

# Strategic Knowledge Management in Public Organizations

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## INTRODUCTION

New public management and the more recent concept of new public governance have become the dominant management doctrines in the public sector. Public organizations have become increasingly network-like units with various governance relations with actors from the public, business, and voluntary sectors. Their organization is based more on networks than on traditional hierarchies, accompanied by a transition from the command-and-control type of management to initiate-and-coordinate type of governance.

Among the most critical factors in this transformation is knowledge, for most of what has happened has increased the overall demand to create and process knowledge and to utilize it in the performance of governmental functions. The success of public organizations depends increasingly on how efficiently they utilize their knowledge assets and manage their knowledge processes in adjusting to local and contextual changes, as illustrated in Figure 1 (cf. Fletcher, 2003, pp. 82-83; Gupta et al., 2004,

p. 3; Skyrme, 1999, p. 34). This requires that special attention be paid to strategic knowledge management.

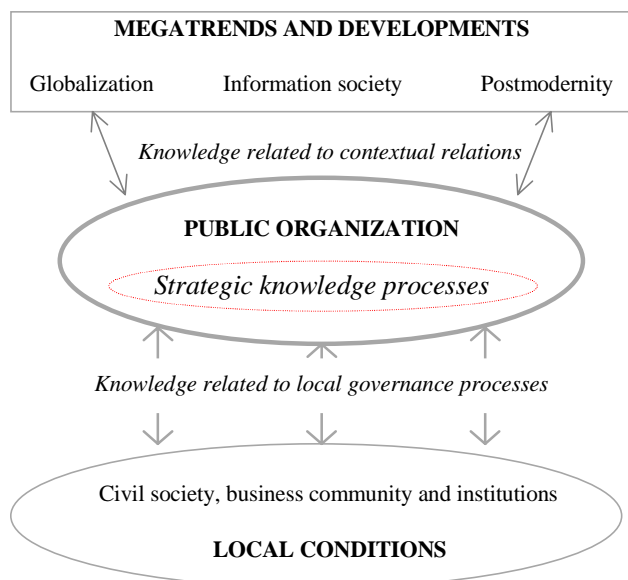
In the early organization theories of public administration, knowledge was predominantly conceptualized within the internal administrative processes, thus to be conceived of as bureaucratic procedures, rationalization of work processes, identification of administrative functions, and selected aspects of formal decision-making. New perspectives emerged after World War II in the form of strategic planning and new management doctrines. The lesson learned from strategic thinking is that we need information on the external environment and changes therein in order to be able to adapt to and create new opportunities from these changes (see Ansoff, 1979; Bryson, 1995). As the complexity in societal life and related organizational interdependency has increased due to globalization and other trends, new challenges of managing organization-environment interaction also emerged (cf. Skyrme, 1999, p. 3).

## BACKGROUND

The branch of management doctrine that became known as knowledge management (KM) reflected actual changes and new ideas in the business world. Classic works that inspired later developments included Polanyi (1966) and Drucker (1969). During the 1980s knowledge became widely recognized as a source of competitiveness, and by the end of the 1990s, knowledge management had become a buzzword. Among the best known thinkers who contributed to the rise of this field are Peter Senge (1990), Ikujiro Nonaka and Hirotaka Takeuchi (1995), Karl-Erik Sveiby (1997), and Thomas A. Stewart (1997). (On the evolution of knowledge management see Barclay & Murray, 1997; Gupta et al., 2004, pp. 8-10). It is becoming common understanding that in essence *knowledge management* is about governing the creation, dissemination, and utilization of knowledge in organizations (Gupta et al., 2004, p. 4; Lehaney et al., 2004, p. 13).

Knowledge cannot be managed in the traditional sense of management. The processing and distribution of information can surely be managed, but it is only one part of the picture. The other concerns knowledge and especially

Figure 1. The public organization as an institutional mediator (Adopted from Anttiroiko, 2002, p. 272)



managers' ability to create conditions that stimulate active and dynamic knowledge creation, learning, and knowledge sharing within the organization (e.g., Nonaka, Toyama & Konno, 2000). To systematize this picture we may say that knowledge management includes four core areas (cf. Gupta et al., 2004; Lehaney et al., 2004):

- Information management: managing data and information, and designing information and knowledge systems
- Intellectual capital management: creating and utilizing knowledge assets, innovations, and intellectual capital
- Knowledge process management: organizing, facilitating, and utilizing sense-making and other knowledge processes
- Organizational learning: creating learning and knowledge sharing environments and practices

Traditionally the most widely applied areas of knowledge management in public organizations used to be data and transaction processing systems and management information systems serving mainly internal administrative functions. Yet, since the 1980s authorities started to facilitate the exchange of information by local area networks, followed by the Internet revolution of the 1990s. In the early 2000s the knowledge management agenda has focused increasingly on knowledge sharing and learning, and in inter-organizational network and partnership relations (see e.g., Wright & Taylor, 2003). As reported by OECD (2003, p. 4), knowledge management ranks high on the management agenda of the great majority of central government organizations across OECD member countries, followed with some time lag by regional and local authorities. Many public organizations have even developed their own KM strategies. The leading countries in this respect include France, Sweden, Finland, and Canada (OECD, 2003, pp. 28-29).

As to more operational actions, there has been a wave of intranet projects at all levels of public administration since the late 1990s. The result is that some 90% of state agencies surveyed by OECD in the early 2000s had their intranets in place. Sectors that really stand out as being well above the OECD average include organizations in charge of finance and budget, of justice, and of trade and industry (OECD, 2003, pp. 20-30). To give a concrete example from local level, New York City's Office of Technology set up extranet and intranet projects – the Human Services Extranet Project, to link the city agencies with human service contractors and the NYC Share Project, a citywide intranet that intended to improve the exchange of information among agencies – to facilitate external and internal knowledge processes. Such projects are typical in the public sector in the early 2000s. They indicate a

transition from information management towards genuine knowledge management.

## FOCUSING ON THE STRATEGIC ASPECT

Combining strategic thinking with knowledge management brings us to the very core of the life of organizations. *Strategic knowledge management* is a set of theories and guidelines that provides tools for managing an organization's knowledge assets and processes of strategic importance for the purpose of achieving organizational goals. The basic idea of strategic knowledge management in the public sector is to ensure that public organizations are capable of high performance by utilizing knowledge assets and knowledge processes when interacting with their environment.

What is essential in strategic knowledge management is that it needs to be strategic in the true sense of the word, as opposed to operational. Public employees have sometimes a tendency to view their knowledge requirements from the point of view of their current work practices. At an organizational level, too, there is sometimes a temptation to map out the future on the basis of current strengths and well-defined short-term challenges. The strategic approach to knowledge aims to overcome such inertia and narrow perspectives by creative knowledge processes, which help to transform views from introspective to outward-looking, from resources to outcomes, and from formal duties to actual impacts and customer satisfaction.

In the knowledge management literature, knowledge has primarily been approached either as an object or a process (cf. Sveiby, 2001). The main focus of public organizations is on knowledge processes framed by certain institutional arrangements. Among the most important of these are the political dimension and democratic control and legally defined functions, competencies and procedures within territorially defined jurisdictions. This theme will be discussed next.

## FACILITATING STRATEGIC KNOWLEDGE PROCESSES

Public organizations possess and process a huge amount of information in their internal operations and external exchange relations. This is why the most important function of their knowledge management practice is to manage knowledge processes and to support knowledge-sharing practices.

Nonaka (1994) considers an organization's ability to accomplish the task of acquiring, creating, exploiting, and

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