Implications of Knowledge-Based Management on Service Quality Management

by

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Abstract. Modern management creates opportunities for quality management in organizations providing services in the current economic environment characterized by the revolution of knowledge and technological progress. The transition from the industrial age to knowledge-based period indicates that the source of competitive advantage is today the acquisition of knowledge inside and outside the organization, a prerequisite for achieving excellence and performance. The trend of knowledge-based management of organizations can be observed in most areas of activity. Thus, contemporary business is going through a process of adaptation to the new management concept, centered on providing quality services through continuous development of intellectual capital. However, new technologies offer the management of organizations providing services the ability to adapt to ever-changing customer demands and preferences. In this context, this research topic is based on an extensive study of applied and fundamental research works in order to determine how knowledge-based management influences value creation and competitive advantage by service providers.

Key words: knowledge-based management, organizations providing services, quality of service.
JEL classification: L80, M10, M11.

1 Introduction

In the current global economic environment, the transition to a society where the priority lies in the quality performance indicates that the way in which the contemporary management is managed influences the efficient and effective management of the organizations providing service. Thus, it becomes necessary that the managers of various organizations know pragmatic markers enabling improvement of know pragmatic markers enabling improvement of services. In this context, it should be noted that regardless of the field of activity, any organization providing services involving direct contact with the customer, which such participates in the creation of added value chain. Globally, specialized practice and theory (Qiu, 2008) reveals that traditional service providers are transforming themselves into service-value networks to gain competitive advantages.

Therefore, knowledge management and widespread development of information technology, causes some changes in exercising quality management in organizations providing services.

The issue of quality has taken an increased importance in business, being associated with a competitive advantage that can ensure the firm’s profitability and survival (Maddern et al, 2007).

In the service industry, customer perception of quality is determined by the provider-consumer relationship, and the distribution and exploitation of knowledge through networks can significantly contribute to long-term customer satisfaction.

In this context, this research highlights the implications of contemporary management on service quality management by emphasizing customer participation to improvement of services with the aid of organizational technology.

2 Knowledge-based management – conceptual delimitations

Knowledge management is a relatively recent phenomenon that went through three essential stages (Janev and Vranes, 2005):

- stage 1993-1996, characterized by focusing on the integration of information directories of information, retrieval and information sharing;
- stage 1996-2003, focused on the production and use of knowledge, pragmatic
organizational change based on the co-development of managerial practice, incentives and knowledge-based communities;

- the stage after 2003, characterized by focusing on organizational learning, knowledge creation, innovation processes, transforming knowledge into actions and managing chaos, risk and uncertainty.

Thus, contemporary management has arisen due to the interest in changing the format of management of intellectual capital, which became the key raw material of the organization providing services.

The literature of specialty uses several approaches of the knowledge-based management the most important are presented in the following paragraphs.

According to Michael Lester, knowledge-based management is “a key-process through which superior economic performance is achieved for the population concerned, in companies, industries and ultimately countries, by making full use of potential earnings from changes generated by digital technologies and the Internet” (Lester, 2001).

A different view provides the specialists Thomas Clarke and Cristina Rollo, which describe knowledge-based management as the “dedication of organizations to develop the production and flow of knowledge, to transmit and use knowledge in order to create economic value” (Clarke and Rollo, 2001).

An interesting approach is that of the specialists Abell and Oxbrow, in their view, knowledge-based management is "a discipline that promotes an integrated approach of the creation, capture, organization and use of the intellectual capital of the company, regarding customers, markets, products, services and internal processes" and "an economic practice that consists in the acquisition, sharing and use of knowledge in organizations, including learning processes and information systems" (Abell and Oxbrow, 2002).

In his paper "Market Research – A Perfect Mariage”, Neil Ferguson offers a management consulting vision, believing that knowledge-based management “consists in the economic processes and solutions implemented in an organization, in order to operate (use) knowledge acquired through experience and generated by the skills of its workforce, as well as from external sources, and in strategic applications of intellectual capital designed to improve operational effectiveness, efficiency and profitability of the organization” (Ferguson, 1998).

A more comprehensive and explicit managerial approach is offered by Professor Ovidiu Nicolescu’s, who defines the knowledge-based management both from a scientific perspective and from the perspective of practical actions. In his opinion, knowledge-based management as a science is "the study of managerial processes and relationships based on knowledge, to discover regularities governing them and to design new systems, methods and techniques in order to increase performance and functionality of organizations, making full use of great values of knowledge". As practical activity „consists in using the knowledge that ensure a superior capitalization compared to the previous period, with multiple facets of knowledge”.

In the vision the same author are formulated the principles that underlie the new type of management. Synthesized, these are considering the following aspects:

- knowledge hold primary place in all spheres of economic life, representing the most valuable resource;
- knowledge appears as a key element in achieving the organization's performance;
- knowledge are the main source of power for individuals and organizations;
- ignoring knowledge management is more expensive than its adaptation to the organizational level;
- there are new responsibilities related to the management and implementation of advanced knowledge and technologies;
- knowledge – based management requires specialized managers.

Another specialist in the field, Thomas Stewart, makes the following four imperatives, proper to knowledge – based management (Stewart, 1998):
knowledge are the most important raw material;
knowledge are the most powerful source of added value;
knowledge are the most important product;
if you do not pay attention to knowledge management, it means you do not pay attention to your business.

Considering these aspects, we can say that in the organizations providing services, knowledge-based management includes the identification of intellectual competences, generating new knowledge, information access, and dissemination of good practice in order to achieve excellence, and performance. Thus, contemporary management promotes a new quality that must also be reflected in the management of service providers.

3 Implications of knowledge-based management on service quality management

In the current economic environment, characterized by increasingly fierce competition, competitive advantage is reduced to consumer needs through the development and provision of quality services. According to some specialists (Yoon și Ekinci, 2003) ensuring quality services has been identified as one of the most difficult processes for creating and developing a successful business.

In these conditions, quality can be assessed on the extent to which the service received meets the customer’s expectations. Thus, service providers must endeavor not only to identify the changing needs of customers, but also to include their knowledge into the decision-making process of enhancing the quality of services. This has a positive effect on the improvement of customer satisfaction (Lin, 2007). Therefore, the quality is important for both customers and various organizations, as it can contribute to providing better services at lower costs.

In contemporary economy, factors as the flow of information that scores lower and lower costs, the liberalization of the products in many parts of the world has created the premises for better collaboration and communication between service organizations, on one hand, and between them and their clients, on the other hand. Thus, service providers perform in a global environment, confronting new opportunities for profit while facing world-class competitors (Cunningham et al, 2004).

In this context, a challenge for the leadership of the service units is to use the models and methods of knowledge-based, to identify how the user appreciates the quality of certain services, aiming to reduce the significant differences between the characteristics of services and the expectations of the customer. Therefore, the management of organizations can use information to redesign the service concept so it can incorporate the features that customers value most (Anderson et al, 2008). In this respect, service promotes value (intangibility) and hence reflects a sustainable foundation for the knowledge-based economy (Chan and Hsu, 2009).

Globally, certain specialists (Vargo and Lusch, 2004, 2008) say that the implications of knowledge-based management on service quality management, can be explained by a new approach on service, that of performing an action together with the customer, which is at the base of the so-called “service-dominant logic”.

Thus, in a well-researched study – „On Value and Value Co-creation: A Service Systems and Service Logic Perspective” (Vargo and Lusch, 2008) – the service-dominant logic is explained by the main changes in thinking and designing it by managers, as follows:

- “from thinking about the purpose of firm activity as making something to a process of assisting customers in their own value-creation processes”;
- “from thinking about value as something produced and sold to thinking about value as something co-created with the customer and other partners”;
- “from thinking of customers as isolated entities to understanding them in the context of their own networks”;
- “from thinking of firm resources primarily as tangible resources to thinking of them as
intangible resources (especially knowledge)”;  
- “from thinking of customers as targets to thinking of customers as resources”;  
- “from efficiency primary to increasing efficiency through effectiveness”.

In these conditions, the dominant logic emphasizes the idea that, passing from the industrial era to the economy era based on knowledge, generated changes in essence, concerning the achievement and provision of quality services, in order to obtain competitive advantage. Today, more than ever, value creation is resumed to the collaboration between service providers, customers and other stakeholders of the organization. Therefore, customers possess knowledge that is useful for service providers and thus tend to become part of a network where they can attract the skills they need to produce and deliver services.

According to certain specialists (Lugosi, 2007), the customer represents for the organization both a sources of income and a proxy marketing agent through dissemination of information. At the same time, some authors (Langnick-Hall, 1996) believe that there are five roles that clients fulfill in the service provider-customer relationship, namely:

- resource;
- worker (or coproducer);
- buyer;
- beneficiary;
- outcome of transformation activities.

In this context, the consumers may participate in the construction of service experiences in three ways (Bitner et al., 1997): as productive agencies, by supplying inputs – tangible or intangible contribution –; as contributors to quality, satisfaction and value; as competitors. Thus, customers provide valuable consultation before and after the service experience (Ford and Heaton, 2001) and the most important area is the service quality. To ensure superior capitalization of this information, in the current context, the service provider can use the Internet as a tool to connect the human resources in an open network. In this respect, the knowledge-based management provides service organizations the opportunity to generate value in an electronic way that is an alternative, and not an impediment, to business of a “conventional” type (Fuentelsaz et al., 2002).

In the knowledge society, the ultimate value is co-created by the organization together with the customer and determined by the customer’s assessment of value-in-use. Thus, the firm can only make a value proposition and then, if it is accepted, value is co-created with the customer (Lusch et al, 2006).

Considering these aspects, we can say that knowledge-based management influences the management of the service organizations through dissemination of customer’s intellectual skills by using information technologies.

4 Conclusions

Changes recorded worldwide in the last period – knowledge and information revolution, management innovations – have major implications in terms of leading organizations providing services.

In a society dependent on information, knowledge seems to be the main determinant of economic competitiveness at the organizational, national and global level. Thus, the emergence of a new type of management based on information and knowledge management, determines the need for companies providing services to participate in networks and alliances capable of ensuring technological progress and the provision of quality services. Regardless the way of provision, services involve direct contact with the client, and in the information society this contact is done using netwoking, which causes some changes in the service quality management.

In the context knowledge based era, the service quality management of organizations providing services, is no longer based on the client but on the knowledge, on the development of intellectual capital through continuous learning and collaboration with customers and other stakeholders of the organization using the most advanced information technologies.
Therefore, in the virtual plane the effort must be made in the direction of studying those activities that are conductors or generators of value, seeking to support and promote them with a view to sustaining this value creation (Fuentelsaz et al, 2002).

In conclusion, to ensure the competitiveness of the service organizations, managers need to identify the best practices to use the flow of information and knowledge provided by stakeholders of the organizations, in order to redesign services in a manner capable of ensuring efficient operation of the quality management.

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