



Strategic Management

Lecture 9

An Introduction to Organization Learning

Learning Objectives

- Understand value creation in the digitally enabled economy
- Identify challenges and approaches to managing knowledge intensive organizations
- Be equipped to assess the «fitness» of an organization for knowledge based competition

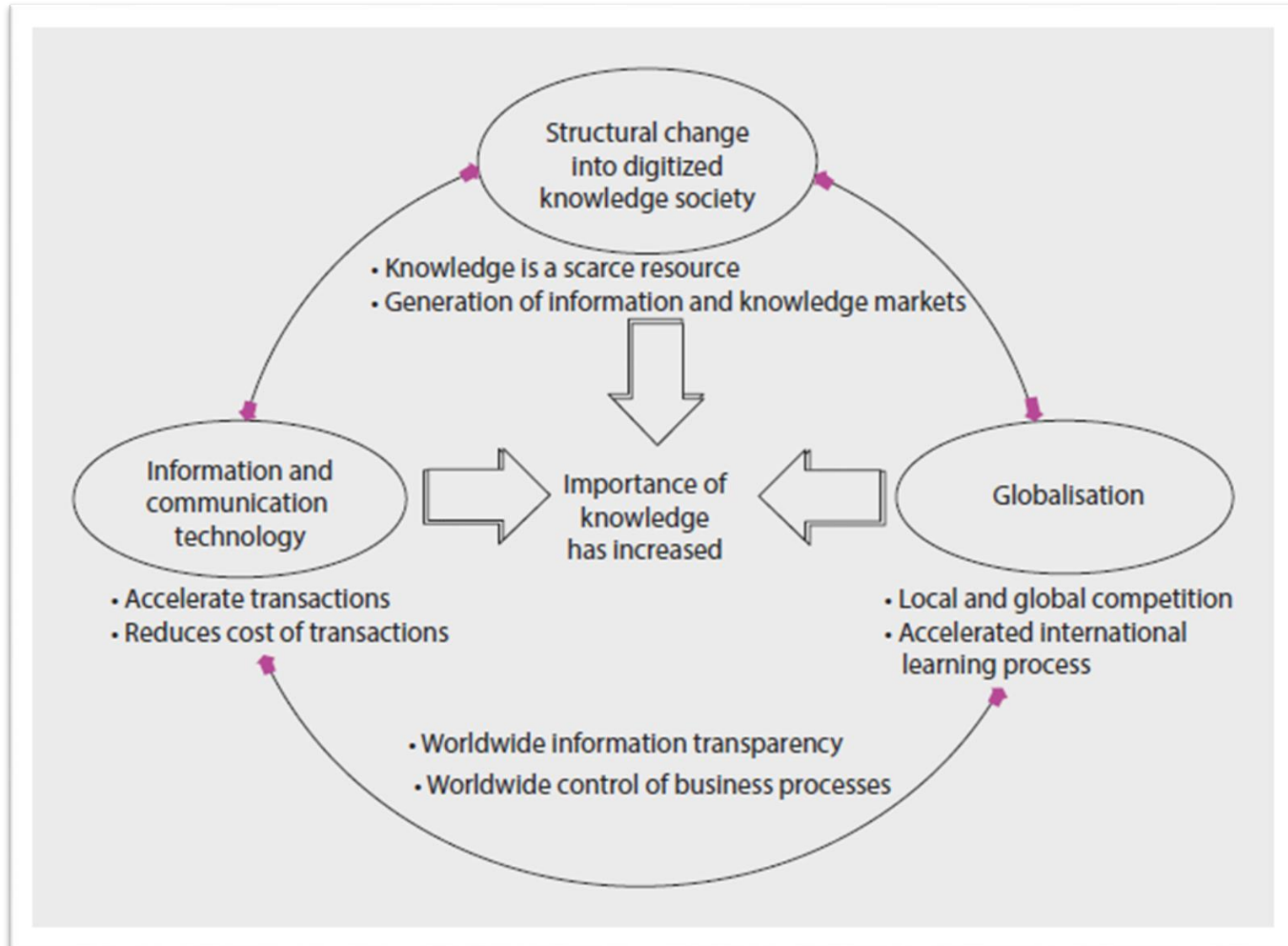
Topics

- ❏ Towards a Digitally Enabled Knowledge Society
 - Knowledge: A Resource for Creating Wealth
 - Knowledge Societies and Economies
 - International Division of Labor Based on Intangible Assets
 - Accelerated Competition: Improving Faster and Becoming Different
 - What is knowledge management?
 - How organizations learn
 - The Knowledge Firm

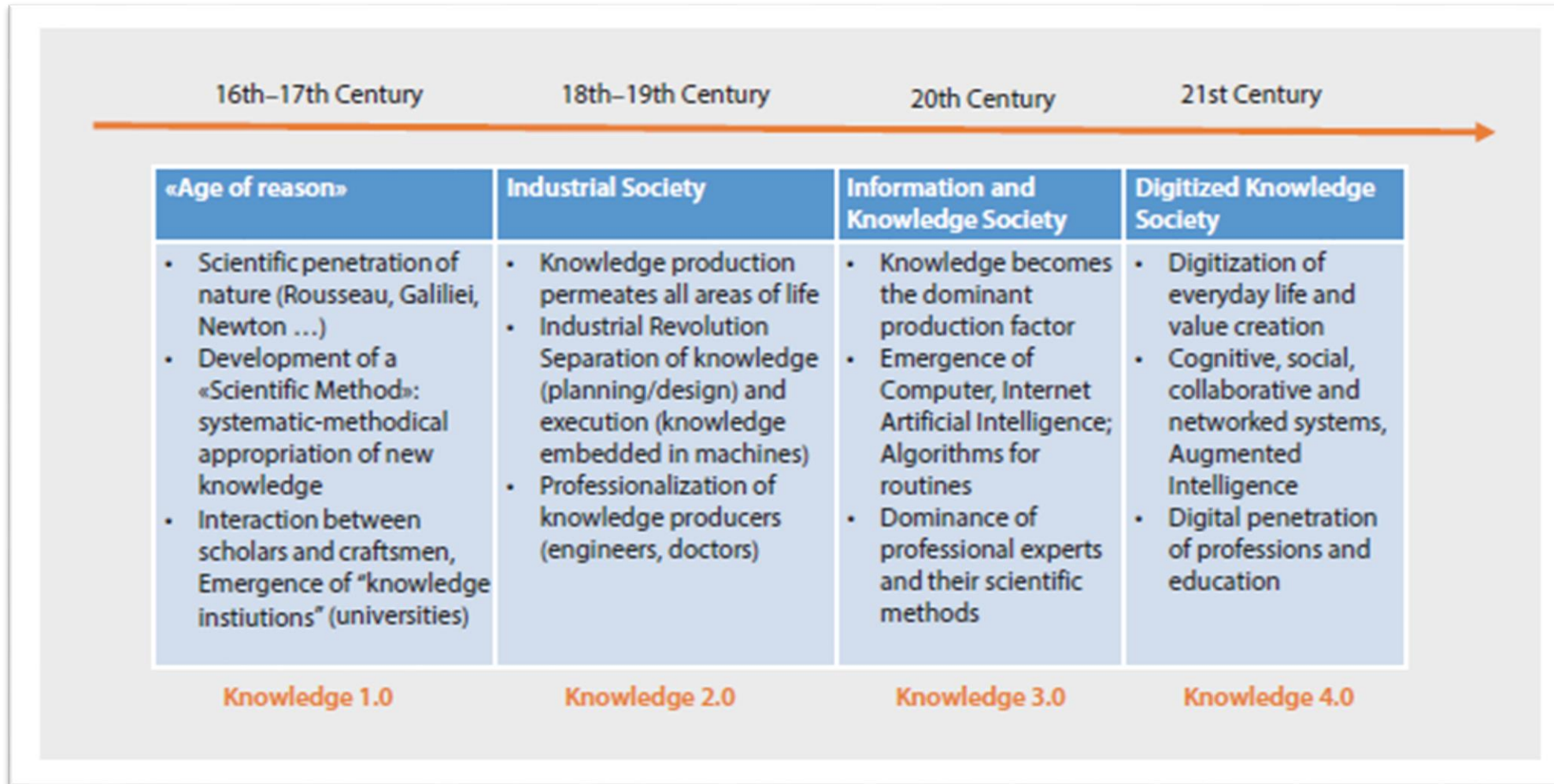
Towards a Digitally Enabled Knowledge Society

- **Knowledge societies** are dominated by professional experts and their scientific methods
- **Knowledge economies** are marked by the expansion of knowledge-producing or knowledge-disseminating occupations
- Peter Drucker used the term «knowledge society» already in 1969 in his book «The Age of Discontinuity»
- Three Driving Forces
 - Structural change
 - Globalization
 - Information and Communication Technology

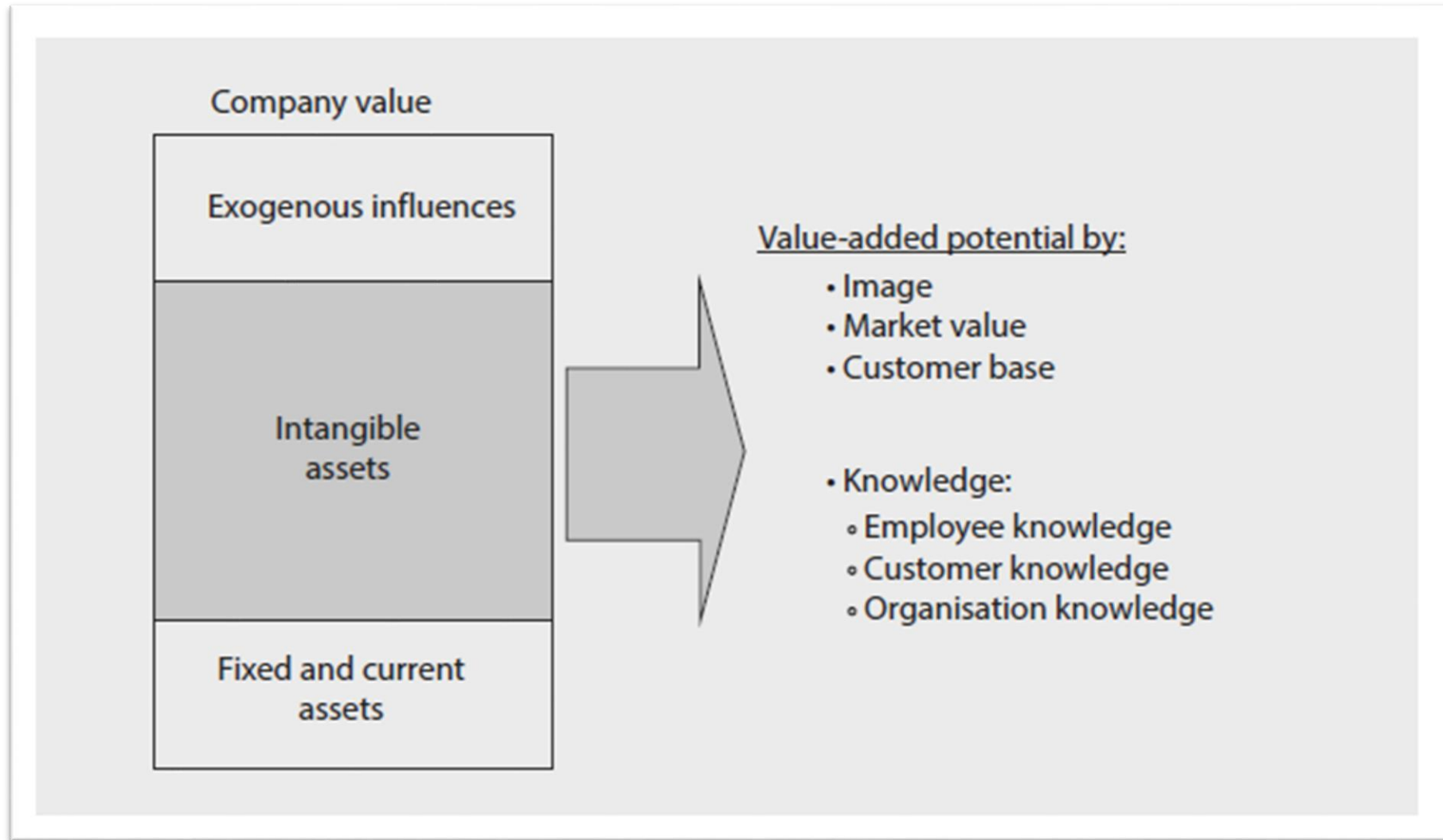
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International Division of Labor Based on Intangible Assets

- In the new international division of labor, «selling» information and knowledge packed in products and services has gained more and more importance compared to the mere exploitation of cost differences and pure «economies of scale»
- In particular, trade in knowledge intensive services and international royalty and license fee payments (as a measure for selling intellectual property) have grown significantly
- India is an important player in global Knowledge Process Outsourcing (KPO) including services such as research and information gathering, e.g. intellectual property research for patent applications; business and market research, legal and medical services; training, consultancy, and research and development

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Accelerated Competition: Improving Faster and Becoming Different

- While the wish «to improve faster» is aimed at increasing efficiency, this only brings about short term relief in keeping a competitive lead. Take an example of a leading electronic company which sees an annual erosion of 15% in the price of its products
- Best practice transfer might lead to an increase in productivity, but is not a long lasting remedy. In order to avert such a fall in price, the competition parameters must be changed using innovation of products, processes or business models. Efforts must be taken to bring unique and inimitable products and services to the market
- Thus, knowledge-oriented management not only means «improving faster» but also «becoming different, gradually»

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Accelerated Competition: Improving Faster and Becoming Different

- In this respect innovation can be defined as a new configuration of knowledge resulting in new or improved processes, products or business models
- Products can be imitated in the short-term or long-term depending on their complexity
- It is very difficult, however, to imitate the capability that is organized and fixed in a company to create, combine, transfer and store knowledge and to generate solutions from the knowledge for the present and future needs of customers. Thus it is a source of long-lasting competitive advantage

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Some Typical Knowledge Problems in Organisations

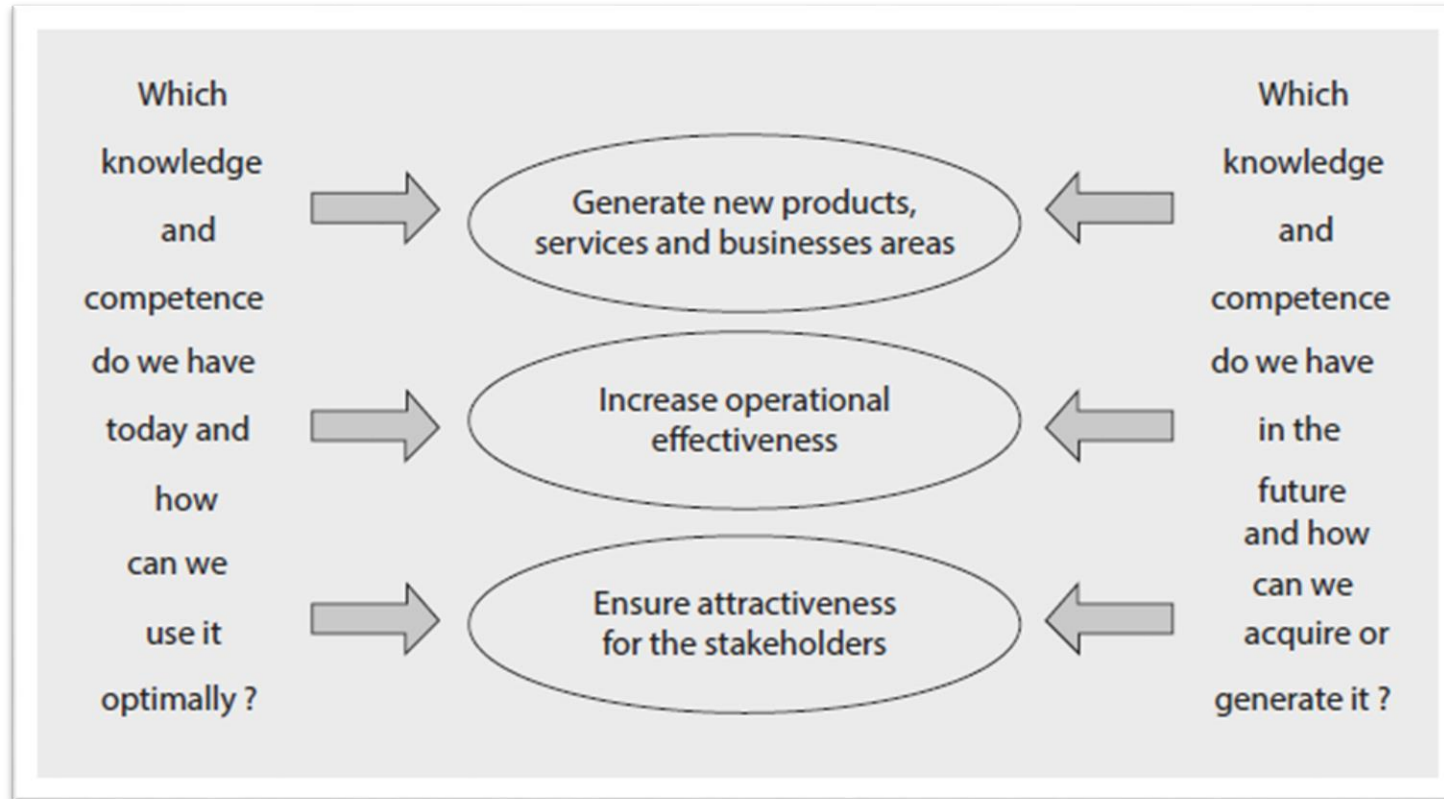
- Employees are unable to find critical existing information when required. This results in employees using incomplete information or re-inventing the wheel. Information about a study conducted in a particular area, if found easily, will help reduce the time in initiating a study in another similar area and estimate the effort more realistically. Knowledge is of little value if it cannot be found when needed.
- Lessons are learned but not shared. Knowledge gained through failure is often undervalued. Events that caused a delay in the project completion or those that affected sales adversely are often forgotten. One tends to repeat past mistakes due to a lack of knowledge or the inaccessibility of the lessons learnt from failures.
- Organisations often don't know what they already know. In the knowledge-based economy survival depends on the best possible response to a multitude of challenges primarily using the knowledge gained through past experience. Due to a lack of sharing culture and facilitation, best practices of a group do not get embedded into the organisation's procedures.
- Very often individuals who have valuable information are not tracked in the organisation and this knowledge moves with them with no benefit to the organisation.

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What Is Knowledge Management?

- The path to an intelligent, knowledge-oriented company initially begins with five basic questions:
 1. How important is knowledge as against physical assets for the success of our business?
 2. Which strategic goals do we want to support by knowledge management?
 3. Which knowledge/competences do we have and which knowledge/competences do we require in the future to ensure long lasting competitiveness?
 4. How do we manage the «knowledge» resource in the company?
 5. How should we organize and develop our company so that we can cope with present and future knowledge-based competition?

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What Is Knowledge Management?

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Let's review Peter Drucker's view on management, before we move on to define **Knowledge Management**. According to Peter Drucker, Management means:

1. Making people's strengths effective and their weaknesses irrelevant
2. Enhancing the ability of people to contribute
3. Integrating people in a common venture by thinking through, setting and exemplifying the organizational objectives, values and goals
4. Enabling the enterprise and its members to grow and develop through training, developing and teaching
5. Ensuring everyone knows what needs to be accomplished, what they can expect of you, and what is expected of them. Management allows us to coordinate hundreds or thousands of people with different skills and knowledge to achieve common goals

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Based on this understanding, we select the following definition:

Knowledge management enables individuals, teams and entire organizations as well as networks, regions and nations to collectively and systematically create, share and apply knowledge to achieve their strategic and operational objectives.

Knowledge management contributes to increase the efficiency and effectiveness of operations on the one hand and to change the quality of competition (innovation) on the other by developing a learning organization.

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Role of **Knowledge Management** in “VUCA” Environments

- Today, a hypercompetitive “VUCA” environment (volatile, uncertain, complex, ambiguous), changed communication behaviors and the evolution towards knowledge work 4.0 set the scene for **managing knowledge** within and across organizations in the digitized society.
- KM has to support a number of conflicting knowledge activities such as “exploitation” and “exploration” or “protection” and “sharing” at the same time in such VUCA settings.
- KM stabilizes the organization’s capabilities in a mode of protection and exploitation on the one hand and concurrently supports dynamic capabilities in a mode of exploration and sharing to enhance agility and renewal. An organization's ability to manage such seemingly contradictory processes and practices increasingly gains importance with digital transformation

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Operational Knowledge Management as stabilizer. Organizations can engage in the following activities to stabilize the portfolio of competencies in an organization:

1. Facilitate ubiquitous and curated knowledge flows: Quick, easy and ubiquitous access to the knowledge base of the organization and across organizations gains importance. There is a need for “knowledge curation” to organize content into proper contextual categories. Curation establishes, maintains and adds value to repositories of knowledge and helps to keep them relevant and up-to-date
2. Enable collaboration: Connections between people, that is joint knowledge creation, sharing and acquisition, and connections of knowledge both in an abstract and a manifest form - the integration of knowledge from diverse sources be it people, documents or algorithms
3. Monitor and control augmented learning and decision-making: A particular challenge here is to identify and leverage the tacit knowledge of subject matter experts or communities and to provide the means for humans to keep up to date with the exponential growth of opportunities created by self-learning systems

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Operational Knowledge Management as catalyst. Organizations can engage in the following activities to productively foster the growth of capabilities for improved organizational performance under shifting environmental conditions:

1. Identify critical knowledge: Organizations need to integrate isolated knowledge on and views of the environment to make sense of information as a basis for seizing new opportunities and transforming the organization. Strategic knowledge mapping helps to uncover and take an integral view on critical knowledge assets, providing the context for discovering the most promising digitalization strategies
2. Facilitate sense making and shared understanding: On the organizational level, shared understanding among organizations that collaborate in business ecosystems is vital for efficient knowledge creation in such ecosystems. Researchers found that at the beginning of business ecosystem formation, organizations need to share their capabilities, expertise, and knowledge and in particular make the tacit knowledge explicit in order to boost integration
3. Encourage renewal, agile learning and reflection: In an environment that is characterized by unpredictability and various unanticipated crises, KM must support quick problem-solving, encourage constant experimenting, foster collaborative learning and facilitate professional reflection to learn from mistakes
4. Build platforms for engagement: KM's role is to build platforms that attract engagement of a wider community for the strategic development of organizational competencies, products and services

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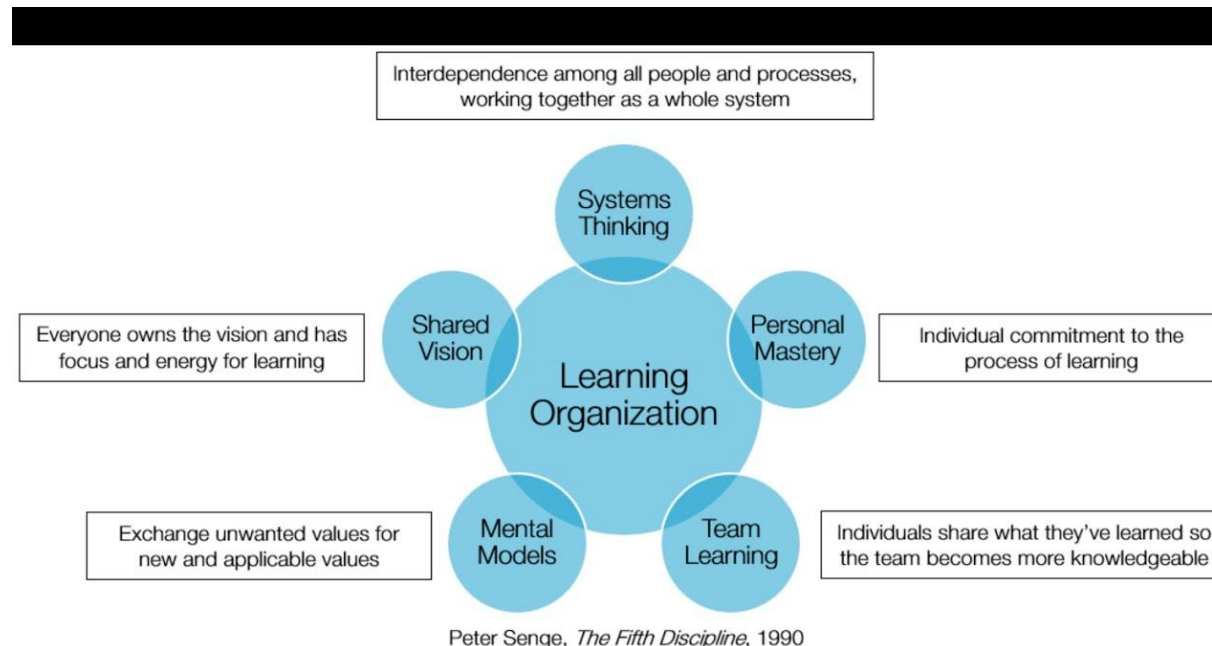
How Organizations Learn: What is Learning?

- The question of whether learning is a cognitive process as well as a behavioral process has practical and theoretical implications. Theorists adhering to a purely cognitive perspective view learning as the development of new insights through the revision of assumptions, causal maps or interpretive schemas. An organization has learned «if any of its units acquires knowledge that it recognizes as potentially useful to the organization». Theorists favoring a dual cognitive–behavioral approach suggest that while cognitive development is necessary, action is also required for full and complete learning. Here learning is said to occur as new insights, assumptions, and causal maps lead to new behavior or conversely, new behavior leads to new insights
- Central to the cognition-behavior question is the notion that learning is a function of conscious thought. Potential learning, however, demands the appropriate cognitive apparatus for noticing or experiencing a «learning need» and for sense making. Sense making has also been linked to the levels of cognitive development, whereby routine learning is associated with single loop learning, and double loop learning with deeper cognitive adjustment

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Learning Organizations are organizations

- Where people continually expand their capacity to create the things they truly desire
- Where new and expansive patterns of thinking are nurtured
- Where collective aspiration is set free, and where people are continually learning to see the whole together



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What Makes a Knowledge Firm?

- Basic values practiced by such an organization are trust, openness to new concepts and authenticity
- The term authenticity indicates that the employees are supported in the use of unconventional solutions, enjoy freedom in their demeanor and in organizing their work and are allowed to be their own self
- In knowledge firms good ideas get implemented notwithstanding who moots them
- The corporate vision and mission emphasizes the importance of knowledge for the success of business
- Leadership and incentives must be organized in such a way that they reward both individual performance and the contribution to overall success of the company
- The knowledge firm measures the creation and transfer of knowledge based on the business goals
- In a knowledge firm, a significant change as opposed to the traditional hierarchical companies is that the position of the management and experts is valued equally
- A knowledge company achieves transparency about «who knows what» within and outside the company and knowledge transfer and development are based on common interests
- Best practices and expertise are emphasized in the company thus offering a permanent stimulus for implementing good practices. Knowledge companies have overcome the «knowledge is power» syndrome; now «knowledge-sharing is power»
- Employees exchange knowledge in «communities of practice». In a knowledge firm, a number of cooperative projects promote teamwork across the functions and business areas in a «boundaryless behavior»
- A knowledge firm practices intensive benchmarking both internally as well as externally. It finds out best practices, distributes them, enquires wholeheartedly whether such practices can be used in the individual units and if not, looks for the reasons

THANK YOU