CRITICAL SUCCESS FACTORS OF KNOWLEDGE MANAGEMENT IN ALBANIA BUSINESS ORGANIZATIONS

EDLIRA MARGILAJ, PhD Candidate  Management Department/ European University of Tirana  Tirana, ALBANIA  
&  
PROF. ASOC. DR. KRESHNIK BELLO  Management Department/ European University of Tirana  Tirana, ALBANIA

ABSTRACT

This paper aims to identify and prioritize the importance of Critical Success Factors (CSFs), of Knowledge in Albania Business Organizations. Many authors have been proposed in the form of empirical and theoretical studies CSFs of KM. Through an in-depth and comparative study seven CSFs along with their related elements were identified. The analysis of these CSFs showed that leadership and support of top management and organizational culture factors were perceived to be the most important factors, whereas measuring systems and organizational structure were the least. Since companies may not be able to manage all aspects of knowledge at the same time, an ordered list of CSFs will provide a clue to Albania Business Organization. The purpose of this study is to investigate some of the barriers and critical success factors of KM in business organizations in Albania. In fulfillment of this purpose receive answers research question: Question 1: Which are some of the barriers and critical success factors that affect successful in KM, in Albania business organizations? Question 2: Which of them are more important for success of Knowledge Management in the Albanian business organizations? The research methodology has been conducted in its main dimensions and is based on primary and secondary research. The research adds knowledge in the field of KM within the context of developing countries and gives a particular focus on the Albania business organizations. Also this study has the potential to enhance the understanding of KM practices amongst researchers and practitioners.

Keywords: Critical success factors, knowledge management, Albania business organization.

INTRODUCTION

Knowledge Management is now seen as one of the hottest issues in economic development, referring to the world of industry, service and information research. In fact, the adoption and implementation of KM practices may be viewed as a critical stage for companies that wish to be integrated into a knowledge-based economy. Evidence shows that organizations are paying increasing attention to their systems of knowledge management to ensure that they are capturing, sharing and using productive knowledge within their organizations, in order to increase learning and to improve performance. Literature knows no universal definition to define Knowledge Management. Different definitions, but which basically have the same approach, will be used to define KM. Alavi & Leidner (1999) define KM as: “a systematic and specifically organized for absorption, organization and communication of hidden and displayed knowledge of employees, so that other employees may use them more effectively and productively in their work.” O’Dell (1998) defines KM as “a concise strategy to get the right knowledge, from the right people,
at the right time and as an aid for other people, in the way of sharing and setting information into operation, in order to improve the performance of the organization”.

Albanian business organizations are already part of the global market economy. In conditions when markets become increasingly more competitive and the speed of innovation emergency is growing constantly, these organizations need to recognize and implement this new management practice, in order to improve performance and provision of competitive advantages.

**Purpose of the study**

Based on the above definition, CSFs in this study are treated as those internal factors which are controllable by an organization, leading to the identification of 7 CSFs: (leadership, organizational culture, information technology, organizational structure, organizational strategy, measuring system, human resource management). External factors such as environmental influences are not taken into account since organizations have little control over them when implementing KM. The purpose of the study is to identify and prioritize the importance of Critical Success Factors (CSFs), of Knowledge in Albania Business Organizations, as well as to put attention into critical factors of success in the KM process in these organizations.

In fulfillment of this purpose, the assignment aims to serve as a starting point for further in-depth studies in this area, expanding the range of factors under study, or looking at the KM effect on various aspects of performance, such as: innovation or productivity.

**LITERATURE REVIEW**

**What is a Knowledge Management program?**

As shown Knowledge Management is more of a journey and as such, it should be seen as a work in progress. Organizations experiencing different stages in their maturation building regarding the KM. Robinson (2006) reinforced the notion of the five steps in the development levels of KM maturation (establishment, startup, expansion, advancement and stability).

As in any other practice management, work to build a program of KM would begin with the awareness of leaders and members of the organization to the benefits that will come from the implementation of a KM program to the organization. Building and development of the strategy, with concrete steps of work for the implementation of KM and its clear communication through the members of the organization is indispensable. As extensively discussed below, the expansion of a practice such as KM, is closely linked to the role of leadership in relation to the promotion and the support of an organizational culture of knowledge sharing, retention and development of innovative ideas. Performance measurement and reinforcement of KM activities is very important. At this stage, the establishment of a measurement system is important, with the purpose of measuring KM performance results and making appropriate adjustments, referring to the program expectations and objectives. Stability of KM activities, their restitution into a common routine of the organization, expressed as an integral part of its culture, hence, as a way of employee behavior and part of business processes and product development, will meet the main goal of a KM program, expansion of competitive advantages and performance. Figure 2 expresses in a synthesized way the five steps of KM process in organizations.
Figure 1: Maturation guide of KM steps

<table>
<thead>
<tr>
<th>Establishment Stage 1</th>
<th>Startup Stage 2</th>
<th>Expansion Stage 3</th>
<th>Advancement Stage 4</th>
<th>Stability Stage 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Awareness of benefits for business improvement</td>
<td>• Development of KM strategy and work definition</td>
<td>• Increased visibility and leadership initiatives related to KM</td>
<td>• Strengthening the performance of KM activity</td>
<td>• Stability of KM activity performances</td>
</tr>
<tr>
<td></td>
<td>• Characterized by KM structure, required reserves, barriers and risks.</td>
<td>• Characterized by many structured approaches for the implementation and alteration of management to address it to barriers and risks.</td>
<td>• Characterized by a highlighted increase in the specific and qualitative use of methods for the measurement and monitoring of performance for KM justification and KM initiatives</td>
<td>• KM expressed as a common routine, widespread in the organization expressed as an integral part of organizational culture – hence as a way of employees’ attitude, business processes and product development</td>
</tr>
</tbody>
</table>


Stages of building a KM program include four main elements: (people, processes, contents, technology). A practice such as the KM has at its center the people. In this regard the granting of necessary information about the benefits of the KM, training implementation, and the establishment of structures and centers for the management of the KM is necessary.

An important element of the program is the creation and implementation of the KM strategy, which would begin with an audit of the current situation to continue with the planning of a new system of the community and practices in KM placement processes. Creating a KM map, including the set of rules for the implementation of KM and measurers of KM performance and intellectual capital of the organization is necessary. Technology is an important tool in the implementation of the KM. Using softwares for the implementation of KM has a major role in the success of this process, but not equal, since the KM practices as we will see below, summarize a set of factors that lead to their failure or success. Table 1, shows the four basic elements of the KM program with their attributes.

Table 1. The basic elements of the KM program stages

| People | Implementation of trainings / information for KM (i.e. workshop or at work) | Denomination of KM employees, as well as the establishment of KM centers | Incentive and information about the efficiency of KM | Building and development of “community and practices” |
Processes

- Planning or auditing of current situation
- Creation of a strategy for the implementation of KM
- Implementation of the new system of “community and practices”
- Placement of other KM processes

Contents

- Creation of a KM map
- Implementation of KM rules
- Measurement of intellectual capital

Technology

- Implementation of an auditing system or KM control
- Implementation of methods for the best practices
- Use of software for KM implementation (including herein software for intranet networks, hence internal networks of the company).


Propellants leading powerfully Albanian business organizations towards KM

Companies have always managed knowledge even when they do not speak in these terms. With the expansion of organizations, the amount of knowledge has grown substantially, and this has brought many challenges for its (knowledge) control and management. Knowledge is accumulated at individuals, systems and environment, what KM should do is to use such knowledge capital in the most effective way, by creating new and more effective knowledge. Albanian business organizations, a good part of which are characterized by traditional features of production, are increasingly feeling such need. This occurs for several reasons, such as: high cost of employees accompanied by demands for a higher level of education; requirements for securing competitive advantages, which requires the continuous specialization of staff; international competition accompanied by the need for a long and profitable clientele, as well as the importance to strengthen customer relations etc.

In recent decades, within all the changes that the economic-social environment has incurred, business organizations are facing a dynamic problematic, which more and more sets knowledge in the center and its management as the most important business asset. First, the phenomenon of emigration that has accompanied the Albanian society these past two decades (after the fall of centralized economy), caused great movements of intellectual capital, or, stated otherwise “brain leakage”. On the other side, opening of economy was accompanied with voluntary circulation of employees. The principle of a long career (for life) with a sole company led to a joint fatigue between the employee and the company. This entire situation has led to the dissolution of knowledge. The cost incurred due to the contraction of knowledge in these organizations is high. This cost can be effectively minimized by using the techniques of KM. Secondly, given that innovation has become one of the business survival conditions, the cost of losing innovations or ignoring the “good idea” has enormous, yet often dramatic consequences for companies. Business organizations are increasingly identifying the need for a planned strategy for collecting and documenting ideas and suggestions of employees. In addition to this, along Knowledge Management processes for stimulating creativity are essential. Thirdly, the explosion of digital business for information storage, makes that a critical great number of data be documented. Challenges of organizations created by
the dimensions of IT and the need for new approaches in the evaluation of intangible assets, make it necessary for companies, the introduction of KM explicit methods.

An overview on the barriers and critical factors of KM in organizations

For a successful implementation of Knowledge Management, it is important to identify the barriers or critical factors that affect the success of the KM process. Most of these factors belong to the human sector. Interest associated with barriers and critical success factors rose strongly after 2003. This was also due to the fact that the basic models of KM already existed, which, despite not providing a solution to the failures of KM projects, created a strong basis to build basic concepts and identification and description of the process steps of Knowledge Management. Many empirical study are focused of them, for example, much has been stated about culture, information technology (IT) and leadership as important considerations for its accomplishment. However, no systematic work exists on characterizing a collective set of CSFs for implementing KM in the SME sector.. Saraph et al. (1989) viewed CSFs as those critical areas of managerial planning and action that must be practiced in order to achieve effectiveness. Wong (2005) states, In terms of KM, they can be viewed as those activities and practices that should be addressed in order to ensure its successful implementation. These practices would either need to be nurtured if they already existed or be developed if they were still not in place.

In this framework, Leadership in management plays a key influential role in the success of Knowledge Management. In essence, leaders establish, create the required conditions for the effectiveness of Knowledge Management (Holsapple & Joshi, 2000). They should be examples in showing the willingness to share and offer their knowledge freely with others in the organization, to learn continuously, and to seek new knowledge and ideas. Only by doing so, they naturally influence other employees for participation in KM (Holsapple & Joshi, 2000). Leadership competences include conducting of efforts in order to convey to employees the importance of KM, in support of creating a culture that promotes the creation and sharing of knowledge.

Culture of organization is another significant factor for the success of KM (Davenport et al, 1998; Pan & Scarbrough,1998; Martensson, 2000). Generally, a supportive culture of KM is what highly praises knowledge and encourages its creation, sharing and application. The greatest challenge for many KM efforts currently lies in the development of such culture. Goh (2002), asserts that a collaborative culture is an important condition for the transfer of knowledge between individuals and groups. This is due to the fact that transfer of knowledge requires that individuals interact together to exchange ideas, and share knowledge with each other. Hence, trust is a significant aspect of a culture (Stonehouse & Pemberton, 1999; De Tiennë & Jackson, 2001; Lee and Choi, 2003). Without a high level of mutual trust, people will be skeptical about the intentions and behavior of others towards them, they would like to keep the knowledge to themselves. In addition it is necessary the incentive of an innovative culture where individuals are continuously encouraged to generate ideas, knowledge and new solutions. Individuals should also be allowed to express doubts, questions about existing practices and undertake actions to be strengthened (Stonehouse & Pemberton, 1999; De Tiennë & Jackson, 2001; Lee and Choi, 2003).

Information Technology is unquestionably one of ancillary keys for the implementation of KM. It has evolved from being a static archive of information into an information liaison between people. IT today can perform quick search, access and retrieval of information by supporting cooperation and communication among members of the organization. In essence, it (IT) certainly can play a variety of roles to support organizational processes of KM (Alavi & Leidner,2001;Lee & Hong, 2002). However it is known that IT is only a tool and not a final solution (Wong & Aspinwall, 2003). Important factors to be considered in the development of KM systems include the simplicity of technology, ease of use,
adaptability to the needs of the user, connection with knowledge content and standardization of a knowledge structure.

The clear and well-planned strategy is a tool for the successful conduct of KM. It provides the foundation of how an organization can engage or put its resources and capabilities in achieving the objectives of KM (Liebowitz, 1999). Closely associated with the notion of strategy is the development and sharing of a vision for the purposes of KM. In this regard, clear objectives need to be a set, understood and accepted by everyone involved in the process. In fulfilling these objectives, the proposed values of KM should be clearly defined, in order to create passion along the management and employees to meet them.

The measuring system aims to give a data collection and useful information about specific situations or an activity. An initiative such as Knowledge Management would “feel” the risk of becoming another fad, management trend, if it would not be measured. Quotes "you cannot manage if you cannot be measured" and "what is measured is what is done" are true for KM as well. Measurement enables the organization to track the progress of KM and determine its benefits and effectiveness. In essence it provides a basis for the organization to evaluate, compare, control and improve on the performance of KM. Measurement is also necessary to demonstrate the values and goals of an initiative of KM for managers and stakeholders. Since it is difficult, but not impossible to specify the KM benefits, in short terms, the provision of several success indicators in early stages is important, including the assessment of the KM impact on the financial results of the company.

Organisational structure as another central aspect for the implementation of KM, implies the creation of group of roles and teams for performing duties connected with knowledge (Davenport et al., 1998). Besides the fact that several existing functions within the organization, such as human resources and information technology have been actually working with issues related to knowledge, the creation of a group of people with specific and formal tasks for KM is extremely important, and perhaps crucial to the success of this process. The roles within this team can be developed from existing or new positions. One of the roles mentioned often in the literature is that of CKO (Chief Knowledge Officer).

### Tabela 2: List of Critical success factors of KM

<table>
<thead>
<tr>
<th>Category</th>
<th>References</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organisational structure</td>
<td>van der Spek, 1997 Davenport et al. (1998), Liebowitz (1999), Hassanali (2002), Al-Busaidi and Olfman (2005), Wong and</td>
</tr>
</tbody>
</table>
METHODOLOGY

To answer to two research questions raised, it was selected the qualitative research method, by distributing questionnaires (by mail) and developing semi-structured interviews. Since MK constitutes a new and very little known field in business organization practices in Albania, conducting face to face interviews took importance so that the discussion clarify more what was meant by Knowledge Management and which was the degree of implementation for KM initiatives in these organizations.

The data for the study were collected from business organizations (medium and large organizations referring to the concept of Albanian legislation), with activity in several areas: service, construction, manufacturing, trade. The target of interviewees was managers (sales, marketing and production) of medium or senior level or Chief Executive Directors. This category was considered as the best approach to be interviewed, for the fact that they are supervisors of operations in their companies, with a tendency to be closely associated with knowledge management and decision making, and much likely to be leaders of KM as well.

Research questions

In fulfillment of purpose, the study gives answer to two research questions:

**Question 1.** What are the critical factors that influence the success of Knowledge Management in business organizations in Albania?


**Question 2.** Which of them are more important for success of Knowledge Management in the Albanian business organizations?

**RESULTS**

In response to research questions related to barriers or critical factors of KM success in these organizations, at the companies which did not practise KM practices, the interview was conducted on the following questions:

*What were some of the barriers which impeded the implementation of KM? Which of them are more important for success?* A list of reasons was aligned and the respondents could select more than one alternative. As Table below shows, a considerable part of the interviewees showed that they had no organizational strategy for KM in their organization (85.7%), and in the same time had no formal structure of KM (85.7%). This leads to the fact that KM concept is little known and not established in these organizations.

**Leadership in management** constituted an obvious barrier (78.6%). This category included the lack of leaders’ experience in KM practices in order to promote the creation of a culture for sharing knowledge, being an example with their behavior. Leadership in management plays a key influential role in the success of Knowledge Management. In essence, leaders establish, create the required conditions for the effectiveness of Knowledge Management, being examples in showing the willingness to share and offer their knowledge freely with others in the organization, to learn continuously, and to seek new knowledge and ideas.

**Organisational culture** created barriers in communication (64.3%) by making more difficult the sharing of knowledge across the members of organization. The presence of proper organizational communication was not found and a lack of culture existed in knowledge sharing.

Generally, a supportive culture supportive of KM is what highly praises knowledge and encourages its creation, sharing and application. The greatest challenge for many KM efforts currently lies in the development of such culture. A collaborative culture is an important condition for the transfer of knowledge between individuals and groups. This is due to the fact that transfer of knowledge requires that individuals interact together to exchange ideas, and share knowledge with each other.

This was significantly affected by the barrier of *a lack of confidence between members of the organization* (35.7%), displayed, inter alia, displayed in the absence of genuine opening, where errors are not shared openly, without the fear of punishment. The idea that errors and failures should not be tolerated, but allowed and pardoned, was not part of the culture of these organizations. Making errors is not viewed as an investment process at individuals, thus neglecting the fact that those (errors) are also learning resources.

Without a high level of mutual trust, people will be skeptical about the intentions and behavior of others towards them, they would like to keep the knowledge to themselves. In addition it is necessary the incentive of an innovative culture where individuals are continuously encouraged to generate ideas, knowledge and new solutions. Individuals should also be allowed to express doubts, questions about existing practices and undertake actions to be strengthened. Proper degree absence of information technology created a barrier to an efficient communication of knowledge (57.1%). On one hand, often because of financial adequacy, it had not been provided the appropriate technology to share and store knowledge in these organizations, and on the other hand, there was a scarcity of qualified human resources to manage technology efficiently. Technology is an important tool in the success of KM.
Softwares, their simplicity to be understood by members of the organization and the efficient use, play a significant role in the successful implementation of KM practices. Also, KM measuring operating systems have a low level (35.7%), and this causes decrease the effectiveness of KM practices in these organization. In the same time have a low level in invested about training of human resources regarding the implementation of KM practices (21.4%). It is clear, because these organizations on the whole, do not have a formal strategy, formal structure and budgets, prescribed for KM practices.

Table 3. Some critical factors that influence the success of KM in business organizations in Albania

<table>
<thead>
<tr>
<th>CFS of KM</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Has your organization strategy for KM?</td>
<td>12</td>
<td>85.7</td>
</tr>
<tr>
<td>KM is part of the formal structures of organization in your company?</td>
<td>12</td>
<td>85.7</td>
</tr>
<tr>
<td>Top management is supportive of initiatives KM?</td>
<td>11</td>
<td>78.6</td>
</tr>
<tr>
<td>It is oriented organizational culture by sharing knowledge?</td>
<td>9</td>
<td>64.3</td>
</tr>
<tr>
<td>IT is an important tool for creating, sharing and preservation of knowledge in your organization?</td>
<td>8</td>
<td>57.1</td>
</tr>
<tr>
<td>Organizational communication /lack of trust among members</td>
<td>7</td>
<td>50</td>
</tr>
<tr>
<td>Has your organization measuring systems for KM practices ?</td>
<td>5</td>
<td>35.7</td>
</tr>
<tr>
<td>Invested in in your organization about training of human resources regarding the implementation of KM practices?</td>
<td>3</td>
<td>21.4</td>
</tr>
<tr>
<td>Other</td>
<td>1</td>
<td>7</td>
</tr>
</tbody>
</table>

CONCLUSIONS

From the moment people are reluctant, unwilling, to share their knowledge and the ability, a range of barriers is created for KM. For business companies, KM barriers are the challenges they face in developing and deploying people to take part in the initiatives of KM. Most of these factors belong to human sector. Some of the most encountered categories and barriers in these organizations across KM are: Leadership in management constituted an obvious barrier. This category included the lack of leaders’ experience in KM practices in order to promote the creation of a culture for sharing knowledge, being an example with their behavior; Organisational culture created barriers in communication by making more difficult the sharing of knowledge across the members of organization. Existed barriers to a lack of trust among members of the organization to share knowledge. Information technology displayed as an absence in tools and training for communication, sharing and efficient storage of knowledge and created a barrier to an efficient communication of knowledge. This organizations organizations have no formal strategy and formal structure for KM that reflect that KM is no part of their budgets. This makes that programs for KM are not well planned and this affects the success of the KM practices implementation in these organizations. Also, KM measuring operating systems have a low level, and this causes decrease the effectiveness of KM practices.

In the current conditions in which they operate, actually as an integral part of the global market economy, Albanian business organizations have to recognize and enforce in their developments and business strategies, this new practice of management (KM), with the aim of increasing competitive advantages and performance.
ACKNOWLEDGMENT

This paper will be not possible without the help of all managers (top and middle) form business organization that was part of this study.

REFERENCES

Journals

- Andreeva T. & Ikhilchik I. (2011), Applicability of the SECI Model of knowledge creation in Russian cultural context: Theoretical analysis, Knowledge and, vol. 18, issue
- Tannenbaum, S. and Alliger, G. (2000), Knowledge Management: Clarifying the key issues, Chicago: IHRIM.