

Chapter 7

Aligning a KM Strategy and Developing KM Capabilities: Towards Taxonomies and Frameworks

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ABSTRACT

Knowledge capitalization has become a major economic driver in business today and has created enormous requirements for organizations as they reconsider their goals and adapt their business strategies. However, the definition of knowledge management in an organizational context is a difficult task to realize (Spiegler, 2000). Although knowledge is a critical resource, it is generally poorly managed (Earl, 2001). Good knowledge management in an organization is likely to help achieve business goals, but require an alignment of knowledge management strategies (KMS) and business strategies (BS). Such alignment can be an effective approach to enhancing interactions and to applying knowledge. This chapter provides, first, a KMS and BS alignment framework and taxonomy in which concepts, links (contextual links among concepts), actors, actions and processes are defined and described to show how they provide the potential for effective knowledge management through alignment and interaction in an organization. Secondly, a KM capabilities framework and taxonomy in which three main dimensions and specific features is presented. The framework presented here is for managers in companies and organizations to use to align their KM strategies with business strategies to improve performance involving financial growth, cost reduction, and customer satisfaction.

INTRODUCTION

The resource-based view of a business firm includes the nature of resources possessed by organizations and details about the qualities that such resources

must maintain in order to provide sustainable, competitive advantages over time (Barney, 1991; Wernerfelt, 1984). According to this view, “the organization must possess the ability to effectively and efficiently exploit the full potential of its resources, in order to develop and maintain any potential competitive advantages” (Adams and Lamont,

DOI: 10.4018/978-1-60566-954-0.ch007

2003). Furthermore, “knowledge is viewed by many as the most valuable resource, inimitable by others and sustainable if once acquired” Yu et al (2004, p.1). For this reason, large industrial groups are recognizing the strategic importance of knowledge and are improving their capability to exploit all inherited knowledge (Dieng et al, 2000) by means of good knowledge management (KM). Organizations know that knowledge could make a difference in performance, but they do not know where or how to begin management (Earl, 2003).

Because “knowledge is the critical resource rather than others and it is generally poorly managed” (Earl, 2001, p.215), KM research is needed. The literature in several disciplines and management practices indicate how important it is for knowledge to be managed. KM is a new science aiming at reorganizing business organizations around immaterial richness by a process of capturing, sharing and re-using knowledge (Davenport, 1998). As Jennex et al (2003, p.1) note: “Organizations are much more likely to capture knowledge benefits if they have an organizational KM strategy.” The development, implementation and use of organizational knowledge require specific strategies suitable for setting up KM and the alignment of KM strategies with business strategies to ensure that KM is an integral part of a corporate strategy (Abou-Zeid, 2003 ; Asoh et al, 2003 ; Sharkie, 2003, Roth, 2003). As Asoh et al (2003) note, there has been little research into the alignment of KM with business strategies. Also, there seems to be a “lack of strategic models to link KM efforts and business strategy” (Maier, 2001, p.3). A lack of alignment can lead to poor strategic planning, which in turn can lead to the misuse of resources (Luftman, 2004) and poor performance.

Having the wrong strategy or no strategy causes organizations to fail to utilize their knowledge (Hansen et al, 1999). The authors of this article stress that it is not easy to undertake a study of the strategic alignment of KM and business. Such

research requires clarification of terms, as Asoh et al (2003, pp.40-41) state: “First, the different perspectives of knowledge and KM may mean that researchers cannot come to terms concerning what exactly has to be aligned. Second, there is persistent confusion between the terms *information* and *knowledge*. Third, because of the confusion between information and knowledge, researchers may think they are working on KM when in fact they are researching information systems or information technologies (IS/IT). Fourth, there is a similar degree of confusion between knowledge strategies and KM strategies.”

Although beneficial to international business, models for information strategy (Leidner and Galliers, 2003) can be limited in the help they provide organizations developing global ideas for knowledge management strategy and businesses strategy alignment (KMSABSA). Applying IS/IT strategy models can also lead to focusing on a scientific “fit” between knowledge management strategy (KMS) and business strategy (BS). As a result, KMS and BS global concepts and described behaviours can become derivatives vis-à-vis other concepts and sub-concepts. But KM as a conscious practice is so new that there are few successful models for executives to use as guides (Hansen et al, 1999). Nevertheless, “there is broad agreeing in the management literature that KM has to be solidly linked to business strategy and ultimately to the creation of economic value and competitive advantage in order to be a sustained effort” (Maier, 2001, p.3).

To support such an alignment, the design and implementation of a taxonomy and a conceptual framework for KMSABSA seem necessary to identify, define and connect the key concepts in managing knowledge. A taxonomy is needed (Earl, 1983; Hansen et al, 1999; Maier, 2001; Yu et al, 2004) to help answer questions such as: What concepts define accurately KMS and BS alignment? How do they interact? Who are the actors intervening on each level? During the last two decades, literature in knowledge management

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