

## THE BUSINESS ORGANIZATION AS MAIN “ACTOR” IN THE KNOWLEDGE SOCIETY

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### **Abstract**

*The main aim of this paper was to identify what is the place of business organizations in the knowledge society and what impact has their activity on the evolution of humanity by analyzing the opinion of different authors regarding the main topic of the paper. Therefore, studying some of the specific literature allowed us to establish the importance of the economic actors. In this paper we present some aspects regarding the position of business organization taking into the consideration the progress registered by the humanity in different ares of its evolution. So we have focused our attention on the knowledge society as the current framework for business and what really means knowledge and how this resources can bring high performance for companies. Therefor, we have shown that in this era companies need to find new ways of doing business, of coordinating their activities, by applying knowledge management. Given that we have tried to highlight how important are companies in the era of knowledge because they represent the actors that are focused on developing strategies that increase knowledge and invest in research more than other institutions. We also have noticed that some companies are even stronger than some countries if we analyse their economic result, fact that underline that these institution can have a major contribution in the future progress of the society.*

**Keywords:** knowledge society, knowledge, business organization, economic development

**Clasificare JEL:** F23, M10, M16,

### **1. Introduction and context of the study**

A brief analysis on the evolution of the human society, including by the comparison of certain civilizations/cultures, as the Occident and the Orient, shows us a difficult way during the history. Until around 1500, the Orient had an obvious economic supremacy over the Occident followed by a three centuries period of different evolution between these two civilizations. Simultaneous with the emergence of industrial revolution in Europe (1776) the Occident has gained and managed to maintain its economic supremacy over the Orient for two and a half century. But which will be the relationships between these two civilizations for the next four or five decades?

Over the time the human society has been crossing throw many transformations which are grouped in periods by James W. Michaels (1999) as following: the stone era, the iron era, the agriculture era, the industrial era, the technology era and the knowledge era. These period are presented as waves (take the form of a cycle) which meet at a certain time, each having a growth stage which is followed by a stage of regression. The analysis performed by Michaels shows that the socio-economic progress during the history was quite sinuous, but the dominant trend was to increase the newly created value, compared to the previous one. In other words, we can observe some “waves” of socio-human progress, each “wave” adding knowledge, new social practices and a higher productivity compared to the previous “wave”.

The concept of “wave” of socio-human progress during the history has been used by Alvin Toeffler (1983) in order to highlight the evolution of different stages in society development. If during the first “wave” the economy was based on agriculture, in the second wave coal, railing roads, steal and the auto industry were specific to that period. So, the main characteristic of these two stages has a material component (the land on one side and the steal on the other side), but the society of the third wave, how Alvin Toeffler names it, doesn’t work with steal, but with knowledge; in the production process aren’t used equipments, but computers and the mass production is focused on knowledge. Therefor, in the process of obtaining goods are used on one side the production traditional factor (land, work and capital) and on the other side are used some new factors like technology and information. If we take into consideration Michaels’s opinion we

can state that there isn't delimitate precisely the era of information, which probably is situated between the technology era and knowledge era, which is the superior part of information.

The current development level of the society is the result of the interaction of certain factors which have entailed certain changes (economic, social, political, institutional, and technological) in the structure of the society. The technology represents one of the factors that have influenced the growth of individuals's and organizations's performance in all the domains. Among the technological change it can be mentioned the development of the exchanges of economic actors which had a positive and direct impact on society welfare. The recent internationalization of business organization activities has been one of the process which were influenced by computer networks, telecommunication and other modern technology, because information technology has allowed communication in an efficient way between business organizations which were in different place, all over the world. The growing presence of the economic "actors" in society, highlights the major impact of their activity on the area where they operate, and also on its components (nature, people).

## 2. The knowledge society

Moving from a culture focused on material resources, on resources that can be quite accurately highlighted in accounting, to a culture based on knowledge, emphasizes new challenges in terms of how people think, act and are led (Nakra, 2000). In the context of today's economy and society is being discussed more and more often in media, politics or even culture about the knowledge economy and the knowledge society also. In fact, the opinion leaders, theorists and corporate practitioners refer to a new way to achieve wealth, prosperity and added value by companies.

More precisely, when discussing about the knowledge society, direct or indirect reference is made to knowledge as distinct resources and to the knowledge worker who is able to exploit this new resource. From the perspective of our research, some interesting questions arise from the basic ideas of the paper, which include: "What is knowledge?", "How does knowledge support innovative processes within firms?"

Regarding to knowledge Michael Polanyi (1966) is the first one who takes into consideration the existence of tacit knowledge and also the fact that what we name knowledge and knowledge proceses connected to this resources represent a highly specific matter, which is different from an individual to another. Considering what Polanyi has argued, we can conclude that there is a second category of knowledge, namely explicit knowledge, which is more quantifiable and can be transmitted between groups of people and from one generation to another. Afterwords, Polanyi's perception has generated a major interes in different areas like psychology, sociology, business administration and performing management.

Polanyi claims that o small part of a person knowledge can be transposed into words, highlighting in this way the existence of tacit knowledge (Polanyi, 1966). According to Collins (2010), the tacit knowledge is the knowledge that individuals can accumulate only through relationships in society, respectively through formal learning, but also through direct experience / practice in the relation with other persons or groups of persons (only a small part of this knowledge accumulated by an expert can be explained in time and transferred to another member of an organization).

As concerns explicit knowledge, according to Collins (2010), this is the type of knowledge that can be expressed and transferred by intermediaries and also can be explained, being presented as date, information. Regarding the difference between tacit and explicit knowledge, during the years, were developed some confusing opinions, like the one advocated by Karreman (2010) who claims that tacit knowledge is specific to individuals who have a certain expertise. We consider that both knowledge and common abilities of any individual involve a sequency of tacit. Karreman's point of view can be very useful when we try to understand the way that organizational culture of a

company supports high performance (such cultures are constituted by social practices of some groups of people and implicitly imply the cumulating of tacit knowledge of the members of the organizations).

Two very well known authors on this subject, Nonaka and Takeuchi (1995), have been analyzing the complementarity between tacit and explicit knowledge and have established the so-called SECI diagram of knowledge conversion:

- The socialization stage: the tacit knowledge is transformed into tacit knowledge (through socialization there are shared experiences, opinions, among the employees);
- The externalization stage: the tacit knowledge is transformed into explicit knowledge (by externalization the tacit knowledge takes form of concepts, models, becoming in this way explicit);
- The conversion stage: the explicit knowledge is transformed into explicit knowledge (conversion regards the permanent exchange of information between the employees of an organization);
- The internalization stage: the explicit knowledge is transformed into tacit knowledge (the accumulated experience by socialization, externalization and conversion takes form of know-how).

The term of knowledge management refers to the management of the activities and processes that increase the use of creation of knowledge in business organizations and also support reaching two major objectives (Arduin și Grundstein, 2015):

- Organizational and socio-cultural objectives, because there is created a more humane, motivating environment for employees;
- Technological objectives, in order to promote innovation, creating new goods/services that will be sold on the market;

Also, knowledge management is considered an instrument of support for the managers within companies in order to develop processes, instruments, organizational and technological structures that will influence the services and products created, that will be sold on the market and which will bring knowledge (Seemann et al, 2000).

Knowledge has always been one of the most important “weapons” of the humanity and the specific literature highlights that there are several perspectives to analyse it. Thereby, Karl Popper (1987) has associated knowledge with the permanent search of truth, of the explicit theories, starting from both practical and theoretical issues and he also claimed that knowledge doesn’t assume searching the certitude. In explaining knowledge, the connection with truth is observed also by Nonaka and Takeuchi (1995) who perceive knowledge as a dynamic human process of justifying personal beliefs by truth. Knowledge appears due to the different perspective of the interactions between individuals and the sum of these perspectives can contribute in understanding some unknown phenomenon. As concerns business structures the individuals interact with each other, but also with the business environment achieving new methods to run their activities.

According to Peter Drucker (1989) the knowledge represents a characteristic specific to people that can not be found in books. “The books include information, but knowledge represent the ability to apply informations” in certain activities. These are specific to people because their brain and skills provide all the necessary facilities.

Some authors think that knowledge is wider than human capital and information, having a permanently dynamic and representing also the result between the interactions of people and between them and information. Thus, according to their opinion this fact represents information in action because in all business organizations knowledge is about employees’s knowledge regarding customers, products, processes used in accomplish their tasks (O’dell C., Grayson, 1998). Given this, we mention that Nicolescu (2003) argued that in all business structures is necessary a culture focused on information, cumulation and proper use of them is needed, as companies’s results depend on the veracity of the information held.

Nonaka și Toyama (2008) state that there are some elements specific to knowledge because this is the result of people interactions. According to their opinion knowledge is subjective (it results from the experience of many individuals which have their own point of view); knowledge is a process in permanent development and knowledge can be created only by practice, because its creation and development is conditioned by different situations.

Given the presented perspectives we argue that the resources of the future are focused on knowledge which is the base of all processes that take place into society, regardless of the parties involved or the field of activity. According to Alvin Toffler (1973) “accelerated acquisition of knowledge fueling the great engine of technology, accelerates change”. Change can be, from this point of view, an agent of growth and innovation which will influence positively the future evolution of all economic actors.

Peter Drucker (1989) claims that the results obtained by a business organization are based on its capacity of being different, and the source of this differentiation and also of firm’s progress is given by some specific knowledge, other than the one of the people from the organization. There doesn’t exist an instrument, as far as concerns, the quantification of knowledge and its optimal level in order to achieve supremacy on the market. So, we consider that the importance and knowledge for every organization emphasizes the impossibility of establishing an omogenous framework regarding its clear definition and quantification.

The development of knowledge society has highlighted the importance of learning and innovation in reaching a high level of economic progress. So, in order to face the market pressure, business organization should focus their resources on research which result is innovation. The performance of economic entities depends, therefore, on their capacity of offering to customers innovative products.

### **3. Aspects regarding the business organizations**

The business organizations represent the structural and functional unit of a national economy, their activity of producing goods, rendering services and executing works, contributes significantly to the development of the countries in which it operates. It can be stated that the results obtained by them are largely found in the welfare level of the individuals (the quality of the products, the created jobs, etc.).

There is, therefore, an interdependence between the level of development of business organizations and that of national economies. On one hand, we can mention that the intensifying relations between the economic actors leads to a positive situation in the business environment in which they act and on the other hand the stable national contexts denote a favorable framework in the world economy. In the previous paragraph we have mentioned that the business organization are the structural and functional unit of a national economy, but there can be noticed that their area of business overtakes the national borders in the context of increasing interdependencies between companies which have activity in different states .

Each national economy of the modern economy is formed by three big socio-economic sectors:

- A. The corporate and small business sector at which large companies such as multinationals and SME (small and medium enterprises) are located. Also, in this sector, we find those organizations, grouped according to the legal framework on different size classes, which operate according to the lucrative criterion, that of the profit. Any organization in this sector is set up under certain legal forms of property ownership:
  - Joint stock companies (Inc. in USA, Plc., UK);
  - Limited liability companies (LLC in USA, Ltd. in the UK);
  - Other legal forms (partnership in the UK, Sole proprietorship in the US).

This sector has a major role in economic development, job creation and the welfare of

individuals, which is based on the following considerations:

- Encourages entrepreneurship and diversification of economic activities;
- Strengthens individuals’ motivation to invest in education and accumulation of knowledge, skills;
- Contributes at the increasing of states tax revenue, which provides higher budgets for national investment;
- Improves the lives of individuals by increasing access to products and services, including basic ones such as drinking water, energy, sanitation.

The private sector is a source of technological innovation, allocating significant budgets for investment in research and development which enables economic growth. The expertise and knowledge gained in this sector have major contributions in solving the problems that modern society is facing. According to a communiqué from the European Commission, the private sector provides about 90% of jobs in developed countries, which shows that it is a key partner in the fight against poverty.

- B. The public sector includes central and local government institutions operate, state-owned companies and other bodies specific to each country's development sectors (education, health, defense, etc.).
- C. The social economy sector includes foundations, non-profit organizations, cooperatives and associations that have set a publicly declared social purpose since their establishment. It may also include firms that can be set up in this sector as national legislation provides the necessary framework for the establishment of business structures.

The legal framework of the business organization activity from this sector and also their legal forms of organization of these types of firms has been developing for the last years in Europe. There were defined some concept regarding the business organization form the social sector, among which we can name: the Belgian social enterprise, the Greek public company (Law 2190/1920), the UK-based company, the social enterprise in Finland; the same name is also adopted in the Romanian legislation (Law 219/2015), but also in Italy (Decree 155/2006) (Cace, 2010).

Some authors argue that the third sector includes those non profit-oriented organizations whose work has a legal basis limiting private profit accumulation (Evers and Laville, 2004). This characteristic of the social economy structures is supported also by other opinions that claim that their major objective lies not in maximizing profit but in strengthening social capacity by employing people belonging to disadvantaged groups and creating new forms of work (Amin et al, 2002). However, the main features of the structures in the social economy derive from the social dimension of their work: to bring benefits to the community, to be part of it, to have a permanent involvement of its members, and to apply a democratic management (Borgaza, 2001).

According to the OECD, in order to properly understand the term of social enterprise, it is necessary to analyze it from a dual perspective. From the economic point of view regarding the social enterprise should be taken into consideration the following aspects:

- the social enterprise aims to produce / sell goods and services to a greater extent than to provide advice for obtaining different financial resources compared to traditional non-profit organizations;
- the social enterprise has a high level of autonomy, being voluntarily set up by groups of individuals, although it can receive donations and other funds from public authorities and private companies;
- involves a significant degree of risk – unlike the majority of public institutions, the financial sustainability of a social enterprise depends on the efficient management of resources by its members;
- the activities carried out by a social enterprise require a small number of paid

employees as, in most cases, they will opt for volunteers in the initiated actions, volunteers who work with the staff employed.

Regarding the social perspective, the OECD states that:

- the social enterprise is the result of the initiative of a group of individuals, who are part of a community and share similar needs and purposes;
- the decision-making power of such a structure is not attributable to capital holdings;
- the activities carried out by the social enterprise have a participatory nature, as the beneficiaries participate in their execution and management;
- these structures of the social economy exclude the distribution of profit, which limits the development of a profit-oriented behavior;
- the major objective of the social enterprise is to bring multiple benefits to communities, groups of individuals.

On the other hand, the post-war context of the global economy shows a trend of economic integration of the countries in the form of many trade blocks (EU, NAFTA, MERCOSUR, ASEAN). This implies an increasing interdependence between different actors on the global market, new opportunities, but also extensive conditioning for any category of firm:

In figure no. 1 we present the placement of business organizations in the global economy:

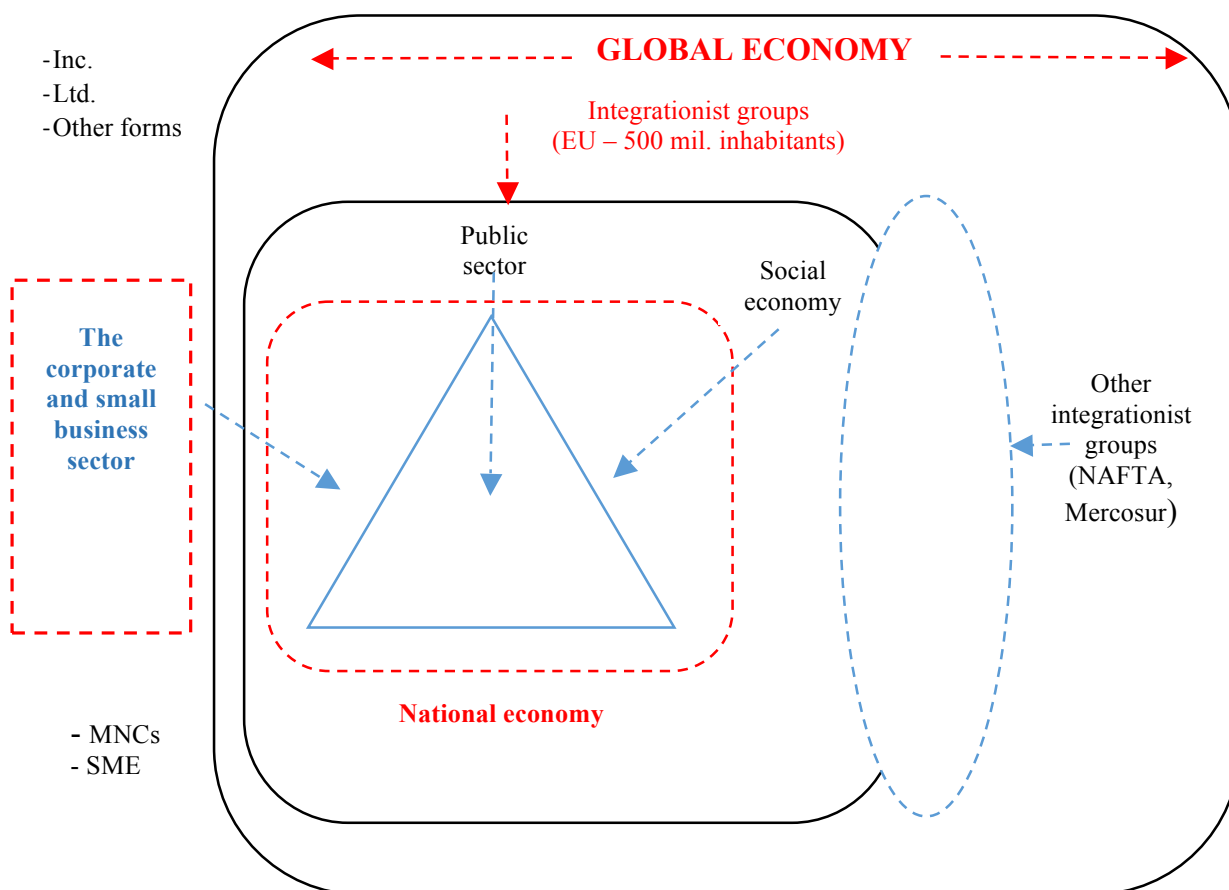


Figura no. 1 *The position of business organizations in the global*  
Source: Created by the author

Guido Stein (2010) argues that a company can be analysed taking into considerations three aspects:

a. The company is an autonomous organization that has a specific structure, own rules and especially well-established objectives (each economic entity has a set of policies that define its activity, but especially its management differentiates it from the other entities on the market );

b. A company is a social organization as it sums up the values of the society (most of the references that can be made in this sense are regarding the organizational culture and the principles that underlie the way of doing business);

c. A company is an organization that contributes to the development of society (in this respect it can be noticed the economic and social role of the big companies that influence the welfare of the individuals, but also the progress of the national economies).

We can also mention Milton Friedman's perspective on the responsibility of business organizations. To this end, he states in an article in the New York Times that "the sole responsibility of companies is to make a profit" (Friedman, 1970). Friedman's vision actually implies the responsibility of business organizations to shareholders and investors, but also to employees and the local community. Its level of development is reflected in the environment in which it operates, highlighting some dependence between companies and economic growth.

Peter Drucker (2008) mentioned that big companies are the ones that determine the limits of an economy's productivity, their activity being oriented towards technological research and product improvement. Drucker's statement was focused on the fact that the industrial output of major US companies increased significantly during the war, which showed that they determined the technological conditions for the underlying economic operations at that time. The current situation shows that Drucker's claim to big companies is still valid today, and they are becoming stronger and have a major impact on national development decisions

The place in the global economy of business organizations is based on the resources they have, as well as on how they establish budget in order to sustain investments in strategic areas for long-term development. The results obtained by the big companies are more significant than those recorded at national level. In the figure below we highlighted the world's largest companies according to their turnover.

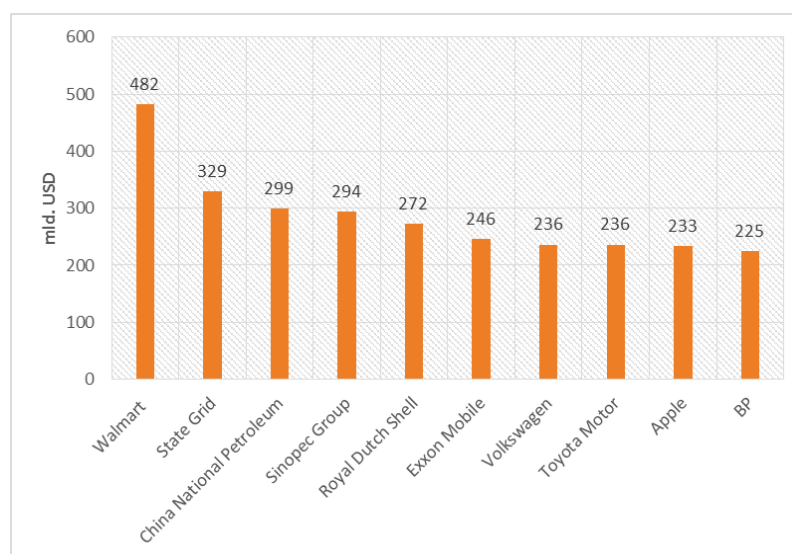


Figura no. 2 TOP 20 companies according to their turnover in 2016

Source: Created by the author using <http://fortune.com/global500>

It is noticed that in 2016, Walmart had a turnover higher than the GDP of countries like

Romania (\$ 177 billion), Ireland (\$ 238 billion), Finland (\$ 229 billion), Denmark (295 Billion dollars), Belgium (\$ 454 billion), Austria (\$ 374 billion), data provided by the World Bank. Such companies have also a big influence on the development of the countries where they have activity because they create jobs and contribute to the development of other sectors and also to the improving of life of the local community.

## 5. Conclusions

There is no doubt that in companies have a big contribution to the development of the national economies. In order to succeed high performance all the business organization need to focus their resources on finding those areas that can allow achieving the established progress. In knowledge society the companies became the main “actor” because these institutions focus on long term development by using a new resource, namely the knowledge. In order to achieve a high performance companies will have to invest in research and development and also in the human capital. In this era of knowledge, the employees are a key to success because they form the companies and they have a major contribution on increasing its turnover, improving its image on market.

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