

# Chapter 6

## Correlations of Company Strategy and KM

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### ABSTRACT

*This chapter focuses on the presentation of the interrelationship between corporate strategy and the KM system, how could requirements and tasks related to the latter be derived from the former and not separately and for its own sake but to facilitate the implementation of the strategy. It contemplates system approach and KM operating as a system. A fundamental methodological belief of the author is that a KM system adapted to a corporate strategy necessitates harmonizing along various dimensions. In view of the focal points of a corporate strategy and on the ground of an actual knowledge map, determination of new competencies and knowledge elements are necessitated by the strategy to be implemented. This could be followed by the elaboration of a KM strategy whose main dimensions are: human resource allocation (People dimension); inclusion of KM into the expediently reengineered new corporate processes (Process dimension); and the deployment of information technologies that are adequate for the processes and ultimately with the specific knowledge demand (Technology dimension).*

### INTRODUCTION

In the past 15 to 18 years, publications, articles in scientific magazines and scientific books discussing various aspects of knowledge management are published more and more frequently. Knowledge management's popularity and its regular usage in everyday practice are obviously interrelated with the blistering development of information technologies, even if its capabilities in “unwrapping” tacit knowledge could be deemed rather restricted. This blistering development of information technology exercises permanent development “coercion” on all areas of innovation; knowledge handling was institutionalized and has become knowledge management by now – irrespective of the size of undertakings. In practice, institutionalization calls for substantial methodological developments in view of the fact that one of the “secrets” of successful management including knowledge management lays in being methodical itself.

The first and overly significant station of this innovative development took place around the turn of the millennia when knowledge as a resource has already been built into business acumen, however, its interrelationship with and connection to strategic corporate planning was missing.

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The organizations did not have a knowledge management strategy, and sophisticated methods and principles for managing corporate knowledge were even less elaborated. However, during the years after the turn of the millennia, in parallel with the growing awareness of the importance of knowledge as a strategic resource, knowledge management functions started to differentiate. A significant station of the handling, management and maturity of corporate knowledge was the appearance of the flow principle, which was soon followed by strategic recognition of knowledge and its management, and its interconnection with corporate strategy shortly afterwards. Although the number of methodologies and draft solutions aimed at organically interlinking corporate strategy and KM strategy or at “deriving” KM strategy from corporate strategy is low – no wonder: this is a very complicated issue – the frequency of such enforcements is increasing. This chapter attempts to offer a possible theoretical-methodological solution for this problem.

## **BACKGROUND**

As it has already been mentioned in the Introduction, researchers started to deal according to its merit with knowledge as a resource worthwhile economizing, at around the turn of the millennia. Strategic contemplations given to KM came to the limelight concurrently with the above concept. It has become essential that this delicate and intangible resource could be planned and managed by a managing body also from the strategic aspect. The more an organization knows, the more possibilities open up for combining various new knowledge elements into new knowledge complexes and therefore even more new possibilities open up, for instance new products and services could be developed. However, it matters what is known by an organization and to what extent. External knowledge elements (knowledge of partners, suppliers, other external parties, competitors, etc.) and internal knowledge elements (explicit and tacit knowledge of employees, knowledge intrinsic in various documents), knowledge of the organization in its entirety – of course, not only the knowledge to be found in the organizational memory but a synergic ability made up of individual and group knowledge elements which is able to compose partial knowledge elements into combinative knowledge complexes – when built into the products are able produce added value. This needs a sort of foresight, strategic view, since an organization is unable to properly recognize what it knows and what it does not. In fact, tacit knowledge to be found in the heads of the members of an organization, which forms the most valuable part of internal knowledge, is not necessarily identical with or does not overlap the knowledge covering competences required by the job description. Therefore, there are good chances that a competition between firms that from all other aspects are identical will be won by that one that could better and faster activate knowledge factors of critical importance from the aspect of competition, and utilize them in the interest of corporate objectives. Some of the researchers have already recognized this issue, i.e. that there is a need for a sort of overview and foresight for having access to the appropriately knowledgeable employee if and when they or their knowledge is needed (Davenport, 1997).

In order to describe the problem with the possible best accuracy, researches raised terminology questions, too, which enforce us that before proceeding further we would clarify on the basis of Zack (Zack, 2000) what are knowledge strategy, strategic knowledge management and KM strategy, and what are the differences among them. Knowledge strategy is elaborated in recognition of knowledge as a resource, in the interest of putting it into the center. Strategic knowledge management means the collection and handling of key knowledge complexes that are of importance and/or key significance from the aspect of

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