1.0 Introduction

1.1 New economy and corporate competitiveness

The term 'Industrial society' has been a proper one to explain the wide and deep influence of the industrialization to the society and the wealth of the country in 20th century. Its related concepts and theories such as division of labour, specialization, standardization, mass-production, learning curb, scale economy and others explained well the corporate competitiveness especially from the viewpoint of 'efficiency' and '(financial) capital'. After 1960s some people began to describe the new paradigm such as Daniel Bell's 'Post-industrial society' and Albin Tofler's 'The third wave.'

These three decades we have seen the shift from industrial economy to service economy especially in developed countries. Many companies now refocus its business on the customer and redefine their products as the benefit or value they can provide to the customer. That is, the product itself is just one of the component of the total service to provide value for customers. And the profit pools have also been changed. For example, half of the profit in the automobile industry in U.S. now comes from lease and rental service and financial service such as loan and insurance (Gadiesh and Gilbert, 1998). This economy requires the service management as the competitiveness of the firm. For example, employee management, human interaction, networking etc became key words to win in the market.

Since 1980s we have seen the market environmental change- globalisation, fierce competition, quick technological change, invisibility and quick shift of
customer needs etc. Porter's Industrial opportunity model began to decrease its explanation power. The idea 'Service Management' itself does not explain well how the company create the competitiveness either. That is, new framework is required to explain the corporate competitiveness. Before the term 'knowledge' became the vision and paradigm to recognize the world and the company, there had been two main streams. Since 1980s 'Intangible asset' began to be the vision and paradigm to see the world and activity of the company. Itami (1980) found the intangible asset in the organization made the corporate performance distinguished. Many resource-based advocates began to explain that the competitive advantage was inside the organization (Wernerfelt, 1984; Barney, 1986) and that competitiveness came from competence of the company (Hitt and Ireland, 1986; Hamel and Prahalad, 1990, 1994). On the other hand, another gurus had an approach of 'learning'. Senge (1990) showed the five important disciplines as the learning organization. They claimed learning would rebuild the capability of the organization by creating new knowledge. Rohlin, Skarvad and Nilsson (1994) said learning society would be the most important paradigm that comprehended all other ones such as service society and knowledge society.

On the context mentioned above, the term 'Knowledge' has become popular and popular as the concept to explain the corporate competitiveness in this new era since the epoch-making article in *Harvard Business Review*, "The Knowledge-Creating Company" (Nonaka, 1991). Nonaka explained that Japanese companies' product innovation came from the knowledge creation through organizational interaction between tacit knowledge and explicit
knowledge. At the same year Stewart also wrote in Fortune that role of brain (knowledge) has to do with the corporate success. Drucker also mentioned that ‘Knowledge’ is the primary resource for individuals and for the economy overall (Drucker, 1993). Since the middle of 1990s we have found many books and articles in this field. Nonaka and Takeuchi compiled the knowledge creation theory on the basis of Nonaka’s article in 1991 (Nonaka and Takeuchi, 1995). Leonard-Barton examined the role of knowledge in manufacturing firms (Leonard-Barton, 1995). Davenport and Prusak showed the knowledge model in the firm with the idea of ‘Knowledge Market’ that well explained the mechanism of distribution of knowledge (Davenport and Prusak, 1997). A lot of books and articles have been published so far, but they have not reached the authorized concept because the study of knowledge management actually contains various kinds of approaches and its field has a variety. I classified the approaches of knowledge management in Literature Review part.

1.2 Knowledge Management: Is this just a buzzword?

Knowledge management might look just the buzzword that does not explain anything due to various definition, lack of the agreed framework and small accumulation of the empirical study. But the interest in knowledge is in line with the recent well-recognized approach such as resource-base and learning approach as I have already mentioned. Furthermore, this approach is based on the learnt lessons of U.S. companies that had been excited in the Business Process Reengineering (BPR). They finally suffered the ‘brain drain’, loss of the important knowledge inside the employees who had been fired.
Information Technology also changed the method to share knowledge and enhanced it dramatically on virtual communication. That is, knowledge management is not the buzzword but the meaningful approach to analyse this new world and business. The important thing urgently required is to make many empirical studies and build up the knowledge architecture that people can agree.

Here I define the term ‘Data,’ ‘Information’ and ‘Knowledge’ used in this study. I basically base on the definition of Davenport and Prusak (Davenport and Prusak, 1997; Prusak, 1998). Data is a set of discrete, objective facts about events. Data itself has little meaning. In organizational context, data is most usefully described as structured records of transactions. US$100m, Year1999, Company A are examples of data. Information is a message that consists of meaningfully collected and combined and related data for the specific purpose. The sentence that the turnover of Company A is US$100m in 1999 is information. Knowledge is a fluid mix of experience, values, expert insights and evaluating framework extracted from information under specific context. That is to say, knowledge is a mixture of the content and context such as specific background, reason, situation and others. As Polanyi described, knowledge has two categories- tacit knowledge and explicit knowledge (Polanyi, 1966). Explicit knowledge is an objective knowledge that can be transmitted from one source to another in a systematic manner such as texts and computerized data; tacit knowledge is a subjective knowledge that is personal, context-specific and difficult to articulate or communicate through texts and computer. For example, the fact that the turnover of Company A is
bigger than that of last year or has been increasing for 5 years is an explicit knowledge under the context of watching the business performance. The intuitive but reliable forecast that next year’s performance is supposed to be better than this year judging from his/her experience is a tacit knowledge.

Sharing of data and information in this definition is not a new concept even though it may not have been implemented well in many companies. Such a concept was finally described as the term ‘Open-book Management’ (Case, 1997). Many companies also have already introduced the concept of Information Resource Management (IRM) and the title, CIO (Chief Information Officer). This concept unconsciously meant the sharing of explicit knowledge. The important contribution of the concept of knowledge management is that it contains the sharing of tacit knowledge and the creation of the knowledge in addition to sharing of data, information and explicit knowledge.

In Malaysia the interest in knowledge and knowledge economy (K-economy) has become bigger and bigger since 1999 because of Prime Minister Dr. Mahathir’s strong leadership. In fact, the Malaysian government authorized the Knowledge Management Policy. But we do not know so much about knowledge management in Malaysia yet because of its newness. It is necessary to explore the Malaysian knowledge management as the first step of its study.
1.3 Research objective

Research objective of this study is to provide the overview of knowledge management and clarify the specific knowledge management model in Malaysia and its relationship with organizational factors. This aim is achieved by answering the following questions.

- How have many gurus approached knowledge management?
- What is the Malaysian way to create and share the knowledge?
- Do organizational factors affect the Knowledge management?
- Is there any significant difference between Malaysian companies and foreign companies in Malaysia?