Chapter IX

Knowledge Management Support for Decision Making in the Pharmaceutical Industry

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ABSTRACT

The purpose of this chapter is to explore the practical application of knowledge management as an aid to decision making by pharmaceutical firms which comprise an industry that seems very well suited for knowledge management investigation. Although researchers assert that knowledge management has moved beyond fad status to become mainstream, practitioners remain skeptical and express major concerns regarding the ambiguity surrounding the sub-discipline associated with the management of knowledge. The major players in the pharmaceutical industry have already implemented knowledge management systems and therefore may experience a competitive advantage over other pharmaceutical companies. No attempt will be made in this chapter to suggest how the lessons learned from the pharmaceutical industry can be generalized to other industries.

INTRODUCTION

The success of the global industrial economy suggests that a great deal is known about how to make good decisions regarding financial capital and tangible economic resources. Over the past decade, as management priorities have shifted to less tangible concerns (e.g., quality, service, innovation) that rely on intellectual capital,
ideas and knowledge have emerged as key factors in the decision making process. Paradoxically, knowledge and uncertainty are both increasing at disquieting rates. Micklethwait and Wooldridge (1996) suggest this has forced companies to respond with dramatic changes to their organizational structures, but that manager’s problems with knowledge persist—they need to learn how to “grow” and manage knowledge resources as well as they have grown and managed capital resources in the past.

Moreover, managers must also learn how to take advantage of those gifted few people who are born bright enough to make connections and generate ideas more rapidly and creatively than their coworkers. These workers need freedom, not structure, to keep their minds free and to keep their unique skills up-to-date. Too late, firms have realized that it is often the middle managers, lost in reengineering rightsizing reorganizations, who play an essential role in bringing together the people with such tacit knowledge.

The relative complexity of the pharmaceutical industry, which spans the challenging science of drug research and development and includes the psychology of indirect marketing, places special decision making demands on managers. Pharmaceutical companies must excel at innovation and collaboration; they are knowledge-intensive, which suggests that the use of knowledge management would be pioneered to facilitate innovation, proliferate best practices, and obtain and utilize competitive intelligence and knowledge from within and with their partners and alliances—in short, to make better decisions.

The purpose of this chapter is to explore the practical application of knowledge management as an aid to decision making by pharmaceutical firms, which comprise an industry that seems very well suited for knowledge management investigation. Although researchers assert that knowledge management has moved beyond fad status to become mainstream, practitioners remain skeptical and express major concerns regarding the ambiguity surrounding the subdiscipline associated with the management of knowledge. No attempt will be made to suggest how the lessons learned from the pharmaceutical industry can be generalized to other industries.

**BACKGROUND AND THEORETICAL FRAMEWORK**

Knowledge in general and knowledge management in particular are complex, multifaceted concepts. Micklethwait and Wooldridge (1996) remind us that Peter Drucker coined the term knowledge worker in 1959 and has since argued that the real basis for sustained economic growth is not discovery of new technologies, but the invention of new (learning) organizations.

Pressman (2001) defines knowledge (see Figure 1) as associatively within multiple contexts, which is surpassed in usefulness only by wisdom—the creation of generalized principles based on existing knowledge from different sources. Analogously, “only connect” was the constant admonition of the great novelist E. M. Forster. This capacity to connect data dots to create information and knowledge may
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