

## Chapter 25

# An Empirical View of Knowledge Management

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### ABSTRACT

*This chapter is a comprehensive investigative documentary on knowledge management (KM). It was extensively cover past researches done on knowledge management, exposing its varied dimensions to readers as well as guide the readers through its role in research, business, and daily life. The chapter was well discussed about knowledge, knowledge management and knowledge management systems. It also address the Nonaka's Knowledge Management Model or known as SECI modal in order the readers can understand the knowledge creation process.*

### INTRODUCTION

This chapter is designed to help the readers gain an understanding about the concepts of knowledge, knowledge management, and knowledge management systems. The chapter is well defined, and concentrates on the basics of aforementioned concepts. The discussed concepts are critical to research in the field of knowledge management. Discussions on the effect of knowledge management systems on organisations are also provided. The process of knowledge creation, and the Nonaka's Knowledge Management Model (SECI Model) for knowledge creation are also discussed in the chapter. Discussions on tacit knowledge and explicit knowledge are also provided.

### Learning Objectives

After reading this chapter, readers will be familiar with the following:-

1. Understanding of knowledge management
2. The concepts of knowledge and knowledge management

DOI: 10.4018/978-1-4666-9639-6.ch025

3. The development of knowledge management systems
4. Understanding tacit knowledge and explicit knowledge
5. The process of knowledge creation
6. Summarize the Nonaka's Knowledge Management Model (SECI Model)

## **BACKGROUND OF THE STUDY**

Today every business entity must contend with multifaceted, fast changing business settings in order to survive in the progressively competitive global economy. The value of knowledge is the main element of great benefits for most of organisations and certainly entire economies has become a hotly discussed topic. Drucker (1995) stated that “knowledge is the only meaningful economic resource” (p.56). It follows that for an organisation, individuals and society, the processes by which knowledge is created or learned, communicated, applied and utilized must be effectively accomplished. The idea that knowledge may be managed is clearly essential to the related philosophies of the learning organisation, the knowledge-based business, the administration of intangible assets and of intellectual capital.

Demarest (1997) expressed that the recent impetuous of statements that knowledge is somehow or other-the key to functioning competition, place difference and lucrativeness in the global post-capitalist economy aid to highlight the extent to which the normal organization is unfitted for this innovative economic environment, in three critical ways. The production, possession and the use of knowledge are a central element in the expansive formulation of environmental issues. Thus, knowledge is used in environmental advices reflects the actors' clarifications of reality but also produces new cooperatively shared understandings (Peuhkuri, 2002).

With the rapid change world and great pace of current life, today's organizations are facing aggressive market rivalry. Wang, Guo, Fan, and Bi (2014) stated that to deal with the drastic changing environment, there is a need for the market and the multifaceted business environment and people came to recognize the worth of knowledge. Corporations tend to pay additional attention on the subject of knowledge, thus transform the business strategy from products-based to knowledge-based (Kahreh, 2011). Knowledge form is a main advantage in modern business environment especially in the financial services industry.

To improve and maintain the competitive advantage, long-term relationships with customers and sustainable profitability, financial services organisations must work on their knowledge capitals, which are referred to as knowledge management (Farzin, Kahreh, Hesani, & Khalouei, 2014). The importance of maximizing knowledge to increase competence and success within the organisation is now broadly recognized not only among large scale business entity and small and medium enterprises (SMEs), but also among an organisation dedicated to education. Valuable human and knowledge resources will be useless except management willingly receives and put efforts to gather, sort, transform, record, and share knowledge (Haslinda & Sarinah, 2009).

## **KNOWLEDGE**

Knowledge can be defined in several ways. Sveiby (1997) defined knowledge as “a capacity-to-act (which may or may not be conscious)” (p. 37). The stress of the definition is on the action element which is a capacity-to-act can only express in action (Polanyi, 1958; Wittgenstein, 1995). Each person must gener-

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