

Chapter VII

Socializing a Knowledge Strategy

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ABSTRACT

Proponents of the resource-based view of strategic management have argued for processes that align organizational knowledge resources to business strategy. In this view, a unique competitive advantage accrues from accelerating organizational learning and non-appropriable knowledge. An empirical approach known as socialization counters theories of both institutionalization and “strategic alignment.” Socialization diffuses an organization’s knowledge strategy through values leadership and practice-led process redesign. Consistent with structuration theory (interaction of agency and structure), socialization creates enduring, flexible process structures co-constructed by leaders and participants in a domain of practice. Socialization results in durable, accessible processes, uniquely configured to business strategy, and more resilient than acquired process structures. Values leadership orients participants toward the goals, meaning, and value of organizational knowledge inherent in indigenous processes. Socialized business processes are driven by strategic intent, are non-appropriable by competitors, and are oriented to enduring organizational values that protect process integrity. A socialization approach integrates practice-level internal knowledge networks to support business processes and strategy, leveraging and exchanging knowledge more effectively than authoritative (“top-down”) institutionalization.

INTRODUCTION

Since Nonaka’s (1991) concept of the knowledge-creating company, businesses have attempted to organize knowledge as a resource or asset of the

firm, with the purpose of creating competitive advantage based on knowledge. Recent surveys and industry trends show that, after a decade of development of knowledge management (KM) as a technology enabler for organizational learning

and knowing, few of KM's original propositions have been fulfilled. Contemporary firms have found Nonaka's model of the knowledge-creating company untenable in practice, for reasons ranging from cultural differences to the changing business climate. The originally envisioned promises of information technology have failed to harness tacit knowledge in any meaningful way, and "knowledge sharing" applications have largely reverted to document exchange within the current deployments of organizational portals. But regardless of KM technology over-reach, the significant opportunities for competitive advantage envisioned by *knowledge strategy* have been overlooked by modern organizations. Since the advantages of knowledge strategy are not associated with recognized methods for quantifying internal rates of return, consulting practice has also bypassed this opportunity. We find in knowledge strategy a strong theoretical basis with few empirical applications.

Knowledge strategy was proposed by Zack (1999) and others during the period of rapid KM technology diffusion, and remains overlooked by many strategy thinkers. Most research following Zack focuses on strategies for knowledge management, and not knowledge-based strategy. This discussion builds upon Zack's proposition and explicates the relationship of knowledge resources and processes to competitive *business strategy*. The relationship of organizational knowledge to competitive advantage is often noted, but poorly operationalized in research and practice. The following discussion presents a model for strategic management based on an organization's knowledge, processes, and values. An empirical approach known as *socialization* counters the popular theory of "strategic alignment." Instead, this treatment develops a model of enabling knowledge strategy through values leadership and practice-level socialization.

Recent research revises Nonaka's and Zack's models and suggests strategic applications of the basic theories behind knowledge management.

This body of work draws together theory and observation in applications to business strategy. Penrose's (1959) theory of strategic growth underpins the notion that superior knowledge resources enhance the firm's competitive position. A well-established line of thinking and research extends from Penrose through Nelson and Winter's (1982) evolutionary economics theory to current strategy research (Grant, 1996; Venkatraman & Tanriverdi, 2005; Zack, 1999). This school of thought views the firm as a collection of dynamic capabilities that create and integrate knowledge as a necessary resource for competition. A major goal of business strategy drawing from this *internal* perspective is to develop dynamic capabilities that effectively respond to changing, *external* market trends and competitive conditions.

While management research has explicated a meaningful association between strategic growth theory and knowledge practices, a daunting gulf of execution is found in management practices. Theoretically sound research does not necessarily inspire leadership action. The linkages between knowledge strategy and organizational leadership are rarely described empirically, with some notable exceptions (Winter, 1987). While Nonaka's (1991) research presents extraordinary observations from Japanese business culture, there are cultural determinations and organizational barriers in the application of such models in different business climates and organizational cultures.

Rescuing Strategy from Knowledge Management

Knowledge management (KM) developed within industry from the converging trends of management theories of organizational knowledge and the rapid diffusion of cost-effective information technology (IT). The influential convergence of technology overshadowed the management theories, which remain under-appreciated in firms that deployed KM, expecting to build knowledge-creating organizations. We find almost no

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