

## KNOWLEDGE MANAGEMENT IN THE COMPANIES - STRATEGY

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### ABSTRACT

Circumstances in the world force us into starting to use the power of knowledge in order to achieve our goals. However, if we wish to achieve our set goals, knowledge alone is not enough. What is important is the kind of knowledge we have and the way we make use of it, or how well we manage it. Only by increasing the extent of knowledge in companies and making better use of the existing one can we become competitive on the demanding European market in the future. This can be achieved by following the principles of knowledge management. The strategy of knowledge management needs therefore be closely connected with company strategy. This is the only way we can determine the kind of knowledge that will be needed in the future.

**KEY WORDS:** company, knowledge management, strategy

**JEL classification:** D83, L21

### 1 INTRODUCTION

Today's world witnesses a fast change in the wishes and demands of customers, the consequence of which is a shorter product life cycle. This forces companies to a faster development of new products. Only companies with the ability of adapting to market demands fast will be competitive in such circumstances. The key factor of adapting to such trends is knowledge. However, it is not enough for a company to have a lot of knowledge. The key to success is the ability to make the right use of this knowledge. The knowledge we have therefore needs proper management.

Knowledge management is a young science. It started developing a good decade ago, firstly as a theory, and now it is being transferred into modern companies intensively looking for opportunities for better knowledge management, considering knowledge as one of the most important sources of operation. The proper knowledge management can namely help to achieve better transparency of the employee knowledge, faster reaction to problems, the ability of making better decisions, higher productivity, lowering of costs, increase of profit, creation of new business opportunities, higher company competitiveness, attractiveness of the company from the point of view of the employees and new staff, better synergy among employees, etc.

### 2 PROCESS OF KNOWLEDGE MANAGEMENT IN A COMPANY

Knowledge management is not only storing different kinds of knowledge into knowledge bases, it is a systematic, clear and well-considered construction, modernisation and use of the knowledge contributing to an improvement of company knowledge (Wiig, 1997). This is a process of including the knowledge in a company wherever it appears – in databases, on paper or in human heads – and allocating it to where it can help us to make

the best result. It includes recognition and evaluation of the available and the required knowledge and later planning and supervision of procedures for development of knowledge in such a way it fulfils company goals. Knowledge management could also be defined as transmission of special knowledge to the right people at the right time so they can take the best of decisions (Petrash, 1996).

The knowledge management process in a company can be divided into five stages:

1. acquiring knowledge  
This stage includes studying, buying knowledge (employing people and buying companies owning this knowledge already) and hiring of knowledge (hiring services of a consulting company).
2. reshaping knowledge  
The company reshapes the acquired knowledge into a new form, this being ordered, transportable, understandable and accessible to all.
3. storing knowledge  
The knowledge is stored in knowledge bases, i.e. expert systems such as pictures, video recordings, texts, data, examples, rules, procedures, models, etc.
4. transmitting knowledge  
Knowledge is transmitted by personal communication and by help of technology.
5. further use of knowledge  
With further use what is created is new knowledge, i.e. the transmitted knowledge is supplemented by our own knowledge and experience.

### 3 INTRODUCTION OF KNOWLEDGE MANAGEMENT INTO A COMPANY

Introduction of knowledge management into a company is no easy task. Knowledge management cannot be introduced without the interest and support of company management. What needs to be done is to create a proper climate in a company for the exchange of knowledge among employees (Morey, 2002). Knowledge management is successful only when all the employees actively use the system of knowledge management having been designed for their company (Frapaolo, 2002). All the employees need to be shown in an appropriate way the value of knowledge and the benefits the company will be enjoying by introducing knowledge management. The employees need to be taught that knowledge management is not information management. Knowledge is information with an added value of an individual's experience and wisdom.

Introduction of knowledge management is comprised of two crucial stages:

1. analysis of the actual state of a company's knowledge management
2. modernising of the company's system of knowledge management

#### 3.1 ANALYSIS OF THE ACTUAL STATE OF A COMPANY'S KNOWLEDGE MANAGEMENT

By analysing the actual state of a company's knowledge management, we can determine the position of the company and its needs for modernising the company's knowledge management system. The procedure includes:

1. analysis of the information system  
We need to determine:

- management support for ensuring the development of information systems
  - the organisation of the informatics department
  - computer education of the executives at individual levels
  - the share of income used for informatics
  - the person responsible for the data contents
  - the number of employees using information technology in their work
  - the possibility of employee communication via the intranet
2. analysis of the employees and education of employees  
We need to determine:
- the extent and structure (according to education, age, sex) of the employees
  - education organisation in a company
  - where the education is highest (structure, field) and the extent (time, cost)
3. analysis of the organisational model  
We need to determine:
- form of decision-making (centralised at the top of the company – bureaucratic organisation, or decentralised)
  - form of communication (the way of communication is one-stream, from top of the company to bottom, or if the organisational model emphasises team work and all-round communication)
  - what is required from the employees (rules and their use are important, or knowledge, flexibility and willingness to change are demanded)
  - the manner of problem-solving (divided into many specialised tasks, or professionally, not regarding the hierarchical level of the employees)
4. analysis of the knowledge management level  
We need to determine:
- whether information and knowledge are being ordered systematically
  - the data on company's knowledge available
  - location of the knowledge (is it organised in the way it can be located easily)
  - transmission of knowledge among employees (is it arranged systematically)
  - whether the exchange of knowledge among employees is awarded

### 3.2 MODERNISING OF THE COMPANY'S SYSTEM OF KNOWLEDGE MANAGEMENT

After the performed analysis of the actual state of knowledge management in a company, we decide how to go about the formation and modernisation of this system. The entire process can be divided into three activities:

#### 1. forming of the knowledge management strategy

The first step in forming of the knowledge management strategy is ensuring the support of the management. Afterwards, identification of the characteristics, intensity and the disadvantages of the existing knowledge needs to be done, and the demands and opportunities of the market need to be studied. What follows is the execution plan and the description of the execution, monitoring and the expected results of knowledge management. The next step is preparation of the plan for the organisation of the current and acquired knowledge and transmission of knowledge. The knowledge management strategy has to include motivation of employees for them to work sensibly, i.e. for them to be innovative, to acquire and share knowledge.

#### 2. forming of a team for knowledge management support

The success of introducing knowledge management into a company greatly depends on the team capability. The team needs to be put together in such a way it will spend all its time

working intensively in the field of knowledge management. The team has to include experts from different fields, all of which must know the field of knowledge management from the theoretical and practical point of view alike.

**3. choosing the software for knowledge management support**

Quite a lot of products are available on the market serving as help to knowledge management. These are different software products and solutions, but we need to be aware there is no universal product for knowledge management support. Products have to be evaluated according to their function, as different products offer different functionalism.

#### **4 SUCCESS FACTORS AND OBSTACLES IN INTRODUCTION OF KNOWLEDGE MANAGEMENT INTO A COMPANY**

Different factors affect successful introduction of knowledge management into a company, and many obstacles can be found on the way of this introduction as well.

##### **4.1 SUCCESS FACTORS IN INTRODUCTION OF KNOWLEDGE MANAGEMENT INTO A COMPANY**

The key success factors in the introduction of knowledge management into a company are those applying to the employees. For the knowledge management to be successful, we need to ensure the following:

1. knowledge and obstacles  
The employees have to have the required knowledge and personal characteristics (they have to be critical and creative), and apart from that they need to have access to all necessary information, data and sources enabling quality work for them.
2. opportunities  
The employees need to be placed in situations where they have opportunities to use and prove their capabilities and abilities.
3. permission  
The environment the employees work in needs to be safe and tolerant, i.e. the employees need to have permission for innovation and improvisation.
4. motivation  
The employees need to be motivated in the way their actions on the part of the company are accepted as understanding.

##### **4.2 OBSTACLES IN INTRODUCTION OF KNOWLEDGE MANAGEMENT INTO A COMPANY**

In introducing knowledge management into a company, there usually appear obstacles as well. The most common are three obstacles:

1. slow organisational modernisation  
A dynamic and quickly developing environment demands flexible companies. The process of introduction of knowledge management can only be successful in such companies.
2. managers being unprepared for change  
A lot of managers are not prepared for changes. They are aware that the success of the company in the future is greatly depended on knowledge and its management but most of their attention is still focused on material and financial means.
3. intangibility of the intellectual capital

Intellectual capital is not something tangible, physically defined or touchable. It is a concept not able of being measured exactly therefore still ignored by many.

If companies do not become aware of these important facts, there is a danger of the project of the introduction of knowledge management into a company not being performed successfully.

## 5 CONCLUSION

The aim of knowledge management is to establish conditions in a company where exchange of knowledge among employees does take place and along with that creation of new knowledge. The introduction of knowledge management into a company can have grave economic effects yet the benefit of knowledge management is not visible straight away. The time for changes to start appearing is usually a period of one to three years.

The company deciding for knowledge management needs to make a knowledge management strategy, which is in close connection to the company strategy itself. The company strategy namely determines the course of progress and the goals the company wishes to achieve. With the help of the knowledge management strategy, we can determine what knowledge is needed for the goals to be achieved successfully.

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Leon Oblak was born on 17<sup>th</sup> July 1966 in Slovenia. He graduated in Biotechnical faculty, Department of wood science and technology in Ljubljana in 1992, in 1995 he became Master of Science and in 1998 he became Doctor of Science. Since 1992 he has employed in Biotechnical faculty, Department of wood science and technology in the University in Ljubljana. During postgraduate study (in 1994) he participated in research on economic and environmental aspect relating to wood industry, so he was for three months in Italy, University of Venice, Department of Economics. In the year 1998 he was a participant at the Sixth Slovak Summer School of Economics on Efficiency and Productivity Analysis (Institute of the Slovak and World Economies, Slovak Academy of Science, Bratislava).