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KNOWLEDGE MANAGEMENT DURING DOWNSIZING: CASE STUDY OF SERBIAN COMPANIES

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CONTENT

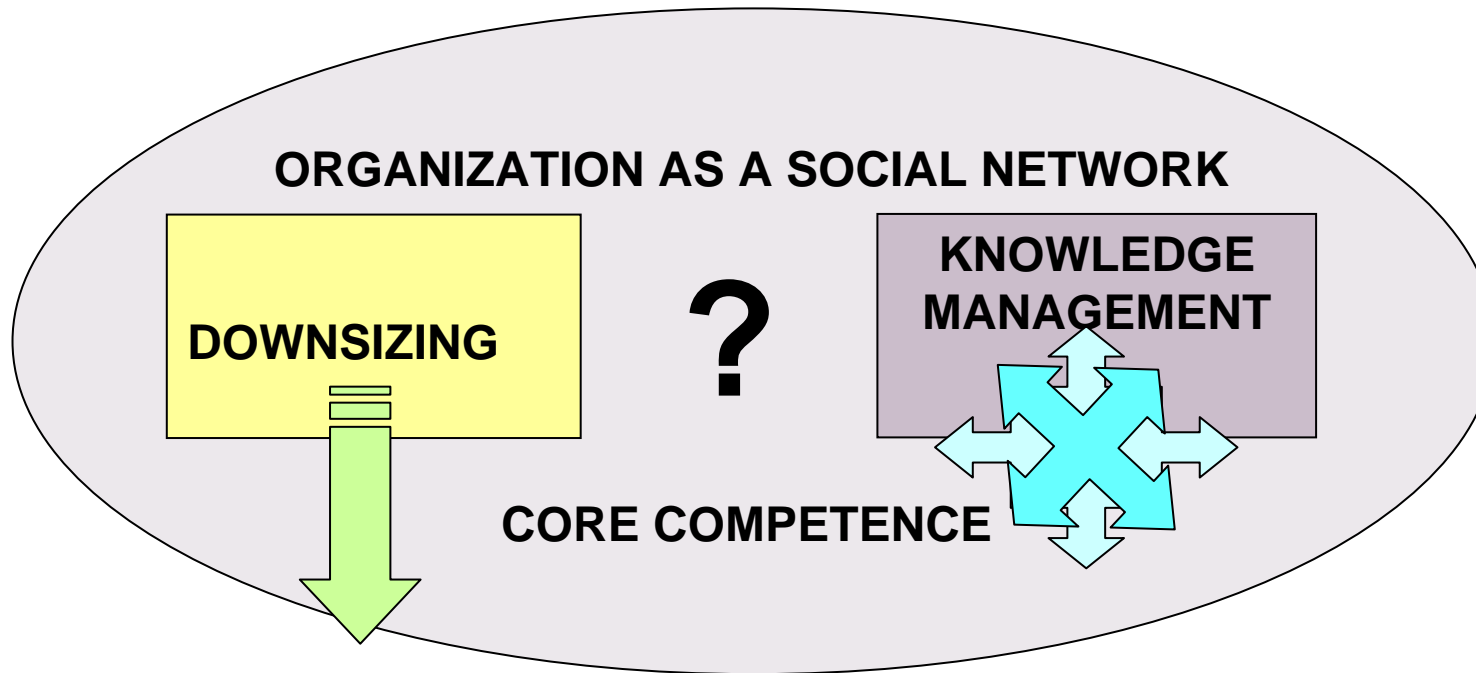
- PURPOSE AND RESEARCH QUESTIONS
- THEORETICAL BACKGROUND
- MODEL OF KNOWLEDGE-BASED
DOWNSIZING
- METHODOLOGY AND EMPIRICAL CASES
- FINDINGS AND CONCLUSIONS



PURPOSE

- DOWNSIZING STRATEGY IMPLEMENTATION MODEL THAT RESPECTS THE SIGNIFICANCE AND ROLE OF ORGANIZATIONAL KNOWLEDGE

RESEARCH QUESTIONS

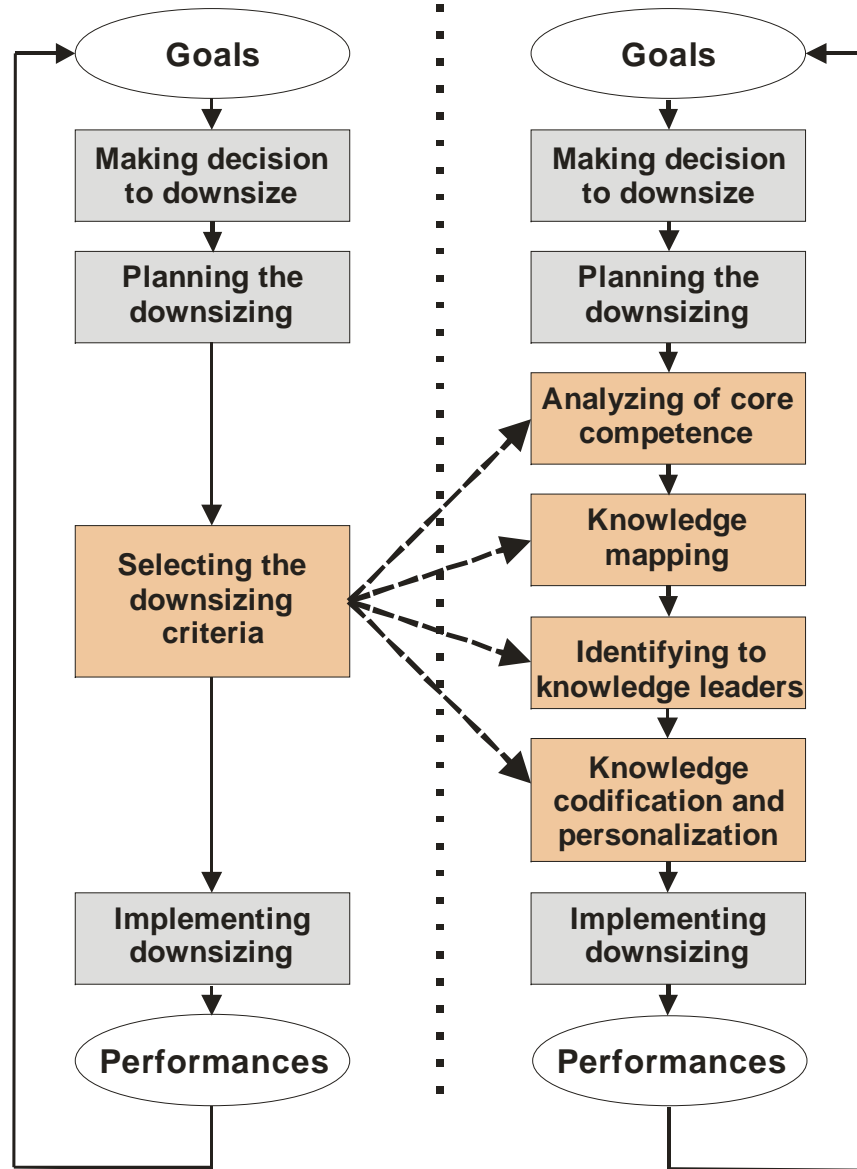


ARE THESE TWO ORGANIZATIONAL TRENDS COMPATIBLE?



THEORETICAL BACKGROUND

- **Downsizing** is a strategic decision that use permanent personnel reductions in an attempt to improve its efficiency and/or effectiveness (Budros, 1999).
- **Core competence** - The resource-based strategy paradigm emphasizes distinctive, firm-specific and thus hard-to-copy assets, skills and knowledge. They are referred as core competencies or distinctive capabilities (Prahalad, Hamel, 1990).
- **Knowledge management** applies systematic approaches to find, understand and use knowledge to create value (O'Dell, 1997).



TRADITIONAL VS. KNOWLEDGE-BASED DOWNSIZING APPROACH



METHODOLOGY AND EMPIRICAL CASES

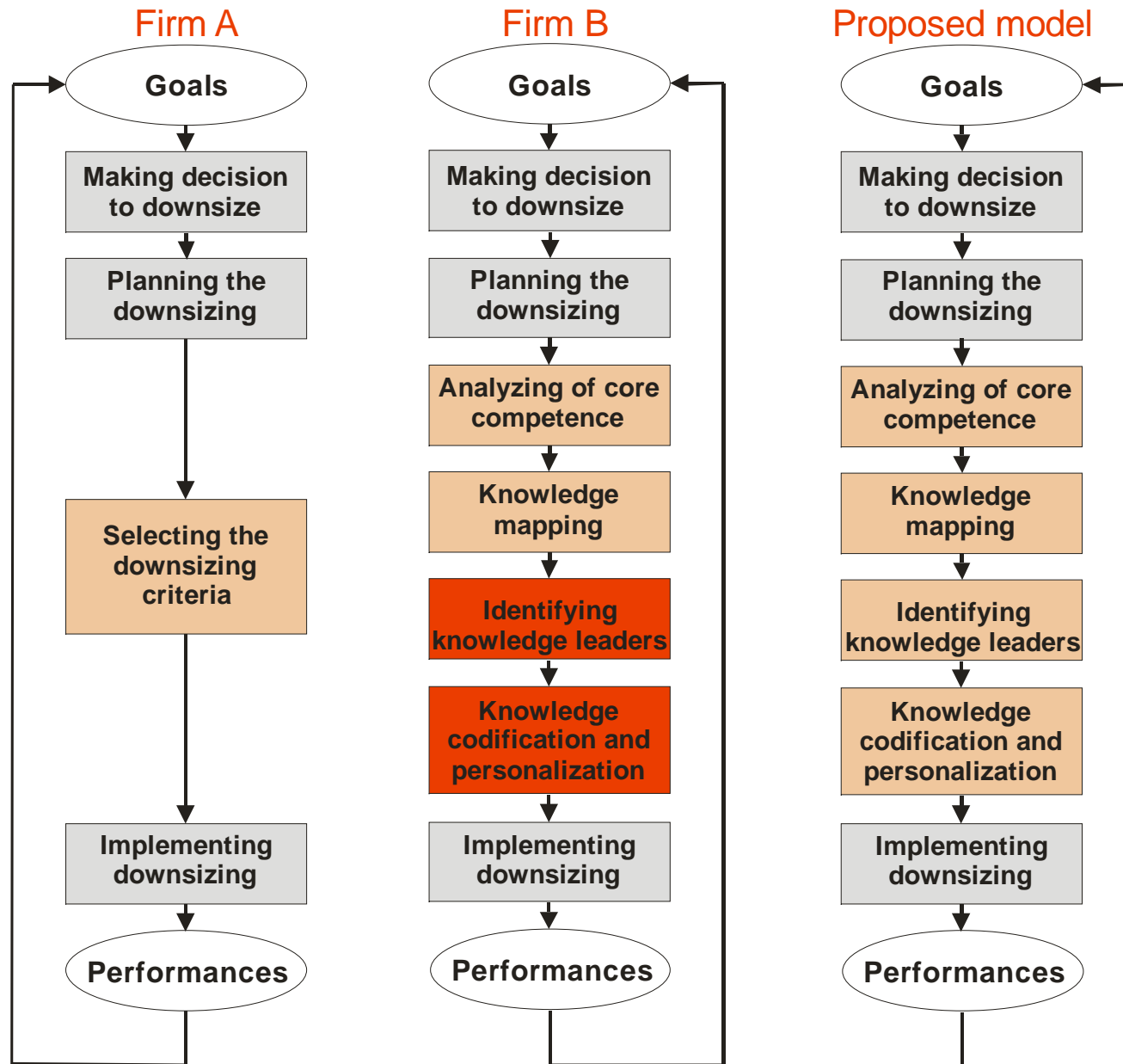
- The empirical data collection was primarily based on the primary sources (one-to-one interviews with HR managers of the observed companies) and on the secondary sources (analysis of company documents).
- Two companies from manufacturing sector with similar background- socialist economy, state owned, overstaffing, low productivity, poor work discipline.
- Two privatization models: In firm A special restructuring program; in firm B privatization was finished 2005 by direct sale.

FINDINGS:

	FIRM A	FIRM B
Industry	Auto industry	Broaches and machine tool
Ownership	State owned	Private
Organizational structure	Functional	Functional
Organizational Life Cycle	Declining	Maturity
Beginning of downsizing	2001	2005
No. of employees before downsizing	11348	320
No. of employees after downsizing	4400	170
Employee reduction %	61%	47%
Downsizing implementation strategies and tactics	Workforce reduction strategy <ul style="list-style-type: none"> •Buyout packages, •Early retirement, •Natural attrition, •Training for redeployment •Layoffs 	Systemic strategy <ul style="list-style-type: none"> •Staff involvement •Simplification of processes •Bottom-up change •Continuous improvement
Criteria	No. of years to retirement, Work quality and creativity, Social status, Loyalty and Political association	Regular retirement, Controlled voluntary attrition

	FIRM A	FIRM B
Driving forces for downsizing	Losses of major markets	Privatization
Performance before downsizing	State subventions 40% (ratio state subvention/total expenses 2001)	Total revenue 2004 5 361 111 €
Performance after downsizing	State subventions 29% (2006)	Total revenue 2007 6 625 000 € (growth 23%)
Core competence	“customer benefit” (customer did not have opportunity to choose)	Custom designed, hand work and CNC production
Key knowledge workers	Engineers	Engineers and well skilled workers
Key tacit knowledge	Formed in informal social networks	Individually possessed special skills in tool production
Key explicit knowledge	Technological procedure	Construction procedure: own or provided
The type of knowledge most relevant for core competence	Explicit	Tacit and explicit

HOW TO PRESERVE THE CORE COMPETENCE DURING THE DOWNSIZING STRATEGY IMPLEMENTATION?





CONCLUSIONS

- Traditional approach to downsizing does not provide preservation of organizational knowledge and core competence during downsizing.
- How to preserve the core competence during the downsizing strategy implementation?
 - Analysis the core competence.
 - Knowledge mapping
 - Identify knowledge leaders.
 - Knowledge codification and personalization
- Role of leadership
 - Lack of change leaders
 - Leadership in politics, not in business
 - Transformational leadership
 - Knowledge leader



THANK YOU FOR YOUR ATTENTION!



DISCUSSIONS

**THOSE WHO LEAVE BECOME SURVIVORS,
AND THOSE WHO STAY BECOME VICTIMS
(NOER, 1993)**

