

KNOWLEDGE MANAGEMENT IN SERVICE INDUSTRY

Dragiša Vićentijević¹, Milan Janković²

¹Univerzitet Privredna akademija, Fakultet za ekonomiju i inženjerski menadžment, Novi Sad, Srbija dragisa.vicentijevi@gmail.com

²Alfa Univerzitet, Beograd, Fakultet za obrazovanje diplomiranih pravnika i diplomiranih ekonomista za rukovodeće kadrove iz Novog Sada, Srbija, milan.jankovic@fpp.edu.rs

***Abstract:** This study explores the knowledge management in service industry and its relation to the economy of service management. In particular, analyzes and highlights the importance of knowledge management in terms of market, businesses and their environments. Moreover, the most important tools through which knowledge is managed, is the intellectual capital and business intelligence model with the concept of "learning organization". Skill of knowledge management is often compared with masterful management.*

***Keywords:** service-based economy, intellectual capital, business intelligence, learning workshop, masterful management*

1. THE ROLE, IMPORTANCE AND GOAL OF ECONOMIC MANAGEMENT SERVICE

With the development of economy, a very rapid and dynamic growth of service industries exhibits.¹ Their share in the structure of gross domestic product (GDP) is rapidly increasing particularly in countries that have been developed and that have a high growth rate. It can be said that these countries have developed "service-based economy".

Further development of services requires learning, especially regarding their organization, i.e. management services. The management service is a multidisciplinary scientific field consisting of many scientific disciplines: economics, organization, management, human resources, psychology and others.

Development of services imposes new rules of "the game" in the economy. Many organizations and companies are offering services. There is great competition. There is uncertainty. Client can choose the service between multiple choices. With all this, a technological revolution is changing service offerings, so that knowledge management is becoming a crucial factor in the business service sector.

Competitive advantage in the service industry should normally be followed with the new performance - innovation, "a bottom line" approach, increased productivity and quality level, cost-benefit approach, abundance, but also requires a high quality, low cost products and services delivered in a quick and efficient manner.

2. IMPORTANCE OF KNOWLEDGE MANAGEMENT AND ITS RELATIONSHIP WITH ECONOMY SERVICE MANAGEMENT

The modern world of business operates in an environment of high degree of uncertainty and lack of accurate predictions of the future. In a situation where the market significantly exceeds demand, in terms of dynamic and turbulent business environment,

¹ Service activities include trade, tourism, finance, education, health, etc.

competition on the one hand and the growing expectations and demands of investors, on the other hand, needs for more efficient and effective management is growing.²

During the late nineties and early twenty-first century, in Serbia is increasingly feeling the trend of globalization, strong external influences and pressures of unstable environment that equally affects businesses in the economy and non-economy when it is about organs of state administration. We are faced with competition in all areas of business, which is very tough and businesses are forced to make full use of all their goods and available potentials.

Of all the goods that are available to them, the most valuable in the modern business world today is knowledge, i.e. intellectual capital.³ Organizational knowledge and resources are the basis of intellectual capital of the company.

In recent years, an intellectual capital in the literature takes a prominent place as a basic resource that companies should provide in order to achieve a competitive advantage. All the companies that learned to use knowledge as a tool of the future may expect a bright future.

Knowledge is more valuable than natural resources, huge factories and many bank accounts. In almost all areas of business, those companies that have the best information, but also know that know how to use them in the best and most efficient way, have worked out and well established methodology for planning, organization, management and control of knowledge and information achieve success.

Intellectual capital management is often associated with the development of knowledge and sometimes with the power of knowledge. The concept of the learning organization seems to be the forerunner of knowledge management in the UK. Japanese companies continuously increase the market value of their shares through knowledge management. To the Japanese, the knowledge is wisdom.⁴

It can be generally concluded that the knowledge people have is much bigger than what is used in business systems. This knowledge can be measured and included in the total value of the company. Especially in our conditions, knowledge often stagnates or is lost due to improper treatment in terms of further learning and increasing competence. As a rule, it is lost with the departure of an individual from the business system due to lack of cooperation and documentation.

Transferring of developed countries and developing countries into "knowledge economy" has led to a need for increased awareness of knowledge as a key lever for the growth of the national economy. Knowledge management is an essential element of successful global business strategy of the system, as well as state institutions of developed countries. Thus, the strategic needs of organizations for creating and recreating of the new knowledge, reach the communion through the information processing using advanced information and communication technologies and the use of innovative and creative capacities that are hidden in human society. Applying the concept and technology of business intelligence makes solving management problems easier and more successful.

Knowledge management is a process that involves a great range of information and that collects and process knowledge (W. Shockley III, 2000).

² Mikić Sanja, Vesović Mirjana, Kuprijanov Sergej, „ECONOMICS OF NEW MILLENIUM“, *International Journal of Economics & Law*, Vol. 2, No. 4, pp. 77-83

³ Intellectual capital is difficult to identify and even harder to measure and control. It primarily involves a new understanding of human abilities, which consist of the following components: knowledge, skills (the ability for teamwork and for the rapid conceptualization and synthesis, to create visions, etc.), experience (past and anticipated, simulated); confidence and willingness to action, as a kind of catalyst for change and mental hygiene factor. Pokrajac, S.: *Menadžment promena i promene menadžmenta*. Beograd, Toru, 2001. p.13 ID 89524492

⁴ Radosavljević, Ž., *Menadžment znanja i (li) znanje u menadžmentu*, Novi Sad, 2012. p.32

3. KNOWLEDGE MANAGEMENT, MARKET, BUSINESS ENTITIES AND THEIR ENVIRONMENT

Businesses on the market are surrounded by very strong competition and developed distribution channels, and there are more goods and services than is needed. In order to survive in this environment, it is not enough to be average; we should strive to be at the top, in other words, to be much better than others are.

Of course, it is necessary to know how to survive in such an environment, to prepare plans and to make the right decisions based on them. The process of developing strategic plans and other business does not end with the production plan. Today, plans need to be flexible and adaptable because it will face the changing dynamics of the business environment, changing market trends and constantly changing competitive environment. The environment of the new business world imposes the need for different interpretations of information. It is necessary to be able to decipher the world of multiple views of an uncertain and unpredictable future. The business environment is characterized by rapid and radical changes and an emphasis on continuous model of business information in order to deliver new, sustainable and competitive advantage for the client. Radical changes in the business environment require a new concept of management in relation to current practice. Thus, the need to control the use of such tools and technologies that enable a comprehensive, fast and efficient utilization of all available data and information arise, both within and outside the operating system important for the successful management of the company. For example, the need for an information service company appears due to the need for making accurate analysis of individual market segments, observing behavior of clients and service providers, to facilitate negotiations with clients and service providers, the choice of key customers and service providers, complementary services and the existing competition, of course.

One of the modern systems that enable comprehensive and more efficient use of the information is the concept of business intelligence and business information management. According to available information, a typical service organization analyzes only ten percent of the collected data, by 2004 only 20 percent of companies used more than 50 percent of the collected data, in order to increase competitive advantage. Managing business information allows the utilization of the remaining data collected and converts them into usable information. Applying the concept of knowledge management and using modern business intelligence⁵ tools by all businesses entities is necessary to gain a competitive advantage and market survival. It cannot be avoided by our business practices that in a global environment cannot allow corporate and ad-hoc way of solving business problems. Wide acceptance of the concept of the commercial operating system is certainly one of the ways that could bring our country among prosperous and successful countries.

4. IMPORTANCE OF KNOWLEDGE MANAGEMENT

It is not necessary to point out that today the competitive advantage of the company depends on how well it utilizes the knowledge of its employees and in particular to quickly learn and adopt something new. According to estimates, most of the knowledge, explicit and experiential, is transmitted orally, by direct communication. At the same time, much of the

⁵ Business Intelligence (BI) is a set of methodologies and software tools that allow the use of data from the data warehouse, turning it into information needed for decision-making. Wikipedia, the free encyclopedia, Available at: http://hr.wikipedia.org/wiki/Poslovna_inteligenција

knowledge is lost, and most companies use about ¼ of their organizational knowledge. Of course, it is very important to find and keep the rest of the unused knowledge in the company and turn it into an intellectual capital.

Systematic collection and use of knowledge to initiate new ideas can be achieved by creating an appropriate environment and an organization that is capable of learning and to transfer knowledge.⁶

Continuing ability to generate new ideas and create innovative services is the trait of successful companies. For them, innovation is part of business strategy. Creating teams consisting of people with different profiles, which is a prerequisite for the creation of different questions and initiating new ideas is the basis of creativity and innovation. It takes a long time for an innovation to come, it is important that the management does not expect quick results, but that systematically develops and directs the defined policy and support the activities essential for the practical application of knowledge management as fostering creativity, teamwork and research approach to business, organizations and informal events to create an informal working environment; meetings to exchange views, ideas and knowledge, organization of discussions, the use of benchmarking techniques, brainstorming, etc. methods; investments in research and development studies, regularly analyzing business processes, independent development of new knowledge and acquiring knowledge, training organizations and other forms of education employees, creation of project documentation; learning from completed projects, the implementation of "cost-benefit" analysis of the project: the use of knowledge from outside the organization (books, studies, scientific institutions); collection, storage and analysis of information about customers, service providers and partners to develop entrepreneurial organizational culture, employee motivation rewarding, funds, etc.

5. RESUME

In the modern business world and turbulent economic developments, the main goal is a profit. Product life becomes shorter and shorter, and offered service requires its change according to the needs of the customers. Certainly, the economic crisis contributes to these trends as the strong globalization trend. Competition is becoming stronger, and as a demand of the times in which we live and that is yet to come is the question of the best and most appropriate services.

The answer to this complex issue is certainly knowledge, i.e. intellectual capital of an organization that is engaged in service activities. Unlike other types of capitals, an intellectual capital is more difficult to identify and even harder to measure and control.

Lately, the fundamental importance of knowledge as a resource that should bring positive change and further development of the service sector is emphasized. It is understandable why the focus is on the need for its efficient management (knowledge management). It is evident that knowledge becomes power, and resource of 21st century. In addition to knowledge in the field of the desired changes, the other conditions should be taken into account - the will, the motivation, the vision and others. Even more so, given the fact that knowledge quickly becomes obsolete (life time of knowledge fell to 3-4 years, according to estimates of the European Union, 80% of technology will be replaced in the next 10 years) and therefore knowledge must provide new ideas, visions, creativity, innovation, which becoming the most important factors of intellectual capital.

⁶ Radosavljević Dragana, Jevtić Slađana, Jevtić Dorijan, *Managing the Learning Organizations*, MK ANTiM 2012, FORKUP, Beograd

Knowledge management is becoming an element of the development strategy of successful service businesses. Strategy of service organization development is a community (symbiosis) of "business intelligence" concept (consisting of information technology database), on the one hand, and the "learning organization" concept (an organization that is constantly learning, with vision, innovation, creativity, etc.), on the other hand.

A particularly important element in the knowledge management in the service industry is the development of managerial competence, reflected in the management of knowledge in terms of efficiency, effectiveness and innovation. In particular, the question of knowledge management profit (benefit) arises.

Another important aspect is the skill of knowledge management that is the personal mastery with personal and creative vision in the service economy. It is often compared to the masterful management.

BIBLIOGRAPHY:

1. Award, E. & Hassan, Ch., *Knowledge management*, Prentice Hall, SAD, 2004. ISBN 81-31714-03-9.
2. Bacera-Fernandez, I. Gonzales, A. *Knowledge management – Challenges, Solutions and Technologies*, Prentice Hall, SAD, New Jersey, 2004. ISBN 01-31016-06-7.
3. Bahtijarević, F., *Management ljudskih resursa*, Golden Maketing, Zagreb, 1999. ISBN 95-36168-77-4.
4. Dalkir, K., *Knowledge Management in Theory and Practice*, Elsevier, Oxford, 2005. ISBN 00-80547-36-2.
5. Drucker, P., *Moj pogled na menadžment*, Stilos, Novi Sad, 2003. ISBN 86-76680-01-9.
6. Jokić, D., *Preduzetništvo*, Beograd, 2005. ISBN 86-90317-50-3.
7. Krstić, Đ., *Tajna uspeha japanskih kompanija*, IQ, Beograd, 1994. ISBN 86-70120-01-1.
8. Pokrajac, S., *Menadžment promena i promene menadžmenta*, Topy, Beograd, 2001. ID 89524492.
9. Radosavljević, Ž., *Menadžment znanja i (li) znanje u menadžmentu*, Novi Sad, Srbija, 2012. 263-1/12.
10. Shockley, W., III, *Planinng for Knowledge Management*, Quality Progress, USA, March, 2000. ISBN 08-73896-78-5
11. Stefanović, V., *Menadžment ljudskih resursa*, Megatrend, Beograd, 2000. ISBN 86-77470-36-0.
12. Thomas, A., Stewart, *Intellectual Capital – The New Wealth of Organization*, Doubleday, New York, USA, 2010. ISBN 03-85483-81-3.
13. Torrington, D., Hall, L., & Tazlor, S., *Menadžment ljudskih resursa*, Data status, Beograd, 2004. ISBN 86-74780-03-2.
14. Radosavljević Dragana, Jevtić Slađana. Jevtić Dorijan, *Managing the Learning Organizations*, MK ANTiM 2012, FORKUP, Beograd
15. Mikić Sanja, Vesović Mirjana, Kuprijanov Sergej, „ECONOMICS OF NEW MILLENIUM“, *International Journal of Economics & Law*, Vol. 2, No. 4, pp. 77-83