Chapter 27

Formulating a Knowledge Management Strategy

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ABSTRACT

This chapter presents a systematic approach that can be followed to formulate a Knowledge Management (KM) strategy. The management of knowledge should be integrated into the other management activities in the enterprise and linked to the business strategy. An empirical survey was conducted to investigate the current situation with regard to KM activities in a life-insurance company and to determine the relationship between the KM activities and the business strategy. The results indicated that there is a clear understanding of the importance of KM and steps are recommended to formulate a KM strategy for the enterprise.

INTRODUCTION

Throughout the world the value of knowledge for the modern enterprise is increasingly being recognised, and more and more enterprises are explicitly attempting to manage this important asset. To be successful in the management of knowledge as an asset, it is of fundamental importance to recognise that knowledge assets, just as any other asset of the enterprise, should be managed in the context of the overall business. The focus is therefore not on knowledge *per se*, but rather on managing the business to include a knowledge perspective.

As every business has to operate in an increasingly competitive and dynamic environment, business managers should base all decisions on their competitive standing in the world economy and the competitiveness of their knowledge competencies which are the knowledge, skills and expertise critical to successful job performance. The ability of a company to mobilise and exploit its intangible

and invisible assets has become far more important than investing and managing physical, tangible assets. All employees should contribute value by what they know and by the information and knowledge they can provide. Investing in, managing, and exploiting the knowledge of employees is of the essence in the success of companies in the knowledge economy. Although competitors are able to copy organisational processes, it is not so easy to copy the knowledge in employees' minds and this gives enterprises a competitive advantage in the knowledge economy.

Knowledge intensive firms have been characterised as enterprises in which the key asset is knowledge. These enterprises deploy their knowledge assets to create a competitive advantage and to sustain a business edge. There is no general approach to knowledge management that is commonly accepted. Due to the multidisciplinary origin and evolution of this discipline there are many views of what exactly knowledge management entails. Judging by the high rate of knowledge management project failures, this presents a significant challenge in companies where knowledge management is being implemented. The knowledge management process ensures that the enterprise's knowledge processes are performed as effectively and efficiently as possible. It is therefore responsible for identifying these knowledge processes and implementing measures that will facilitate their effective and efficient execution to solve problems. This will enable the enterprise to remain competitive. Knowledge processes associated with both tacit and explicit knowledge have to be managed. Explicit knowledge can be expressed in formal and systematic language and can be processed, transmitted and stored relatively easily. Tacit knowledge includes the rich, complex, gathered expertise that exists in people's heads that is mostly very difficult or impossible to express (Ichijo & Nonaka, 2007). This type of knowledge cannot easily be replicated by competitors. Understanding the importance of tacit and explicit knowledge is closely linked to an organisational culture that encourages experimenting and experiencing with new knowledge and tolerates failures by employees. This means that knowledge management in the enterprise must address not only well-defined processes such as those supported by information technology, but also the knowledge processes taking place in and between individuals, such as knowledge sharing and knowledge creation. Knowledge processes enable an enterprise to firstly create knowledge before it is entered, organised and stored in a system. Stored knowledge is then made accessible and distributed timeously into the hands of the right users, with the goal of utilising and sharing it through socialisation or exchange in digital or analogue form (Martensson, 2000). Examples of processes through which knowledge can be shared in enterprises are storytelling, mentoring, networking and communities of practice (Nonaka & Takeuchi, 1995).

In this chapter, the management of knowledge for competitive advantage in a life-insurance company is discussed. It examines how knowledge management affects the competitive nature of the enterprise and how the enterprise can use knowledge management to build long-term competitive advantages. Traditionally many companies have taken an *ad hoc* approach to managing knowledge, resulting in work duplication, inconsistent work practices and loss of important organisational knowledge when employees retire or leave the company (Du Plessis & Du Toit, 2006). The chapter presents a systematic approach that can be followed in order to improve the business value of the knowledge assets of an enterprise.

DEFINITION OF KNOWLEDGE MANAGEMENT

According to Davenport & Prusak (1998) some researchers identify more than three identities (data, information and knowledge) when referring to knowledge and they advise against making the

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