

**Knowledge Management, Innovation, Economic Development**  
**By Quah Boon Huat**

*In the global economy, the cost of ignoring knowledge management is enormous.*

Knowledge propels growth in the knowledge-based economy, be it the growth of a company, an industry, or even a country. According to Toffler, knowledge is the ultimate power.

Advances in science, and information and communications technology have led to an unprecedented increase in the speed at which knowledge is being created and accumulated. This has altered the way the world works and therefore the nature of the competitive environment. As such, corporations, industries, and countries are becoming increasingly dependent on how well they manage their knowledge assets to create and maintain strategic advantage.

There is no standard definition of knowledge management ("KM"), though it has been described as a set of processes directed at "creating-capturing-storing-sharing-applying-reusing" knowledge. While knowledge has been "managed" since time immemorial by, yes, even the primitive apes as they moved about in groups and shared survival skills, the push for a conscious and structured form of KM as we know it in today's human organizations started only fairly recently.

M. Handzic's KM framework suggests that the two organizational factors necessary to facilitate knowledge processes as well as encourage the development of knowledge stocks are:

- technological infrastructure (e.g., information and telecommunication technologies); and
- organizational environment (e.g., leadership, corporate culture, structure, etc.).

KM is thus not all about technology, even though it is often associated with expensive IT solutions and intranets. Technology is just an enabler, and the deployment of the most expensive and sophisticated technology in the world would not result in effective KM if organizations ignore organizational, social, and managerial initiatives.

Take, for example, the importance of corporate culture in the equation based on Kandzic's KM framework. A recently presented doctoral thesis "Knowledge across borders - a study in the IKEA world" at Lund University School of Economics and Management in Sweden found that the secret of IKEA's successes in Russia, China, and Japan lies in the fact that its work culture promotes knowledge sharing. There is ready flow of knowledge between all levels because at IKEA, KM is a built-in component of the corporate culture.

The impact KM has on organizational performance has been grouped under the following three broad categories:

- Risk minimization: KM can minimize the risk of losing valuable knowledge critical for organizational survival and advancement by identifying, locating and

- capturing what is known by individuals and groups of organizational employees.
- Improve efficiency and effectiveness: KM can improve organizational efficiency by avoiding unnecessary duplication, as well as improve organizational effectiveness by helping organizations to select and perform the most appropriate processes and make the best possible decisions.
  - Innovation: KM can impact the innovation of products, processes and structures critical to the success of new-age firms.

While all are important, the last category, innovation, should be of particular interest to the Malaysian government. This is because innovation comes closer to becoming the only means by which an economy can survive and prosper in the new business environment.

Several initiatives to facilitate the development of a knowledge-based Malaysian economy have been put in place by the government. It is hoped that the development of a knowledge-based economy will strengthen Malaysia's capability to innovate, adapt and create indigenous technology, as well as design, develop and market new products, thereby providing the foundation for endogenously driven economic growth. This would expand the production possibility frontier of the Malaysian economy.

As a partner in economic development, the private sector has an important role to play in the government's designs for the Malaysian economy. Private sector firms will need to incorporate KM strategies to ensure better management of key knowledge assets with a view to increasing their innovative capabilities. This will not only increase the chances of their own survival, but also benefit the Malaysian economy.

While some may balk at the costs involved in implementing KM initiatives, they should take note of the assertions being made by many scholars and an increasing number of top executives that KM is the only solution for competitive advantage in the future.

In fact, companies dedicated to growth through managing enterprise knowledge and innovation, according to Teleos' "2007 Global Most Admired Knowledge Enterprises (MAKE) Report", create intellectual capital and shareholder value twice as fast as their competitors.

As such, organizations that continue to manage knowledge the way the primitive apes did, i.e. operate without a conscious and structured form of KM, will find that their days are numbered in the global economy.

*The writer is a research fellow at the Malaysian Institute of Economic Research.*