



International Journal of Research Publication and Reviews

Journal homepage: www.ijrpr.com ISSN 2582-7421

Knowledge Management: An Effective Tool for Organisational Development and Transformation

Mr. Vinamra Nayak

Associate Professor, Department Of MBA, Gyan Ganga College Of Technology, Jabalpur

Email: vinamranayak83@gmail.com

ABSTRACT

With the emergence of Liberalization, Privatization and Globalization (LPG), the business environment has become more dynamic, markets are becoming competitive, businesses are becoming service-oriented and diversified, as a result educated workforce is growing in number. Knowledge Creation and Sharing is recognized as one of the important strategical source for organisations to gain competitive advantage for learning and innovation nowadays. It is the process through which organization generates value from their intellectual and knowledge based assets regarding products, market and technologies thus applying, sharing and creating innovation culture all around for multi-facet development of the business house. In other words, Knowledge Management (KM) is a process that, continuously and systematically, transfers knowledge from individuals and teams, who generate them, to the brain of the organization for the benefit of the entire organization.

A knowledge work force helps the company in gaining competitive advantage over the others by developing business intelligence, getting knowledge of customer preferences, buying behavior and their expectations, increasing the value of Intellectual Capital (IC) and other variety of knowledge benefits that aid the business of the organization.

This paper aims to highlight the benefits and need of KM to the organisations in the highly competitive knowledge based economy and focuses on understanding the principles of Knowledge Management. The paper also represents how an effective response and implementation of KM and IC by Indian companies as modes of competitiveness can support sustainable innovation and helps solve the general problem of organizational adaptiveness and performance.

The paper is based on the in-depth study of publically available information collected from the published articles, journals, reports, websites, blogs and academic literatures in context with the Knowledge Management.

INTRODUCTION

The process of globalization has transformed the world into a singular market, compelling enterprises to enhance and maintain their market share through innovative production methods, cost reduction, asset management, and quality improvement. Recent infrastructure modifications have a substantial positive effect on an organization's capacity and inclination to handle knowledge. Organizations are recognizing that intellectual capital, or business knowledge, is a valuable asset that can be handled as efficiently as physical assets to enhance performance. This nascent discipline, termed knowledge management, encompasses the comprehensive process of identifying, structuring, disseminating, and optimizing the utilization of information and expertise inside an organization. Knowledge management (KM) encompasses several tactics and practices employed by a company to identify, produce, represent, disseminate, and facilitate the adoption of insights and experiences. Such ideas and experiences constitute knowledge, either inherent in individuals or integrated into organizational processes or practices. The objective of knowledge management is to integrate individuals, processes, and technology to optimize company knowledge.

Knowledge management initiatives generally concentrate on organizational goals, including enhanced performance, competitive advantage, innovation, dissemination of lessons learned, and ongoing organizational improvement. Knowledge Management (KM) initiatives intersect with Organizational Learning but are characterized by a heightened emphasis on the strategic management of knowledge as an asset and the promotion of knowledge sharing. It progresses and culminates in the advancement of a company's intellectual capital (IC).

Knowledge management is an interdisciplinary domain that incorporates elements of information science, information technology, interpersonal communication, organizational learning, cognitive science, motivation, training, publishing, and business process analysis. Executives in major firms recognize the necessity of enhancing strategies for knowledge management, since it is increasingly their most valuable asset. Both KM and IC signify forms of competitiveness derived from the individual and collective intellectual capacity of individuals. Innovative firms have begun to analyze how they may enhance the management of their intellectual capital by recognizing the significance of information and knowledge management.

Knowledge management is the process by which an organization derives value from its intellectual and knowledge-based assets. The concept involves leveraging intellectual capital to achieve competitive advantage and customer loyalty through efficiency, innovation, and enhanced decision-making. Knowledge Management can be defined as a developing array of strategies and methodologies designed to create, protect, and utilize knowledge assets (encompassing individuals and information), facilitating the transfer of knowledge to the appropriate individuals at the optimal moment, enabling them to leverage these assets to generate greater value for the organization.

Knowledge Management may be viewed in terms of:

- 1. People:** how do you increase the ability of an individual in the organisation to influence others with their knowledge.
- 2. Processes:** They are supposed to be high-level skills that are systematized to provide most abstract form of knowledge.
- 3. Technology:** It needs to be chosen only after all the requirements of a knowledge management initiative have been established.
- 4. Culture:** The biggest enabler of successful knowledge-driven organizations is the establishment of a knowledge-focused culture.
- 5. Structure:** the business processes and organisational structures that facilitate knowledge sharing.

AIMS & OBJECTIVES

This paper aims to highlight the benefits and need of KM to the organisations in the highly competitive knowledge based economy and focuses on understanding the principles of Knowledge Management. The paper also represents how an effective response and implementation of KM and IC by Indian companies as modes of competitiveness can support sustainable innovation and helps solve the general problem of organizational adaptiveness and performance.

RESEARCH METHODOLOGY

To attain the research objectives, a combination of deductive and inductive research approaches is employed, utilizing a qualitative research method. The research relies solely on publicly available information that has been considered. To achieve the desired aims, data on various aspects connected to the concepts of Knowledge Management (KM) and Intellectual Capital (IC) is presented through a literature review. The data is gathered through secondary methods to address various topics pertinent to the research topic from published publications, journals, reports, websites, blogs, and academic literature.

LITERATURE REVIEW

Presently the World is experiencing the process of knowledge based development. The concept of knowledge economy highlights the contribution of Knowledge in the process of Economic development. The rise of the "new economy", one principally driven by information and knowledge, is attributed to the increased prominence of intellectual capital (IC) as a business and research topic. Intellectual capital is implicated in recent economic, managerial, technological, and sociological developments in a manner previously unknown and largely unforeseen. Whether these developments are viewed through the filter of the information society, the knowledge-based economy, the network society, or innovation, there is much to support the assertion that IC is instrumental in the determination of enterprise value and national economic performance.

Drucker (1995) anticipated that knowledge will emerge as the primary economic resource and the principal source of competitive advantage for organizations today. Covin et al. (1997) assert that organizations have consistently viewed knowledge as a crucial determinant of their performance. Nonetheless, it is only in recent years that they have recognized the need of controlling this knowledge. This has resulted in the establishment of an endeavor known as Knowledge Management (KM). Knowledge Management (KM) is defined as the process or practice of developing, obtaining, capturing, sharing, and utilizing knowledge to improve learning and performance inside organizations. Scarbrough and Swan (1999). The deployment of Knowledge Management was traditionally viewed as a technological endeavor. Only in recent years have practitioners started to concentrate on the softer challenges, including the human aspect of knowledge management implementation.

Scarbrough et al. (1999) assert that knowledge management (KM) is not synonymous with technology, and that the installation of information technology does not equate to the implementation of KM. Moreover, numerous human factors must be considered when executing any change management endeavor. A crucial major success aspect involves motivating individuals to relinquish their information and disseminate it to others. Chase (1997) asserts that organizational culture must be cultivated to ensure the successful adoption of knowledge management. For a knowledge management initiative to succeed, it must align with the organization's existing culture. Knowledge management can only flourish if organizational members feel at liberty to talk openly, share, experiment, and learn without the apprehension of criticism or retribution.

Choi (2000) identifies inadequate leadership as a significant impediment to the successful deployment of knowledge management (KM). The author emphasized in his study that Employee Involvement Initiating a KM program will inevitably result in change that requires management. Individuals generally dislike ambiguity, which is precisely what the implementation of Knowledge Management introduces, frequently resulting in resistance.

Newell et al. (2002) emphasized that "knowledge workers themselves are typically the most suitable individuals to determine how to initiate, plan, organize, and coordinate their principal work tasks." Nevertheless, several organizations deliberately restrict their employees from providing input and impose the program upon them, expecting participation without consultation.

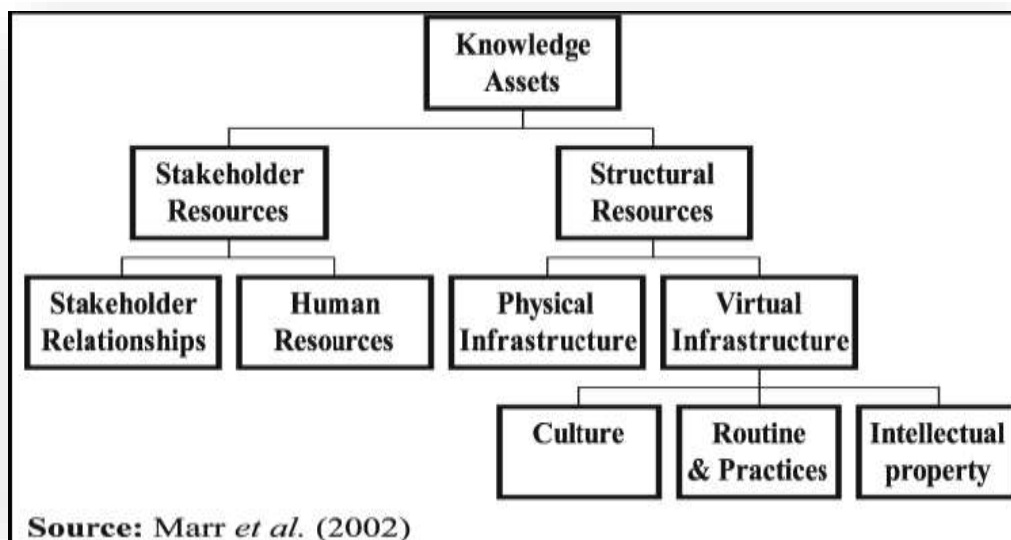
Kotter (1996) asserts that communication is a vital component for the successful implementation of knowledge management (KM). Staff will exhibit reduced hostility if the ramifications of KM are explicitly articulated to them. Numerous studies have underscored the need of employee training for the successful implementation of knowledge management. According to Gunningle et al. (2000), training is defined as "the planned acquisition of knowledge, skills, and abilities necessary for effective performance in a specific role or job." The objective is to enhance particular talents or abilities that will lead to improved work performance. Salleh & Goh (2002) support this assertion by asserting that "if an organization aspires to become a genuinely knowledge-based entity, it must commence with high-quality training."

Greco (1999) asserts, "A fundamental component of effective knowledge management is training that enables employees to identify valuable knowledge, thereby fostering the sharing of that information to achieve a competitive advantage."

Needs For Managing Knowledge as a Challenge

While knowledge may be difficult to classify and understand, it undeniably has a critical impact on business outcomes (Marr et al, 2003). There are a number of reasons for managing knowledge and they include:

- Knowledge is the most important resource for gaining competitive advantage (Marr et al 2003).
- Knowledge management is a strategic activity, ensuring that organisations have the knowledge to manage the things which they are responsible for in a rapidly changing environment. (Alvesson and Karreman, 2001).
- Knowledge flows and networks within organisations and between different organisations are the key elements in successful innovation processes (Marr et al, 2002).
- Efficient knowledge management has a positive influence on organisational performance (Marr et al, 2003).
- Knowledge management processes can diminish the loss of knowledge associated with a rapidly ageing workforce and other human resources related concerns such as attracting and retaining younger workers (Liebowitz, 2005).



According to Lev (2001) Intellectual Capital is a relatively new term and is part of the Knowledge Management (KM) trend that has impacted on the business world during the last two decades. The terms 'Intangibles', 'Knowledge Assets' and 'Intellectual Capital' are widely used in the accounting, economic, management and legal literature. Essentially, however, they all refer to the same concept claiming to future benefits that cannot be measured with sufficient reliability.

As highlighted by Guthrie (2001), the term IC is commonly used as a synonym for Intellectual Assets (IA), Intangible Assets (INA) or Knowledge Assets (KA). Edvinsson and Sullivan (1996) broadly defined IC as 'knowledge that can be converted into value', which includes ideas, inventions, general knowledge, designs, software programs and publications.

Futhermore focused on Human Capital (HC) which refers to the firm's individual employees and their corresponding skills, abilities, knowledge and know-how. Each employee has tacit (uncodified) knowledge, which the firm wishes to utilize. In the study mentioned that HC as the 'soul of the company' and divide it into three components: competence, attitude and intellectual agility.

Intellectual capital (IC) is a key driver of innovation and competitive advantage in today's knowledge based economy (Teece, 2000). The fact that knowledge-based assets are increasingly becoming the main resource of organizations has also been documented extensively (Marr et al. 2002) At the same time, knowledge management (KM) is recognized as the fundamental activity for obtaining, growing and sustaining IC in organizations (Marr and Schiuma, 2001). This means that the successful management of IC is closely linked to the KM processes an organization has in place; which in turn implies that the successful implementation and usage of KM ensures the acquisition and growth of IC.

According to Kok (2007) intellectual capital deals with articular, reasonable, knowledgeable and substantial fruits of the mind. It claims intangible (tacit) and tangible (explicit) dimensions, which do not mutually exclude, but actually complement each other. The conversion of knowledge into a valuable asset has come to be known as an intellectual asset or intellectual capital.

Needs for Management of Intellectual Capital

Today IC is recognized as a key strategic asset for organizational performance and its management is critical for the competitiveness of organizations (Grant, 1997). According to Roos *et al.* (1997) and Marr *et al.* (2003) the management of IC involves:

- Identifying key IC which drive the strategic performance of an organization;
- Visualizing the value creation pathways and transformations of key IC;
- Measuring performance and in particular the dynamic transformations;
- Cultivating the key IC using KM processes;
- The internal and external reporting of performance.

RESEARCH ANALYSIS

In today's information driven economy, companies uncover the most opportunities and ultimately derive the most value from intellectual rather than physical assets. To get the most value from a company's intellectual assets, KM practitioners maintain that knowledge must be shared and serve as the foundation for collaboration. Consequently, companies can use Knowledge Management as an effective tool to develop and be more equipped by transforming itself to do one or more of the following:

- Foster innovation by encouraging the free flow of ideas
- Improve decision making
- Improve customer service by streamlining response time
- Boost revenues by getting products and services to market faster
- Enhance employee retention rates by recognizing the value of employees' knowledge and rewarding them for it
- Streamline operations and reduce costs by eliminating redundant or unnecessary processes

In brief, knowledge and information have become the medium in which business problems occur. As a result, managing knowledge represents the primary opportunity for achieving substantial savings, significant improvements in human performance, and competitive advantage.

- Marketplaces are increasingly competitive and the rate of innovation is rising.
- Reductions in staffing create a need to replace informal knowledge with formal methods.
- Competitive pressures reduce the size of the work force that holds valuable business knowledge.
- The amount of time available to experience and acquire knowledge has diminished.
- Early retirements and increasing mobility of the work force lead to loss of knowledge.
- There is a need to manage increasing complexity as small operating companies are trans-national sourcing operations.
- Changes in strategic direction may result in the loss of knowledge in a specific area.
- Organizations compete on the basis of knowledge.
- The need for life-long learning is an inescapable reality.
- Products and services are increasingly complex, endowing them with a significant information component.

A creative approach to KM can result in improved efficiency, higher productivity and increased revenues for any business function

CONCLUSION

Indian companies have great opportunity to participate in Global market and for this there is a need for changing their policies tuned with newer economic system. Indian economy can have the fruits of this process by adopting policies in light of the need for organisations to develop strategies around intangible assets so as to achieve competitive advantage, it would seem that the rise in focus on intellectual capital represents a natural progression for management. However, whether the potential value of intellectual capital and knowledge management principles will be achieved will depend on how they are implemented.

Market economy focuses on expressing immediate finance revenue, but increasingly the pressure on expressing nonmaterial forms of capital, which are a part of market value in every organization, grows. Nowadays it is important that expressing the value is focused more on forming and maintaining the key employees, using their knowledge, creativity support and innovative skills, as well as on underlining the image, trademark, and company's fixed assets growth. The companies, which will use the ability of searching and developing human capital, necessary for gaining competitive advantage in maximum possible extent, will get into spotlight in near future. Such a positive routing supports the process of transformation into a knowledge company in which knowledge and intellectual capital will not only be a competitive advantage, but also its successful behaviour in a knowledge society.

Present period of new millenium is famous for constantly accelerating changes and the economics based on knowledge, which is important to underpin and efficiently manage. Knowledge is the priority. It is considered on a global, national and corporate level. Knowledge management is a challenge of a present period. Looking for possibilities and ways of quantitative measurements of the return on investment into human resources development as well as an effort in strategic management in the way of ICM (Intellectual Capital Management) should be a part of it.

REFERENCE & BIBLIOGRAPHY

1. Anonymous., (2000) Knowledge management and intellectual capital – the new virtuous reality of competitiveness, Human System Management, Vol. 19
2. Alvesson, M. and Kaerremann, D. (2001). Odd couple: Making sense of the curious concept of knowledge management. *The Journal of Management Studies*, 38(7), 995-1018.
3. Carl Dahlman, Anuja Utz.: India and the knowledge economy: Leveraging strengths and opportunities, Overview, WBI Development studies, World Bank
4. Chase, R.L. (1997) "The Knowledge Based Organisation: An International Survey" *Journal of Knowledge Management*, 1(1), pp. 38 – 49
5. Chaturvedi V., Knowledge Management: A tool for organisational transformation. ICFAI Univesity. Available Online: http://www.indianmba.com/Faculty_Column/FC643/fc643.html
6. Choi, Y.S. (2000) "An Empirical Study of Factors Affecting Successful Implementation of Knowledge Management", Unpublished academic dissertation, University of Nebraska.
7. Covin, T. & Hall, N. & Stivers, B. (1997) "Harnessing Corporate IQ", *CA Magazine*, 130(3), pp. 26 – 29
8. Drucker, P.(1995)"Managing in Time of Great Change", New York: Truman Talley Books
9. Edvinsson, L. & Sullivan, P. 1996, 'Developing a model for managing intellectual capital', *European Management Journal* vol. 14, n. 4, pp. 356-364.
10. Firestone., J. & McElroy M. W., Doing Knowledge Management, The Learning Organization, *Journal* Vol. 12 (2) Available Online: <http://www.emeraldinsight.com/10.1108/09696470510583557>
11. Guthrie, J. 2001, 'The management, measurement and the reporting of intellectual capital', *Journal of Intellectual Capital*, vol. 2, n. 1, pp. 27-41.
12. Grant, R.M. (1997), "The knowledge-based view of the firm: implications for management practice", *Long Range Planning*, Vol. 30 No. 3, pp. 450-4.
13. Greco, J. (1999) "Knowledge is power" *Journal of Business Strategy*, 20(2), pp. 18 - 22.
14. Gunningale, P. & Heraty, N. & Morley, M. (2002) "Human Resource Management in Ireland", 2nd ed. Dublin: Gill & Macmillan.
15. Kotter, J.P. (1996) "Leading Change", Harvard Business School Press
16. Kok, A (2007) "Intellectual Capital Management as Part of Knowledge Management Initiatives at Institutions of Higher Learning" *The Electronic Journal of Knowledge Management* Volume 5 Issue 2, pp 181 - 192 , available online at www.ejkm.com
17. Liebowitz, J. (2005). Conceptualizing and implementing knowledge management.. In P. E. D. Love, P. S. W. Fong & Z. Irani (Eds.), *Management of knowledge in project environments*. Burlington, MA: Butterworth-Heinemann.

18. Moran, O. (2006) "The Human Element Of Knowledge Management" [www.oliviamoran.me] Available online: <http://www.slideshare.net/oliviamoran/knowledge-management-a-literature-review#btnNext> (Accessed on 12th November 2012)
19. Marr, B., Gupta, O., Pike, S. and Roos, G. (2003), "Intellectual Capital and Knowledge Management effectiveness", *Management Decision* Vol. 41, Issue 8 pp. 771 – 781
20. Marr, B., Schiuma, G., and Neely, A. (2002), "Assessing strategic knowledge assets in eBusiness", *International Journal of Business Performance Management*, Vol. 4 No. 2/3/4, pp. 279-95.
21. Marr, B. and Schiuma, G. (2001), "Measuring and managing intellectual capital and knowledge assets in new economy organisations", in Bourne, M. (Ed.), *Handbook of Performance Measurement*, Gee, London.
22. Nayak V. (2012) "Indian Companies in Knowledge Economy" *Indian Journal of New Dimensions*, Vol. II No. 1, Jan-June 2012, ISSN: 2277 – 9876
23. Nayak V. (2013) "Knowledge Management & Its Dynamics" presented in International Conference organised by Tripude Institute of Technology & Management, Nagpur.
24. Newell, S. & Maxine, R. & Scarbrough, H & Swan, J. (2002) "Managing Knowledge Work", Hamsphire: Palgrave MacMillan
25. Petty, R. and Guthrie, J. (2000) "Intellectual capital literature review: Measurement, reporting and management", *Journal of Intellectual Capital*, Vol. 1 Iss: 2, pp.155 – 176 Available Online: <http://www.emeraldinsight.com/journals.htm?articleid=883903>
26. Pillania, R. K. (2005), State-of-Art of Knowledge Management in India, *Management and Change*, Vol. 9, No. 1, pp. 32-43 http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1154680
27. Lev, B. 2001, *Intangibles: management, measurement and reporting* Brooking Institution Press, Washington, D.C.
28. Rajarajeshwari L., Knowledge Management Department of MBA, Arul Aranda College. Available Online: http://www.indianmba.com/Faculty_Column/FC1210/fc1210.html
29. Roos, J., Roos, G., Dragonetti, N.C. and Edvinsson, L. (1997), *Intellectual Capital: Navigating the New Business Landscape*, Macmillan, London.
30. Salleh, Y. & Goh, W.K. (2002) "Managing Human resources Toward Achieving KnowledgeManagement", *Journal of Knowledge Management*, 6(5), pp. 457 - 468.
31. Scarborough, H. & Swann, J. & Preston, J. (1999) "Knowledge Management: A Literature Review", London: Institute of Personnel Development Report
32. Shahid., S., Knowledge Economy in India and the Growth of Knowledge Management : Role of Library and Information Professionals. Available Online: http://crl.du.ac.in/ical09/papers/index_files/ical-22_210_446_1_RV.pdf
33. Teece, D.J. (2000), *Managing Intellectual Capital: Organizational, Strategic, and Policy Dimensions*, Oxford University Press, Oxford.