

Knowledge Management within the Organization

~ Ph. D. **Cristina Bolcaş** (*Faculty of Business and Administration, University of Bucharest, Romania*)

E-mail: cristina.badeabolcas@yahoo.com

~ Ph. D. Associate Professor **Vladimir-Codrin Ionescu** (*Faculty of Business and Administration, University of Bucharest, Romania*)

E-mail: vladimir-codrin.ionescu@faa.unibuc.ro

Abstract: *In today's economic climate, in which great emphasis is laid on information, organizations get the highest value from their intellectual property rather than from their physical assets. Thus the organization is redefined and transformed gradually in the New Economy, which gives up on many of the old methods and approaches, seeking to integrate in the much more complex reality that occurs. The progress of an organization in a knowledge economy is directly proportional to its accumulated intellectual capital and knowledge, regardless of whether we relate to public or private sector. In this paper, we present a few aspects on the reflection of knowledge management and intellectual capital in the new economy.*

Keywords: knowledge, organizational management, information, economic development, intellectual capital, knowledge management

JEL Classification: M19, O34, L25

1. Introduction

Organizations increasingly focus on their intellectual property, and less on the material assets that they manage. The economic results are the results of differentiation. The source of this differentiation, and at the same time of the supremacy and increase of the organization is given by the specific, distinct knowledge held by a group of people within it. Depending on such knowledge, each organization sets its objectives and measures its performance.

The knowledge management solutions are the key to building and supporting the intellectual capital assets and using them so as to create economic value. The knowledge management solutions enable individuals, teams and communities to obtain greatly improved performance in terms of creating, capturing, sharing and exploiting knowledge.

2. The concepts of knowledge, intellectual capital and knowledge management

The organizations have become dependent on people more than ever. Business requires the intelligence and experience of the human beings to transform the information into useful knowledge and favorable decisions. As Peter Drucker wrote, "the fact that you know how a typewriter works does not make you a writer" [5].

A clear delimitation between the concepts of data, information and knowledge is necessary. Data are a number of properties directly observable of things. Information is the accumulation of data in a higher-level beam that would have meaning and significance. Filtered through the perceptions and

thoughts (cognition) of a person, the information fosters a wide range of actions and activities.

Knowledge is extracted out of data and built based on information. There are two distinct forms of knowledge:

a) Explicit knowledge, consisting of forms of information, expertise or experience that can be expressed in detail, archived, coded and of a lasting nature, and can be delivered by IT. Explicit knowledge can take the form of a database, document, drawing, formulas, patent, video records or presentations.

b) Tacit knowledge, or intrinsic knowledge, the skill possessed by an individual, is a common, unexpressed system of values, visions, goals and behaviors driving an organization's activities. Tacit knowledge is derived from accumulated experience. The main obstacle for most organizations is to identify this system of tacit knowledge. The challenge raised by the tacit knowledge system is to find out how to recognize, generate, distribute and manage the system.

Tacit knowledge can only be deduced out of people's actions, they are not directly observable. They represent a trait which predisposes man to act in certain ways depending on the circumstances, and adequately for those circumstances.

In order to delimit clearly the intellectual capital concept, the following assertions are defining:

- the intellectual capital is the sum of everything that the people in an organization know, giving it competitive advantages on the market;
- the intellectual capital is recognized as a value in most organizations, but it is not measured or evaluated in any financial statement of the organization, except for the

market value reached on the stock exchange;

- the intellectual capital is intellectual material that has been formalized, captured and put into value to produce even more valuable assets. It is given by the knowledge that can be converted into values.

Sveiby [13] defines the intellectual capital as the sum of three components: human capital, structural capital and customer capital. The human capital consists of knowledge, skills and competences of the people in organizations. It is owned by the people rather than the organization, being a renewable part of the intellectual capital. The structural capital includes strategy and organizational culture, structures and systems, organizational routines and procedures and intellectual property assets such as technologies, inventions, data, publications and processes that can be patented or protected and that remain within the company when the employees leave. The customer capital is given by the value of its relations with the customers, including the customers' loyalty for the company's products, based on the company's reputation, purchase behaviors or the customers' availability to pay.

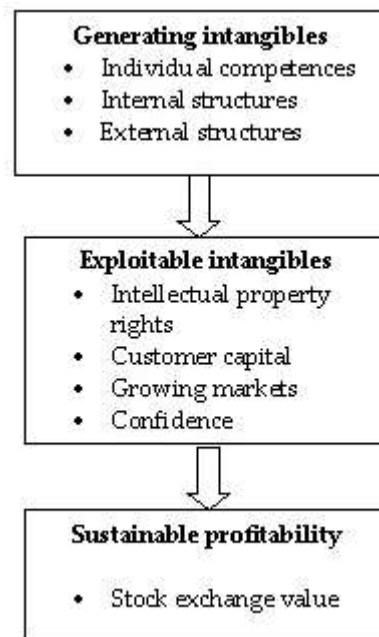
In a vision closer to the practical needs for economic use of intellectual capital, Ahonen [1] (Figure 1) proposes a delimitation of the role of each item that has been included over time in the discussions related to the intellectual capital. He proposes an intangibles usage cycle formed of three stages: generating intangibles, exploitable intangibles and sustainable profitability. The measurable component for this last stage is the stock exchange value of the company.

The intellectual capital consists of all that the author calls generating intangibles, on which the creation of competitive advantages is based. Of these, only some can be exploited commercially, namely everything

that is directly related to efficiency and cost reduction, intellectual property rights, customer relations, confidence management that creates reputation and any knowledge possibly related to the positive developments of the markets.

Since any term is best defined by the way it is used, K. E. Sveiby [14] considers the terms of Intellectual capital (IC) and Knowledge management (KM) as "two branches of the same tree" The differentiation can be made when taking into account the various connotations of those terms. Thus, IC is a static term and requires the use of a verb to describe what managers can do with it, such as: to manage IC, to improve IC.

Figure 1: The causative process of knowledge-produced value



Source: Ahonen, G. (2000): "Generative and commercially exploitable intangible assets", in Grojer., JE and Stolowy, H. (Eds), *Classification of Intangibles*, Groupe HEC, Jouy-en-Josas

The term KM is active, containing a verb itself, but at the same time it is a very abstract term. Therefore, the preferred definition for KM is “the art of creating value from an intangible resource of an organization”.

Knowledge management has been described as “the most efficient use of the intellectual capital in a business”. It implies that the sharing of knowledge, motivation and collaboration become almost instinctive and part of the every-day business activity. Knowledge management can be compared to “the game consisting of learning how to run and evaluate a business when knowledge is the main resource and outcome” [6].

The Japanese authors Hirotaka Takeuchi and Nonaka Ikujiro, much appreciated in the field of knowledge management, are creators of the SECI model [9, 10]. This model is a description of the dynamic creation of knowledge in organizations and the practical use thereof. The model initially created by Nonaka and Takeuchi was completed together with Toyama and Konno to be more easily applied as a working modality and thinking scheme, and its application leads to the improvement of knowledge capitalization in organizations

The name of the SECI model (Figure 2) is an abbreviation of the four stages to be completed for creation of knowledge and capitalization thereof through applications: S

– socialization, E – externalization, C – combination, I – internalization.

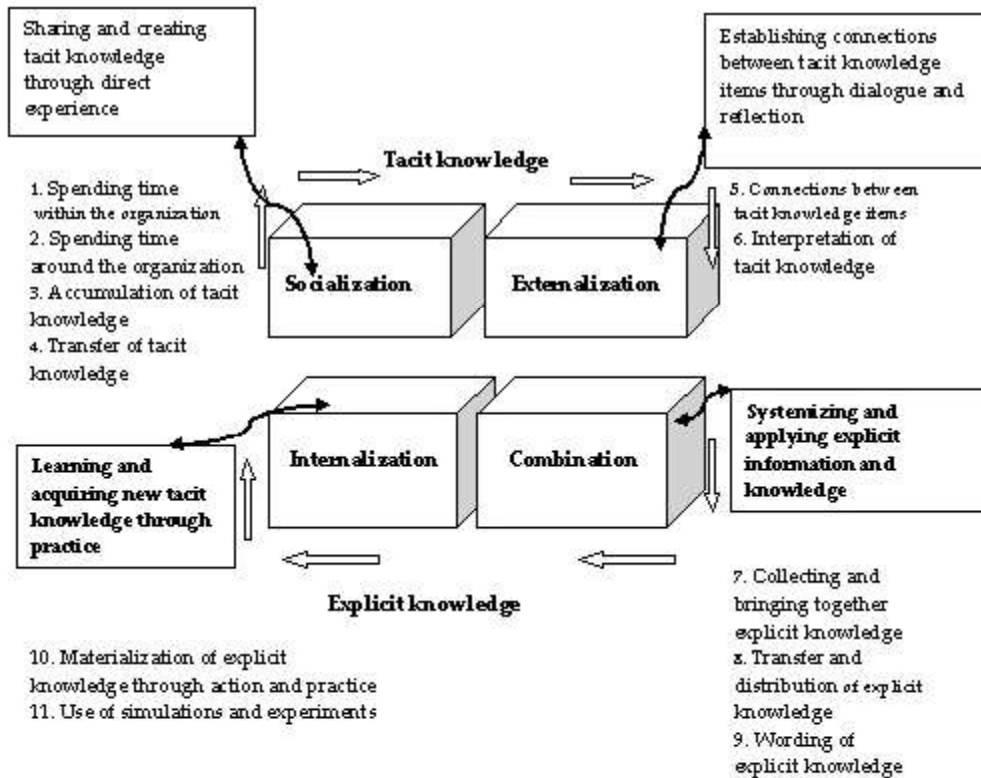
Socialization. Socialization is the process by which tacit knowledge is shared through common experiences. As tacit knowledge is dependent on context, the key for its acquisition is to live the same experiences and conduct activities together with those holding such knowledge.

Externalization. Externalization is the process of expressing tacit knowledge in the form of explicit knowledge. Of the four steps, this is most important in knowledge creation, as it leads to the emergence of new knowledge and concepts. When tacit knowledge is made explicit, it is crystallized into forms that can also be communicated to others, thus becoming bases for the emergence of other knowledge.

Combination. Combination is the process of connecting the different fragments of explicit knowledge to obtain more systematic, more complex or deeper explicit knowledge. The exchange of knowledge is achieved by various means, including documents, meetings, telephone conversations and IT networks.

Internalization. Internalization is the transformation of explicit knowledge into tacit knowledge. It is achieved by incorporating explicit knowledge into actions, practices or simulations of concrete situations

Figure 2: The SECI model for the creation and use of knowledge



Source: Nonaka, I., R. Toyama and N. Konno (2000). *SECI, Ba and leadership: a unified model of dynamic knowledge creation*, *Long Range Planning*, vol. 33.

3. The role and importance of knowledge management within the organization

Knowledge management helps maintain the knowledge that has to be distributed to lay the foundations of collaboration. In addition, knowledge management helps organizations in the following aspects [3, 8]:

- Support of innovation.

Knowledge management provides an infrastructure for electronic and social networks, so they can develop new products or

services; it supports and provides access to sources of ideas, so that they may be transformed into capital.

- Support of collaboration.

Knowledge management enhances collaboration opportunities; improves the tacit and explicit knowledge exchange between people; and encourages the free flow of ideas.

- Encouragement and use of learning.

Knowledge management facilitates and accelerates the learning process; it creates opportunities for individuals and groups to implement new knowledge; it exploits

organizational knowledge in an intelligible context to explain the new challenges; it capitalizes individual learning by rewarding and speculating the advantage acquired at the level of the entire organization.

- Development of social capital.

Knowledge management enhances the individual knowledge transfer within the organization; it supports the exchange outside organizational boundaries, time and space; and puts together the people who have the necessary tacit and explicit knowledge with the people who need such knowledge to carry out their work.

- Attracting and retaining human capital.

Knowledge management increases the retention rates of employees by recognizing the value of each employee's knowledge and rewards them for such stock of knowledge; it capitalizes what people know and promotes career development.

- Creation of opportunity for online government.

Knowledge management provides an information database facilitated by IT in order to enable citizens and clients to access the information and services they need.

- Increased productivity.

Knowledge management streamlines operations and reduces costs, risks, learning curves and initialization times by eliminating redundant or unnecessary processes; it contributes to the fundamental objectives of the mission.

- Sharing best practices/processes.

Knowledge management distributes best practices throughout the organization; it learns from failed efforts; it provides a platform for innovation and knowledge reuse; it sets benchmarks for the internal and external

performance of individuals and teams; and helps new employees to familiarize themselves more quickly with the organization's culture.

- Provision of leadership authority and decision-making capacity.

Knowledge management provides the right information in a context that supports decision making; it integrates new knowledge into decision-making processes through exchanges and cooperation with temporary proxies in decision-making processes; and makes use of information and knowledge to harmonize organizational actions with missions and visions.

- Increased customer satisfaction.

Knowledge management improves services for clients by streamlining response times; it focuses on knowledge of customers' needs to drive the efforts of an organization; and improves customers' experiences and results with regard to the services that are provided for them.

- Setting a differentiation between competitive advantage and business market.

Knowledge management helps ensure the superiority of knowledge; when it takes the shape of a proposal for business, products or services, it modifies the capitalization proposal from the supply of goods and services to the supply of knowledge and expertise for such goods and services.

4. Knowledge management processes and technologies in the world practice

Skill modeling is the process of organizational analysis for the identification of specialists and their skills and the development of skills in the directions needed to support critical areas of the organization.

Building organizational memory is the process having as its objective the transformation of tacit knowledge from within the organization into explicit knowledge, easily transferable and the non-discriminatory dissemination thereof. The existence of internal memory enables rapid adaptation to the changes in the external environment and the formation of virtual organizations in which the components are integrated horizontally.

Communities of knowledge practice are communities of experts, practitioners, politicians, teachers, researchers, etc. who share a common interest in certain topics and meet voluntarily in general through an electronic platform, to develop concepts and discuss the issues involved.

Benchmarking is the managerial practice meant to investigate best practices in various industries and organizations and to report to the organization's internal processes to the new standards.

Elaboration of national policies to design a knowledge-based economy. Most OECD countries have begun the institutional construction of the human and information infrastructure that will translate their economies to the new knowledge-based society [7]. The main competences on which such policies focus are: knowledge production, transmission and transfer of knowledge and knowledge measurement.

Intranet is the concept of Internet in an organization. Each individual has access to his or her webpage, thus allowing access via the Internet to the information and knowledge spread within the organization. Intranet also contains a webpage with access to the central knowledge warehouse of the organization. This form of network uses Internet infrastructure and leads to minimum resources necessary for its design.

Groupware is the information technology deriving from the words group and software, which means knowledge and software accessed simultaneously by several users and used for teleconferences.

Document management software are IT products that enable the integration of documents within databases and online access to them.

Another IT application for Knowledge management is the use of business intelligence software that analyzes data and extracts useful insights, patterns, and relationships that might be significant [2]. E-business can be defined as any business that takes place by digital processes over a computer network rather than in physical space. Most commonly today, it refers to electronic linkages over the Internet with customers, partners, suppliers, employees, or other key constituents. E-commerce is a more limited term that refers specifically to business exchanges or transactions that occur electronically [4].

5. Conclusions

Currently, the survival of an organization depends on its ability to "capture" information from various sources and to transform it into useful knowledge, which it subsequently imposes as "organizational culture" and quickly diffuses it inside. However, it is not enough to transform information into knowledge. It is important that such knowledge be correlated to the needs, desires and expectations of the organization.

The organizations should get more involved in the use of their own knowledge experiences to create a market position for themselves from which they would be able to create strategies so as to develop a competitive advantage [2].

Knowledge for the sake of knowledge is useless for organizations; it is only effective

by the contribution which it brings outside it, with positive effects on its customers and final markets. It is not enough to do something that can also be done by others. This way we will not be able to position ourselves as leaders, which is necessary for the survival of the organization.

The value of intellectual capital makes the difference between the organizations that have invested in this capital and have a much higher welfare as compared to organizations which are similar, but which do not invest in this type of resource [3].

Focusing on the use of professional intellect in activities that employ individual and external knowledge, knowledge management provides value to organizations.

The economic results are the results of differentiation. The source of this differentiation, and at the same time of the supremacy and increase of the organization is given by the specific, distinct knowledge held by a group of people within it. Depending on such knowledge, each organization sets its objectives and measures its performance.

REFERENCES:

1. **Ahonen, G.**, (2000), *Generative and commercially exploitable intangible assets*, în Grojer, JE și Stolowy, H. (Eds), Classification of Intangibles, Groupe HEC, Jouy-en-Josas
2. **Bolcas C., Verboncu I.** (2010), *WEB Communities in Development of the Business Enterprise*, Proceedings IBIMA Conference: Business Transformation through Innovation and Knowledge Management: An Academic Perspective, International Business Information Management Association, Istanbul, Turkey 2010, p. 2937-2941
3. **Bolcas C., Ionescu V.**, (2016), *Intellectual Capital. Knowledge and competitive advantage in the Organizational Management*, Revista Manager nr.23, p.38-45, Editura Universitatii, Bucuresti.
4. **Daft R.**, *Management*, (2010), 9th Edition, South-Western Cengage Learning, Mason, p.581-586
5. **Drucker, P.**, (2001), *Managementul strategic*, Editura Teora, Bucuresti, p. 93-95
6. **Hope, J., Hope, T.**, (1997) *Competing in the third wave*, Harvard Business School Press, Boston Massachusetts, , p. 65
7. **Luban F., Breazu G.**, (2000), *Managementul cunostintelor*, Revista Economica, Nr.1-2, p.53-56
8. **Nicolescu, O., Nicolescu, L.**, (2005), *Economia, firma și managementul bazate pe cunoștințe*, Editura Economica, Bucuresti, p.44, p105
9. **Nonaka, Ikujiro, Hirotaka Takeuchi** (1995), *The Knowledge-Creating Company: How Japanese Companies Create the Dynamics of Innovation*. New York: Oxford University Press
10. **Nonaka, I., R. Toyama, and N. Konno** (2000), *SECI, Ba and leadership: a unified model of dynamic knowledge creation*, Long Range Planning, vol. 33
11. **Stewart, T.A.** (1997), *Intellectual Capital – The New Wealth of Organizations*, Doubleday, New York
12. **Sveiby K.E.** (2000), *La nouvelle richesse des entreprises. Savoir tirer profit des actifs immatériels de sa société*, Maxima, Paris
13. **Sveiby, K.E.** (1997), *The New Organizational Wealth. Managing & Measuring Knowledge-Based Assets*. San Francisco: Barrett-Hoehler Publishers, Inc.
14. **Sveiby, K.E** (2001) , *Intellectual Capital and Knowledge*, online, <http://www.sveiby.com/articles/IntellectualCapital.html>