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Knowledge Management Application in the Service Industry

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ABSTRACT

Knowledge management is now considered as one of the pressing challenges in economic development related to the world of industry, studies in services and information. The adoption and implementation of knowledge management may be considered as a breakthrough factor for companies willing to integrate it in the knowledge-based economy. In service industry, knowledge management enables organizations to make in more intelligent decisions as they render services to the public. Nowadays, the foundation of new economics has shifted from natural resources to intellectual assets and top manager in service industry might be forced to focus on knowledge management which have been acknowledged as the most important resources and capability of modern firms' achievement. Companies within this industry perform tasks that are useful to their customers. The purpose of this paper is to examine the application of information and knowledge management in the service industry. The paper discusses the concept of knowledge management as regards to service industry as well as service industry, which involves the provision of services to businesses as well as final consumers. There are three (3) main areas of knowledge management which are discussed in this paper, and they are – accumulating knowledge, storing knowledge and sharing knowledge. Importance, advantages and disadvantages of knowledge management in service industry is equally discussed, including knowledge management best practices in service industry. The paper concludes that in applying knowledge management in service industry, the key is making sure that people, particularly in top management, understand the advantages of knowledge management and what makes it useful.

Keyword: Knowledge, Knowledge management, Service, Industry, Customers, Economic, Development

Introduction

Information is obviously something that flows between a sender and a receiver. According to a layman's definition of information, it is an item of information or intelligence; a fact or circumstance of which one is told (Madden (2000)). It has been argued that what motivates someone to seek information is recognition by the seeker of an anomaly in his/her state of knowledge. Knowledge is rapidly becoming the most important asset of virtually all organizations. Manufacturing is no exception. The ability to manage and exploit knowledge will be the main source of competitive advantage for the manufacturing industry of the future.

Knowledge management addresses the critical issues of organizational adoption, survival, and competence in the face of an increasingly changing environment. Knowledge management embodies organizational processes that seek a synergistic combination of the data and information processing capabilities of information and communication technologies (ICT), and the creative and innovative capacity of human beings (Berawi & Woodhead (2005)). In service industry, information and knowledge management enables organizations to make more intelligent decisions as they render services to the public. Through knowledge, service industry and organizations can break up their limitations, improve their national and local economic and social development, and also create healthier employment chances.

Concept of Service Industry

Today, every kind of company is influenced by the knowledge-based economy. It simply means that knowledge is the most important resource for creating a competitive advantage. That is why companies need to develop effective knowledge management strategies (Batra, 2017).

Service industry is seen as the provision of services to businesses as well as final consumers. The service industry is the one sector of the industry that involves the provision of services to other businesses as well as to final consumers. Activities are mainly concerned with providing services rather than tangible objects for the benefit of the end-users and/or other industries. A services industry comprises insurance, banking, and finance, provision of gas, electricity, and water, health care, transport, communications, entertainment. The importance of the service industry in the economic system has been increasing steadily and is now of central importance to economies (Pusaksrikit, 2006 & Batra, 2017).

Shaikh & Aktharsha (2016) using India as an example stated that service sectors contribute to a great deal to the national GDP in general, and the knowledge intensive service sectors play a major role, which include education sector, IT sector and health maintenance sector. Globalization has imposed a strict adherence to the international quality standards and strategic human resource management is now acting as an enabler to the knowledge management which is considered to be the driver of organizational performance.

Concept of Knowledge Management in Service Industry

As business environment is increasingly becoming competitive and complex, companies find it difficult to survive. And as they struggle to find competitive edge, the one thing that is increasingly becoming clear is what differentiates a winner from a loser or laggard, is the asset called Knowledge. True, knowledge is the key to success in these turbulent times. However, in today's borderless world, knowledge has to be created constantly in all functions. If we closely watch the factors that are attributed to the long – term survival and competitive success of companies, it becomes evident that it is not their financial muscles and size, but the manner in which they consciously attempt to learn, codify, create, and utilize knowledge. Against this backdrop, many of the organizations have begun focusing more and more on managing their organizational knowledge (Neelima, 2015).

Neelima continued that knowledge management is increasingly seen, not as the latest management field, but as an organic and holistic way of understanding and exploiting the role of knowledge in the process of managing and doing work. Successful knowledge management enables service industries to make increasingly more intelligent decisions. Knowledge, as a resource, and knowledge management, as the so-called meta-resource, are the factors that determine innovation capacity of an enterprise. Knowledge is a significant business asset that prevents organizations from spending time reinventing solutions, and maintains organizational focus on providing a high quality output. This is accomplished through the storing, sharing, and using of knowledge, with the intent of improving the knowledge throughout the management cycle.

The management of knowledge has generated considerable interest in business and management circles due to its capability to deliver to organizations, strategic results relating to profitability, competitiveness and capacity enhancement (Chua, 2009; Jeon, Kim & Koh, 2011).

The management of knowledge is promoted as an important and necessary factor for organizational survival and maintenance of competitive strength. Knowledge management is identified as a framework for designing an organization's strategy, structures, and processes so that the organization can use what it knows to learn and to create economic and social value for its customers and community. Organizations need a good capacity to retain, develop, organise, and utilise their employees' capabilities in order to remain at the forefront and have an edge over competitors. Knowledge and the management of knowledge is regarded as an important features for organizational survival; while the key to understanding the successes and failures of knowledge management within organizations is the identification of resources that allow organizations to recognize, create, transform and distribute knowledge. Organizations that effectively manage and transfer their knowledge are more innovative and perform better (Riege, 2007).

The availability of a strong knowledge base in many corporations played a significant role in their success. It's time now for business organizations to understand the potential scope of knowledge management and the need to implement it as creatively and broadly as possible (Neelima, 2015). The three main areas of information and knowledge management are accumulating knowledge, storing knowledge and sharing knowledge.

Four Key Components of Knowledge Management in Service Industry

Deouza (2011), noted that, in order to manage knowledge effectively in an organization and service industry, attention must be paid to the four key components of knowledge management, which are knowledge, people, processes, and technology.

Knowledge:

Knowledge basically refers to a collection/or a body of information. Knowledge is the insights, understandings, and practical know-how that people possess. It is the fundamental resource that allows people function intelligently. It can then be stated that knowledge is an invisible or intangible asset, in which its acquisition involves complex cognitive processes of perception, learning, communication, association and reasoning (Epetimehin & Ekundayo, 2011). Wang & Noe (2010) stated that knowledge as information processed by individuals including ideas, facts, expertise, and judgment relevant for individual, team, and organizational performance.

People:

People are the sources of knowledge. The ability of humans to think creatively and uniquely, coupled with experiences and talents, make humans valuable sources of knowledge. People are the creators and consumers of knowledge because individuals consume knowledge from various sources on a daily basis, in addition to creating knowledge. In essence, knowledge management begins, revolves around, and ends, with people. It is therefore pertinent to consider people in knowledge management strategy and implementation. People face emergent knowledge needs as part of daily assignment or routine. Having a knowledge management program that enables the sense of the importance of people is a very important to organizational success.

Processes:

Baloh et al. (2011) define processes, which is another knowledge management component, as mechanical and logical artifacts that guide how work is conducted in organizations. Processes govern work in organization and so are critical to the functioning of organization. It is therefore pertinent for a knowledge management program to recognize their importance. Processes might be made of, and executed by, humans, machines, or a combination of the two.

Technology:

Technology is a critical enabler and foundational element of a knowledge management plan. With the advances in Information and Communication Technologies (ICTs), knowledge management can be attained through technological solutions. ICTs facilitate collaboration between people and teams which are geographically dispersed. ICTs also facilitate knowledge management activities through the codification of knowledge as well as rich and interactive forms of communication through the Internet. While technology is important and can significantly enable knowledge management it is pertinent to state that it is not a solution in and of itself. Technology does not make organization share knowledge, but if people want to share it, technology can increase the reach and scope of such exchanges.

Importance of Knowledge Management in Service Industry

The service industry is complex and involves highly specialized professional knowledge and managing knowledge effectively helps the organizations in the following ways: (Batra, 2017).

- Increase productivity: Adopting knowledge management in the service industry allows complicated issues to be addressed jointly with collaboration.
- Mutual learning and support: The service industry employees are from different educational backgrounds and acquire diverse working experience and mutual learning and sharing is often an outcome of knowledge sharing.
- Communication improvement: Service industries use knowledge management as a way to improve communication with their customers and staff.
- Efficiency gains: Knowledge management leads to cost reduction, increased sales, higher profits, ensuring consistent proposal terms for worldwide clients.

Advantages and Disadvantages of Knowledge Management in Service Industry

Information and knowledge management in service industry obvious has some advantages. Some of the common advantages of knowledge management in service industry include; improved organizational agility; better and faster decision making; quicker problem-solving; increased rate of innovation; supported employee growth and development; sharing of specialist expertise; better communication and improved business processes.

On the other hand, the advantages are; finding ways to efficiently capture and record business knowledge; making information and resources easier to find; motivating people to share, reuse and apply knowledge consistently; aligning knowledge management with the overall goals and industry strategy; choosing and implementing knowledge management technology and integrating knowledge management into existing processes and information systems

Knowledge Management Best Practices/Application in Service Industry

According to Behrmann (2005), the service companies develop Knowledge Management concepts into practice tasks as follows:

Recruiting and Retaining Top People:

Generally, the service-based organizations often compete in their sectors based on their ability to solve complicated problems and provide solutions for customers. These companies tend to organize themselves by attracting and retaining knowledgeable employees. Sustaining professional and knowledgeable employees is very crucial for service industry in achieving a competitive advantage in the long term.

Linking External Sources:

The provision to share the data with colleagues reduces the information gathering time and results in an effective customer service. Thus, it is saving valuable time when searching for information.

Shared Leadership Vision:

This situation always happens especially in large organizations where people have ego themselves and do not want to ask for help. Thus, the culture has to support people to admit failure and ask for help when they need it. Employees share information among others about their experiences of everyday work and practices and therefore identify the most effective interventions.

Empowerment:

Companies can encourage and motivate employees to share their knowledge by participating in knowledge management activities such as sharing and building knowledge. Human resources rewards can help empower people at organizations when human resources rewards are tied into knowledge-management activities, such as sharing and building knowledge.

Trust and Ownership:

Trust is consisted of transparency and openness. It helps creating sense of involvement and participation. In addition, it comprises fairness and transparent evaluation. Knowledge sharing means that the experiences of the everyday work are shared among others and are explicitly available for others.

Conclusion

Management consulting and professional services firms have been considered knowledge-intensive firms and therefore interested in knowledge management. However, knowledge management is not just for consulting and professional services firms. Knowledge

has currently been recognized from other industries as the company's main asset. the importance of developing knowledge management, which are increasing in productivity, creating new way of learning, improving communication and gaining efficiency.

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