

The Impact of Communities of Practice

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INTRODUCTION

In today's knowledge-based and networking economy, an organization's ability to acquire, develop, and strategically leverage knowledge has become a crucial factor for global competitiveness (Drucker, 1993; Kogut & Zander, 1992; Leonard-Barton, 1995; Nonaka & Takeuchi, 1995). Consequently, a growing number of companies have introduced knowledge management systems into their organizations. The purpose of these efforts is to use the resource knowledge more effectively and efficiently and thereby gain strategic advantages (Davenport & Prusak, 1998; Probst, Raub & Romhardt, 1999). In this context, the concept of communities of practice (CoPs) has gained considerable attention as one of the central means of implementing knowledge management.

For more than a decade, the term *community of practice* (CoP) has been the subject of various discussions in theory and practice alike. The origin of CoPs lay in Lave and Wenger's (1991) seminal research toward a social theory of learning. By investigating learning in groups, the researchers called a community of practice an active system about which members share their understanding of what they do and which are united in action and in the meaning this action has. The increasing popularity of the concept in the scientific discourse and managerial practice brought about various interpretations of the term. Therefore, no universal definition of the term exists. The same applies for the name of this organizational phenomena. Nevertheless, while different organizations use different names, they share the underlying idea. Existing CoP definitions commonly stress the *activities* of these learning communities: to work together; exchange information, knowledge, and experiences, and thereby, learn and generate new knowledge and common practices

(Lesser & Storck, 2001; McDermott, 1999; Stewart, 1996; Wenger, 1998a). CoPs were initially understood as self-emerging and self-organizing organic networks in which everyone can participate (Wenger, 1998b). Current practice, however, shows that organizations strategically support existing networks and deliberately establish communities with managed memberships (Storck & Hill, 2000).

In the following, CoPs are defined as a group of people in an organization who interact with each other across organizational units or even across organization boundaries due to a common interest or field of application. Their objective is to learn and support one another in order to create, spread, retain, and use knowledge relevant to the organization.

STRATEGIC IMPACT OF COMMUNITIES OF PRACTICE

Communities of practice are particularly used by multinational companies in knowledge-intensive industries (APQC, 2000; Hildreth, Kimble & Wright, 2000). Related to a specific business topic, these networks are fostered and established in order to build strategic capabilities within the organization by leveraging learning and knowledge sharing (Lesser & Prusak, 1999; Saint-Onge & Wallace, 2003). But do communities of practice really meet managers' high expectations? Which concrete value do communities of practice deliver? In answering these questions, two levels are examined: the individual and the organizational.

Individuals as community members profit directly from their participation in the community. Although personal goals and individual motivation influence their perception of community benefits, the following general outputs can be distinguished: By communicating frequently, the community mem-

bers develop a common language and a collective knowledge base. The shared context, increased *networking* between members, as well as emerging interpersonal relationships support not only access to new knowledge sources, but also the development of social capital (Lesser & Storck, 2001; Nahapiet & Ghoshal, 1998). Members' knowledge is reused and modified, and thereby transformed into new knowledge (Wenger, 1998b). Hence, the *personal knowledge* of the community members is increased, and new competences are gained which are beneficial for *improved performance* (McDermott, 2002). Due to advanced competences, community members are regarded as *experts* in a specific field which in turn leads to a higher reputation within the organization. This has a positive impact on their professional development and, as a consequence, on their *work satisfaction* (Schoen, 2001).

Strategic advantages for an organization result, above all, from community impacts on the *organizational level*. As emphasized by several authors, CoPs are forums for shared learning and action (Brown & Duguid, 1991; Smith & McKeen, 2003) and thereby, tools to increase *organizational learning capabilities* (Brown & Duguid, 2001; Hedberg & Holmquist, 2001). The underlying mechanism in this context is that community activities support the *externalization of knowledge*. Particularly, close and intense communication among community members foster the transfer of hitherto tacit knowledge which has been identified as a central mode of knowledge creation and a source of competitive advantage (Leonard & Sensiper, 1998; Nonaka, 1994). A common knowledge base is not only created at the individual level, but also at the organizational level. Existing know-how is improved, and new *organizational competences* are developed (Tsai & Ghoshal, 1998). Communities of practice exhibit a climate which may stimulate creativity through an open communication, the exchange of interdisciplinary knowledge and, thereby, the development of mutual trust (Storck & Hill, 2000). As members are encouraged to articulate new ideas and "think outside of the box" truly creative activities are fostered. Hence, communities enhance the *creative capacity* and, by this, the *innovative capability* of the organization (Brown & Duguid, 1991).

Besides these relatively intangible benefits, the impact of CoPs can also become apparent by hard facts. *Resource savings* result because CoPs may not only promote better solutions for problems and easier and faster access to knowledge, but also decrease training periods for new employees as well as help to avoid double work. Shared experiences, communicated, for example, as best practices and lessons learned, lead to decreased learning curves. Optimized and *accelerated processes* together with the developed knowledge base will potentially lead to higher customer satisfaction, as customer needs can be addressed in a more flexible manner (Lesser & Storck, 2001; Wenger & Snyder, 2000).

Last but not least, communities of practice can change the existing *organizational culture* in a favorable way. On one hand, the development of collective sense-making, a common language as well as the emergence of networks among members affect the culture. On the other hand, people's attitudes toward knowledge sharing change as it is actively approved and rewarded.

CRITICAL ISSUES

Although communities of practice have been applied in several organizations, there are ongoing discussions in research and practice on the concrete value CoPs create. Particularly, the question of how to measure these benefits is addressed (McDermott, 2002; Wolf, 2003). The reasons for this are twofold. First, evaluating community outcomes in terms of financial ratios is rather problematic (Schoen, 2001). Effects cannot always be directly linked to activities of the CoP but could also result from other contextual factors. Moreover, effects may only become apparent after a certain time lag. Besides, most of the community outcomes are intangible assets, therefore, difficult to measure (Adler & Kwon, 2002; Bontis, 2001; Carmeli, 2004). Second, assessing the exact costs of a community is challenging. They consist not only of technology investment, but of costs for participation in the community (opportunity costs, salaries, incentives), costs directly related to meetings, costs for maintaining the technical infrastructure, and costs for content publishing, promotional material, and so forth (Millen, Fontaine &

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