Knowledge, a strategic asset for business organizations

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Abstract: Countries today compete in global markets not simply with their raw natural assets or with the low-cost labor. Quick steps of technological progress have dramatically changed market conditions and competition strategies. Knowledge Management (KM) today is seen as one of the most important issues in economic development, referring to the world of industry, service and information research. Under this general framework, it is important for us to understand the level of recognition and usage of Knowledge Management in business organizations in Albania. So, the purpose of this research is to investigate the level of recognition and implementation of Knowledge Management in business organizations in Albania, as well as to find out if a relationship between critical success factors of KM and performance is present in such organizations. The research was based on two research questions expressed as: Question 1. What is the level of recognition and implementation of KM in business organizations in Albania?; and Question 2. Is there present any relationship between critical success faktors of KM and performance in business organizations in Albania? The research is based on primary and secondary data collection. Some conclusions are also specified at the end of this paper.

Keywords: *Knowledge, Knowledge Management, Critical Success Factors, Business Organizations in Albania*

1 Introduction

In recent decades, organizations have moved from industrialization, toward Knowledge as a strategic asset of the present and the future. "*Today knowledge is considered as the most important asset of the organization", (Carneiro, 2000).*

"*The most important thing is to create new knowledge, but it's important as well to use silent and old knowledge in order to be effective. To create knew knowledge, at the right time, in the right way, at the right place is important*", (Strommer, R.1999).

When talking about knowledge, several disagreements are encountered about the meaning and content of data concept, information and knowledge. *The data* is a distinctive group of objective facts regarding the events; *information* is a message, usually in the form of a document, an audio communication, or a visual communication, and *knowledge* is a fluid mix of experience, values, contextual information and expert knowledge, which provides a framework for evaluating and incorporating new experiences and information (Davenport and Prusak, 1998). Referring to Drucker (1997), knowledge is "*information that changes something*" or "*information into action*".

Nonaka (1994) reveals that knowledge may be hidden and hidden Knowledge lives in the human brain, difficult to be moved out or intermediated, or "*knowing more that you can say*", Michael Polanyi (1966). The inner, the subjective or intuition, are examples of hidden knowledge, reflected in confidence, actions, commitments, values and ideas. Otherwise, displayed knowledge comes formalized, recorded on video, in documents, graphics, books, etc. Studies show that 80% of the organization's knowledge is hidden knowledge and only 20% is displayed knowledge. "*Hidden knowledge is nowadays the only competitive advantage of every organization*", Peter Ducker (2000).

Companies today, use their knowledge as a major source of competitive advantage. They use their specific product or market knowledge to differentiate themselves from their competitors. We also know that (industrial) knowledge may be divided into two kinds: tacit (hidden) and codified (displayed).

Tacit knowledge resides within an individual, often as a skill, an ability, or know-how. It can be demonstrated or taught to others. Examples of tacit knowledge and abilities are artistic skills such as pottery, sculpture, and painting. Although in modem times these skills have become codified, in earlier days such knowledge was passed from teacher to student, and from master to apprentice. *Codified knowledge* is knowledge that has been committed to some form of communication medium. It might be a handwritten document, a computer program, a blueprint, or a cartoon.

When companies are small it is easy for everyone to know what information is relevant to a situation and how to gain access to the knowledge possessed by individuals within the firm. As companies grow and become more complex, and the size of the human capital pool increases, such information is less widely shared and becomes more compartmentalized. With increasing size it becomes even more important for firms to motivate their human capital resources to codify their knowledge and knowhow, in order to more widely share it and inculcate it into the firm.

Literature knows no universal definition to define Knowledge Management. Different definitions, but which basically have the same approach, will be used to define KM. Alavi & Leidner (1999) define KM as: "*a systematic and specifically organized for absorption, organization and communication of hidden and displayed knowledge of employees, so that other employees may use them more effectively and productively in their work.*". O'Dell (1998) defines KM as "*a concise strategy to get the right knowledge, from the right people, at the right time and as an aid for other people, in the way of sharing and setting information into operation, in order to improve the performance of the organization*".

Under this framework of discussion, it should be noted that, information and knowledge are closely linked, but it is important to distinguish Knowledge Management (KM), from the concept of Information Management (IM) in the organization. While KM assumes IM (Klaus & Gasble, 2000), and KM success depends on the effectiveness of IM (Bukowitz and Williams, 2000), they are different in terms of input, data processing, and the scope.

2 importance of knowledge management practice

Knowledge Management (KM) refers to a range of practices used by organisations to identify, create, represent, and distribute knowledge for reuse, awareness and learning across the organisation. Knowledge Management programs are typically tied to organizational objectives and are intended to lead to the achievement of specific outcomes such as shared intelligence, improved performance, competitive advantage, or higher levels of innovation.

Knowledge transfer (one aspect of Knowledge Management) has always existed in one form or another, for example through on-the-job peer discussions, formal apprenticeship, corporate libraries, professional training, and mentoring programs.

Knowledge Management programs attempt to manage the process of creation or identification, accumulation, and application of knowledge across an organisation. While Knowledge Management programs are closely related to Organizational Learning initiatives, Knowledge Management may be distinguished from Organizational Learning, by its greater focus on the management of specific knowledge assets and development and cultivation of the channels through which knowledge flows.

The emergence of knowledge management has generated new organisational roles and responsibilities, an early example of which was the Chief Knowledge Officer. In recent years, Personal knowledge management (PKM) practice has arisen, according to which individuals apply KM practice to themselves, to their role in the organisation, and to their career development.

While it has been applied to all industrial sectors, and increasingly to Governmental sector, Knowledge Management is a continually evolving discipline, with a wide range of contributions and a wide range of views on what represents good practice in Knowledge.

A key distinction made by the majority of knowledge management practitioners is Nonaka's reformulation of Polanyi's distinction between tacit and explicit knowledge. The former is often subconscious, internalized, and the individual may or may not be aware of what he or she knows and how he or she accomplishes particular results.

At the opposite end of the spectrum is conscious or explicit knowledge - knowledge that the individual holds explicitly and consciously in mental focus, and may communicate to others. In the popular form of the distinction, tacit knowledge is what is in our heads, and explicit knowledge is what we have codified.

3 methodology of the study

The purpose of this research is to investigate the level of recognition and implementation of Knowledge Management in business organizations in Albania, as well as to find out if a relationship between critical success factors of KM and performance is present in such organizations**.**

The objectives of the research are:

- To indicate the level of recognition of Knowledge Management
- To indicate the level of implementation of Knowledge Management
- To indicate any presence of relationship between critical success factors of KM and performance

The research was based on two research questions expressed as:

Question 1. What is the level of recognition and implementation of KM in business organizations in Albania?

Question 2. Is there present any relationship between critical success faktors of KM and performance in business organizations in Albania?

The methodology used for the research has its own dimensions like: *specification of the research subjects, tools used for the research, sampling, implementation plan, ethical issues and* presentation of the research findings. The research is based on primary and secondary data collection.

3.1 Specification of The Research Subjects

After defining the research questions, we started out the work about selection of the subjects that could be of interst to the purpose of this research. After distinguishing a number of companies of interest, we started to collect the required information from the managers and other employees of these companies. The data for the study were collected from business organizations with activity in several areas like: service, construction, manufacturing and trade. The respondents were senior managers (sales, marketing and executive directors). This category was considered to be the best to target because it was composed of the supervisors of operations in the companies, that is, individuals having the tendency to be closely associated with knowledge management practice and its proper decision making.

3.2 Tools Used for The Research

In order to collect the necessary information, analyze the data, and draw conclusions, several interviews based on a list of some basic questions were conducted, as well as questionnaires were developed and delivered. The interviews were intended to collect important data on different aspects of KM. The analyses of the collected information would give us the necessary level of understanding about the issue in discussion. Since KM constitutes a new field in the business organization practice in Albania, conducting face to face interviews was of a high importance to us, that is, the discussion with the respondents would clarify what was meant by Knowledge Management, and KM critical success factors.

3.3 Sampling

Our original sampling consisted of interviews with managers, and other employees, in 52 companies, in the Tirana region of Albania. 124 questionnaires were delivered, and the questionnaires' return rate was 65.4%, or 81 collected questionnaires. However, the collected data could be considered as being representative.

3.4 implementation plan

The way we were organized helped us in reducing the time required to perform the interviews and in reducing the costs. Collected data were processed in order to prepare the findings and draw conclusions. Interviews were used to collect an important part of the necessary information from the research subjects. As to the questionnaires, there were not present any difficulties in distributing and collecting them.

3.5 ethical issues

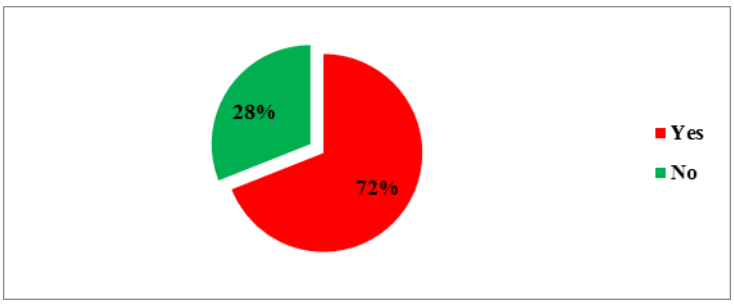
The information collected from the respondents was very important for analyzing and interpreting the findings. The names of the respondents (companys', mangers', employees') due to ethical obligations were not disclosed in this paper.

4 Results presentation of the research findings

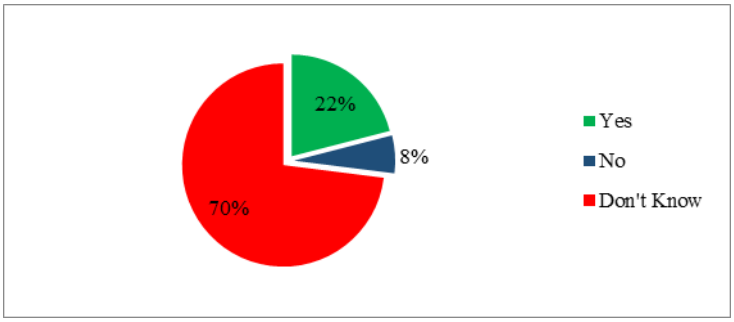
In this section research findings are presented.

4.1 Level of knowledge recognition

In relation to the level of recognition of the Knowledge as an important source and a strategic business asset, and of the Knowledge Management as a management practice, the results of the analysis are as following:

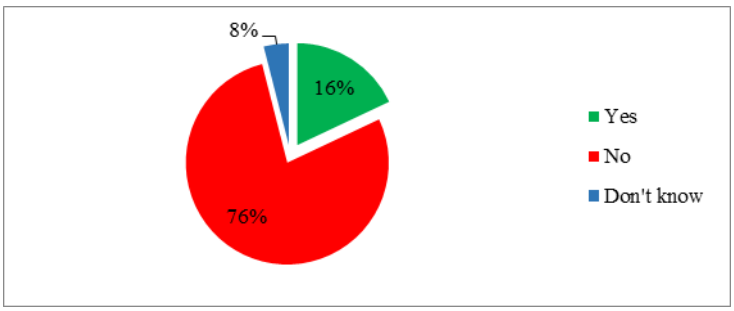


Graph 1:
Do you know where knowledge stems from in your business?

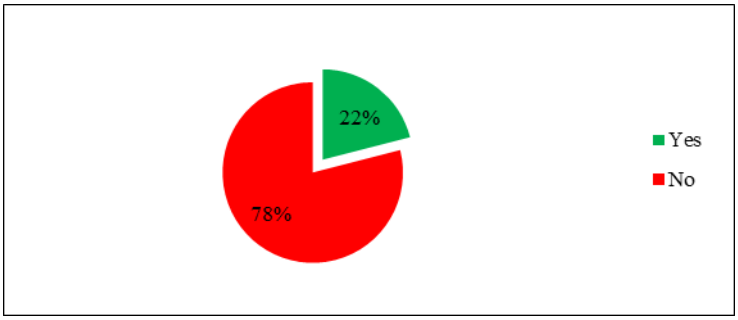


Graph 2 :
Do you think that knwoledge is an important asset of your business?

The results indicate that 72% of these companies were able to identify the necessity for knowledge and the way how to provide it. However, on the other hand, they failed to identify Knowledge as an important asset for their business organizations (70%).



Graph 3:
Is your company familiar with the concept of Knowledge Management?



Graph 4:
Do you know how to profit from Knowledge Management in your business?

The data clearly show that 76% of companies were not familiar with Knowledge Management concept. One of the basic reasons is that they did not understand and recognize the benefits that may come to their businesses from the usage of KM (78%).

As to the level of knowledge recognition we can say that, the success of businesses in the 21st century depends on: the quality of knowledge that companies apply in their key activities, which put forward new demands to companies; the investment that they constantly make on the development of knowledge; the competitors, customers, employees and labor force; and the global imperatives *(Macintosh, 1998). This holds true for Albanian Business Organizations as well.*

People in organizations under study did not see a clear business reason why they should transfer and preserve their knowledge. Consequently, someone who has

knowledge did not know that someone else could use it profitably, and someone who may benefit from knowledge did not know that someone else within the organization possessed such a knowledge.

4.2 Level of knowledge implementation

To see the implementation level of KM in the organizations under study, 10 initiatives of KM were selected.

Questions related to the specific nomination of the initiatives they had already implemented in their companies, out of list of 10-selected-initiatives, (they could select more than one answer), were asked.

Table 1 below describes the results. Out of 24 companies that had implemented KM practices, none of the respondents said that their company had implemented the all 10 initiatives.

On top of initiative-implementation list in the organizations under study were: "*apprehension of basic knowledge" (98%); "use of information technology in sharing and trasferring of knowledge*" (92.4%); and "*use of intranet to publish and access information*" (72%).

Initiatives such as: "*development of strategies for KM"* 42.2%, "*appointment of leaders and groups of KM"* 32.4%, "*reward for employees with a positive attitude to knowledge share"* 30.6%; were not among the best features of these companies.

Another activity with a very low rate was: "*measurement of intellectual capital value"* 22%; however this was something expected, as long as a systematic measurement system of KM in these organizations, was not present.

Table 1: Types of implemented KM initiatives

Initiatives	**Frequency**	**Percentage**
Apprehension /electronic storage of basic knowledge	24	98
Use of IT in sharing and trasfering knowledge	22	92.4
Use of intranet for the publication and access of information	18	72
Building and maintaining expertize and skills of employees	16	62.6
Identification of the best internal and external practices	16	60
Establishment of a supportive environment for knowledge sharing	12	50
Strategy development for knowledge management	10	42.2
Appointment of leaders and knowledge management groups	8	32.4
Remuneration of employees who contribute to knowledge sharing	8	30.6
Measuring intellectual capital values	6	22

As to the level of knowledge implementation we can say that, on one hand, different initiatives of KM practices were used in the companies under study, and

on the other hand, their strategy, structure and culture were not formalized to support Knowledge Management. The rate of KM implementation was low.

4.3 Relationship between critical success factors of km and performance

In order to find out if a relationship between critical success factors of KM (*Leadership, Organizational Culture, Human Resources Management, Organization Strategy, Organiztional Structure, Evaluation Systems, Information Technology*) (independent variables) and performance in business organizations (*Organizational Performance*) (dependent variable) is present, Multiple Regression Analysis is conducted**,** using SPSS Statistics. *(It is beyond the scope of this paper to specify the sub-variables of the dependent variable "Organizational Performance").* Through the "Enter" method, a Multiple Regression Analysis comprising seven independent variables was performed.

Regression Equation (1): "*Organizational Performance" = constant + b_1(Leadership) + b_2(Organizational Culture) + b_3(Human Resources Management)+ b_4(Organization Strategy) + b_5(Organiztional Structure) + b_6(Evaluation Systems) + b_7(Information Technology)*

For the Regression Equation presented above Inferential Diagnosis is performed. The results of a series of tests like: Multicollinearity Test, Fisher T-Test, Student's T-Test, indicated that the dependent variable *"Organizational Performance"* is strongly effected by three independent variables, "L*eadership*", "O*rganizational Culture*" and "*Information Technology*". The effect of the other variables was not statistically significant.

So, we can write the Regression Equation (2): "Organizational Performance" = constant + b_1(Leadership) + b_2(Organizational Culture) + b_3(Information Technology)

For the Regression Equation (2) presented above, again Inferential Diagnosis is performed. After conducting the necessary tests like: Fisher T-Test, Student's T-Test, R Squared (the coefficient of multiple determination) for the three statistically significant variables, we were able to interpret the findings resulting from the Regression Equation (2).

Table2 Regression analysis for the statistically significant independent variables

Model	coefficient β	R^2 (R-squared)	R^2 corrected	Value (t)	*p*
		0.526	0.597		
(constant)	2.428			15.526	0.000
Leadership	0.247			3.363	0.003
Organizational Culture	0.238			3.064	0.005
Information Technology	0.218			2.792	0.007

Regression equation is now re-written: *Regression Equation (2): "Organizational Performance" = 2.428 +* 0.247 *(Leadership) +* 0.238 *(Organizational Culture) +* 0.218 *(Information Technology)*

The results:

- The results of the ANOVA test indicate that the three independent variables sufficiently explain the variation in the dependent variable *"Organizational Performance"*.

- The *Statistical Analysis* of the *t-test* indicates that the three independent variables are sufficiently significant to explain the changes in the dependent variable *"Organizational Performance"*.

- The "b" coefficients of the regression equation are positive, indicating a *positive correlation* between each of the three independent variables and the dependent variable *"Organizational Performance",* that is, the higher the level of implementation of the three independent variables, the higher the *Organizational Performance.*

So, based on the results specified above, we can indicate the presence of a relationship between critical success faktors of KM and performance in the business organizations in Albania.

Conclusions

Despite the broad literature about KM, there is a low level of attention on Knowledge as a key asset, and a low level of implementation of KM practice, in business organizations in Albania.

Despite the fact that several KM initiatives are actually implemented, such as: *apprehension of basic knowledge, use of information technology in sharing and transferring knowledge*, *use of intranet to publish and access information*; strategy, structure and culture of the organizations under study, are not formalized to support Knowledge Management.

There is a relationship between critical success faktors and performance of the organization, in Albanian businesses. The higher the level of implementation of some *critical success factors of KM,* the higher the *Organizational Performance.*

Being an integral part of the global market economy, Albanian business organizations need to recognize and enforce this contemporaneous practice of management (KM), and integrate it to their business strategies, with the aim of increasing competitive advantages and performance.

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