AN OVERALL VIEW OF KNOWLEDGE MANAGEMENT CHALLENGES FOR ALBANIAN BUSINESS ORGANIZATIONS

Edlira Margilaj

European University of Tirana, Faculty of Economy and Information Technology, Management

Abstract

The fast pace of globalization and technological progress has dramatically changed market conditions and competition strategies.

In present-day society based on knowledge, or "knowledge - based society", the amount of knowledge in use has increased considerably and it has produced many challenges for its (knowledge) control and management. Knowledge Management - KM is becoming nowadays one of the most significant practices of companies in developed countries aiming at the increase of profits and competitive advantages.

For a successful implementation of Knowledge Management, it is important the identification of barriers or critical factors which affect the success of the KM process. Most of these factors belong to human department.

The purpose of this study is to investigate the recognition and implementation of Knowledge Management in business organizations in Albania, as well as to reveal some of the barriers and critical success factors of KM in such organizations. In fulfillment of this purpose receive answers research questions: Question 1. What is level of the recognition and implementation of KM in business organizations in Albania? Question 2. Which are some of barrier and critical success factors that affect in successful in KM in Albania business organizations? The research methodology has been conducted in its main dimensions and is based on primary and secondary research.

Key words: *Knowledge management, barriers and critical success factors, business organizations in Albania*

INTRODUCTION

Why Knowledge Management?

Quick steps of globalization and technological progress have dramatically changed market conditions and competition strategies. Countries already compete in growing markets, not any further with their raw natural assets or simply with the cheap labor arm. In recent decades, organizations have moved from industrialization, towards Knowledge as a strategic asset to the present and the future. "*Today knowledge is considered as the most important asset of the organization" (Carneiro, 2000).*

Knowledge is essential in every working day. Everyone knows how to perform his work by using knowledge, which he may reuse in similar situations, or adapt to new situations. Increased number of employees in organizations has brought the essential need for developing methods to capture the knowledge that employees have obtained during their work, by filing and saving it as contents in management systems. The goal is that such preserved knowledge be used by other people in order to enrich them and to learn quickly from the efforts of others. This often creates difficulties, since the motivation of employees to share knowledge is a difficult task. Employees are inclined to preserve their knowledge fanatically, as knowledge sharing is perceived that will reduce the importance and as a consequence they would feel in risk for keeping the job.

"*Most important thing is to create new knowledge, but it's important as well to use silent and old knowledge to be effective. To create knew knowledge, at the right time, in the right way, at the right place is important*" (Strommer, R.1999).

In this context, Knowledge Management is now seen as one of the hottest issues in economic development, referring to the world of industry, service and information research. Evidence shows that organizations are paying increasing attention to their systems of knowledge management to ensure that they are capturing, sharing and using productive knowledge within their organizations, in order to increase learning and to improve performance.

KPMG in a study on Knowledge Management, over 450 non-profit and profit organizations in several European countries (Great Britain, France, Germany, Netherlands), reveals several significant data on the role of Knowledge Management (KM) in these organizations. Hence 80% of these organizations consider knowledge as a strategic asset; 75% of them see KM as a key role in improving competitive advantages and increase of profits, 65% think that KM will improve innovation in product, 57% cite it in the development of employees, 71% believe that KM better leads decision-taking, 65% see KM as an achievement to respond more quickly to important issues of business and a better treatment of customers, 78% of them estimate that they are currently losing their business opportunities from the failure to use knowledge effectively.

Albanian business organizations are already part of the global market economy. In conditions when markets become increasingly more competitive and the speed of innovation emergency is growing constantly, these organizations need to recognize and implement this new management practice, in order to improve performance and provision of competitive advantages. In fact, the adoption and implementation of KM practices may be viewed as a critical stage for companies that wish to be integrated into a knowledge-based economy.

KNOWLEDGE AND KNOWLEDGE MANAGEMENT

When talking about knowledge, several disagreements are encountered about the meaning and content of data concept, information and knowledge. *The data* is a distinctive group or the facts are objective regarding the events; *information* a message, usually in the form of a document or an audio communication, or visual communication, and *knowledge* a fluid mix of experience, values, contextual information and expert knowledge, which provides a framework for evaluating and incorporating new experiences and information (Davenport and Prusak, 1998). Referring to Drucker (1997), knowledge is "*information that changes something*" or "*information into action*". Nonaka (1994) reveals that knowledge may be hidden and displayed. Hidden Knowledge lives in the human brain, difficult to be moved out or intermediated, or "*knowing more that you can say*" Michael Polanyi (1966). The inner, the subjective or intuition, are examples of hidden knowledge, reflected in confidence, actions, commitments, values and ideas. Otherwise, displayed knowledge comes formalized, recorded on video, in documents, graphics, books, etc. Studies show that 80% of the organization's knowledge is hidden knowledge and only 20% is displayed knowledge. "*Hidden knowledge is nowadays the only competitive advantage of every organization*" Peter Ducker (2000).

Literature knows no universal definition to define Knowledge Management. Different definitions, but which basically have the same approach, will be used to define KM. Alavi & Leidner (1999) define KM as: "*a systematic and specifically organized for absorption, organization and communication of hidden and displayed knowledge of employees, so that other employees may use them more effectively and productively in their work.*". O'Dell (1998) defines KM as "*a concise strategy to get the right knowledge, from the right people, at the right time and as an aid for other people, in the way of sharing and setting information into operation, in order to improve the performance of the organization*".

The above illustrations lead KM refers to a multi-discipline that is presented so as to achieve the objectives of the organization, through better use of knowledge. It includes processes such as: identifying proper knowledge based on the needs of the organization, selection, creation, adoption,

filing and distribution of knowledge across the organization, as well as the creation of a culture and techniques that support them.

In this framework of discussion, it should be noted that, notwithstanding explanations above, information and knowledge are closely linked, it is important to distinguish Knowledge Management (KM), from the concept of Information Management (IM) in the organization. While KM assumes IM (Klaus & Gasble, 2000) and KM success depends on the effectiveness of IM (Bukowitz and Williams, 2000), they are different in terms of input, data processing, and the scope.

Nonaka & Takeuchi (1995), through the SECI model, identified four ways of knowledge conversion. Referring to the model, the creation of knowledge consists in a social process, where knowledge is transformed not simply in one direction, but in an interactive process from the individual across organizational groups and levels. The process starts with *socialization* (*sharing of knowledge across social interaction*), which includes the transfer of experience and sharing of knowledge hidden in individuals, by supporting the generation of knowledge. Dialogue between members of the organization, allows the conception of hidden knowledge and helps *incarnation (the visible form of hidden knowledge)*, by allowing the passage from hidden knowledge to displayed knowledge. Finallu, the newly-created knowledge *combines* with existing knowledge and *is codified* by creating new experiences and expanding knowledge *(benefit of new knowledge, learn by doing)*. Afterwards, the process restarts from the beginning, on the increased basis of knowledge, in the form of a spiral in order to create new knowledge.

PROPELLANTS LEADING POWERFULLY ALBANIAN BUSINESS ORGANIZATIONS TOWARDS MK

Companies have always managed knowledge even when they do not speak in these terms. With the expansion of organizations, the amount of knowledge has grown substantially, and this has brought many challenges for its (knowledge) control and management. Knowledge is accumulated at individuals, systems and environment, what KM should do is to use such knowledge capital in the most effective way, by creating new and more effective knowledge. Albanian business organizations, a good part of which are characterized by traditional features of production, are increasingly feeling such need. This occurs for several reasons, such as: high cost of employees accompanied by demands for a higher level of education; requirements for securing competitive advantages, which requires the continuous specialization of staff; international competition accompanied by the need for a long and profitable clientele, as well as the importance to strengthen customer relations etc.

In recent decades, within all the changes that the economic-social environment has incurred, business organizations are facing a dynamic problematic, which more and more sets knowledge in the center and its management as the most important business asset. *First*, the phenomenon of emigration that has accompanied the Albanian society these past two decades (after the fall of centralized economy) , caused great movements of intellectual capital , or, stated otherwise “brain leakage”. On the other side, opening of economy was accompanied with voluntary circulation of employees. The principle of a long career (for life) with a sole company led to a joint fatigue between the employee and the company. This entire situation has led to the dissolution of knowledge. The cost incurred due to the contraction of knowledge in these organizations is high. This cost can be effectively minimized by using the techniques of KM. *Secondly*, given that innovation has become one of the business survival conditions, the cost of losing innovations or ignoring the "good idea" has enormous, yet often dramatic consequences for companies. Business organizations are increasingly identifying the need for a planned strategy for collecting and documenting ideas and suggestions of employees. In addition to this, along Knowledge Management processes for stimulating creativity are essential. *Thirdly*, the explosion of digital business for information storage makes that a critical great number of data be documented. Challenges of organizations created by the dimensions of IT and the need for new approaches in the evaluation of intangible assets, make it necessary for companies, the introduction of KM explicit methods.

PURPOSE OF THE STUDY

Based on the importance and attention given today to the Knowledge Management as a revolutionary management practice, the purpose of the study is to investigate the recognition and implementation of Knowledge Management in business organizations in Albania, as well as to put attention into several barriers and critical factors of success in the KM process in these organizations.

In fulfillment of this purpose, the assignment aims to serve as a starting point for further in-depth studies in this area, expanding the range of factors under study, or looking at the KM effect on various aspects of performance, such as: *innovation* or *productivity*.

RESEARCH QUESTIONS

In fulfillment of purpose, the study gives answer to two research questions:

Question 1. What is the recognition and implementation level of Knowledge Management in business organizations in Albania?

Question 2. What are some of the barriers and critical factors affecting the success of Knowledge Management in the Albanian business organizations?

The methodology of the paper:

To answer to two research questions raised, it was selected the qualitative research method, by distributing questionnaires (by mail) and developing semi-structured interviews. Since MK constitutes a new and very little known field in business organization practices in Albania, conducting face to face interviews took importance so that the discussion clarify more what was meant by Knowledge Management and which was the degree of implementation for KM initiatives in these organizations.

The data for the study were collected from business organizations (medium and large organizations referring to the concept of Albanian legislation), with activity in several areas: service, construction, manufacturing, trade. The target of interviewees was managers (sales, marketing and production) of medium or senior level or Chief Executive Directors. This category was considered as the best approach to be interviewed, for the fact that they are supervisors of operations in their companies, with a tendency to be closely associated with knowledge management and decision making, and much likely to be leaders of KM as well. We should reveal that such interviews had to be addressed to the "*(new) knowledge expert*" or, as known in literature CKO (Chief Knowledge Officer), but as we will seem this is a new position, yet not practiced in these organizations.

Case study

In the context of achieving the purpose and objectives of this study, questionnaires were distributed to 70 business companies and representatives of these companies were contacted, in the target group mentioned above. Questionnaires' return rate was 51.4% or 36 collected questionnaires. Representatives of 26 companies were directly interviewed.

In relation to the level of Knowledge recognition as an important source, a strategic business asset and Knowledge Management as a management practice, the results of the analysis are the following:

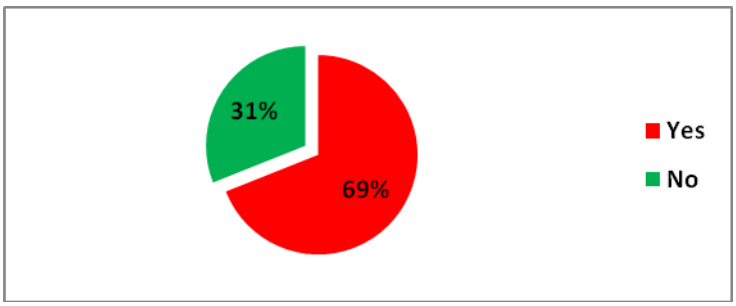


Figure 1: Do you know where knowledge stems in your business?

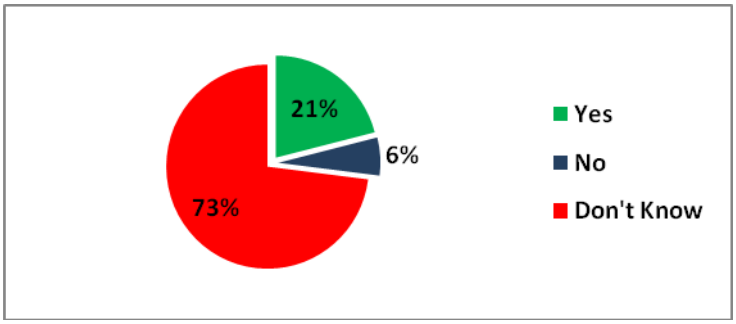


Figure 2: Do you think that knowledge is an important asset of your business?

The above results indicate that 69% of these companies manage to identify the need for knowledge and the way to provide it. However, on the other hand, they fail to identify Knowledge as an important asset for their business (73%).

The success of businesses in the 21st century depends on the quality of knowledge that companies apply in their key activities, which put forward new demands to companies; from the investment that they exert constantly on the development of knowledge, based on competitors, customers, employees and labor force and global imperatives *(Macintosh, 1998).*

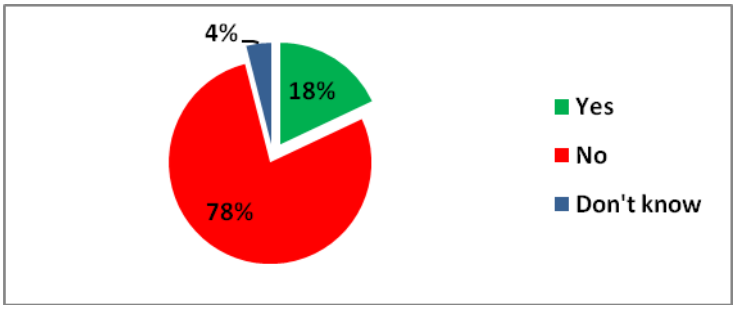


Figure 3: Is your company familiar with the concept of Knowledge Management?

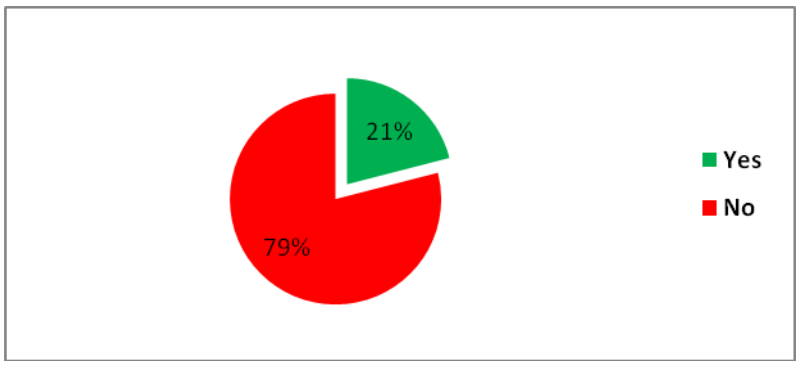


Figure 4: Do you know how to profit from Knowledge Management in your business?

The data clearly show that 78% of companies are not familiar with Knowledge Management. One of the basic reasons is the fact that they do not recognize the benefits that may come to their businesses from KM (79%). People in these organizations do not see a clear business reason why they need to transfer and preserve their knowledge. Consequently someone who has knowledge does not know that someone else can use them beneficently, and someone who may benefit from knowledge does not know that someone within the organization possesses such knowledge.

To see the implementation level of KM in these organizations, 10 initiatives of KM were selected.

Questions related to the fact of naming specifically which initiatives out of the 10-selected-initiative-list, they had implemented in their companies (they could select more than one answer).

Table 1 describes results. From the 24 companies that have implemented KM practices, none of the interviewees responded that their company had implemented all 10 activities (initiatives).

On top of initiatives implemented in these organizations were *apprehension of basic knowledge (100%); use of information technology* in sharing and transferring of knowledge constituted an important role (91.6%), *use of intranet* to publish and access information (75%).

Initiatives such as *development of strategies for KM* 41.7%, *appointment of leaders and groups of KM* 33.3%, *reward for employees* who are examples relating the attitude to knowledge share 33.3%, were not a high feature of these companies.

Another activity with a very low rate was *measuring intellectual capital value* 25% (but this was expected as long as there was a systematic measurement system of KM).

Conclusions are that different initiatives of KM practices were used in these companies. On the other hand, their strategies, structure and culture were not formalized to support Knowledge Management. The rate of KM implementation was low.

Initiatives	**Frequency**	**Percentage**
Apprehension /electronic storage of basic knowledge	**24**	**100**
Use of IT in sharing and transferring knowledge	**22**	**91.6**
Use of intranet for the publication and access of information	**18**	**75**
Building and maintaining expertise and skills of employees	**16**	**66.6**
Identification of the best internal and external practices	**16**	**66.6**
Establishment of a supportive environment for knowledge sharing	**12**	**50**

Strategy development for knowledge management	**10**	**41.7**
Appointment of leaders and knowledge management groups	**8**	**33.3**
Remuneration of employees who contribute to knowledge sharing	**8**	**33.3**
Measuring intellectual capital values	**6**	**25**

Table 1. Types of implemented KM initiatives

In response to research question 2, related to barriers or critical factors of KM success in these organizations, at the companies which did not practice KM practices, the interview was conducted on the following questions:

To determine why KM practices were not practiced?

What were some of the barriers which impeded the implementation of KM?

A list of reasons was aligned and again the interviewees could select more than one alternative. As Table 2 shows, a considerable part of the interviewees showed that *they did not understand nor had any idea of the Knowledge Management concept* (85.7%), just as much as *they are not sure about the benefits of KM* (85.7%). This leads to the fact that the concept of KM is still unknown and not established in these organizations.

Leadership in management constituted an obvious barrier (78.6%). This category included the lack of leaders' experience in KM practices in order to promote the creation of a culture for sharing knowledge, being an example with their behavior. Leadership in management plays a key influential role in the success of Knowledge Management. In essence, leaders establish, create the required conditions for the effectiveness of Knowledge Management, being examples in showing the willingness to share and offer their knowledge freely with others in the organization, to learn continuously, and to seek new knowledge and ideas. Only by doing so, they naturally influence other employees for participation in KM. (Holsapple & Joshi, 2000).

Organizational culture and organizational infrastructure created barriers in communication (64.3%) by making more difficult the sharing of knowledge across the members of organization. The presence of proper organizational communication was not found and a lack of culture existed in knowledge sharing.

Culture is an essential factor for the success of KM (Davenport et al, 1998; Pan & Scarbrough, 1998; Martensson, 2000). Generally, a supportive culture supportive of KM is what highly praises knowledge and encourages its creation, sharing and application. The greatest challenge for many KM efforts currently lies in the development of such culture. Goh (2002) asserts that a collaborative culture is an important condition for the transfer of knowledge between individuals and groups. This is due to the fact that transfer of knowledge requires that individuals interact together to exchange ideas, and share knowledge with each other.

This was significantly affected by the barrier of *a lack of confidence between members of the organization* (35.7%), displayed, inter alia, displayed in the absence of genuine opening, where errors are not shared openly, without the fear of punishment. The idea that errors and failures should not be tolerated, but allowed and pardoned, was not part of the culture of these organizations. Making errors is not viewed as an investment process at individuals, thus neglecting the fact that those (errors) are also learning resources.

Without a high level of mutual trust, people will be skeptical about the intentions and behavior of others towards them, they would like to keep the knowledge to themselves. (Stonehouse & Pemberton, 1999; De Tiennë & Jackson, 2001; Lee and Choi, 2003).

In addition it is necessary *the incentive of an innovative culture* where individuals are continuously encouraged to generate ideas, knowledge and new solutions. Individuals should also be allowed to express doubts, questions about existing practices and undertake actions to be strengthened (Stonehouse & Pemberton, 1999).

Proper degree absence of *information technology* created a barrier to an efficient communication of knowledge (57.1%). On one hand, often because of financial adequacy, it had not been provided the appropriate technology to share and store knowledge in these organizations, and on the other hand, there was a scarcity of qualified human resources to manage technology efficiently. Technology is an important tool in the success of KM. Softwares, their simplicity to be understood by members of the organization and the efficient use, play a significant role in the successful implementation of KM practices.

Reasons	Frequency	Percentage
Did not understand or had no knowledge on KM concept	**12**	**85.7**
Not sure for its benefits	**12**	**85.7**
Top management does not support it	**11**	**78.6**
Organizational culture was not inclined towards knowledge sharing	**9**	**64.3**
Insufficient technology / and inefficient use of IT	**8**	**57.1**
KM measuring systems are not known	**7**	**50**
Organizational communication /lack of trust among members	**5**	**35.7**
Lack of human resources	**3**	**21.4**
Other	**1**	**7**

Table 2. Reasons for not practicing KM

CONCLUSIONS / RECOMMENDATIONS

Benefits such as: making better decisions, faster on time responses, profit increase and productivity growth are reported for firms that have adopted Knowledge Management (KPMG, 1998).

Although there is a broad western literature for KM, in business organizations in Albania there is a low level of attention on Knowledge as a key asset and implementation of KM practices.

Despite the fact that several KM initiatives are implemented, such as: *apprehension of basic knowledge; use of information technology* in sharing and transferring knowledge, *use of intranet* to publish and access information; strategy, structure or culture of these organizations are not formalized to support Knowledge Management

From the moment people are reluctant, unwilling, to share their knowledge the ability, a range of barriers is created for KM. For business companies, KM barriers are the challenges they face in developing and deploying people to take part in the initiatives of KM. Most of these factors belong to human sector.

Some of the most encountered categories and barriers in these organizations across KM are: *lack of leadership in management*, displayed as a lack of experience by leaders in KM practices; *information technology* displayed as an absence in tools and training for communication, sharing and efficient

storage of knowledge, *organizational culture and infrastructure*, where it is not found the presence of proper organizational communication and there is a lack of culture in knowledge sharing.

Within this framework there existed barriers to a lack of trust among members of the organization to share knowledge.

In the current conditions in which they operate, actually as an integral part of the global market economy, Albanian business organizations have to recognize and enforce in their developments and business strategies, this new practice of management (KM), with the aim of increasing competitive advantages and performance.

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