

ROLE OF KNOWLEDGE MANAGEMENT IN CURRENT SCENARIO

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ABSTRACT

In the current advanced era, knowledge and the applications of it are the essence of organizations for achieving competing advantage and defined as a new strategic approach to innovation and a potential element for creating larger market share. In the contemporary business world, characterized by dynamic and continuous changes, the competitiveness of enterprises depends on the speed by which they introduce new, superior products/services and innovate various business processes in comparison with rivals in the market. The competitiveness of enterprises is determined by their flexibility and innovation ability. Knowledge, as a resource, and knowledge management, as the so-called meta-resource, are the factors that determine innovation capacity of an enterprise. The aim of this paper is to point out the importance of developing and implementing an effective system of knowledge management in the modern enterprises for innovativeness. This is because knowledge management affects better utilization of enterprises' resources for creating innovations and increasing their absorptive capacity, i.e. increasing the ability to use external knowledge in the function of improving the level of previously acquired knowledge.

Key word: Knowledge, Knowledge Management, Organization, Customer, KM.

Successful knowledge management (KM) enables organizations to make increasingly more intelligent decisions. Modern competition places the market battles in terms of manufacturer cost and customer value. Knowledge is a significant business asset that prevents organizations from spending time reinventing solutions, and maintains organizational focus on providing a high quality output. This is accomplished through the storing, sharing, and using of knowledge, with the intent of improving the knowledge throughout the management cycle.

Finding this knowledge and putting it to work, however, is easier said than done. If companies want to use their knowledge effectively, they will have to ensure that all their systems are designed to support that goal. This means that the people management and development policies will have to encourage employees to share what they know. If individual or departments are rewarded for what only they achieve, they will have little incentive to share their knowledge with colleagues or other departments. Similarly, the company's information technology will have to be designed to ensure that knowledge and information can be transferred easily across the organization.

OVERVIEW

As business environment is increasingly becoming competitive and complex, companies find it difficult to survive. And as they struggle to find competitive edge, the one thing that is increasingly becoming clear is what differentiates a winner from a loser or laggard, is the asset called Knowledge. True, knowledge is the key to success in these turbulent times. However, in today's borderless world, knowledge has to be created constantly in all functions. If we closely watch the factors that are attributed to the long – term survival and competitive success of companies, it becomes evident that it is not their financial muscles and size, but the manner in which they consciously attempt to learn, codify, create, and utilize knowledge.

Against this backdrop, many of the organizations have begun focusing more and more on managing their organizational knowledge. However, organizations should not just manage knowledge but also enable creation of new knowledge. Accordingly, business

enterprises are no longer labeling their workforce as workers but as intellectual capital. It facilitates organizations in responding quickly and effectively to rapid changes in their business environment. Experts believe that learning is at the core of these activities, be it learning a new skill or learning to manage existing knowledge or creating organizational improvement and structure that supports continuous learning.

Today, the real driver of business is knowledge as information becomes a key input. Organizations have emerged from command – and – control, manual and clerical workers to knowledge workers. Knowledge is an asset for organizations and it presents opportunities and ultimately helps organizations drive value from intellectual rather than physical assets. In this competitive environment, knowledge is the only certainty and is one sure source of lasting competitive advantage. And hence knowledge management becomes a key imperative for organizations today.

However, there is little agreement over the exact definition of Knowledge Management among practitioners. A generic definition of Knowledge Management is “It is the process of capturing, refinement, aggregation and sharing of data and information between employees, departments, subsidiaries and partner organizations to achieve a position of knowledge – based competitive advantage.” Simply put, it is the process through which organizations generate value from their intellectual and knowledge – based assets. It helps organizations to respond to rapid changes in a systematic manner.

According to the global management and technology consulting firm, Accenture, the knowledge of how manufacturing goods are built and how they work, accounts for 70% of their development costs. In service businesses, the knowledge component of development cost may be as high as 90%. Going by this, it is not surprising that organizations are increasingly realizing the virtue of intellectual capital. To manage their intellectual assets competently, top companies are introducing knowledge management activities in their corporate strategy. According to a study, identifying and sharing internal best practices enables organizations to gain market position and drive long term growth. While some companies lay off employees to cut costs in a slow economy, leading companies utilize employees’ valuable knowledge to reduce expenses. In this global knowledge based economy, knowledge has become a competitive weapon and it is gaining momentum as value is found more in intangibles than tangibles. So the vital

assets of this economy are not factories and equipments, but accumulated knowledge and the people who possess it.

In the past, most knowledge management initiatives were viewed primarily as information systems projects. Accordingly, a majority of the managers intuitively considered that strategic advantage could be gained from knowing more than their competitors. However, with this mindset they were unable to explicitly articulate the link between knowledge and strategy. That experience endorses the view that today knowledge is the most strategically important capability for business organizations. According to a research done by Michael H Zack, College of Business Administration, Northeastern University, US, the most important context for guiding knowledge management is the company's strategy. An organization's strategic context helps to identify knowledge management initiatives that support its purpose or mission, strengthen its competitive position, and create shareholder value. Zack suggests that competing successfully in knowledge requires either aligning strategy to what the organization knows, or developing the knowledge and capabilities needed to support a desired strategy. At the outset, it becomes clear that the firm that knows more about its customers, products technologies, markets and their linkages performs better.

The importance of Knowledge Management is increasing on account of increased competition and rapid change. Understanding and applying knowledge management is becoming an increasing competitive strategy for companies around the world. In fact, in the new economy, a company's success depends on its ability to acquire, codify and transfer knowledge more effectively and with greater speed than the competitors. Knowledge Management is increasingly seen, not as the latest management field, but as an organic and holistic way of understanding and exploiting the role of knowledge in the process of managing and doing work. Over the years, the availability of a strong knowledge base in many corporations played a significant role in their success. It's time now for business organizations to understand the potential scope of knowledge management and the need to implement it as creatively and broadly as possible. Remember, this is not a process that meets the criteria of "One size fits all" but must be adopted to fit the constant changing information needs and the changing access patterns to information. The future of any company and its ability to compete in the global

economy would, to a great extent, depend on how well it understands and uses knowledge.

OBJECTIVES OF THE STUDY

1. To explore the history & theory of Knowledge Management (KM)
2. To explore the competitive advantage through KM.
3. To learn about how KM programs and how it can be implemented effectively.
4. To understand the need of KM in companies in current scenario.

Why has Knowledge Management Suddenly Become So Prominent? There are at least three reasons

➤ Firstly, knowledge has become a competitive weapon. Manufacturing has fallen as a proportion of total economic activity in the economically advanced countries. Services, and particularly professional and consulting services, play a more important role.

Peter Drucker, the Austrian – born management guru, is credited with inventing the term ‘Knowledge worker’ to describe the employees who work in these increasingly important sectors. Management consultancies, architectural practices, advertising agencies and law and accountancy firms are staffed by people with nothing to sell but what they know. Physical assets, such as machinery, building and vehicles, form a very small part of the organizational strength of these knowledge firms’. What makes these organizations competitive and profitable is the collective expertise and ingenuity of the people who work for them. It is the workers, rather than the company’s owners, who now own the means of production. But Knowledge Management is not just concerned with these professional services firms. All companies contain knowledge that they need to exploit. Even in the shrinking manufacturing sector, knowledge plays an even more important role. Wander into an Airbus aircraft factory or a Pilkington glass- manufacturing plant and you will be struck to see how few workers there are. Most of the assembly and manufacturing is automated. A huge robot fixes the wing to the fuselage of an Airbus A340. The glass-making line at Pilkington’s in St Helens, in the north –west of England,

is fully automated. It is watched over by a handful of employees in a glassed – off room who sit in front of a bank of computer screens.

Most manual assembly –line work has relocated to the developing world. The manufacturing that remains in advanced countries is largely automated and computer – controlled, presided over by well – trained, knowledgeable staff. What they know and have learnt also needs to be shared if the company is to succeed.

Even in the vast service sector of fast – food outlets and office cleaning, knowledge plays a role. Sir CK Chow, chief executive of Brambles, the Anglo – Australian industrial services company, says it is vital to keep talking to staff because they deal most directly with the customer and are an important source of knowledge and new ideas.

➤ There is a second and related reason why Knowledge Management has acquired such prominence: many companies have painful experience of how easy it is to lose knowledge. The early and mid-1990s saw a wave of downsizing in many companies, partly in response to the economic downturn that followed the Gulf War and partly because of the popularity of the idea of ‘delay ring’. Companies re-examined their business processes from scratch and decided what they could do without many of their staff, particularly their middle managers. Having lost these experienced people, they then discovered that there were things the organization no longer knew how to do. Those middle managers might have seemed superfluous but they had vast experience. Many companies had to hire them back as consultants, often on higher salaries than before. The professional services, creative and consulting firms, are acutely aware of how vulnerable they are to the leaving of their staff. A key employee or, worse, a whole team that walks out of the door takes a huge amount of knowledge. They could also take some key customers: when the Saatchi brothers set up their new firm, one of their most important clients, British Airways, went with them.

➤ A third reason why Knowledge Management has become so popular is that new technology makes it easier to share knowledge. At its simplest conference calls mean that several people in different cities can talk together on the telephone. Video conferencing means they can see each other while they talk. Electronic databases make it possible to store vast amount of knowledge, to which others can be given access. Company intranets mean staff can be given access to more information more quickly.

CONCLUSION

The philosophy of Knowledge Management is, to a large degree, an acknowledgement that the people at the top do not know everything. If they did, there would be no need to discover what anyone else knows. Senior executives need to ensure that their organizations have the right technology to ensure knowledge sharing. They need to ensure that databases and corporate intranets are set up. They need to equip people with e-mail and possible even video cameras on their personal computers. But what Knowledge Management really means is accepting that every employee has something to contribute. Accept that, in deeds, not just in words, and the rest will be a lot easier.

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