Impact of Knowledge Management Dimensions on Learning Organization: Comparison Across Business Excellence Awarded and Non-Awarded Indian Organizations

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ABSTRACT

Knowledge and knowledge driven learning determines the organizational ability to achieve sustainable competitive advantage. To excel in business, organizations need to develop processes that facilitate streamline information flow resulting in enhanced learning. This paper investigates the learning capabilities demonstrated by Indian organizations and for the differences between business excellence awarded and non-awarded organizations. This paper examines the impact of Knowledge Management (KM) dimensions on Learning Organization (LO) and tests if the impact is significantly different for these groups. A convenience sample of 57 executives from 16 Indian organizations participated in the study. The results show that organizations awarded for business excellence fare better on all items of LO as compared to non-awarded ones. However, statistical difference is found only in Vision and Strategy and Performance Improvement Process. The results show that most of the KM dimensions have a positive impact on LO dimensions.

Keywords: Business Excellence, India, Knowledge Management, Learning Organization, Performance Improvement Process

INTRODUCTION

Knowledge Management, Learning Organizations and Business Excellence are concepts which provide answers to the pertinent question that goes in the minds of today’s managers, “How to become world class?” Business Excellence is the basis of achieving an improved way of working and the concept of Knowledge Management and Learning Organization help in achieving the same. The practices of Business excellence have evolved over the years with changing competitive scenario to deliver product and services to global consumers. Knowl-
edge Management and Learning Organizations provide for some core performance indicators which strengthen the business fundamental in turn offering an advantage over the competition.

The changing market dynamics have forced managers to revisit their strategies for competitive advantage. According to Singh and Soltani (2010), the business environment today is characterized by heightened levels of competition and strategies which worked yesterday may or may not work tomorrow. According to Jha and Joshi (2008), the business environment has now entered a knowledge era, where knowledge has become power, and learning rapidly and competency has become a preeminent strategy for success. In addition to growing complexity in business environments, workforce mobility, the need for lifelong learning, willingness by companies to invest in KM, the need to reduce loss of intellectual assets from employee turnover, the need to avoid reinventing the wheel, faster pace of innovation, the need to operate at a global level, increasing shift from tactical to strategic adoption of KM practices and the steady absorption of internet and wireless technology are other drivers for KM (Rao, 2005).

On the demand side, customers are becoming increasingly aware of rising standards, having wide access to range of products and services to choose from. On the supply end, organizations are looking at ways to exceed customer’s expectations and increase profits. To provide for excellent products, organizations have to produce high quality and low priced products. To achieve the same, Organizations are outsourcing their non-core competencies and capabilities to reduce cost and deliver efficiencies. All this requires systematic improvement of business performance based on the principles of customer focus, stakeholder value, and process management. This is the spirit that drives organizations to achieve business excellence.

Organizations in the 21st century are realizing the importance of knowledge driven learning and developing strategies to use it for achieving business excellence. Knowledge is defined as the expertise or skill acquired through education and experience, theoretical or practical understanding of a subject, human act, a residue of thinking which comes from experience (McDermott, 1999), understanding, awareness, or familiarity acquired through study, investigation, observation, or experience over the course of time (Bollinger & Smith, 2001), information combined with experience, context, interpretation and reflection (Davenport et al., 1998). According to Drucker (1995), the collective knowledge residing in the minds of its employees, customers, suppliers etc., is the most vital resource of an organizations growth, even more than the traditional factors of production i.e. land, labour and capital (Grossman, 2006). Corporate knowledge is being viewed as one of important sustainable untapped sources of competitive advantage in business. There is always a new idea waiting to be discovered, new ways of doing things, new products, new strategies, and new markets (McElroy, 2000).

According to Birkenholz (1999), learning is defined as a change in behavior of people while implementing knowledge, skills, or practices. Fiol and Lyles (1985) have emphasized on learning as a process of improving action through better knowledge and understanding. Stewart (1992) suggests that learning is natural, continuous, and inevitable and occurs spontaneously within the organization. Learning results in change expressed in terms of knowledge, skills, attitude, values which in turn impacts behavior.

Business excellence is the use of quality management principles and tools in business management. European Foundation for Quality Management (EFQM) defines it as “Outstanding practices in managing the organization and achieving results, all based on a set of eight fundamental concepts (results orientation, customer focus, leadership and constancy of purpose,; management by processes and facts, people development and involvement, continuous learning, innovation and improvement, partnership development, and public responsibility.” Ian Raisbeck, former chairman of the European Foundation for Quality Management defines it as “the overall way of working that result in balanced stakeholder (customer, employees, society, shareholders) satisfaction so increasing
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