

The essence of Knowledge Management strategy for Organizational Development

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Abstract:

Knowledge is a tool that the organization needs to recognize, adopt, and utilized to sustain in today's fast competitive world. Managing the knowledge about their organization ensures more productivity and profitability to themselves. Hence it becomes crucial to understand what the term knowledge management is and its essence as a tool for raising the organization. The essence of KM becomes apparent, at the time of discussing its history and source. It is also important for the organizations to adopt the correct KM strategy which embarks its suitability for the organizations. Because selected strategy is reflects in their business strategy and deals with opportunities and threats. In this study, the focus is on where Knowledge Management has appeared and how it can be beneficial today for organizations.

Introduction:

The world of Knowledge Management starts with the beginning of Intellectual Capital (IC). IC embodies the KM and within a short time of its utilization, the KM concept was introduced. Sometimes the IC is also called the driver of KM cause through which it is evolved. Out of the various branches of Intellectual Capital (IC), the two main branches that are human capital and structural capital are selected for discussion here.

The origins of Intellectual Capital (IC)

The essence of Knowledge Management lies in knowing and tracing the origin of KM, however, this begins with tracing the origins of IC. The origins of IC were at three distinct places. The first originator Hiroyuki Itami from Japan discussed in his studies about invisible assets has contributed significantly to the field of IC. The second originator an economist works on various views of the organizations. And the third originator Karl-Erik Sveiby discussed in his book "The Invisible Balance Sheet" the importance of measuring the intangible assets in organizations. These intangible assets were later renamed as Intellectual Capital by Leif Edvinsson in a report for Skandia - a Swedish financial services firm - in 1995, [1]. Between 1985 to 1997 the organizations notice a distinct expansion in the recognition and adoption of IC [2].

- Hiroyuki Itami published "Mobilizing Invisible Assets" in Japanese in 1980 and the book was later published in English in 1987 [1].
- Brian Hall researched human values. Hall had been conducting this research for more than 25years and together with Benjamin Tonna; he developed a hierarchy of human values and instruments for measuring and describing the value sets of individuals and corporations [1].
- Karl Sveiby is the founding father of the Swedish movement of KM and IC. In 1986 Sveiby published. "The know-how company" and he introduced knowledge capital to the world by publishing the annual report in 1988. The findings of the Konrad working group were published in the Invisible Balance Sheet in 1989. In 1997, Sveiby published the organizational wealth [1].
- Stewart published his first article Brainpower in Fortune Magazine in 1991 and again in 1992. In 1994for Fortune magazine he wrote Intellectual capital and again in 1997 as an associate panel of editors [1][3].
- St Onge is considered to be the father of customer capital when he established the concept in 1993 and he is recognized as one of the creative thinkers in the field of KM. The model illustrated

that in the long-term organizational profits are created by the convergence of human, structural, and customer capital [1].

- Leif Edvinsson was the Director of intellectual capital at Skandia where he was responsible for developing their IC management model for describing and managing their 'hidden values'. He published the book *Intellectual Capital* in 1997 [1].

Near the mid-1980s, the magnitude of knowledge and its appearance in professional competence was noticed as a competitive asset [4]. Invisible assets can trace three distinct sources and later evolved to what we now know as IC. According to Stewart, best practice sharing, along with intellectual capital theory made KM happen [5].

The origins of Knowledge Management (KM)

It originated in the late 1970s when experts like Argyr is and Schon firstly advised about this in their book "Organizational Learning" in 1978 [6]. It incorporates processes in organizations that collectively blend human imagination and creativity with the data and information processing capacity of information technology." [6] [7]. The term KM was also used after the buzzwords like Business Process Reengineering (BPR) and Total Quality Management had run their course. BPR and TQM were the two approaches implemented with great proportions in organizations world wide around the 1980s and 1990s.

This was the starting of the term "Knowledge Base Systems", which deals with knowledge creation and knowledge engineering.

- For providing a technical base for managing knowledge, a group of American companies started the "*Initiative for managing knowledge assets*" in 1989"
- In Europe, the *International knowledge management network* (IKMN), was established in 1989 afterward went online in 1994. In the USA the *Knowledge management forum* was developed in 1995 thus launching their KM Forum website [4].
- In 1990 Sveiby wrote the first book dealing with KM –"Kunskapsledning", The book explored how to manage the rapidly growing field of knowledge companies or organizations that do not have a traditional production but rely on the knowledge and creativity of their employees.
- Occurrences of the term KM by researchers followed in Europe between 1990 and 1992. "The most notable of these researchers was Rob van der Spek who wrote *Towards a methodology for knowledge management*" [8]. The paper described knowledge objects and emphasized the technology's impact on information content management.

Now a day's organization becomes more attentive towards the knowledge theory and its implementation in business processes. According to Caldwell & Harris KM has gone through a cycle but still not fully matured since it consists of different practices that mature at different rates. New practices are continually appearing and some fade away before they reach maturity [9].

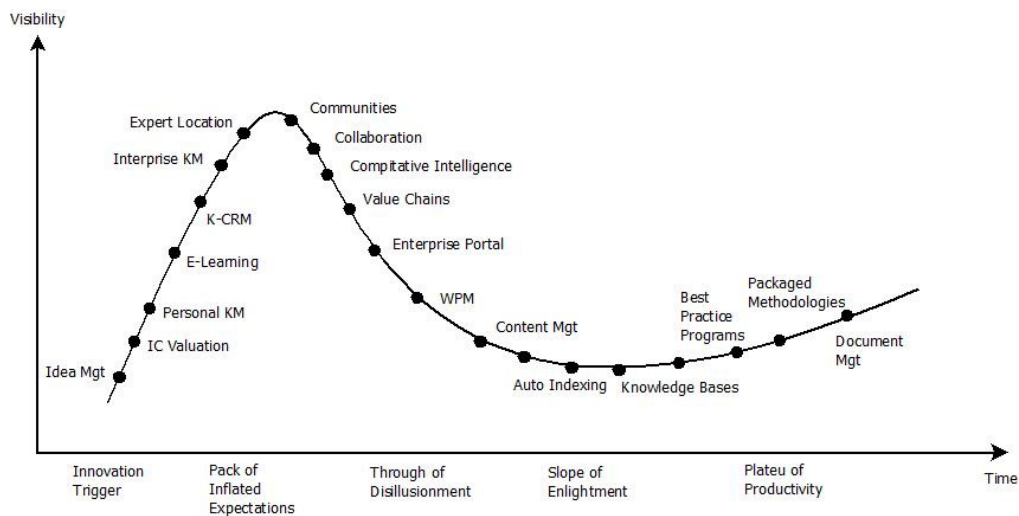


Figure 2.1: Knowledge Management Improvement; **Source:** Caldwell & Harris, 2002 [9].

This idea of KM i.e. capturing of all knowledge and storing it in databases some time led to worthless knowledge collection of an organization. Thus, the consistency of knowledge in the organizational databases was frequently questionable. To realize the connection between information technology, KM, and IC, their interaction in an organization must be defined. The people, the Information, and the Knowledge are the interacting components in an organization illustrated by the following figure 2.2 [10].

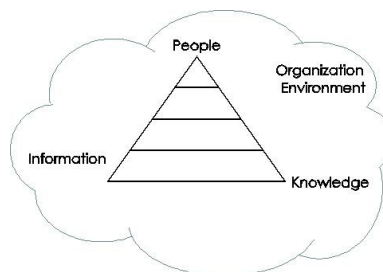


Figure 2.2: The interaction of people, knowledge, and information in an organization; Source: Adapted from Orna, 2000 [11].

The relationship between KM with IC becomes transparent when both concepts are divided into - the human aspect and the codified aspect. Tacit knowledge is a perception profoundly rooted in the minds of people, which is difficult to communicate [12]. Explicit knowledge is easily extracted digitally which exists generally in procedures, documents, and reports. Intellectual capital is tied to KM because it comprises knowledge. Knowledge is one kind of attribute of IC that belongs to the category human capital. Both concepts, IC and KM are interrelated as they both have the individual in the organization as one of their focal points. The organization's goal must be to optimize IC by connecting it to KM. According to Zhou and Fink, this goal can be accomplished only if knowledge processes are consistently and purposefully controlled [13] [14].

Knowledge management strategies

The KM strategies (codification and personalization) can be executed in organizations. Both the strategies suggested by numerous management theorists are discussed, supported by real-life scenarios of

the execution of KM in the organization. Although before the strategy can be initiated in the company there has to be a consensus that a particular strategy should be followed. The first thing to be answered when launching a KM strategy in an organization is analyzing the strategy and vision that will be implemented [15]. Several approaches have been implemented by organizations as applying the KM initiative. “Accenture, Cap Gemini Ernst & Young possess comparable strategies of KM in their organizations” [16]. Both of these consultancies are in the process of providing external knowledge sharing services for clients to get direct access on-line to know-how available from the organization.

A company's KM strategy should replicate its competitive strategy since this is the driver of the KM strategy applied. Based on some of these competitive strategies include how the company creates its value for customers, how that value supports an economic model, and How the company's employees handle the economics and value [17]. Company professionals must be able to adequately answer what their competitive strategy is before developing a KM strategy. The following are the elements that a company should recognize regards to one of the two strategies it must utilize [18].

- The kind of knowledge – an organization has to recognize the kind of knowledge that it's going to utilize, depending on whether it can make use of new knowledge produced by employees or existing knowledge that is improved and reused.
- The kind of product or service – the product or service type the organization provides would probably identify the kind of knowledge implemented. In case an organization gives a standardized product that does not differ or varies relatively, the knowledge strategy depending on reuse ought to be implementing (codification strategy).
- Knowledge used explicit or tacit- the kind of knowledge utilized in the organization can identify the KM technique. An organization that utilizes tacit knowledge - knowledge that is hard to articulate- can implement the personalization technique. An organization utilizing explicit knowledge will certainly take advantage of a codification technique since this kind of knowledge is usually codified.

Zhou & Finkob serve information technology as the trigger of knowledge management. The following diagram indicates how knowledge is captured or produced, shared, or dispersed all over the organization [13].

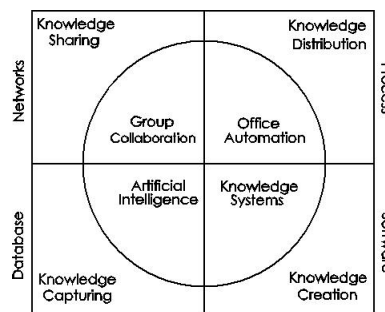


Figure 2.3: Knowledge Management and Information Technology; **Source:** Laudon & Laudon (2002) [19].

The diagram shows how IT is used to help in the KM initiative in an organization. Knowledge is captured and codified with the help of artificial intelligence systems just like strong processors networks software and internet tools finally store in a database. AI is available in numerous varieties.

A knowledge-push task can be used wherein processors such as automation systems spread the knowledge all over the organization. This method distributes the necessary knowledge when it is necessary. This results in the explanation of the first KM technique used in an organization – the codification strategy.

Codification Techniques

The codification strategy precisely codifies knowledge that is stored in databases that will be accessed and also retrieved [17]. This technique transforms knowledge to a more explicit manner that is recorded on paper as a processor in a database. This strategy is usually known as decanting the human capital into the structural capital of an organization. “The codification technique experiences knowledge as objects to be recorded, categorized, stored, retrieved, analyzed and manipulated for valuable operations as a result, proponents of this technique are new however a rapidly growing group” [20].

Big organizations like Accenture and Ernst & Young make use of this technique. Knowledge is codified working with an individual to documents method [17]. This indicates employees’ thoughts are recorded and the records shared in the organization. Knowledge is captured from that individual and recorded to be later accessed and reused by some other employees in the organization. Knowledge objects are developed by amalgamating vital objects of knowledge for example employment interview manuals, work schedules, benchmark details, and industry segmentation evaluation. This extracts crucial information from the records and is stored in an electronic repository for individuals to make use of in the future.

Time is one of the elements which is minimized once a company makes use of the codification technique. Employees do not need to waste months studying a process or method once a particular component of the organizational team has previously undertaken the same process. Time to industry and project duration could considerably be minimized since employees can execute reusable knowledge at a hit of a key.

Personalization strategy

The personalization technique is directly associated with the individual who developed it, as well as being shared mostly via straight person-to-person contact [17].

In the above figure 2.3 the personalization technique utilizes the top left and bottom right quadrants. Knowledge is codified and stored in libraries where it is frequently accessed and also used effectively by every individual in the organization. Supplementary consultation companies pursue a personalization technique instead of the codification technique. Knowledge is shared via one-on-one interactions with co-workers or through brainstorming sessions in which knowledge is exchanged. The analogy could be drawn that a personalization technique aims to maximize the relationship between individuals and generate innovative solutions for new problems. The personalization technique enables the organization to familiarize themselves with the client on an individual level. An organization can make use of both techniques, codification and personalization technique, however, a focus has to be placed on anyone technique over the other [17]. observe this as an 80/20 split, where eighty percent of a company’s knowledge-sharing efforts entail one strategy and twenty percent carry out the other technique.

Conclusion

The origins of IC were very simple to differentiate compared with the obscure origins of KM. Management required switching the focus of employees to get that of the individual to focus on the organization as one. KM then evolved from IC and grew to become the new buzzword in several organizations. Therefore management theorists were doubtful regarding its life span, eventually examining it to the number of trends like BPR and TQM.

IC is the driver of KM since it includes KM and presents the foundation for the source of KM. IC is further subdivided into several components. The two main branches of IC are human and structural capital. There are numerous different versions of what constitutes the main branches of intellectual capital, even so, human and structural capital is the most common. To ensure that companies succeed they ought to place IC as one of their most beneficial assets. Still, lots of organizations find this hard, since they are not able to justify the amount of their revenue is because of IC.

Companies must choose a technique as they implement KM in the business as they operate the risk of their KM action failing. The technique which is preferred must be well thought out, since organizations cannot make use of the same mixture of both techniques, however, an 80/20 split between both techniques is possible. Each technique is perfect for different objectives based on the kind of knowledge the organization utilizes, the kind of product or service that the organization manufactures or offers along with the maturity of the product being developed. There are many variations, wherein these techniques are implemented; an organization must realize that their technique has to be decided before it introduces KM initiatives

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