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Knowledge And Knowledge Management As A Competitive Advantage

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Abstract

In the modern business environment with high turbulence and complexity, an organization's force to create and sustain competitive advantage lies in what it knows, not what it owns. Establishment of a knowledge management in organization will ensure sustainable competitive advantage because the intellectual capital has become the primary bases of core competencies and the key to superior performance.

The transition from industrial to knowledge society, effective use of knowledge is one of the deciding factors in the struggle for competitiveness because it will ensure the rationality, efficiency and flexibility in operations, and only through the realization of those graphics company can gain a competitive advantage on the market.

Key words

Knowledge management, competitive advantage, graphic companies



“An organization's ability to learn, and translate that learning into action rapidly, is the ultimate competitive advantage.”

Jack Welch

“The only enduring source of competitive advantage is an organization's relative ability to learn faster than its competition.”

Arie de Geus

1. Introduction

Today's modern business environment is turbulent, unstable and complex with a daily changes.

The large number of factors with frequent changes has influence to business processes and strength and consequences of those factors are heavily predictable for the companies. The complexity and dynamics within the company are also high and from the company requires high flexibility as well.

Competition on the graphic market is also high and companies have to be prepared for a relentless fight to achieve and maintain a competitive advantage, and the strongest weapon in this battle is knowledge management which represents intellectual capital of the company (Prahalad, Hamel, 1990; Grant, 1996; Leonard-Barton, 1995; Nonaka, Takeuchi, 1995).

But what exactly the competitive advantage is? The competitive advantage is a deciding factor in the strategic actions of the company and its possessing is a basis for distinguishing successful from unsuccessful companies.

It's important to mention that competitive advantage can be sustained only if capabilities creating the advantage are supported by resources that are not easily duplicated by competitors (Hart, 1995). A knowledge is just one of those resources because the competitive advantage based on knowledge is to do right things (be effective), but also to do the right things on the right way (be efficient).

Because the competitive advantage is increasingly found in knowing how to do things, rather than in having special access to resources and markets, knowledge and intellectual capital have become both the primary bases of core competencies and the key to superior performance (Lubit, 2001).

Each strategy is based on a building and maintaining a competitive advantage that can be determined only in relation to the competition. This is particularly pronounced in recent years with lifetime of the product reducing which caused the need to develop specific knowledge and skills which can enable the permanent competitive advantage to companies.

The factors of competitive advantage have to identify and focus all companies' resources to them, and this is possible only by the knowledge which placed itself on the position of the main factor of competitive advantage that a company has.

Although as a factor of competitive advantage can be defined any element in which we are superior to the market competition, Figure 1 shows the twelve fundamental factors of competitive advantage to which the knowledge is the backbone.

2. Knowledge And Knowledge Management

In the company knowledge including know-how skills, mental models, ways of approaching problems and organizational routines (Lubit, 2001).

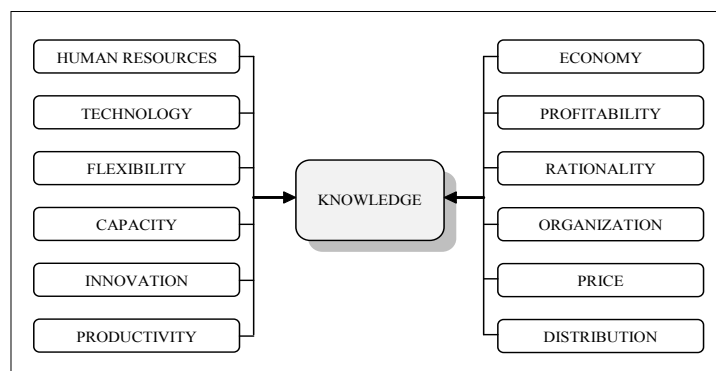


Figure 1. The factors of a competitive advantage

- Furthermore, knowledge could be described as the intellectual capital which is made of trinity of human, structural and consumer capital:
 - human capital represents the skills, knowledge, skills and experience of employees and managers, the dynamic effect of intelligent organization
 - structural capital supports the infrastructure of human capital which includes information, technology systems, corporate image, proprietary databases, organizational concepts, documents, patents, licenses and copyrights
 - consumer capital makes the interaction between the company and its clients
- markets are more competitive and speed of emergence of innovation is constantly growing
 - reduction of the employees generate needs for synergic effects of the informal formal knowledge as well
 - pressures of the competitive reduce labor force which holds valuable business knowledge
 - value of the time devoted to the experience and knowledge adoption is reduced
 - changes in strategy may result in the loss of knowledge in a particular segment
 - most of the works are based on the information
 - organization compete on the basis of knowledge
 - products and services are increasingly complex, enriched with a significant IT component
 - need for permanent learning is an inevitable reality

In a company knowledge is managed by knowledge management which appropriately identifies, collects, creates, processes, adapts, represents and distributes all the knowledge and skills that company has either from the external sources or business experience as well, and also transmits and organizational culture and motivation of employees.

Knowledge management's effects on organizational competitive advantage is the resource-based of the firm which links the competitive advantage of organizations with resources and capabilities that are firm-specific, and difficult to imitate or substitute (*Chuang, 2004*).

About the knowledge management and its importance in achieving competitive advantage a number of theorists of organization and management was writing, especially Drucker during the sixties of the 20th century, but knowledge management actually began to intensively develop during the eighties of the 20th century (*Baker, 1993*).

Knowledge management has a base in business administration, information systems and company's management, and all its forces focused on permanent improvement in knowledge and use of them in business in order to achieve competitiveness.

Why is the company's interest to implement knowledge management (*Macintosh, 1998*)?

In order to successfully implement knowledge management in a company there must be an appropriate organizational culture that includes the following characteristics (*Skyrme, 1999*):

- top management has to see that the knowledge is the main asset of the company and also has to start initiatives and support for the processes of knowledge management
- the organization has to be focused on the development and exploitation of the own knowledge
- techniques and processes of the knowledge management have to be clearly defined
- creating, sharing and use of the knowledge management has to be a natural part of organizational processes and an integral part of everyday work processes
- there has to be cooperation, not competition of the groups within the organization

- knowledge has to be accessible to anyone who can contribute to them or use them
- there has to be good communication channels and technological infrastructure that allows knowledge management activities

World business trends indicate the need to invest in intellectual capital most financial resources and human effort, primarily starting within the management of all levels. The knowledge in a company is managed from the top management across the all hierarchical levels, and information about available and applied knowledge coming from the bottom of the organization and traveling to the top management.

And just the human capital is a driving force of nay production-services market oriented company.

Once the growth of graphic production has been based on the exhaustion of the limited production resources, but today the major inexhaustible resource is knowledge.

This business settings move the factors of development of graphic sectors aside immaterial vs. material, and knowledge becomes the base-men for building a competitive advantage and leadership position in a graphic industry.

3. Case study

In this paper will be described short research of understanding role of knowledge and knowledge management as a competitive advantage in Croatian graphic companies.

Moreover the results of research will be presented below. The research was conducted on defined sample of 150 small, medium and large companies by the KPMG concept.

The main aim was research attitude about the knowledge, values of the knowledge and investment in it in Croatian graphic companies.

The research has been conducted in a period from February to March 2009. The data was collected by e-mails.

A majority of the respondents belong to middle and upper management, who tend to be closely involved in knowledge management and decision making.

The final sample included 77 questionnaires. The questionnaire return rate was 51,33 %.

Results analysis shows follow findings:

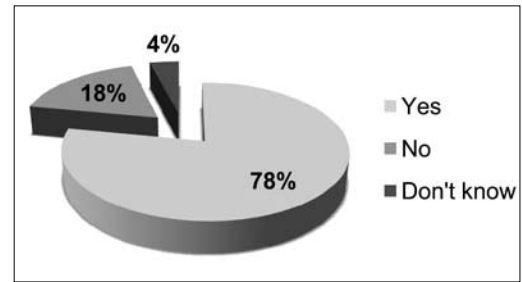


Figure 3. Does your company recognize knowledge as a strategic advantage?

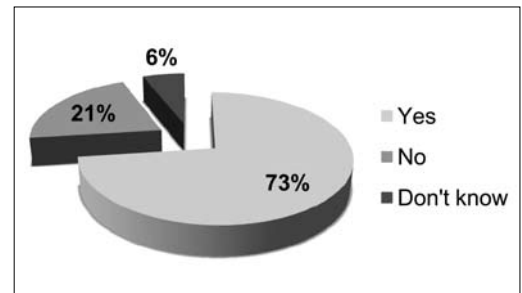


Figure 4. Do you consider that your company missing business opportunities due to inadequate use of existing knowledge?

Although it's evident that 78% of companies in the sample identifies knowledge as a competitive advantage (see Fig. 3), even 73% of companies considered that missing business opportunities due to inadequate use of the knowledge (see Fig. 4).

This may indicate to the failure of management, and the reasons why there is no distribution of knowledge can be (O'Dell, Grayson, 1998):

- **IGNORING.** The authors believe that one who has knowledge in the company does not understand that someone else can consider useful, while on the other hand, someone who

can benefit from the knowledge may not know that someone in a company already owns it.

- **ABSENCE OF ABSORPTIVE CAPACITY.** Often, employees are spending time, money and resources looking for information that they need, but in fact it already owned.
- **ABSENCE OF RELATIONSHIPS BETWEEN EMPLOYEES.** People often absorb knowledge from people they know, so if the employees, especially managers do not know enough, chances are small that their knowledge and experience will incorporate into the business and company.
- **ABSENCE OF MOTIVATION.** People often do not see a clear business reasons why would tend to transfer of knowledge.

Moreover, the success of businesses in the 21st century depends on the quality of knowledge that companies apply in the key activities which put in front of the company another request, which is constantly investing in the development of knowledge, basing it on the competitors, customers, employees and workplaces, and global imperatives (Macintosh, 1998).

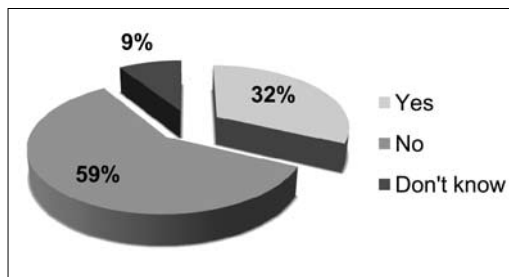


Figure 5. Do you consider that your company invests sufficiently tangible and intangible assets in the development of knowledge?

From figure 5 is visible that 59% of companies in the sample consider that their company does not invest enough in tangible and intangible assets and the development of knowledge in the company because the management does not recognize the importance of knowledge management, and companies which invest in knowledge management and knowledge management programs often insufficiently educate

all employees, so implemented programs are insufficiently utilized or users are loaded of the vast amount of unnecessary information.

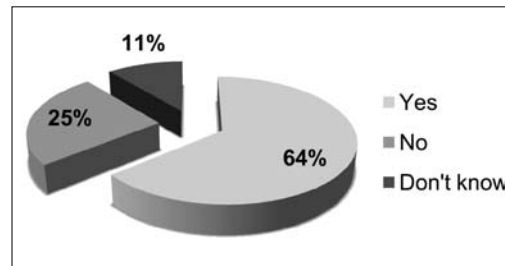


Figure 6. Do you consider that your company would increase the level of useful knowledge and application of them if would cooperate with universities and institutes?

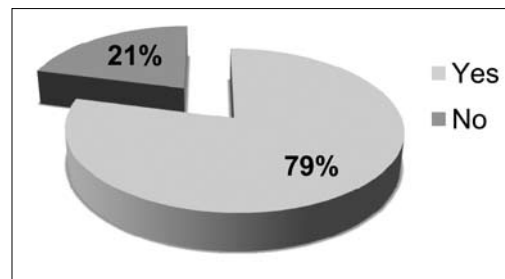


Figure 7. Do you know how your company could improve cooperation with universities and institutes?

Although world business practice encourages cooperation of economy and science, the results of research is indicative that a graphic companies in Croatia recognize knowledge as the main competitive advantage to which is given not enough attention and financial assets.

It is also necessary to increase the level of knowledge and applicable skills which is achievable through the collaboration with science, but they do not know the way to make it because there's no initiative from the management due to ignorance as well as concrete cooperation.

Knowledge management is a cross-functional and multifaceted discipline. To be successful in a company one should have a good understanding of the various practices that make up knowledge management and how they interrelate; a holistic view is very important and the following guidelines should be used when establishing

a knowledge management program (Ndlela, du Toit, 2001):

- ensure a strong link to the business imperative
- use the business vision
- assign a knowledge leader
- cultivate a knowledge creating and sharing culture
- encourage continuous learning
- there must be a well-developed technology infrastructure
- develop systematic enterprise knowledge process

4. Conclusion

Modern graphic technology and knowledge make synergic force in the development and innovation of new products that must have added value to the customer, but also for the company

Daily progress in the development of electronics and information systems which are must have of the modern graphic business provide access to knowledge from external sources, embedding and storage already acquired knowledge, and understanding of business processes, products and services in the form of a databases, transfer of them through the whole structure of the organization, and benchmarking as an excellent tool for comparison and evaluation of benefits derived from knowledge.

Graphic employees are key of success and it is therefore necessary to invest in their education, and companies which are recognizing it today have a leading position and beside the other activities are the backbone of developed economies.

Knowledge affects on the quality of business decisions, define of objectives, strategies and operationalization which is a prerequisite for the realization of high-quality products and services, and low costs business, thereby gaining loyal satisfied customers, and this kind of business attitude increases value of the company.

Graphic company which want to obtain, but one that has already gained a competitive advantage must continuously improve knowledge vertically and horizontally as well, because only on this way can win in the market competition.

Changes in the market of graphic products and services are caused by changes in the relationship between supply and demand on a global level, set primarily to the management, and all employees as well, new challenges and problems in handling the upcoming turbulences, and multidisciplinary approach of managing emphasis the increasing accent on the economy of intellect as well as guideline in achieving competitive advantage in the graphics market because the industrial economy itself is not sufficient to put all together the tangible and intangible resources of the company.

Therefore, the transition from industrial to knowledge society, effective use of knowledge is one of the deciding factors in the struggle for competitiveness because it will ensure the rationality, efficiency and flexibility in operations, and only through the realization of those graphics company can gain a competitive advantage on the market.

Incentives must come from the top management of the company who has to identify and keep good sources of knowledge and make them available to everyone within the organization. Furthermore, it is necessary to create and maintain a culture which will stimulate employees to learning and creative development of mechanisms that will facilitate effective sharing of knowledge in a company.

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