ORGANIZATIONAL COMPETITIVENESS THROUGH STRATEGIC KNOWLEDGE MANAGEMENT

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Introduction

Changes in contemporary economics are marked by extreme intensity and can have significant influence on competition. Most recruits in traditional industries are required to undergo initial training, i.e. the employees must be taught how to perform routine functions of their respective jobs. Besides, with the advent of high technology, changes can occur so rapidly, that the employees will need to constantly acquire new knowledge and skills. Knowledge can change the nature of technology, economics and man themselves. Knowledge cannot be quantitatively assessed, but it can be estimated through the market value of the decisions based upon it. It is essential for every organization to unleash the creative potential of its staff by creating an appropriate environment for talent development. This is the idea behind the knowledge based economy that creates, gains, adapts and uses knowledge more effectively for greater economic and social development. Use of knowledge in organizations will be effective if it is subject to strategic planning and management.

Knowledge management is considered to be an exceptionally topical issue in the recent past. There is a search for new opportunities, that will provide organizational effectiveness, efficiency and economic prosperity. According to the analytical framework developed by the World Bank, “knowledge economy” consists of four main pillars, one of which being the “creative and well-trained human capital”. Knowledge and education are considered an asset capable of producing value and a business product bringing high profits to organisations.

Knowledge and education are unique, they are built up gradually with time and provide employees’ competitiveness and sustainability. The concept of knowledge management is introduced as a result of the necessity of identifying the needs for knowledge and is commonly applied in different areas. With the present economic situation, with the business still in crisis, particular attention should be drawn to the implementation of the employee potential. To be successful in the modern competitive market environment, contemporary organizations need to undertake strategic actions as regards the management of their employees’ knowledge and skills.

The present paper advances the author’s ambition to develop a strategic knowledge management model as a tool to help organizations achieve competitiveness and sustainability.
I. Strategic knowledge management – competitive advantage for organizations

Knowledge based economy gives prominence to the human factors and their improvement as a source of economic growth and competitiveness. The underlying particular reasons for the establishment of knowledge economy tend to be manifold and yet the key ones are the opportunity for sustainable development and economic growth of the organizations. Knowledge economy is a “new social arrangement or structure, a new world, a new system of relations, a different awareness, different principles of interaction”1. It is “the one through which the very creation, dissemination and practical application of knowledge becomes the main driving force for the growth, enhancement of human well-being and creation of employment”.2 E. Vachkova3 refers to knowledge-based economy as a new socio-economic environment, where communication technologies lead to global competition; investments are channeled directly to new concepts at the expense of new machinery and equipment, and the control over the integration of the intangible assets becomes an essential managerial competency. The use of inexhaustible resources, such as knowledge, provides great opportunity to search for ways of achieving sustainable mode of development, where the present pattern of production and consumption will not hinder the progress of the future generations.

According to M. Paunov,4 in economy, based primarily upon ideas and knowledge, and not on physical capital, time flies in a flash and there is a great possibility for achieving an immediate, almost lightning-quick success. What matters in today’s companies seems to be not only what we know, but also the way this knowledge is applied.

All the above stated beliefs held by various authors bring us to the conclusion that knowledge economy is a socio-economic environment where those who are employed are given the opportunity to think in a systematic and creative way, to share their knowledge and ideas, to manifest those qualities that make them distinct and unique.

Knowledge economy is widely regarded as a well-known concept, and knowledge management – as a critical factor for achieving sustainable competitive advantage. It “involves all methods, tools and means of promoting an integrated knowledge based processing environment in all areas and levels of the organization with the purpose of bringing about an improvement in organizational activities with special emphasis on value-creating business processes.”5 Rubeinstein6 refers to knowledge management

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2 www.bgrazvitiie.net/bg/ke/measure.php
as a conceptual framework to solve problems viewed in their entirety, while for Diakoulakis\(^7\) and other specialists in economics, knowledge management is gradually being transformed into a methodology, in order to provide support to the business, sustain competitiveness and growth. They consider it to be a tool that sets down a framework for predicting the unknown.

M. Zack\(^8\) observes that in order for the knowledge to be used as a strategic resource, each organization should identify sources of its competitive advantage. His formulation of strategic knowledge management can be seen as follows: if the application of specific knowledge is capable of creating or sustaining a strategic advantage by allowing the organization the opportunity for better formulation or achievement of its corporate strategy, then knowledge should be regarded as a strategic resource. If a situation is such that the organization financial capital is difficult to be predicted and managed, then the employees’ personal qualities and capabilities have a crucial role to play. That is, utmost importance should be given to their knowledge, ideas and talent. Further improvement of the efficient use of the company’s employees is a necessary condition for the goals to be reached, while conducting assessments not only of the current but also of the possible future state, ensures proper identification of the appropriate measures. This is to be achieved by conducting a thorough and consistent strategic research, process management and identifying possible strategic alternatives.

A closer examination of the above-stated short set of beliefs, expressed by various specialists as regards knowledge management, bring us to the conclusion that in fact they have quite similar views on the issue under discussion. Knowledge management is referred to as technology, a process or a range of processes involving similar stages as to the acquiring, structuring and systematizing, assessing and updating, managing and generating new knowledge.

We believe that it is more accurate and logically consistent if we view knowledge management as a system of elements and the corresponding cause-and-effect relationships among its components. At the input stage or what flows into the system are the company’s goals and at the output stage or what flows out of the system are the results. The main components of such a system are:

- the people, who are the carriers of knowledge, who gain the experience and develop new ideas;
- the processes, which are necessary for the creation, utilization and dissemination of knowledge;
- the technology, which is essential for employees to work fast and effectively and for the processes to run smoothly and efficiently.

People use and share their knowledge when communicating or socializing with their fellow workers. Through their joint efforts are created new ideas, decisions and products or innovations. After being implemented in practice the ideas, developed by


the people, have to undergo a process of assessment and improvement. The cyclic process of creation, dissemination and sharing of knowledge suggests that repeated use of knowledge leads to its enrichment. It is this enriched knowledge that allows for the company’s business processes to run more efficiently, thus, ensuring enhanced productivity and increased competitiveness.

All the processes and technologies used in today’s organizations are subject to knowledge. The mutual usage and dissemination of both personal and general organizational knowledge facilitate the development of new products and daring innovations.

The human capital has long been viewed only in social terms, and investments in education have been considered unproductive and expensive. In the second half of the XXth century thinking took on an entirely different character and the human capital was recognized as an asset, and investing in it was considered a strategic advantage. For these investments to be effective, account should be taken of some requirements as to those employed that are the very targets for the investments. The employees are required to:

- have the necessary basic employability skills and be able to build on those skills through the acquisition of new knowledge;
- be interested and strongly motivated in gaining new knowledge;
- be eager to put their newly-acquired knowledge into practice, communicating or implementing their ideas jointly with others.

The issue of knowledge management is becoming increasingly important and is to be seen as a primary consideration. More and more attention is being paid to the collective knowledge of the workforce, their creativity, effective problem solving skills in critical situations, leadership, entrepreneurial and managerial skills. To prevent disastrous and ineffective accumulation and usage of knowledge, organizations need to manage it properly. We think that knowledge management offers a possibility for overcoming the older methods, approaches and types of management. Action patterns that are still being debated and seen in perspective should be applied. The aim of these new models is achieving the desired results with minimal physical resources. This implies making maximum use of the creative potential of the work teams, working in a well-organized environment that fosters creativity, in an atmosphere of team cohesiveness and co-operation. If we adopt a conventional approach as to the provision and use of the employees’ knowledge, it will be difficult for us to predispose them to creativity. The conventional process of acquiring new knowledge is structured in such a way that the trainee has to gain or embrace the knowledge provided by the trainer. There is no opportunity for generating new ideas or encouraging creativity. Building up a working knowledge management model makes it possible for the companies to preserve the knowledge that is essential to every business, to obtain knowledge from the external environment and to apply it in the company itself, to offer their employees the chance to generate new knowledge and ideas and utilize them in the organization’s business processes.
I. A model of organizational strategic knowledge management

The organization’s human capital is a capital of high potential for organizational development in a competitive environment. The analysis of such an environment is primarily related to the requirements set by the knowledge economy and susceptible to adverse economic conditions. P. Shemetov\(^9\) refers to organizations as open systems that should be present in the marketplace only when they meet a certain need or demand of the external environment. To be in the marketplace, organizations struggle to conquer new markets and new clients. The market power of buyers is determined by their awareness. If they are not well aware of the product they want to buy, it is likely they switch to another seller. For the buyers to be well-informed, the providers of goods and services ought to possess the necessary knowledge and skills. Knowledge management is a continuous feedback process with the purpose of drawing up an action plan to help guide the implementation process, monitoring its accomplishment, examining the results and correcting or devising a corrective action plan, with a view to constantly improving the quality of the results. An effective process should focus on its participants and the relationships amongst them as an object of strategic planning and systematic analysis.

An outstanding distinctive feature of strategic planning is the long-term perspective. It typically involves identifying all the measures to be taken and making all the necessary arrangements as to the achievement of the desired future outcomes, by developing programs for implementation of the company’s specific objectives and general goals. We think that any further improvement of the knowledge management activities should rest upon the foundations of continuous employee training and development through strategic alternatives, on-the-job training, knowledge sharing, and innovative knowledge. Knowledge and training are unique and take time to build but they provide sustainability to all employees. A balance between supply and demand in the knowledge market, between business and educational institutions could be reached if there is a strategic business needs analysis made by well-educated and qualified personnel, allowing for universities to adapt their major courses and syllabuses as well. This implies developing a conceptual or principle model of knowledge management, making provisions for improvement and further development, so as to meet the specific needs of every organization. Development of such a model is likely to bring about substantial uniformity in the knowledge management process in modern organizations, to improve their sustainability and competitiveness through the utilization of the knowledge of all employees in the organization.

Methodology of knowledge management improvement activities is intended to monitor, research, analyze, evaluate, forecast and plan the qualitative parameters of the respective workforce. Nowadays, enhancing the quality of the human capital through knowledge management is a prerequisite for success. It typically involves identifying all the measures to be taken and making all the necessary arrangements as to the

fulfillment of the desired future outcomes, by developing programs for the realization of the company’s specific objectives and general goals. Taking concrete actions as to knowledge management is considered an objective necessity. It cannot and shouldn’t be an end in itself; it needs to be subject to a given model of management and appropriate strategy. Their proper selection is a key element of organizational management. To that effect, knowledge management strategy is an inseparable part of the personnel concept and the overall business strategy. “The aims characterize the desired state the organization strives to achieve.”

Proper goal setting is of extreme importance because it determines every further effort in identifying the organization’s strategic priorities and the ability to achieve its goals. To attain maximum degree of correspondence between the influence of the internal and external factors of the market environment and the new economy requirements for the development of a knowledge management strategy, the following conditions are absolutely essential:

Firstly, long-term threats and opportunities for development should be taken into account when drawing up a SWOT-analysis.

Secondly, the generative approach should be applied in developing knowledge management strategy – to boost competition among employees, with the purpose of searching for the best ideas and the most effective methods for reaching the goals that have been set.

Thirdly, encourage employees to implement their best ideas.

Strategic alternatives refer to the possibilities of choice. Every organization identifies its own strategic alternatives, aligned with its overall strategy. These alternatives, combined with a skillful encouragement and powerful motivation of all the staff, should be directed towards the development of both the organization and its employees. If the employees are aware of the options available to them, the more likely they will be to continue their training, to engage in creative activities and share their ideas. This is the only way to ensure achievement of the following results:

- optimal quality improvement of the human factor;
- ensuring competitive ability and sustainability of every employee;
- ensuring competitive ability and sustainability of the organization (see fig. 1).

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10 Ivanov, P. Planning, strategic planning, marketing planning. www.unwe.acad.bg
Contemporary organizations need to have employees that are motivated to undergo a course of training and to share their knowledge with the other members of the team; thus, an organization becomes a self-learning one. Modern organizations have new needs for enhancement of knowledge and required, therefore, are new forms in accordance with the specificities of each organization. Learning is a process of continually acquiring new knowledge and skills, addressing the needs for personal development and career advancement of the learners themselves. The process of on-the-job learning involves the cooperation of all employees in agreement with the requirements of market environment. Learning constantly, they respond to the changes in the external and internal environment. Organizations, based on knowledge, create their own sustainable competitive advantage through constant training – individual and collective. In organizations with a well-developed knowledge management system, the very process of employee training implies also training of the organization itself. Knowledge sharing is associated with cognitive, social, cultural and organizational aspects of dealing with information and knowledge. Organizations strive to facilitate knowledge sharing through connecting people and encouraging communication. Innovative knowledge is knowledge, grounded on new ideas, processes, services and practices, within reach of science and technology. The final outcome of the process of implementation of innovative knowledge is the creation of a new product, service, process or form of organization.

We believe, the proposed strategic alternatives may open substantial opportunity for improvement in knowledge management and the positive effects will manifest themselves in the following directions:
provisions will be made for clear indication of enhancing the quality of organization’s employees, and hence raising the quality of services provided;

organization’s managers will be aware of the necessity of investments in training and knowledge management;

planned strategic investments in knowledge are likely to be viewed as a future basis for increase in competitiveness and sustainability of the organization;

the need for closer co-operation between practice and educational establishments will be unconditionally recognized.

Knowledge management is one of the key concepts in management, related to business. Nevertheless, a false idea of such a management is developed frequently in organizations, which is grounded on the basis of tools for management, used at a certain point in time. In some organizations, the creation of knowledge management system is believed to be subject to the creation of a document management system and usage of information via intranet and other sources, and yet these are only tools and their usage is not actually real knowledge management. On the other hand, false ideas may develop in the company as to the essence of knowledge management or what it is about, if the management focuses only on the work in relation to staff training. Strategic knowledge management ensures an environment in which people will be motivated to create, to study, to share and use knowledge together for the benefit of the organization the people work for.

The model we put forward outlines the method of selecting knowledge management strategy as well as the way of improving the relevant activities (see fig. 2).

The knowledge management model, we offer for consideration, goes through a number of stages:

Firstly. Establishing organizational vision, mission and strategy is a key element of management – at this level the strategic goals the organization wants to achieve are identified. If the organizational vision and mission are not clearly defined, then the proper application of the strategy itself is rendered impossible. Therefore, there should be a good correspondence not only between the company’s vision and its overall strategy, but also between the vision and knowledge management strategy. Attainment of such a correspondence is of utmost importance.

Secondly. Knowledge management strategy encompasses those areas, where strategic decisions are made in relation to personnel training and knowledge. Modern theory considers knowledge management both as part of the company’s overall strategy and of the human capital management strategy as well. The key knowledge management strategic objective is the development and improvement of the human resources as a core factor that determines the growth and competitiveness of every organization. As such, knowledge management is an inseparable part of the personnel concept and the overall strategy of the company. If we want to achieve an effective investment process in knowledge, then the organization should be strategically managed.

Thirdly. Strategic alternatives refer to the opportunities for choices available in the company. The area of knowledge management abounds in such alternatives, and yet, we believe that those, included in the model proposed, are the key ones for the management activity of the current state of development. Every organization needs to
Fig. 2. Organizational strategic knowledge management model
identify them according to its strategy. Modern organizations have to ensure an environment in which every employee will be motivated to create, to study, to share and use knowledge collectively or together with the other members of the team. On-the-job training process is possible through the employee interaction with the market environment requirements.

Fourthly. Under the new economic conditions, quality enhancement of the human capital is a definitive indicator for success and therefore, investment in knowledge should be the object of a long-term planning. Evaluation and analysis of the implementation of knowledge management activities forwards the findings obtained towards further corrective activities. They are considered necessary if the goals set are not reached and the selected strategic alternatives prove to be inappropriate, and the results of the evaluation found to be unsatisfactory. The findings then have to be sent back to the very beginning of the system so as to assess both the company overall strategy and knowledge management strategy as well. In case of a negative assessment, new goals have to be set, requiring new strategic alternatives to be considered in compliance with them and development of a new overall strategy. Provision of a feedback mechanism is compulsory; it is one of the conditions to be met in order to implement the overall strategy. In practice, however, organizations don’t tend to do a thorough investigation into whether the strategy is successfully implemented, nor tend to make analysis of the activities and tasks stipulated or provided in it. As a result, there is no feedback, no return of information as regards the effectiveness of the strategy.

Fifthly. The improvement in knowledge management activities rests upon the awareness, not only of managers but also of all those employed in the organization, regarding the changes in the economic environment, allowing them to make decisions in critical situations, to consider management from strategic point of view, to explore all the necessary activities and responsibilities as to knowledge in a complete whole.

Devising a knowledge management model is a constant process susceptible to the internal and external environment. The dynamics of economic and organizational development in particular, implies constant investigation and analysis of the development and identification of new, more recent strategic alternatives.

In conclusion, the following inferences could be drawn:
1. Knowledge management is a key element of the activities and management of every organization.
2. Through the construction of a knowledge management model, provisions will be made for clear indication of enhancing the quality of the organization’s employees, and hence raising the quality of the goods and services provided.
3. Managers will be well-aware of the necessity of investments in training and knowledge management. Planned strategic investments in knowledge could be viewed as a future basis for increase in competitiveness and sustainability of the organization.
4. The need for closer co-operation between practice and educational establishments will be absolutely recognized.
5. The organizational knowledge management model we put forward is viewed as a set of elements and the corresponding cause-and-effect relationships among the components.
6. The knowledge management model we propose is applicable to companies in a wide range of sectors, in accordance with their specificities – style of management, level of organizational culture, level of accumulated knowledge, and others.

7. The model we put forward is a principle one, which presupposes that through certain re-arrangement of some elements, it could be appropriate for other strategic activities, apart from knowledge management.

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Abstracts

With the advent of high technology, changes in the contemporary business environment are so fast that the employed need an unceasing acquisition of new knowledge and skills. Strategic thought regards knowledge as a major resource and managers realize that in order for them to be competitive on the contemporary market it is necessary that they manage their intellectual resources. The strategic management of the knowledge, abilities and ideas of the employed provides organizations with competitive advantage on the market.

The aim of the author in the present article is the development of a model for strategic knowledge management in order to achieve competitiveness and stability of organizations.

Keywords: knowledge management, stability, competitiveness.