

Chapter 4

Relationship between Knowledge Management and Innovation

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ABSTRACT

Successful business operation depends on several factors. Among these factors knowledge management and innovation are extremely important business areas. The aim of this theoretical study is to introduce how these two models work together and how their relationship reinforces the chance for success. Relying on secondary data analysis and literature review, the authors prove that the classical innovation model can be a part of this relationship together with the organizational innovation where the human resource comes to focus. The logic of system building of knowledge management emphasizes that the path leads from the attainment of innovation knowledge to the evaluation of utilization. This study reviews the steps of the two business models and highlights the most important relationships in a new model linking the appropriate phases. The second part of this paper shows the connection between frugal innovation and knowledge management, and their theoretical significance and practical adaptability.

INTRODUCTION

In the changing business environment, in terms of adaptability and remaining competitive, development and operation of knowledge management systems have become extremely important factors. They have a significant role in such business processes which seek synergies between data, information processing capability of IT, and creative and innovative capabilities of people (Nonaka et al., 2014).

Knowledge management is not a new phenomenon if it means managing existing knowledge. Partly, it may include some tasks of human resources, or even the exchange of experience between employees. It is a concept and methodology that is applicable in many different fields of business activities.

Nowadays, economies and also societies are being transformed. Values that were previously unknown and considered elusive, come to the front (Olšovská et. al, 2015) which includes organizational knowledge.

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Therefore, the age of information society leads to knowledge society and knowledge-based economy. Unique knowledge, its development and reuse are the competitive advantages that allow a company to maintain its market position (Davila, 2012).

Companies of the 21st century must take into consideration that their often expensively acquired knowledge should be utilized in time, otherwise it can disappear. This is why continuous innovation is crucial nowadays. It is supported by the fact that, while in 1990 the development of a new car model took 6 years, today it needs only 2 years. Another example could be that the vast majority of Hewlett-Packard's revenues come from products that did not exist a year ago. Knowledge management and innovation, these two categories that define a company's success, are inseparable.

THE IMPORTANCE OF KNOWLEDGE

Companies are being challenged by the world market and economy, including the fierce competition caused by globalization, and the rapidly and unpredictably changing external and internal environment. Changes, that often turn up and vary, must be managed and not only experienced (Olšovská et.al, 2015). However, this is impossible without the existence of adequate resources.

Knowledge is individual. It develops during practice and experience, and this process is non-transferable. There is a great need for human resources with excellent skills in the harsh market competition; thanks to their individual competencies, they make companies unique and competitive. Therefore, in order to obtain and maintain human resources with high and/or special skills, it is crucial that the management supports their staff's continuous development, their knowledge transfer, and the update of their ideas and innovation skills. If these criteria are applied to business operations as a whole without any problem, the issues of knowledge sharing can be the management's challenges. This is supported by the development of a knowledge management system which, besides knowledge sharing, requires the implementation of further steps.

Knowledge Sharing as a Critical Issue

The development of organizational knowledge sharing practice, which is an important part of knowledge management, is a significant challenge for managers. The competitiveness of organizations, and sometimes even their survival, lies in shared knowledge. If this knowledge is not able to flow properly in an organization, and people do not share it with others, then new solutions, ideas and innovations may disappear. Task of the management is to make the employees able and willing to share their knowledge with other colleagues. For the sake of the cause, corporate culture has to be restructured, and atmosphere must be supportive in which employees know that sharing their knowledge will not have any drawbacks, rather it will help to achieve the common goals (Mura et. al, 2016).

Why do not employees share their knowledge?

- With knowledge sharing an employee will become worthless.
- Competition leads to knowledge retention.
- There is no receiver.
- There is no time and energy.
- They do not know what to share.

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