

THE ROLE OF KNOWLEDGE MANAGEMENT AND KNOWLEDGE MANAGEMENT STRATEGIES WITHIN LEARNING ORGANIZATIONS

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Abstract

In this changing environment the managers and the employees have to rapidly adapt. They have to be opened and prepared for new strategies and to understand the fact that risk and innovation are unavoidable. Organizations cannot compete in this ever-changing environment without proper knowledge and lack of capacity for renewal. Managers have to manage the organization in such a manner that the employees will change their vision, ideas and attitudes on long term. Organizations need to see knowledge management as a strategy, this means knowing how to apply knowledge management (KM) concepts to enhance the performance of the system and processes. The aim of the paper is to identify ways in which companies can develop and support the KM strategy to drive more value, by revising the practices in order to ensure the knowledge focus. The companies are more and more aware about the potential of focusing on learning and training. Among the benefits of approaching knowledge management strategy within organisations we must underline its positive impact on organisational performance, ensuring not only its survival but even providing a competitive advantage.

Key words: knowledge, knowledge management, knowledge management strategy, learning organization, performance

JEL Classification: M10, M12

I. INTRODUCTION

The need of change, the need to adapt to the change is imposed by the globalization process with many connotations in all the social life domains, determining many changes at social level, but also at organizational level. In this context, the companies have to adapt to this new environment. It is not that easy as it seems, and it will never be an easy process; managers will have to implement new strategies in order to adapt and to prepare the organization for global changes. Moreover, the employees also have to implement different techniques to adapt, working together to improve the organizational performance by studying, correcting errors and learning from the errors.

Managers from organizations have to be opened and prepared for new strategies to understand the fact that risk and innovation are unavoidable. They also have to manage the organization in such a manner that the employees will change their vision, ideas and attitudes for long term.

Only these *learning organizations* will be able to face the changes that will surely come. *The learning organization* is maybe the greatest challenge of all the post-modern approaches in organizational domain. The characteristics of the learning organization are the following: continuous offering new opportunities to learn; using the learning process to reach its goals; finding the link between the individual performance and organizational performance; encouraging the dialogue and creating the specific environment where people to express their opinion and assume risks; using creative tensions as energetic renewable source; being aware by the relationship with the environment where the activity takes place.

Seems that the future of each company depend on its capacity to transform into a *learning organization*. Therefore, it is the manager task to determine a organization to become a learning organization, prepared to react in a specific, right manner to the unexpected problems; only the learning organization can learn from the errors, as opportunities to gain more knowledge; only the members of a learning organization can openly share the problems, believing in each other, respecting each one ideas, suggestions or personal believes.

These arguments presented tend to explain the exponential increase in interest in the field of organizational learning and knowledge management (KM). This is also a consequence of the awareness that the global economy is turning into a new model: the knowledge economy.

The basic idea behind the concept of knowledge economy was created / designed by Peter Drucker. In 1966, he described the difference between the manual worker and knowledge worker. The knowledge worker uses his intelligence, his brain to produce ideas / knowledge / information which gradually materializes in

products or services. According to the same author, „today knowledge has power. It controls access to opportunity and advancement.“

As organizations develop very quickly, information technology and information capital are key aspects within them. KM is important because knowledge is one of the strategic arms strengthening the competitive position of the companies.

Theoretical and/or pragmatic developments on KM, the learning organization (LO), creative thinking, innovation processes within companies and other concepts or strategic directions through which small firms can obtain competitive advantages are still a challenge for researchers and practitioners. It is important to note that many experts underline the need to focus on knowledge, viewed as a basic resource, stressing that the only advantage a company can have is the ability to exploit the knowledge gained by anyone, anywhere.

Knowledge is represented by all the capital owned by people of a company: meaning competencies, expertise, know-how, market experiences etc. Knowledge management role is to help companies to turn this human capital into intellectual capital by creating value.

Knowledge management is important because it provides the necessary elements to solve critical problems related to adaptation of the organization, survival and competence to cope with changes in the business environment. Knowledge management must identify the organizational processes that achieve a synergistic combination between the data processing capacity of information technologies and human capacity to create and innovate.

There are many approaches related to KM, but we can say that KM allows organizations to maximize their return and generate value from intellectual and knowledge-based assets. Most often, generating value from such assets involves capturing what employees know and sharing that information to drive a competitive advantage (Gagne, 2009).

It's important to understand that KM is not only about storing documents, not only a technology project or an IT responsibility. KM is often facilitated by technology, but is more about people, culture and strategy. It is about increasing people skills and expertise through sharing.

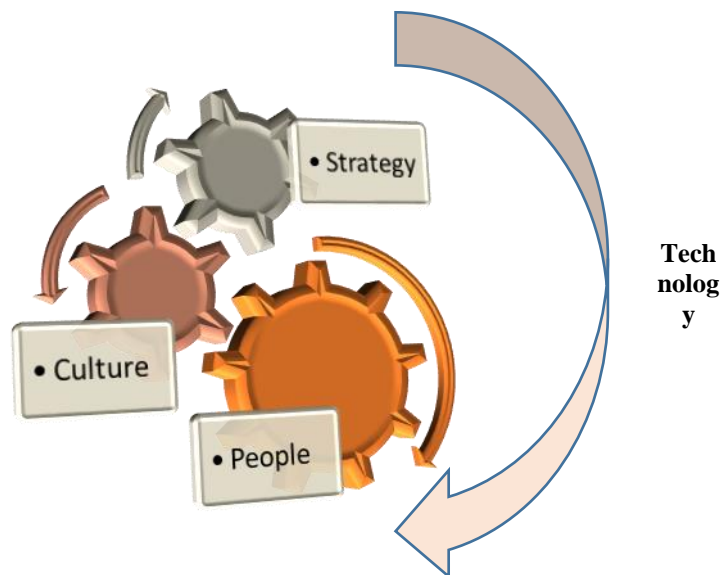


Figure 1. Knowledge Management structures

There are a number motivations leading organizations to focus on knowledge management: gaining a sustainable competitive advantage through people, faster learning, new knowledge creation, innovation and finding new solutions for organizational issues, increasing organizational performance, customer satisfaction and experiences, connections to knowledge across global organizations, and increasing the ability to manage change; and these are only few motivations.

Moreover, in the current knowledge-driven economy, organizations must know how to develop and implement knowledge-based strategies to drive measurable business results.

II. Exploiting *knowledge* resource to improve the economic performance of an organization

First we need to understand the fundamental elements of knowledge before understanding how to use it in order to improve the economic performance of an organization. Knowledge has been identified to possess two fundamental characteristics: *Tacit* and *Explicit* (Polanyi, 1966).

Explicit knowledge can be easily articulated or codified and transferred. Examples of codified and articulated forms include user manuals, fact sheets, pictures, charts and diagrams. (Nonaka, 1994) provided a description of explicit knowledge as “knowledge that is transmittable in formal, systematic language.”

By contrast, tacit knowledge is difficult to codify and articulate (Davenport & Prusak, 2000). An individual who possesses great knowledge and skill within a particular area or discipline would not be able to explicitly articulate every aspect of that individual’s knowledge to someone else. It is this tacit knowledge that can only be shared from one party to another through socialization, and created (stored) by the other party through experience and practice (Coulson-Thomas, 2004; Nonaka, 1994; Tsoukas, 2001).

Nonaka and Takeuchi (1995) started to differentiate Polanyi's concept and they provided important insights into how new knowledge is created through the interplay of tacit and explicit knowledge. Tacit knowledge is personal, have a specific context, is subjective knowledge, whereas explicit knowledge is codified, systematic, formal and easy to communicate. Tacit knowledge of key personnel within the organization can be made explicit, codified in manuals and incorporated into new products or processes. This process is called "externalization". Reverse process (from explicit to implicit) is called "internalization" because it involves the internalization of employees in formal rules, procedures and other forms of explicit knowledge. They also use the term "socialization" to highlight the issue of sharing tacit knowledge and the term "combination" to portray the dissemination of knowledge encoded. Corresponding to this model, knowledge creation and organizational learning include: socialization, externalization, combination, internalization, externalization, combination, etc. in an infinite spiral (Chivu, 2009).

Within the daily life of business organizations we are witnessing a continuous process of transformation, distribution, mixing and combining two types of knowledge (tacit and explicit).

It is useful to note that both types of knowledge are "localized" not only at the employees, but also in the organization; the situation of the two types of knowledge is as follows:

- in majority, the explicit knowledge owned by organizations take the form of innovations, inventions, patents, licenses, patents acts, factory marks, trademarks, origin names, production rules, management rules, consultancy principles etc.

- in majority, the tacit knowledge owned by organizations take the form of what we generically call "know-how" or "savoir faire" , respectively the part of a patent, a license or something similar that cannot be transmitted through sketches, drawings, application instructions etc. (it is understood that this part of tacit knowledge on which the organization has legal rights, is ultimately, all located in the mind of a very select number of experts from that organization); this part of general knowledge held by the organization can be transmitted, rented or sold only when there is a direct contact between the employees representing the two entities, that can be transmitted only through direct unmediated experience.

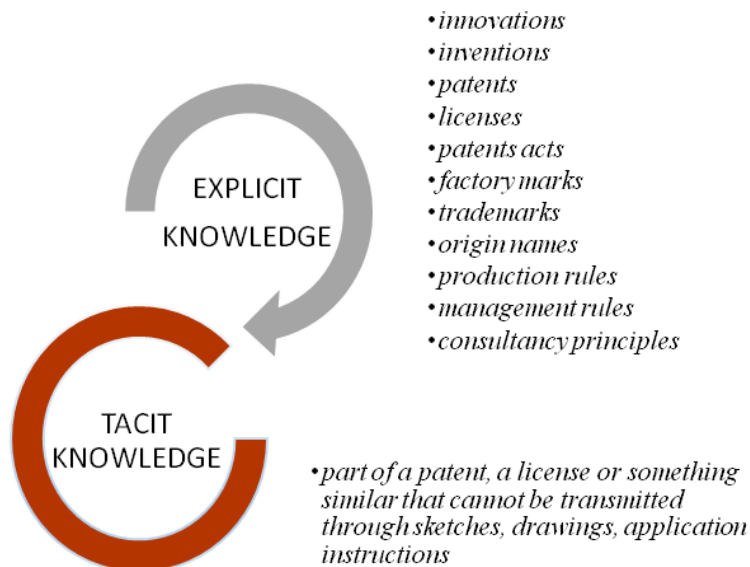


Figure 2. Types of knowledge

The two ways of structuring knowledge suggests that, before considering how to produce, manage and use the knowledge, it would be useful to reflect more about what types of knowledge affect economic performance and how can they be "managed" so to enhance economic progress.

We deduce that not all types of knowledge (explicit and tacit) can be managed, processed and transmitted in exactly the same way / manner.

Thus, the distinction between tacit and explicit is not yet fully understood even when we refer to the two classes of knowledge (tacit-explicit) or when referring to the process of knowledge associated with each class; we do not know very precisely how do human experts manage to mix the two types of knowledge to generate performance and growth.

One way to exploit explicit knowledge is to write information as personal notes; we are referring to the characteristic of some knowledge to be processed and then communicated using written and also verbal language. But when an individual writes some information / knowledge in the form of personal notes, they may not be a "useful value" for someone, if that person has a different type of experience on that topic (in the sense that those knowledge can be assimilated by those who can read / understand the language of the concerned individual, moreover, generally, the accumulation of knowledge is not automatic, we need a "prepared mind" when it comes to assimilating encoded knowledge). In addition, the knowledge process, as mechanism of operation various types of knowledge is intrinsically sequential and ascending, respectively nobody has absolute knowledge on a particular subject. Also, to understand the messages of the world we live in we need prior knowledge about it (history lessons on cyclical crises in economy are often ignored by policy makers).

We will stick to invoke a way of converting knowledge and their distribution among individuals, groups and organizations; this approach was proposed by Hedlund (1994) as shown in Table 1. (Hedlund, 1994)

Table 1. The typology and forms of conversion of knowledge

<i>Forms of organizational knowledge</i>	<i>Levels of expression of organizational behavior</i>		
	Individual	Group	Organization
Knowledge	- professional qualifications	- common projects	- organizational structure
Explicit knowledge	- permanent memories - manuals etc	- rules of cooperation - group norms	- rules and work procedures - collections of information and knowledge - inventions, innovations, patents
Tacit knowledge	- personal experiences - informal learning - imagination - talent	- joint representations - cognitive maps - "group spirit"	- organizational cultural values - "group spirit" - ethics of decisions - "know-how"

Source: adapted from Hedlund, G., *A model of knowledge management and the N-form corporation*, Strategic Management Journal, 15 (Summer Special Issue), 1994

In the figure 3, we can present also the knowledge management techniques:

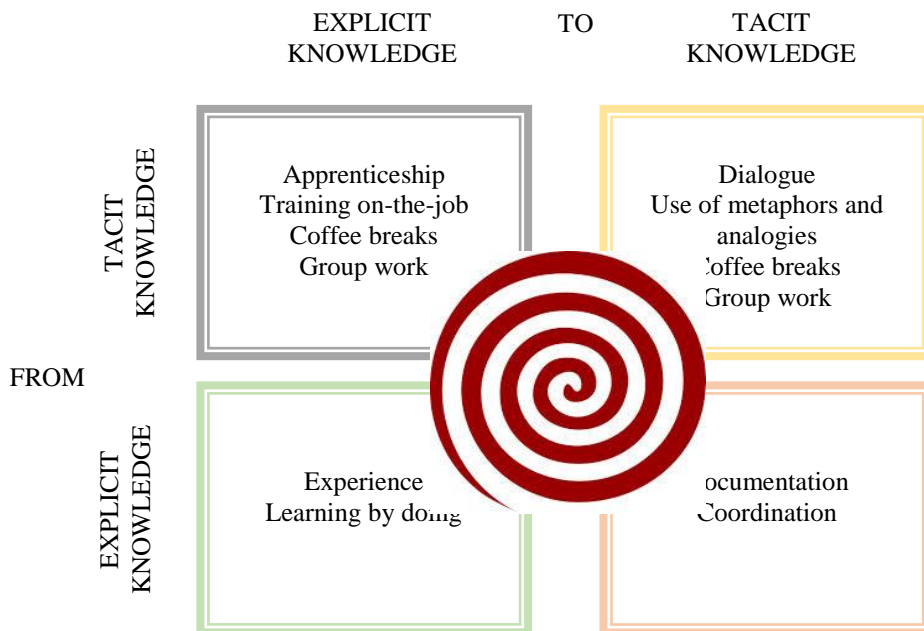


Figure 3. Knowledge management techniques

So, as Nonaka and Takeuchi(1995) show in *The Knowledge Creating Company*, tacit knowledge, acquired only through experience, imagination and other skills of the individual's mind are as essential to business success as explicit knowledge; ultimately, the "mix" between these two classes of knowledge confers a certain performance of the employees in the organization, performance that is further associated to human capital in organizations (Nonaka, Takeuchi, 1995).

III. KNOWLEDGE MANAGEMENT STRATEGIES

The transition to knowledge management and further to learning organization should start with building a new culture. Organizational culture is an important factor through which an organisation could determine the development of knowledge management. According to specialists (Staniewski, 2008), organizational culture has a contribution of 79% in developing knowledge management, followed by the qualification of senior staff (77%), the qualification of employees (72%) and motivation (54 %).

The organizational culture of a company based on knowledge, presents, essentially, the following characteristics: focus on people and knowledge and not material elements; open to internal and external stakeholders; focus on customer satisfaction; responsive to the news in all fields of business; supportive for knowledge sharing; focused on individual and organizational learning; favouring the creation of new and innovation in all activities of the organization; focused on intense participation of employees in decision-making; motivational for taking risks, actions and performance; based on fairness and mutual respect for all stakeholders; tolerance to errors and failures, in particular in innovation; promoter of change in all areas of activity of the company; protective for employees and other stakeholders knowledge; focused on group sustainable performance; places emphasis on the development of understanding, collaboration and cooperation between specialists.

The values promoted by each organization have a significant impact on the conduct of the employee through the process of internalization. The existence and effective promotion of an organizational climate of honesty, productivity and safety orientation, has the effect of reducing potential employee deviant behaviours in all these directions (Popa, 2008). Only through a coherent and realistic strategy centred on the creation, acquisition, sharing, use, protection and exploitation of knowledge, which takes into account from the start the reshaping of the organizational culture, can be build a performance knowledge-based firm.

Certainly, implementing any strategy requires, first, a strong commitment of senior managers in this process, as they trigger the whole mechanism of change. But another major issue for achieving organizational culture based on knowledge is the degree of involvement of lower level managers, heads of teams, offices, etc. in making the strategy operational.

A culture that encourages change is an essential feature of organizational learning. The new organizational culture based on knowledge is an essential component of knowledge supportive environment to which contributes all the components of the organization management and which ultimately condition sustainability and performance decisively.

When referring to knowledge strategies and KM strategies we must first distinguish between them. Asoh et al. argue that knowledge strategies are used to help organizations determine "what to do" with their knowledge. On the other hand, KM strategies are used to address the "how to do it" question. (Asoh et al, 2003)

Zack proposed a framework of knowledge strategies that he contends should be aligned with the organization's business strategies. Zack argues that exploiting internal knowledge is the most conservative knowledge strategy that organizations primarily focus. These organizations (named *internal exploiters*) have sufficient knowledge resources to keep themselves competitive in their industries. Organizations that focus both on exploring external knowledge resources to develop new knowledge bases and exploiting internal knowledge bases to seek business opportunities can be thought of as employing the most aggressive knowledge strategies. These organizations (unbounded innovators) focus on both acquiring knowledge capitals from their external environment and creating benefits by utilizing it. Zack contends that organizations in knowledge-intensive industries would have better performance compared to their competitors if they use relatively aggressive knowledge strategies. (Zack, 1999)

Because "*a knowledge advantage is a sustainable advantage*" (Davenport & Prusak, 2000), those organisations that recognise and are able to develop a knowledge management strategy to leverage new and existing knowledge will undoubtedly gain a competitive advantages.

Unfortunately, the need for a knowledge management strategy is viewed as less of a priority for many organisations (especially in case of SMEs) (Handzic, 2004). This is primarily due to the nature of the business and its structure. The fact that SME's possess few management roles and a relatively flat organisational structure provides for a more centralised decision-making and learning process. This often results in the organisations knowledge management needs being overlooked and a neglect of its knowledge/intellectual assets. The need for

the right knowledge management strategy will allow an SME but also a global organisation to create value by effectively utilising those who create new knowledge and share knowledge within the organisation.

When establishing the knowledge management strategy within organisation the most important consideration will be its orientation. The first type of strategy could be the *system strategy* which reflects its system orientation or focus in terms of knowledge management. This strategy emphasizes the capability to help create, store, share and use an organization's explicitly documented knowledge. The strategy as per this dimension emphasizes codifying and storing knowledge (Byounggu&Heesok, 2002).

We can refer to the other strategy as to human strategy and this reflects a human orientation in terms of knowledge management. This strategy emphasizes dialogue within social networks and direct contacts between people. It helps share knowledge through person-to-person contacts. This strategy attempts to acquire internal and opportunistic knowledge and to share it informally. Knowledge can be obtained in a number of ways from people with proper experience and skills. Figure 4 summarizes the main aspects of system and human strategies.

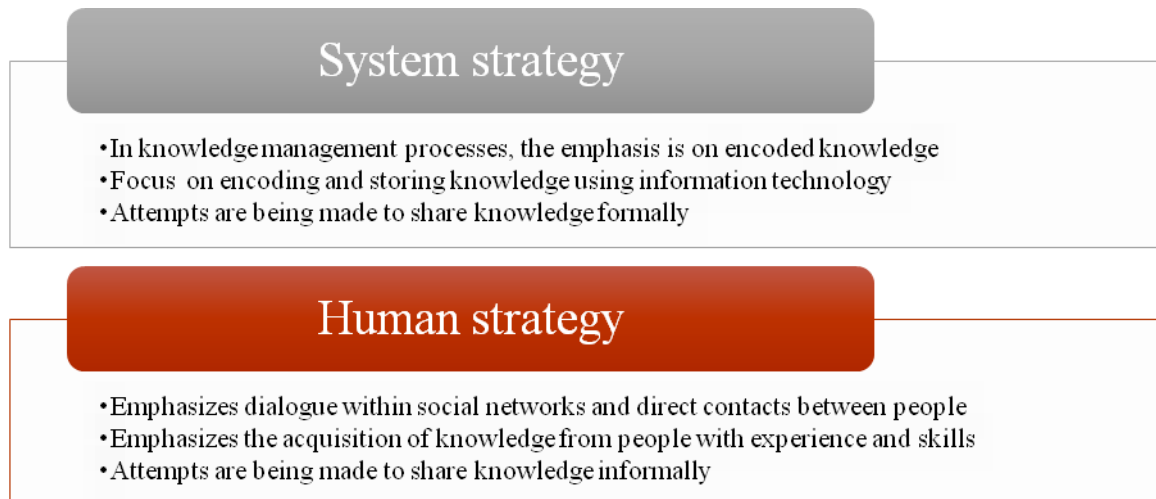


Figure 4. Features of System and Human Strategies

The human-oriented axis corresponds to the degree of acquiring and sharing tacit knowledge through interpersonal interaction.

Many studies highlight the steps required to develop systems oriented or human oriented strategies. These studies can be divided into three categories: focused, balanced and dynamic. These studies recommend companies to choose a type of strategy that is predominant or one which best serve the knowledge creation, sharing and utilisation requirements and use the other one as a form of support.

Balanced view suggests that firms need to strike a balance between the two strategies. Bierly and Chakrabarti (1996) found that companies that combines HR oriented strategy with system oriented strategy for obtaining and sharing knowledge are more profitable. Zack (1999) states that companies adopting an aggressive strategy, which integrates the human resource orientation and the system orientation achieved higher performance than firms with less aggressive strategy.

Dynamic perspective suggests that firms adjust strategies according to the characteristics of knowledge. For example, managers should align knowledge management strategies with tasks characteristics.

The focused perspective suggests companies to focus on a single strategy. By contrast, balanced and dynamic vision insists that a company should both types of strategies. Concentrated and balanced perspective however does not take into account the dynamic nature of knowledge. Despite the fact that knowledge should always be considered as an active process that is changing, these two views are static. Dynamic perspective suggests that the choice of strategy type can vary, depending on the characteristics of knowledge (Byounggu&Heesok, 2002).

When a firm attempts to implement both strategies, with equal emphasis given to both, the consequences can result in risking a complete strategy failure. Both strategies can in fact be implemented, but this argument is valid only for multinational corporations that have relatively complex and IT intensive functions to link the two strategies, but it is not relevant for SME's (Shackelford & Sun, 2009)

The general view by most knowledge professionals and theorists remains that the type of knowledge management strategy that should be implemented should be implemented in accordance with the structure and characteristics of the company concerned.

Moreover, in knowledge-based firms strategy cannot be treated as an exclusively top-down process, but knowledge workers should be represented and involved in strategy formulation. Some authors (Asoh, 2003; Sabherwal & Chan, 2001) also argued that organizations can improve organizational performance by

strategically aligning business strategies with knowledge strategies. Employing different knowledge strategies and KM strategies at the different stages of crises is essential since organizations have different knowledge needs at different stage of crises. As such, the alignment of crisis management strategies with knowledge strategies and KM strategies can help eliminate the difficulty of learning and lead to better organizational performance. Organizations should capitalize on the expertise of individuals from various operational areas in order to use their expertise to plan for and manage the crisis. This creates the need to develop a type of knowledge repository to store the knowledge of employees.

IV. CONCLUSIONS

Modern economies and, implicit, organizations from this economies, are more than ever aware of the importance of knowledge and learning. In the daily life of organizations we notice the existence of some modalities/ways of individual knowledge transfer (knowledge embedded in individuals) towards collective groups (intellectual capital); however, it is not very easy to note how this transfer takes place, and especially, how can be enhanced.

Knowledge is multivariate and multidimensional, and some are of strategic importance to the organization. Knowledge is today a key element within organization, determining its functionality and its performance. Knowledge management requires specialized managers and management structures in this field. Identify, use and exploitation of knowledge requires effective management solutions combining specialist personnel with information and communication technologies. Special attention should be focused on people, areas and work processes where new knowledge are produced and used intensively.

All employees of the organization should be aware that the access and the acquisition of knowledge is only the first step that should be followed by the use, valorisation and protection of knowledge. Knowledge is considered to be the primary source of power for individuals and organizations. The organization learns when the employees, continuously creates, organize, stock, analyse, interpret and apply information. Information becomes knowledge. The *continuity* becomes the key element in this context, because, since the organization become passive, the whole process of learning begins to fail.

KM cannot survive by itself. It involves people and communication, employee favouring policies, updated technologies, and, above all, a change in the culture of an organization, without which the organization's transformation into a knowledge driven company cannot be achieved. Knowledge management is continuous, does not end as long as the organization exists; organizations should turn into permanent learning organizations.

Despite the radical changes taking place in knowledge management, its purpose does not change: getting the market competitive products and services, generating added value and profit.

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