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The relationship among economy, organization and management within new economies

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Abstract

„In the concept of a new economy that should integrate all stakeholders such as man, society, environment and organization, knowing natural, human and social life is becoming a greater and more comprehensive concern”. - D.J.Hickson

Humankind is undergoing a historic process of passage to a new society, a new economic system that is modernized by IT.

The new society is characterized by major changes as there is an upturn of values where knowledge has become the most important manufacturing factor in modern economy, meaning the bases of power exertion, generating productivity increase and ensuring business competitiveness.

One can be certain that the future world ensuing from the current reshaping of values, beliefs, economic and social structures, of political concepts and systems, in brief of world conception shall be different from what anybody could imagine.

Keywords: *new economy, organization, management, knowledge, business competitiveness.*

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”In the new economy’s philosophy that should bring together all stakeholders, man, society, environment and organization, knowing natural, human and social life is becoming a more powerful and general concern”.

D.J.Hickson

Humankind is undergoing a historic process of passage to a **new society and economic system**. Huge, profound ignorance will find a proper answer by intensive and concentrated creative efforts. Only general progress in human knowledge will be able to open new horizons to people and peoples with a view to conceiving another type of society, respectively to achieving a new more efficient and profitable economic system.¹

History is involving and will still involve radical changes in the core of economic science, rapidly reflecting in economy specialists' training and people's economic thinking.

Contributing in the type of economy that is being built in the developed world, economy itself is searching for ways, directions and institutions that might help in a new economic system in our country as well, characterized and supported by: modernization, performance, competitiveness, equity, acting freedom and last but not least knowledge².

Presenting itself as a social activity organized in specialized institutions, **individuals' make-up** along with other social products are becoming a *distinct* sector of *human* society economy that uses limited resources to exert control over the fundamental parameters of human development both at individual and social, community levels³.

The new society has significantly changed the way all its activities take place and the changes are to reflect both upon existing activities and the emergence of new ones required by the newly-born context for today there is an upturn of values where **knowledge has become the most important manufacturing factor** in modern economy, meaning the bases of power exertion, generating productivity increase and ensuring business competitiveness.

One can be certain that the future world ensuing from the current rearrangement of values, beliefs, economic and social structures, political concepts and systems, in other words all concepts about the world shall be different from what anyone might imagine today. Basic changes have already taken place in some fields, especially within the society and its structure. The new society being non-socialist and post-capitalist is a certainty. And as certain as that is the fact that knowledge shall be its primary resource, as Peter Drucker said.

Knowledge revolution refers to the fundamental transition from physical resource-based economy to **knowledge-based economy**. The

¹ Militaru Gheorghe, *Organizational Behaviour*, Ed. Economică, București, 2005;

² Niță Dobrotă – "Political Economics" Editura Economică, București, 1997

³ Stiglitz J., *Globalization. Hopes and Deceptions*, Ed. Economică, București, 2003.

revolution is based on knowledge importance in modern economy. Over the last decades, major attention has been given to the economic importance increase of technology, information, economic processes, human capital, and organizational competences – factors that are organically related to knowledge. The mutual thing is actually knowledge as it means the ways to individualize and operationally all the above.

Therefore, wealth and power in the 21st century shall firstly ensue from intangible intellectual resources and knowledge capital, and involve the passage to knowledge-based economy as it is seen as a very comprehensive and deep process generating changes in all economic activity components similar with the ones produced by the industrial revolution.⁴

The passage from capitalist to knowledge-based economy has been analyzed by numerous specialists that have discovered the following while entering the era of such economy:

- The occurrence of ceaseless and fast changes, and the increase in uncertainty;
- The revolution of informational technology and communications;
- The improvement of technical processes;
- The increase in productivity;
- The enhancement of innovation-oriented competitiveness and collaboration;
- The setting-up of global integrated economy;
- The modernization and expansion of market demand.

The new economy is mainly dominated by global influences and real-time speed of communications and information no matter the distances. Its main features are globalization and digital rendering characterized by providing intangible international transactions, commercial transactions and direct investment.

Knowledge-based economy is essentially characterized by turning knowledge into raw material, capital, products, economy's basic factors, and by economic processes within which the production, sale, purchasing, learning, storing, development, division and protection of knowledge become predominant and place decisive conditions upon profit raising and long-term economic support insurance.

Being part of an uncertain, complex and strongly competitive environment, an organization remains competitive only if it has developed its own collective intelligence and for that it has proper knowledge

⁴ Ovidiu Nicolescu-, "Knowledge-Based Management", Master Programme course, ASE, București, 2005

management. In such circumstances, organizations are compelled to redefine their own culture through organizational redesigning processes and strategy amendments.⁵

The concept of **knowledge-based economy** originates in 1984-1988 and ever since it has registered sequential improvement stages starting from a series of features that it has:

- systems and processes firstly based on intangible assets;
- reasoning based on organizational competences as performance sources;
- mainly constructive, focused on changes' conception and administration;
- transforming intervention based on active behaviors and projects

Therefore, the ideas help in considering that an organization's main role is to get, protect, integrate and value specialized knowledge.

The statements above are underlain by the trends in the passage from current economy to knowledge-based economy namely:

- a company's main functions end up being to conceive, protect and integrate knowledge;
- transactions and activities involving high specialization levels and implicit knowledge get internal;
- transactions and activities involving highly specialized explicit knowledge become external;
- a company's management and property converge;
- the relationships among education, economic activities and personnel training are redefined.

Thus, a knowledge-based company shall be simple, more flexible and intelligent, having fewer hierarchical levels.

The passage to knowledge-based economy, the set-up and operation of knowledge-based companies cannot be done without **knowledge-based management**.

Knowledge-based management is a key-process that companies, industries and also countries use in order to reach high economic performance for involved population, by fully valuing the potential profits brought about by the changes in digital technology and the Internet. The definition above attempts to highlight the following traits:⁶

⁵ Abell Angela, *Competing with Knowledge*, London, 2002;

⁶ Baltac V., *Information Society and its Challenges to Emerging Economies*, Application Trends and Social Issue , Conference called "Technology Foresight Summit 2003, UNIDO, BUDAPEST;

- knowledge-based management is tackled especially in connection with top informatics technology;
- major importance is rendered to innovation and the knowledge related to it;
- there is concern not only with company management but also with sartorial and national management.

Another approach of knowledge-based management refers to organizations' devotion to develop knowledge production and flow, to transmit and use it with a view to creating economic value. The following relevant elements result from the analysis of the above definition:

- it is centered upon knowledge viewed as a whole irrespective of its type;
- it emphasizes multiple knowledge-related processes (production, transmission, usage, valuation).

The passage to a new economy, the one based on knowledge, deeply influences the contents and manifestation of management in all its constituents and at all society levels, and knowledge is placed in management first line as it becomes an essential resource, a major asset, a principal product and a strategic advantage to companies, supposing a new type of management.⁷

Approaching knowledge as part of management refers to its sources, types, dimensions and characteristics at several levels.

Management keeps its reason of being, its organizational purpose rendered by competitively ensuring the company's operation and high performance.

The theory of knowledge-based management shall have a clear multidiscipline character. Besides managerial elements, it comprises economic, informatics, sociological, technical and juridical knowledge by means of its character.⁸

It does not mean the preoccupations and achievements related to management though at an early age are not significant, on the contrary, knowledge-based management runs the risk of becoming old-fashioned if it does not have a solid theoretical basis.

Knowledge-based management is an ongoing endeavour which lasts as long as an organization does.

⁷ Pugh D.S, *Organizations' Management*, Ed. Codecs, București, 1989

⁸ Nica Elvira, *Performance Management*, Ed. Economică, București, 2006;
Nicolescu Ovidiu, *Company Organizational System*, Ed. Economică, București, 2003;

Knowledge resource has a regime similar to human and financial (not material) resources, that is, its entire use does not always succeed in management. Taking account of that situation along with knowledge role in a knowledge-based company, knowledge should permanently be the focus of an organization's decision-making and managerial activities. Any management breakdowns at that level can prove fatal.

It is very useful to develop special leadership focused on specialists and knowledge along with creating tactical, explicit organizational culture in an organization.

Knowledge management is costly but its ignorance is even more so. It involves significant expenses by its very intricate logistics, specialists and continuous updating processes. Nevertheless, its lack can be more costly, leading to company bankruptcy on medium or long term.

A well-run company is aware of that in a perseverant way, setting up managerial, informational, organizational and motivational procedures to ensure a good ratio between efforts/results and respectively costs/profits.

Therefore, the new society is characterized by major changes in all its activities and the changes are to be found both in existing and emerging activities required by the new context.

The developing limiting factor shall be increasingly related to knowledge, the human ability to acquire and develop new technology, to use it in new activity fields for new products and services.

Thus, there is an intrinsic connection among the new knowledge-based economy, organizations and management, for knowledge is the element rendering unity and long life.

The relevance of knowledge-based organization concept in our country ensues from its involvement in the progress towards informational society – society of knowledge – which is a prerequisite for long-lasting growth. Over the last years, education in knowledge-based economy has played an increasingly important role since more and more organizations are concerned with knowledge and technology transfer in the economy by means of scientific, technical sites and parks.

Society should invest more and more in intellectual capital which can multiply at high speed, in developing knowledge-based domestic market, in creating a genuine European scientific research area, in making social dialogues more dynamic.

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