

## **A study of Empowerment and knowledge Management Impact on Value Creation in Industrial Markets**

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### **ABSTRACT**

The purpose of this study was to examine the impact of Empowerment and knowledge management, on value creation in industrial markets. Research methodology is considered to be a descriptive survey Industrial companies are considered as the research population. The sample, according to Cochran formula was 30. Review on the results of descriptive statistics and T test hypothesis, showed that the company's knowledge management feature and empowering people has an impact on value creation in industrial markets.

**KEYWORDS:** knowledge management, Industrial markets value creation, Empowerment

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### **INTRODUCTION**

Organizational learning from the 1990s was the attention of many of academic, research and industrial centers, which the main reasons for raising this topic is rapid changing of environment, and increased competitive pressures of globalization. There are many views about organizational learning, among them we can name Bennis (1960); Fayol and Layls (1985); Argyris and Morgan and Huber (1991); noise and Bargyn (1995) ; Tesang (1997); Bronz (2000) ; Watkins and Marsick (2002); Redding (2004) ; Zhang (2009) ; son (2010). Their different component is organizational learning; and what they have in common is that, if they are practically used in the organization, they can lead to improvement in the case of business organization. Knowledge management and empowerment are key components of organizational learning. Garca-Morales et al (2007) define organizational learning as capability to maintain and improve company's performance based on past experience and this capability as acquisition and exploitation ability of implicit and explicit knowledge, sharing and using knowledge in the organization. Thus, knowledge management creates value for the organization through changing intellectual assets into organized human capital. Sub-system knowledge in a learning organization refers to acquisition management and knowledge production in the organization. This subsystem includes the acquisition, creation, storage, analysis, data analysis, transferring, publishing, using and validating of knowledge. Knowledge management is the beating heart of a learning organization. Successful learning organizations systematically and technologically direct knowledge through all six stages of creation, acquisition, storage, transmission, distribution, data analysis (Marquardt, 1385, p. 41).

Empowerment is a modern and effective technique for improving organizational productivity by taking advantage of the employees. Employees through knowledge, experience and their motive power own hidden power and in fact empowerment is releasing this power. Marquardt (2002), individual's empowering subsystem includes employees, managers / leaders, customers, business partners (suppliers, vendors) and the community. Each of these groups is valuable and needed for empowering and directing .Managers and leaders as learners, guide, supervise and model roles, along with creating responsibility and promoting learning opportunities for human resources under their supervision. It is expected from empowered learners to learn, merit their future plans, take action and risk and also t solve problems. Clients participate in identifying needs, training and associating with organizations 'learning. Components and elements of Marquart's model and its relationship with empowerment and knowledge management are shown.

Table 1: Elements and components of Marquardt model (2002)

Learning	Individuals	Knowledge	Technology
<b>1-Types:adaptive, Anticipatory, Action Learning</b> <b>2-Skills:systemthinking,mentalmodels, individual merit ,self-learning, shared vision</b> <b>3-levels: individual, group, organizational</b>	1-Managers leaders	1 – creation	
	2 - Staff	2 - Business	
	3- Community	3 – saving	
	4-Partnersand business alliances	4-Applicationand validation	1-learning Development 2-knowledge Management
	5-suppliersand sellers	5 - Analysis and data mining	
		6-Transfer and Dissemination	
		7-Application and validation	

Bose (2004) defines knowledge management as the recording, refining, distribution and application of knowledge. These five factors in knowledge management area provide education background, feedback, retraining which is usually used for creating, recording, refining, distribution and organization resuscitation organization’s capabilities. Hovland (2003) in an investigation of knowledge management and organizational learning as an international development perspective expressed as followed:

Integrating knowledge management and organizational learning aims at improving productivity and profit with measuring production quantities. In the development section organizational productivity is also ambiguous. Hong Chao (1999) in an investigation titled "knowledge management in learning organization", found out that: nowadays, organizations are forced to be innovative in managing and innovation principles is acquired through sustainable through continuous learning and learning is created through knowledge sharing among employees and customers.

Empowerment means to empower the employees which means to help them strengthen their self-confidence, overcome the feeling of helplessness and inability and to give them strength and motivation (Whetten & Cameron, in empowerment, 1998). More autonomy and freedom of action and decision-making responsibility is delegated to staff. In other words, vertical productivity and other similar methods for increasing employees' freedom of action, is called empowerment (Huczynski and Buchanan, 2001).

Empowerment refers to a collection of motivational techniques that seek to increase the level of employee involvement to improve their performance. A main characteristic of empowering employees is aligning individual and organization’s targets (Vecchio, 2000). In empowerment, staff not only requires authority but also sufficient training and financial validity and other basic information. to be accountable in their decision. Others define empowerment a form of decentralization that involves transfer of authority to empower fundamental decision-making to subordinates (Rue & Byars,2003)

In order to understand the concept of value creation defining the concept of value is essential. There are two types of value organizational level: Use value and exchange value.

Using value refers to the special quality of a job, task, product or service users consider it in relation to their needs, such as speed or performance, or forms or a new job and personal and mental characteristics. Exchanging value means the amount of money obtained in a specified period of time, exchange of duty, work, new product or service or as the amount paid by the customer to the vendor to use its duty value, work, product or service (Lypak and smite, 2000).

Researchers did some analysis on the value creation of task-oriented approaches. Basic premise of this approach is that companies with the help of their colleagues can do a set of activities that will lead them to create commercial value "accumulation of knowledge, creating new resources and develop new activities" (Harris and Wheeler 2005, p. 188). Value means that an organization's approach towards all stakeholders, especially in the customer- and customer is the basis for all its activities and processes. Therefore the organization offers products and services that meet customer needs. In The plan of creating value for customers, non-value activities are eliminated and the chain began its activities and processes with the customer's needs and desire and finishes with their satisfaction (Binesh, 2011, p.8). From the view point of the organization value is created when organizations use methods, raw material in their new activities. Therefore in this view new and creative activities influence value creation process. From the perspective of customer value creation is done when the total advantages of the customer is more than what he pays. Benefits include goods, services, video communications, positive mental pictures, and costs include financial costs, time costs, energy costs and the mental costs. Thus, if we increase or decrease any benefit, we can increase value creation for the customer (Porter, 1985). Among organizations that practically run organizational learning and are successful in this field are Hyundai, Samsung, Motorola, xerox, and DuPont.

Value models are: 1 - The component value model, the cost - benefit, vehicle model - the model and the key dimensions of value. From the perspective of cost-benefit ratio of component models, in terms of customer benefits is defined in relation to costs paid to obtain the desired results. In the vehicle model – they make use of goods in

order to obtain favorable results. Goods and service properties and its using outcomes and also customer individual values forms his decision. Key aspects value model includes the functional value (utility economics), social values (social desirability), the emotional (psychological and emotional consequences) cognitive value (product novelty) value position (decision making condition) (Naeab-Zadeh, 2010). Efficient methods is created in order to measure and increase customer lifetime value and in general is called customer value management. This approach enables companies through reducing risk, increase customer retention and compensation for the costs to attract customers to business in each customer to maximize profitability. Therefore there are three important factors to measure value: Costs, recognizing the potential value of customers and customer needs. If an organization does not consider these principles in the analysis of their customers, they get a valuation error. This error leads to inappropriate management of decisions and wrong allocation of resources and ultimately reduced income, inadequate growth and loss of competitive strength (Messgar- Moghadam, 2010).

Industrial market consists of all individuals and institutions that make use of certain goods and services for other goods and services.

Industrial marketing is defined as those activities and business activities that facilitate exchanging process among producers and organizational customers. Nature of industrial marketing can create value for customers by offering goods and services that fulfill the needs of the organization and gives them goals (Cutler and Armstrong, 2006, p.335). In comparison with goods' marketing, industrial customers used services is more important for services such as in time carrying or goods' accessibility, because any delay in supply has an important impact on their production and activities (Havaladar,2006, p5). Lopez and Jose (2009) investigated the impact of organizational learning on value creation in the commercial markets with three objectives: 1 - analysis of organizational learning on the potential value for the customer 2-Description of the impact of organizational learning on the commercial performance 3-Test the modified turbulent market commercial performance in learning organizations. They test Paynu and Hilt model in a sample of 181 top companies in, Spanish, and concluded that organizational learning in the absence of turbulence has no direct and positive impact on customers' ability in value creation.

**Table2 : Literature Review on Knowledge Management and Empowerment Impact on Value Creation**

<b>Result</b>	<b>Research Title</b>	<b>Year</b>	<b>Researcher</b>	<b>Raw</b>
Companies use knowledge management to achieve better results than its competitors.	The effect of knowledge management practices on firm performance	2003	Marques et al	<b>1</b>
implementing knowledge management in each of the business strategies value can be improves its value	How Do Knowledge Management Announcements Affect Firm Value?	2003	Sabher wal and Sabher wal	<b>2</b>
Organizational learning through knowledge management can improve business performance.	The knowledge value chain: how intellectual capital Impacts on business performance	2004	Carlucci and et al	<b>3</b>
To remain competitive and to survive, companies must use empowering. Empowering individuals is directly related to company's value.	The Impact of empowered employees on corporate Value	2005	Darool and stanley	<b>4</b>
Insurance companies in order to survive in today's highly competitive market, are forced to invest in knowledge management	Value Creation in Insurance companies Based on	2010	Zang and et al	<b>4</b>
There is a positive relationship between knowledge management, intellectual capital size and variables of the two and with competitive advantage.	investigating role of knowledge Management and Intellectual Capitals On Gaining Competitive Advantages(a Case Study of Spain Company)	2012	Aligholi et al	<b>5</b>

## **METHODS AND MATERIALS**

First hypothesis: the value of knowledge management has an impact on value creation in industrial markets

Second hypothesis: Empowering people has an impact on value creation in industrial markets.

The research method used is descriptive survey. As descriptive study describe what exists and include description, recording and analysis and interpretation of existing conditions regarding that in the organization a case study was done with questionnaire, so the research method is descriptive and is a case and survey type of study. This study is of inductive logic, and in terms of time is procedural and also in terms of results is applicable and in terms of the process is qualitative.

The study was done in 38 samples of Iran Industrial companies, this amount of sample were chosen among 30 samples using Cochran formula with 0/08 deviation error. Subjects were ordinary employees; experts and managers of the company. Knowledge management and empowering data is gained from organization itself and 68 customers were selected as value creation data gained through customers referring to sales agency for the shopping and service.

Data collection tool is a standard questionnaire. Components are measured by Likert 5 options. To achieve the overall goal and sub-hypotheses a questionnaire is used. Questionnaire used in this study, are Mark art’s standard questionnaire, for knowledge management and value creation Ulaga questionnaire (2002) and the standard questionnaire of Ulaga and Eggert (2000) for value creation.

For descriptive statistics we used central indicators. The test for normality of the data used is the Kolmogorov-Smirnov Z test. For two-samples hypothesis t-test has been used. To assess the validity of the test, content validity was used. In order to ensure the reliability of the knowledge management, empowerment and value creation questionnaire, this study was done in 30 samples in Moghadam industrial group. The Kurenbakh alpha is  $\alpha=0/92$ , f or knowledge management 0 /85, for empowerment 0 /81, for value creation 0/80which indicates that the level of questionnaire’s reliability is very good.

## RESULTS

The following table shows the results for the hypotheses to be investigated.

Table 3: Results of two-sample t-test for the learning component - the value creation

Deviation	Sig	DF	T	Variable		
0/45	0/001	28	4.7	Knowledge Creation	Management-Value	
0/37	0/0001	28	3.86	Individuals Creation	Empowerment-Value	

According to information obtained in reliability coefficient (95%) and because the significance level obtained for knowledge management is less than 0.05, so there is a meaningful difference among knowledge management, empowerment and value creation and therefore knowledge management and empowerment is effective in value creation.

## DISCUSSION AND CONCLUSION

The results show that knowledge management and empowerment is effective in value creation in industrial markets. Like earlier researches, the issue that knowledge management and empowerment improve business status and gaining value for the customer is confirmed.

80 percent of the individuals through low and very low rankings stated that data collection with the hope of production improvement, lack of accessible systems for data collection , failure to follow the process from outside the organization, training in practical skills, creative thinking, innovation and experience, the introduction of experimental projects, awareness of the need to protect the transmission of organizational learning, supportive atmosphere of the units does not exist in the organization. Also 75% gave low and very low marks to empowerment questionnaires, they stated that existing empowerment in organization, learning opportunities for employees, suppliers and customers in the organization, learning from partners, participation in learning community and college events college, search learning alliances among customers, suppliers, manufacturers supplying organization does not exist in the organization and therefore considering these factors are recommended in order to improve the business activities in their organizations.

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