

Role of Knowledge Management System in Service Industry

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Today, every kind of company is influenced by the knowledge-based economy. It simply means that knowledge is the most important resource for creating a competitive advantage. That is why companies need to develop effective knowledge management strategies.

Service Industry

The service industry is the one sector of the industry that involves the provision of services to other businesses as well as to final consumers. Activities are mainly concerned with providing services rather than tangible objects for the benefit of the end-users and/or other industries. A services industry comprises insurance, banking, and finance, provision of gas, electricity, and water, health care, transport, communications, entertainment. The importance of the service industry in the economic system has been increasing steadily and is now of central importance to economies.

How does Knowledge Management improve the Service Industry?

The service industry is complex and involves highly specialized professional knowledge and managing knowledge effectively helps the organizations in the following ways:

1) Increased Productivity

Adopting knowledge management in the service industry allows complicated issues to be addressed jointly with collaboration. For instance, collaboration in the information of many hospital projects helps to gain access to patient data to larger groups of nursing staff with varying skills and abilities. The pooling of human resources in this way can expand nursing knowledge that will impact on better patient care. In addition, acquiring larger patient sample sizes with diverse locations and several care procedures also prevents the delay in replicating the studies. The resource sharing prevents unnecessary work that can produce a considerable cost, which leads to the gain in financial benefits.

2) Mutual Learning and Support

The service industry employees are from different educational backgrounds and acquire diverse working experience and mutual learning and sharing is often an outcome of knowledge sharing. A [knowledge-sharing system](#) allows the employees to discuss their concerns and find solutions to solve the problems. The flexibility of this knowledge sharing system suits employees as they can communicate at a time convenient for them and helps in building strong working relationships.

The traditional ways of learning are through didactically driven educational programmes and through personal experience. This has moved away to the notion of lifelong learning. For instance, through knowledge sharing systems, the experiences of everyday practice such as customer problem resolution can be shared at a central place. This enables employees to examine their own practice and that of others and at the same time integrate their findings into practice.

[The need for knowledge management in the service industry is even greater than in other industries because of its heavy reliance on information systems and customer contact.](#) 

3) Communication Improvement

Service industries use knowledge management as a way to improve communication with their customers and staff. They adopt online knowledge-sharing activities such as creating a virtual community that involves both customers and the company's staff to contact in an interactive way. Knowledge management can help save time for client engagements and problem-solving, enhancing staff participation, making the opinions of staff and customers more visible, and better-serving customers.

4) Efficiency Gains

Knowledge management leads to cost reduction, increased sales, higher profits, ensuring consistent proposal terms for worldwide clients. For example, the financial service companies now offer service transactions via the Internet, and to address the common issues of customers they create a knowledge base; a central repository containing answers to user's frequently asked questions that reduce the customer service tickets and let customers self-serve themselves.

How service industries use knowledge management to gain a competitive advantage?

Competitive advantage is important for a company's performance in emerging markets. Companies can gain a competitive advantage in both domestic and global markets by knowledge management.

Recruiting and Retaining Top People

Generally, service-based organizations often compete in their sectors based on their ability to solve complicated problems and provide solutions for customers. These companies organize themselves by attracting and retaining knowledgeable employees. Sustaining professional employees is very crucial for achieving a competitive advantage in the long term. Therefore, deploying [knowledge management software](#) to retain their developed knowledge at a central place would help other employees to learn from their experience, which will reduce the customer query resolution time and provide a competitive edge to the organization.

Linking External Sources

An effective knowledge management tool allows you to add the external references with your articles/documents which saves valuable time of employees when they search for information. The provision to share the data with colleagues reduces the information gathering time and results in an effective customer service.

Shared Vision

Knowledge management has a major impact on the process of decision making, i.e. from isolating to sharing among groups. Employees share information among others about their experiences of everyday work and practices and therefore identify the most effective interventions. This increased knowledge influences practice and results in an improvement in outcomes. However, people who are willing to help answer questions might not find comfort in asking the questions that would actually save a hard-pressed executive real time and effort. This situation always happens, especially in large organizations where people have ego themselves and do not want to ask for help. Thus, the culture has to support people to admit failure and ask for help when they need it.

Empowerment

Employees value the opportunity and advantages of participation in knowledge management. They feel a sense of empowerment and a vision for the future. Companies can encourage and motivate employees to share their knowledge by participating in knowledge management activities such as sharing and building knowledge.

Trust and Ownership

Trust comprises transparency and openness. It helps to create a sense of involvement and participation. In addition, it comprises fairness and transparent evaluation. Knowledge sharing means that the experiences of the everyday work are shared among others and are explicitly available for others. In traditional organizations, knowledge sharing is often done locally when teams are working together. A **knowledge-sharing software** extends these kinds of experiences across boundaries of organization premises and even countries. While doing the job, employees can evaluate their work and results, can give suggestions, and can use others' experience for their own work. Working and learning become the same experience because of their immediate transparency.

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