledge that transforms individuals and organizations to become far more responsive and effective players in a growing knowledge economy.

❖ **Knowledge Management is for everyone.**

- Global and/or Planetary Knowledge Management is becoming a reality today.
- It is our belief that the knowledge economy is rapidly becoming the largest and most successful and sustainable economy in the world.

4. LINKING KNOWLEDGE MANAGEMENT (KM) AND LEANING ORGANIZATION (LO).

“The ability to learn faster than your competitors is the only lasting competitive advantage” as a professional in Sweden, working as a HR manager, put it. The need for organizations to learn and change is growing these days ^[5]. If an organization learns more slowly than the environment it is doomed ^[9]. In a way all existing organizations must therefore be learning ones. Anyway, the concept Learning Organization (LO) refers only to organizations that are good at Organizational Learning (OL) ^[3]. LO focuses on an organization as an entity, a form of organization ^{[6], [12], [14]} and OL on the process of learning, learning activities or processes in the organization ^{[6], [12], [14]}. OL and LO share ideas, and both are concerned with processes for acquiring information, interpreting data, developing knowledge, and sustaining learning ^[1]. How an organization manages its knowledge is therefore crucial for organizational development ^[7]. Knowledge management (KM) is about managing knowledge. KM includes activities such as

creating, organizing, sharing and using know-ledge ^[10]. IT is a prerequisite for effective KM (e.g. ^{[6], [4], [10]}) which means that IT supported KM is an important part of KM.

The proposed bridge between KM and learning initiatives is illustrated in Fig. 2. As illustrated in this figure, the connection between the two concepts is based on the KM STEPS and learning organization maturity models.

The left side of the model illustrates the STEPS model with each of the five levels from Start-up through Sustainability. In addition to these five steps, a preparation step has been added for those organizations just beginning to approach KM, and a continuation step has been added for organizations who are continuing to refine KM practices beyond the maturity stage.

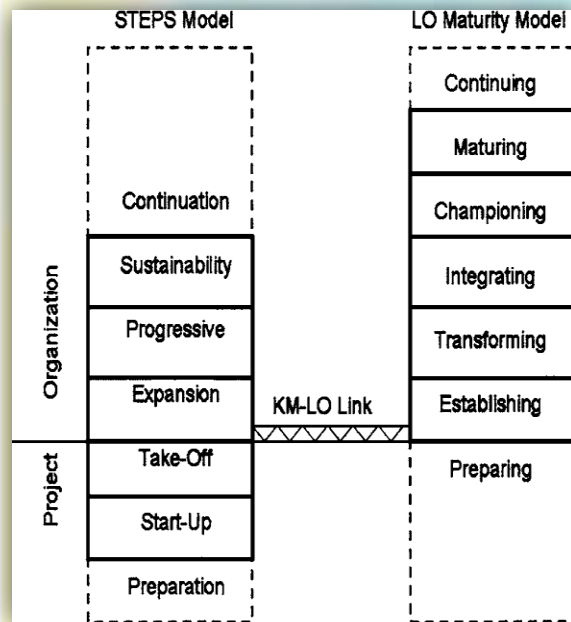


Figure – 2 Bridge between the KM and learning organization models

Source: - Lena Aggestam (2006), Learning Organization or Knowledge Management – **Which came First, The Chicken or The Egg?**

Similarly, the learning maturity model is illustrated on the right side of Fig. 2. In this illustration, the five stages of maturity are illustrated vertically from establishing to maturing. Once again, the preparation and continuation stages have been added at the beginning and end of the process.

The beginning of the link between these two models resides in the STEPS KM model. Since learning cannot occur without an active pursuit and management of knowledge, **the establishment of a KM initiative is essential to the eventual movement to a learning culture.**

As illustrated in Fig. 2, since KM must come first in the process, the beginning of the STEPS model is pictured with a lower first step than the learning maturity model. In the process of establishing a KM focus, an organization will move through the first and second steps with a focus on an individual project or group. Since learning is an organization activity that requires sharing among all segments of the organization, these first stages in the KM process are not conducive to a sustained learning initiative. Therefore, the first two stages of the KM are considered preparatory for learning, rather than the launching points for a learning initiative.

In contrast to the first two stages of KM, the third stage of the STEPS model, Expansion, focuses on the organization transitioning from a project-focused KM initiative to an organization-based initiative. Specifically, this stage witnesses the organization expanding KM beyond a single project to multiple projects or multiple groups within the organization. This Expansion stage is critical to the eventual transition to a learning culture, since it is at this stage that knowledge sharing among individuals outside of a constant working group begins to appear.

Once the Expansion stage has been achieved in the KM model, the organization is ready to expand the **knowledge initiative in two directions, mature KM and the establishment of**

learning. In terms of the former, the organization should continue to refine and expand its KM efforts to achieve a **mature KM implementation.**

However, at this stage, the organization is ready to initiate a transition to a learning culture. Specifically, the existence of a **KM infrastructure and an awareness of the need to share knowledge are the essential precursors to initiating a learning initiative.** Thus, as illustrated in Fig. 2, the bridge between KM and learning is established between the Expansion stage in STEPS and the establishing stage in the learning maturity model.

Although the existence of a KM initiative in the Expansion stage does not ensure a successful transition to a learning initiative, it is proposed that this is an essential requirement for a successful transition. Given that this requirement is in place, an organization can transition to a learning initiative by establishing a focus on leadership and communications within the learning context.

Since the organization is already emphasizing a knowledge focus, this transition should be a natural evolution. The primary difference being that the organization must now begin to emphasize **proactive knowledge acquisition and an examination of existing practices** to determine the potential for enhancements and changes in standard practices.

Once this change in focus occurs, the organization can begin **an active move toward establishing a learning culture** by progressing through the learning maturity model.

This is not surprising considering the fact that a LO requires KM, and KM in turn assumes a LO, i.e. Learning Organization requires Knowledge Management where as Knowledge Management assumes as Learning Organization.

5. RELATIONSHIP BETWEEN KNOWLEDGE MANAGEMEN AND LEARNING ORGANIZATION

A research held at Gujarat Urja Vikas Nigam Ltd., Vadodara for 67 employees at HR Department. It clearly indicates the relationship between the relationship between Knowledge Management and Learning Organization. Following figure 3 indicates,

- ▲ A Positive relationship between Awareness of Knowledge Management and its Effectiveness on Organization ($r = 0.98$) was found.

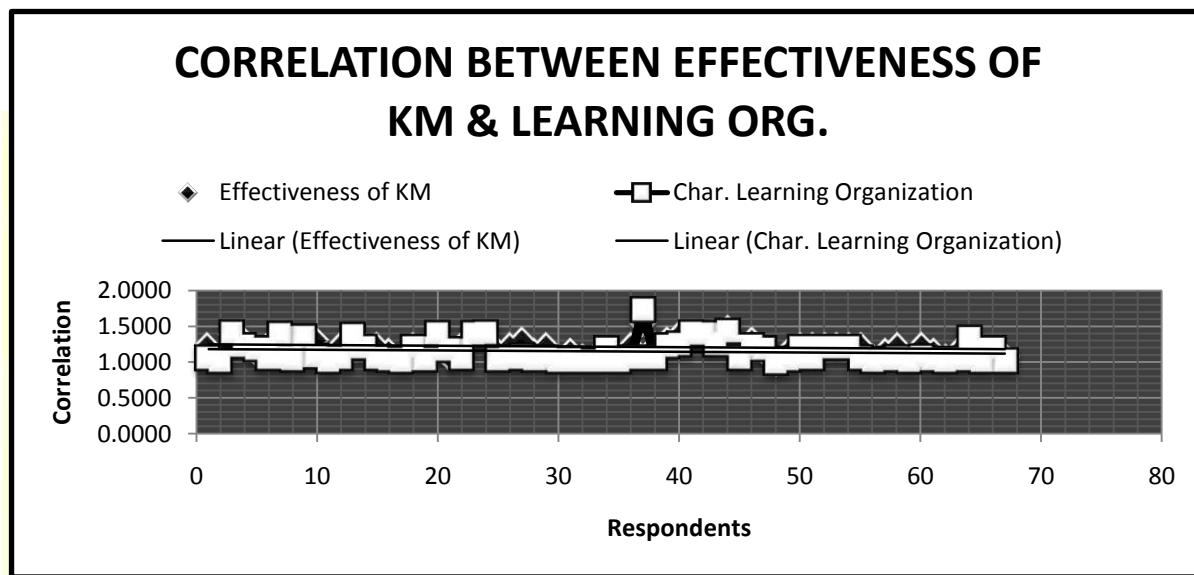


Figure 3: Correlation between Effectiveness of KM and Learning Organization

- ▲ A positive correlation ($r = 0.81$) of elevated effect was obtained between Awareness of Knowledge Management and Characteristics of Learning Organization.
- ▲ Another positive correlation ($r = 0.81$) was obtained between Effectiveness of Knowledge Management and Awareness of Knowledge Management.
- ▲ A positive correlation found ($r = 0.80$) between Effectiveness of Knowledge Management and Characteristics of Learning Organization.

- ▲ A positive correlation originated ($r = 0.81$) between Characteristics of Learning Organization and Awareness of Knowledge Management.
- ▲ A positive correlation obtained ($r = 0.80$) between Characteristics of Learning Organization and Effectiveness of Knowledge Management.

Thus it was concluded that there was a close correlation between Awareness of Knowledge Management and Effectiveness of Knowledge Management. A positive correlation had also obtained between Characteristics of Learning Organization, Awareness of Knowledge Management and Effectiveness of Knowledge Management.

CONCLUSION:

Knowledge Management is all about managing integrated, systematic approach to **identifying, managing, and sharing all of an enterprise's information assets, including databases, documents, policies and procedures** as well as previously **unarticulated expertise and experience** held by individual workers and **using all these to achieve organizational goals**.

The implementation of Knowledge Management at initial level had impacted a lot in the working style of employees. It **simplifies flow of communication** among the whole workforce. Due to sharing of information and knowledge **people come together and build healthy relationship** which leads to healthy working environment and create Knowledge Culture. Organization required adopting advance technology for knowledge storage (KP) and it should be **available to everyone** through sharing and gaining of new knowledge.

Continuous sharing of knowledge leads to **individual learning and finally organizational learning**. If manager encourages employees to openly share knowledge, **the collaboration and coordination** among employees' increases. It also leads to sharing of best practices and helps in fast and better decision making.

Learning Organization is the one that continuously strive for adopting new concepts, processes, and follows continuous improvement. Knowledge Management was an initiative through which plentiful companies had tried **to achieve characteristics of learning organization.**

Knowledge Portals provides effective platform for finding information readily on required topic form current publications, articles, library and internet. **Hardware and software technologies play noteworthy role to support learning through which employees share their best practices** with others. A clear **hierarchy of organization structure that facilitates easy communication flow.** A cohering and **powerful vision is also shared across the workflow to promote strategic thinking at all levels.** Hence employees **seek innovation and imagine totally new and different future** that may lead an organization to redefine its core strategy and even itself.

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