A Knowledge Management Strategy To Achieve Organisation Competitiveness

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Abstract: The purpose of this research is to study the influence of organizational environment on the selection of knowledge management strategies. The research focuses particularly on the relationship between business and knowledge management strategy and the success of the knowledge management initiatives. This research is a case study researching 2 South Sulawesi banking companies. The knowledge management initiatives were categorized by six criteria (objectives, processes, problems, content, strategy, knowledge type) and their fit with the respective business strategy of the organizational unit was evaluated. The findings in this research suggest a relationship between the success of knowledge management and the alignment of knowledge management and business strategy. The research also shows that an organization whose business strategy requires process efficiency should rely primarily on a codification strategy. An organization whose business strategy requires product/process innovation should rely primarily on a personalization strategy. The most successful knowledge management projects were driven by a strong business need and with the goal to add value to the organizational unit operations. The research shows there are limitations due to the qualitative nature of the research: logical rather than statistical conclusions, small sample size, and subjectivity of interpretations. The research sees that a manager should be aware of the objects and business processes of the organizational unit and chooses the knowledge management strategy and objective in accordance to the business strategy and objective. Originality/value. The research enhances understanding about the influence of organizational environment factors on the success of knowledge management initiatives.

Keywords: Management strategy, Knowledge management, competitive advantage.

1. Introduction

Knowledge management has become attractive for the last few years (Alavi and Leidner 2001). In strategic management literature, knowledge based view against company focuses on knowledge as resources and utters argument that knowledge is the most important resource in creating sustainable competitive advantage (Kogut and Zander 1992). However, not every activity of knowledge management is proven that it has positive effect toward business performance or competitive advantage. There are many parameter and interaction between factors that have to be considered to apply knowledge management initiative successfully in an organisation. For instance, several strategies and management practice have been proposed as sufficient strategies and practice for certain kinds of knowledge. Nevertheless, the accuracy in choosing strategy will depend not only on the type of knowledge to be disseminated but also the organisational environment where the organisation located. Depend on the business strategy, a knowledge management strategy can be well functioned and result positive business performance. Our purpose is analysing the character of the relation between business strategy and knowledge management strategy, and the effect of potency toward competitive advantage. The research of this study case was conducted on two banks with the purpose of obtaining deeper understanding about the relation between business strategy and knowledge management strategy in a company. This paper develops several cases and summary of the study case result to support the proposed relations. This paper is structured by three parts. First, we describe the based concepts of knowledge management to be used in our analysis which have close relation with the founding. Second, we explain the research methodology. Lastly, the result of the research is revealed. There are three cases to be described in detail with the aim of giving the idea of the relation proximity between knowledge management strategy and business strategy.

2. Problem Study

The research of this study case was conducted on two banks with the purpose of obtaining deeper understanding about the relation between business strategy and knowledge management strategy in a company. This paper develops several cases and summary of the study case result to support the proposed relations. This paper is structured by three parts. First, we describe the based concepts of knowledge management to be used in our analysis which have close relation with the founding. Second, we explain the research methodology. Lastly, the result of the research is revealed. There are three cases to be described in detail with the aim of giving the idea of the relation proximity between knowledge management strategy and business strategy.

3. Literature Review

Knowledge Management

Knowledge management is a concept with many aspects and has encountered controversy in a debate during the time. The expert from philosophy and any other discipline have argued the meaning, definition, and dimension of knowledge and knowledge management (Nonaka and Takeuchi 1995). The given concern toward the knowledge acquisition on the literature and also on the practice have become bigger over the years (Alavi and Leidner 2001). There is an argument saying knowledge management is unavoidable anymore because the environment is rapidly changing like the competition on globalisation, the flow of information, knowledge aging (a process where the knowledge become obsolete/unusable), and the dynamics of product innovation, process, and competition through buyer market (Picot 1998). Knowledge management can help a company to become faster, more efficient, or more innovative than their competitor. Beside that, the term of "management" in knowledge management implicates that knowledge management deals with interaction between organisations to do action and reaction (Macharzina 1999). On the based on resource approach toward company, knowledge is perceived as the vital organisational resource (Barney 1991). Organisations realize that any knowledge resource they own can be said unique, precious, and hard to copy. The knowledge can be used to achieve a sustainable competitive advantage (Alavi and Leidner 2001). Thus, the way to get, maintain, and increase
the knowledge resource can enhance the success level of an organisation. Then, we use the definition below: Knowledge management is all activities using knowledge to achieve the organisation goal to prepare the organisation in overcoming the challenge from the environment and maintain the competitiveness in the market.

Knowledge

Knowledge is the complex concept that attract the attention of the expert from philosophy and any other discipline also the practitioners. There are already several of developed knowledge typology (Alavi and Leidner 2001). So far, the one and only consensus that has been obtained is the argument that a knowledge is more than just a data and information. Data can be perceived as a basis to create information and knowledge (Wilke 1998). "Data is a compilation of discreetly objective fact (discreet: could be elaborated into separated unit) about an event" (Davenport and Prusak 1998). Data is represented with letter, number, and can be produced, codified, and distributed without referring to certain context or certain people (Rehaeuser and Krcmar 1996). Different with data, information always refer to a context (Reauser and Krcmar 1996). Information could be seen as message or news created by interpreting the data. This information could be understood by the receiver and also has a meaning to that receiver (Augustin 1990; Nonaka and Takeuchi 1995). Knowledge is formed by an information processing that is received/perceived, and constextualisation that has been done by the people. The argumentation above shows that knowledge is only available on the context of certain people and also their belief and experience (Nonaka and Takeuchi 1995). "Knowledge is a fluid mix (mixture of various things with kontinuously changing composition) from framed experience (experience happens on context), value, contextual information, added by the expert comprehension that gives a framework to evaluate and put the experience and new information" (Davenport and Prusak 1998). So, a knowledge can also be defined as someone’s ability to evaluate the information and act efficiently (Sveiby 1998). Knowledge can give a value added if only that knowledge is resulting an acion and decision (O’Dell and Grayson 1998).

Tacit Knowledge and Explicit Knowledge

Knowledge can be divided into two kinds, tacit knowledge and explicit knowledge (Polany, 1966). Tacit knowledge is a personal and specific knowledge owned by a person in a certain context that is hard to be formalised and communicated (Nonaka and Takeuchi 1995). Because of that, we can not do a sorting, saving, and distributing toward all knowledge in a person (Davenport and Donald 1999; Polanyi 1966). On the contrary, explicit knowledge is a knowledge that can be codified, collected, saved, and disseminated. Explicit knowledge is not attached to a certain person and has similar characteristic with data. The word "Explicit" and "Tacit" could mislead us because it implies that those two kind of knowledge are opposite and exclusive for each other. However, actually explicit knowledge is grounded on the tacit knowledge and created by doing externalisation (visualisation. Articulation, and codification) toward tacit knowledge (Nonaka and Takeuchi 1995). Explicit knowledge is a part of tacit knowledge that could be expressed verbally and not represent all the knowledge within a person (Nonaka and Takeuchi 1995).

Knowledge Management Strategy: Codification and Personalisation

There are two knowledge management strategies that have been described on literature as the way to disseminate tacit knowledge and explicit knowledge. The first is codification strategy. The codification strategy’s purpose is to collect knowledge, save it on the database, and present the knowledge in the explicit and codified form. The use of explicit knowledge can save time and money. Database design, document management, and workflow management are considered as the part of the strategy. Codification strategy can be said success for the companies that have to apply re-using existed knowledge business strategy (Hansen dkk., 1999; Malhotra 2004). On the contrary, the focus of personalisation strategy is not by saving the knowledge but helping the people to communicate their knowledge. The purpose of personalisation strategy is to transfer, communicate and enhance the knowledge through knowledge network such as discussion forum. If the business strategy is focused to create a new solution or special solution requested by the consumer or product innovation, thus the personalisation strategy has to be used (Hansen dkk. 1999).

Knowledge Management and Business Strategy

Strategy used by the organisation in doing knowledge management is not an arbitrary but depend on “How the company treat the consumer, economic condition of the
business, and the characteristic of the worker on the organisation" (Hansen dkk. 1999). Knowledge management cannot be implemented if it is only because "attractive to be owned". According to the definition of knowledge management referred on this paper, knowledge management has to be able to give competitive advantage for the organisation. So, the knowledge management has to be connected with the business strategy purpose of the organisation or the units on organisation (Davenport et al 1998; Zack 1999). If knowledge management fails to add value for the organisation, the knowledge management will only cost an expense without resulting any benefit and evenmore can become contra-productive. Thus, the strategy direction has to be used for deciding the direction of knowledge management activity. Business strategy determines the position of the organisation or unit on the organisation in their relation with consumer or competitor. An analysis toward the organisation situation can begin by using five-factors model form Porter. Porter says that there are three kinds of generic strategy in a business: differentiation, cost leadership, and focus that can be used to resolve five aspects of competition on a industry: supplier power, buyer power, threat of substitution, competitive rivalry, and entry barrier (Porter 1980). The purpose of differentiation is to result something unique in a market such as special design, unique brand, developed technology or unique consumer service. According to Porter, the parameters of creating competitive advantage such as cost reduction for cost leadership strategy and enhancement of time, quality and innovation for differentiation strategy. Whether the strategy is sufficient or not, it will be determined by the environment where the organisation or unit organisation located. For example, competitive advantage of an organisation operated in a dynamic market possibly attained by doing product development in a fast and efficient way or through innovation advantage. However, for another market, the competitive advantage can be gained thorough efficiency in production resulting cost reduction and cost leadership. Besuase of that, it can be said that there are two main purposes of knowledge management; to increase efficiency and to enhance innovation. Those two knowledge management have different purpose, different strategy, and different knowledge used. Our discussion proposed a model about the compatibility between business and knowledge management strategy that can lead to enhancement of business performance. On the following, we will analyse the compatibility between business and knowledge management strategy. This theoretical explanation will propose an argument that a compatibility between innovation and personalisation is needed on one side with an efficiency and codification on the other side. On this term, compatibility is a combination of variables that theoretically determined and generate positive effect in a condition where there is no compatibility, it will lead to less positive effect (Venkatraman 1989). Two combinations mentioned above (a pair of business strategy in the form of innovation and knowledge management strategy in the form of personalisation and a pair of business strategy in the form of efficiency and knowledge management strategy in the form of codification) are predicted will result more advanced performance compare than a combination between innovation and codification, and combination between efficiency and personalisation will result a succesful activity of knowledge management strategy. We have done study case in two banks to get a deeper understanding about characteristic of the relation between business strategy and knowledge management strategy in a company.

5. RESEARCH METHODOLOGY

Analysis unit used is knowledge management initiative in a organisation. Because this research is done by cooperating with bank, thus the main criteria to choose location is the company with similarity in size, knowledge intensity, and business diversity. By that reason, we have chosen two (2) banks in South Sulawesi; CIMB Niaga and Bank Central Asia (BCA). The main resource and competitive advantage of consultant company are on their knowledge. Thus, knowledge has the big role on that kind of companies. Consultation company "sells" knowledge directly and does not sell product or service created by using that knowledge. The last criteria used to choose a company for the sample is the presence level and reputation of the company’s activity of knowledge management on the literature and knowledge management conference. The two banks chosen reported that they are doing two knowledge management initiatives. Interview with one or two persons of each organisation has been done. The duration of each interview is one up to two hours. It was conducted by existed interviewer. The interviewer raised questions according to the interview guideline and tried to dig deeper about the context of company by proposing additional questions and exploring the theme appeared on the conversation in detail. The interview is completed by additional documentation (such as company web, received document from company) for each company. A research by using study case approach can result a plentiful and contextual data that might help in attaining deeper understanding about a phenomenon (Yin 1994). However, because the study case is qualitative, there are several limitation on it. First, the founding from the study case approach attained is based on the logical reasoning and not statistic reasoning that can cause a bias. This can be strengthened by the founding on the previous literature. Second, the founding from study case approach (such as an appraisal on success level of a company) will depend on respondent ability in explaining the inteviewer about knowledge management initiative, and the attitude toward the knowledge management activity. Also it is depend on how far the interviewer in can assess correctly. Lastly, because this research is done by collaborating with two similar banks in South Sulawesi, it is priory decided that the progressive company such as consultant firm is not included. It is because the founding can not always be generalised with another company and another industry.

6. RESULTS

Knowledge management initiatives have been evaluated and categorized by using six criteria; purpose, process, problem,
content, strategy, and knowledge type. The purpose is to find similarity between existing units on the sample. The other factors considered is the size of the company, industry sector and background of the company, the level of globalisation (whether the company is in a national or international scale), knowledge importance of the industry, product, business process, significant role of innovation, and main performer from knowledge management initiative (whether particular unit on company or company in a whole). The successful model of IS (Information System) on literature also states that the organisational effect is important component on the success of information system (DeLone dan McLean 1992; Seddon 1997). So, the success of knowledge management initiative is measured by using two criteria and their connection with organisational effect of knowledge management: (1) is the identified problem can be solved by using knowledge management initiative (how far the usefulness/impact of that knowledge management initiative?) (2) can the company report their success in moniter and non-moniter meaning (how is the business performance that results from knowledge management?) Beside that, there is another criteria used to know the sustainable potency from the impact of knowledge management towards organisation: is the knowledge management system has been utilised and is the knowledge management system can survive without a strong support from senior management? We identified that there are five successful knowledge management initiatives and the other two are less success. Meanwhile, there are two knowledge management initiatives that still on the pilot phase. Interview done for the other knowledge management initiatives found a positive trend, and success story in it. From the study cases that have been done, it is found that knowledge management initiative does not have to be applied for all organisation. Almost half of the analysed study case show that knowledge management initiative is applied only on department or unit in a organisation. So we will pay attention to the business strategy of the company if the knowledge management initiative is wholly applied in a company and we will concern on the business strategy of the unit or department if the knowledge management initiative is applied only on that unit or department. For instance, we only research the knowledge management initiative on the audit department of a company. The success of this department is based on the quality and the total of audit report created on that department. This department delivered the reports directly to the executive. So the business strategy from this department is to deliver a reliable report promptly to the executive and the purpose is to create an auditing process become very efficient Knowledge management initiative can be divided into four types where each of it is a combination between business strategy and knowledge management strategy:

Efficiency and codification
Efficiency and personalisation
Innovation and codification
Innovation and personalisation

(Efficiency and innovation is a temporary business strategy while codification and personalisation is knowledge management strategy) Based on our argument above, knowledge management initiative on the combination between efficiency and codification, and between innovation and personalisation are more success than the other two combinations. Combination between efficiency and codification, and between innovation and personalisation are found having bigger potential success for the knowledge management initiative so the two of these strategy combinations will be describe more detail on the following part.

Combination Between Innovation and Personalisation
Our research shows that the companies wanting to use knowledge management as basis for innovation process will try to enhance the invention and knowledge exchanging by giving chance for communication and cooperation through person to person (personalisation strategy). This kind of strategy seems more appropriate for the complex unstructured and unique process. The approach can be used to solve the new problems, create specific solution for consumer, and develop product innovation. The key of personalisation strategy is "treasure is saved on worker's mind" or tacit knowledge. The purpose that being used here is to utilise knowledge management for facilitating innovation, making organisations use different strategy from the strategy of advancing process. Tacit knowledge exchange through socialisation is very important for knowledge inventor and for innovation process (Leonard dan Snsiper 1998; von Krogh 1998). New ideas can be obtained from synergy that is formed between the members of organisation located on different places, different culture, or different discipline and knowledge background (Leonard dan Snsiper 1998; Nonaka dan Takeuchi 1995). Internet discussion forum, e-mail, television, conference, can support the personalisation strategy.

Combination Between Efficiency and Codification
Contrarily, a company using knowledge management to enhance efficiency from operational process is suggested to use database and information system by focusing in disseminating "best practice" through external lane out of human knowledge carrier. Efficiency strategy very relies on the re-use of obtained knowledge. On this strategy, people do not have to meet or gather together to share their knowledge directly or to combine their knowledge through dialogue to create new knowledge. So, the business strategy is very appropriate with codification strategy. On here, the knowledge is externalised (poured in a form that is not referring to certain people), codified and saved into a database. This way is highly suitable for repetitive activities or to a problem that needs repetition on its handling. It is possible to deal with the problem quickly and enhance the skills and competency of the workers. Mostly, information technology used in our sample to run the strategy is knowledge database, data storage and document management.

7. Conclusion
The above founding shows that there is a relation between the success of knowledge management to enhance business performance of an organisation or performance of a unit of certain organisation with the conformity between knowledge management strategy and business strategy. The above founding shows that there is a compatibility between knowledge management strategy with business strategy. An organisation needing efficient business strategy on the process is suggested to rely more on the codification strategy. While, the organisation needing product or process innovation is suggested to use personalisation strategy more. Beside that, knowledge management initiative has to be able to
support achievement of the business strategy goal. In term of audit department on a company, it is found that the unit concerns to enhance the quality and quantitity of the audit, where the process and any other activities such as increasing efficiency process for airplane ticket reservation for the auditor, is relatively less important. Knowledge management initiative can support this strategy so that it can give maximum value for that department. These founding can also be described using the theory of organisational information processing which explains that an organisation unit has its need to process the information with the purpose to decrease the uncertainty and equivoacality (Daft and Lengel 1986; Galbraith 1974). Uncertainty is the situation where the information needed is not available while the equivoacality is the situation where there is different and contra interpretation (Daft and Lengel 1986). Organisations that focus on innovation will be faced the situation with big equivoacality so that they will need communication lane with high media richness such as face-to-face communication. Organisations that more focus on efficiency will be faced the clearer situation so that the codification strategy will be sufficient for that kind of organisation.

Recommendation

Implication for The Upcoming Research

One interesting thing on this research is that we did not found combination between efficiency and personalisation strategy. This can be explained as the impact of small sample size so that it does not contain a company that apply this combination. Another explanation that can be proposed is the combination is simply not logical and the company purposively not use that combination. This question should be investigated further on the next research. Our model used two basic business strategy: innovation strategy and efficiency strategy to explain the relation between knowledge management strategy and business strategy. The founding could possibly be different if the other business strategies were involved. For instance, O’Dell and Graysin divide generic strategy for knowledge management into three; Consumer intimacy helps the company to serve the consumer more efficiently and effectively by using specific knowledge about the consumer and market. The product-to-market excellence refers to the production process. In any means, how far the company can reduce the minimum time needed from product development until final product (time-to-market). Operational excellence is the ability of a company in doing solution exchange and method to create process in organisation more efficiently. If this categorisation is applied on our model, it possibly will obtain a deeper understanding.

Reference:


