Application Of Knowledge Management Practices For Effective Managerial Control: A Theoratical Approach

Gurpreet Kaur

Research Scholar, Punjabi University, Patiala, (Punjab)
gurpreet.chappal@gmail.com

Abstract: The knowledge management (KM) is not only the activity only for resources called knowledge, but to consider that how knowledge managers can utilize all the resources. The starting point of any discussion of KM strategy must be the organization's existing strategy and how to support it for going forward. It stresses that the KM strategies and actions of the managers must be closely coordinated with those of the enterprises. This paper is an attempt in the area of management control system (MCS) which focuses on the need of KM in an Indian Organizations. In the given context, researcher suggest a design for the Management Control System by executing KM practices that suit the nature of the environment, culture and control strategies and examines how a KM strategy can and suit and fit with MC strategies. It suggests a course of action to enhance the knowledge base of managers to execute an appropriate KM strategy while designing MCS.

Keywords: Management Control System, Effectiveness, Business Strategies, Knowledge Management, Control system Designs and Systematic Knowledge.

1) Introduction

Management Control System is a total system as it embraces all aspects of the organization's operations because an important management function is to assure that all parts of the operation are in balance with one another, and in another to examine balance, management needs information about each of the part.

2) Management Control can be defined as the process oriented to varify

(1)The advancement status of the planned objectives. (2)The efficacy and efficiency of the organization through the analysis of resources, costs and proceeds. Management Control has not to be seen as an activity of the administration area's exclusive competence, but rather of responsibilities all the organization's functions. **As with all processes, management control is constituted by different elements, connected to each other.**

- structure (personnel charged of the duty of control)
- the tools (general accounting, analytical accounting, budgeting, reporting, income statement analysis)
- procedures (coordination, optimization)

Management control acts through the following phases in sequence:

* Planning- where for any company's unit a set of objectives must be defined that is of specific expected results which needs to be understandable, agreed, measurable in extent and time, reachable, consistent with one another and with the available resources.
* Programming- where a programme is drawn in order to get the planned objectives, taking into account the external and external restraints to the company.
* Result checking-where it is measured whether each company's unit has achieved the or not assigned objectives.
* Shifting analysis-where the possible shifting between objectives and result is analyzed.

* Corrective action implementation-in order to optimize the unit's behavior against the planned objectives.

To realize a project of management control it is necessary to carefully evaluate the reference context where it is intended to applied and in particular:
- The diffusion of the Management Control Culture into the company.
- The availability of appropriate computer and accounting systems.

For implementing the effective management control systems knowledge management is considering a vital part of today's organizations to use the wealth of expertise, latent insights and bright ideas to equip itself with a vision to foresee the future. Intellectual capital is the key stone for organizations to gain a sustainable competitive edge and differentiations; these realizations reflect the real picture of knowledge in the business process as a corporate asset, which could make the difference in the market place.

Meaning of knowledge management
There is no accepted definition of KM, largely due to the breadth of the concept and the complex nature of knowledge. Many believe that Knowledge is personal, resides only in the minds of people and most of time we are not aw re of its existence. Given that managing knowledge in the same way we used to manage information is neither logical nor practical. While information management is important and need to manage the digital information is greater than ever, information management is only the small part of knowledge management. Knowledge management can be viewed as the process of identifying, organizing, and managing knowledge resources. Karl Wigg, a management consultant and practitioner defined KM as the systematic, explicit and deliberate building, renewal and application of knowledge to maximize and enterprise's knowlwdge related effectiveness and return from its knowlwdge assets (Wigg, 1999).

Review of Literature

Seleim (2007) investigated 38 Egyption software firms and highlight that knowledge application influences organizational performance, knowledge acquisition and knowledge creation influence knowledge application and knowledge acquisition and knowledge transfer influence knowledge creation.Jannex, M.E. olfman (2007) has suggested KM success model that is derived from the observations collected from the study of KM in an engineering organizations and KM success factors found in the literature. Jij w.(2007) examines the casual relationship among the knowledge characteristics, knowledge acquisition strategy, implementation measures and performance of KM implementations in the context of hospital management in Taiwan.Results show that the characteristics of knowledge affect the ways in which KM is implemented have a significant impact on the results of KM implementations.Sherif, K and sheriff S.A. (2007) focus on the fact that successful transfer of knowledge within the organizations depends upon the accumulated social capital embedded within organizational social networks, to test this they have been used Hostede's Cultural Model. Owen J.(2006) indicates that the management can improve project management capability such as learning, memory and cycle time by reusing and transfer of knowledge. Digman, L.A. (2006) examine the linkage between knowledge capabilities and strategy implementation by taking two aspects of knowledge capabilities: Knowledge process capabilities (KPC) and knowledge infrastructure capabilities (KIC). The finding indicates the presence of a mediation effect of KIC on the relationship between KPC and SIE.

Generally these can be the shortcomings of implementing MCS

*While setting targets, only tangible aspects of the organizations are considered because targets are set at the strategic level but at this level managers are not fully aware of the intangible aspects of the problem which emerged at the managerial and operational level. *Proper and appropriate Reporting is needed for measuring actual data. Reporting system enables management at all levels to keep itself abreast of past performance as well as developments and it facilitates a check on individual operating levels. Based on reports,management takes crucial decisions. Hence the essentials of good reporting system are as follows:

o Proper form: In order to facilitate decision-making the information should be supplied in form.
o Proper time: Promptness is very important because information delayed is information denied Reports are meant for action and when adverse tendencise or events are noticed, action should follow forthwith. The sooner the report is made the quicker can be the corrective action taken.
o Proper flow of information: The information should flow from the right level of authority to the level of authority where the decision are to be made. Further a complete and consistent information should flow in a systematic manner.
o Flexibility: The system should be capable of being adjusted according to the requirement of the user.
o Facilitation of evaluation: The system should distinctively report deviations from standards or estimates. Controllable factors should be distinguished from non-controllable factors and reported separately.
o Economy: There is a cost for rendering information and such cost should be compared with benefits derived from the report or loss sustained by not having the report. Economy is an information aspect to be considered while developing reporting

Problem of **comparison** will depends upon the actual data. Actual data comes through proper reporting system. There should be standard format for comparing data. Overloading of information indicates that the information system of the organization is not giving accurate and timely information because it is not properly analyzed before the information is transmitted. The designed control system is not being tested before its implementation. It is not also properly maintained. Role of KM in effective Management Control System IRS Management Review(2000) provides a number of recommendations for getting staff to share knowledge, stating that it is; "often the most difficult aspect of KM to accomplish". Ghassani et al(2004) also highlight the complexities of managing organizational knowledge and state that : Many unsuccessful knowledge management cases have been observed where rectifying or altering the system was difficult, time-consuming and expensive and failure resulted, in some cases, in the deterioration of the implementation of knowledge management. On the whole it can be concluded that due to(1) lack of knowledge about intangible aspects of the problem, (2) ineffective corrective actions, (3) inappropriate information system,(4) non participation of managers to collect, generate, store, use and manage information, (5) non computerize control system are the key areas of organizations to develop KM strategies to update the present MCS. Thus, the organizations must ask itself two important questions:

* What are knowledge assets?
* How should it manage those assets to ensure a maximum return on them?

Solutions will depend upon the effective Management of Knowledge which focuses on solutions and encompass the entire control system, organization, people, and technology. Having focused to such situation the researchers found key areas like –enable e-governance, increase productivity, share best practices/processes, provide leadership and decision making, increase consumer satisfaction, create competitive advantage, foster innovation and collaboration, encourage learning, attract and retain human capital, where KM can help the organizations. Generally in the design process of MCS there are two major activities involved, viz,

* The role of controlling authority in target fixing and in taking control actions;
* The system and routine framework or arrangement which provide relevant information to facilitate the control action with a view of ensuring the efficient and effective use of resources in the accomplishment of targets.

By keeping in mind the basic activities of MC design, a link between CS development process and required knowledge has been recommended, which in turn will focus on the role

of knowledge managers those can provide required information by developing and creating a systematic knowledge. Further to improve the design of MCS the managers of the organizations can play under mentioned role:

* Develop a culture of acceptance of organizational learning, continous learning and KM
* Create knowledge share culture within the organizations.
* Form relationship with group leaders and managers at all the three levels.
* Leverage organization-wide learning.
* Align and integrate diverse functions

Recommendations

To enhance the performance of MCS suggesting two broad perspectives on KM strategy for developing organizations control sysyem by taking knowledge 1)as an input and 2)as a support.

Knowledge as an input to Organization's strategy development

In this situation specific KM strategies of organizations could therefore focus on one of the following approaches:

* Value Innovation- Here KM seeks to develop and identify new opportunities foe value by redefining business problems and finding new opportunities where other see problem. This could be innovation in processes and structures of the CS as well KM can identify and implement applications, structure and technology that can help knowledge managers of organizations to dramatically leverage their creativity and ability to deliver new value added services.
* Environment scanning- The scanning of environment is essential to understand what is going at the national level or an international level and to determine its relevance to the organization's context in order to develop required knowledge strategy. Thus organizations must learn to recognize new competitive positions as they open up and become more aware of how changes could affect it and its competition. And the organizations must have to do this more quickly than its competitors by searching new ways of competing which could come from new customer groups, new needs, new technologies, new materials or combination of these. In this way KM strategy can help the organizations to develop scanning capabilities and provide themechanisms to disseminate such environmental information to various operating units.
* Strategic experimentation- To become more adaptive, organizations can use a series of strategic experiments followed by other competitive groups which held it gain knowledge to support subsequent decisions about where to move in the future. As properly designed, these experiments create new knowledge about markets, proposed strategies and process changes and also help to develop new competencies.

Knowledge As a Support for Organization's Strategy Development In this situation KM m strategies of organizations will therefore be more specific to immediate business needs and focus on adding a unique layer of knowledge which enhance the platform on which products and services are delivered in one of the following ways:

* Support for performanace- According to this approach knowledge can be used to help the organizations to improve its qualitynand service. KM can help organizations to serve its consumer better by providing omprovrd customer information at every step of the value chain from sales to service. It can facilitate process by ensuring that the right information is available for every part of them to facilitate information linkages throughout many functions in the organization. Thus, information can be 'mined' to provide self-help facilities to empower both management and customers.
* Support for Productivity- Systematically applied knowledge can help the organizations to shorten cycle times for both generation and supply of goods and services by capturing and sharing such things as best practices, lessons learned and other reusable assets. A successful KM strategy in this area would not only create repositories of information, it would also work to make people aware of what is available and to promote sharing and reuse behaviors (Duffy, 1999)

Conclusion

In organization, with appropriate decentralization of authority, MC process begins with review of the past performance of strategic business units and responsibility centre, and negotiations of specific objectivesand targets for the next year. This is followed by a period recording of actual results and reporting of the same against the targets. During this process area where improvement is necessary, arre identified and reasons for shortfall are analyzed. In this situation KM can play an important role in building the capabilities and providing knowledge creation base to modify the present MCSs of the organizations.

References

[1] Dekker,R (2003), "Strategic capacity Management meeting technological demands and performance criteria", Journal of Material processing techno logy, vol.30, pp691-733.

[2] Chenhall, Robert H. (2003), "Management control system design within its organizational context; Findings from contingency based research and directions for the future", Accounting organizations and society, vol.28 pp 127-168.

[3] Sunder shyam, (2002), "Management Controls, Expectations, Common knowledge and culture", Journal of management Accounting Research, vol14, pp 173-187

[4] Saleim, Ahmed and Kalil Omar, (2007), "KM and organizational performance in the Egyption Software firms", International Journal of Knowledge Management, vol 3, Issue 4 pp 37-66

[5] Jannex, M.E., Olfman L. (2007) "A model of KM success", International Journal Of KM vol 2, issue3, pp 51-68

[6] Chen. C, Chen. Y (2007), "Effects of KM implementation in Hospital: An Exploratory study in Taiwan, International Journal of KM, vol. 2, issue 3, pp 1-20

[7] Suliman Al-Hawamdeh (2005) "Knowledge Management",Cultivating knowledge Professionals. Chandos Publising USA pp 1-20.