

**Chapter XIII**

# **Strategic Knowledge Management in Local Government**

Ari-Veikko Anttiroiko  
University of Tampere, Finland

The success of public organizations depends increasingly on how efficiently they utilize internal and external knowledge resources in adjusting to contextual changes. This requires a special emphasis on strategic knowledge management. Referring to the theoretical and empirical works of Nonaka, Blackler, Daft and Lengel, this contribution considers how organizational design can be used to facilitate the processes in which knowledge is gathered, created, processed, used and demolished in order to build an enriched knowledge base to deal with adjustment and development issues of strategic importance. This theme is discussed with special reference to local government. The main conclusion is that uncertainty and ambiguity increased in the last decades of the 20th century, and that local governments need new management tools to respond to this change. The challenge of knowledge management in local government is to manage knowledge processes concerning ICT-based information provision, interaction and transactions. They are needed to form an enriched knowledge-intensive orientation base that serves the strategic adjustment and trend-making processes in the context of information society development.

## **INTRODUCTION**

The success of public organizations depends increasingly on how efficiently they utilize internal and external knowledge resources in adjusting to contextual changes and in creating 'new trends' by innovative and proactive actions. This requires a special emphasis on strategic knowledge management.

## Remarks on Knowledge Management Studies

Knowledge is a fundamental factor in all our orientation and action processes. This is why it appeared in organization and management theories at the very inception of these theories. Yet, since the 1960s increasing attention has been paid to strategic planning and environmental scanning. Very soon 'knowledge' became a focal concept in management literature. It emerged as a strategic resource and a key to competitiveness. Thus, the present discussion on knowledge management has its roots in theories and concepts presented several decades ago.

Certain new trends have changed the preconditions of knowledge management. First, the role assigned to information society in leading nations and public and private organizations since the early 1990s has provided a new perspective on growth, competitiveness and wealth creation. Secondly, related to IS development, the increasing role of new technologies has changed certain aspects of interaction, communication and value creation, and provided new tools for managing knowledge resources and processes. And lastly, know-how, knowledge intensiveness, learning capabilities and core competences have become key elements of competitiveness bringing socio-cultural factors to the foreground of national, regional and local development strategies.

Knowledge management is that branch of management in which attention is paid to managing organizational knowledge and knowledge processes. Three perspectives have prevailed in this field. Traditionally both theory-building and development activities have dealt with data and information management and information systems design. Since the 1980s discussion expanded to knowledge creation with special emphasis on the value of knowledge, particularly on innovations and intellectual capital. Thirdly, more contextual issues that are at the very heart of strategic knowledge management have also been discussed, the emphasis being on such themes as adaptation to the changes in external environment, managing knowledge of strategic importance, performing environmental scanning, managing network and governance relations, and creating and utilizing different forms of social capital.

Even if all these thematic areas have been recognized in the studies on public management, we still have much to do if we wish to understand the nature of knowledge processes in public organizations, and how they should be developed in the context of new forms of governance, globalization and information society development.

## The Purpose of this Contribution

This chapter aims at building a coherent framework to be used in studying how organizational design can facilitate the processes in which strategic knowledge is gathered, created, processed, used and demolished in local governments. In the second section local governments' contextual relations are presented as the point of departure. On this basis local government is seen as a mediator between the broader context and local conditions.

In the third section attention is paid to the core concepts--knowledge and knowing--and their meaning for organizations. After this the discussion moves on to strategic knowledge processes.

After discussing contextual changes, the mediating role of local government and strategic knowledge processes, a new dimension is introduced, organization structures that can be used in facilitating knowledge processes. This section ends with a brief synthesis, a contextual model of strategic knowledge management adapted to local government.

Next the empirical findings of selected Finnish cases of strategic knowledge management are presented. They focus on strategies of medium-sized high-tech cities and small local

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