

Enhancing Knowledge Creation in Organizations

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Abstract

The objectives of this study are to understand the importance of knowledge creation in organizations and to explore the ways to enhance knowledge creation in organizations. Knowledge creation is important in the sense that innovation is driven by the creation of knowledge and knowledge creation is perceived as one of major assets. This paper identifies and explores three ways to enhance knowledge creation, namely via 1.) using the right KM strategy to support business strategy, 2.) practicing the relevant leadership behaviours, and 3.) cultivating organizational learning culture.

Introduction

One of the new trends in Knowledge Management (KM) is arising from its association with innovation. In today's highly competitive business world, innovation is said to be the key factor that is able to drive organizations to create value and compete with global rivals. KM highly emphasizes on the deployment of knowledge to gain competitive advantage and innovation requires input of knowledge to create new products/services, technologies, and/or managerial systems. It is thus reasonable to say that knowledge management is expected to produce the source of knowledge that is integral to support innovation. In regard to this, it is important to understand and enhance the creation of knowledge in organizations so that organizations can gain value and outperform rivals through the adoption of knowledge management that support innovation. The objectives of this study are two-fold, namely 1.) to understand the importance of knowledge creation in organizations and 2.) to explore the ways to enhance knowledge creation in organizations. The methods used in this study were based on review of literature followed by synthesis of ideas extracted from literature. This study is expected to make a contribution to the corpus of knowledge management, especially in the area of knowledge creation. Besides being able to be used as a good foundation for future empirical studies, this study could serve as a good reference for Multinational Companies (MNCs) and Small and Medium Enterprises (SMEs).

KM and Innovation

Innovation is one of the new elements which is being associated with Knowledge Management (KM) [7]. Innovation is not restricted to just new products or services but it also encompasses development of a new business model, brand innovation, sales model innovation or in distribution innovation [7]. Du Plessis [12] defines innovation as "the creation of new knowledge and ideas to facilitate new business outcomes, aimed at improving internal business processes and structures and to create market driven products and services."

The significance of innovation to organizations has been well recognized by a number of researchers. The most valuable asset of the 21st century organizations lies in their capability for innovation [18]. Innovation is the main factor to boost business growth for long term success [28] and continual innovation is the only way for organizations to gain a winning position in the competition [19].

In KM, the emphasis is given to the deployment of knowledge to create value for organizations. Some researchers (Harari, [16]; Nonaka, [24]; and West, [30]) have come into consensus that organizations leveraging the knowledge of their human capital are able to innovate and adapt to the rapid changes of today's business world. KM is therefore important to support innovation in organizations.

Specifically, KM supports the creation of new knowledge which serves as an essential input element for organizations to innovate more effectively. The outcomes of the innovation could be new products and/or services, new technologies, new production processes, and new organizational structures. As long as organizations are able to continually deploy the power of knowledge to support their innovative efforts, it is expected that their business is able to outperform rivals and sustain growth in the long run.

Knowledge

There is still an absence of consensus about the definition of knowledge in business literature. While Quinn et al. [26] relate knowledge with professional intellect, Nonaka [23] associates it with a justified belief system.

The Importance of Knowledge

Most of KM literature emphasizes on the importance of knowledge. Knowledge has been associated with the key organizational resource [3, 21] economic resource and the only source of competitive advantage [11] for organizations. Knowledge creation should therefore be placed at the forefront of the knowledge initiatives in organizations as the generation of new knowledge would ensure them having the source of competitive edge for creating wealth and sustaining growth continually.

Tacit Knowledge and Explicit Knowledge

In general, there are two types of knowledge, namely tacit knowledge and explicit knowledge. The late Michael Polanyi has been widely acknowledged as the founding father of the significant concept of tacit knowledge. "We know more than we can tell [25]." This can be used to describe the tacit knowledge, which refers to the knowledge that is highly resides in people's head and difficult to be articulated, shared and codified in any information systems or databases. However, part of the tacit knowledge can be externalized and shared via metaphor and analogy.

Explicit knowledge, on the other hand, refers to the knowledge which can be easily expressed in words, shared and codified in a written format such as user manuals, reports, and formulae. Such knowledge is usually shared through knowledge management systems or databases so that it can be easily referred by anyone in the organization whenever necessary. Organizations adopting codification strategy usually put a great emphasis on this type of knowledge so that they are expected to be less vulnerable when some of their experienced employees resign.

Both tacit and explicit knowledge are essential to knowledge creation as they are complementary to each other [1]. Nevertheless, tacit knowledge possesses higher value and plays a more significant role in the innovation process.

The Importance of Knowledge Creation

Knowledge creation is one of the three general processes of KM which include knowledge sharing and knowledge utilization. It emphasizes on the creation of new knowledge in organizations. Knowledge can be created through social interactions

between individuals or through the use of knowledge codified and shared through knowledge management systems.

Innovation is Driven by the Creation of Knowledge

Knowledge serves as the fundamental resource in the innovation process. While the availability of existing knowledge helps to reduce complexity in the innovation process, the creation of new knowledge is important to ensure organizations produce more new innovations. Organizations are able to innovate faster and more successfully through creating and using knowledge rapidly and effectively [5]. Hence, knowledge creation is an important initiative for organizations to deploy if they aim to succeed and sustain growth in the long run through continually innovating new products or services.

Knowledge Creation is Perceived as One of the Major Assets

Organizations are able to develop new capabilities through the effective use of new knowledge. The output of the knowledge created is not limited to new methods and managerial systems and new organizational practices, but also embodies new product development and knowledge about customers, namely their needs, habits, and attitudes. New knowledge created in organizations would enable organizations to improve not only from the internal management aspect but also new production aspect that rightfully focuses to the customers' needs and preferences. Hence, knowledge creation is perceived as one of the major assets of innovative organizations, and innovative organizations are defined by knowledge creation [22].

The Ways to Enhance Knowledge Creation in Organizations

1.) Using the Right KM Strategy to Support Business Strategy

One of the ways to enhance knowledge creation in organizations is through the use of the right KM strategy to support business strategy. Organizations use KM to achieve either one of these two objectives, namely to improve efficiency or to improve innovation. The former normally is used in organizations that create value through cost leadership while the latter via differentiation in terms of quality and innovation. The adoption of KM should support objectives and business strategies of organizations [9, 32]. Importantly, KM activities have to be directed to facilitate organizations achieving their business goals. In their study entitled "A Strategy for Knowledge Management", Greiner, Böhmman, and Krcmar [15] found that organizations using KM as a basis for their

process of innovation encouraged the creation and the exchange of knowledge by enabling communication and collaboration in a person-to-person approach. In other words, the findings show that organizations that differentiate themselves through innovation adopt personalization strategy.

Under personalization strategy, the focus is on people and tacit knowledge, specifically knowledge creation is created via social interactions between individuals sharing their precious tacit knowledge. The “treasure hidden in the employees’ minds” (company representative) – the tacit knowledge is the key of the personalization strategy [15]. One of the four knowledge conversion processes as in Nonaka’s [24] SECI model, namely socialization (the conversion of tacit knowledge to tacit knowledge) is thus significant for creation of knowledge to support innovation process. Socialization takes place through observation, learning by doing, and apprenticeship. New and innovative ideas can arise from the use of synergies of people from different locations, cultures, or disciplines [20, 29].

Advanced technologies do play an important role to facilitate the success of personalization strategy. Electronic forums and videoconferences enable the sharing of knowledge among geographically dispersed employees, both in domestic country and throughout the world. The output of knowledge shared would become the input for the creation of new knowledge.

2.) *Practicing the Relevant Leadership Behaviours*

Another way for enhancing knowledge creation in organizations as suggested by this paper is via practicing the relevant leadership behaviours. Generally, leaders have a powerful influence on employees’ work behaviour [31], including innovative behaviour. De Jong and Den Hartog [10] define innovative behaviour as “behaviour directed towards the initiation and application (within a work role, group or organization) of new and useful ideas, processes, products, or procedures [13].”

De Jong and Den Hartog [10] of the opinion that leadership is the process of influencing others towards achieving some kind of desired outcome. They found that there were 13 relevant leadership behaviours that affect both idea generation and application behaviour [10]. Out of these 13 leadership behaviours, some behaviours were believed to related to only one type of innovative behaviour, the others are likely to affect both idea generation and application behaviour [10].

Since this paper aims to explore the ways to enhance knowledge creation in organizations, therefore the

focus is given to the leadership behaviours that have important influence on the generation of idea. Ten leadership behaviours that influence knowledge creation as found by De Jong and Den Hartog [10] include innovative role modeling, intellectual stimulation, stimulating knowledge diffusion, providing vision, consulting, delegating, support for innovation, recognition, monitoring, and task assignment.

The author of this paper with the outlook that the two most important leadership behaviours that can be used to enhance knowledge creation in organizations are providing vision and support for innovation. A clear vision provides the direction and general guidelines to employees in terms of what kind of knowledge to create and acquire. Once the direction has been set, then organizations can use the right platform to develop individual and collective knowledge via the concept of “Ba”, either through face-to-face interactions via meetings or electronic communication channels via videoconferences. Once “Ba” has created the space for knowledge creation, the SECI process can begin, resulting in new knowledge for organizations [27].

Additionally, leadership must show support for innovation as it gives the impetus to generate ideas and create knowledge. Support for innovation demands leaders to use the right way to deal with mistakes. Before the pieces of initial ideas become the knowledge to be used in any innovation process, subordinates might make mistakes. If this occurs, leaders shall not punish them for mistakes. On the contrary, they shall be able to tolerate with mistakes and perceive mistakes as a learning opportunity as most of us learn through mistakes. “You can really discourage innovative behaviour by being unreliable. When you do not support your subordinates if problems arise, you can forget successful innovation.” [10].

3.) *Cultivating Organizational Learning Culture*

In order to enhance knowledge creation, organizations have to cultivate an organizational learning culture, which provides suitable conditions for employees to learn. Knowledge creation is a dynamic process and therefore it is always essential to unlearn existing programs and to learn new sets of capabilities [4]. Learning is thus the key input element in knowledge creation. Learning process in organizations does not take place naturally but it requires rightfully set conducive environments or conditions to encourage learning throughout the entire organization, namely organizational learning culture.

Organizational learning culture can directly affect the process of knowledge creation in organizations [4]. With the absence of favourable organizational learning culture, organizational members are more towards knowledge hoarding instead of knowledge sharing as they see knowledge as power. Additionally, they might consider sharing knowledge is a worthless effort due to the lack of recognition. Knowledge can be hardly created without the willingness of sharing knowledge among themselves. In accordance to this, organizations would face risk of not being able to compete with their rivals as knowledge can be hardly created for new innovations.

On the contrary, organizations that support favourable organizational learning culture give strong emphasis on promoting knowledge sharing. Individuals with higher learning capability (those from highly educated background) are more encouraged to contribute to the organizational knowledgebase under the culture that conducive to knowledge sharing and giving emphasis to recognition. In addition to that, organizations also provide both in-house and external training to employees. Therefore, individuals with low learning capability can still contribute by creating new knowledge and broaden organizational knowledgebase [4]. Importantly, the entire organizational members are made to aware and perceive the significance and benefits of learning via sharing knowledge among themselves.

As a conclusion, a favourable organizational learning culture is important because with its presence, organizational members as a whole, including those with high and low learning capability can contribute to the generation of knowledge to organizations. If everyone is able to contribute his/her knowledge, then it would help the organization to produce a much better managerial systems or products/services. This would eventually enable the organization to outperform both its domestic and international rivals.

Discussions

This paper identifies and explores the ways to enhance knowledge creation in organizations from the aspect of organizational environment. Three ways suggested by the author include 1.) using the right KM strategy to support business strategy, 2.) practicing the relevant leadership behaviours, and 3.) cultivating organizational learning culture.

Using the right KM strategy to support business strategy is one of the ways to enhance knowledge creation in organizations. If an organization adopts differentiation strategy through innovation, then the right KM strategy to use is personalization strategy.

Under the personalization strategy, the focus is on sharing of hidden tacit knowledge via the process of socialization. By focusing to the right KM strategy that supports business strategy, the organization can then implement the right *ba* or platform to enable sharing and creating of knowledge among organizational members. For instances, by adopting the conventional face-to-face interactions such as meetings and electronic communication channels such as forums or videoconferences.

Practicing the relevant leadership behaviours is considered essential to enhance knowledge creation in organizations. How organizational members behave are mostly influenced by their leadership behaviours. Leaders who provide the vision will provide organizational members a clear direction in terms of guidelines and what types of knowledge to create (either new knowledge about product, managerial systems, or customers). With this, organizational members can devote the right amount of time and efforts to create the right knowledge. In addition to that, leaders have to show support to innovation by practicing the right way in dealing with mistakes. They should not punish any subordinates whom made mistakes during innovation process. On the contrary, they must be able to perceive that making mistakes is a precious learning process. Mistakes should be viewed as one of the avenues for creating better, different ideas in innovation process.

Last but not least, organizations can enhance knowledge creation by cultivating organizational learning culture. Learning is an essential input for knowledge creation. More knowledge can be created through learning new concepts, subjects, courses, and also from experts or counterparts. One of the important learning processes come from sharing of knowledge among organizational members. Therefore, it is crucial for organizations to cultivate an organizational learning culture that support learning via knowledge sharing and human capital development via in-house and/or external training. Accordingly, entire organizational members, including both with high and low learning capability are able to contribute towards the creation of knowledge for better innovations.

Conclusion

KM is important to organizations at large as it gives the main emphasis to the people (organizational members), the owners of knowledge. It is the organizational members who possess the capabilities to create knowledge for new product development, new managerial practices, or new knowledge about customers.

Organizational members are highly affected by the environment they work with. Therefore, in order to enable them to create knowledge in organizations, the ways to enhance knowledge creation should be studied from the aspect of organizational environment. This paper identifies and explores three ways to enhance knowledge creation, namely via 1.) using the right KM strategy to support business strategy, 2.) practicing the relevant leadership behaviours, and 3.) cultivating organizational learning culture.

Basically, the three ways to enhance knowledge creation in organizations as suggested by the author can be used as a good reference for Multinational Companies (MNCs) and Small and Medium Enterprises (SMEs). This is because most of the companies within these two types of organizations are well known for their innovative efforts and they compete with global competitors. Continual innovation is the key for their success. Therefore, having the tips to enhance knowledge creation in order to support their innovation process is crucial for them to grow and sustain in today's highly competitive business world.

This paper is the product that based on the synthesis of ideas from numerous sources of KM literature as well as the author's understanding about KM. Therefore, the ways to enhance knowledge creation have yet been proven about their effectiveness in organizations. In order to ensure their effectiveness, the author highly encourages future researchers to carry out empirical studies based on the factors identified in this paper.

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