

# Chapter 43

## Knowledge Management Strategies: Balanced Systems in Public Sector

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### ABSTRACT

*In an era of sweeping technological and economic change, interest in Knowledge Management (KM) and the Balanced Scorecard (BSC) has grown among public administrators because these address issues of change, innovation, and environmental adaptation, all of which have been major concerns in organisation theory and practice for decades and are clearly important now as public organisations are being reinvented and reengineered. This chapter aims to investigate how do Knowledge Management Strategies influence the development of an organisation's strategies and how BSC could be used to develop Strategic Knowledge Management Balanced System (KMBS) for strategic management. The research provides a theoretical theory through linking research and literature on Strategic Management (SM), Knowledge Management (KM), and Balance Scorecard (BSC). This chapter examines the underappreciated influence of strategic Knowledge Management on performance management by using the Balanced Scorecard in the public sector.*

### INTRODUCTION

The relation between Knowledge Management and the Balanced Scorecard has been widely embraced by many organisations during the last decades. After several years of development, many organisations such as AT&T, BMW, DuPont, Mellon, and UPS, have shown an excellent performance based on the BSC which allows them to use resources effectively based on the

implementation of a strategy (Wu, 2005). Despite some scepticism, it has become a significant force for organisational improvement and change, and is hailed as a critical weapon for competitiveness in the modern competitive market, particularly in developed countries (Yahya, 2009). Public sectors are finding it difficult to cope with the complexity, dynamism and inevitable crises and difficulties of such rapid development. Finding a way for organisations to develop in response to their changing

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environment culminated in the development of the theory of Knowledge Management. Research on these issues, however, is concentrated mostly in advanced countries (Pedler et al., 1997).

Theoretical adaptations of other topics are common and beneficial to raise the level of theoretical development. Knowledge management and Balance Scorecard are two areas of knowledge of great interest that grows continuously, but still have a lack of research concerning its interrelations, so due to the importance of both topics, the aims of this paper are:

- To present a perspective-based approach to knowledge management and Balance scorecard, which intended to bridge the gap between the disciplines involved in this chapter.
- To show how the Balance scorecard perspectives can be used to derive a definition for KMS Usable for investigations into the application of such systems in organisations.
- To present a framework to analyse the state of strategic KM from different perspectives of BSC.

## **KNOWLEDGE MANAGEMENT**

Despite the voluminous literature on KM, there is no readily accepted definition of the concept (Earl, 2001). The term knowledge management (KM) is just as difficult to define as knowledge itself (Bhatt, 2001). Bhatt (2001) defined KM as the processes and procedures that govern the creation, dissemination and utilisation of knowledge by merging organisational structures and people with technology in order to better leverage resources within an organisation. Davenport et al. (1998) have argued that knowledge management is concerned with the exploitation and development of the knowledge assets of an organisation with a view to furthering the organisation's objectives. The knowledge to

be managed includes both explicit, documented knowledge, and tacit, subjective knowledge. They also suggest that management entails all of those processes associated with the identification, sharing and creation of knowledge.

The definition of KM adopted in this paper integrates various approaches to KM. A researcher advocates the holistic approach to KM definition and believes the KM can encompass any or all the following items: IT, business process; human/individual dimension and competitive advantage. These dimensions allow the organisation to develop, transfer, transmit, store and applies knowledge. The following definition was adopted in this chapter:

*KM is the strategic application of integrated managerial strategy, which combines the explicit (IT) and tacit (people) knowledge with organisational process to create, store, share, and apply knowledge assets from the different sources (internal and external) of knowledge to make the right decisions in order to gain the strategic objectives.*

## **Knowledge Management in the Public Sector**

It is only in recent years that knowledge management has begun to be discussed in the context of public sector organisations, which are in dire need of more efficient and innovative product and service delivery. One considerable problem of this research is the demographic shift in the work place, whereby a large percentage of the working population will retire in the coming five to ten years. This calls for public sector organisations to institutionalize the tacit knowledge of the experienced civil servants who will soon be retiring, and passing that knowledge on to new staff through various training and mentoring programs. This problem is further compounded by high turnover rates in the public sector (OECD, 2003, 6).

This recognition of the importance of knowledge management is reflected in a survey of

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