

ORGANIZATIONAL PERFORMANCE BY THE PROCESS OF KNOWLEDGE CREATION

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Abstract: *The whole society is facing today the problem of performance assurance for organizations, especially obtaining success in an increasingly competitive market. The concept of knowledge has been and still is in the attention of the researchers to offer practical solutions to the companies' management that will lead to efficient strategies and superior performances. This paper is aiming to analyse these two concepts briefly, i.e., knowledge and performance, and to illustrate the intrinsic connection between them. Moreover, the paper offers a conceptual model of a process of creating knowledge and using it to increase the organizational performance.*

Keywords: strategy, knowledge, knowledge management, organizational performance, process of knowledge creation

JEL Classification: D80; D84

1. Introduction

Organizational performance comprises the actual output or results of an organization as measured against its intended outputs (or goals and objectives) (Wikipedia). The organizational performance depends first of all on how it is managed and, secondly, on the active and correct involvement of the employees in fulfilling the strategic objectives of the companies. The

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fulfilment of strategic goals is achieved both by observing the plans and procedures established, as well as by creating and accumulating new knowledge in all areas of the organization's activity.

Some organizations will concentrate on their relationship with their customers (to increase customer satisfaction and retention by a better understanding of the customer's needs and preferences). Other organizations will focus on their products (continually developing new ideas and getting them to market quickly). The third group of organizations focuses primarily on themselves and their internal processes (sharing best practices between different units, reducing costs, and improving efficiency) (Shannak, 2009).

Anyway, different evident outcomes such as sales increase, efficiency, better productivity, return on investment, quality improvement, and others express organizational performance. However, some hidden issues, such as customers' satisfaction or management and employee's knowledge and skills, maybe the result of knowledge creation, accumulation, and spread among the organization.

Understanding the types of knowledge and how knowledge flows between individuals is crucial in improving strategic capabilities and processes. (Nonaka, 1994).

Socio-economic transformations have required not only the full understanding of how organizations' businesses use knowledge, but also how they generate new knowledge.

In this context, this paper is aiming to analyse the concepts of knowledge and organizational performance and to propose a conceptual model regarding the process of knowledge creation for the company's performance. We base our research on literature review and personal observation and judgment.

2. The knowledge management evolution

Knowledge creation, according to some authors, is accomplished by converting the two types of knowledge, respectively tacit and explicit knowledge (Polanyi, 1958; Drucker, 1969; Bell, 1973; Toffler, 1990; Senge, 1994).

The explicit dimension refers to knowledge that, e.g., can be articulated orally, communicated in documents, and stored in databases. The tacit one refers to the experience, thinking, and feeling of the individual. These can, e.g., relate to technical know-how and skills that are context-dependent (Brix, 2017).

Also, knowledge is created concomitantly through the influence of organizations and the environment in which they operate. Therefore, not only the knowledge created initially is valid, but also those that derive from the original ones following the intra-organizational processes. These can be reached out through socialization, externalization and internalization and combinations between them.

Knowledge conversion is not one-sided. Thus, the conversion is made not only from explicit knowledge into tacit knowledge (Anderson, 1983), but also from:

- tacit in tacit through socialization;
- tacitly explicit through outsourcing;
- explicit in tacit by internalization;
- explicit in explicit through combinations.

Moreover, Nonaka (1984) introduced the idea that knowledge within organizations intersects through the uninterrupted dialogue between explicit and tacit knowledge. Schulze & Hoegl (2006) continue Nonaka's research and demonstrates how the four ways of creating knowledge operate in designing and developing new successful products.

New knowledge is frequently engendered by innovative concepts or urgent needs, either arising in the company or emanating from external market pressures (Grimsdottir & Edvardsson, 2018). Lyles (2014) argues that the companies can acquire knowledge from external sources such as hiring new employees who have worked for competitors or from industrial networks, which allow the firm to be in direct contact with advanced knowledge of other firms.

Well-known authors approached aspects regarding the modalities of accumulation of knowledge, such as dynamic researches for the collection of new knowledge (Nonaka, 1994); the use of experts in guiding strategic insight (Gruber, 1989) or, the use of brainstorming scenarios within the team (Senge et al., 1994).

Knowledge is the dynamic content/stock created as part of the learning process, and the same expertise influences the learning process occurring on multiple levels within the organization (e.g., Crossan, Mauer, & White, 2011). This stream of literature has a transformative and dynamic view of knowledge, based on the premise that knowledge changes as people become more knowledgeable (Brix, 2014).

To complement the tacit and explicit dimensions of knowledge, Choo (1998) introduces a third dimension: cultural knowledge. This dimension relates to the assumptions and beliefs that describe and explain reality, as well as the conventions and expectations that assign value and significance to new information (Choo, 1998). Moreover, they apply to knowledge creation, which converts tacit knowledge into explicit knowledge.

The development of knowledge management over time has led to the emergence of the concept of the knowledge society. The term represents the constant significant increase of knowledge for social and business operations in the contemporary socio-economic environment (Stoyanov, 2017; Brix, 2017).

What is essential in knowledge management is that it is an ongoing process because the accumulated knowledge leads to the creation of another knowledge. Knowledge management is regarded as one of the key processes of organizational learning. It is well accepted that learning organizations can enhance their capability and hence competitiveness and performance through learning. Recognizing the importance of knowledge management, researchers are interested in exploring knowledge sharing activities because such activities are the cornerstone of other knowledge management activities (Chau, 2018).

3. Organizational performance

Performance represents a state of competitiveness, attained through a level of effectiveness and productivity that ensures its strong presence on the market, considering the multiform and complex interaction between numerous factors (Dragomir & Pânzaru, 2014).

The organizational performance comprises the actual output or results of an organization as measured against its intended outputs (or goals and objectives). Specialists in many fields are concerned with organizational performance, including strategic planners, operations, finance, legal, and organizational development (Wikipedia). Performance, therefore, can be defined as the evaluation of the constituents that try to assess the capability and ability of a company in achieving the constituents' aspiration levels using efficiency, effectiveness, or social referent criteria (Jenatabadi, 2015).

According to Richard et al. (2015), organizational performance includes three specific areas of firm outcomes:

- Financial performance (profits, return on assets, return on investment, etc.);
- Product market performance (sales, market share, etc.); and

- Shareholder return (total shareholder return, economic value-added, etc.).

Technical and technological potential, equipment quality, know-how, employee qualification, productivity level, etc. are factors that determine the present and future competitiveness of the enterprise and hence of its financial performance through financial policies (capital accumulation, investment, productive capital management).

External socio-economic and political factors and internal factors (organization's structure and culture, strategy, management skills, employee's commitment, and stakeholders' implication) also influence the performance of the organization.

Knowledge management is undoubtedly part of performance success. The burden of achieving performance within an organization lies directly in the leadership of the organization as they are required to make and implement decisions/strategies that will result in attaining the goals and objectives of the organization (Abukabar, 2017).

4. Knowledge creation process for organizational performance

Based on the literature review, observations, and own judgment, we propose a conceptual model to integrate knowledge management into the company's strategy and activities, having an enhanced performance as a result (figure 1).

The process of knowledge creation management for the company's performance comprises four components: (1) External and internal factors analysis (2) Knowledge creation mods, (3) Knowledge transformation, and (4) Knowledge dissemination areas for performance increasing.

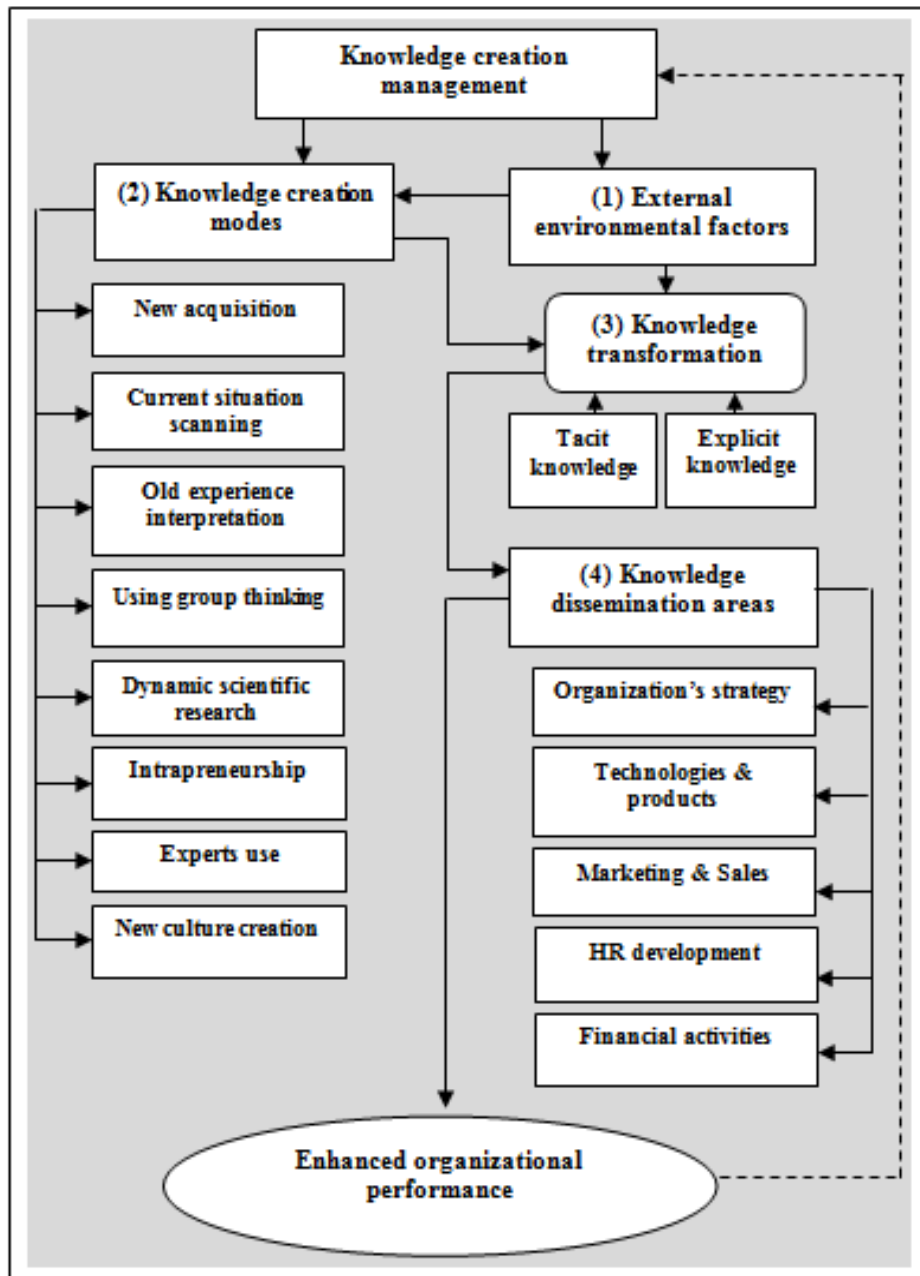


Figure 1. The process of knowledge creation management for organizational performance

(1) External factors analysis

The increasing volatility of the environment due to the acceleration of changes in information and communication technology requires organizations to cooperate with the increasingly complex external environment (Negulescu, 2019). The analysis of the external factors (socio-economic, political, technological, and competitive) of the organization represents the first step in the designed process. Knowing how these factors manifest themselves provides the basis for the creation of new knowledge and, at the same time, facilitates anticipation of changes that may occur in the future.

(2) Knowledge creation mods

The knowledge can be created by:

New acquisition: Companies may purchase any forms of information and knowledge support, like newspapers, magazines, journals, statistics, etc. and know-how, and hire trained people that bring new knowledge into the company.

Current situation scanning: The continuous scanning of the external and internal environment leads to current knowledge of the factors that can influence the strategy of the organization and which can be the basis for future forecasts. The benchmarking can also be a useful tool to compare the data with the competition's ones. From here, results in the knowledge that management needs to make the most appropriate decisions.

Old experience interpretation: The past experiences from the activity of the company, but also of others, analysed, interpreted, and distributed within the company constitute valuable knowledge for management and employees.

Using group thinking: Group thinking about a particular problem of the company leads to a variety of perspectives to look at the problem and to highlight new ideas. The use of methods and techniques, such as Delphi, brainstorming, mind mapping, six thinking hats, scripting method and, others, facilitates the generation of valuable ideas and new knowledge.

Dynamic scientific research: The experimental studies in the fields of activity of the company and the associated ones represent a fundamental source for generating new ideas. Research for the design and development of new technologies, as well as for the promotion of new products and services, includes new knowledge. The most important aspect of knowledge creation is its potential to stimulate scientific research and to learn in organizations (Lewin, 1994).

Intrapreneurship: Some companies facilitate the use of their valuable ideas in the interest of the company through the so-called intrapreneurship, to retain employees with creative skills. The intrapreneurship can be implemented by any organization (corporate or small business), with the condition that (Negulescu, 2017):

- the opportunity and innovative idea of the intrapreneur to fit into the organization's strategy;
- the organization has the necessary resources and
- it wishes to motivate him/her.

Experts use: In certain situations, companies may call on experts (in management) and specialists on problems (production, sales, customer service, etc.) that come with new knowledge that they disseminate to management and employees.

New culture creation: Continuous creation and mass use of new knowledge lead to the development of a culture of knowledge and the development of the learning organization.

(3) Knowledge transformation

The tacit knowledge has, in general, a cognitive dimension and partly technical skills captured in time by a person. As Nonaka says (1998), the tacit knowledge cannot be easily articulated, and we take them for granted.

Anyway, tacit knowledge is transferred to others through imitation, mentoring, and practice. The tacit knowledge is converted into explicit knowledge and is allowed to be shared with others by procedures, planes, or systems. The explicit knowledge used in practice generates new tacit knowledge by innovative new approaches.

Organizations can create a so-called spiral of knowledge (Nonaka, 2018) by learning, communicating, standardizing, accumulating experiences, and creating new knowledge.

(4) Company's performance areas for knowledge dissemination

Organization's strategy: The company's strategy describes, among other things, its strategic goals and objectives over a while in the future. However, the company's management elaborates on the approach. Then the shareholders approve it, and all the members of the company acquire and apply it. The strategy is even better as the knowledge gained by management is more current, so it is good to be flexible and adaptable to changes.

Technologies & products: Valuable ideas and knowledge are applied in the process of researching and designing new technologies and creating new products, which are then multiplied by a significant number of employees.

Marketing & Sales: The marketing and sales activities, through direct contact with the clients and the beneficiaries of the company, collect information regarding the market requirements, competition, and their satisfaction. Of these activities, of course, new knowledge results.

HR development: Training, mentoring, and group socialization programs are the main techniques for increasing the skills and knowledge of managers and employees and ensure the generation, understanding, accumulation, and transfer of another new knowledge. In some training programs, the teachers simulate reality and present case studies as the bases to enhance

some skills, such as delegation, team building, communication, and so on (Negulescu, 2019).

Financial activities: These activities ensure: the selection of the sources of financing of the events, the analysis of the financial results obtained, the budget forecast, and the comparison of the flows generated over time (updating and capitalization).

The process of creating and then disseminating new knowledge means to facilitate the creation of new knowledge, thus resulting in an on-going process.

Anyway, during such a process, there are many redundancies. These are not negative aspects because, through communication and dialogue, the new knowledge settles and forms the seeds for new knowledge.

5. Conclusions

As we have shown, knowledge is created, spreads, and recreated in a higher form, following a spiral of knowledge. Many scholars continue to research this topic emphasizing different facets of it. It is to underline the fact that knowledge significantly contributes to the enhancement of the organization's performance and all activities.

The entire process described above, i.e., analysis of external factors, creating new ideas, the transformation of the knowledge, and the contribution of the new knowledge to the improvement of the performance of the activities leads undoubtedly to increase the performance of the company.

The company is on the right path of the constant growth of its performance if the cycle of the described process repeats and the continuous creation of knowledge becomes a commitment for management and employees,

The proposed conceptual model regarding *the process of knowledge creation management for organizational performance* is an instrument for facilitating the development of strategic intent in creating and implementing knowledge with a focus on the company's performance.

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