

Chapter 2

THE EMPIRICAL STUDY

2.1 Background

The world economy has evolved over the last couple of years from a managed economy into an entrepreneurial economy (Audretsch and Thurik, 1997) or commonly referred as knowledge-based economy (OECD, 1996). It is undoubtedly that we had entered the new knowledge economy era. Western-based organization had shaped their organizations towards more and more knowledge intensive products and services. Widespread view among management gurus that knowledge is of central importance to an organization as argues by Drucker (1993), Toffler (1990) and Quinn (1992). According to J.M. Smiths (2000), an organization is its people, as it is in people that much of the most valuable resource resides i.e. knowledge. Knowledge is the accumulative of everything an organization knows and uses in the carrying out of its business.

One of the most important challenges for every organization in the knowledge society is to build systematic practices for managing knowledge (Drucker, 1993). Other challenges is to capture and codify the tacit knowledge that it may be accessed and used by others (Smiths, 2000)

Malaysia, as one of the active player in the global market, could not run away from the impact of this dynamic, unpredictable, knowledge-intensive world economy. Therefore, it is important to study Malaysian's manager especially SMI manager's perception towards knowledge management principles.

2.2 Problems to be studied

With the importance of knowledge management being realized, companies are viewing knowledge management as a critical success factors in today's dynamic borderless society (Lim, 1999; Martesson, 2000). Therefore, the perception of manager towards the impact of knowledge management to their organization will be studied in the Malaysia context. In addition, interest perspectives, for instance; manager's

awareness towards knowledge management; determination of present knowledge as well as the knowledge needs to realize the company strategy; identification of knowledge sources and its process involve; usage of information technology and for what purposes; extend of existence of knowledge management system in the organization will be included in the study as well.

According to Frey (2001), the first wave of knowledge management activities in both Europe and U.S.A has focused largely on information technology (IT). But The Ernest & Young Center for Business Innovation (2000), had stressed that " knowledge management need not be technology-intensive, and should not be technology-driven". Some technology experts and academic scholars have noted that there is no direct correlation between IT investment and knowledge, or business performance (Malhorta, 1998). Follows by this argument, a study had undergone and published by Harvard Business Review (Hansen *et al.*, 1999), which concluded two mutually exclusive knowledge management models i.e. codification and personalization models.

Codification strategy refers to approach by which knowledge is carefully extracted from people, codified into documents, and stored as knowledge objects, from which other staffs can access it. Whereas under the personalization strategy; it is focuses on knowledge sharing via person-to-person contact. For codification model, IT support is required. Conversely, for the personalization model, IT is much less important than social interaction. In Malaysian's firm context, what is the trend towards these two models? And what is the perception of manager towards the critical role played by the IT? Based on above arguments, the second hypothesis was formulated.

In order to compete in foreign market, companies will strategically shaped towards quality management practices such as adopting ISO 9000 or ISO 14000 or implementing Total quality management or other new management tools such as knowledge management. If this is happened to export oriented companies, how about the companies provide for domestic market in terms of knowledge management practices? Are they in track or totally out of track in the arena of knowledge economy?

In order to find out the existence and extend of difference between export-oriented and non-export companies in terms of knowledge capturing, storing, sharing and utilizing at least at the operational level, the third hypothesis has been included.

In short, the hypotheses to be tested are:

Hypothesis No 1

Null Hypothesis: Malaysian's firm manager do not perceived that knowledge management is mandatory for success

Hypothesis No 2

Null hypothesis: Managing information technology is not perceived to play a critical role in success of knowledge management.

Hypothesis No 3

Null hypothesis: There is no difference in knowledge management process between export and domestic oriented firms at operational level.

2.3 Data Development

In order to test the hypotheses, data will be collected through a survey, using questionnaires. The questionnaires will be divided into two sections. Section A will collect data for hypotheses and section B is to collect general information of the sample units.

For testing the hypothesis No 1, the predictor variables has been quoted based on T.J. Erikson & C.E. Shorey 's (1992) ideas. According to them, for an organization to be succeeded, there are four factors, which need to be considered; there are stakeholders (i.e. mainly focus on customer and supplier in this study), organization, process, and resources. For hypothesis No 2, variables data collection is based on literature sources. Beijerse's model had been used as a basis in formulating the questionnaires for hypothesis No 3.

A summary for above data development has been tabulated as Table 3. The purpose of the table is to list out the key variables and framework of the questionnaires.

Key variables for	Focus on	Questionnaire No
Hypothesis No 1	<ul style="list-style-type: none"> • Customer / supplier • Process • Organization • Resources 	1-14
Hypothesis No 2	<ul style="list-style-type: none"> • IT management 	15-20
Hypothesis No 3	<ul style="list-style-type: none"> • Knowledge management system. The details breakdown as follows: • The first knowledge management process cluster • The second knowledge management process cluster • The third knowledge management process cluster 	23-28 (23-24) (25-26) (27-28)

Table 3: Summary of data development for questionnaires

The content of the questionnaires was formulated based on several sources [3]