

## Managing Knowledge within Big Companies for Strategic Decisions and Increase of Revenue

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*Worldwide companies with more than one hundred employees, multinational organizations, are structured in pyramidal form, based on an employee evaluation, accomplishments, and dedication/years of service and/or management skills.*

*The strategic decisions for enlargement or new investments are usually taken by the higher part of the pyramidal structure, by the managers, the board, and the investors or by the CEO. These decisions did not rely on the aggregate knowledge evaluation within the lower part of the pyramidal structure of the organization; and by this, I mean the employees working in production, development, research and so on.*

*This article is presenting some methods on behalf of big organizations to progress based on strategic decisions made by a good management of knowledge within those two parts of the pyramidal structure.*

**Keywords:** *strategic decisions, company's knowledge, knowledge based decision systems.*

### 1 Introduction

Usually the collective knowledge of the organization is not taken in consideration when strategic decisions are made in order to start the development of a new product, to change the production line, to buy a new company, or even to participate to a sport contest with other companies.

### 2. Strategic decisions

To manage correctly the comprehensive knowledge of the company can establish a real asset. Let us take for example Oracle Corporation that has around 75.000 employees worldwide. The most recognized strategic plan that keeps Oracle in the top of IT companies is the acquisition plan of new rising medium-small organizations that have great potentials in the eyes of Oracle head quarters. In this way, Oracle diversifies its range of products and can keep the growth phase that is so important in the life cycle of a company. Every company has five phases in its life cycle. [1] Different experts will argue on how many phases there are, but there is elegance in using something easy to remember. We divide the organizational life cycle into the following phases:

- Startup (or Birth)
- Growth This is sometimes divided into an

early growth phase (fast growth) and maturity phase (slow growth or no growth). However, maturity often leads to

- Decline When in decline, an organization will either undergo
- Renewal or
- Death

Oracle Corporation is trying to keep its place in the growth phase by using this acquisition strategic plan. This strategic plan was put in action since year 2005 and so far, Oracle bought 44 companies. The most important ones are People Soft, Siebel, Hyperion and the recently BEA. With these companies Oracle, extends and strengthens its product offerings. The other relative small acquisitions, Oracle is trying to improve its products by merging these technologies. For example by acquiring Bharosa, a leading provider of fraud prevention and strong authentication security solutions, Oracle, will extend Oracle's Identity Management capabilities by adding proactive real time risk-analysis, strong authentication and fraud prevention.

In any way a company decides the plan for keeping a growing phase, the aggregate knowledge of employees is important and must be taken in consideration when developing this plan.

The important knowledge (or the knowledge

that counts) is usually found at the bottom of the pyramid structure. In our example, can Oracle offer the support, training and maintenance for the new products? The employees that are working in production are, of course, competent for the tasks required for them, but these employees could have skills in different fields also that could make a competitive advantage for the company. How this knowledge can be aggregate and used by management to make this advantage?

### 3. Company's knowledge

In big companies, the knowledge or skills of the employees are usually known by the manager of each individual employee. I consider the knowledge of an employee divided in three categories:

- the knowledge that counts – are frequently the skills and aptitudes that are required for the position that the employee have. This can be measured on a scale by the employee (as a self-evaluation) or by the manager based on the work, results and accomplishments of the employee.

- the collateral knowledge – the skills and aptitudes on the same field of work (same domain) that are not required in the job role or position that the employee has

- not-related knowledge – the skills, aptitudes, hobbies that are not related with the field of work or the requirements of the job. This can be hobbies, sports, talents. For example, a design skill can be useful in the current job although is not related with the job description or the field of work.

Direct managers usually know the knowledge that counts, the one that are needed for the current job but it is important to know the other two as well and in specially the collateral knowledge.

The problem in big organization is that: not all these types of knowledge are transmitted properly on the managerial chain and the negative result is that the decision group is not aware about the knowledge within the company.

One action taken by the direct managers, which is very common within organizations, is making a survey in their teams asking their

employees to evaluate themselves based on their skills and make a note on which skills they would like to improve on the next period. These skills can therefore be improved through trainings and e-learning databases. E-learning databases can contain online trainings that can be accessed by employees through intranet. This database can be updated by analyzing the needs and requests inside the organization.

The survey is commonly made at the end of the fiscal year during the appraisal period (this being the period when the employee is evaluated by their direct manager).

This knowledge is not transmitted further as an aggregated data and it is only transmitted in type of training requests.

### 4. Knowledge gathering and aggregation

Starting from the skill evaluation each year the direct manager should create a skill matrix for each employee. This matrix can be created having three sections describing all of those three knowledge types. The knowledge that counts section should be created by the direct manager and should be completed based on job descriptions. The other two sections should be completed by the employee.

Evaluating on a scale from one to five the skills should be marked by the employee on all three sections. In addition, the manager should evaluate the knowledge that counts section, discuss with the employee based on his notes and come to an understanding, and mark together those skills so that the matrix will reflect both the manager and the employee's evaluation point of view.

This matrix should be made every year as the skills can change from year to year after trainings, experience and personal activities. The matrix will be entered into a database system that will keep track on all the progress within the knowledge of the company.

### 5. Knowledge based decision systems

Knowledge within the organization should be considered as an important asset for the company. [3] The aggregation of the knowledge

based on the personal matrix will also convert internalized tacit knowledge into explicit codified knowledge in order to be shared and analyzed through the business intelligence system.

The main goal of Business Intelligence Systems (BIS) is to assist managers, at different levels in the organization, in taking decisions and to provide in real time representative information, to help and support them in their activities such as analyzing departmental data, planning and forecasting activities for their decision area [2][3].

A business intelligence system can improve the decision quality made by the appropriate group when analyzing the organization. Business intelligence systems are helping answer questions that are mandatory in making good and profitable decisions. [4] is giving examples about the questions answered by a BI system?

Business Intelligence: (Finance): What are the net income, expenses, gross profit, and net profit for this quarter, year?

Business Intelligence: (Accounts): What is the sales amount this month and what is the outstanding pending payment?

Business Intelligence: (Purchase): Who is the vendor to be contacted to purchase products?

Business Intelligence: (Production): How many products are manufactured in each production unit today, weekly, and monthly?

Business Intelligence: (Sales): How many products have been sold in each area today, weekly, monthly?

Business Intelligence: (Quality): How many products have been defective today, weekly, monthly, quarterly, and yearly?

Business Intelligence: (Service): Are the customers satisfied with the quality?

Another question that can be answered by the business intelligence system could be:

Is there any knowledge in our company that can support, develop and maintain our line of work?

The user-interface for Business Intelligence system should be an internal portal that can be accessed by all employees and display general statistical reports of the knowledge based in the organization. The specific matrix

and the specific queries on the knowledge database should be made available using an account. This way only authorized managers and decision groups can use this information. The primary purpose of a portal is to integrate data and information from a wide range of applications and Repositories, and to create and manage a volume and variety of composite applications from that integration. [5]

## 6. Knowledge projects

Knowledge networks can be created between employees from different departments in order to solve project-based-tasks needed. Management can create a project by querying the knowledge database and finding the employees mostly skilled and suitable for those tasks disregarding the department and job role. Management could then make an offer to these employees and gather the perfect, motivated team to resolve those tasks.

Mentoring projects that can train employees chosen based on their training skills can be establish according to knowledge database. Mentoring is very important for k-organizations, as new employees need to be formed and trained by people that have this skill and can open up the person getting out the explicit knowledge and convert as much tacit knowledge as possible.

## 7. Conclusions

Using the knowledge within an organization can increase the competitive advantage on the market, and considering this as an important asset can be used as a production input factor for company's line of business. The decisions made based on the business intelligence system reports of the knowledge-aggregated data will have a higher satisfying rate of income in revenue. Networks and mentoring will also increase achievements and new skills for most of the employees, making the company keep its growing phase. The knowledge as primary decision factor is becoming a trend for companies worldwide.

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