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## KNOWLEDGE MANAGEMENT AND THE IMPORTANCE OF KNOWLEDGE MANAGEMENT FOR THE ORGANIZATION'S PERFORMANCE

### Abstract

*In the modern world, it is increasingly moving from the classic way of managing people, natural and material resources to the knowledge management process. Knowledge Management (Knowledge Management or KM for Knowledge) is a system that helps us understand how and why something happened in a particular organization or enterprise. In the business world, this process is also called "corporate memory". Knowledge in this context is seen as an organization's ability to function effectively. Knowledge management is a name that indicates a process in which an organization, collectively, intentionally and systematically collects, organizes, exchanges, shares and analyzes its own resources in terms of resources, documents, knowledge and skills of its associates. At the beginning of 1998, technological advances made it possible to eliminate the deficiency observed across business sectors: companies did not systematically manage the knowledge they gained in their work. If an employee leaves the company, there was an irrecoverable loss of knowledge, and the whole process of training, acquisition of knowledge and development of the methodology had to be repeated. Only a decade later, things have changed and many organizations have developed knowledge management systems. This concept attracted the attention to NGOs because many of them generate knowledge, on the one hand, and face rapid changes of associates on the other. Knowledge management implies the ability to organize data (mining data), as well as some ways in which the searched data will "push" the target users, because the very existence of resources is not enough incentive for adult learning. Dealing with the knowledge component within business activities as explicitly expressed and integrated into all aspects of strategy work, through policy to practice at all levels in the organization.*

**Key words:** Knowledge, Management, Decisions, Strategy, Organization

**JEL classification:** L29, M11, O39.

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## УПРАВЉАЊЕ ЗНАЊЕМ И ЗНАЧАЈ УПРАВЉАЊЕ ЗНАЊЕМ ЗА ПЕРФОРМАНСЕ ОРГАНИЗАЦИЈЕ

### Апстракт

*У савременом свету све више се прелази са класичног начина управљања људима, природним и материјалним ресурсима на процес управљање знањем. Управљање знањем (Кноџледџ Манаџмент или КМ за зналице) је систем који нам помаже да схватимо како се и зашто се нешто десило у одређеној организацији или предузећу. У пословном свету, овај процес се назива и „корпоративном меморијом”. Знање се, у овом контексту, види као способност организације да ефикасно делује. Управљање знањем је назив којим се означава процес у коме нека организација свесно, намерно и систематично прикупља, организује, размењује, дели и анализира сопствена знања у смислу ресурса, докумената, знања и вештина својих сарадника. Почетком 1998. године, технолошки напредак је омогућио да се отклони недостатак који је примећен широм бизнис сектора: компаније нису на систематичан начин управљале знањем стеченим у свом раду. Када би неки службеник одлазио из компаније, долазило је до ненадокнадивог губитка знања и цео процес обуке, стицања знања и развоја методологије морао би сваки пут да се понавља. Само десетак година касније, ствари су се промениле и многе организације имају развијене системе за управљање знањем. Овај је концепт привукао велику пажњу невладиних организација зато што многе од њих генеришу знање, с једне стране и суочавају се са брзим променама сарадника, са друге стране. Управљање знањем подразумева способност организованог претраживања (дата мининг) података, као и неки начин на који ће се архивирани подаци „погурати” до циљаних корисника, јер само постојање ресурса није довољно подстицајно за учење одраслих. Бављење компонентом знања у оквиру пословних активности као експлиците израженом и интегрисаном у све аспекте рада од стратегије, преко политика до праксе на свим нивоима у организацији*

**Кључне речи:** *Управљање, знање, одлуке, организација, стратегије*

### Knowledge as a synthesis of information

Globalization of the market emphasizes knowledge as the basic value of successful companies. Quality management of knowledge hidden in the company therefore becomes the imperative of successful business. Estimates say that most of the company's knowledge is hidden. In such a situation, it is no surprise that more and more efforts are invested in an attempt to turn knowledge into a concrete fact that can help create new values of this capital. New ways of doing business, first of all business on the Internet, significantly redefine the working hours. Business 24/7/365 requires that corporate knowledge has to be a dynamic resource and it will be continuously used for the purpose of doing business as high as possible.

What is knowledge? Knowledge can be defined as a synthesis of information, professional and research knowledge and experiences that have practical value. Knowledge has two basic components: data and information. The data is actually unstructured records that do not have any value for themselves. For example, a list of

orders for ordering time is a set of data. By analyzing the data, we obtain information, or knowledge that can lead us to activity. If we analyze data onto the above example, we can find out at what time the highest order is made; information that can be used to improve the business. Information can be generated from categorization, account, correction, and compression.

As already mentioned, knowledge management is a consequence of the increasing demands of global business. Also, the lack of knowledge where needed, as well as the dispersion of knowledge within different parts of the company, has led to thinking about the most effective way to manage organizational knowledge.

At company level, we can develop two types of knowledge. Employees have personal knowledge, and they are neither recorded nor categorized. The recorded knowledge (instructions, procedures) is called codified knowledge. A large number of knowledge management companies have shrunk to several basic categories, such as:

*Increasing productivity* - Using knowledge to define best business practices, as well as avoiding ineffective activities in order to quickly solve innovation problems and finding new ideas that directly improve productivity, as well as the company's position on the market.

*The speed of responding to the problems and demands of customers* - It is first of all about the availability of knowledge where it is needed. Modern communication technologies have revolutionized the rapid distribution of knowledge regardless of geographical distance.

*Additional education* - Easy distribution of knowledge over the Internet allows everyday work on the education of employees (distance learning), which will put their knowledge into the knowledge management process at the company level.

*Acquiring new knowledge* - In order to maintain competitiveness and respond to the demands of modern business, companies continuously increase the quality of corporate knowledge. Employee education is a classic, but not the only solution. Namely, many downloads are carried out with the intention of acquiring the knowledge and technologies of other companies. Another, very popular way in the world, is the use of consulting services for companies whose only job is to collect and rent knowledge about various economic branches. Consulting services are used as a rule in key moments of performing a project, when short-term but concise experiences of others are needed.

Knowledge can be enhanced by organized communication (merging) of people with different profiles and intersections. Their joint engagement on a project can generate many quality ideas, which would otherwise not be possible. Adaptation to trends, new technologies and market and competition requirements, also inevitably, means acquiring new knowledge. In such a process, those employees that are willing to change and accept new knowledge and experiences are crucial.

Modern communication technologies (Internet) have led to the creation of the so-called „networking knowledge. It is a process of knowledge distribution of employees, teams, development groups, where intensive communication extends existing knowledge, but also creates new ideas. Finally, research into new technologies is one of the main methods of acquiring new corporate knowledge. In this, large world companies have even overgrown universities and become scientific institutions, as they invest in research and development (R & D) up to 25percent of annual revenues. Knowledge management is not an easy job, but it is inevitable if you want a successful business. Good use of

corporate knowledge, its location and systematization can be crucial for generating new ideas and for a complicated process of transforming knowledge into better sales, higher profits or better placement on the market.

## Types and sources of knowledge

There are numerous attempts to systematize knowledge, but for the needs of management, the most important ones are classifications that contribute to the development of knowledge management areas, that is, those that are significant from the aspect of business operations and functioning of the company.

One of the basic divisions contains five types of knowledge (Zack 1999):

- declarative - to know something about someone or something, (know-what)
- procedurally - to know how (know-how)
- causally - know why (know-why)
- conditionally - to know when (know-when)
- relational - know who / what with who / what (know-who, know-where)

These types of knowledge can be understood as key components of knowledge, which is significant from the aspect of development of managerial competences.

Knowledge can be divided individually and collectively. Individual knowledge includes the knowledge of individuals and it can be general and specific. General knowledge refers to the knowledge of some areas that are in principle the subject of the interest of the wider population and as such is available to everyone and is generally acquired during the primary education process.

Special knowledge refers to the knowledge of some narrow areas of interest and, unlike general knowledge; it is not available to everyone, but the conditionally stated privilege of those with higher educational levels. Collective knowledge is the knowledge that an organizational unit possesses.

An organization understood as a set of individuals leads to the conclusion that collective knowledge is equal to the cumulative knowledge of the individuals constituting the given organization.

However, collective knowledge of insensitivity and synergetic component, which implies that two individuals, in addition to their own knowledge, if they cooperate, create additional knowledge that is the result of a congratulatory process and relates to the improvement of knowledge. For organizations it is very important that they have employees with a wider scale of knowledge, that is, a larger number of individuals who are experts in some specific fields.

The most important division of knowledge from the aspect of knowledge management strategies is the one that distinguishes between implicit (tacit) and explicit (knowledge). Explicit Knowledge is the knowledge that can be expressed in the formal language and exchanged between individuals, and implicit knowledge is personal knowledge embodied in individual experience and involves intangible factors such as personal beliefs, perspectives and values. (Murray 2000).

For organizations, there is a much greater problem of managing implicit than explicit knowledge. The reason is more than simple, and lies in the fact that implicit

knowledge is not written anywhere and is an immanent part of every person who owns it. It is conveyed by speech, mutual discussions, open suggestions, and for its transfer, they will transfer it to the others if necessary. This fact raises the issue of managing implicit knowledge in cases of employee fluctuation or retirement. In these cases, the workers carry with them a part of the knowledge they acquired in the given organization, which belongs to the organization because it invested the resources and the time it was created, which it should remain after their departure, but is by its nature invisible.

From the point of view of administering implicit knowledge, it is far less a problem for organizations to retire the workers than to transfer workers to another organization, which in turn gives the implicit knowledge of newly recruited workers without any investment. The solution of the problem lies in the codification of implicit knowledge, which represents its transition to an explicit form. Implicit knowledge using appropriate symbols (depending on the type of media) goes into explicit knowledge.

In order to successfully implement a knowledge management program in one organization, it is necessary to identify all the knowledge sources that one organization has at its disposal. Generally speaking, two sources of knowledge can be identified: internal and external sources.

Internal knowledge sources are in the “heads” of the employees of the organizations members and are characterized by the behavior of employees, procedures, software and equipment. Internal knowledge sources can be recorded in different documents or stored in database.

External sources of knowledge of general importance include publications, universities, and government agencies, consulting firms, professional associations, personal relations, suppliers, knowledge brokers and strategic alliances (Zack 1999).

In terms of company orientation in relation to knowledge sources, there are three options available. The first refers to enterprises that exclusively generate knowledge from their own sources. Although it is difficult to believe that in the present environment conditions such enterprises exist, the prevailing internal orientation can significantly jeopardize the competitive position of the company, because the trends in science are based on multidisciplinary orientation, and it is difficult to believe that an enterprise, regardless of size, can cover all fields of science. The second option refers to those companies that are oriented only to external knowledge sources. And this extreme attitude of the company towards knowledge can eventually cause instability in the company’s business, because the external sources of knowledge are free or very cheap, and at the same time they are accessible to all. A company that relies solely on external sources of knowledge can lose essential competence over time, and therefore the basis for a race with its competitors. In the end, the best option is to fine-tune the use of knowledge from internal and external sources. This combination eliminates the disadvantages of orientation only to internal or external sources of knowledge. An interesting option for acquiring new knowledge from external sources is strategic alliances. Although they are mostly formed on a project-based principle and with a time-limited duration, alliances offer enormous potential for acquiring new knowledge. All-participating companies use their own previous experience in working together and thus, deepen the knowledge boundaries. How well they can be good, alliances for individual companies that constitute it represent a permanent danger in the sense that alliances are used as perfidious spyware by partners. It is therefore necessary

to precisely define all the activities and areas that the Alliance should cover, thus protecting the vital knowledge of one's own organization.

At first glance it is hard to believe but consumers and suppliers can be a significant and almost free source of knowledge. Although, in this case it is primarily in relation about ideas and information not about knowledge in some of the recognized forms, and the importance of these sources should not be underestimated. The active participation of the mentioned stakeholders can bring the company to the market and the vibrations that come from it. In order to exploit the potentials of customers and consumers, it is necessary to establish close contact with them both through the Internet (various online forums, discussions, mail), and face-to-face (the use of sales operations as the main recipient and various forms and techniques for collecting opinions).

### **The importance of knowledge management for the organization's performance**

Managing knowledge and developing managerial competencies should enable better execution and implementation of the process. All the processes within the organization can be reduced to three basic processes: processes of effectiveness, efficiency and innovation.

### **Significance of knowledge management from the aspect of effectiveness**

Effectiveness involves performing the most desirable processes and making the most feasible decisions. Knowledge management can help the organization become more effective by helping them to choose and implement the most appropriate decisions. Knowledge management enables members of the organization to collect information necessary for monitoring external events. This results in fewer surprises for the organization's leaders and, consequently, reduces the need for modifying plans. Otherwise, poor knowledge management can result in organizational errors that are reflected in repetition of the same problems or their poor prediction, even when they are obvious (Bacera-Fernandez and Gonzales 2004).

Knowledge management enables the organization to rapidly adapt its processes in line with current opportunities, which is especially evident in times of frequent and dynamic changes. At the same time, knowledge management organizations may have significant problems in maintaining the effectiveness process in case employees leave the organization (voluntarily or forcefully) or when admitting new members.

In the first case, the workers “relate” with their own knowledge and knowledge acquired in the organization in the process of organizational learning. Such knowledge can often be an integral part of essential competence. The loss of such knowledge erodes the competitive advantage. In the second case, the knowledge of newcomers may be incompatible with the knowledge that an organization needs, which may also have a bad effect on organizational performance, whereby knowledge includes routines, procedures,

processes, customs, rituals and the like. However, it should be aware of the fact that newcomers can bring improved organizational knowledge in all its elements, as well as experience and knowledge from previous jobs.

### **Significance of knowledge management from the aspect of efficiency**

Effective knowledge management can provide organization with greater productivity and efficiency. Cases that confirm this are many. It is interesting to give an example of Toyota that, thanks to the network of knowledge sharing within the company, has provided a competitive advantage over other car manufacturers for years, primarily in productivity, and then in the speed of development of the new vehicle model. Toyota has managed to solve three basic dilemmas concerning the sharing of knowledge, referring to the following (Bacera-Fernandez and Gonzales 2004):

1. motivate members to participate and openly share useful knowledge (at the same time preventing them from being reared by the competition),
2. Prevent free riders (individuals who learn from others, but do not help others to learn) and
3. Reduce the costs associated with seeking and accessing different types of valuable knowledge.

The last stated can be in contradiction with one of the basic principles of knowledge management, which reads - knowledge management is expensive, but this is not so important given the benefits it brings. However, Toyota's idea is quite different and emphasizes the view that some types of knowledge, although they have some theoretical value for the organization, can be imaginary because this knowledge for the given organization is not appropriate, and in this regard, it must be taken into account that it is managed knowledge that is really necessary for the organization.

### **The importance of knowledge management from the aspect of innovation**

Organizations that manage knowledge and have developed a knowledge sharing system can expect their employees to generate new innovative solutions to solve problems, as well as the development of more innovative organizational processes. Knowledge management can provide more productive brainstorming and thus improve the process of innovation in an organization.

### **Benefits from knowledge management**

Benefits from the concept of knowledge management and the development of managerial competencies are numerous, but the biggest problem is the quantification of all the benefits that are conditioned by the application of the concept. This problem

is further aggravated by the fact that there are both direct and indirect benefits and it is therefore common to use the knowledge management skills in a descriptive way.

Practitioners and theorists in the field of knowledge management have tried to quantify the contribution of knowledge management to the business results of the company through ROI (return on investment) investment coefficient in the knowledge management program, but some consistent model has not yet been found so that the obtained results are mainly based on a lower or higher probability of accuracy.

In general, knowledge management leads to a reduction in errors and redundancy, faster problem resolution, better decision-making, reduction in research and development costs, increased employee autonomy, improved relationships with employees and the improvement of products and services (Stuart 1996)

In the era of enterprise knowledge, the competitive advantage is based on knowledge and exploitation of the chances for which exploitation knowledge is necessary. The emphasis is on knowledge as a resource and it needs companies to provide:

- Innovating through the encouragement of free expression of ideas,
- Improving the services provided to consumers,
- Increasing revenue through better placement of products and services on the market,
- Reducing worker fluctuations through recognizing the value of employees' knowledge and rewarding them for activities related to knowledge management,
- Improve work operations and reduce costs by eliminating redundancy or unwanted processes (Santosus and Surmacz 2001).

## **Our position in knowledge management**

Do we have ground at all or have we fallen into the bottom without a bottom already?

If someone thought that the victory of Spartacus would disappear slave and society and a new one would arise, in the mistaken e-period in the rule of human society, it cannot be skipped it. Human development is a long way that can only be accelerated by education. Changes in the minds disappear much slower, as the management guru says, Peter Draker “changes can be managed, but they have to be settled”. This is just the education of the change bearers. Who are the bearers of change today, or where are we today in relation to the developed world? Do we have to “come” to this world or from this point we can connect to it?

## **Conclusion**

What we can take as a result of the Western experience is that the carriers of change to industrial society are manipulators. They are those who are in the state to capture the existing technology and use the resources in the best way. Their work increases productivity. But we can see new tendencies in modern business that are reflected in the education of LIDER, but not the leader in the sense of the leader, the man who shares



on behalf of all, whose motto is “Company, it’s me” (Napoleon’s paraphrase: “The state, it’s me “), More leaders as trainers, teachers, consultants, people who can bring all the creative potentials of their employees, his motto is „Company, that’s us “.

And as we can see, the disease has taken waves at all levels. The living in some kind of irregularity we have developed our distorted system values, distorted the image of a society in which the gray economy runs (there are jokes here that people on average earn 100 euros a month, and spend 300), where the most important struggle for power, political and family ties a ticket for socializing on the social scale, the fight against corruption has not been a memorial until recently, and now it’s just from work. As a result, academic citizens do not see their future in this country. When we take all this into account, we find ourselves facing a big problem.

We are afraid that, as the problem of the gap with the industrial society is solved by buying Western technology, today we do not think that we will overcome the purchase of information technology. We have to change and change the philosophy of life-business.

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