



# Chapter 8

## Time-Bounded Decision Making: What We Need to Know About Knowledge

**Ali Intezari**

 <https://orcid.org/0000-0001-9369-2859>  
University of Queensland, Australia

**David J. Pauleen**

 <https://orcid.org/0000-0003-4412-0162>  
Massey University, New Zealand

### ABSTRACT

*How to manage uncertain and unpredictable situations has been a major challenge facing managers and academics for decades. The development of practice and theory in knowledge management has been one important response. This chapter, however, argues that knowledge and knowledge management may not be sufficient when dealing with emergent and unforeseen situations as knowledge tends to be past-oriented in terms of its formative components, while emergent situations are future-oriented, which may or may not be rooted in the past. Therefore, authors explore this past-present-future conundrum by explaining how mere reliance on the past may restrict organizations' ability to deal with emergent situations in the future. Finally, the role of innovation and wisdom will be introduced as a bridge connecting current past-oriented knowledge to unknown and unpredictable future-oriented events.*

DOI: 10.4018/978-1-7998-2355-1.ch008

## INTRODUCTION

Today, businesses operate in a considerably more volatile environment than businesses in the past. Environmental stability in the past created a world of relatively simple systems where Newtonian perspectives could be applied to organizational decision making. Events seemed predictable, organizations had mechanical characteristics, expectations of regularity were achievable, causal relationships and limitations were well-defined, and 'tried and true' principles, rules and policies managed behaviors (Stumpf, 1995). Nowadays, however, volatility and instability, products of time-compressed and information-rich environments, cause high levels of uncertainty and are regarded as distinctive characteristics of the current world (Buckley & Carter, 2004). The future is no longer seen as a reliably certain continuance of the past and present (Intezari & Pauleen, 2014). Tremendous and ever-increasing rates of technology advancement as well as increasing uncertainty spurred on by an interconnected global environment make the future unpredictable. Problems are multi-causal and trends are rarely linear, simple decisions may no longer be appropriate and any attempt to solve a problem may lead to uncertain and unplanned results. To cope with continual changes in global markets, organizations must be willing and able to continually change (Cash, 1997). Traditional organizational perspectives on the environment may no longer be appropriate or sufficient.

The development of practice and theory in knowledge management has been one important response. Knowledge is one of the most valuable and vital assets an organization can have (Drucker, 1993). Success is not necessarily achieved, however, by the organizations that know the most, but by the ones that can best use what they know (Bierly et al., 2000). Moreover, the nature of knowledge, including its sources and uses, must be carefully considered. A clear understanding of what knowledge is and of its strengths and weaknesses is essential if organizations are to successfully cope with rapid and emergent changes.

The challenge of managing knowledge in a turbulent business world must address these questions: to what extent can organizations trust their information, experience and their previous knowledge to prepare for future circumstances and what else can assist them when facing future situations never seen, experienced or possibly imagined?

This chapter is organized into four main sections. In the first section, knowledge, the source of knowledge and the use of knowledge are discussed. The second section discusses the role of knowledge and managing knowledge in emergent business environments is examined. This is followed by an introduction to wisdom theory and the proposition that a blended approach of analysis/rationality and insight/non-rationality is a possible way to overcome a lack of appropriate knowledge when confronting uncertain and unpredictable situations. Finally, it will be proposed that

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