

# KNOWLEDGE MANAGEMENT AT HUNGARIAN AND SLOVAK ENTERPRISES

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## **Abstract**

The main objective of this study is to present the state of knowledge management at Hungarian and Slovak enterprises. The human knowledge is important in enterprises' life because it can create economical advantage for them. On the other hand, enterprises have social responsibilities linked with getting and sharing knowledge. The first part includes the introduction. In this part we draw attention to the importance of our topic and we clarify the concepts and aims related to our study. The second part is the theoretical part of this study in which we describe the meaning of knowledge and we define knowledge management. After that the research methodology is described. This part is followed by the practical part which consists of two main parts. Firstly we present the state of Hungarian companies in terms of knowledge management. After that we get on the enterprises which are operating in Slovakia. We used secondary data in our research. The secondary data used in this paper are from high level researches. The paper contains 7 figures. The last part of the study summarizes the results received in our research.

**Key words:** knowledge management, enterprises, economics, social responsibility

**JEL Code:** D83, M54, M59

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## **Introduction**

In recent decades companies have realized that one of the most important sources of competitive advantage are human resources. Within this knowledge plays a key role, much of which lies in the people themselves. Not only is it important to acquire the knowledge for organizations, it must be ensured that it is accessible to everyone in the organization who needs it. Furthermore, it is important that the already acquired knowledge should be reused in the future. On the other hand, enterprises have to act socially responsible while acquiring the knowledge. There are methods like copying or stealing the knowledge, which are't the most ethical ways for knowledge acquisition. Enterprises have to minimize the use of these methods to be socially accepted. These processes (knowledge acquisition, sharing, storing, etc.) require a certain degree of competence and care, which is why the term Knowledge Management has been created. The KM summarizes the activities defined above. Companies that do not manage knowledge properly may have great difficulties. Knowledge "doesn't

manage itself." So, due to untold knowledge, it may be hidden inside the company to those who need it, but aren't aware of its presence. In this case, the necessary knowledge must be re-acquired in some way. This will definitely cost the organization. These costs include monetary, time and energy costs. Of course, there are also costs associated with managing knowledge, but these are considered as a return on investment over time, to the benefit of companies. The aim of our paper was to learn about the spread of knowledge management among Hungarian and Slovakian companies.

In the first part of our study we review domestic and international literature and journals in more detail. The knowledge itself is presented, defined by the opinions of various internationally recognized professionals. In addition, researchers' definitions from the studied countries are included too. In the theoretical review, we also introduce the process of knowledge management.

## **1 Theoretical background**

### **1.1 The meaning of knowledge**

There is no unified definition that describes what knowledge means. The term has already been interpreted by several researchers based on different approaches. The work of Penrose (1959) should be highlighted. According to her, some of the resources are physical while the other depends on people. The author also emphasized the growing importance of knowledge, but also added that it is a "vague" concept that cannot be treated as a solid factor. (Penrose, 1959)

At the end of the 20th century, further theories and studies were developed on the subject. It is important to mention the work of Davenport and Prusak (1998). In their book, *"Working Knowledge: How to Organize What They Know"*, knowledge is a coherent unit of experience, values, contextual information, and expert knowledge that helps evaluate and incorporate new experiences and information. (Bencsik et al., 2018)

According to Chaudhry, Li and Ren (2008), in the business and organizational sense, knowledge is the so-called "Know-how". So it is a mixture of insight, perception, experience and foresight. In other words, it is a unique blend of intellect and intuition that enables people to be aware of what and how to act.

It is also important to highlight the definition of Peter Drucker (2011). In his view, the basic significant economic resource nowadays is not capital, natural resources and labour but knowledge. Its definition reads as follows: *"Traditional factors of production - land (natural*

*factors), labour and capital - have not disappeared but have become secondary. They are easy to obtain when we have the right knowledge. Knowledge in the new sense means knowledge as a utility and as a means of achieving social and economic results."* (Drucker, 2011, pp. 38)

Various definitions have appeared in the Hungarian literature as well. One of the most well-known definitions is related to Bógel and Tomka (2010). Based on their work knowledge includes the experience, expertise, review, analytical ability, intelligence, values, decision, action patterns, intuitions, attitudes, reflexes and more of the staff.

Hittmar (2006), a prominent figure in Slovak literature, also defines the meaning of knowledge in his book. According to his interpretation, knowledge is completely unstructured and is used inside the human mind. In its opinion, knowledge cannot be processed by information and communication technologies, so it depends on the conscious activity of its owner. This means that the owner cannot be anything other than human. Unlike data and information, it not only describes reality but also causes explanations and answers. This helps human to respond to the problems.

## **1.2 Knowledge management**

Companies need to manage their internal knowledge properly in order to be successful. Economically successful companies are aware of their goals. To achieve these goals, they need some tools. Knowledge is one of the main tools for achieving goals. It is another question how conscious this company is in managing this knowledge. In our opinion there are companies, especially smaller ones, that do not consciously manage knowledge, but their goals "float in front of their eyes" and therefore do their best to achieve them – among other things they do everything to acquire and preserve the important knowledge. (Bencsik et al., 2018; Vlacseková, Mura, 2017)

There are many definitions of knowledge management, but in essence, each term is similarly characterized. Bencsik et al. (2018) describes KM referring to Davenport and Prusak (1998) and Gholami et al (2013) as the management of all activities which aims mapping, gathering, systematizing, sharing, developing, leveraging internally accumulated and documented implicit knowledge, expertise and experience inside the organisation, etc. (Bencsik et al., 2018)

## **2 Aim and research methodology**

We conducted a secondary research in our study. The results of the research show the situation of knowledge management in Hungarian and Slovakian enterprises. We studied the research of KPMG's local unit. This company surveyed Hungarian enterprises in 2000, 2002 and respectively in 2005/06. They also did research in 2013/14. In the first years they worked with a relatively low number of items, but in their later research they already expanded the range of respondents – the 2013/14 research was filled by 299 filled enterprises. In the case of Slovakia, our opportunities were relatively limited, as we found less previous researches on the subject. Finally, Gabris et al. (2012) and Sujanova et al. (2012) were the researches that we searched through. The authors examined the knowledge management of Slovak industrial companies. The disadvantage of these researches is the low number of items (based on 82 filled questionnaires). Another Slovak research is related to Tóbiás Kosár, Górány and Szabó (2014). This study had a larger element count (360 respondents), but the research also examined other factors related to knowledge that aren't part of this study, so we could only use very little data from it.

## **3 The state of the knowledge management**

### **3.1 Hungarian enterprises**

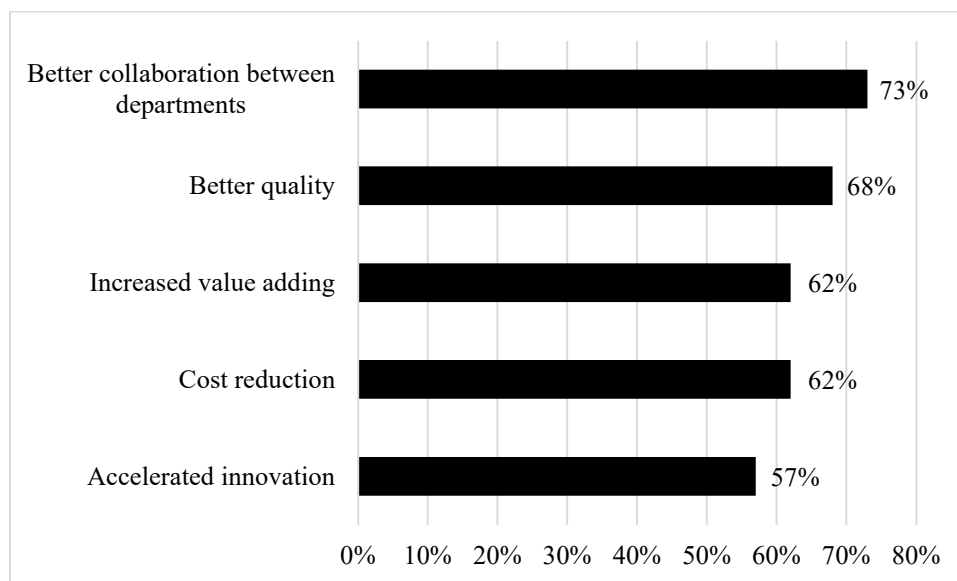
In the following section we will introduce the situation of knowledge management of companies operating in Hungary. To do this we used the data from KPMG which is one of the world's leading auditing and consulting firms. From time to time, the Hungarian branch of this international company assesses the state of knowledge management in Hungary. Their first survey was in 2000. At that time, 18 questionnaires were filled, mainly by financial, telecommunications, chemical and commercial organizations. The respondents of the questionnaire were top-level managers who were engaged in knowledge management. According to the results, most of the surveyed companies were already aware of the importance of knowledge, but weren't able to make good use of the opportunities offered by knowledge management. In addition, they have found that in many cases companies are unable to cope with the challenges. These results are only indicative - due to the low number of responds. The research was repeated in 2002. Thirteen large companies participated in this research. Top and middle managers of these companies were involved, mainly from the human and IT area. This survey found that companies have already realized the impact of a knowledge-sharing culture. Organizations need to create an environment that makes them

effective and efficient and marks the knowledge sharing as an important goal. Research has shown that companies have taken steps to develop this culture properly. Of course, the results of this research can be treated with reservations because of the low number of responds. (KPMG, 2000; 2003)

New research results were published in 2006 under the title "Knowledge Management in Hungary 2005/2006". This research was carried out in collaboration between the KPMG-BME Academy and the Department of Organization and Management at Pannon University, Veszprém. This time 130 organizations participated in the research from all industries and company types. All in all, most Hungarian companies have already recognized the importance of effective knowledge management. Despite this, a relatively well-designed strategy has been developed at few organizations only. (KPMG, 2006)

According to a research (KPMG, 2006) 37% of companies had a formal knowledge management strategy, and 77% said that knowledge was a strategic tool. 46% of the companies had a program, initiative or a project that supports knowledge sharing. The following figure illustrates the expectations that companies have for knowledge management.

**Fig. 1: Benefits expected from knowledge management – Hungarian enterprises, 2005**

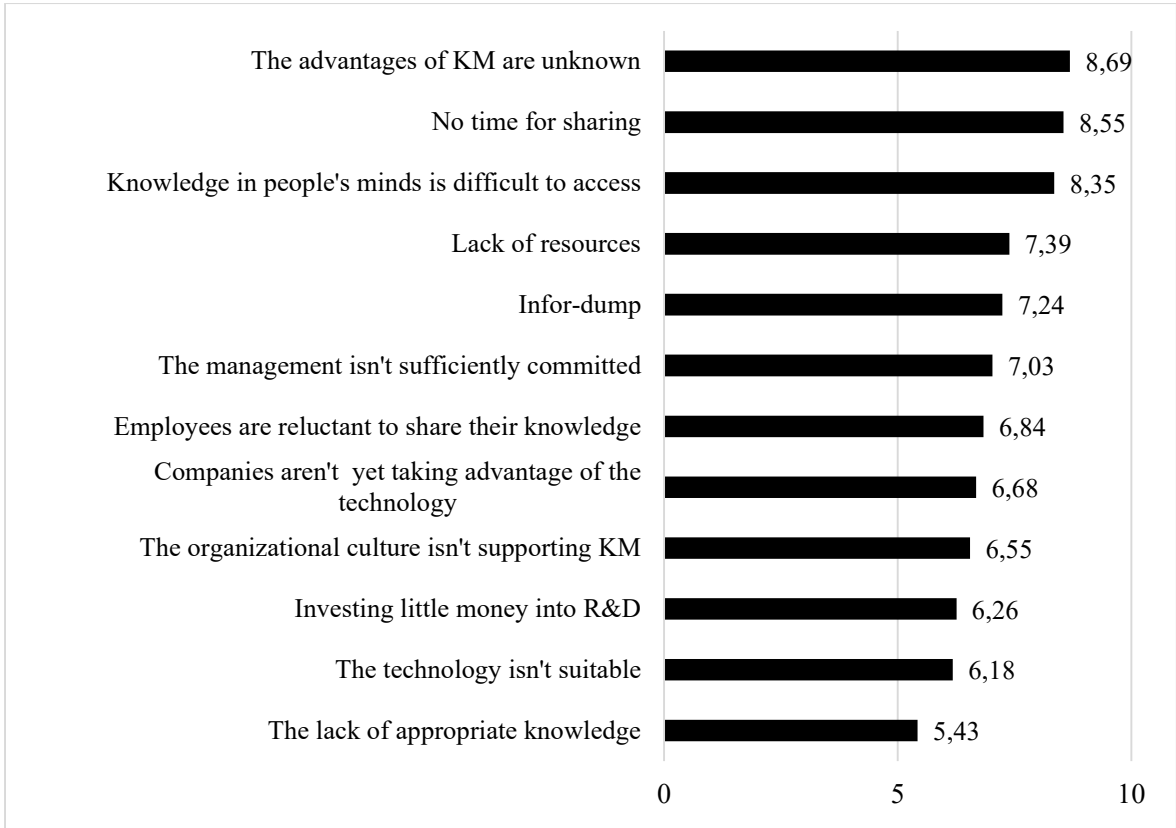


Source: Own editing based on KPMG (2006)

The figure shows that the participating companies have quite high demands on knowledge management. Organizations believe that knowledge management should be the most important (73 percent) to facilitate collaboration between departments. The research also highlighted what Hungarian companies consider to be the biggest problem with knowledge management. These obstacles are illustrated in the following figure. (KPMG, 2006)

The values shown in Figure 2 are in proportion to the markers for the given answer. It is evident that the majority of respondents believe that the benefits of knowledge management are still largely unknown. Some say the lack of time is a major drawback. The technological factor appears in several cases too. Some contributors believe that companies aren't yet taking advantage of the technology, while others believe that the right technologies don't exist yet. In our opinion, it is a big problem if the management is not committed enough to implement knowledge management. It is also worrying that in many cases employees are reluctant to share their (mainly tacit) knowledge. Thus, the fear of their own position causes great damage to the company. (KPMG, 2006)

**Fig. 2: The main problems related to knowledge management**



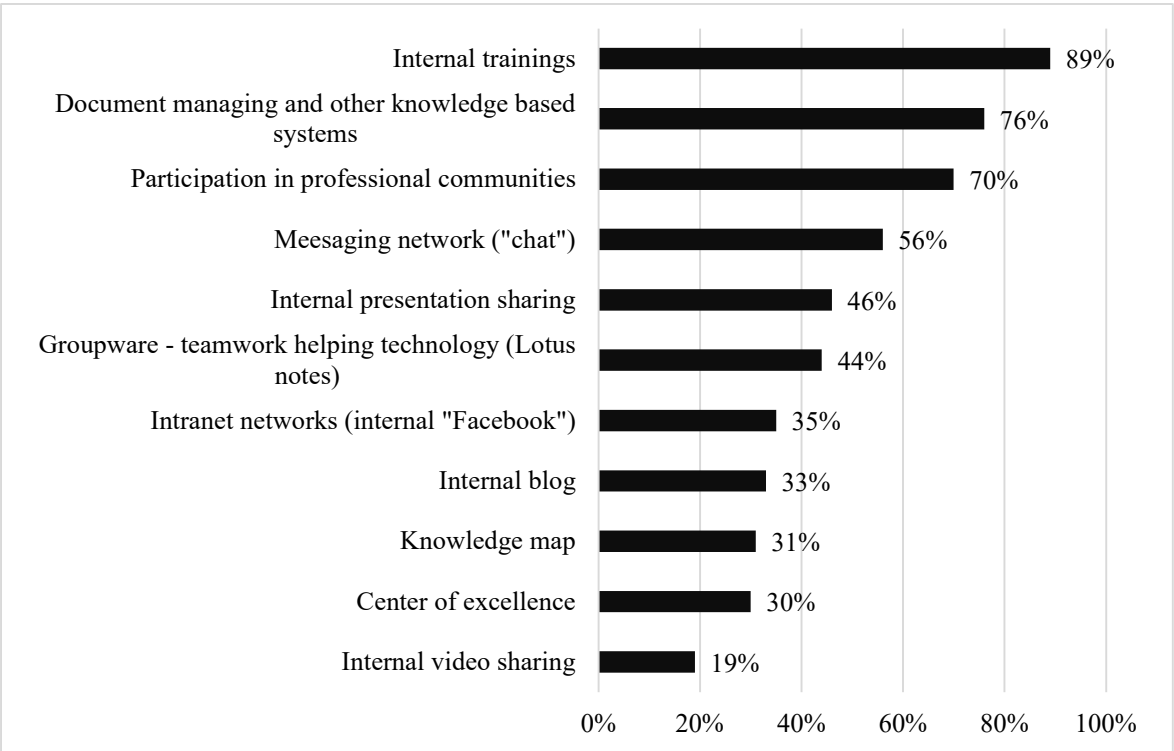
Source: Own editing based on KPMG (2006)

KPMG also completed its research in 2013/2014 (KPMG, 2014). The survey addressed 1,500 companies, of which 299 responded. 27 percent of those who filled in were senior- and 42 percent were middle managers. The remaining 31 percent represented employees. 54% of the respondents were employed by a domestic subsidiary of a foreign company and 46% by a Hungarian-owned company. According to the "traditional" classification, 55 percent of the respondents worked in large-, 24 percent in medium-, 10 percent in small-, and 11 percent in micro enterprises. (KPMG, 2014)

Based on these data, still 37 percent of companies had a formal knowledge management strategy, but the proportion of those who believe that knowledge is a strategic tool has increased by 4 percent, from 77 to 81 percent. Formulating a formal strategy is most important for large companies. For these companies, 45 percent of the respondents have some kind of knowledge strategy. For SMEs, the rate is much lower – 29%. There is a similar difference between foreign and domestic companies. In this case, the ratio is 47-27 in favour of foreign-owned companies. Compared to the previous (2005/2006) data, the proportion of companies that had a program, initiative or project that supports knowledge sharing increased significantly – from 46 to 69 percent. (KPMG, 2014)

The research also covered the technologies and practices used in the examined Hungarian organizations that encourage knowledge sharing. These results are summarized in the following figure. (KPMG, 2014)

**Fig. 3: Distribution of internal technologies / practices in the Hungarian organizations under investigation as a percentage of respondents**

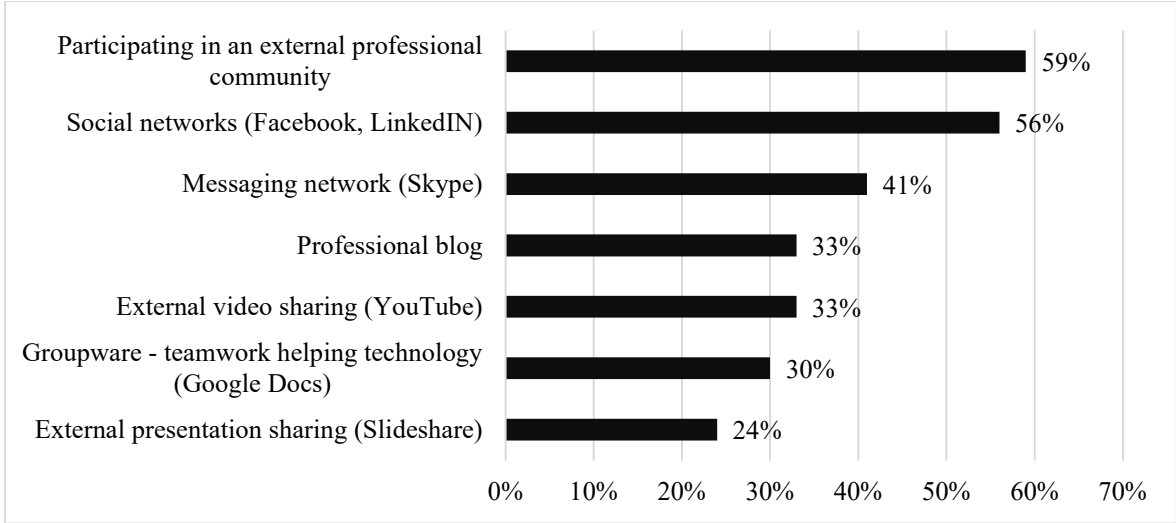


Source: Own editing based on KPMG (2014)

It is evident that 89% of the respondents think that the internal trainings are the ones that serve the most the transfer of knowledge. Document managing and other knowledge-based systems also have a big role (76%) to play. The opportunity to participate in professional communities – which was mentioned by 70% of respondents – is also worth

highlighting. The research also looked at the state of external technologies and practices. Based on the results, the possibility of participating in an external professional community can be highlighted among these tools. Although participation in these communities is slightly lower than the above-mentioned internal professional communities (59% versus 70%), nonetheless the majority of the respondents marked this option as the best external tool. “Social networks” was the second most frequently (56%) nominated option. Good examples for these are Facebook and LinkedIn. It can be seen that more people have chosen this solution than the intranet network, which actually works as an "internal Facebook". Noteworthy are the messaging network, the professional blog and the external video sharing. Interestingly, external video sharing (33 percent) is more popular than internal video sharing (19 percent). On the other hand, the results show that external presentation sharing is less popular (24 percent) than internal (46 percent). The results shown are graphically illustrated below. (KPMG, 2014)

**Fig. 4: Distribution of external technologies / practices in the examined Hungarian organizations as a percentage of respondents**



Source: Own editing based on KPMG (2014)

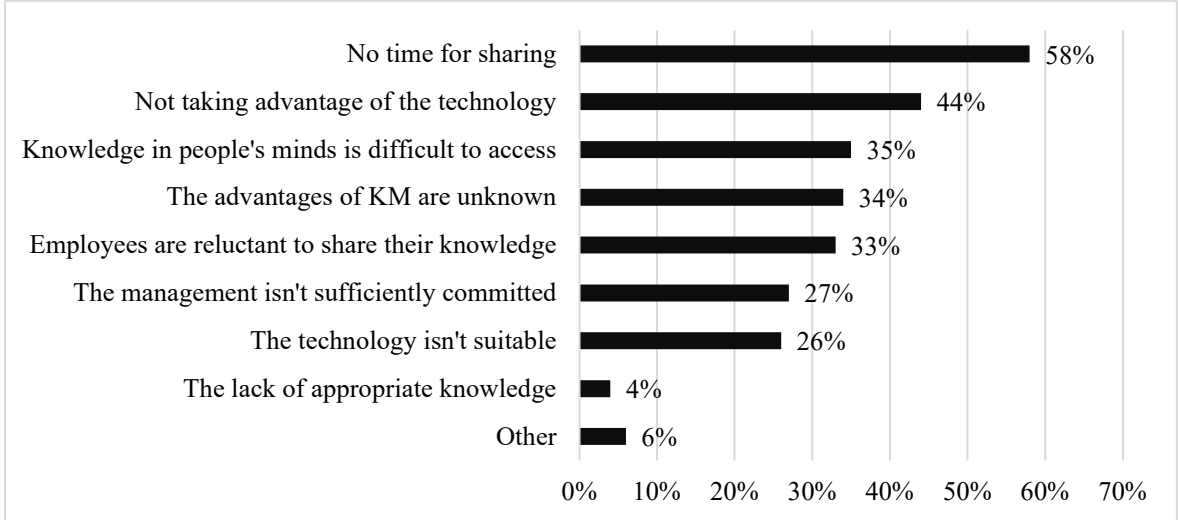
KPMG's (2014) research also highlighted the factors that make knowledge sharing more difficult in the Hungarian organizations under study. There are only a few changes compared to previous surveys. Based on this, more than half (58 percent) of respondents believe that there is no time to share knowledge. This may be due to today's accelerated corporate lifestyle, which has a profound impact on employee behaviour. In many cases, employees focus only on their own tasks and do their best to do it properly. Therefore, they do not even have time to help others, for example, by sharing their knowledge. This is often a



problem when hiring a new workforce, as nobody has time to work instead of two. However, the new employee can only work slowly and with mistakes, which can be a disadvantage for the company. Nearly half (44 percent) of the respondents marked that companies aren't taking advantage of the technology. Thus, we conclude that respondents believe that technology can help in knowledge sharing.

35 percent of individuals thought that knowledge in people's minds was difficult to access. So in this case we are talking about tacit knowledge difficulties. Compared to the previous figures, it remains a major concern that management is not sufficiently committed to the implementation of knowledge management (27%). It is still worrying that many (33 percent) believe that employees are reluctant to share their knowledge. These phenomena should be further improved in order to ensure the smooth flow of valuable knowledge transfer and sharing within the company. (KPMG, 2014)

**Fig. 5: Factors hindering knowledge sharing in the examined Hungarian organizations**



Source: Own editing based on KPMG (2014)

**3.2 Slovak enterprises**

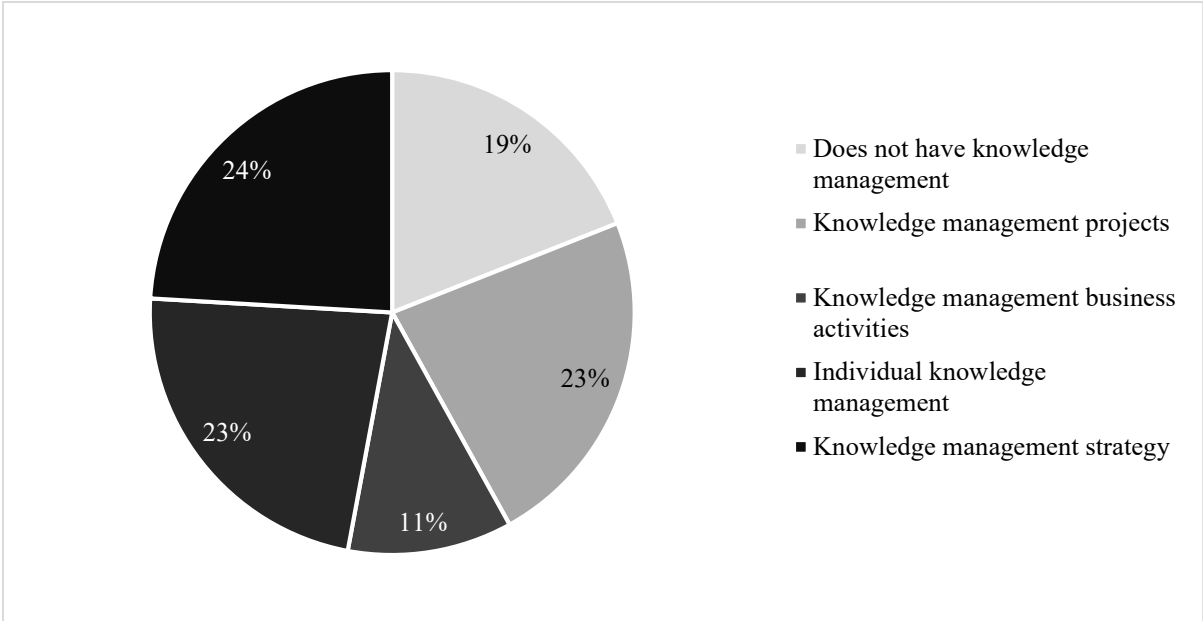
In the case of Slovakia, the situation of knowledge management is relatively less researched. In this subchapter, we present the results of three studies that can be highlighted in some respects. One of them is related to the name of Tóbiás Kosár, Gódány and Szabó (2014). The authors examined 360 companies from three Slovakia districts (Komárno, Dunajská Streda, Nové Zámky). 73 percent of the enterprises participating in the research are micro and 11 percent small. 8% were medium-sized and 8% were large enterprises.

The answers show that 73 percent of respondents said that knowledge management plays an important role in corporate strategy. All large companies consider knowledge to be a

tool of strategy. The research reveals that the majority of Slovak entrepreneurs have already recognized the importance of knowledge management, but the appropriate financial resources aren't available for implementation. Most micro-sized enterprises do not have their own statements showing how much they spend to properly manage their knowledge. For companies that still have such a statement, only 0-2 percent of the total cost is spent on knowledge management. The situation is similar for small businesses. 45 percent of medium-sized companies spend 5-6 percent of their total cost on knowledge management. 43 percent of the surveyed large-sized companies spend 10 percent of their total spend on knowledge management. (Tóbiás Kosár, Gódnány, Szabó, 2014)

Gabris et al. (2012) and Sujanova et al. (2012) examined the maturity level of knowledge management in industrial companies. Their research was based on 86 completed questionnaires. The study reveals how companies relate to the implementation of knowledge management.

**Fig. 6: The situation of knowledge management at Slovak industrial companies.**



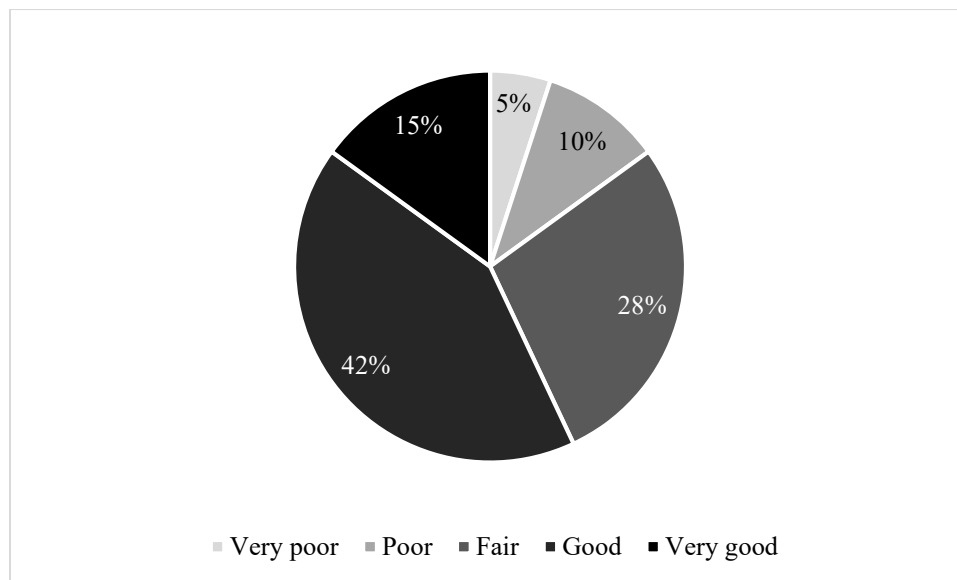
Source: Own editing based on Gabris et al. (2012) and Sujanova et al. (2012)

24% of participating companies have a knowledge management strategy. Another 23 percent have knowledge management projects, while 23 percent said that knowledge management works in an individual way within the company, so it is not "centrally" organized. In our opinion, this is a somewhat surprising result, since the right knowledge requires the right person to be guided and planned. It cannot "break the road" on its own. 19% of filling companies do not perform any form of knowledge management. We believe this is a

relatively high rate. 11% of respondents indicated that their business was based on knowledge management. (Gabris et al., 2012; Sujanova et al., 2012)

The researchers also looked at employees' access to knowledge. According to the results, 57 percent of those who completed the survey believe that their organization has relatively easy access to the knowledge they need. In contrast, the proportion of those who think they have less access to the necessary knowledge is 15 percent. 28% of respondents indicated a moderate opportunity. Based on these answers, it is certainly positive that such a high percentage of people have access to the knowledge they need at any given time. The answers to this question are detailed below. (Gabris et al., 2012; Sujanova et al., 2012)

**Fig. 7: Access to the enterprise knowledge**



Source: Own editing based on Gabris et al. (2012) and Sujanova et al. (2012)

## Conclusion

In our study, we examined the relationship between knowledge management in companies in 2 countries using secondary data. Since our data came from several different studies, it wasn't possible to fully compare their results. Some studies have focused merely on certain areas of competition, while others have focused only on certain company sizes. Occasionally, some studies have investigated other factors that our research doesn't address. Because of that the results of these studies were of limited use. Comparison is also complicated by the fact that some studies have worked with relatively lower number of items.

Nevertheless, some similarities can still be found between the 2 countries. When we look at size, it is usually large companies that are more engaged in knowledge at some level. These companies have more sophisticated assets. One of the biggest obstacles to knowledge

management is that the management and the employees have less time and information about the management of knowledge. In order to improve in the future, it is worth raising the awareness of companies about the usefulness of knowledge management. We believe that knowledge will become more and more important in the future, so we need young employees who are aware of it and are open to share their own knowledge in order to make the enterprises more successful.

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