

Chapter 4¹

Knowledge management in LGO.

4.1 Introduction

Knowledge management is concerned with storing and sharing the wisdom, understanding and expertise accumulated in an enterprise about its processes, techniques and operations. It treats knowledge as a key resource. It was defined by Tan (2000: 10) as: 'The process of systematically and actively managing and leveraging the stores of knowledge in an organization.' As Ulrich (1998: 126) remarked: 'Knowledge has become a direct competitive advantage for companies selling ideas and relationships.'

There is nothing new about knowledge management. Hansen et al (1999: 106) observed that: 'For hundreds of years, owners of family businesses have passed on their commercial wisdom to children, master craftsmen have painstakingly taught their trades to apprentices, and workers have exchanged ideas and know-how on the job.' But they also commented that: 'As the foundation of industrialized economies has shifted from natural resources to intellectual assets, executives have been compelled to examine the knowledge underlying their business and how that knowledge is used' (ibid: 106).

Knowledge management is more concerned with people and how they acquire, exchange and spread knowledge than it is about information technology. That is why it has become an important area for HR practitioners, who are in a strong position to exert influence in this aspect of people management. It is associated with intellectual capital theory (see Chapter 5), in that it refers to the notions of human, social and organizational or structural capital. It is also linked to organizational learning (see Chapter 22).

Knowledge management should be based on an understanding of the concept of knowledge; this is therefore dealt with in the first section of this chapter. In subsequent sections knowledge management is described in more detail, strategies for developing its practice are described and consideration is given to the role of HR.

¹Armstrong, M. (2014). *Armstrong's handbook of human resource management practice* (11th ed.). London: Kogan Page.

4.2 The concept of knowledge

Knowledge is defined as what people understand about things, concepts, ideas, theories, procedures and practices. It can be described as know-how or,

when it is specific, expertise. A distinction was made by Ryle (1949) between 'knowing how' and 'knowing that'. 'Knowing how' is the ability of a person to perform tasks, and 'knowing that' is holding pieces of knowledge in one's mind. According to Blackler (1995: 1023): 'Rather than regarding knowledge as something that people have, it is suggested that knowing is better regarded as something that they do.' He also noted that: 'Knowledge is multifaceted and complex, being both situated and abstract, implicit and explicit, distributed and individual, physical and mental, developing and static, verbal and encoded' (ibid: 1032–33).

Nonaka (1991) suggested that knowledge is held either by individuals or collectively. In Blackler's (1995) terms, embodied or embraced knowledge is individual and embedded, and cultural knowledge is collective. It can be argued (Scarborough and Carter, 2000) that knowledge emerges from the collective experience of work and is shared between members of a particular group or community.

4.2.1 Explicit and tacit knowledge

Nonaka (1991) and Nonaka and Takeuchi (1995) stated that knowledge is either explicit or tacit. Explicit knowledge can be codified – it is recorded and available and is held in databases, in corporate intranets and intellectual property portfolios. Tacit knowledge exists in people's minds. It is difficult to articulate in writing and is acquired through personal experience. As suggested by Hansen et al (1999), it includes scientific or technological expertise, operational know-how, insights about an industry and business judgement. The main challenge in knowledge management is how to turn tacit knowledge into explicit knowledge.

4.2.2 Data, information and knowledge

A distinction can be made between data, information and knowledge:

- Data consists of the basic facts – the building blocks for information and knowledge.
- Information is data that have been processed in a way that is meaningful to individuals; it is available to anyone entitled to gain access to it. As Drucker (1988: 46) put it, 'information is data endowed with meaning and purpose'.
- Knowledge is information used productively; it is personal and often intangible and it can be elusive the task of tying it down, encoding it and distributing it is tricky.

4.3 Knowledge management defined

Knowledge management is about getting know- ledge from those who have it to those who need it in order to improve organizational effectiveness. It was defined by Scarborough et al (1999: 1) as 'any process or practice of creating, acquiring, capturing, sharing and using knowledge, wherever it resides, to enhance learning and performance in organizations'. They suggested that it focuses on the development of firm- specific knowledge and skills that are the result of organizational learning processes. Knowledge management deals with both stocks and flows of knowledge. Stocks include expertise and encoded knowledge in computer systems. Flows represent the ways in which knowledge is transferred from people to people or from people to a knowledge database.

Knowledge management identifies relevant information and then disseminates it so that learning can take place. It promotes the sharing of knowledge by linking people with people and by linking them to information so that they learn from recorded experiences. As explained by Blake (1988), the purpose of knowledge management is to capture a company's collective expertise and distribute it to wherever it can achieve the biggest payoff. This is in accordance with the resource- based view of the firm, which suggests that the source of competitive advantage lies within the firm (ie in its people and their know- ledge), not in how it positions itself in the market. A successful company is a knowledge- creating company.

Knowledge is possessed by organizations and people in organizations. Organizational operational, technical and procedural knowledge can be stored in databanks and found in reports, libraries, policy documents, manuals and presentations. It can also be moved around the organization through information systems and by meetings, workshops, courses, 'master classes', written publications and 'communities of practice', defined by Wenger and Snyder (2000: 139) as 'groups of people informally bound together by shared expertise and a passion for joint enterprise'. The intranet provides an additional and very effective medium.

People possess knowledge that has been acquired through their own experiences at work. But it will not necessarily be shared formally or even informally with their colleagues and crucial knowledge could be lost if it remains locked up in the minds of employees, or taken elsewhere by them if they leave the organization. An important issue in knowledge management is how knowledge can be identified and distributed.

In the information age, knowledge rather than physical assets or financial resources is the key to competitiveness. Knowledge management allows companies to make the best use of their employees' creativity and expertise (Mecklenburg et al, 1999). As Boxall and Purcell (2000: 197) noted: 'Managing knowledge inevitably means managing both the company's proprietary technologies and systems (which don't walk out of the door at the end of the day) and the people (who do)'.

4.4 Knowledge management strategies

Two approaches to knowledge management strategy have been identified by Hansen et al (1999): the codification strategy and the personalization strategy.

4.4.1 The codification strategy

Knowledge is carefully codified and stored in data-bases where it can be accessed and used easily by anyone in the organization. Knowledge is explicit and is codified using a 'people-to-document' approach. The strategy is therefore document-driven. Knowledge is extracted from the person who developed it, made independent of that person and reused for various purposes. It is stored in an electronic repository for people to use, and allows people to search for and retrieve codified knowledge without having to contact the person who originally developed it. This strategy relies largely on information technology to manage databases and also on the use of the intranet.

4.4.2 The personalization strategy

Knowledge is closely tied to the person who has developed it and is shared mainly through direct person-to-person contacts. This 'person-to-person' approach means providing for tacit knowledge to be passed on. The exchange is achieved by creating networks and encouraging face-to-face communication between people by informal conferences, workshops, communities of practice, brainstorming and one-to-one sessions.

Hansen et al (1999) proposed that the choice of strategy should be contingent on the organization: what it does and how it does it. Thus consultancies such as Ernst & Young, using knowledge to deal with recurring problems, may rely on codification so that recorded solutions to similar problems are easily retrievable. Strategy consultancy firms such as McKinsey or Bains, however, rely on a personalization strategy to help them to tackle the high-level strategic problems they are presented with that demand the provision of creative, analytically rigorous advice. They need to channel individual

expertise and they find and develop people who are able to use a person-to-person knowledge-sharing approach. Experts can be identified who can be approached by e-mail, telephone or personal contact.

The research conducted by Hansen et al (1999) established that companies that use knowledge well adopt either the codification or the personalization strategy predominantly and use the other strategy to support their first choice. They pointed out that those who try to excel at both strategies risk failing at both.

4.5 Knowledge management issues

The strategies referred to above do not provide easy answers. The issues that need to be addressed in developing knowledge management practices are discussed below.

4.5.1 The pace of change

One of the main issues in knowledge management is how to keep up with the pace of change and identify what knowledge needs to be captured and shared.

4.5.2 Relating knowledge management strategy to business strategy

As Hansen et al (1999) showed, it is not knowledge per se but the way it is applied to strategic objectives that is the critical ingredient in competitiveness. They suggested that 'competitive strategy must drive knowledge management strategy' and that management have to answer the question: 'How does knowledge that resides in the company add value for customers?' (ibid: 114).

4.5.3 Technology and people

Technology may be central to companies adopting a codification strategy, but for those following a personalization strategy IT is best used in a supportive role. Hansen et al (1999: 113) commented that:

In the codification model, managers need to implement a system that is much like a traditional library it must contain a large cache of documents and include search engines that allow people to find and use the documents they need. In the personalization model, it's more important to have a system that allows people to find other people.

Scarborough et al (1999) suggested that technology should be viewed as a means of communication rather than as a means of storing knowledge. Knowledge management is more about

people than technology. Research by Davenport (1996) established that managers get two-thirds of their information from face-to-face or telephone conversations.

There is a limit to how much tacit knowledge can be codified. In organizations relying more on tacit than explicit knowledge, a person-to-person approach works best, and IT can only support this process; it cannot replace it.

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