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## Knowledge Management as Imperative for Economic Growth and Development

Baltezarevic Vesna<sup>1</sup>, Faculty of Culture and Media, Belgrade, Serbia

Baltezarevic Radoslav, Alma Mater Europaea, Belgrade, Serbia

Jovanovic Dragana, Faculty of Culture and Media, Belgrade, Serbia

**ABSTRACT** – *We are now living in times of global business activity and the knowledge economy. Knowledge-based resources represent the organizational Know-how as the knowledge of employees, organizational production processes, and overall knowledge of one collective. Knowledge management has long been recognized as a factor necessary for the development of business organizations. Only those managers that embrace knowledge as the most important resource can expect to be better positioned than the competition.*

*Know-how is very important segment of overall knowledge that is deposited within the organization. The value of knowledge is much more important than all other forms of assets that an organization possesses. But knowledge cannot be communicated without the interested employees. So, managers have to create the business environment which uses adequate business communication. Good communication stimulates ideas and creativity of employees.*

*Management must be able to manage business information and achieve active participation in communication with employees and exchange the intellectual capital values with them.*

**KEY WORDS:** *knowledge economy, Know-how, knowledge management, intellectual capital, communication*

### Introduction

The human society as a whole is exposed to constant change. Contemporary economy is facing the values of intellectual capital. However, often a huge part of the intellectual potential of employees is not available to the organization. Employees who are not positively stimulated do not want to share their knowledge and experience with others. Such knowledge remains hidden in their consciousness.

Hidden knowledge's transfer from implicit to explicit knowledge is possible only when employees feel belonging to the collective. The creation of such an organizational culture where employees understand that they are important for business is only possible with a good business communication.

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<sup>1</sup> vesnabal@gmail.com

In today's knowledge-based, high-tech environment, education, experience and skills become outdated very quickly, sometimes even before they are ever put to use (Luthans, 2004). The ability of individuals and groups to quickly adapt to new demands and ever-growing range of constant challenges, determines their position in society. The accelerated pace of life and new technology still cannot affect the human need to interact with other people, because man possesses constant urge to communicate.

Competitive advantage indicates the power of a company, product or an economy in relation to others. The modern economy is directed more towards knowledge and latest technologies. Therefore, the traditional concept of organization has been increasingly orienting towards 'intelligent organization', 'virtual organization', 'organization based on the knowledge', and so on. The idea of the new organization is dating back to the distant 1937. when Ronald Kouzea, in his theory of organizations, argued that "... bound to investigate and explain the causes and consequences of these changes in order to understand that a major transformation is due to the introduction of new economic organization" (Fukuyama, 2007, p.57).

Nowadays, many organizations are aware that the only way to win and keep a competitive advantage is to learn faster than the competition. Only those companies that embrace knowledge as the most important resource can expect to be better positioned than the competition. The ability to think quickly, the ability to collect and channel the knowledge available within the collective and thus consolidate that knowledge in the right way is a list of skills required of today's managers.

The concept of 'intelligent organization' is based on knowledge that is deposited in the minds of talented individuals. Such knowledge, in the theory, is called tacit knowledge. "Tacit knowledge cannot be bought in the market in a form that would be appropriate for direct use" (Zack, 1999. p.128). The transfer of tacit knowledge requires a certain amount of confidence and contacts. "Tacit knowledge is a combination of cultural, emotional and psychological background that is on the margins of human consciousness" (Tuomi, 1999-2000).

Today's business trends, the global crisis and the brutal struggle for survival in the market, are directing the organization towards a 'new' concept that is increasingly becoming based on 'intangible capital' and not on tangible assets.

Such an approach demands a new form of organization that is facing the intellectual capital. Know how is what creates value, but also leads to new knowledge. Modern technology facilitates the transfer of knowledge. Reconciliation of businesses with the challenges of the modern era increasingly indicates interaction with the progress of science and technology, but it can be done only with people (Baltezarevic, V. et al., 2013, p. 265). Learning and adapting to new communication and business methods is imperative for the survival in a business environment. The management must know first how to get an answer if knowledge currently exists and what kind of knowledge is missing.

In Western literature we are faced with a new field of the economics, which, is referred to as knowledge-based economy or knowledge economy and information-based economy or information economy. Economy of knowledge is recognized as the processes of creation, and use of knowledge. New economists who promote knowledge-based economy argue that such economy is a key determinant of development. Knowledge, innovation and new ideas

are pushing the boundaries of social and economic growth. "European social model, with its developed systems of social protection, given the transformations that lead to the knowledge economy" (Baltezarević, V. & Baltezarević, R. 2013, p. 431).

### **Knowledge management**

Knowledge management is the ability to creating profits and leading position in the market with placement of collective knowledge. Knowledge assets created computerized collection, storage, distribution and direction of corporate knowledge. Modern technology contributes to the incorporation of knowledge into new products. Development and use of knowledge within the organization must be under the control of management, which must ensure that conditions are created not only to make knowledge base, but also for its codification and transfer. Generating knowledge includes all activities that convey new knowledge. Successful society is defined as a learning society. This new society demands employment and personal development of every individual (Baltezarevic, V. et al., 2013, p. 264).

New demands are: achieving efficiency with the use of knowledge and innovative solutions in all areas of business. Managers must create the conditions that employees have to possess large scale of skills both for individual and team work. It means that the corporate environment creates opportunities for the development of organizational intellectual potential, involvement of employees in the social network and facilitating the exchange of knowledge in the decision-making process. These requirements can be fulfilled only if the people are satisfied with their business position. Knowledge is necessary for the individual's personal and professional development. Only lifelong learning can ensure that employees follow and apply new technology and new knowledge.

Knowledge managers have to create successful knowledge strategies related to the fact that the value of accumulated knowledge is sharing with employees because it is the only way to newly created values. People must be informed about all strategies and all aspects of a new added knowledge. But, managers must take into account the needs of the employees if they wish their positively respond to organizational changes. Most important is to establish a knowledge base of their needs, relationships and opportunities. People will determine organizational success and knowledge must be a systematic process (Skyrme & Amidon, 1997).

If managers want knowledge to be an organization resource that guarantees success in the market, it means the overall functioning of the management in order to recognize the needs of employees, service users and of all potential business partners. The sharing of knowledge is possible only with people. Through contact with other people we fulfill both our individual and collective needs (Walters, 2000), this is why 'relationship management' represents an important aspects of work.

### **Modern business challenges**

For a competitive position in the market modern business is facing challenges that require quick and adequate response to all challenges. However, the speed of response depends on the ability to absorb change better and faster than the competition. So-called

'intelligent' organizations are standing out with their ability to adapt to the demands of the fourth revolution. Such organizations have their strategic objectives clearly definite: motivation, training of employees and creating a better organizational climate.

Knowledge-based resources include both tacit and organizational Know-how stored in personnel, organizational manufacturing processes, and relationships (Baltezarevic V., et al., 2013, p. 264). The management style and attitudes towards employees affect the ability of creating an organization based on knowledge. Partnership approach to governance, which is characterized by involving employees in the decision-making process and creating business strategies affect the cohesion of employees and commitment to achieving business goals of the organization. That effect, stemming from the management modality, to a large extent, depends on the personal values and attitudes of group members (Rot, 2006, p. 143).

Factors of external and internal environment, biological, psychological and social nature, have a constant effect on humans and lead to the disruption of the harmonious inner balance. A man is perceived as a product of society represented by the environment, as the cultural and behavioral contexts of an individual are the consequences of the society and the culture that person was born into and is living within.

Human capital can be a key source of competitive advantage because it is so difficult for competitors to replicate (Barney 1991). Psychological capital is not only concerned with "who you are" but also, in the developmental sense "who you are becoming", your "best self" (Luthans, et al., 2007:20). Positive psychological capital consists of self-efficacy, hope, optimism and resilience, and is associated with a number of favorable outcomes for employees. Employee attitudes affect their business behavior and their contribution to the work.

## **Role of social groups**

Man is a social being with a potent desire to belong, both at the individual and larger social group levels. One needs organization to feed the need for social connection with shared beliefs and expectations, as well as to have someone to communicate one's ideas to, and to share the dualistic satisfaction of one's own life within a group, while being accepted as an equal member of the team, and as an individual.

How successfully is the modern man coping with a globalized, alienated world where there is less and less time for face-to-face contact? Usually only a small group of people can successfully cope with the unstoppable current of daily changes. They are able to build their own social capital. However, individuals continue to be social beings in a formal workplace with their needs as the individual beings within the organizations (Haslam, 2001).

Social capital is precious for any organization because of its impact on the actions of individuals in the organization structure: "The actual and potential resources embedded within, available through and derived from the network of relationships possessed by an individual or a social unit" (Nahapiet & Ghoshal, 1998, p. 243).

Members of social groups to feel satisfied and to freely engage in a deeper interaction need to feel safe and accepted in the organizational system they have joined. For the creation of such business environment, the managers are most responsible. If management does not understand the importance of employment relationship within the social networks that will

negatively affects the functioning of the organization and achieving the projected goals (Krackhardt, 1990).

Through establishing of social relations with other people, feelings, needs and knowledge are shared. Social networks coexist and influence each other (Monge & Eisenberg, 1987). Social capital facilitates the development of intellectual capital and exchange of knowledge within the social group. Consequently, social capital can impact not only economic transactions, but also production, loyalty and risk taking (Nahapiet & Ghoshal, 2000). Employees transferred their social model from private life in the business sphere. They connect with other employees in order to build such social chain. At the beginning of this process people must gain trust in each other and establish the communications channel with the two-way flow. Trust and social capital are closely related. Trust as cooperative behaviors is important in a range of organizational activities and processes such as team work, leadership and goal setting (Mayer, et. al, 1995).

The goal of successful organizational culture must be based on the needs of human capital. Employee satisfaction is important for their integration and acceptance of business strategy in the organization. This means that managers must achieve good opportunity for business communication, socialization and integration of each employee. Recognizing of their individual goals and needs ensures the creation of trust between employees and management and facilitates achieving the leadership position of the organization.

## **Conclusion**

A modern organization is an interaction of visionary abilities of a leader, and skills and know-how of the management. However, knowledge must “abandon” the individual framework and become a shared resource. Knowledge is best utilized within a group, because people who know each other converse more intensively than strangers. Members of a group must share the same vision, and become well acquainted in order to establish mutual trust.

Knowledge managers must first establish the same kind of positive relationship with its employees. The social life is focused on communication contacts which are realized within the organization; communication is still considered a central component of effective business processes with priority given to the respect of the personality of each employee which discourages any form of psychological harassment.

Communication and organizational culture together are necessary for a good organizational climate. Only those employees who feel as respected members of the collective wish to contribute to the success of the organization. Such organizational environment is possible only if management applied good system which is based on open communication, knowledge, confidence and business skills related to leadership positions in the market.

Companies that embrace knowledge as the most important resource can expect to be better positioned than the competition. Learning and adapting to new communication and business methods is imperative for the survival in a business environment.

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## Upravljanje znanjem kao imperativ za ekonomski rast i razvoj

**REZIME** – Mi sada živimo u vremenu globalnih poslovnih aktivnosti i ekonomije zasnovane na znanju. Resursi zasnovani na znanju predstavljaju organizacioni Know-how (znati kako) kao znanje zaposlenih, organizacioni proizvodni procesi, odnosno celokupno znanje jednog kolektiva. Upravljanje znanjem je odavno postalo neophodno za razvoj poslovnih organizacija. Samo oni menadžeri koji prihvataju znanje kao najvažniji resurs mogu očekivati da će biti u boljoj poziciji od konkurencije.

Know-how je vrlo važan segment celokupnog znanja koje je deponovano unutar organizacije. Vrednost znanja je mnogo značajnija od svih ostalih oblika imovine kojima organizacija raspolaže. Ali znanje ne može da se razmenjuje bez zainteresovanih zaposlenih. Tako menadžeri moraju da kreiraju poslovno okruženje u kome je zastupljena adekvatna poslovna komunikacija. Dobra komunikacija stimuliše ideje i kreativnost zaposlenih.

Menadžeri bi trebalo da budu u stanju da upravljaju poslovnim informacijama i da obezbede aktivno učešće u komunikaciji sa zaposlenima sa kojima razmenjuju vrednosti intelektualnog kapitala.

**KLJUČNE REČI:** ekonomija znanja, Know-how, upravljanje znanjem, intelektualni kapital, komunikacija

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