Knowledge management challenges for global business

Knowledge management is currently receiving considerable attention from both academics and practitioners. The main reason is that it represents a real challenge for global business. However, most of the studies on knowledge management focus on a particular aspect of the subject in spite of the fact that knowledge management complexity requires an integrative approach.

The concepts of data, information and knowledge are generally confused. Data represents facts or observations out of context that are, therefore, not directly meaningful. They are the raw material of higher order constructs. Information results from replacing data within some meaningful content, often in the form of a message.

Knowledge is something more than information. It is closer to action. It is an organized and transformed combination of information, assimilated with a set of rules, procedures and operations learnt through experience and practice. Knowledge is increased through interaction with information, typically from other people. A commonly held view, stated roughly, is that data are raw numbers and facts, information is processed and organized data, and knowledge is meaningful and authenticated information.

Knowledge is categorized as explicit and tacit knowledge. Explicit knowledge is easy to articulate, capture and distribute in different formats. Tacit knowledge is unspoken and hidden. It is difficult to capture, codify, adopt and distribute tacit knowledge; because individuals cannot easily articulate this type of knowledge. It can be thought of as the know-how that is acquired through personal experience. And it has been evaluated as an inimitable competitive advantage.

A working definition of knowledge

Organizations have to develop a working definition of knowledge. It is a necessity to distinguish between data and information on the one hand and knowledge on the other. This is essential for the knowledge construction stage especially. Otherwise, the organization will treat data, information, and knowledge in the same way. Knowledge will become undervalued. Therefore, utilization of knowledge resources will become impossible.

The organization will waste time and money by substituting distinct efforts such as data warehousing architecture plans and IT advancement programmes for knowledge management initiatives. Not developing a working definition of knowledge is a critical error contributing directly to many errors and failures in the knowledge-management process.

Defining knowledge differs among various types of organizations and even among different branches or departments of the same organization. In general, the challenge is to define what constitutes knowledge in the organization at the beginning of the knowledge management initiative so as to be able to develop further initiatives of knowledge management based on an operational knowledge definition. For this reason, management should encourage social interaction and dialogue in the organization.

Tacit knowledge and utilization of IT

Almost all knowledge is either tacit or rooted in tacit knowledge. It is very difficult to articulate tacit knowledge because it is highly situated in the context and to abstract it from its context of application would mean to lose much of its intrinsic meaning and value. However, it is tacitness that makes knowledge difficult to imitate and therefore an important organizational resource for sustaining competitive advantage. Organizations, in spite of the recent emphasis upon tacit knowledge, seem reluctant to deal with it. Therefore, a more explicit emphasis must be exhibited. Programmes enabling and encouraging tacit knowledge sharing must be supported by management. Managerial incentives might also be helpful for effectively sharing and dealing with tacit knowledge especially in case of critical knowledge projects.

Focus on tacit knowledge should not deemphasize the importance of IT implementations. An effective balance between focusing on tacit knowledge and utilizing IT should be achieved. Global business must not rely on IT, but it must make IT work
as an integral component of the knowledge-management process. Accessibility of explicit knowledge resources for employees must be provided by the help of IT. An organization having a poor IT implementation will be disadvantaged in the global marketplace. Besides, processing data and information, IT implementation and advancement must have a knowledge-oriented focus. To provide this is among the responsibilities of the management.

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Adaptation to cultural complexity

As a component of social complexity, cultural complexity global corporations experience implies some managerial and organizational interventions to organizational culture. Because organizational culture is a key element of managing organizational change and renewal, inappropriate culture is generally regarded as the key inhibitor of effective knowledge sharing. Thus, organizations have to move towards a knowledge-oriented culture by every means possible.

A knowledge-oriented culture challenges people to share knowledge throughout the organization. At the same time, it is a culture of confidence and trust. Confidence and trust are required to encourage knowledge management practices in the organization. Developing an organizational culture geared towards knowledge management and innovation should be one of the main concerns of top management.

Attention to human resources

The success of any knowledge management initiative is likely to be critically dependent on having competent and suitably motivated people taking an active role in the process. Hence, effective human resources management policies must be implemented. Attracting and keeping people with abilities, behaviours and competencies that add value to the firm’s knowledge stock must be targeted. This requires effective recruitment, selection, training, development and compensation policies. Building trusting and meaningful relationships within the organization also supports human resources policies enabling improved organizational knowledge management.

Human resources departments are crucial for knowledge management initiatives. Human resources management can encourage the culture enabling the flow and sharing of the employees’ knowledge. It also can be useful for integrating knowledge to organizational decision-making processes. Commitment to knowledge management is specifically important for human resources professionals. They are expected to contribute strategically to the process of determining the organization’s knowledge gap. Top management has to encourage the human resources professionals to be active in the knowledge-management process and coordinate the relationships between the functions of human resources management and knowledge management.

Developing new organizational structures

Hierarchical-bureaucratic structures, though they generate useful outcomes in some organizational settings and under specific circumstances, are considered to prevent knowledge sharing and utilization. They impose limits to learning, generation of new knowledge, knowledge dissemination and, therefore, innovation.

Thus, several leading firms in various sectors and from different countries try to adopt innovative organizational structures. These structures are based, to a large extent, on the work of multidisciplinary groups with a high degree of autonomy and acting in environments characterized by fluctuation, creative chaos, requisite variety and redundancy.

Coping with increased competition

Coping with increased competition is one of the most significant challenges of knowledge management faced by global business today. Intense worldwide competition forces the firms to take new actions responding to environmental demands, pressures, and challenges almost day to day. Fast response strategies have become prevalent because of the intensity of the competition. Nevertheless, knowledge management represents a long-term oriented cycle of initiatives. Therefore, a tension between the nature of knowledge management and accelerating pace of change occurs.

No practical and worldwide applicable solution can be proposed in response to this problem. In general, specific knowledge management programmes should be designed as flexible as possible. But the framework and main principles of knowledge management initiatives must be structured as a steady construction in order to internalize knowledge management as an essential process in the organization.

Coping with increased competition calls for various knowledge management initiatives requiring serious investments. However, management should balance the necessity of technological advancements and other initiatives related to knowledge management with the need to cut costs. The diffusion of investments must be planned carefully at the same time. Resources must be devoted appropriately to the different aspects of knowledge management which require investment. This implies the careful determination of needs. For this reason, global business management needs essential internal and external environment scanning enriched by various formal and informal channels and tools.
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