

# KNOWLEDGE FOR COMPETITIVE ADVANTAGE: PUTTING KNOWLEDGE AT THE CORE OF THE BUSINESS

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## บทคัดย่อ

ในช่วงไม่นานมานี้ คำว่าความรู้และการจัดการความรู้กลายเป็นแกนของหลักของแนวความคิดในการจัดการ บรรดานักคิดและนักวางกลยุทธ์ทางธุรกิจกำลังพยายามสำรวจธรรมชาติที่แท้จริงของความรู้และการจัดการความรู้จากมุมมองของความสามารถในการแข่งขันขององค์กร องค์กรต่างๆ ไม่ว่าจะเป็นระดับชาติหรือภูมิภาคล้วนประสบปัญหาในการที่จะทำให้ธุรกิจของตนยั่งยืนขึ้นและแข่งขันได้มากขึ้น ในบริบทของธุรกิจที่เปลี่ยนแปลงไป องค์กรจำเป็นต้องใช้วิธีนัยพลวัตที่ทำให้ตนเองยืดหยุ่นและมีแรงจูงใจ แนวความคิดที่เน้นความรู้เป็นหลักเสนอว่าความรู้สามารถทำให้องค์กรปรับเปลี่ยนได้มากขึ้นโดยการพัฒนาศักยภาพใหม่ๆ ในที่สุดความสามารถในการพัฒนาศักยภาพใหม่ๆ จะก่อให้เกิดความได้เปรียบในการแข่งขันในระยะยาว การศึกษานี้เป็นการพัฒนารอบกลยุทธ์ความรู้ซึ่งเน้นความสัมพันธ์ทางกลยุทธ์ระหว่างการสร้างความรู้และกระบวนการทางธุรกิจ โดยเน้นมิติประชาชนของธุรกิจเนื่องจากประชาชนคือผู้มีส่วนรวมหลักในกลยุทธ์ความรู้ทุกประเภท

## Abstract

*In recent years, the words - knowledge and managing knowledge are at the core of management thinking. Scholars and business strategists are trying to explore the real nature of knowledge and its management from the organiza-*

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*tional competitiveness point of view. Organizations, irrespective of the nations and regions are facing a difficult problem in making their businesses more competitive and sustainable. In the changing business context, organizations need to adopt a dynamic approach which can make them flexible and self-motivated. Knowledge-based view proposes that knowledge can make an organization more adaptable through developing new competencies. Eventually, the ability of developing new competencies provides a competitive advantage in the long-term. This paper is exclusively involved in developing a knowledge strategy framework. This framework focuses on a strategic linkage between knowledge creation and business processes. This thematic paper equally emphasizes the people dimension of a business as they (people) are the key actors in any knowledge strategy.*

## **1. INTRODUCTION**

A new paradigm - knowledge management is getting increased attention in the arena of business. This emerging paradigm perceives knowledge and information as the thermonuclear competitive weapons (Stewart, 1997). It (knowledge) is considered as the most valuable and strategic resource (Zack, 1999). Business houses are relying more on knowledge and information for their competitiveness since traditional business strategies are not capable enough to serve them further. Organizations are pursuing knowledge strategies in order to leverage their business in meaningful ways. They are investing more in knowledge. Yet! There is a problem that managing knowledge is somewhat complex due to a number of critical issues like - lack of a clear definition, ambiguous scope, absence of knowledge tools and techniques, and so on. A precise guideline is necessary in making a knowledge strategy more effective. The main stream of knowledge management literature has emphasized more on the learning aspects of the business. However, less focus

has been made on the cultural aspect whereas; culture is that invisible indispensable phenomenon ignoring of which no business strategy can work properly.

## **2. Objective, Scope and Methodology of the Study**

The prime objective of this paper is to propose guidelines for using knowledge in attaining competitive advantage. Issues such as: 'how knowledge can be incorporated in the business processes as well as 'how knowledge-culture can be persuaded' will be highlighted in these guidelines. Both the concerns of this study - incorporating knowledge and building a knowledge culture are very difficult to define according to their jurisdictions since these are overlapping, contextual and highly intangible. Special care has been taken to eliminate obscure elements associated with these issues. All relevant management processes have been examined systematically and recommendations made accordingly.

There is a common conviction that

knowledge strategy is only applicable in developed countries since the concept of knowledge management is too sophisticated for the businesses in developing countries. It is also assumed that it is appropriate for large organizations. This study has made an effort to show that knowledge strategy is not confined to the developed nations, nor confined to large organizations. Knowledge strategy has no geographical territory, no organizational preferences; rather it is a matter of implementation. It (knowledge strategy) is applicable across the world irrespective of organizations.

For this *case study* primary data and information have been collected through interview and observation. In ensuring data validity, various records like policy papers, operations' manuals, etc. have been examined as rigorously as possible. In addition, other factors that are relevant to a developing country have been considered with due attention. In this study, an extra emphasis has been given to the theoretical discussion in order to clarify the thematic inputs in making a general framework for knowledge strategy.

### **3. Knowledge, Knowledge Management and Knowledge Strategy**

In order to develop a framework for knowledge strategy it is necessary to review our understanding regarding a number of basic themes like knowledge, knowledge management, learning, capability, innovation, culture, intellectual capital and knowledge strategy since these terms, in many cases, need lucid explanation and clarification.

#### **3.1 Knowledge: What it is Actually?**

There is no specific definition of knowledge. Many scholars have tried to define it in numerous ways. Eventually, their efforts have revealed various dimensions of knowledge and made it (knowledge) more complex. Long before Plato defined knowledge as "Justified true belief". This definition apparently sounds very logical but this definition does not give any specific nature or characteristic of knowledge; in fact, this definition is highly subjective. However, this definition is admired by many philosophers, especially to the empiricists who believe that knowledge claims can be justified by facts. Renowned scholars Nonaka and Takeuchi have adopted this definition in their works. Allee's definition is, to some extent, more specific; he defines "Knowledge is experience or information that can be communicated and shared" (Allee, 1997). This (Allee's) definition is very much context specific.

According to Argyris (1993), "knowledge is the capacity for effective action". This definition emphasizes the relationship between knowledge and capability. This functional definition is very useful, particularly when an organization intends to acquire new competencies or improve existing competencies.

So far, the definition of Davenport and Prusak is relatively more comprehensive from an organizational point of view; they define "Knowledge is the fluid mix of framed experience, values, contextual information, and expert insight that provides a framework for evaluating and incorporating new experiences and information. It originates and is applied in the minds of knowers. In organizations it often becomes embedded not only

in documents or repositories but also in organizational routines, processes and practices, and norms” (Davenport and Prusak, 1997). Key dimensions of this definition are - organization culture, human resources, business process, routine, procedures, practices, and knowledge repositories, etc. A total organization is the scope of this definition; although the intervention of knowledge is wide in this definition, yet very precise, too. This definition has been fostered as a guiding principle for this study.

### **3.2 Knowledge Management (KM): What its Jurisdiction is!**

Like knowledge, knowledge management (KM) is a complex multilayered and multifaceted concept. There is no exact definition that can express its real nature. Definition of knowledge management (KM) varies as the perspective and context changes. Armstrong’s comment regarding this is very useful; he mentioned that “Knowledge management is about storing and sharing the wisdom, understanding and expertise accumulate in an organization about its processes, techniques and operations. Knowledge management strategies promote the sharing of knowledge by linking people, and by linking them to information so that they learn from documented experiences. It (KM) uses knowledge as resources” (Armstrong, 2003) Tan has defined corporate knowledge management as “The process of systematically and actively managing and leveraging the stores of knowledge in an organization” (Tan, 2000). Knowledge management basically is involved in capturing, distributing, coordinating (people and activities) and ensuring effective utilization of knowledge.

Managing knowledge is considered as a regular business activity. According to Ahmed et al. (2002), “Knowledge management is not a separate management function or a process. It is consisted of a set of cross-disciplinary organizational processes that seek the ongoing and continuous creation of new knowledge by leveraging the synergy of combining information technologies, and the creative and innovative capacity of human beings”.

Intellectual assets work as central actors in knowledge management. Wiig (2002) mentions that: “The goal of knowledge management is to build and exploit intellectual capital effectively and gainfully”. Intellectual assets encompass organization culture, processes, procedures, technological know-how, individual and institutional knowledge (tacit and explicit); ultimately the entire organization except physical and financial resources is included within the scope of intellectual capital.

There is another important aspect of knowledge management as ‘strategy’. In general, knowledge management is a strategy for maintenance, enhancement and utilization of knowledge resources. The definition of Bergeron can be considered a useful one, even though it is very pragmatic; he proposes: “knowledge management is a deliberate, systematic business optimization strategy that selects, distills, stores, organizes, packages, and communicates information essential to the business of a company in a manner that improves employee performance and corporate competitiveness” (Bergeron, 2003). This definition emphasizes that KM basically is a systematic approach to managing intellectual assets that provide competitive advantage. This defi-

nition can be regarded as a workable one since it clearly indicates the use of knowledge for competitive advantage.

The scope of knowledge management is very pervasive, it is related to the organization's processes, procedures, systems, norms, values, learning, performance, intellectual assets, information-processing, etc. along with the utilization of knowledge assets or intellectual capital.

### **3.3 Knowledge, Learning and Capability**

There is a direct relationship in between knowledge and capability. Learning is the central mechanism of capacity building. Learning and knowledge are intricately intertwined and mutually reinforce each other in cycles (Ahmed et al., 2002). Eventually, new capability and competency originate from the interaction between these two notions.

Organizational learning is involved in developing the individual's and the organization's capability and competency. Both the organization and individual, through cognitive processes enhance their capability. There is a snowball effect in the event of organization learning. At each stage of the learning cycle, new knowledge and capability are created. In many instances, it is observed that success of the businesses significantly depends on the ability to scan the environment, acquire new knowledge, learn to act and develop market driven capability. Organizations and employees become more adaptive and responsive to the change. Acquiring knowledge, particularly customer knowledge is a kind of market intelligence. Thus, an organization can comprehend emerging trends in the market.

### **3.4 Knowledge and Innovation**

Perhaps the most significant relationship exists between managing knowledge and innovation. It is widely believed that knowledge works as a prime impetus for innovation. According to Newell et al. (2002), innovation is frequently considered as the primary purpose of knowledge management. Innovation is the application of knowledge for producing new knowledge (Drucker, 1993). Knowledge enables a firm to innovate. Innovation is a very comprehensive phenomenon within the organization. It is not necessarily the creation of new products, rather it is the creation of new process, strategy, mechanism, identification of new markets and so on; even continuous improvement is also included in the paradigm of innovation. The process of continuous improvement leads towards constant corporate transformation and renewal by acquiring new competencies and capabilities and accordingly serving the market in a novel way.

### **3.5 Knowledge and Culture**

Organizational or corporate culture is the pattern of values, norms, beliefs, attitudes and assumptions that may not be very articulated yet shape people's behavior and work process (Armstrong, 2003). From this definition the reach of culture is appearing as all-encompassing i.e. entire organizations along with soft and hard system are included within the range of culture. According to a knowledge-based view, organization culture is a flexible tacit infrastructure that shapes organization's thinking pattern, business processes and above all human behavior. Beliefs, norms, attitudes, assumptions, etc. are the result of experience that an organization



acquires at different points of time. Knowledge is also the accumulation of experience during its life time. These values, beliefs, norms, patterns, etc. form the tacit part of an organization. It (culture) is that invisible bond among all knowledge components of an organization whose motive is to behave in a cohesive manner. It encompasses a wide range of organizational issues like leadership, empowerment, group behaviour and so on. Through corporate vision, mission statements, objectives, etc. corporate culture is expressed, and through works system, leadership and management style, and policy implementation, corporate culture is demonstrated. It enables an organization to cope with the external environment, broader society; since it has emerged from the anthropological attempts to understand whole societies (Ahmed et al., 2002).

### **3.6 Knowledge and Intellectual Capital (IC)**

There are three basic components of intellectual capital (IC) - *human capital, social capital and structural (organizational)*. Each component of intellectual capital represents different aspects of knowledge as well as organizations. Human capital refers to the knowledge, skills and experiences possessed by individual employees; social capital refers to the ability of groups to collaborate and work together which is the function of trust; and the structural capital refers to the explicit knowledge which is embedded with the organization's rules, work processes and systems or encoded in written policies, training documentation or shared data-bases (Seemann et al., 1999). It can be said that knowledge management is all about managing intellectual

capital. The main significance of intellectual capital is that it mobilizes other organizational resources. Intellectual capital is also influenced by a number of drivers - innovation, research and development, training and development, policies, organizational processes, customer and supplier relations, and so on. All these factors are constantly enriching an organization's intellectual capital. A conspicuous interactive relationship is there between intellectual capital and an organization.

### **3.7 Knowledge Strategy: Why it is Important?**

Knowledge strategy can be perceived in many ways. In simple terms, it can be defined as the manipulation of knowledge resources. The main focus of knowledge strategy is to facilitate the activities (creating, capturing, distributing and utilizing, etc.) of knowledge management (KM) or facilitating the function of key issues (intellectual capital, business process, competitiveness, etc.) in KM, and aligning knowledge resources together with the knowledge infrastructure. In order to fit these factors a strategy is needed, which can be termed as a knowledge strategy. In other words, knowledge strategy is nothing but the managing of intellectual assets. Physical and financial assets of an organization cannot be maneuvered by themselves; it is the intellectual capital, precisely the human capital that maneuvers and aligns those physical and financial resources in line with business objectives. Knowledge management is also involved in creating, leveraging, capturing and utilizing knowledge. Even though these activities are interrelated and overlapping, but they are distinctive because of their

unique outcomes and influences over the organization. A clear knowledge strategy is required to guide these activities. In the new economy the success of a business depends on the quality of knowledge and its processing in key business areas (Housel and Bell, 2001). Similarly, it (knowledge) adds value when it is applied in order to improve, change or develop specific tasks and activities (McDermott, 1999). Overall knowledge has huge promise in making a business more efficient. Gradually knowledge is becoming an inseparable part in any business strategy.

Often a concern is raised in that ‘is knowledge strategy different from organizational strategy?’ The clear-cut answer is no; it is not a different strategy; business strategy is increasingly taking inputs from a knowledge domain and becoming more and more knowledge oriented. Perhaps the most significant aspect is that knowledge strategy is not a deliberate one - it is spontaneous; it is not static - it is dynamic.

#### 4. Case Analysis

Here two cases from Bangladesh have been considered for analysis.

##### 4.1 *Standard Plastic - Managing Knowledge for New Product Development*

Standard plastic is one of the pioneer plastic manufacturing companies in Bangladesh. The business was established in early 90's. For about two decades this firm is serving its customers more or less successfully. The management believes that the ability to understand its customer is its key success factor.

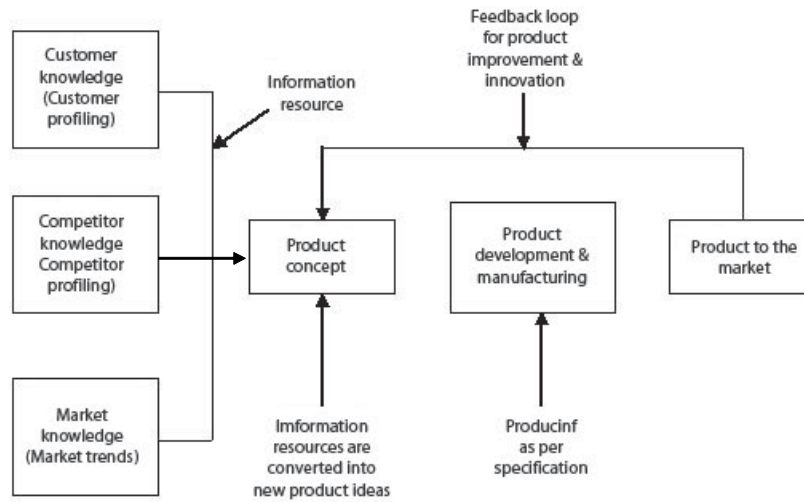
##### a. *Business Development Policy*

Although understanding customers was at the center of the business strategy of Standard Plastic, it was not a deliberate knowledge strategy. In the course of time, it became knowledge oriented as the degree of mass-customization was increasing. The business development policy in Standard Plastic could be stated as - collecting information on customers; developing customer profiling; preparing product profiling; updating production system (if necessary) and delivering to the customer. This business development strategy appears to have been very simple yet very effective.

In Standard, collecting information from customers refers to the process of constant interaction with the customers. Through this interaction Standard prepared customers' profile in terms of their taste and preference, buying behavior, quantity and quality, etc. Simultaneously, the business was keeping a keen eye over its competitors in order to know what its competitors were offering in the market. It is nothing but a scanning of the immediate market environment. Scanning the market had strategic significance in Standard Plastic in terms of capability development. For example, since the mid 90's plastic household items were getting popular. Those were mainly imported from Thailand and China. Standard realized that they had the capability to produce similar products. Therefore, Standard decided to pursue a two-fold strategy: offering a wide range of products and maintaining superiority.

##### b. *Internal Arrangements of Standard*

New design, style, durability, etc. were the key considerations of their new offerings. Standard Plastic emphasized exclu-



**Figure no. 1: Product development in Standard Plastic**

sively on the new production development and efficient production system.

Understanding customers, observing the maneuver of the competitors, monitoring recently imported goods were at the heart of Standard's innovation strategy. It developed an internal support system to materialize new ideas. It established a small Product Design Center at its factory office along with a product development team. The team consisted of one market specialist, one technician experienced in product design and development and a quality control expert. This small unit was not only in charge of product design and preparing product specifications but was also responsible for product quality conformation. After designing the product they sent product specifications to the production department. The Product department then produced the product as per specifi-

cation. After marketing the product, Standard collected feedback from the market and improved or developed the product accordingly. The business (Standard) converted its information resources into product concept and then into new products.

Through constant market monitoring, it was collecting market information and configuring its internal arrangement in order to produce a particular product or range of products. Each piece of market information was converted into production inputs. Eventually, their technological capability was improving because they were acquiring new technology, equipment and machineries, whenever and wherever necessary, as per product specification. There were three dedicated separate teams in action in Standard.





Figure no. 2: Knowledge infrastructure of Standard Plastic

- **Team one - Sales and marketing:** Collecting market information in the form of customer profiling, competitor profiling including product feedback.
- **Team two - Product design:** This team was involved in conceptualizing product ideas (product concept) and preparing product specifications.
- **Team three - Production department:** This team produced product specifications prepared by the product design team (Team two).

These three teams used to work in collaboration with the Product Design Centre. In case of new product development and/or improvement, this center played a coordinating role among these three abovementioned teams.

The combination of internal and external arrangements had provided an excellent advantage to Standard than that of its competitors like - access to the customer, rich data-base (knowledge-base), technological capability, skilled human resources and so on. As a result, they could charge slightly premium price.

#### 4.2 *The Teamwork Ltd. - Innovative Solution through Highly Competent Workforce*

The Teamwork Ltd. was founded in 1996. It is a medium-sized management consultant firm, located in Dhaka. The business philosophy of Teamwork is to provide creative solution to its clients.

##### a. *Business Development Policy*

The business development policy of

Teamwork was primarily based on its human resources development and management initiatives. It had a strong conviction that highly skilled and competent workforce would be its key driving factors of its innovative solutions. Eighty percent of its employees were highly skilled in their respective fields.

There were four business development wings in Teamwork - Finance and Taxation, IT Solution Development, Human Resource Development, and Company Legal Affairs through which it (Teamwork) provided solutions to its clients. Each wing consisted of highly skilled technical consultants. These wings catered the services to their clients independently. Each wing was considered as a strategic business unit (SBU).

Teamwork was also organized into four departments - Human Resource Development, Finance and Accounts, Public Relations, and Logistics. Logistics was responsible for the general administration in Teamwork. Public Relations and Logistics de-

partments work closely with the SBUs (business development wings). On receipt of a business (problem/requirement) from a client, the concerned wing first analyzes customers' problems or requirements and then formulates the solution as per their (clients) requirements.

**b. Internal Arrangements of Teamwork**

Human resources practices were at the center of business initiatives of Teamwork. Its major practices were - recruitment and selection, training and development, performance evaluation. Human Resource Development was in charge of supervising all HR activities. In addition, there were two business enablers - organization culture and organization structure.

Teamwork put a great emphasis on the recruitment and selection process. It recruited experts for each business development wing. Selection criteria in Teamwork were - academic standing, practical exposures, creativ-



**Figure no.3: Knowledge infrastructure of Teamwork**

ity and innovative thinking, analytical consideration, interpersonal skills, and communication skills. Candidates had to demonstrate their business solution development skills in the selection process. Continuous training and development was an inseparable part of its human resource practices. In order to maintain a high level of professionalism, consultants were highly encouraged to develop their own skills and competencies by developing their own curricula.

The most crucial part was its (Teamwork) performance evaluation system. Consultants' (employees) performances were evaluated twice in a year through a formal assessment process. Performance was evaluated collectively. Performance criteria were - client's satisfaction, meeting revenue targets by each business development unit (SBU), time consumed for business development, number of new clients and rate of customer retention.

Autonomy, empowerment, and open communications, etc. were the key impetus

of the organization culture of Teamwork. Employees (consultants) were considered to be the leaders in their respective areas. No interference is made in the process of dealing with their clients. Consultants follow their own work procedures and time schedules. By providing a supportive environment, Teamwork was relentlessly stimulating an innovative culture.

The organization structure in Teamwork was flat. This flat structure had several strategic implications over Teamwork, e.g. free flow of information, open communications (top down, bottom up and lateral), autonomy, empowerment, and so on. There was a fair degree of flexibility in this organization structure; it could accommodate temporary workers for its creative business solutions. Often the business outsourced experts for its various assignments when its in-house consultants were not appropriate for a particular assignment. For all assignments Teamwork followed a matrix organization.

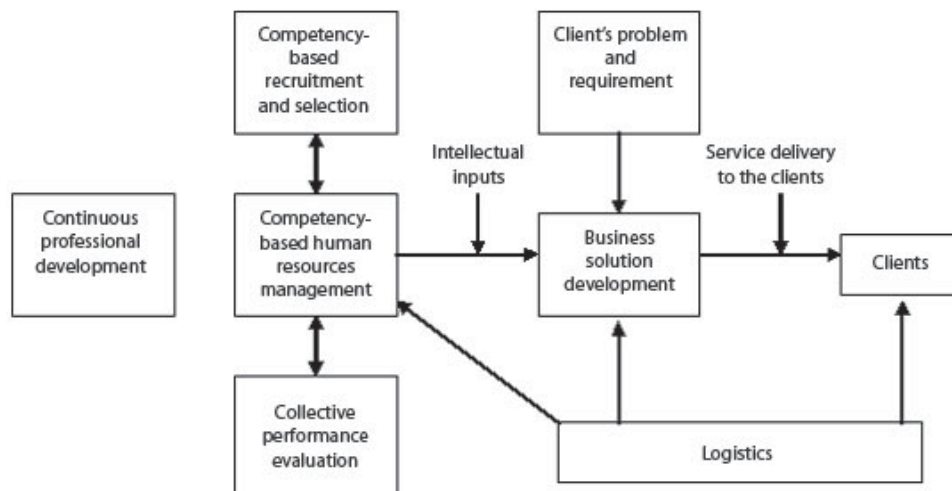
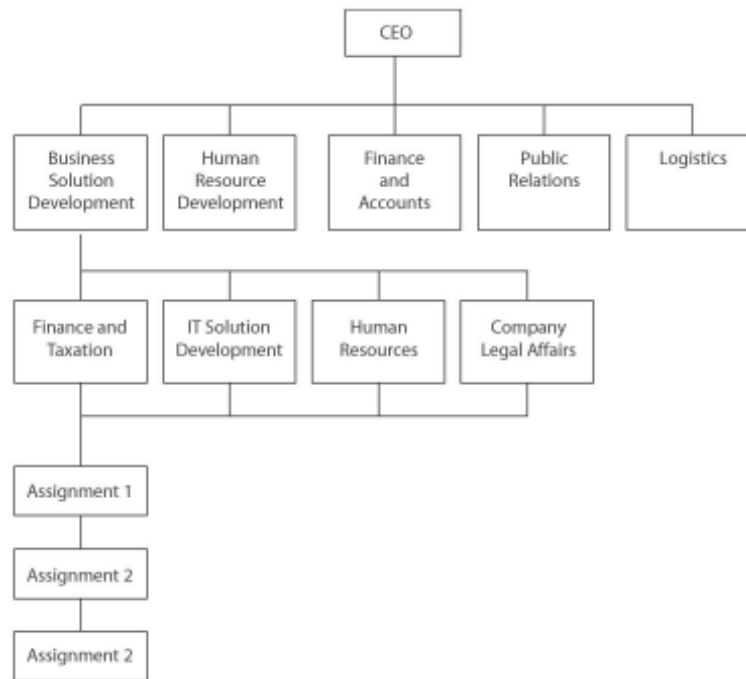


Figure no. 4: Human management practices and business solution development interface in Teamwork



**Figure no. 5: Organization structure of Teamwork**

## **5. Comparative Scenario Analysis: Standard and Teamwork**

The knowledge strategy of both the companies - 'Standard Plastic' and 'Teamwork' were very distinctive as the core focuses of their knowledge practices were very unique. The main objective of the knowledge practice of Standard was to develop new products through technological capacity development; whereas, in Teamwork the emphasis was on developing innovative solutions through its highly skilled human resources.

Standard Plastic constantly monitored the environment and detected the opportunity for new product development or product improvement; on the other hand, Teamwork tried to buildup a rapport with the cus-

tomers in order to provide customized services to its clients.

Learning in Standard is stimulated through sensing the market environment and developing a product specification accordingly. In Teamwork, learning was stimulated through continuous professional development and dedicated effort for comprehending customers.

While developing technological capability, human resource development activities took place indirectly since there were no explicit HR policies and practices in Standard. In contrast, human resources practices play an active role in Teamwork's knowledge strategy.

With these abovementioned similarities and differences, both the companies could incorporate knowledge in their core busi-

ness processes successfully. With the help of customer knowledge, Standard either produced new products or improved existing products; by understanding its clients Teamwork provided creative solutions. In these organizations, innovation and knowledge played a key role. Customer information is converted into customer knowledge; then customer/client knowledge into customer/client profiling; then from customer/client profiling to product/service specifications; on the basis of product/service specifications the final product/service is produced.

Managing knowledge had significant internal implications, too. Standard was developing its internal capacity in the form of technological competency. While preparing product specifications, it assessed its internal capability. If there was any deviation, corrective measures were taken to mitigate the deviation(s). Thus, Standard was continuously learning and developing its new capability. On the contrary, Teamwork had a conscious and predetermined approach to continuous development. Progressive human resource development was its main business driver. Coupled with two business enablers - flat organization structure and culture of a total learning environment prevailed in Teamwork. In addition, deliberate human resource management practices had given Teamwork extra professional height.

Through their knowledge policy and strategy Standard and Teamwork could convert themselves into effective learning organizations. Peter Senge (1990) defines learning organizations as the "...organizations where people continually expand their capacity to create the results 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". In both the companies all the basic elements of a learning organization - capacity building, developing new ideas, empowerment etc. are more or less well practiced. An emphasis is given on the organization culture for managing knowledge; management and employees of Standard and Teamwork are enthusiastically seeking ways in which they can improve performance and productivity. Overall these two companies were successful in incorporating knowledge in their business processes. Eventually, they were successful in their respective industries.

## **6. Towards a Common Knowledge Framework**

In the theoretical discussion, a number of fundamental issues like definition of knowledge, knowledge management, knowledge strategy, culture, intellectual capital, innovation and so on have been addressed. The objective was to underline thematic inputs for a general framework and at the same time, getting a clear understanding of these issues. In these cases the objective was to know how those issues had been addressed in real life. From these a set of ground rules could be formulated.

### **6.1 Ground Rules**

Basic ground rules are - an organization must have:

- A clear and agreed perception and definition about knowledge.
- A precise business development policy (knowledge strategy).



- Aligning resources (internal arrangement/knowledge infrastructure) in line with a business development policy (knowledge strategy).
- Identifying key business drivers of the business development policy (knowledge strategy).

Above mentioned assumptions are not rigid guidelines. Instead, these must evolve from an organization's distinctive characteristics, history, culture and paradigms and so forth.

### **6.2 Knowledge Enablers**

There are a number of enablers in a knowledge paradigm. The most critical enablers are -

1. Organization culture, leadership and management style
2. Technology
3. Human resources
4. Research and development/training and development
5. Work structure

It can not be said that these enablers are equally effective in all organizations. It depends on the context. These enablers may change from organization to organization. In the case of complex organization settings, the number of enablers may be more than that of the above list.

### **6.3 Major Elements of Knowledge Strategy - The Knowledge Agenda**

1. Developing a dedicated business development policy.
2. Configuring knowledge initiatives.
3. Aligning resources - knowledge infrastructure.
4. Linking business with the external environment.

5. Incorporating knowledge into the business process, activities and procedures.

#### **1. Developing a dedicated business development policy**

The most essential element of a knowledge framework is a business development policy. Business development policy includes vision, mission, objectives and strategy. This component (business development policy) works as a guiding philosophy. This must be clearly stated, sufficiently elaborated and well communicated so that all concerned parties can get a clear impression of the strategic intention of a business.

#### **2. Configuring knowledge initiatives**

Knowledge initiatives can be termed as the knowledge-based maneuverings or actions that would bring benefits for the business. These initiatives are totally context specific i.e. these vary as the organization changes in terms of industry, competitiveness, region, and fundamental business strategy.

In general, knowledge initiatives include knowledge explication, knowledge creation, knowledge dissemination, knowledge utilization and knowledge storing. All these knowledge initiatives must be well planned and coordinated so that these can achieve a common goal. By taking into account circumstantial factors, these knowledge initiatives must be designed. Knowledge initiatives have to directly contribute to the business process and at the same time, to be imparted into the organization's system, process, procedures, archives, repositories and other distributed organizational knowledge-bases.

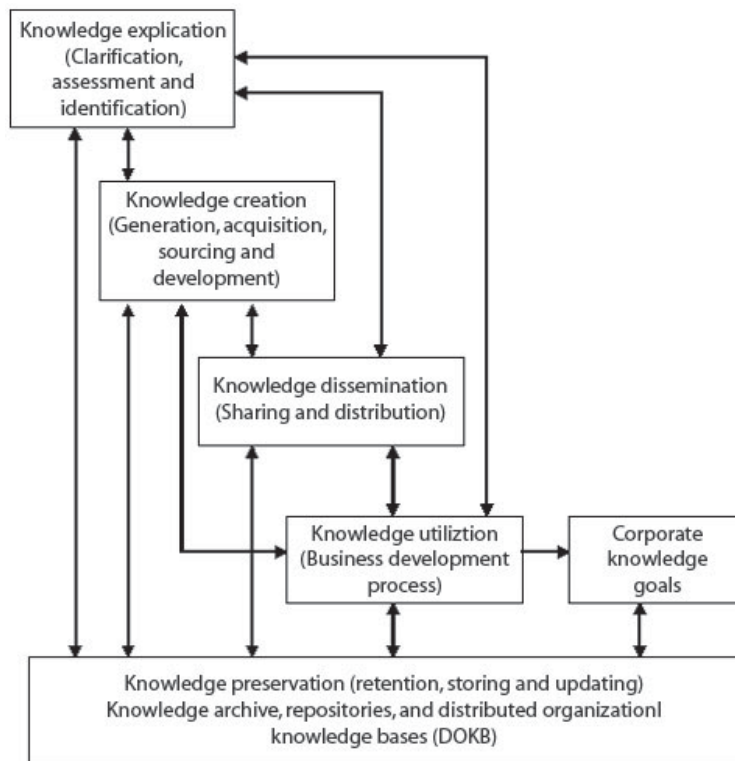


Figure no. 6: Knowledge initiatives in knowledge strategy

### 3. Incorporating knowledge into the business process, activities and procedures

Through policy development and implementation, training and development, work design, knowledge is to be imparted with the business development process. All business activities to be designed in that way so that these activities can acquire required knowledge inputs from knowledge archives, repositories and distributed organizational knowledge-base (DOKB) whenever necessary. A supportive learning environment needs to be created; empowerment to be ensured; teamwork to be practiced; research and development to be encouraged;

customized training and development to be introduced and thus, employees can acquire specific knowledge and skill for the purpose of efficient operation and so on. All these activities would automatically create a knowledge culture across the business.

### 4. Aligning resources and knowledge infrastructure

For the successful application of a knowledge strategy, a supportive atmosphere is absolutely necessary. Organizational support could come in the form of a business development policy, corporate culture, autonomy, free flow of information and knowledge resources, etc. Here knowl-

edge resources refer to the intellectual property. All these resources are to be in line with the business development policy, knowledge initiatives offer development.

### **5. Linking business with the external environment**

Organizations have to be linked with the external business environment since knowledge impetus mainly comes from the external environment, especially from changes in the society. Scanning environments is a prime activity in a knowledge strategy. This activity provides information like changes in demography, taste and preference of customers, market competitiveness, technology, processes and so on. This information provides useful clues for future competitive advantage.

### **6.4 Mechanism of Knowledge Strategy**

A knowledge mechanism is the combination of knowledge initiatives, organizational development and interfacing with the external environment. New product development or product improvement ideas come either from the market (customer), or from research and development activities. In a knowledge strategy, these are the two basic sources of knowledge.

In the case of new product development or product improvement, it is essential to assess internal states, in terms of capability and intellectual capital, the extent an organization is capable of producing new product or improving existing products. If the internal knowledge resource (intellectual capital) is sufficient enough, in that case, a firm can proceed with the new product idea or product improvement idea. Otherwise, the firm has to improve its knowledge-

base through knowledge generation or acquisition or sourcing, as the case may be. Then newly earned knowledge to be disseminated (shared and distributed) to the different parts of the organization (Distributed organizational knowledge base - DOKB). This, results in developing an organization's capability. Newly developed/earned capability would then to be used for new business offers (new product development or product improvement). Here capability development refers to the new technology, new systems and processes, etc.

### **6.5 Other Relevant Issues: Policy for Systems, Processes and Procedures, and Planning for Physical Resources**

Systems, processes and procedures are invisible internal infrastructure of a business. All these are needed to be fine tuned with the business development policy. At the same time, a precise plan for physical resources is required, too.

- *Policy for Systems, processes and procedures*

Organizations should modify their systems, processes and procedures from time to time, whenever necessary. A knowledge strategy is nothing but the policy implementation. In order to ensure flexibility and dynamism, it is essential to upgrade all relevant systems, processes and procedures, since these are the critical facilitators in a knowledge strategy.

- *Planning for physical resources*

An organization and its production system not only consist of intellectual capital but also other resources like equipment and

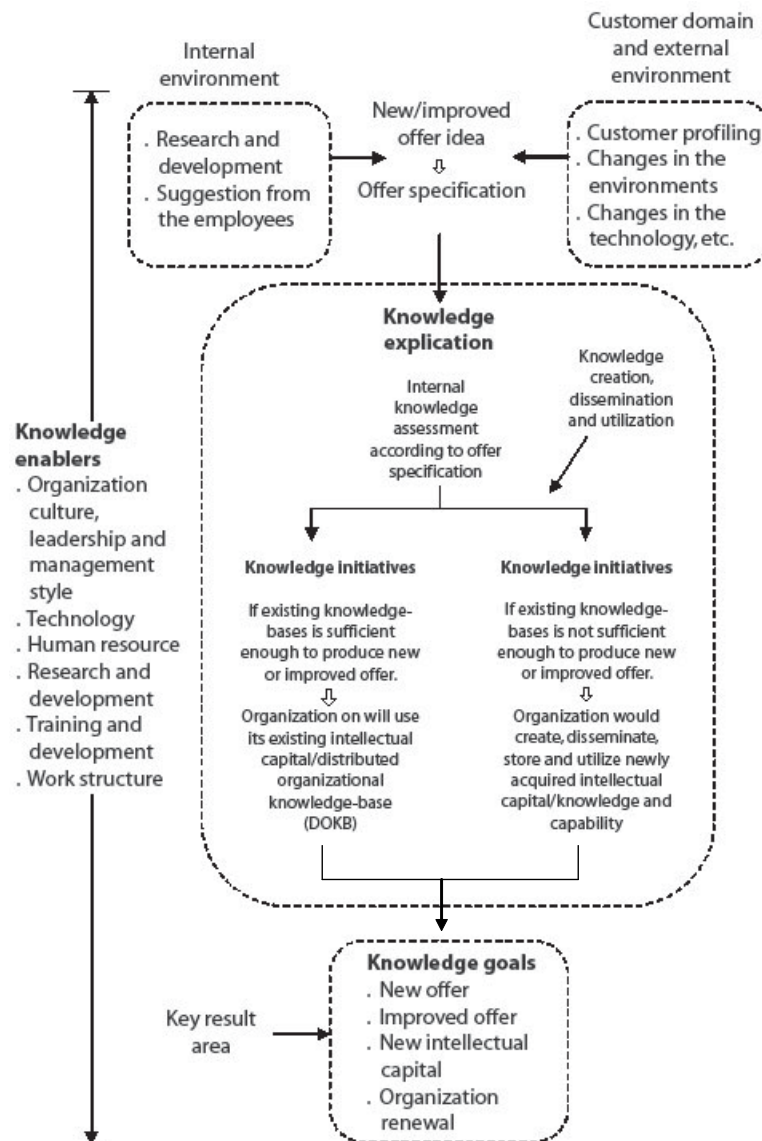


Figure no. 7: Mechanism of knowledge strategy

machines, tools and physical infrastructure, etc. These types of resources cannot work by themselves. It is the intellectual capital, precisely the human resources, which mobilizes and uses those resources as per requirements. The fact is that, most of the investments are made in these resources. While pursuing a knowledge strategy, an exclusive plan is required for these resources. This plan could be a short-term or mid-term or long-term as per the nature of the industry, organization and offer. This is context-specific. The main objective of this plan is to bring a maximum level of dynamism within the organization in light of its knowledge strategy.

## **7. Conclusion**

In this knowledge era, knowledge is the key actor for making a business successful. The role of knowledge (intellectual capital) is to guide and lead other resources towards the knowledge goals. Knowledge is that catalyst which mobilizes other business resources, such as financial, physical, etc. In the case of using knowledge for business success, it is essential to view knowledge and a knowledge strategy as an integrated approach instead of isolated business strategies. In the earlier discussion, it is mentioned that there is an ambiguity regarding the precise definition and application of knowledge and its management. Before pursuing a knowledge strategy, it is imperative to make a firm stance on how an organization perceives knowledge and its management. An organization must have a clear knowledge agenda (purpose, values, premises, goals, and resource alignment plans).

This agenda will provide a specific direction for a knowledge strategy. For that, a well defined vision, mission and objectives, etc. are required. A knowledge strategy is context-specific. Customization is important to make it more effective, even though in this study a general framework has been recommended. The main objective is to provide a detailed picture of the context of knowledge. By considering all circumstantial factors, issues, etc. an organization should develop its own knowledge strategy. The knowledge strategy must be supported by an adequate knowledge infrastructure.

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