

## Chapter XI

# New Business Requirements in the Knowledge-Based Society

**Anca Draghici**

*Politehnica University of Timisoara, Romania*

**George Draghici**

*Politehnica University of Timisoara, Romania*

### **ABSTRACT**

*This chapter explains knowledge management's (KM) role for competitive advantage as a means of new business requirement in the knowledge-based society. It argues that KM, combined with new information technologies, determines new approaches of business strategy, knowledge leadership, culture, management content, organizational structure, technology and innovation, which are key enablers for competitive advantage. In addition, these are discussed in the case of a virtual organization (Network of Excellence) for building the knowledge sharing culture, based on interaction of the management functions and stages of the knowledge creation process. Furthermore, the authors hope that understanding the main issues and trends of KM as an essential element of business integration for obtaining a considerable competitive advantage will not only inform researchers but also assist them in developing new approaches for attending efficiency in the new global virtual organizations.*

## INTRODUCTION

Often, competitive advantage is related to the core competencies of the organization, which are frequently based on implicit expertise or tacit knowledge. This intangible, unstructured knowledge is difficult to manage; consequently, management has ignored it when designing business strategy. For the purposes of this chapter, competitive advantage is perceived as a strength that provides market advantage relative to a competitor. However, increased competitive pressures of the post-industrial global economy and the exponential advances in computing power have increased management's interest in knowledge as a sustainable source of competitive advantage (Kotler, 2000). This raises many difficult questions for strategic management, as knowledge is a complex, dynamic, human phenomenon.

The interest in KM starts by recognizing knowledge as a competitive resource that requires new management principles to beget business growth. Japanese organizations have long understood the value of developing knowledge assets and managing intellectual capital. They have applied innovative management techniques to promote tacit knowledge sharing and the creation of new competitive knowledge. Western organizations seem reluctant to roll out Japanese-style KM initiatives that center on non-technology techniques for applying discipline to tacit knowledge transfer and innovation.

This chapter is correlated to the managerial dimension, which includes integration management, relationship management, process integration, KM, technology integration management and information integration that can be identified in business integration.

The chapter's *mission* is to present the main issues and trends of KM as an essential element of business integration for obtaining a considerable competitive advantage.

The *objectives* of this chapter are:

- To underline the strong link between KM and competitive advantage.
- To discuss the importance of KM in the business integration process.
- To introduce and discuss business integration requirements for obtaining a competitive advantage.
- To present and discuss the case of building a knowledge-share culture in an extended network (with collaborative environment) as the Network of Excellence.

## HOW DOES KM INFLUENCE COMPETITIVE ADVANTAGE?

### Considerations about KM

KM is a business activity with two primary aspects:

1. Making a direct connection between an organization's intellectual assets—both explicit and tacit—and growth (Barclay & Murray, 2000).
2. Treating the knowledge component of business activities as an explicit concern of business reflected in strategy, policy and practice at all levels of the organization.

Considering these two aspects, KM ...

*...in practice often encompasses identifying and mapping intellectual assets within the organization, generating new knowledge for competitive advantage within the organization, making vast amounts of corporate information accessible, sharing of best practices, and technology that enables all of the above – including group-ware and intranets. (Barclay & Murray, 2000, p. 43)*

KM has also been more concisely defined as “the leveraging of collective wisdom to increase responsiveness and innovation” (Koulopoulos &

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