



STUDYING THE KEY KNOWLEDGE AND COMPETITIVENESS OF SOME BULGARIAN COMPANIES

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Abstract:

The present article presents a classification of the types of knowledge and their importance for a company's competitiveness. The quick access to, transfer and generation of knowledge are extremely important for an organization to become a leader. Some Bulgarian organizations (banks, lawyers, insurance, consultant and software companies) have been studied to establish their key knowledge in four aspects: functional, cultural, positional and regulatory capabilities. The inquiries were performed on-line and in situ. The results have been analyzed and represented graphically. Depending on business activity interviewees estimate different elements from each group. For most of them this was the first study aimed at determining the most valuable knowledge in the organization and its relation to competitive advantages. In most Bulgarian organizations strategic planning is carried out mainly by the management and involves basically financial, technological and market aspects. Further training and research are necessary to recognize the role of intangible assets to improve performance of Bulgarian companies.

Keywords: knowledge, competitiveness, strategy, intangible assets, management.

1. INTRODUCTION

In 21st century business environment becomes increasingly competitive and the demand for innovative products and services has been growing up. The quick access to, transfer and generation of knowledge are extremely important for an organization to become a leader. In this respect the most valuable resources of every organization are human knowledge, skills, experience and relationships. Most managers underestimate the intangible assets found at various levels in the organizations. In modern knowledge economics the traditional management approaches fail to utilize creativity and ideas, and capitalize this valuable asset in a systematic way.

The low competitiveness at national and company level in Bulgaria shows a lack of understanding that the financial and material resources are already insufficient for forming differentiating competitive advantages (Krachunov, 2010). The management of business organisations in the modern global economy is characterised by high dynamics and unpredictability in the surrounding environment as a whole and in the system itself in particular, by taking quick decisions with insufficient resources. Every project for introducing a new technology or a new product, or for a completely new utilization of an already existing technology, involves investigations, systematisation and implementation of knowledge beyond the usual company activities. That is why the velocity at which this knowledge is acquired, distributed and improved becomes the most important factor for success.

The purpose of the this report is to present the results of a study carried out in Bulgarian companies to find the key spheres of knowledge and their potential to establish long-term competitive advantages.

2. CLASSIFICATION AND IMPORTANCE OF THE KNOWLEDGE ABOUT COMPANY COMPETITIVENESS

What kind of knowledge does a company need, where shall it seek this knowledge or create it with its own efforts, and how will it be shared depends on the company's mission and the objectives pursued: productivity, innovativeness, reduction of expenses, new markets, quality, etc. The management should start with an analysis of what type of value the company intends to provide and to whom (suppliers, customers, etc.). Only then can a strategic vision be established and can decisions about the strategic management of the key spheres of knowledge in the organization and about the employees possessing this knowledge be taken.

The importance of knowledge in modern society is definitely described as: "The only thing which ensures competitiveness to the organization and the only thing which is sustainable – what they know, how they use what they know, and how quickly they can learn something" (Prusak, 1996, p. 6).

It is important to understand that the need for a particular type of knowledge is different for the different organizations. For example, the type of knowledge low-price producer needs is considerably different from the needs of a company, which develops a differentiating strategy. Despite the fact that in a global society the companies have an even access to information, not all of them use it expediently. The key to success is in the companies' ability to turn information into knowledge, necessary for the organization at a certain moment:

- *Basic knowledge* – this is the necessary minimum level of knowledge about the everyday operations which help the company stay in business. This knowledge provides effective barriers before the new competitors who are about to adopt basic business processes. Since all present competitors possess this type of knowledge, the company must keep the basic knowledge even when it does not ensure a distinctive advantage.
- *Specific knowledge* – this knowledge distinguishes the company. It helps them differentiate their product and services in relation to competitors by applying knowledge, characteristic for their environment only. This type of knowledge provides the company with the opportunity to compete on the same markets and for the same customers as their competitors.
- *Unique, new knowledge* allows the company to be the leader in their area of activities because they possess new, unique knowledge. This type of knowledge guarantees the company a long-term advantage. The company can expand its market share, attract new customers and improve the quality of their services for the present customers. It confirms the company's good image.

In the companies, which offer relatively standardized products satisfying common needs, knowledge is kept in a data base which can be accessed by everybody in the organization and can use it repeatedly. However, the companies which develop mainly individual solutions to unique problems knowledge is generally shared by face to face contacts. It is at this point that the issue of the approach to managing the different types of knowledge in the organization should be presented. According to Davenport (2000): “...*the effective knowledge management requires joint solutions of people and technology.*” This prerequisite determines the basis for developing effective knowledge management practices. As a result, four knowledge study spheres can be defined (Hendriks, 1999, p.115):

- A. Strategic aspects (unions, joint ventures, licensing agreements, etc.);
- B. Organizational aspects (delegating, work rotation, team work, tasks integration, etc.);
- C. Human resource management (motivation, compensations for new ideas, compensations for sharing knowledge, training, employing personnel, etc.);
- D. Technical aspects (communicative networks, expert systems, organizational data base, data processing tools, etc.)

The author (Ovcharova, 2010) has developed a company management model describing the interrelation of knowledge management processes and the development of a company's strategy. Its main characteristics are:

- The strategy is a project of seeking compatibility between the perception of external impacts and the maintenance of the organization's sustainable functioning for a certain period.
- The strategic trajectory is produced by the interaction of the knowledge management processes – generation, transfer, storage, improvement and protection.
- The company's know-how as a combination of the existing and potential competence provides compatibility in a dynamic, hard to forecast environment.

3. A STUDY OF THE KEY KNOWLEDGE SPHERES IN SEVERAL BULGARIAN ORGANIZATIONS

3.1. Study Methodology

The study of critical knowledge spheres in the organizations and their impact on compatibility is a continuation of another study of the same author about the application of the knowledge management concept in Bulgarian organizations (Ovcharova, 2007).

The present work uses an adapted methodology, described by Carrion (2004, p.136). The investigation was carried out in bank offices, consultant companies, lawyers' offices and software companies in Varna District. Employees and managers at various levels and from different departments were questioned. The questionnaires were completed in situ or on-line (a web site was constructed for this purpose- <http://www.ovcharowa-freeunivarna.eu.tf>).

The study starts with an analysis of the organization's business mission and of the value chain. In order to identify the key spheres of knowledge every organization possesses, the respondents had to estimate four groups of organizational capabilities: functional, positional, cultural and regulatory. The employees in every organization had to assess the importance of each of these groups (and every element thereof) for creating distinguishing competitive advantages.

1) *Functional capabilities* % (due to the skill and experience);

- Employees' know-how;
- Suppliers' know-how;
- Customers' know-how;
- Distributors' know how.

2) *Cultural capabilities* % (capabilities of organization)

- Perception of quality;
- Ability to manage change;
- Ability to innovate;
- Team work ability;
- Managerial style.

3) *Regulatory capabilities* % (protected by law)

- Trade secrets;
- Contracts;
- Licenses;
- Patents;
- Copyrights;
- Trademarks;
- Registered design.

4) *Positional capabilities* % (based on previous endeavour)

- Data bases;
- Product's reputation ;
- Organization's reputation;
- Networks;
- Value chain configuration;
- Established distribution network.

Assessment takes into account the ways organizational knowledge creates value (Hamel, 1996):

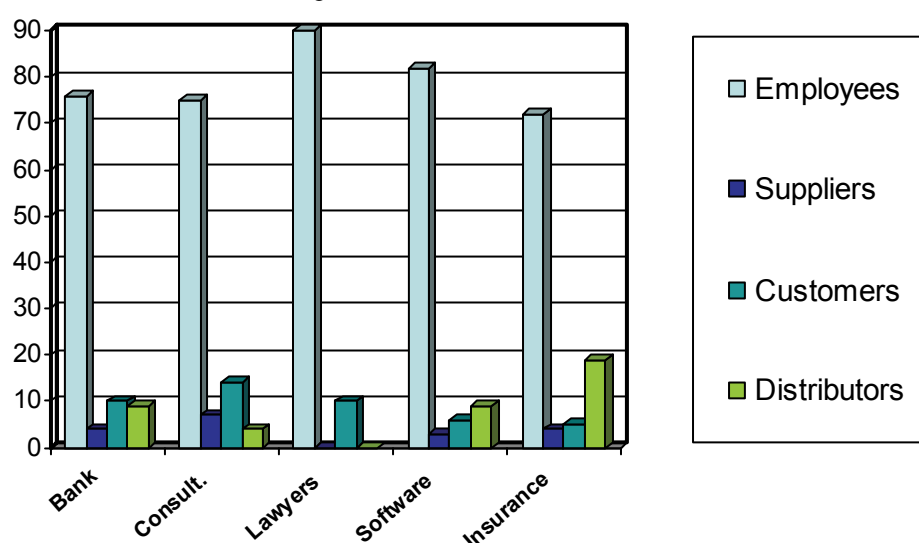
- 1) developing new product and services;
- 2) applying new knowledge to old products;
- 3) globalizing of deeply embedded local knowledge;
- 4) converting knowledge to strategic knowledge to create shareholder wealth.

3.2. Analysis of Results

The results of the analysis are represented graphically in Picture 1 “Estimation of Functional capabilities”, Picture 2 “Estimation of Cultural capabilities”, Picture 3 “Estimation of Regulatory capabilities” and Picture 4 “Estimation of Positional capabilities”.

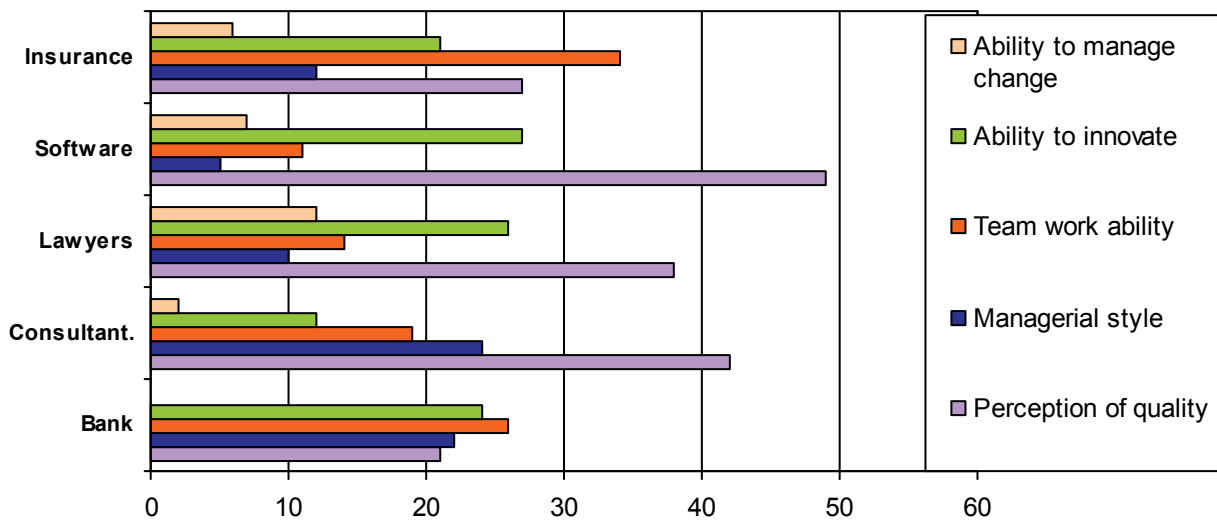
Picture 1 shows that all study participants rank highest the *employees’ know-how* compared to the know-how of the suppliers, users and distributors (76 % in banks, 75 % in consultant companies, 90 % in lawyers’ offices, 82 % in software companies and 72 % in insurance companies). In knowledge economics the personnel’s skills are the most important asset of the organization and require a suitable management method which will convert them into competitive technologies, commodities and services.

Picture 1: Estimation of Functional capabilities



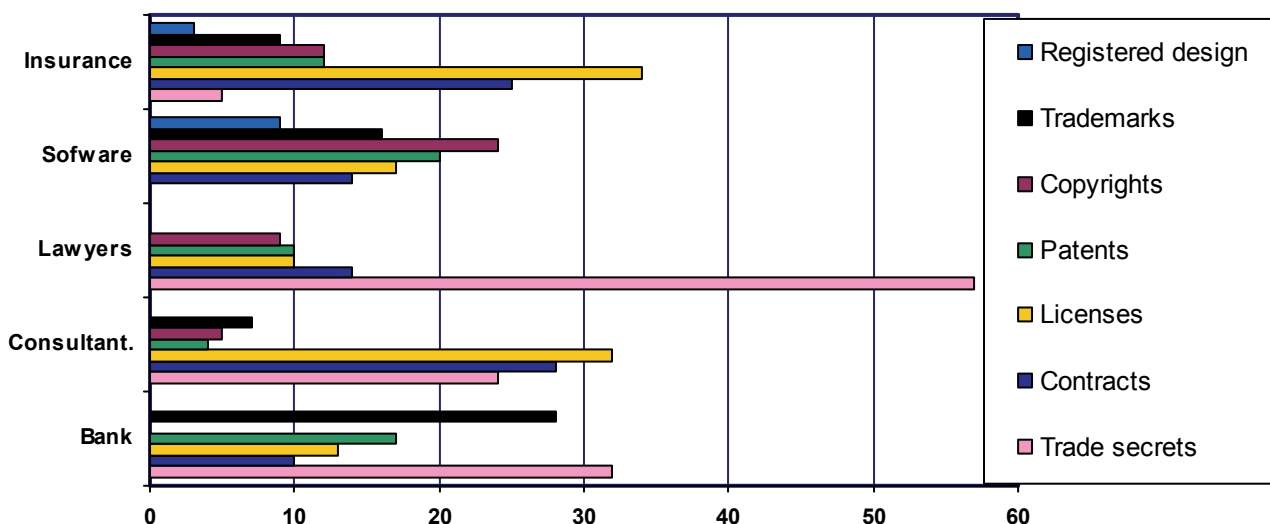
In respect of *cultural* capabilities (Picture 2) the companies have chosen different elements which they consider as creating differentiating opportunities. Consultant companies (42 %), lawyers’ offices (38 %) and software companies (49 %) stress on the perception of products’/services’ quality. The employees in banks and insurance companies consider team work abilities as the most important ones. The importance of the innovation ability takes the second place in software companies (27 %), lawyers’ offices (26 %) and banks (24 %). Surprisingly, the ability to manage changes was ranked last in all organizations. In the present times of dynamic changes and of the necessity to take quick decisions to adapt to the environment, the respondents do not estimate the importance of this element. The managerial style is not considered important in software companies (5 %) and lawyers’ offices (10 %), either.

Picture 2: Estimation of Cultural Capabilities



Regulatory capabilities (Picture 3) contribute to the protection of valuable knowledge in the organization. In this group the *trade secrets* get the highest estimation - (57 %) of the lawyers' offices, (32 %) of the banks and (24 %) of the consultant companies, while the personnel in software companies do not consider this element important at all (0 %), but estimate *copyright* the highest of all elements in this group - (24 %). *Licenses* are the most important element according to the respondents in insurance companies (34 %) and in consultant companies (32 %).

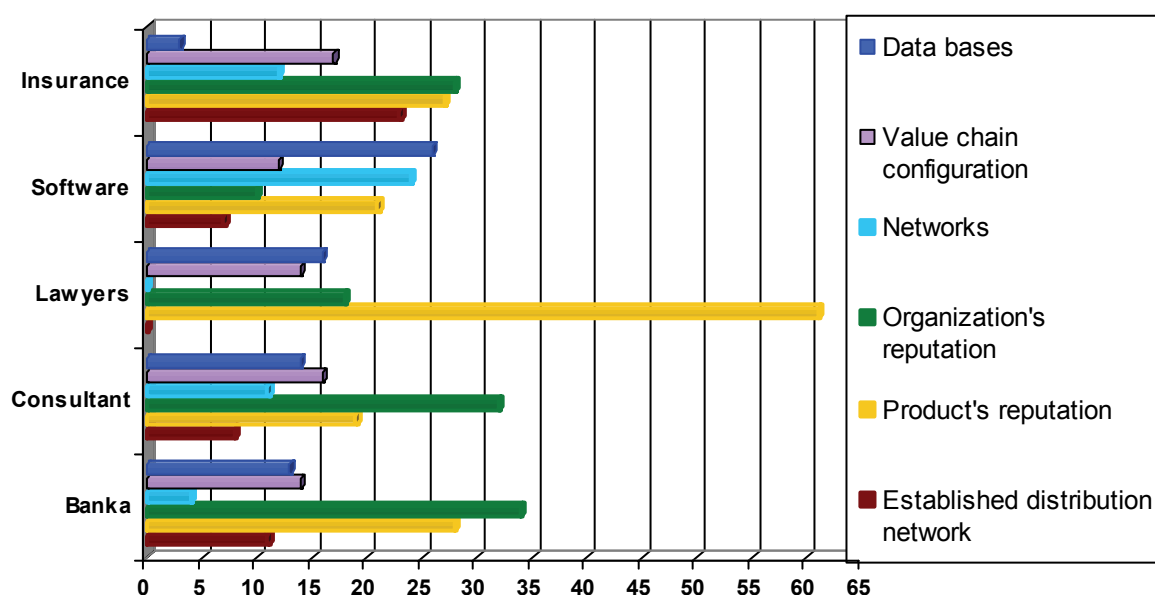
Picture 3: Estimation of Regulatory Capabilities



Picture 4 shows the organization's *positional* capabilities. The most important elements for all organizations studied are the *organization's reputation* and the *product's reputation*. Lawyers' offices (61 %) consider as most important the product/service reputation gained by the lawyers' erudition and the cases won. The people in banks (34 %), consultant companies (32 %) and insurance companies rate the organization's reputation as preceding the other elements. Software companies point out that the data base (26 %) and the participation in

different networks (24 %) are more important. The distribution network is evaluated highest by insurance companies.

Picture 4: Estimation of Positional Abilities



After each organization has identified the most important sphere of key knowledge, it is necessary to define the current situation and the potential for development. The analysis of the state of knowledge in the organization allows for forming a knowledge portfolio and for developing the respective strategies for improving the company's competitive advantages.

In order to summarize the study, we can point out that the employees were satisfied with their participation in it. For most of them this was the first study aimed at determining the most valuable knowledge in the organization and its relation to competitive advantages. In most Bulgarian organizations strategic planning is carried out mainly by the management and involves basically financial, technological and market aspects. Very rarely intangible assets are taken into consideration for the creation of distinctive organizational characteristics in the field of competitiveness. The positive fact is that half of the managers expressed their readiness to analyze the organizations' key knowledge again in the future and to include it in strategic plans as critical factors for success.

4. CONCLUSION

The study found that the identification of key knowledge sphere and its use in the creation of differentiating competitive advantages is still a 'terra incognita' for Bulgarian organizations.

Further training and research are necessary to recognize the role of intangible assets to improve organizational performance.

The systematic study and analysis of critical organizational knowledge helps to take managerial decisions and positively affects the company's business results and its competitive position.

During the development and the realization of the company's strategy a specific identity of tangible and intangible assets is formed: resources, organizational routine and competence. This identity becomes the differentiating advantage of the company in the competitive field and must be changed flexibly, according to the requirements of the environment at a certain moment.

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