

## KNOWLEDGE AND THEIR IMPACT ON STRATEGY

<sup>a</sup>ZUZANA ŠKUTCHANOVÁ, <sup>b</sup>KATARÍNA PÚČKOVÁ,  
<sup>c</sup>ŠTEFAN HITMMÁR, <sup>d</sup>MICHAL BÍŽIK, <sup>e</sup>ALENA  
ŠKUTCHANOVÁ

<sup>a</sup>Department of management theories, Faculty management science and informatics, Univerzity of Žilina, Univerzitná 1, 026 01 Žilina, Slovak Republic, [zuzana.skutchanova@fri.uniza.sk](mailto:zuzana.skutchanova@fri.uniza.sk)

<sup>b</sup>Department of management theories, Faculty management science and informatics, Univerzity of Žilina, Univerzitná 1, 026 01 Žilina, Slovak Republic, [puckovak@gmail.com](mailto:puckovak@gmail.com)

<sup>c</sup>Department of management theories, Faculty management science and informatics, Univerzity of Žilina, Univerzitná 1, 026 01 Žilina, Slovak Republic, [stefan.hitmar@fri.uniza.sk](mailto:stefan.hitmar@fri.uniza.sk)

<sup>d</sup>Department of management theories, Faculty management science and informatics, Univerzity of Žilina, Univerzitná 1, 026 01 Žilina, Slovak Republic, [bizik.michal@gmail.com](mailto:bizik.michal@gmail.com)

<sup>e</sup>Clinic of Anesthesia and Intensive Medicine, Jessenius Faculty of Medicine, Comenius University and University Hospital Martin, Kollárova 2, Martin 03601, Slovak republic, [alja.skutch@gmail.com](mailto:alja.skutch@gmail.com)

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**Abstract:** In present, companies should watch market events to maintain their part or eventually become market leaders. Their main goal is to find a gap in the market, new opportunities, new ideas to archive part of the market in new field at its full. Therefore they shouldn't „oversleep on laurels“, but must constantly think about their development and future direction. Currently the strategic direction of companies should be based on knowledge of their employees. Equally important is the readiness of the neighborhood to event (knowledge environs, especially customers). The article discusses the use of various types of knowledge workers and their combination with the knowledge of customers, so the company could correctly identify their direction and choose the appropriate strategy.

**Keywords:** nuclear, advanced, innovation knowledge, strategy

### Introduction

Strategic decision making in managers, which went through minor to major changes in last decades is no more like in interwar period or during socialism or capitalism at its beginning. Global impacts and different crises also caused that strategic decision making (company's strategy alone) gains different point of view and seriousness. In strategic decision making, it is possible to perceive increased demand of information, which are basic of strategic decision-making. But as managers are constantly chasing for competitive advantage to be able to compete with another competitor, information itself are not enough. Knowledge as connecting information, experience, skill, personal attitude and individual willingness becomes significant competitive advantage, which helps in strategic decision making. Obtaining competitive advantage in form of knowledge as input into strategic decision making is not enough. Company needs to decide (strategically) but also fast (strategically). To get this approach, connection people (with their knowledge) and different methods, which facilitate and accelerate strategic decision making could help.

### 1. Innovation

Innovation is commonly described as 'creating value by doing things differently' or 'creating value through doing something in a novel way'. A simple version is 'good ideas put to work' (Culter and company, 2008)

As the first definition of innovation, innovation must be used in practice, otherwise they remain only invention.

While inventions may occur anywhere, for example, on universities or research institutes, innovation takes place mainly in companies (although they are possible in other types of organizations). To transform invention to innovation, enterprise must combine different types of knowledge, skills, abilities, and resources, for example production capacities, knowledge of markets, well-functioning distribution system, sufficient financial resources, etc.

However, many other definitions of innovation consider expertise as their essence. We consider innovation as fundamental change, which in economy is connected with implementation of knowledge, which causes an increase the value of the company-wide. The result of innovation is positive change, leading to efficient use of resources. The innovative potential of enterprises is the basis of wealth creation is dependent on the formation of their knowledge strategy.

Innovation also means obtaining of knowledge from within the existing organization, combining of information, data or previous experience and generation of new uses for the resources (Nonaka, Takeuchi, 1995)

Košturiak and Chal' claim that innovation is learning, obtaining of knowledge and experience, creativity and persistence, enjoying work and enthusiasm for change – all depending on people, their trust and cooperation. (Košturiak, Chal', 2007)

Overleaf, the results of the innovation management of the firm create new explicit knowledge on products and technologies and also lead to the accumulation of tacit knowledge. As a consequence, a firm's innovation efforts lead to an increased knowledge base. (Gómez, Manzanares)



**Figure 1** Relationship between knowledge and innovations

### 2. Knowledge

Cutting knowledges utilized in enterprises introduced Gottschalk and Zack. Knowledge divide to nuclear, and enhanced innovative.

According to Gottschalk nuclear knowledge is basic knowledge necessary for the firm to remain in business. This is the type of knowledge that can create effective barriers to new entry, also prevent competition accelerate core business processes. (Gottschalk, 2007)

Furthermore, according to Zack nuclear knowledge they are minimal scale and mainly serve to make the company managed to "play their game". Only have this knowledge, ensures long-term competitive viability. On average, jointly owned by members of the industry. Companies can do the same business may use the same technology, but knowledge individualities are different, and therefore the company can do more to compete than that which produces the same (Zack, 1999)

Employees can improve the internal process. Tiwana argues that nuclear knowledge is the basic level of knowledge required to "play the game".

Furthermore, according to Gottschalk improved knowledge makes companies a competitive visible and active. Such knowledge enables the enterprise to distinguish its products and services from the competition through the application of better knowledge in certain areas. Such knowledge enables the company to compete with competitors in the same market as the same group of customers (Gottschalk 2007). According to Zack improved knowledge will be competitively viable enterprise. An enterprise may generally have the same degree, extent or quality of knowledge as competitors but there is a specific knowledge of enterprise content that is differentiated between competitors.

According to Zack innovative skills are those that enable the company to lead the industry and competition and very different company from the competition. Innovative knowledge often allows the company to change the "rules of the game" by introducing new business practices (Zack, 1999). According to Gottschalk such knowledge enables companies to expand market share by obtaining new customers and increasing the level of services for existing customers (Gottschalk 2007).

Customer knowledge refers to understanding your customers, their needs, wants and aims. It is essential if a business aligns its processes, products and services to build real customer relationships. It includes intimate and tacit knowledge such as that of key account managers, and distant or analytic knowledge including database information about sales, web-behavior or other analytical piece of data. (Dobney 2000)

### 3. Strategy

According to Johnson, strategy it expresses the direction of the organization providing a competitive advantage by organizing resources in the turbulent environment in order to meet market needs and stakeholders (Johnson 1999). Author Zack inclined to the definition if it adds that it is a balancing act between the external environment and internal capabilities of the company. The traditional model of strategic management defines the strategy in terms of product - market, but in terms of the knowledge society it is necessary to focus more on the company's resources, which are more durable and therefore a strategy based on enterprise resource has a long-term impact than the traditional approach (Zack, 1999). Importance of long-term action strategies shared by the author Finlay, who writes that the strategy reflects the long-term direction of the company and exploiting the opportunities in which it can be something to do or something to develop (Finlay, 2000).

The transition to a new way of strategy is the transition to a knowledge-based society. According Šmída creation strategy in the past was the role of top management. He collected the information, evaluate it and develop strategies which then communicates with employees in the form of jobs. The role of employees was not a strategy to express themselves, but realize commanded task. Thus, at the time of the knowledge society, which is starting to take account of the potential (knowledge) workers, they are gaining weight to considerations of strategy development (Šmída 2003).

### 4. Selection strategies based on knowledge

According to Johnson, strategy frames heading of organization providing competitive advantage through set up resources in turbulent environment in aiming to fulfill market demand and stakeholders (Johnson, 1999). Zack inclines towards definition adding that it is about balance between external environment and internal possibilities of company. Traditional model of strategic management defines strategies in circumstance product – market, but in circumstances of knowledge society, focus on company resources, which are more stable is needed. Strategy based on company resources has longer-lasting influence than traditional approach.(Zack, 1999). Importance of long-term effect of strategy advocates also Finlay, who remarks that strategy represents long-term heading of company and opportunities utilization within which something could be done or developed. (Finlay, 2000).

That means that important in decision making about strategic heading is knowledge. For strategic heading the important is not particular knowledge, but it is important to think about it in general, how it is perceived by external and internal company environment.. This general point of view divides according to Gottschalk and Zack into core, advanced and innovative. If a company would know these three types of knowledge, it will be able to decide easier, which strategic heading is appropriate and whether choose new or old path in strategic heading (Gottschalk, 2007)(Zack, 1999).

For effective decisions about strategic direction is a methodology based on enterprises with knowledge. Separation of knowledge on nuclear, advanced and innovative became the basis of the entire decision-making process. Research has confirmed the effectiveness of the strategic direction depends on the use of knowledge workers and customers within consumer and employment policy.

Separation of the individual policies were created under the generic classification of knowledge. Customers may carry innovative ideas, advanced or nuclear. To this they were created following key responses:

- Nuclear: Elementary activity - customers are just carriers of ideas that probably saw in competition.
- Advanced knowledge: Advanced Activity - customers are carriers of ideas that probably saw in the competition and they can suggest some improvements.
- Innovative Knowledge: Innovation activity - customers are carriers of new ideas in any sense (processes, products, technologies).

Also, employees may carry innovative ideas, advanced or nuclear. To this they were created following key responses:

- Nuclear knowledge: Employees are trying to perform your job well and sometimes they convey ideas, improvements that have seen probably in competition.
- Advanced knowledge: Employees suggest various improvements, optimization based on their experience.
- Innovative knowledge: employees are owners of entirely new ideas in any sense (processes, products, technologies).

For the following defined access to knowledge could create several combined employee and customer knowledge activities.

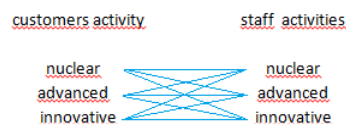
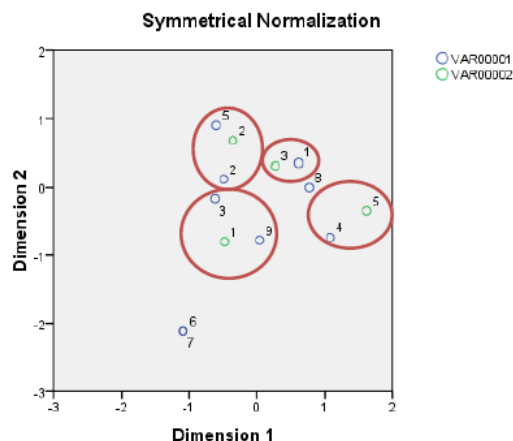


Figure 2 Customer and staff activities

After confirming that the effectiveness of the strategic direction depends on the combination of knowledge activities of employees and customers (Gottschalk, 2007) (Zack, 1999), it was necessary to model the complex which will provide information that is a matter for the strategic direction of the particular combinations of knowledge. It was used correspondence analysis, the statistical form groups with common similar results. Red circles are based on the tightest of dependence between a combination of knowledge and strategic direction type (Strategic heading depends on developing competencies and combining new and existing products. According to Johnson, these headings exist: use of new technological solutions and technologies, creating new products, restructuring - change of business, change operations within the process) (Johnson, 1999).

After ensuring that effectivity of strategic heading depend on combination of knowledge activities of employees and customers, the need for obtaining information, which strategic heading pertain to which combination of knowledge.. For this, a correspondence analysis which statistically create groups whit most frequent similar results, was used. Red circles were created according to closest dependency between knowledge combination and type of strategic decision making (strategy type). To perform the analysis, only data from responders, who specify that they would not change their strategy for 90-100% were taken. The results are reported in Figure 3 and 4.



**Figure 3** Corresponding maps for identification of the appropriate strategic routing for some combination of knowledge

Note

VAR00001 - is a combination of the use of knowledge workers and customers

Where 1 = innovative customer knowledge and innovative knowledge workers

2 = innovative knowledge and advanced customer knowledge workers

3 = innovative customer knowledge and core skills of employees

4 = Advanced knowledge of customers and innovative knowledge workers

5 = advanced knowledge and advanced customer knowledge workers

6 = advanced knowledge of customers and core knowledge workers

7 = nuclear knowledge of customers and innovative knowledge workers

8 = nuclear knowledge and advanced customer knowledge workers

9 = Customer nuclear knowledge and nuclear knowledge workers

VAR00002 - denotes the strategic direction

Where 1 assignment of new markets and segments

2 = Use of new technological solutions and technologies

3 = Creating new products

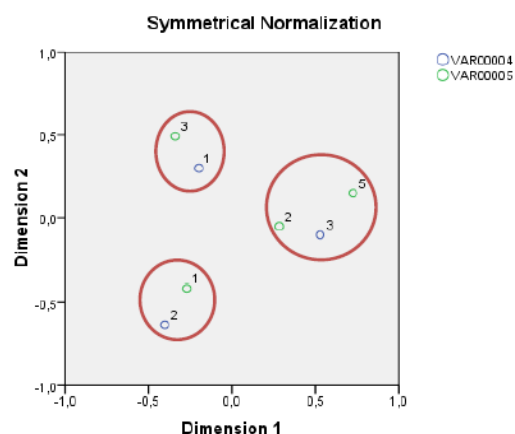
4 = Restructuring, change of business

5 = change operations within the process

From correspondence analysis we obtained following results:

- If a company utilizes innovative knowledge from customers and employees, then most effective type of strategic heading is creating new products.
- if a company utilizes innovative knowledge of customers and only advanced knowledge of employees, most effective type of strategic heading is utilization of novel technological solution and technologies.
- If a company utilizes innovative knowledge of customers and just core knowledge of employees, the most effective type of strategic heading is in taking over new markets and segments.
- If a company utilizes advanced knowledge of customers and innovative knowledge of employees, the most effective type of strategic heading is changing operation within the scope of processes.
- if a company utilizes advanced knowledge of customers and advanced knowledge of employees, most effective type of strategic heading is utilization of novel technological solution and technologies.
- If a company utilizes only core knowledge of customers and employees, the most effective type of strategic heading is in taking over new markets and segments.

Furthermore, using correspondence analysis found the following condition:



**Figure 4** Corresponding maps for insertion of strategic direction into type of strategy

Note

VAR00004 - expresses the type designation Strategy

Where 1 business growth

2 = Consolidation Company - as empowerment

3 = stabilizing companies - such as conservation status

4 = Attenuation market

VAR00005 - denotes the strategic direction

Where 1 assignment of new markets and segments

2 = Use of new technological solutions and technologies

3 = Creating new products

4 = Restructuring, change of business

5 = change operations within the process

Image of the classification reflects the strategic direction to the most appropriate type of strategy. According to the analysis, we can say the following:

- The most effective type of strategic guidelines for the growth strategy is the creation of new products.
- The most effective type of strategic guidelines for the consolidation strategy is a cast of new markets and segments.
- The most effective type of strategic guidelines for the stabilization strategy is the use of new technological solutions and technologies together with the change of operations within the process.

Results of verifying of research we can assume for lucidity into following table:

**Table 1** Determine the type of strategies based on a combination of knowledge assets

		Types of customer activities		
		Nuclear	Advanced	Innovative
Types of staff activities	Nuclear	Consolidacion	x	Consolidacion
	Advanced	x	Stabilization	Stabilization
	Innovative	x	Stabilization	Growth

## 5. Research methodology

For research, companies operating in Slovak Republic were included. For research purpose and for maintaining data quality questioner included several control questions, which filtered answers of responders, who were not able to verify hypothesis.

Representative sample is created of companies with subsequent characteristics:

- Company stated that it has a strategy created (answer "no" and "I do not know" is not allowed for, although according

to results we can observe a phenomenon in which companies without strategy prove higher efficiency than companies with strategy.

- Company strategy is interpreted as long-term heading of company.

In frame of process survey data to verify hypothesis 1 several methods of quantitative and qualitative evaluation were used. It was actually difficult to verify hypothesis using only one method. First processing of quantitative data included only selection of respondent's appropriate answers by selective analysis and cluster analysis to obtain very first picture about companies operating in Slovak Republic.

Then partial testing of working hypotheses followed. That lead to verification of main hypothesis in survey. Methods used:

- comparative analysis through effectivity index and spiderweb diagram,
- correspondence analysis,
- statistic methods of evaluation like X2 test of independence of qualitative signs.

In the article, only correspondence analysis results are shown.

## 5. Conclusion

Knowledge is not static, it means that today innovative knowledge can be nuclear knowledge tomorrow. Therefore Lenin's old familiar "learn, learn, learn" can be applied in the corporate practice. Improving the competitive position in the market requires continuous learning and knowledge creation based on the experience and skills. Company's strategic direction is often based only on employees' knowledge. It is important to take into account also the readiness of the market and hence the knowledge of customers. Only combination of customers' and employees' knowledge can be essential for success.

Based on the analysis of the type of employees' and customers' knowledge, it is possible to determine the direction of the company. Direction of the company is the way, which the company has to go, but company need other analysis and audits to identify the individual steps.

After determining strategic heading several audits need to be performed. They will help to choose effectively strategic heading with its ways. We recommend to perform an audit of acceptability, suitability and feasibility.

Demerit which emerged while interpreting and designing solutions is that in case of some combination of knowledge activities of customers and employees there were no answers from respondents for these combination. As the respondents sample was representative, we can assume, that in Slovakia there are no companies with certain combination type. However this generalization is imprecise and for obtaining additional data for table, more retailed data obtaining from companies would be required.

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