

# Knowledge management practices in Lithuanian business organisations: a case study

**Zenona Ona Atkočiūnienė**

Department of Information and Communication,  
Faculty of Communication, Vilnius University,  
Professor, Doctor (HP)  
Vilniaus universiteto Komunikacijos fakulteto  
Informacijos ir komunikacijos instituto profesorė, daktarė (HP)  
Saulėtekio al. 9, LT-10222 Vilnius  
El. paštas: zenona.atkociuniene@kf.vu.lt

*The constant competition in the contemporary hyperdynamic market is one of the main conditions that forces organisations to search for optimal ways to increase their operational efficiency. The main goal of knowledge management in business organisations is to transform knowledge into capital, thus maximising organisational efficiency. Continuous knowledge creation and its use undoubtedly increase an organisation's value in the market. An organisational structure must strive to be flexible and able to change in response to the external and internal environments. Consistent strategic management, adaptive to the changes in the environment, organisational learning and other factors should ensure the competitive advantage of the organisational structure. Only the structures that systematically create and diffuse, update and apply knowledge to the development of new technologies and products/services, i.e., those that are engaged in continuous innovation, can be successful. Theoretical insights and empirical studies show that the application of knowledge is possible only when it is purposefully managed.*

**Keywords:** knowledge management, knowledge processes, strategy, innovations, learning.

## 1. Introduction

In a society where knowledge is considered a fundamental virtue, the most important factor of competitive advantage is not the use of state-of-the-art technologies, uniqueness of the product/service offered, or ownership of material assets anymore, but the available knowledge and the ability of the organisation to manage it, because it is a resource that is difficult to replicate. Knowledge and knowledge management are necessary in the innovation process. The increasing complexity of innovation is influenced by the enormous amounts

of knowledge available to organisations, which form the basis of innovation (du Plessis, 2007). Knowledge is inexhaustible – the more skills and competences are put into use, the more they expand. The creation of knowledge is a unified process of production, where innovation is one of the output types, while other outputs are learning and the improvement of skills. Innovation is understood as the transformation of productive knowledge into new products, services, or processes for the benefit of the organisation. Innovation depends on available knowledge, its purposeful application and commercialisation.

The aim of this article is to investigate the state of knowledge management in a Lithuanian business organisation. To reach this aim, the article analyses theoretical aspects of strategic management, knowledge management and innovation, and presents the results of an empirical study.

## **2. Theoretical background**

Strategy is the system of an organisation's actions and means that defines how the long-term objectives of the organisation will be achieved (David, 2011). Strategies include geographic expansion, market penetration, liquidation and an organisational merger. Strategies define the main values that are to be cherished in organisational structures. The employees of such a structure should be aware of its vision and mission, since they define what it has had achieved and what it seeks to achieve. Vision and mission are particularly effective if they are based on objectives and achievements of the organisation. They are an important part of the strategic planning of an organisation that helps to motivate employees, to increase their satisfaction with the organisation and to encourage them to pursue higher objectives. Creativity and innovation needs a strategy with a clearly defined vision and mission (which mention creative thinking and innovation as one of the goals) as well as a statement of an organisation's goals that is understandable and acceptable to its employees or entirely corresponds to the goals of the employees. If that is the case, the employees will strive to achieve their goals, which will mean the achievement of the organisation's goals.

The leader of an organisation is the most important factor that influences the achievement of its goals (Stamm, 2003). He or she should encourage the development

and nurturing of the culture of organising knowledge, motivate the employees to engage in constant learning, to cooperate and to apply their knowledge for the improvement of organisational processes. In an organisational structure, a leader is that person who can encourage employees to perform a certain task because he or she wants to perform it on his/hers own behalf. The influence of the leader extends to all employees and is one of the critical factors in pursuing innovation in an organisation (Oke, Munshi, Walumbwa, 2008). The leader cannot be unambiguously equated with the formal management position (e.g., director, CEO), since the latter have the formal responsibility for the performance of the organisation and have to fulfil the objectives "in the right way", while the former are informal leaders, which accomplish the "right objectives". An organised structure can reach the best results if the informal and the formal leader is the same person, since otherwise an employee's efficiency may suffer due to diverging opinions and an ambiguous subordination.

Linking and integrating the principles of knowledge management into the strategic documents of the organised structure is the first step towards the development and implementation of knowledge-based organisational strategy (Drew, 1999; Snyman; Kruger, 2004). Knowledge management strategy links an organisation's strategy and an organisation's goals with principles and approaches of knowledge management and is designed to identify the possibility for the organisational structure to assess the knowledge resources available for it and to apply them purposefully (Hislop, 2009; Jashpara, 2011). The integration of organisational and knowledge management strategies leads to a harmonious functioning of the organ-

isation and highlights the ways in which knowledge can be used to reach strategic goals faster and in a more accurate manner. A knowledge management strategy, if employed in an organised structure, enhances organisational learning and improvement, prevents it from repeating mistakes, creates an environment conducive to the development of new ideas and suggests solutions for performing the tasks.

The development of a knowledge management strategy in an organisation is a complex process. However, an alignment of a knowledge management strategy with the overall strategy of the organisation and its consistent implementation leads to better results and better use of knowledge for the development of innovations. Thus, a deliberate and systematic management of knowledge in an organisation should start with a knowledge management strategy.

The relationship and interactions between knowledge management and innovation are multidimensional, complex and particularly difficult to investigate; therefore, studies of the subject tend to rely on a single specific approach: managerial, technological, creativity-based or systematic. The managerial approach contrasts three perspectives of knowledge management: product, process and practice, depending on the type of innovation that is being developed and implemented (Swan, Newell, 2000; Swan, Newell, Bresnen, Robertson, 2007; Xu et al., 2010). The technological approach regards information and communication technologies as an instrument of knowledge management and a catalyst of innovation (Alavi, Leidner, 2001). The creativity-based approach places emphasis on the idea that, in a community of creativity and innovation, creativity and tacit knowledge are the main sources of

continuous innovation (Nonaka, Takeuchi, 1995; Koskinen, Vanharanta, 2002; Xu et al., 2010). The systematic thinking approach emphasises the lack of integrated knowledge management mechanisms in the study of knowledge management for innovation (Rubenstein-Montano et al., 2001; Junga et al., 2007; Xu et al., 2010). These approaches demonstrate the complexity and the interdisciplinary nature of the link between knowledge management and innovation. This article investigates the link between knowledge management and innovation from the systematic perspective.

As a result, innovation is understood as a new or improved product/service/process/method/technology. Innovations are classified according to different criteria: the content of innovation – either a product, process, organisational or marketing innovation; the degree of novelty – an incremental or a radical innovation; the organisational characteristics – an inside-organisation or closed, and inter-organisation or open innovation (Stamm, 2003; Jakubavičius et al., 2008; Du Plessis, 2007). Further analysis focuses in more detail on the types of innovation according to the content of innovation.

The Lithuanian Innovation Development Programme for 2014–2020 provides the following types of innovation according to the content of innovation: product, process, organisational and marketing innovation. Product (or service) innovation refers to the introduction of new or significantly improved goods or services to the market. Process innovation (innovations in the process of production or service process, as well as in information technologies) means the implementation of new or significantly improved production methods, including the methods of delivery. These methods can

involve changes in equipment (including software) and (or) organisation of production or any combination of such changes using innovative knowledge. Organisational innovation includes the implementation of a new organisational structure or management methods to improve the use of knowledge, product or service quality or workflow efficiency. Marketing innovation refers to the implementation of new or significantly improved marketing methods aimed at improving the attractiveness of products or services or the development of business in new markets (the Lithuanian Innovation Development Programme for 2014–2020, 2013, p. 2). This classification corresponds to the types of innovation examined in the European Innovation Scoreboard (Innovation Union Scoreboard, 2014). This classification of innovations was used in the study of a Lithuanian company presented below.

### 3. Research methods

*The aim of the research* is to investigate the state of knowledge management in a Lithuanian business organisation.

*The object of the research* is an innovative organisation operating in Lithuania.

The empirical study uses a *quantitative method* in the form of a survey designed for the employees of the organisation.

The respondents of the survey were presented with a structured questionnaire with closed-type questions: The questionnaire consisted of three parts:

1. Strategic management: the aim was to define what is emphasised in the strategic documents of the organisation;
2. Knowledge management: the aim was to examine the state of knowledge management in the organisation, to identify certain responsibilities for knowledge management as well as to explore the

processes of knowledge management and learning;

3. Innovation: the aim was to assess the possibilities of knowledge application.

The total number of respondents included into the study was 171. During the analysis, 65 questionnaires were identified as incompletely or incorrectly filled, thus further analysis includes data from 106 respondents.

The study was carried out February–March 2015.

### 4. Research results

#### *Analysis of results*

*Socio-demographic characteristics of respondents.* The largest part of respondents (84%) have non-management positions, while the rest (16%) are leaders and managers of the company. 33% of respondents have work experience in the company of more than 10 years, which, because of the considerable experience of respondents in the company, may add to the reliability and accuracy of the data. 29% of respondents have been working in the company for 1–3 years, 15% for 3–6 years and another 15% for 6–9 years. Only 8% indicated that they have been in the company for less than one year.

The research aimed to identify if the employees of the company are aware of the strategic documents of the company and their main points, if they know what are the priorities in the pursuit for competitive advantage of the company.

Research data showed that more than a half of respondents (60%) were aware of the strategic plan of the company; this could be explained by the involvement of the company's leaders and managers in the process of strategic planning. The over-

whelming majority of respondents (97%) know the values of their company, its mission (91%) and vision (90%). According to the respondents, the strategic documents emphasise the following: the development of new products/services (84%); attracting and preserving customers (80%); the improvement of existing products/services (74%); the importance of information and knowledge management (68%); people as the main asset of the company (43%) (Figure No. 1). These data reveal that the company is oriented towards innovation and the attraction of customers.

The majority of employees included in the survey strongly agree or agree that the company pursues competitive advantage by developing and improving products and services (94%) as well as presenting them to the customers for the best price (71%). Since these points are emphasised in the strategic documents of the company, it can be claimed that the company purposefully works towards its strategic goals (Figure No. 2). Another way for the company to seek strategic advantage is to acquire and apply new knowledge (59%). On the other hand, only 43% of respondents indicated that, in

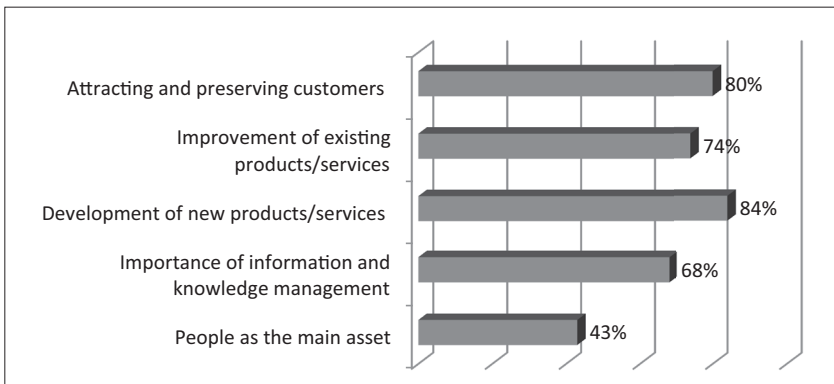


Figure No. 1. Aspects emphasized in the strategic documents of the company

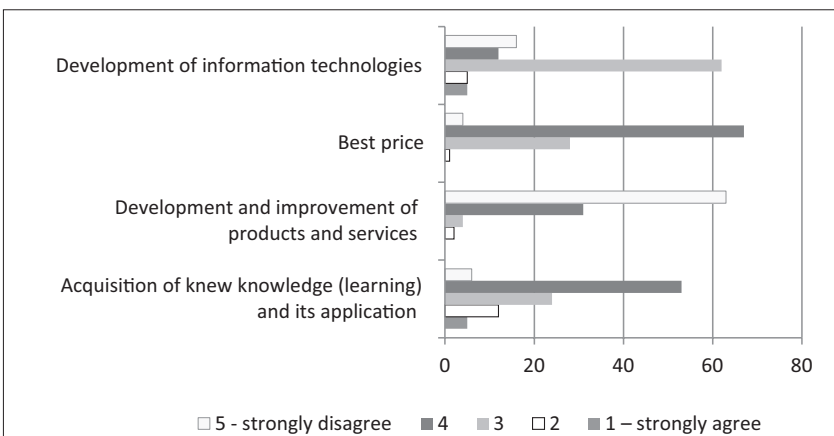


Figure No. 2. Company priorities in seeking competitive advantage

the strategic documents of the company, people are regarded as the main asset of the organisation. A greater part of respondents (62%) neither agree nor disagree that the development of information technologies helps to achieve competitive advantage in the market. This leads to the assumption that the company seeks competitive advantage in the market by relying more on knowledge and experience of its employees rather than on the use of the possibilities offered by information technologies.

In discussing the perception of the importance of knowledge management in the company, the data show that the large majority of the respondents strongly agree or agree that information and knowledge are an important asset of the organisation (99%) and on the necessity of managing knowledge (97%). According to the respondents, the leaders and managers of the company understand knowledge management as an essential part of the company's operation (91%), and the majorities of respondents'

positions (71%) are connected with managing knowledge, namely the storage, systematisation and application of employee knowledge and experience (Figure No. 3). These results illustrate that employees understand the necessity of information and knowledge, as well as their management, in pursuing the strategic goals of the organisation.

The study showed that the majority of respondents often or always acquired knowledge directly from their managers (88%), in department meetings (86%), through consultations with colleagues (85%), from the intranet (78%), in internal trainings (79%), in conferences and seminars (56%) (Figure No. 4).

Thus the data shows that, in the company, knowledge is mostly acquired through internal communication with managers and colleagues. The same trend is illustrated by other data of the survey: respondents say they are well aware of professional competences of other employees, namely their

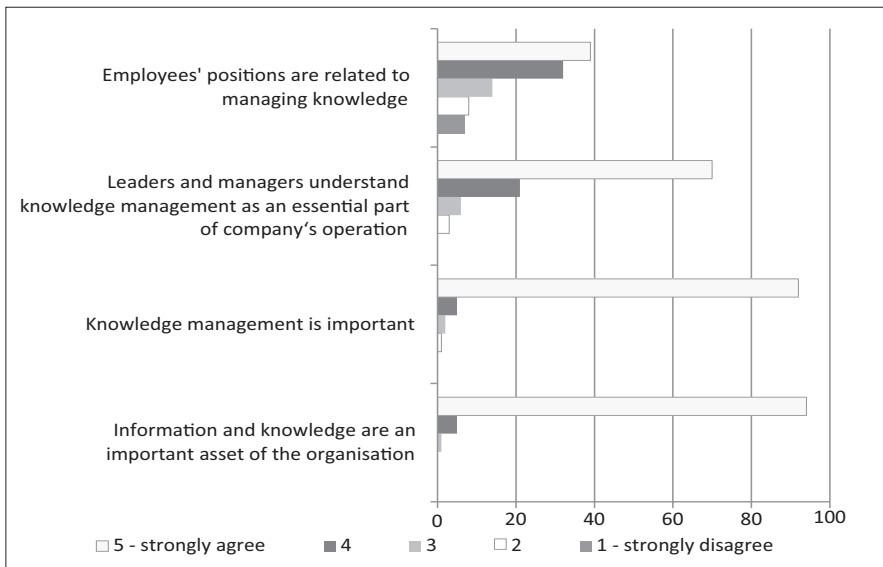


Figure No. 3. Perception of the importance of knowledge management in the company

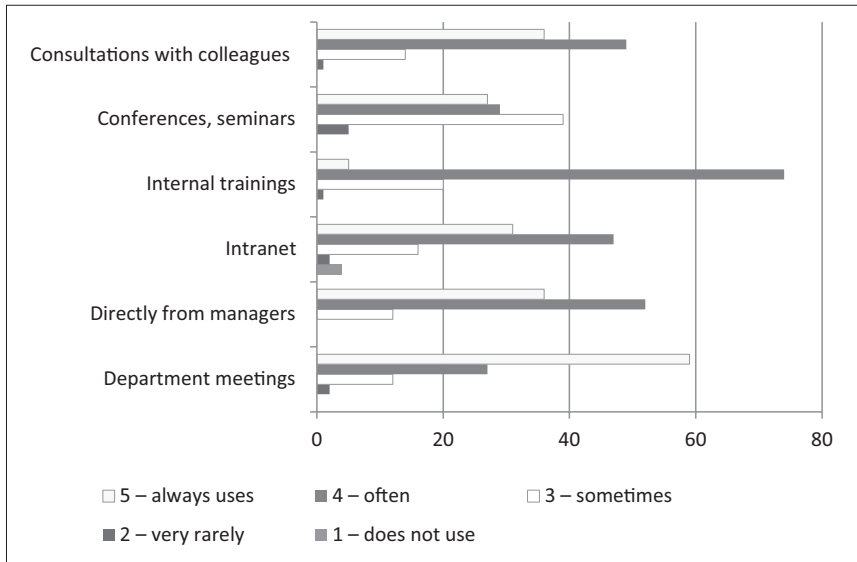


Figure No. 4. *Ways of knowledge acquisition in the company*

knowledge, skills and experience in specific fields of expertise (65%); professional competences of employees are recorded in information systems (e.g. intranet, databases) and, if needed, they can be consulted (32%). Only a fraction of respondents (3%) claim that they do not know professional competencies of the most of other employees.

The majority of respondents (87%) are certain that their knowledge and competences are reviewed and evaluated in order to ensure the quality of performance; 53% of the respondents think that this is a continuous process ensured by managers (45%) and the human resource department (8%). The rest (34%) think that competences are reviewed, but this is not a continuous process. The knowledge and competencies of employees are reviewed and assessed in connection to the strategic goals (69%) and in order to ensure quality performance of the company (60%). The greater part of the respondents (61%) agree that the company regularly identifies what knowledge areas need development, as well as what compe-

tencies and knowledge will be important in the future considering the strategic goals of the company.

Regarding the knowledge sharing process, the large majority of respondents (90%) strongly agree or agree that employees are inclined to collaborate (to share knowledge) when they are asked for information or advice about work related issues. A part of employees did not have a clear opinion on practices of knowledge sharing (Figure No. 5): they neither agreed nor disagreed with the statements that the company organises internal meetings for knowledge sharing (49%); that managers encourage employees to share (to make public) knowledge and experience acquired in trainings, conferences and other events (71%); that the company encourages openness and trust (63%). These data lead to an assumption that the company employees share their knowledge in order to improve their performance, but the process of sharing is not sufficiently encouraged by the leaders and managers of the company.

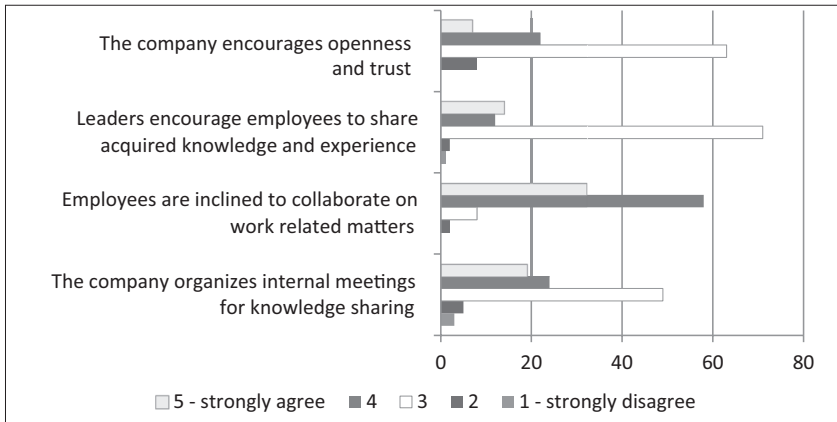


Figure No. 5. Knowledge sharing practices in the company

The survey also aimed to define what ways of knowledge sharing are mostly used by the employees of the company. Respondents indicated that they very often or often share knowledge in informal meetings (84%) and by email (50%) (Figure No. 6). A part of respondents sometimes share knowledge during informal meetings (62%) and conferences or seminars (39%). According to respondents, they very rarely or rarely use specialised software (e.g., Skype) for knowledge sharing (82%) and intranet (65%). These results show that knowledge sharing between employees most often

takes place face-to-face in informal settings, while the possibilities offered by information technologies are not fully exploited.

The study also aimed to define if knowledge and experience accumulated by employees of the company are being codified and stored (Figure No. 7). The majority of the respondents strongly agreed or agreed that projects are finished with written evaluation (82%), that project successes and failures are recorded in information systems (81%), that before starting a new project employees are encouraged to review the previous experience of the company (65%).

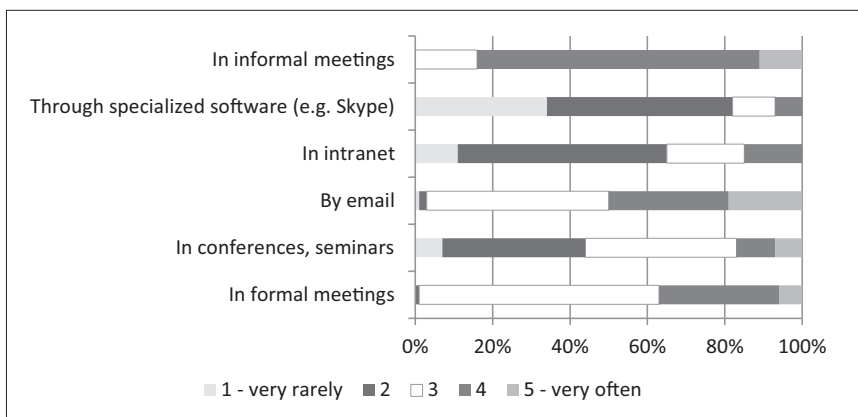


Figure No. 6. Ways of knowledge sharing



A part of respondents neither agree nor disagree that projects are finished with an oral evaluation or discussion (52%) and that the ideas proposed by employees are recorded and stored in information systems, e.g., intranet or knowledge bases (48%). Knowledge management improvement plans in the company should take into account that it is important to record and store not only the experiences from project implementation, but also ideas from employees that could later result in new projects.

Regarding the possibilities for learning and the continuous professional improvement in the company (Figure No. 8), the majority of respondents strongly agreed or agreed that employees are encouraged to continuously update their knowledge (62%) and the directions for their professional improvement are related to the strategic goals of the company (56%). A part of respondents (47%) did not have a clear opinion, i.e., neither agreed nor disagreed with the statement that the knowledge and compe-

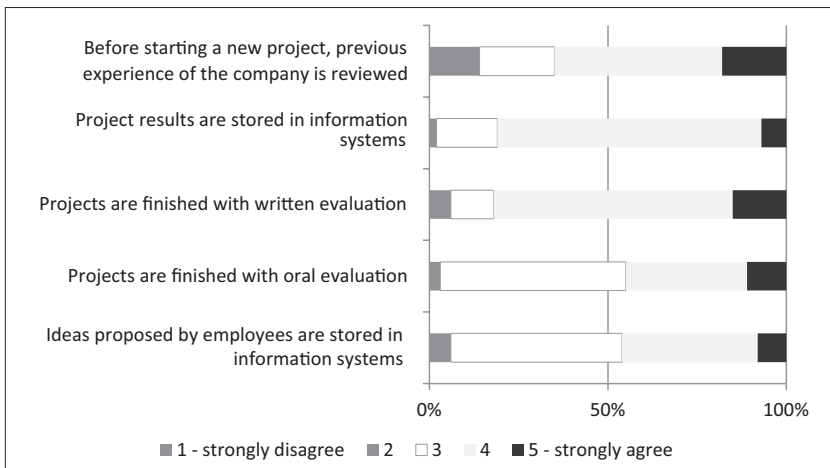


Figure No. 7. Codification and storage of employees' knowledge

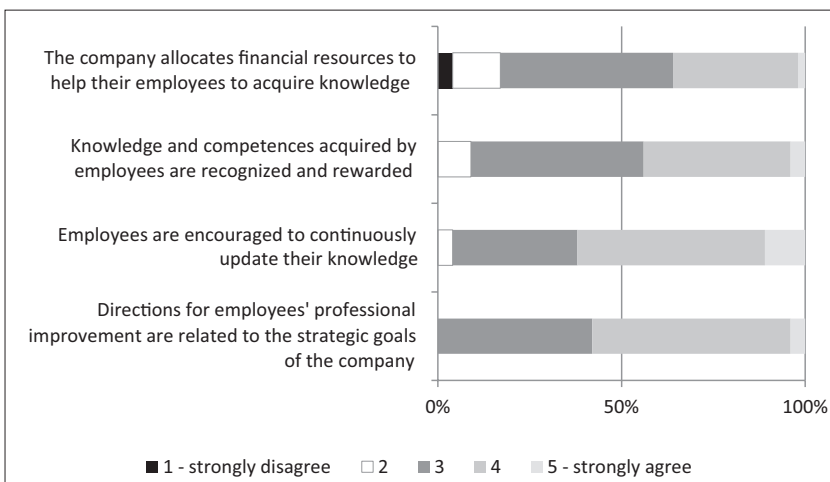


Figure No. 8. Learning possibilities in the company

tences acquired by employees (certificates, diploma, etc.) are recognised (in form of bonuses, awards, public acknowledgements) and with the statement that the company allocates sufficient financial resources to help their employees to acquire knowledge and improve their competences.

The majority of the respondents strongly agreed or agreed that the primary motivation for them to learn is better career possibilities in the future (80%) and the need for personal development (79%). Other important factors are motivation (inspiration) from the leaders (69%) and financial rewards (52%)

in the future (Figure No. 9). These results lead to the assumption that the learning motivation of employees comes from both material and non-material sources.

When asked if they share the knowledge they have acquired in trainings, the large majority of respondents gave a positive answer: this is either a common practice (36%) or they do it sometimes (42%).

An analysis of the application of employees' knowledge in the company focused on its innovation activity during the last three years has yielded the following results (Figure No. 10). The large majority of re-

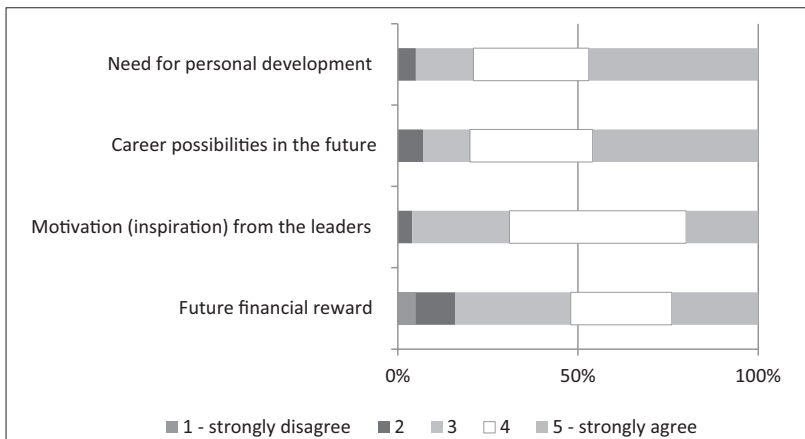


Figure No. 9. *Motives for learning among employees of the company*

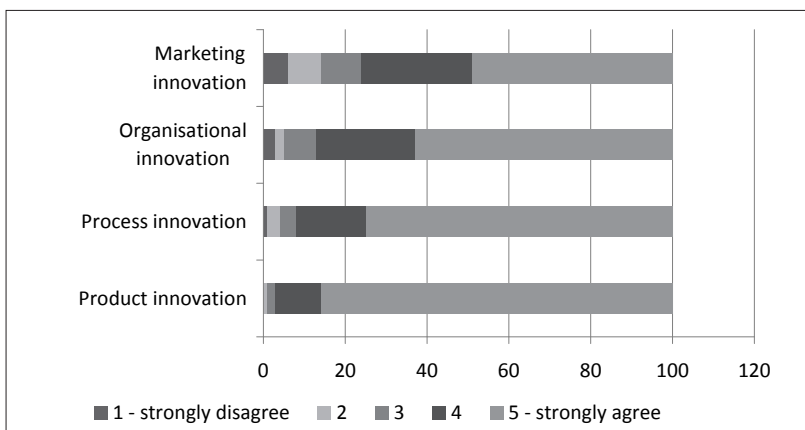


Figure No. 10. *Innovation activity in the company during the last three years*

spondents (97%) strongly agreed or agreed that the company had developed and introduced into the market new products/services (product innovation); the majority (92%) stated that the company had implemented projects aimed at modernising or introducing new methods of production (process innovation); the majority (87%) stated that the company had updated its management structure in order to improve operational processes (organisational innovation); a lesser majority (76%) stated that the company improves marketing methods designed to provide customers information on products/services (marketing innovation).

## 5. Conclusions

Theoretical insights and empirical studies on knowledge management reveal the importance of knowledge as well as its application and its influence on organisational efficiency. Only the organisational structures that systematically create and diffuse, update and apply knowledge to the development of new technologies and products/services, i.e., those that are engaged in continuous innovation, can be successful.

Linking and integrating the principles of knowledge management into the strategic documents of the organisation are one of the main steps towards the identification of an organisation's possibilities to assess

knowledge resources and to apply them purposefully.

The results of the study showed that the operation of the organisation is oriented towards the creation of innovations and the attraction of customers. The company seeks competitive advantage in the market by relying more on the knowledge and experience of its employees rather than on the use of the possibilities offered by information technologies. The company continually identifies which areas of knowledge must be developed and which competencies and knowledge – considering the strategic goals of the organisation – will be important in the future. Employees are engaged in knowledge sharing in order to effectively perform their tasks, but knowledge sharing is not sufficiently encouraged by the leaders of the company. Knowledge sharing between employees most often takes place face-to-face in informal settings, while the possibilities offered by information technologies are not fully exploited. The improvement of knowledge management in the company should emphasise the importance of codification and storage of the experience accumulated by employees and ideas proposed by them. In the future, this could provide a basis for new directions for the company or development of innovative products/services.

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## ŽINIŲ VALDYMO SITUACIJA LIETUVOS VERSLO ĮMONĖSE: ATVEJO TYRIMAS

### Zenona Ona Atkočiūnienė

#### S a n t r a u k a

Nuolatinė konkurencija šiandienėje hiperdinamiš-koje rinkoje yra viena iš esminių sąlygų, skatinan-čių organizacijas ieškoti optimalių būdų didinti veiklos produktyvumą. Pagrindinis žinių vadybos versle tikslas – žinių šaltinius paversti kapitalu, kad būtų pasiektas didžiausias organizacijos veikslos efektyvumas. Teorinės išvalgos bei empiriniai tyrimai įrodo, kad žinių pritaikomumas galimas tik tikslingai jas valdant. Žinių valdymo situacijai Lietuvos verslo įmonėse nagrinėti buvo pasitelktas kiekybinis tyrimo metodas – apklausta 106 respon-dentai. Tyrimo rezultatai apima tris pagrindines sritis: strateginio valdymo – siekiama išsiaiškinti, kas yra akcentuojama strateginiuose dokumentuose; žinių valdymo – siekiama įvertinti žinių valdymo situaciją, identifikuoti žinių valdymo atsakomybes, iširti žinių valdymo procesus, mokymąsi; inovacijų – siekia-

ma nustatyti žinių pritaikymo galimybes. Tyrimo rezultatai parodė, kad įmonės veikla orientuota į naujovių kūrimą bei vartotojų pritraukimą. Įmonėje nuolat identifikuojama, kokias žinių sritis reikėtų plėtoti, kokios kompetencijos, žinios, atsižvelgiant į organizacijos strateginius tikslus, bus svarbios ateityje. Darbuotojai dalijasi žiniomis, siekdami kokybiškiau atlikti darbo užduotis, tačiau šį procesą vadovai skatina nepakankamai. Dažniausiai darbuotojai dalijasi žiniomis tiesiogiai bendraudami neformalioje aplinkoje, tačiau nepanaudojamos visos informacinių technologijų galybės valdyti žinias. Tobulinant žinių valdymą reikėtų atkreipti dėmesį į svarbą fiksuoti ir saugoti visą sukauptą patirtį, darbuotojų siūlomas idėjas, kurios vėliau galėtų tapti naujų veiklos krypčių, inovatyvių produktų ir (ar) paslaugų kūrimo pagrindu.

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