

KNOWLEDGE MANAGEMENT

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ABSTRACT

The emergence of the Information Age necessitates the need to manage the organisation's knowledge asset. The competitive advantage of the organisation depends on the quality of the organisation's knowledge asset and the successful exploitation of it. Knowledge management aims at leveraging this explicit and tacit knowledge asset to the collective benefit of the organisation by developing an infrastructure to facilitate knowledge processes. Elements such as company know-how, employee competence, the internal knowledge market and client perceptions guide knowledge management initiatives within organisations.

1. INTRODUCTION

The transformation from the Industrial to the Information Age implies a change in the rules governing business. It emphasizes the need to utilise the knowledge assets embedded in the employees of the organisation. Knowledge management is a business philosophy that entails the use and re-use of the intellectual assets created and developed in order to create economic value-added for the organisation through productivity enhancement, exploitation of current markets, or through the creation of new markets. This paper introduces the critical elements to consider in any knowledge management initiative.

2. THE KNOWLEDGE ASSET AND KNOWLEDGE MANAGEMENT

Formally defined, knowledge management is a discipline that promotes an integrated approach to the *identification, capturing, retrieval, sharing, and evaluation* of knowledge assets of an enterprise. This includes databases, documents, policies and procedures, as well as the uncaptured tacit expertise and experience resident in individual workers. It allows the organisation to continually update and renew organisation-specific information, which is then made available to the appropriate individuals within the organisation. The characteristics of knowledge unlike other resources are that it is:

- Infinite and expandable;
- Transportable at a dramatic speed;
- A substitute for land, labour, and capital ;
- Able to increase on sharing.

All of these make the knowledge asset unique and different from the other assets in the organisation. Leading organisations in the world are investing in ways to capture knowledge in such a way that it can be described, shared and exploited to become intellectual capital for the organisation.

3. BUSINESS DRIVERS THAT NECESSITATE KNOWLEDGE MANAGEMENT

As we leave the industrial era behind and move into the knowledge age the sources of wealth and competitive advantage of organisations are changing. The primary capital assets needed to create wealth are no longer land, physical labour, machine tools and factories but rather the “application of knowledge” [3]. The resource-based economy (agriculture, production, and mining) is still subject to the principle of diminishing returns, whereas those parts of the economy that are knowledge-based appear to lead to increasing returns. The development cost of knowledge-intensive goods, however, is heavily front-loaded, as the cost of creating the first product is disproportionately higher than the last. Consequently, no clear relationship exists between the cost of creating knowledge and the number of users that could receive value from it.

According to Bill Gates [1] a company should not take its position in the market for granted. This has always been true, but whereas the Industrial (resource-based) economy moved markets at a pace which was dictated by the ability to move physical assets, the knowledge age uses intangible assets to move markets, customers, competition and employees at the speed of thought [1]. This becomes *the* primary business driver, the ability to move at the speed of thought [1] in order to survive competition, attract new customers, retain old customers and create an environment for knowledge workers to add value.

4. KNOWLEDGE MANAGEMENT ELEMENTS

4.1. Elements

A knowledge management initiative needs to incorporate the different elements that influence the successful 'knowledge company' [4]. These aspects include the effectiveness of the *internal knowledge market*, the *competence of the people* complement, the quality of the company's knowledge stock or *know-how*, and the *customer's perception* of the company.

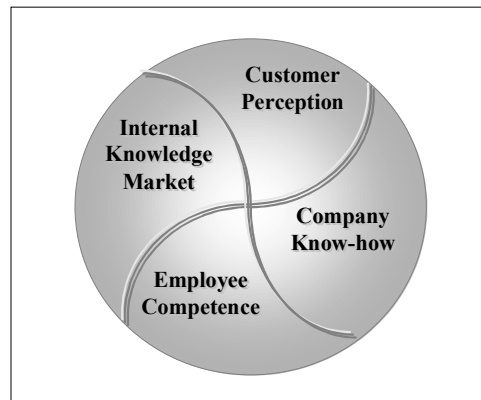


Figure 5 – Knowledge Management Elements

4.2. Internal Knowledge Market

Knowledge flows through the organisation and is regulated by the same principles as market forces. Markets for knowledge exist within the organisation because of the scarcity of the knowledge resource. Knowledge transfer occurs because participants (buyers, sellers, and brokers [2]) believe they will gain value from the transaction. The effectiveness of the knowledge market depends on the level of trust sustained in the organisation, the level of participation of top management, the amount of recognition the seller receives for sharing knowledge as well as the availability of technology infrastructure that connects knowledge demand and supply.

4.3. Company Know-How

Company know-how is defined as the company's intellectual property that represents explicit knowledge assets which can be legally protected by law, e.g. patents, trade marks, trade secrets, copyrights, and products or services. These knowledge assets need to be codified and leveraged to the benefit of the total organisation.

4.4. Employee Competence

The staff complement of a 'knowledge company' tends to be competent and highly educated. These employees want to grow in competence and prefer to gain experience while working in challenging environments. Employee competence is not owned by the organisation and companies need to retain key personnel by developing a culture that cultivates a bond of loyalty. [4]

4.5. Customer Perception

The company develops a reputation by addressing the needs of the customer adequately. This reputation depends on the customer perception of the company and on report of the company by the customer's network. This is an important factor to consider because the customer cannot always predict what the 'knowledge company' will deliver and must buy on reputation. [4]

5. CONCLUSION

Knowledge Management entails the ability to manage the intangible and tangible knowledge assets of the organisation. However, a knowledge management initiative needs to address a number of different aspects in order to be successful. The effectiveness of the *knowledge market* is highly dependent on the sharing culture of

the organisation and the availability of effective technology architecture. The wealth of the company's knowledge asset resides within the knowledge workers' tacit thoughts and experiences (*employee competence*) and cannot be owned by the company. Finally, the company's ability to leverage their intellectual property (*know-how*), value their customer base and manage their *impression on the market* are critical elements of the knowledge management challenge. The aim is to facilitate knowledge creation and retention in the organisation by developing a human knowledge network which is supported by the necessary information technology.

6. REFERENCES

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