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## Knowledge Management – Innovation and Positive Practices

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*Knowledge management represents one of the greatest challenges in the functioning of an organization. The approach implementation for information and knowledge management is particularly important for organizations where a high quantity of information is necessary for activities progress, also where access to information is problematic or simply when the organization wishes to structure available knowledge and distribute them to all employees.*

*The fast and complex development of our companies clearly show that technologic, social or economic changes are tightly connected to the quality of the information available; more so they are connected to our ability to manage that information. This has lead, particularly in the last couple of years, to an increase in interest for knowledge management techniques and creation and transfer of good practices, these becoming equally important to both the private and public sectors.*

*In the public sector, public agencies have discovered that knowledge management can help with the retaining of collective knowledge, so ensuring institutional continuity and continuous performances on their strategic objectives. Presently, driven by information technologies acceleration and by the value of collaboration networks, the real competitive differential factor – human skills – ensures market advantage.*

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## Introduction

The development of knowledge management over the past decades is a result of the organization's needs to obtain a competitive edge and strategic differentiation considering globalization and the explosion of information phenomena; this has made it into a valuable instrument for ensuring success. Industrially developed countries consider that in recent years a third era of development has started based not on agriculture or industry, but on information and knowledge.

The knowledge management concept is not a new one. In 1950 Peter Drucker introduced the „knowledge workers” concept for workers capable of using the organization's knowledge to create intangible products. Many organizations used in an informal manner knowledge management techniques for decision making of goods and services production, but this was not done deliberately.

The new aspect in knowledge management is the act of being aware of the existence of a knowledge management process. Knowledge management can be seen as an ensemble of instruments and abilities that each organization must develop in order to manage knowledge as resources and knowledge as actives.

The term “knowledge” is one of the most confusing aspects in the knowledge management theory due to the confusion between knowledge, information and data. While data reflects a number or letter description of actions, processes, fact, phenomena, information brings increased knowledge by reflecting an ensemble of data grouped in certain patterns and shapes while knowledge groups an ensemble of information with strong human and contextual factors. So knowledge

describes an ensemble of information acquired or applied to a certain context through human thinking. A significant difference between information and knowledge is determined by their transfer. While information can be easily transferred from one person to another, knowledge has a lower degree of transferability, as there is a contextual psychic-social content which reflects intuition, creativity and experience for the person holding the knowledge. The European Union has established over time what we now know as the four freedoms: working, goods, capital and services. It is now time for a fifth: “freedom of knowledge” (Janez Potočnik, European Commissioner for Science and Research).

“The best lesson ever learned is how to maximize the company’s intellect. You need to gather knowledge from individuals, communicate those ideas and celebrate their communication. This is the way in which a company finally becomes grand.” (Jack Welch, former Chairman and CEO for General Electric 1981-2001.).

“In the vortex of the world economy, knowledge is a convertible currency for large enterprises. In the 21st century only companies which manage to capture, store and apply what their employees know will succeed” (Lewis Platt, Executive Director of Hewlett Packard ). The most used and accepted interpretation for knowledge management is that it represents the process of generating added value for the organization’s intellectual capital.<sup>2</sup>

Gulick<sup>3</sup> defines management as being characterized by the functional elements of the executive’s tasks. These elements are planning, control, financing, budget and reports, organization and

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<sup>1</sup> Quote from the speech of EU Commissioner Janez Potočnik, taken from „Cordis focus Newsletter” magazine, article „EU Commissioner urges universities to embrace modernisation”

<sup>2</sup> Roxana Blat, consultant Ensignt – article „Knowledge management: The new competitive edge”, <http://www.ensight.ro/newsletter/no07/articol9.htm>

<sup>3</sup> Gulick L. – “Notes on the Theory of Organization”, Papers on the Science of Administration: 3-45, Public Administration Institute, Columbia University, New-York

coordination. Besides these, executive tasks include the responsibility for operation's management and informational systems.

## Knowledge Instruments

It must be understood how an organization can capitalize knowledge in order to gain a competitive edge and stay on the market. Economic growth was until recently perceived as an increase in capital, work and natural resources used. Successful Japanese enterprises have adopted four fundamental principles:<sup>4</sup>

- a preconceived opinion on progressive development;
- a systematic interest for the competitor's activities;
- creation and ruthless exploitation of a competition advantage;
- a financial strategy and personnel politics coherent with the previous points.

So for Japanese managers there is the equality:

<b><i>SURVIVAL = PROGRESSIVE DEVELOPMENT</i></b>
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If for western managers it is dramatic to see a decrease in profits, for Japanese managers there is a much greater risk and that is being overtaken by a competitor.

If there is no progressive development this means that either the ensemble of activities developed by the enterprise is situated in areas which have reached maturity phases – this is not good for the future, or that the enterprise is regressing compared to its competitors in areas that are in development?

The key factor for prosperity and creation of new jobs is the degree in which innovations and new technologies are implemented throughout the economy. Growth is based not only on capital increase but more importantly on increasing the amount of knowledge and the

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<sup>4</sup>Theory held by BCG consultants - Tokyo, James Abegglen and Georges Stalk in their work „Japanese enterprises strategy”.

number of innovations implemented on a large scale. Knowledge economy is not only a knowledge based economy, but also on:

- knowledge management of all human processes;
- unprecedented dissemination of knowledge to all citizens.

The new leadership approach – knowledge management uses the intellectual capital concept to identify and define goods, intangible actives – knowledge which can be transformed – nowadays vital for the economic organization.

An innovation process – conception of an idea, industrial application considering financing and a certain technologic process, a new presentation, new organization, new management and work planning, strong market impact and strong protection – can only be successful if the new knowledge is assimilated by adding value in one of the following ways:

- generation of flexibility and operational efficiency;
- attracting new groups of customers or entering a new extended global market;
- improving customer requirements satisfaction;
- offering new products or services;
- redefining the manufacturing process or the business model.

Very rarely this information is combined to obtain systematic knowledge. This article presents the opportunities offered by the implementation of knowledge management techniques in the public sector as an important method in the development of a modern administrative structure.

The evolution for passing to an knowledge based informational society is necessary to ensure durable development in the context of a “new economy” mainly based on goods and intellectually intensive activities and on the development of an advanced social-human civilization. Organizations have accepted that their main values are what they know and the ability to use that knowledge on organizational technologies and processes, which could get them the competitive edge.

In industrial society there were different types of organization, coordination and planning for technological resources, goods and financial resources, while in the knowledge based informational society planning accent is put on finding principles, investigation methods and techniques, planning, and organizing the critical resource – knowledge.

Knowledge differs from information by the following:

- knowledge is a human act;
- knowledge is the results of thought;
- knowledge belongs to communities;
- knowledge travels through the communities in different ways.

In an organization knowledge can be classified as:

- easily communicable explicit knowledge distributed as data, scientific formulas expressed through words and numbers. These can be divided into structured and unstructured knowledge. Structured knowledge is composed from specifically organized information and data for future referencing (documents, data bases, work sheets and others) and unstructured knowledge (e-mails, images, audio and video selections) with contained information not findable through usual finding operations.
- highly personal and difficult to formalize tacit knowledge that depends on experience and characteristics of individuals. Less concrete than explicit knowledge, difficult to access and many times not shared (many people are now aware of the knowledge they possess and their value to others).<sup>5</sup>

Knowledge management represents the process for organizing and coordinating knowledge for the organizations knowledge base. This involves:

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<sup>5</sup> Michael Polanyi said „We know more than we can say“. Polanyi is considered the founder of modern theories for understanding tacit knowledge. He sees knowledge as a process in which individual aspects and culture interact. In this context Polanyi's research is focused on the idea that it is impossible to express all knowledge in current communication, as a person's actions are based on individual experience.

- knowledge grouping on types of knowledge starting from the main sources of the organization, on processes, until constituting the internal memory;
- knowledge centralization for efficient storage in the organizations knowledge infrastructure;
- knowledge classification for evaluation and prioritization that reflect knowledge quality and degrees of proper use for different processes;
- knowledge selection that allows the user to use identification criteria for most relevant knowledge.
- knowledge dissemination – knowledge stored in different forms (tacit or explicit) are accessed by all organization members, even stakeholders – customers, suppliers and others.

Most of the times identifying and coding knowledge actives is done by using informational systems in the process, so that a competitive edge could be gained. However this obsession for instruments and techniques leads to failure for the implemented systems as several basic factors are not taken into consideration. Even the most efficient system can fail when confronted with resistance for the human factor by overestimating the effects of using information technology on organizational performances on side and on the other it is assumed that knowledge can be coded, which is not always true.

The failure of company's data and information management is generally a result of a significant lack of cohesion between the management system, technologies, processes and results. This can have several consequences on the quality of the management system, such as:

- storing incomplete and limited information on own activities;
- wasting valuable time in finding the necessary information;
- inadequate collaboration between components form the same organization;
- incomplete general profile of the organization;
- maintaining sub systems which are insufficiently connected to the mission and purpose of the organization;

- lack of cohesion for the system in general;
- proper management of values, information and property owned; organization's reduced compatibility with the general regulatory frame (internal/external).

For a system to work all people must be willing to contribute to the development of the knowledge base and to use the knowledge stored in those systems, this represents an optimistic assumption as there can be difficulties in understanding mental models from others. This is not unusual especially in interdisciplinary areas.

A very important element for innovation is known as being connected to the remodeling of success factors, a group analysis process for experiences learned from projects or business activities, from studied management activities. Participants involved in these types of post operational evaluation groups are invited to analyze their actions, errors, accomplishments or failures starting from the claim "if I were to do it again I would do the following"...; this perspective is highly productive for innovation learning (re-engineering). Factors usually considered for such causal reflections are connected to the following aspects:

- 1) increase of management abilities (active and more consistent involvement);
- 2) adjustment of the strategic lines (considering the organization's or company's strategic line);
- 3) elaboration of recommendable business situations (with measurable objectives);
- 4) checked methodologies (connected to the company's process and strategic vision);
- 5) effective change management (considering predominant cultural model);
- 6) assuming responsibilities (direct or collective);
- 7) implementation team remodeling (starting from professional quality and compatibility relation).

For the private sector there is a significant amount of literature that shows the aspects, challenges, opportunities and solutions for using

knowledge management, the same cannot be said for the public sector where there are very few analysis made.

Public administration involves great amounts of data, most of them activities of the public authorities referring to the elaboration of knowledge and information for the citizens, business environment and society. Also, most final products form government activities is delivered also as information and knowledge. As information and its processing represent the “heart” of public administration, the ability to collect and generate useful information can be defining for any modern state. Information generates information, but very rarely this information is combined to obtain systematic knowledge. Moreover, the need to optimize the educational activity, the implementation of an efficient management, insuring the quality and the compatibility of the educational systems has led to numerous investigations in this area by adopting, as a theoretical reference framework some organizational models to explain the functionality of the educational system and to define a performance appraisal system. (Gherghina and Vaduva, 2009)

The size and the geographic dispersion of the public sector make important knowledge that can be reused available in one place but missing in another. New governing techniques were introduced to eliminate these differences, these are known as electronic governing (e Government) and allow for electronic collection and distribution of knowledge situated at the center of the relations between citizen and government such as the detailed presentation of administrative and political activities which lead to increased responsibility for those elected, government auctions, population demographic and cadastral surveys.

A high degree of operational efficiency of information sources can't be achieved without the existence of internal regulations founded and specific strike. Thus, recalling the Rules of Organization and Operation, internal rules and Quality Manual, embodied by each employee job description must clearly set out all responsibilities and deadlines for receiving and recording data, providing the structures

involved, processing, compilation and dissemination of documents, reports and information for all carriers. (Calotă Traian Ovidiu, 2010, Doctor's Thesis)

## Success Practices

Although applying success techniques to the public sector and public organizations has been suggested, the main differences in human resources management policies and practices, ethic management aspects and the decision making process have imposed special strategies for knowledge management.

The main differences are defined by the following aspects:

- Competitiveness pressure and cost reduction are less important than in private companies, although their importance has started to increase lately as knowledge represents a critical determinant for competitiveness in the public sector. In a knowledge based economy governments are more and more confronted with national and international competitiveness for service delivery and policies implementation. At an international level non-government and government organizations are in competition with similar foreign institutions that provide the same services. At a national level the competition between public organizations is fuelled by decentralization.
- Private companies produce goods and services which are more and more intensive in intangible capital and compete directly with organizations from the public sector that provide goods and services such as education, security, science and knowledge. For example, distance learning with classes and information supplied on the internet allows private companies a greater influence on public education - traditionally offered in the public sector.
- There is a vertical hierarchy in public organizations from a management point of view, and so few stimulations for

innovation and teamwork with results that are less clear and harder to measure.

- Activities in public organizations involve more knowledge and information and the staff must be highly trained. These organizations cannot function correctly without specific mechanisms for knowledge management. Knowledge is an important element in a competition and a strategic resource in the governing process. Efficient governing is based on efficient acquiring and dissemination of knowledge.
- The public sector operates in an environment where transparency and access to information are encouraged.
- The frequent clerk transfer between departments creates opportunities for knowledge and institutional memory preservation.
- Analyses performed in several countries have shown that a significant number of senior public clerks will retire in the next 5-10 years (for the US 71% of clerks will be retired in 2007, for Finland 85% by 2012) (OECD [12]). Public organizations must take measures to preserve their knowledge in the organization memory.

Declared a priority area of research, in 2004 the first analysis on knowledge management practices in public organizations from OECD member countries was conducted. Unfortunately no Romanian institute was involved in the making of this study. Here are some of the general conclusions:

- Knowledge management is on the agenda of most organizations involved in the study in the top five management priorities;
- Although there was an increase in transparency for applied policies and in the level of investments in informatics technologies which has led to an improved efficiency in the public sector, the applied knowledge management policies (increased competitiveness for public clerks, promotion of

continuous formation and others) did not produce the expected structural modifications.

- Perfection of knowledge management practices, besides the usage of new instruments, processes and strategies, involves a long term effort to determine changes at the level of the organizational culture.

By analyzing the basic elements that need to be considered for the public sector knowledge management it has been observed that these are focused on:

- the human factor and the organizational culture for stimulating and forming transfer and knowledge use aptitudes;
- methods and processes for searching, creating and transferring knowledge;
- technology for storing and processing knowledge in order to allow working in common without having the people in the same place.

The human factor is the most important as knowledge management depends on the people's availability to spread and reuse.

Positive practices were developed in different countries and are focused on various areas. For example the UNESCO data base based on Indigenous Knowledge and International Migration shows around 200 positive practices throughout the world, with an average yearly number of visitors for the webpage of over 200.000 this is a great example for the inspired aspect of positive practices for the audience that accesses this organization's electronic resources.

“Positive practices are analyzed in qualitative terms and are defined as practices considered being superior in approach and with better results compared to other practices. Such practices can appear as processes, studies, surveys, indicators or research. They represent the experiences, results of specialized researches and elements of the knowledge industry”, while remaining perishable over time. The action of “innovation” or “assimilation of a positive practice”, measurable in terms

of efficiency and effectiveness, can help a community better capitalize on its available resources.

Although Siemens, a global telecommunication service provider, with activities in more than 100 countries, had a significant market share in the telecommunication market, changes in the business environment in the mid 90's took the ICN Siemens division by surprise. Managers of the company noted that: The Siemens ICN Division was forced to rely more on frontline company activities, which had solid knowledge on the latest discoveries and innovations in the area. Sales representatives had to act more as consultants and abilities such as financial analysis, planning, externalization although spread out throughout the company became more and more necessary. Selling solutions became an activity with a high added value; efficient accomplishment of this activity involved quickly identifying the best practices and disseminating them on a global scale so that they could be used in similar conditions to obtain profit. The solution for a knowledge based management consisted in the creation of Sharenet network - "global network for knowledge sharing" that included tacit knowledge, and explicit knowledge used in the sale process, with added value: business environment knowledge, project know-how, technical and functional solution and others aspects on one side and on the other there was an accent on experience knowledge, which included comments, claims and field expertise for sales projects. The reward system was also a success factor. For each valuable contribution the members would receive Share net "stocks" or bonus points in a similar system to "air miles". The stocks allowed the holder to attend international conferences or courses and seminars which they wished to attend even if the subject for these conferences was not related to their professional activity.

Positive practices represent the ideal vehicles for transplanting positive experience within organizations, followed by innovations and performance evaluation indicators, as instruments for stimulating creativity and adaptation capability for social groups. A defining characteristic for positive practices and innovations is represented by the

proven aspect of their performance when compared to other practices that have not reached the same parameters. So the key to society changes is the identification of performance parameters (benchmarks).

Knowledge Management is based on three important pillars:

- E-workers (Knowledge Workers) – individuals with thinking, learning and acting capabilities.
- Processes (Best Practices), which follow an innovative approach for the optimal execution of certain tasks or functions. They lead to collaboration and teamwork and supply consistency and accessibility for the evaluation procedures.
- Products (Platform) represent technologies or systematic approaches that activate knowledge management. Innovative or sophisticate systems need to be accomplished through technologic processes and need to be easily incorporated. Comprehensive (intelligent) systems maximize accessibility and help employees adapt easier and more naturally to knowledge management systems. Intelligent knowledge management systems have to comply with the organization's functions, with its objective and purpose.

The three pillars presented above are equally important, if one of them is missing then the implementation process for knowledge management might not be as effective or it might even fail.

## Conclusions

The main element that defines most successful organizations with recognized accomplishments is, without a doubt, the quality of management – which creates a good spirit, favorable for innovation, teamwork and creative leadership. Organizational culture must have collaboration among its fundamental principles, this ensures the maximization of the collective's potential. Also this brings the necessary maturity for handling critical situations. An organizational culture based on learning and innovation helps maintain a competitive position. There

needs to be a connection between people, processes, culture and technology; success is only ensured when every part is clear and understood and so a balance is maintained. The value of knowledge must be permanently checked, ensured and it must coincide with the organization's objectives.

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