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## Knowledge management: A booster of organizational performance

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### Abstract

As the time stepped in the twenty first century, innovation became the core mantra for the survival and progress of an organization highlighting the importance of human intelligence. It is this intelligence, when used appropriately becomes knowledge. Knowledge is therefore sought to be a strategic source of competency. Knowledge in itself is static and gains momentum only when it is used appropriately in the required situation. Knowledge management is thus a voluntary and a conscious strategy followed deliberately in optimal usage of limited resources. This paper attempts to highlight the relationship between the knowledge management practices and the enhanced performance of the organization.

**Keywords:** Knowledge, knowledge management, organizational performance

### Introduction

The evolution of industrial revolution enhanced the machine power and increased the organizational productivity to an unimaginable extent. Since then, the world witnessed the replacement of employees with the automotives. As the time stepped in the twenty first century, innovation became the core mantra for the survival and progress of an organization highlighting the importance of human intelligence. It is this intelligence, when used appropriately becomes knowledge, that has brought new products, services and new methodologies into practice giving birth to the importance of managing knowledge and its sources “the humans”. In the present age of industrialization, knowledge as a factor of production is added to the convectional factors consisting of land, labour and capital <sup>[1]</sup>, making it apparent for the organization to depend on its intellectual assets for the sustainable existence and development <sup>[2]</sup>, derailing the organization from the manufacturing of tangible goods to the generation of ideas <sup>[3]</sup>.

The rapid production of automotives instigated the fear of humans being replaced by machinery; instead the gush of ideas has rejuvenated the belief in supremacy of mankind <sup>[4]</sup> proving the tangible machineries as the output of human ideas. Knowledge is therefore sought to be a strategic source of competency widening the gap of benchmarking between the haves and have not's. This scenario has awakened organizations in leveraging information and collectively using knowledge to improve their efficiency and effectiveness. Knowledge in itself is static and gains momentum only when it is used appropriately in the required situation proving Francis Bacon's 1597 statement “Knowledge is Power” <sup>[5]</sup>. This power created ripples from the technology based IT sector to the manual skilled handicraft industry the world wide over. Indian industries too slowly turned to managing their knowledge as a tool to generate value from knowledge-based assets. Knowledge management is thus a voluntary and a conscious strategy followed deliberately in optimal usage of limited resources <sup>[6]</sup>. This paper attempts to highlight the relationship between the knowledge management practices and the enhanced performance of the organization based on the information collected through secondary data sources like journals, magazines, newspapers and the websites.

### Concept of knowledge and its management

Knowledge has evolved since the birth of human life itself. But ‘Knowledge’ as a factor of productivity originated in the latter part of 1980s and became a discipline with the emergence of internet in the mid-1990s <sup>[7]</sup>.

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Japanese are credited for presenting knowledge as a critical factor of production for the sustainable growth of the organization<sup>[8]</sup>. The world we live is in a continuous state of change due to the change in the knowledge of people transforming knowledge management from 'a source' to 'the source'<sup>[9]</sup> entrusting a proverb that knowledge is the only wealth that doubles when it is shared. The objective of knowledge management is to make it available to more than one individual and in more than one situation<sup>[10]</sup>. Knowledge helps build up competency related to decision making, building customer relationship and innovating products and services that enhance organizational performance<sup>[11]</sup>. Organizational knowledge resources are converted into capabilities through learning mechanisms and processes<sup>[12]</sup>. These organizational capabilities add on to the performance when it is converted into tangible and intangible products<sup>[13]</sup>. Knowledge management is not that easy as it seems to be as it is embedded in humans and managing humans is always challenging, making investments in knowledge management a competitive need<sup>[14]</sup> and a strategic requirement<sup>[15]</sup>.

The word 'knowledge' is synonymously used for data and information, but the meticulous reading will differentiate all the three. Data are the factual statements that can be flexibly used by any disciplinarians and have little bearing on the managerial decisions<sup>[16]</sup>. Data gets converted into different information contents when it is interpreted to match meaningful situations<sup>[17]</sup>. Information attains the status of knowledge when it successfully turns an event into an opportunity<sup>[18]</sup>. This forms a hierarchy with data as the base and knowledge as the tip of the pyramid<sup>[19]</sup>. In the organizational context knowledge is classified as tacit and explicit<sup>[20]</sup>. Tacit knowledge is got through experiences and real-life situations that make an individual capable of flawless expertise<sup>[21]</sup>. This knowledge helps the organization through expertise and innovation<sup>[22]</sup> and has difficulty in being articulated and shared as it is embedded in the minds of the individuals<sup>[23]</sup>. However, some tacit knowledge gets documented through publishing and editing that saves an organization from re-living a situation from the past<sup>[24]</sup>. Tacit knowledge comprises of mind-maps, beliefs, paradigms, viewpoints, know-how, crafts and skills<sup>[25]</sup>. Tacit knowledge gets converted into explicit knowledge when it attains the ability to be documented and shared<sup>[26]</sup> and gives way to knowledge creation. Knowledge in itself has the ability to double when it is shared as it combines with the tacit knowledge of the listener and so forms a chain of knowledge creation<sup>[27]</sup>. This vicious cycle of knowledge creation is called as SECI Process advocated by Takeuchi and Nonaka. This process takes a form of a spiral where socialization helps knowledge to move from tacit to tacit, externalisation moves tacit knowledge to explicit knowledge, combination helps explicit knowledge to transfer into explicit knowledge and internalisation once again converts explicit knowledge into tacit knowledge. This cycle of creating knowledge is a situation specific<sup>[28]</sup>. Once created, knowledge cannot be easily shared as it is not a commodity<sup>[29]</sup>. For the knowledge to be shared, willingness of the knowledge source to share, willingness of the receiver to receive and the perception of the usefulness of knowledge to the receiver, are the conditional prerequisites<sup>[30]</sup>. Knowledge sharing is not only about exchange of communication but the people who use the systems leading to the importance of knowledge

management process<sup>[31]</sup>. This process of knowledge management depends heavily on knowledge infrastructure (appropriate culture for knowledge management systems)<sup>[32]</sup>, knowledge combination (collecting the information discovered, captured and created)<sup>[33]</sup>, knowledge filtering (classification, categorization)<sup>[34]</sup> knowledge repository (Organization's memory and storage)<sup>[35]</sup>, knowledge sharing (transferring knowledge among the individuals in the organization)<sup>[36]</sup>, knowledge application (represent information to knowledge seekers in appropriate manner)<sup>[37]</sup> and finally knowledge performance (capitalize on the knowledge assets to reach maximum attainable business performance)<sup>[38]</sup>.

The process of knowledge management (KM) is at its highest potentialities when it is supported by KM infrastructure or enablers<sup>[39]</sup> consisting of organizational design<sup>[40]</sup>, culture, information technology<sup>[41]</sup> and people<sup>[42]</sup>. Just as organizational design ensures the coordination between the tasks divided, organizing knowledge determines the degree to which knowledge is circulated between the different environments of the organization; implying knowledge to be the capital, whose potentiality may or may not be used<sup>[43]</sup>. The usage of knowledge and its proper management has given rise to many different types of organizational structures that are designed to centre knowledge management. The N-form Corporation follows heterarchy rather than hierarchy<sup>[44]</sup>. Federated structures that have small core teams to analyse the crux and empower business and functional units to have their training programs<sup>[45]</sup>. The Hypertext structures are made up of interconnected layers with knowledge as its base<sup>[46]</sup>. Middle-up-down management system focuses on the important role of middle management in creating and realizing verifiable business concepts for the creative solution of contradictions and gaps between the ideal and the actual<sup>[47]</sup>. J-Form or the Japanese type organization combines the stability and efficiency of a bureaucracy with the flexibility and team dynamics of an adhocracy that are glued together with a strong knowledge base<sup>[48]</sup>. These different organizational structures highlight the cultural change that nourishes the growth of knowledge. Organizational culture depicts the ideologies, assumptions and collective will of the employees<sup>[49]</sup> to create, share and use knowledge<sup>[50]</sup>; once again focusing on the centrifugal role of human beings as Knowledge workers as identified by Drucker in 1967<sup>[51]</sup>. Organizations employ Knowledge-workers and develop knowledge management capabilities to help and support vital operational and innovative activities that are linked to various measures of organizational performance<sup>[52]</sup>. KM practises are found to have pragmatic impact on performance<sup>[53]</sup>. More specifically it was found that KM practise are directly related to various intermediate measure of strategic organizational performance namely, customer intimacy, product leadership and operational excellence that are, in turn, associated with financial performance. This proves that as long as KM practices enhance intermediate organizational performance, financial performance will result<sup>[53]</sup>.

### **Empirical relationship between KM and organizational performance**

The longitudinal study of Ikujiro Nonaka and Hirotaka Takeuchi in their book "The Knowledge Creating Company" on how the Japanese companies became world

leaders in the automotive and electronics industries is one of the most relevant piece of empirical research on the relationship and impact of KM on organizational performance <sup>[54]</sup>. Apart from the curiosity of Japanese Management Gurus, other researchers from the West were also interested to prove the worth of KM practices. Michael Zack, James McKeen and Satyendra Singh (2009) <sup>[55]</sup> of North Eastern University, Boston and Queen's School of Business, Kingston, Ontario, Canada respectively; in their paper "KM and Organizational Performance: An Exploratory Analysis" report the results of an exploratory investigation of the organizational impact of twelve KM practices of eighty eight firms from Canada, USA and Australia representing ten different industry sectors empirically proved that organizations with KM orientation outperformed organizations with market orientation. Dr. Mohammad Kazem Emadzade, Behnaz Mashayekhi and Elham Abdar from the University of Isfahan, Iran, in their paper "KM capabilities and Organizational Performance" <sup>[56]</sup> examine the impact of specific KM resources on organizational performance. The findings provide insights into the infrastructure and process capabilities needed to provide knowledge support for organizational routines and activities. The study was conducted on small size business owners and managers at a management level in their firms from eighty six enterprises located in Isfahan. Klaus North, Rudiger Reinhardt and Alexandra Schmidt from the University of Applied Sciences Wiesbaden, Germany <sup>[57]</sup> conducted a study on forty eight German firms who were practicing KM for at least a year and had demonstrated an improved performance. Brian Detlor *et al.*, (2006) <sup>[58]</sup> from the University of Toronto, Canada, conducted a web-based survey from over 400 participants comprising professional and support staff working various office locations to gain insight on the antecedents of KM behaviours in organizations and explore the relationship between KM context and KM practices. This paper is based on Information Orientation model developed by Donald Marchand in 2001 <sup>[59]</sup>. This research proved that an organization's regard and appreciation of its information, and the ways information is used at personal and corporate level, are critical to gaining and sustaining competitive advantage. Nausheen Syed (2012) <sup>[60]</sup> from the School of economics and management, Beijing Jiaotong University, China, in her paper "The linkage between KM practices and company performance: empirical evidence", explores the linkage between KM practices and company performance. Based on the reference made to the works of Lee, Lee and Kang (2005) <sup>[61]</sup> where the estimation of the performance of a company is done with respect to its knowledge; Harlow (2008) <sup>[62]</sup> assess the level of tacit knowledge within company and its effect on company performance and Mckeen, Zack and Singh (2006) <sup>[63]</sup> conclude that KM practices are directly related to organizational performance that in turn are directly related to financial performance.

### Conclusion

KM practice is the basic variable in Km. The long term objectives set by strategic planning and the strategies to achieve the long term goals, with the ultimate objective of augmenting firm performance, cannot be achieved by the strategic planning alone. It needs to be complemented by people and knowledge. In this background of the connection of KM practices with that of the firm's performance, it is

observed that KM practices are those activities that can be observed and used in identifying parameters that can improve the efficiency of the organization, locate the existing knowledge within and outside the organization, match the knowledge to the parameters of improvement and to build a culture that encourage knowledge sharing <sup>[64]</sup>. Hence it can be boldly said that KM practices have a direct connectivity to the non-financial performance indicators of the organization that further influence the financial performance of the firm.

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