

## Managing Knowledge Management through Strategic Management Perspectives

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### ABSTRACT

*Nowadays Knowledge Management (KM) is the key factor for the organizational success and survival. In the competitive business environments, managing knowledge involve strategic management processes. The processes consist of formulation stages, implementation stages, and controlling stages. With a systematic strategic management approach, organizations are able to generate competitive advantages and achieve organizational objectives. This paper provides an approach for organization to manage KM through strategic management perspective. KM currently is a discipline which is growing very fast. Therefore to support business viability and competitiveness, organization needs to integrate fragmented landscape of KM with strategic management process.*

**Keywords:** *Knowledge Management, Strategic Management.*

### 1.0 INTRODUCTION

A lot of ideas or statements that can be referred to define Knowledge Management (KM). According to Webb (1998), KM is the process of identification, optimization and active management of intellectual assets to create value, increase productivity and gain and sustain competitive advantage. Meanwhile Murray (1998) said KM is a strategy that turns an organization's intellectual assets and the talents of its members to produce new productivity, value and increase competitiveness.

Therefore we can conclude that KM is a discipline, designed to provide strategy, process, and technology to increase organizational learning.

Apart from that, strategy is the major plan to be undertaken and allocating resources to organization (Cannon, 1968). Aaker (1984) also suggested that, organization needs to assign people or a group of people to seize the responsibility for analyzing new issues, such as KM and developing responsive strategies. This is due to the fact that KM is gradually turning into a major resource center for

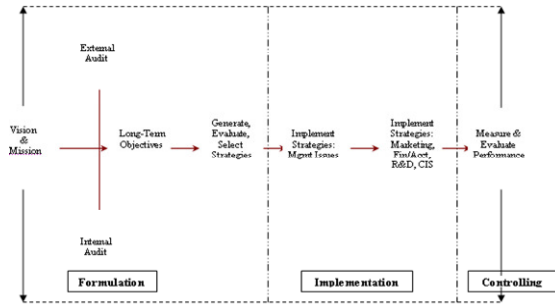
the organizations. The basic factors provide the changes for competition advantages of the organization whereby more knowledge are shaping. The research focus is shifting towards the managing KM through strategic management perspectives.

Knowledge is crucial. Organizations have the ability to exploit their intangible assets which have become more decisive than their ability to invest and manage their physical assets. The goals and strategies of knowledge management should be reflective of those of an organization (Kiem et al., 2003). Tiwana (2000) states that "knowledge drives strategy and strategy drives knowledge management".

### 2.0 STRATEGIC MANAGEMENT PERSPECTIVE

According to Carpenter & Sanders (2007), strategic management is the process where organization formulate and implement the strategy. Meanwhile David (2005) defined strategic management in a broader perspective whereby it includes the process of formulation, implementation and controlling.

Figure 1 indicates the strategic management process according to David (2005).



Source: David (2005)

Figure 1: Strategic Management Process

Organization must first identify the exact process of managing and leveraging KM to survive in the KM era. The fact is that different situations and conditions require different strategic management processes to be applied in the organization.

The process of developing effective and efficient KM strategy starts with the formulation stage, implementation stage and finally controlling. The framework to develop strategic-management process is dynamic and continuous. Any changes in one of the major components in the strategic management model can necessitate a change in any or all of the other components related.

In addition, if an organization is able to link the overall strategic management process, the organization will be able to manage the knowledge

well thus has the potential to create important values.

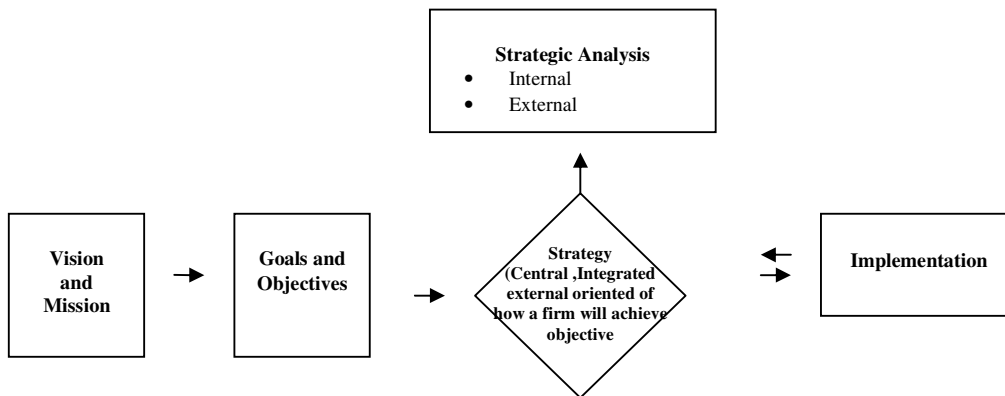
KM now has become the latest strategy for the organizational competitiveness (Bell & Jackson, 2001). KM emphasized on developing new applications of information technology and it is also a complement for organizational to perform better. There is link between knowledge and business strategy. KM has developed into one of an organizational behavior with business strategy (Zack, 1999).

By executing the systematic approach in strategic management, organization can ensure that KM is an effective strategy of getting an exact knowledge to the right people at the right time.

### 3.0 KNOWLEDGE MANAGEMENT AND STRATEGY FORMULATION

According to David (2005) strategy formulation includes the process of developing a vision and mission, identifying environment analysis for an organization, establishing objectives, generating alternative strategies, and choosing particular strategies to pursue accomplishment. Knowledge strategy formulation describes the way and actions to achieve objectives.

Grant (1991) defined strategy as the matching process for an organization which involves internal and external environment.



Source: Carpenter & Sanders (2007)

Figure 2: The Strategic Management Process

The formulation stages begin with the establishing of the vision and mission. Clear vision and mission leads people in the organization to the same direction. Most organizations have now adopted vision statements to communicate as the fundamental values and beliefs to all employees.

Usually, a vision is a statement which addresses core beliefs and identifies target markets and core products. The vision statements are designed to be inspirational and provide energy throughout the whole organization. Developing the vision statement is often considered as the first step in strategic planning.

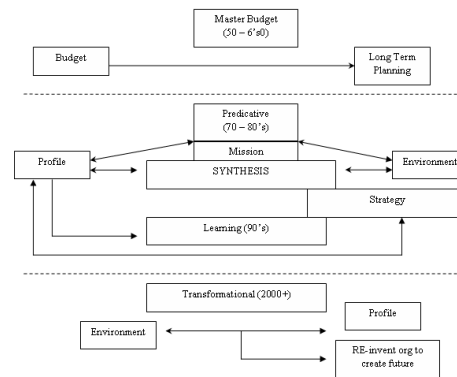
Therefore organization needs connection between knowledge assets and competitive advantage. It is not obvious how it is translated into the strategic requirements connecting the conceptual “mission” of knowledge management with the processes that serve it.

KM is generally formed by the systematic process for creating, acquiring, disseminating, leveraging and using knowledge for the competitive advantage and to achieve organizational objectives.

Integration between internal and external resources require organization to match internal strengths, and weaknesses and external opportunities and threats. It is important for the organization to undertake KM initiative by evaluating the environment in order to understand what knowledge should be managed and the performance. Organization that is capable to manage knowledge successfully will also able to reflect the internal and external competitive strategy.

From the internal and external environment, organization needs to develop the knowledge and information of today by using SWOT analysis. The purpose is to link between the internal and external environment.

From the formulation strategy process, the organization can manage their knowledge as well as solve the problem on KM effectively.



Source: Snyman (2004)

Figure 3: Model For Strategic Formulation

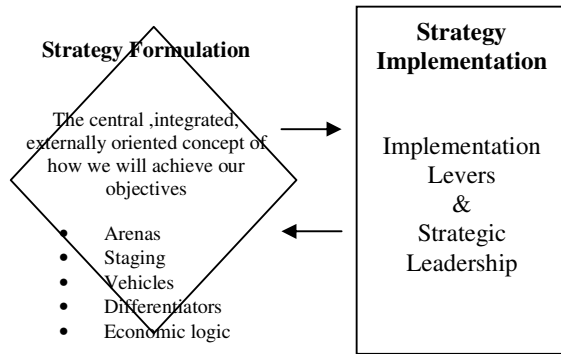
According to Synman (2004) in the 1950s and 1960s, strategy formulation is based on master budget and long-range planning methodologist. However, in the 1970s, the way strategies perceived strategy formulation changed to the emphasis on strategy crafting, analyzing and predicting in future.

In the 1980s, they reorganized the way they perceived the formulation strategy by integrating the mission with profile and environment. However, in the 1990s, it is about changing of the strategy formulation process. Every model has the different focus on strategy formula. It is also different from side node of interaction with knowledge as a strategic resource, knowledge management system and formulation and spacing of a knowledge management strategy.

#### 4.0 KNOWLEDGE MANAGEMENT AND STRATEGY IMPLEMENTATION

According to David (2005) strategy implementation requires a firm to establish objectives, policies, and allocate resources so that formulated strategies can be executed. After strategies are formulated, they must be implemented. This process is known as the action strategy. The action requires organization to develop supportive culture, allocate budgets, maximizing information system, and linking reward to organizational performance (David, 2005).

According to Carpenter & Sanders (2007) strategy formulation is a process of deciding what to do meanwhile strategy formulation is a process executing what have the organization planned. The interdependence of strategy formulation and implementation is show in Figure 4.



Source: Carpenter & Sanders (2007)

Figure 4: Formulation and Implementation

A strategy is only as good as its implementation. However the processes are not as simple as planned. The challenge is that the organizations have to face the barriers to stimulate employees throughout an organization to work with pride and enthusiasm towards achieving stated objectives.

There are companies that apply knowledge management into their corporate strategy, business practice, organizational culture and human resources practice. They are using knowledge management because they know that knowledge management have given them benefits and maintained competitive advantages.

Implementation level is related to the structure in the organization. Each functions and divisions need to resolve the management issues such as the policies, annual objectives, allocating of resources, culture, human resource, and rewards.

Numerous approaches have been developed which then claimed that they have become a guide for the organizations to employ and implement knowledge competencies or shared memory in a more effective and efficient way. An enormous number of KM instruments in organizational is the information and communication technological

(ICT) instruments. Technology is very important in KM to be implemented successfully. Several factors have been identified as part of the effort, and technology is definitely one of them. The important components of KM systems that includes three sets of technologies are communication, collaboration, and storage and retrieval.

Turban *at. all* (2008) defined the function of KM system follows six steps in a cyclical manner which are:

- i. Create knowledge
- ii. Capture knowledge
- iii. Refine knowledge
- iv. Store knowledge
- v. Manage knowledge
- vi. Disseminate knowledge

Angel L. Merano, Cerdan, Carolina Lopez, Nicolas and Ramon, and Sabater Sanchez (2007) in their journal titled "*Knowledge Management Strategy Diagnosis From KM Instruments Use*" provides an excellent argumentation for the deploy of KM systems in organization. There are two categories of KM instruments, main technological and main non-technical. Under the technological lies decisions support technologies and groupware to increase the company besides managing their customers' relationship and building an efficient communication throughout the firm. Meanwhile, the non – technological category consists of spontaneous knowledge transfer initiatives, mentoring the teams and communities of practice. The first one encouraged informal knowledge exchange between the company's human capitals. Next, mentoring bring long- term benefit to the company. Finally teams and CoP were not the same but both can develop the firm to a brighter future.

The challenge in the implementation stage is to integrate the exact components of the KM systems in order to meet the organizational requirements. Organization must develop IT and knowledge management strategies to improve business performance. Therefore choosing IT components is the vital process as to apply knowledge.

Another system and process required for organization to manage the implementation stages is to develop performance measurement system. Various approaches can be used to measure organizational performance. One of the popular tools is Balanced Scorecard (BSC).

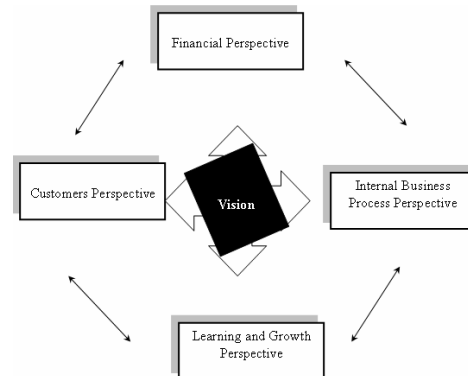
BSC was created from a research study conducted in 1990 and has since become a critical business tool for thousands of organizations around the globe. The origin of the BSC was developed by Robert Kaplan, an accounting professor at Harvard University, and David Norton, a consultant from the Boston area. In 1990, Kaplan and Norton led a research study of a dozen companies with the purpose of exploring new methods of performance measurement (Niven, 2002).

The impetus of the research was a growing belief that financial measures of performance were ineffective for the modern business enterprise. Representatives of the research, along with Kaplan and Norton, confirmed that a reliance on financial measures of performance affected their ability to create value. The group scorecard, featuring performance measure capturing activities, throughout the organization such as customer issues, internal business process, employees' activities and shareholders' concerns. Kaplan and Norton labeled the new tool as the BSC and later summarized the concept in the first of three *Harvard Business Review* articles, "The Balanced Scorecard- Measures That Drive Performance." (Niven, 2002).

Over the next four years, a number of organizations adopted the BSC and achieved immediate results. Kaplan and Norton discovered these organizations were not only using the scorecard to complement financial measures with the drivers of future performance, but they were also communicating their strategies through the measures they selected for their BSC. As the scorecard gained prominence with the organizations around the globe as a key tool in the implementation strategy, Kaplan and Norton summarized the concept and the learning point in their 1996 book, *The Balanced Scorecard*. Since that, the BSC has been adopted by nearly half of the Fortune 1000 organizations and the momentum continues unabated. So widely accepted and effective, the Scorecard according to the *Harvard Business Review* recently hailed it as one of the 75 most influential ideas of the twentieth century (Niven, 2002).

Bieker and Waxenberger (2003) as Kaplan and Norton (1992) suggested that four perspectives in BSC are the financial perspective, customer perspective, internal business process perspective and learning and growth perspective as shown in Figure 5. Each of the perspectives consists of

relevant goals, indicators and measures to achieve tasks.



Source: Bieker and Waxenberger (2003)

Figure 5: Balanced Scorecard Perspectives

## 5.0 KNOWLEDGE MANAGEMENT AND STRATEGY CONTROLLING

Strategy evaluation is the final stages in strategic management. Managers desperately need to know when particular strategies are not working well; strategy evaluation is the primary means for obtaining this information. The first activity is examining the underlying bases of organization strategy. Next, comparing expected results with actual results and finally taking corrective actions.

According to David (2005) the strategy evaluation is becoming increasingly difficult today because of the following trends:

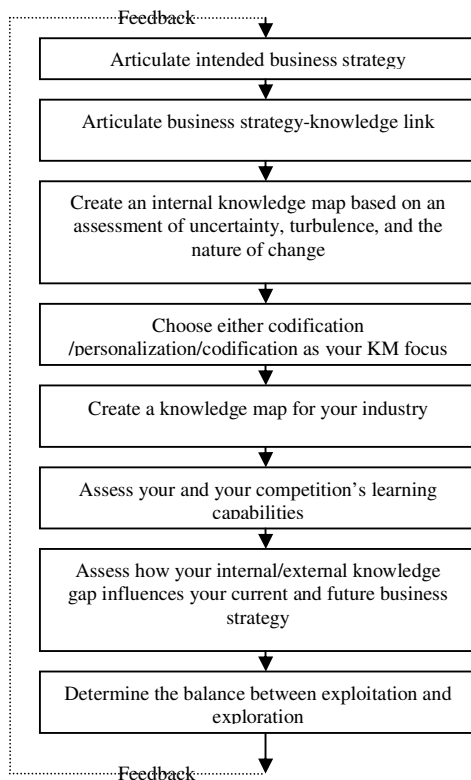
- i. A dramatic increase in the environment's complexity
- ii. The increasing difficulty of predicting the future with accuracy
- iii. The increasing number of variables
- iv. The rapid rate of obsolescence of even the best plans
- vii. The increase in the number of both domestic and world events affecting the organization
- viii. The decreasing time span for which planning can be done with any degree of certainty

Most of the strategies agreed that strategy evaluation or control is very important for the organization to evaluate the problems or situation that may effected the process of strategy implementation. According to David (2005) strategy controlling includes:

- i. Examining the bases strategy.
- ii. Comparing the results.
- iii. Taking corrective actions.

Another purpose of strategy controlling is to close the gap between the process of formulation and implementation. In the case of analyzing knowledge gaps, organization must evaluate the link between business and knowledge strategies as shown in Figure 6.

According to Tiwana (2002) KM must be articulated with business strategy and strategic knowledge link. The purpose of evaluation is to assess how internal and external knowledge gap will influence organization current and future business strategy. Finally organization can determine the balance between exploitation and exploration of KM strategic process.



Source: Tiwana (2002)

Figure 6: The Process of Articulating the Link between Business and Knowledge Strategies

## 6.0 CONCLUSION

The knowledge management strategy process should be carefully implemented and applied in the organizations. The purpose is that it can help organizations to translate strategic vision and mission into action. It should be applied through cautious consideration within the organizations' needs and also the factors that may influence the KM process.

An organization should consider and evaluate the internal and external environment when selecting KM strategy. This is because different situations require different strategies to deal with the strategic management process when the organization intends to implement KM successfully. Analysis needs to be conducted from time to time, and organization needs to carefully select the right process to be implemented.

In the near future, an organization ought to carry out a critical research on KM which can create sustainable competitive advantage within the framework and investigate how the organization justifies their KM activities and competitive advantages.

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