

The knowledge society brings growth in living standards

TOMÁŠ POTKAN, ALENA CHRENKOVÁ

University of Žilina

Univerzitná 8215/1, 010 26 Žilina

Slovakia

Tomas.Potkan@fpedas.uniza.sk, Alena.Chrenkova@fpedas.uniza.sk

Abstract

The article deals with the importance of the knowledge society in the current economy. In the past, the main engine of economic growth considered labour and capital, but today it is the knowledge of what moves the economy forward. Knowledge generates, transmit and expand in educational institutions such as schools, universities, trade school, etc., but important institution for the use and transfer of knowledge is the knowledge enterprise. Knowledge-based enterprise is not only the enterprise engaged in the coaching or teaching, but the company that employs people who create knowledge based on personal connections and knowledge of practical experience and further their knowledge to colleagues made to increase productivity and reduce costs.

Key words: Knowledge. Knowledge society. Knowledge-based enterprise.

JEL Classification: P40

1 Introduction

In former times, knowledge was not considered as the main factor of economic growth and increase living standards. Traditional production function was focused on work and capital, whereas knowledge and technologies had external influence on production. During last century, economists have realized importance of knowledge and technologies and included them straight to economic theories and models. “New growth theories” tried to comprehend the task of knowledge and technologies in increasing productivity and economic growth. Evolution of society is caused by competence to discover, innovate and create new ideas, knowledge which is consequently materialized into products, processes and organization.

2 Knowledge as „drive motor“ of society

Economics of advanced countries are more and more based on knowledge and information. Knowledge is source of economic growth, what leads to the new view on the role of information, technologies and education in the increase of economic efficiency. Term “knowledge economy” issues from the appreciation of the position of knowledge in modern advanced economics. Knowledge economics are economics based straight on creation, dissemination and application of knowledge and information. [1]

In former times, there were organizations and institutions able to create and spread knowledge: from medieval trades up to large corporations at the beginning of 20th century, and from cistercian convents up to royal scientific academies, which were established in 17th century. Consequently, in the long-term view, knowledge have been underlie for economic growth. [1]

Significance of knowledge personated in the human (as human capital) and technologies has increased during last years. Also growth has resulted from globalization and development of technologies. Advanced countries are more dependent on creation, dissemination and application of knowledge. Productivity and employment expand fastest in high-tech industries (for example information-communication technologies, electronics, etc.). Services in the industries demanding knowledge – education, communication and information industry, have noticed even bigger expansion. In this regard, there are necessary higher investments into research, development, education and information-communication technologies. [1]

More intensive application of knowledge and increasing value of information have resulted into definition of new terms – knowledge society and knowledge-based enterprise. The most important factor of knowledge society is right, early, exact and relevant information. Nowadays, we can see the development of knowledge society everywhere – it simplifies the communication between people, operating of machines and other equipment; increases productivity of labour and uplifts human from the position of operator to the position of manager of equipment, which work instead of him. In this regard, his productivity of labour and salary increases and during the time spent at work, he is able to generate more products of higher quality than before.

„Knowledge society is wider concept than research and development. Knowledge society covers every aspect of current economics, where knowledge presents the centre of added value – from the high-tech industries and information-communication technologies, through services demanding knowledge up to creative industries like media or architecture.“ (Kok Report, 2004)

One can said, that knowledge society is, when enterprise integrates powerful computers and competences of its employees into production. In the knowledge society, information and knowledge as primary source for generation wealth supply capital and energy just so as these supply land and work 200 years ago. Technologies and knowledge are today key factor for production and economic growth.

Base for development of knowledge society is creative environment, which do not limit people and organizations in their innovative activities. On this base are built pillars. Through them are developed knowledge society subsystems – information society and knowledge economy. Among these pillars belong modern educational system, which continues with lifelong education; research, innovations and know-how transfer in the enterprises within the global frame; other systems which aggregate and provide knowledge for elimination of information asymmetry, etc. These pillars are displayed at Fig. 1.1.

Knowledge-based enterprise

When we talk about knowledge economy, we have to talk also about knowledge-based enterprises and knowledge-based institutions. Their activities are based on qualitative educational systems, cooperant scientific and research base and advanced communication infrastructure. [2]

According to Truneček (2004), the term knowledge-based enterprise means institution based on knowledge which realizes its activities in the knowledge society and exploits all positive development tendencies. Požgay (2009) defines knowledge-based enterprises as the base of knowledge economy and accents holder of knowledge and intellectual capital. He also mentioned, that in the knowledge-based enterprise is knowledge applied in the processes of goods production and providing services. The basic assumption for effective and conscious application of knowledge in the enterprise is knowledge management. Application of new knowledge results into innovations. Enterprises try to apply innovations of the highest levels, which are base for added value. Products of knowledge-based enterprises through high added

value create space for growth of salaries and reached rates of profit motivate knowledge-based enterprises to further development. [3]

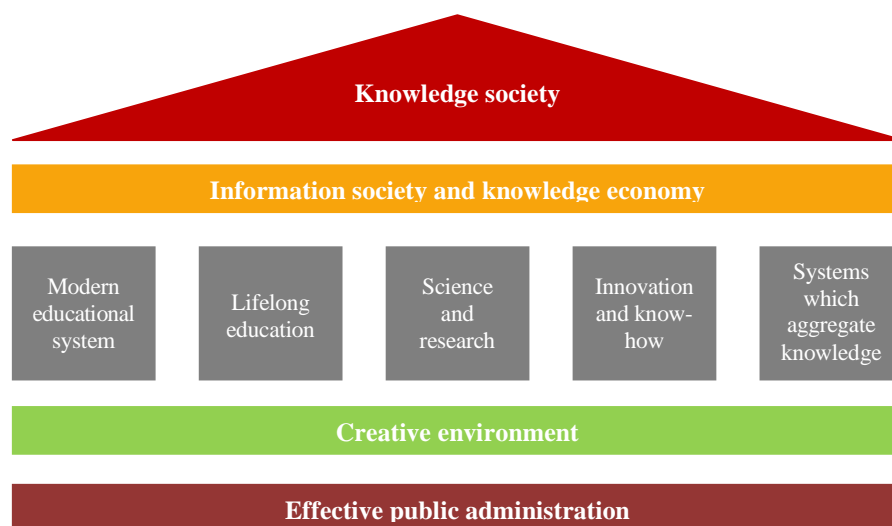


Fig. 1.1. Knowledge society (Source: http://www.irvs.sk/index.php?text_id=11)

Knowledge-based enterprise can be characterized as enterprise, which has: know-how, know-who, know-when, know-what, know-where and know-why.

Know-how presents enterprise's competences which have gradually developed in certain time. It contains business secrets, standards and expert knowledge of enterprise.

Know-who identifies people with information inside and outside enterprise, which presents information network. It is interconnection of practice and knowledge networks which were created in order to be knowledge and innovative "motor" for society.

Know-when represents timing in the development of new products, management of products preparation, market entry and elimination of non-profit products.

Know-what includes data elements in databases, applications, group technologies, classifications and coding. Through compatibility we can see, how cardinal models move or we can predestinate trends and spread adapted solutions.

Know-where is connected with the competence to identify suitable market places for running new or present products, for understanding customers' needs and their transformation to the business offers, which provide customers required benefits.

Know-why means understanding of context and how it is connected to particular company's ambitions and activities.

Enterprises are known as the place where new knowledge are materialized into technological or product innovations. It is necessary to understand product in the larger sense, as the result of transformation process, which can have material, immaterial, storable or unstorable character. Enterprise with meaningful application of knowledge and product or process innovations can be considered as knowledge-based enterprise. It predicts the existence of knowledge management, where the main content is to build up environment for acquisition, dissemination and implementation of knowledge. Innovations in enterprises do not go without exploitation of internal or external research and development potential.

Knowledge-based enterprise, institution or company differ from traditional business company in some characteristics:

- it solves complex, non-standard problems which request creativity,
- it has small, flat organization structure,
- it has a lot of professional employees, but few incompetent employees,
- it cooperates with every client individually,
- it forms power of company through experienced persons,
- it evolves company through development of employees' know-how,
- it has managers, which are both formal and informal leaders.

For evaluation knowledge-based enterprises, institutions and companies are defined following success factors:

- operating at the appropriate market place through selection of specific market segments,
- verification of quality control,
- effort to keep crucial people and their particular evaluation (keeping know-how),
- focus on the development of main know-how,
- building-up strong culture with the result, that is low need of formal control,
- keeping general knowledge trend.

Looking for response about operation of knowledge-base enterprise in global environment, it is necessary to answer two questions: what is the global concept of enterprise management system and what are the principles of its operation. [4]

With this are connected question about creation and dissemination of knowledge in the enterprise and its surroundings. For success operation of knowledge-based enterprise are important following characteristics and requirements:

- corporate strategy and performance – respect of financial and non-financial characteristics,
- customers' imperative – respect of customers' requirements,
- process orientation,
- team work,
- application of knowledge and intelligence (including information and communication technologies),
- corporate values and corporate culture.

For these requirements it is possible to create six principles of knowledge-based enterprise operation, focused on strategy, customers, processes, knowledge, teams and values. Knowledge-based enterprise has employees, which insert their knowledge into products and processes (for production and providing services).

Knowledge is personified in people. It is impossible talk about knowledge without reference to people, which work and learn together and so individually or collectively expand their knowledge. Enterprises, which are knowledge-based, support environment and culture focused on further education.

One of the first thing, which differ knowledge employee from others is, that he constantly studies. This fact sets new requirements on educational environment. Universities should be life-long partner in education not only for students, but also for employees. In knowledge-based enterprises employees have specific expectations, because they want to:

- work with people which respect them,
- have interesting work,
- be appreciated for good work,

- have chance to continually develop own skills and competences. [5]

Management of knowledge-based enterprise, institutions and companies is responsible for strategic planning and systematic approach to solving the tasks, effective exploitation of sources; care about culture which support dialog and for realization of risk activities. Enterprise should have structure, which allows personal interactions and support keeping codified and uncoded knowledge inside the company. Moreover, technological infrastructure should support obtaining explicit knowledge and their sharing not only inside, but also outside enterprise.

Finally, knowledge society should provide opportunity for individual study connected with enterprise performance. This company should develop instruments for measuring results of study and appeal employees to work better in definition of targets (Fig. 1.2.).

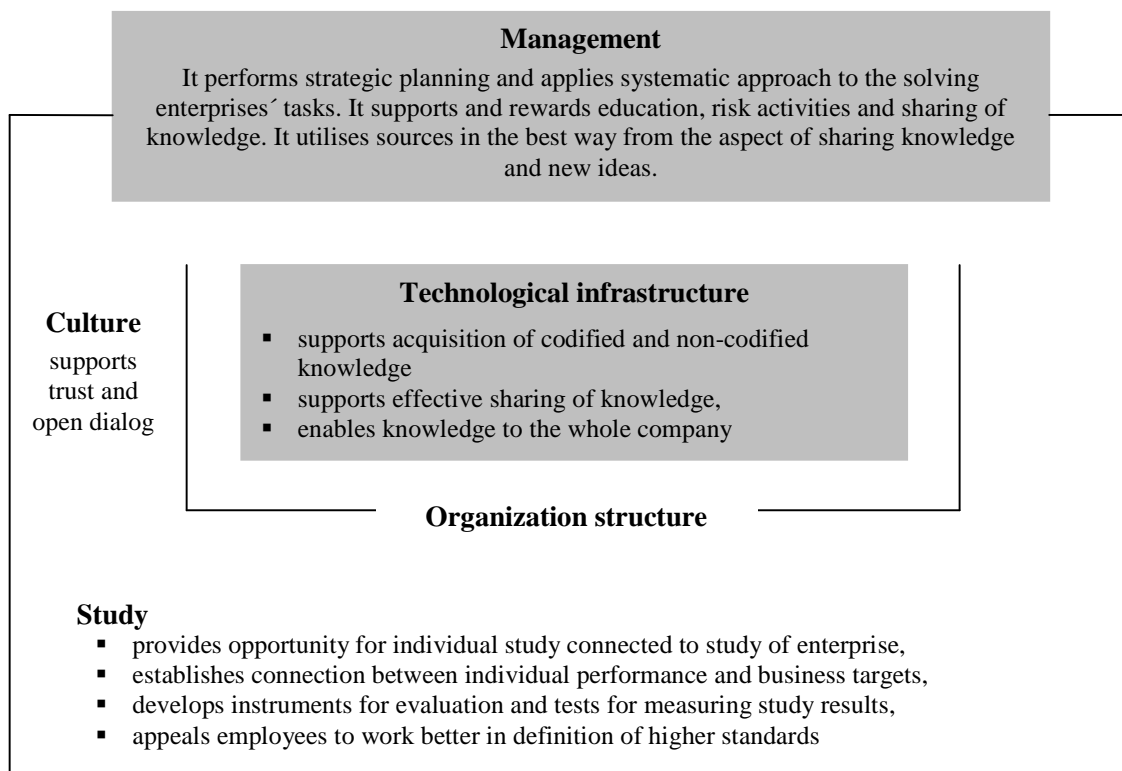


Fig. 1.2 Model of knowledge society [Stankosky, M.: *Creating the discipline of knowledge management: the latest in university research*, Butterworth-Heinemann, 2005, ISBN 9780750678780]

3 Conclusion

Satisfaction of population goes hand in hand with living standards, which state can provide. In order to develop national economy, it has to be transformed into knowledge economy. For this reason, it is important to include into its policy support for knowledge creation and its transfer in the government and also in the business.

State intervention, even if it was effective anyway, is useless if the company does not realize power and wealth of knowledge. It is necessary to raise public awareness about knowledge society and knowledge-based enterprises.

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