

## Chapter 26

# Assessing Knowledge Management Processes and Competitive Advantage in Local Authorities using Knowledge Management Assessment Instrument (KMAI)

**Abu Hassan Abu Bakar**  
Universiti Sains Malaysia, Malaysia

**Muhammad Asim Tufail**  
Universiti Sains Malaysia, Malaysia

**Wiwied Virgiyanti**  
Universiti Sains Malaysia, Malaysia

**Mohamad Nizam Yusof**  
Universiti Sains Malaysia, Malaysia

### ABSTRACT

*For academics and professionals, knowledge management has been widely known as a core agenda and has been recognized as one of the most important sources of competitive advantage. Managing knowledge to achieve organizational performance is not only crucial for private sector institutions, but it is significant for the public sector institutions as well. Since the study of knowledge management in the public sector is still in its infancy, this study is aimed at investigating the relationship between knowledge management processes and competitive advantages in local authorities in Malaysia to raise the awareness of the importance of managing organizational knowledge, particularly in the public sector. For this study, the data was collected from selected Heads of Departments in 42 institutions of local authorities in Peninsular Malaysia and yielded 82 usable responses. The analysis suggests that all six knowledge management processes (knowledge creation, capture, organization, storage, dissemination, and application) have a strong relationship with competitive advantage. This study is expected to raise awareness and provide initial guidelines to local authorities as knowledge-intensive institutions to formulate strategies on how to manage the knowledge management processes within the organization.*

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## **INTRODUCTION**

Knowledge has been stressed as the most important factor as viewed from the knowledge-based perspective of the firm. That perspective contends that knowledge assets produce long-term benefits for the organization, which are powerful in recent erratic economic atmosphere, such as competitive advantage and sustainability Nonaka and Takeuchi (1995). The underpinning of organizational competitiveness has moved from an emphasis on physical and tangible resources to knowledge Wong and Aspinwall (2005) and managing knowledge-based resources has become the key for sustaining competitive advantage and superior performance (Grover & Davenport, 2001; Jackson, DeNisi, & Hitt, 2003; Sharkie, 2003). With effective management from the organization, certain specific knowledge might have a great impact on the organization's success, and differentiate them from the competitors. It is the reason why every organizations has progressed to equip themselves with the capability of managing knowledge to stand competition strategically, to overcome problems quickly and to capitalise on opportunities as they appear. In line with this, the concept of knowledge management as a potential competitive weapon has been strongly highlighted in the strategic management literature. In the real world, either private organizations or public sectors require the competitive advantage to response to the hyper-competitive environment and pressure to face globalization. As such, by considering both the resource-based and knowledge-based views, proper management of knowledge management processes can act as a strategic tool to gain and sustain competitive advantage for public sector organizations, such as local authorities. Therefore, this chapter is aimed to achieve the objective, to examine the relationship between knowledge management processes and competitive advantage in local authorities in Malaysia.

## **BACKGROUND**

Many organizations have initiated on knowledge management as a core strategy to enhance their organizational competitive advantage (Brailsford, 2001; De Long & Fahey, 2000; Nidumolu, Subramani, & Aldrich, 2001). Since knowledge has been widely recognized as a competitive advantage, and increasing number of organizations are incorporating the knowledge management strategy (Armbrrecht et al., 2001; De Tienne & Jackson, 2001). Thus, it is significant to understand how to manage valuable knowledge in every organization.

Most research in the area of knowledge management have been done in private organizations. As the result, there is relatively little information on knowledge management in the public sector, and even less in developing countries. This is due to the fact that public sector organizations implement knowledge management for providing services to the public rather than gaining financial profit. Thus, there is no established body of knowledge on successful management strategies in the private sector that can be drawn upon by public agency (Boyne, 2002). Consequently, there is a need of strategy designed especially for the public sector to be developed in order to fill the gaps and for cross learning between private and public sector.

In Malaysia, the concern of the Government of Malaysia in developing the nation through the knowledge economy has become apparent. Government organizations are urged to develop a more knowledgeable organization, especially in terms of managing resources and providing services to the public. It is the emphasis of K-Economy declaration by the former Prime Minister of Malaysia, Mahathir Mohamed, who stated that the knowledge is real and showed on a graph "that productivity growth doubled in knowledge-rich economies" (Mohamed, 2000).

In Vision 2020, Mahathir Mohamed also stated that Malaysian economic objective should be to secure the establishment of a competitive

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