

# PREFACE

*"The soul of an economy knowledge is a constant striving for innovation; the source of its power is education. In today's world, the competitive power of the states essentially represents a competition of the knowledge level".*

Li Tein

In the last 15 years, the importance of the many issues related to the knowledge and its management is rapidly growing, both in academic and research circles. There is a growing importance of global processes, regardless of their advantages and weaknesses, or their causes and consequences. They produce the capacity for competitiveness in the global market, as the most important component of the economic power of some states, regardless of the mutual state dependence, as a result of globalization. The success and stability of modern companies predominantly depend on the continuity of innovation. It imposes a shortened life cycle of goods and services. Economic growth and development depend on the continuity of technological revolutions that change the structural characteristics of the socio-economic relations. In all these fields, *a knowledge is obligating component*, and therefore it imposes, among other things, the idea of its *paradigmatics*. *A paradigmatic knowledge* is indisputable today for several reasons, but primarily because of its dominant importance for the future of humanity and sustainable development. In addition, another reason is the number of theoretical concepts containing knowledge:

- the concept of knowledge as the only unlimited *resource* and the key factor for sustainable development,
- the concept of knowledge as a *product*, because production of knowledge is the most important determinant of modern economics,
- the concept of *codified knowledge*, which becomes the most important component of the economic relations,
- the concept of *economy knowledge* and *society knowledge* as the most important consequences of an information society development, and
- the concept of the *new economy* (hereafter n.e.) as questionable theoretical and methodological construction, found in the jargon and articles of many authors.

The economic and social reality is changing and becoming more complex very quickly. Those changes are adding up. They establish and develop new connections between individuals, companies, organizations and states. A complexity, uncertainty and variability of the environment are the only constant components in the life of organization. Under those circumstances, the sustainability of any business system requires knowledge, its use and continuous growth. This is also the reason to accept the idea of *paradigmatic knowledge*.

Thoughts about the actual economic functioning of post-industrial type (n.e.) and the knowledge society, as well as post-communist „transition type“ drew our attention, while writing this text, on the three important questions:

*First:* How to achieve efficient business, economic growth and sustainable development in practice (or how to overcome the crisis);

*Second:* Does n.e. in theory mean new paradigm or not; and

*Third:* What are the key conditions (institutional or other) that determine the significance and role of knowledge in society?

The answer to the first question involves adjustment and use of other exemplary models. The answer to the second question is a belief that n.e. creates a new paradigm, but only in the strategic management (V. Draskovic 2003, p. 30) and in the department of economic practice, in terms of need for *paradigmatic change* the way of thinking of economic agents and their behavior. The answer to the third question is the result of our long research of respective neo-institutional economies and use of its positive ideas and results in the developed countries and economies. Regardless of all other necessary conditions, there is no doubt that the character of the institutional conditions is fundamental in determining the importance and the role of knowledge in a society and economy.

In view of the new paradigm, it seems that n.e. deserves that title only in terms of creating a completely new economic reality, business skills, new nature of the company, its structure and organization. A contract approach has revived the company role as a „black box“, where resources go in, combine, and then come out as a final products. N.e. raises new questions to the economic science, and the most of them are contradictory: Why within the company, as a market subject, operate more and more non-market ventures (intra-company transfer)?

No matter how more or less *paradigmatic significance* has been affixed to n.e., period of its creation caused significant and revolutionary changes, which have been scientifically monitored, analyzed and researched. Economic science and economic reality have entered a new epoch long time ago, which can

be defined as pluralistic institutional and economic synergetics. It rests on the evolution of complex, dynamic, open and virtual business systems based on the principles of flexible self-organization, equal and „floating“ (mobile, temporary) cooperation between partners and limited autonomy. It is expected that the rapid changes of the economic reality (influenced by n.e.), the structure of contradictions, priorities, value system and criteria, affect the development of many new directions of economic thought.

Knowledge, fundamental and applied science have always changed the world for the better. They have solved most of the development problems. The importance of market knowledge, as the element of economy knowledge, is exceeding the importance of Material Flow market. In this way, the role of the effective knowledge management is gaining importance.

This manuscript points out:

- the growing role and value of the knowledge in creating a competitive advantage in modern turbulent conditions, where the only certainty is uncertainty,
- the imperative necessity of forcing its maximum and the broadest use at all levels and in all segments of society,
- the need for continuous learning and acquiring new knowledge, without whom sustainable development of economy and society would be hard to imagine,
- the fact that developed institutional environment is the most important condition for creating a successful model of knowledge use and management,
- the need for civilized relation towards the knowledge,
- the need for adequate investment in knowledge, expansion of knowledge and specialization of existing and available knowledge,
- the need for productive use of other people's knowledge and innovation to the highest extent,
- the need for an impartial selection, evaluation, and appreciation of knowledge at all levels and in all sectors of society, and
- the need for a critical attitude towards the quasi-knowledge.

In this manuscript many important research aspects of knowledge were ignored, such as creating the conditions for its reproduction, mental models in the system knowledge, innovation business, detailed analysis of the conceptual definition, business intelligence, etc. We could have not avoided certain functional repetitions, because it would damage the meaning -and concept of the

author's texts, published in various journals. We felt that some of them should be partially, edited and/or completely saved from oblivion by presenting it in this text and adjusting it to the title. We decided to do so only because of the dominant importance of knowledge for social and economic development, and belief that it is never possessed enough by anyone.

From the point of modern science and methodology, all or almost all has been already written about knowledge. The knowledge is a scientific field which is extensively analysed in the international literature from the perspective of many scientific disciplines: economics, organization, management, computer science, psychology and others. This is an attempt to briefly systematize its extensive holdings and its conceptualization in one manuscript, directed to adjust the focus the emphasis of the importance of *paradigmatic* knowledge. Therefore, the text is mostly clear. In our conditions there are no funds for scientific research, nor possibilities for a some new and original explanations of so significant, multidisciplinary and multidimensional phenomena such as knowledge and its many aspects.

We believe that our message about the need for maximum enforcement and application of knowledge, as well as other numerous messages in this manuscript, will motivate some of the readers and students to focus on researching, creating and expanding of it. That would be the most beautiful appreciation of our efforts made in writing and shaping this text. The future will only exacerbate the stated need for knowledge. That is particularly important in the current situation of hyper-producing graduations without real coverage in knowledge. Hopefully, in this region will soon really respect and motivate knowledge, not just mention it, rhetorically and formally, in the media, and essentially bypass the reality. We believe that the evaluation criteria and standards of knowledge transfer should and must be at the highest possible level, in every way. This is the only solution for a successful future and for overcoming all of the crisis. In the field of knowledge there is no room for improvisation, omissions, concealment and manipulation.

From methodological point of view, this manuscript is based on data, views, researches and analysis of well-known authors in multidisciplinary field such as knowledge. The subject of research is to explain the main trends of modern development in areas dominated by knowledge and affirmative relationship with it in n.e., the knowledge economy and knowledge management. It is a civilization and paradigmatic breakthrough and the phenomenon that deserves a comprehensive consideration. In accordance to the subject, there is a *scientific research problem*, which consists of:

a) analysis, research and explanation of all significant contemporary phenomena, factors of influence, development trends and strategies related to knowledge and

b) efforts to, in some basic and final considerations affirmatively and/or critically review some of the elements that characterize successful role model of development, implementation and management of knowledge.

Basic premise and two auxiliary hypotheses are determined by the subject and the problem of scientific research. The basic hypothesis is: *the dominance of knowledge, and its importance in modern society and economy, essentially determine the competitiveness on the corporate and national levels, representing the factors of definition and success of development vision, strategies and appropriate policies on the micro and macro levels.*

Auxiliary hypotheses are: first, *the development of knowledge, in addition to investment and other influencing factors, needs to develop and stabilize institutional conditions,* and second, *the paradigm of knowledge led to its revolutionary creation and implementation at all levels of the economic, political and social reality, and the new phenomena in economics called new economy, knowledge society and knowledge economy are just a result of its essential nature - paradigmatic.* The main goal of the research is to:

- provide a new approach to the problem of knowledge, through the prism of gradual connection of the new economy, the knowledge economy and knowledge management,
- systematize and comparatively analyze the most important current theoretical and empirical approaches to the subject topic,
- show the relevant theoretical and methodological stances known by the subject area,
- show the development of modern tendencies and phenomena related to the knowledge,
- explain the importance of paradigmatic knowledge and the need for its implementation,
- send the main message of this book about developing knowledge, creating new knowledge, and appreciation of its maximum application, as imperative.

We have tried to provide a scientific contribution in terms of a number of research limitations. This contribution will get the best evaluation by our readers and critics, and may be found in:

#### XIV KNOWLEDGE KEYSTONE OF THE MODERN ECONOMY

- analysis and synthesis of extensive theoretical materials, many models of knowledge, definitions and attitudes of knowledge, and the ways of its usage as the part of organized learning,
- the original conception of the manuscript, which is functionally focused on the above-mentioned revolutionary paradigmatic knowledge and motivation for further research, and
- the original, modified and/or adjusted graphic modeling, focused on emphasizing basic function of knowledge by providing opportunities for effective and innovative action.

We hope that we've fully verified this hypothesis with its relevant scientific attitudes, their classification, functional and comparative analysis that we've conducted and drawn conclusions. Whichever empirical research we carried out, it would show that the knowledge level in most of the transition countries (where we belong) is not sufficient. Therefore, it is essential to learn more and more, and to acquire new skills and apply them in practice. That is the basic message and the target function of this book. It surely points out that "a knowledge is power", but only in a developed institutionalized environment. An ignorance is a weakness.

But the ignorance (conscious or unconscious) can sometimes be used as a successful and interesting method of a primitive tool of so-called „elite“ and alibi-reformers for initiating a mass delusions, confusions, replacement thesis, etc. And it may sounds (and it is) absurd, paradoxical and illogical. Examples are numerous. The first one is pushing a quasi-institutional monism (economic vulgarized neoliberalism) and ignoring institutional pluralism. The second example is imposition of the „expert“ opinions. That is the most recent global, financial and economic crisis, caused by so-called excessive public spending and uncontrolled growth of wages (not that the main causes are banks and financial markets with uncontrolled flows of capital and virtual, unreasonable securitization in the real estate market). The third is a rhetorical denial of government regulations in elementary functions, with taking the project funds from the government project funds "out of hand." The fourth is the declaration of the small business operations, (which has never even been a craft) and some sort of science courses (!). It is about lifting and lowering a boat, using a fire extinguisher, training on a simulator that is outdated for a decade, compared to the children's computer games and alike. „Instructors“ for mentioned „skills“ receive enormous sums ranging from a few to 17 thousand € every 2-3 months, in accordance to the rule book, which allows the unrealistic number of hours per day (over 100 - value for Guinness).

This manuscript is structured in three parts, forming a compact unit and logical step in the historical, research and methodological point of view. A consideration of paradigmatic knowledge begins with the characteristics and phenomena of n.e., the knowledge society and economic network, further expanding of the knowledge economy and its major determinants (knowledge, innovation, intellectual and social capital). It ends with many complex aspects and models of knowledge management.

Through the prism of the relations between our limited resources and enormous needs for new knowledge, we are aware of not achieving the results that can generate and create new knowledge and innovation. That should not diminish the importance of this manuscript for a larger audience, for several reasons.

*First*, this manuscript represents a huge, nearly decade-long effort in processing extensive bibliographic material, selection, structuring and translating the texts of many known and recognized authors in discussed field, as well as composing and synthesizing a large number of interpretations, applications and models of knowledge and related categories.

*Second*, this manuscript completely, from cover to cover, indicates an urgent need for scientific civilization advance towards acceptance of knowledge, determining the *paradigmatic* knowledge, which is why the book is so entitled, as well as transition from the „destructive construction“ (the term of D. Stojanov) towards Shumpeter’s „constructive destruction“.

*Third*, this manuscript, as a guideline, refers to all relevant social structures, acting and decision-making levels of the necessity for an unconditional acceptance of this new paradigm of knowledge as a development imperative in all social and economic sectors. Therefore, he warns that any disregard, bypass and substitution of knowledge leads astray, and calls for crises and developmental delay. Uncritical attitude toward knowledge, in all its forms, is the same as its neglect and denial. Minor investment in knowledge produce similar effects, it is known that developed countries allocate 3-4% of theirs GDP on research and development, plus on various forms of education, research for the military and cosmic industry, etc. Intellectual capital can not be created in the conditions of neglected knowledge, ignorance and negative personnel selection.

*Fourth*, this manuscript should draw the attention of young researchers, and motivate them to deepen, improve, expand, develop and scientifically shape themselves in many understated aspects. It is desirable to direct them into a new research of knowledge and innovation.

*Fifth*, this manuscript should help students and all concerned readers to adopt modern concepts and principles of knowledge, to understand its extraordinary, strategic importance and its contemporary and future role.

The finalization of this manuscript was contributed by an expert advice, suggestions and reviews of inspiring and distinguished professors of economics, to whom we are very grateful:

***Yochanan Shachmurove***, The City College of the City University of New York, Department of Economics and Business, USA,

***Evgeny Popov***, Member of Russian Academy of Sciences, Chief Secretary of Ural Branch of the Russian Academy of Sciences, Russia, and

***Miomir Jaksic***, University of Belgrade, Faculty of Economics, Serbia.

We are very proud to announce that this is the first book published by the recently-launched international publishing house The Scientific Publishing Hub.