

## Chapter 9

# Knowledge Strategy: Its Mitigating Effects on the Organization

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### ABSTRACT

*Knowledge strategy is defined as the set of guidelines and philosophies that guide an organization's knowledge-based activities, such as knowledge gathering, development, storage, and utilization. Much of the early literature describing knowledge strategy suggests that its role in the organization is to drive, and be driven by, organizational structure and the human resources and technology strategies. This paper derives a model that places the firm's knowledge strategy as a mitigating factor between the decisions made by management and the manner in which they are communicated to the rest of the organization. The present research is an update to a previously published paper and extends the research that first generated the metaphor of the KS as a lens.*

### INTRODUCTION

The importance of knowledge to the success of firms in many industries has become well-rooted in the literature. It is necessary now to address the manner in which the strategic management of knowledge manifests itself within the day-to-day operations of the firm. This understanding is crucial to the useful application of knowledge and the success of systems utilized to manage it. This foundation ensures that the knowledge

obtained, developed, stored, or applied by the firm is derived from, and supports, the business strategy currently in place.

A Knowledge Strategy (KS) is the linkage between the business strategy and the knowledge activities of the organization. It is defined as the set of guidelines and rules that help to define and steer the organization's knowledge-based activities and processes (Kasten, 2006). It can be difficult to define and quantify how the KS influences the manner in which the firm utilizes knowledge in its daily operations. Knowledge strategies, like other strategic plans, can take many forms

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(explicit vs. implicit, prescriptive vs. emergent, etc.), making its expression and dissemination to the firm challenging.

This remaining paper is comprised of five parts. The next section will briefly review some of the extant literature that frames the study of knowledge strategy. Next, this literature is used to create a preliminary model of the internal interactions that drive, and are the result of, knowledge strategy. This model is transformed by the results of the first round of empirical data collected in the study, and in the penultimate section that revised model serves as a starting point for another round of empirical research. The final section concludes the paper and points to some future research directions.

## **LITERATURE REVIEW**

After briefly discussing some of the foundational literature in the field of KS, the literature utilized to construct the initial research model forms the majority of the literature review. Both theoretical and empirical literature has been included as the basis of the model.

Some of the earliest writings regarding the strategic use of knowledge come from the business strategy development literature. Feurer, Chaharbarghi, and Distel (1995) wrote about the part played by knowledge in the implementation of business strategy. Their research stresses the importance of matching the type of knowledge maintained in the firm with its proper level in the firm. Zack (1999) explicitly defines KS as “balancing knowledge-based resources and capabilities to the knowledge required for providing products or services in ways superior to those of competitors.” This definition directly links the knowledge characteristics of the organization with performance and competitive advantage. Bierly (1999) takes a similar approach to KS when he defines four basic drivers involved in the creation of a KS: internally vs. externally sourced knowledge, enhanced vs.

new knowledge, fast vs. slow speed of learning, and depth vs. breadth of knowledge base. These seminal papers provide the groundwork for the research that follows.

There is a significant amount of literature describing the organizational drivers that help to shape KS. One important driver of a firm’s KS is the environment within which it operates (Buckley & Carter, 2004). These variables might include the type of product or service the firm produces, the level of turbulence or instability in the industry, and the degree of fusion that exists between the industry and those that complement it (Bierly & Chakrabarti, 2001). A good understanding of the environment will then influence how and where knowledge is developed (internal vs. external, broad vs. narrow, etc.).

The external environment will also direct the development of business strategy, which in turn will define the KS (Ursic et al., 2006). There is a significant literature describing the importance of linking business strategy with knowledge strategy and how the business strategy should be the main determinant of KS (Bierly & Chakrabarti 2001; Nickerson & Silverman 1998). Southon, Todd, and Seneque (2002) describe how the KS is influenced by the board of directors while Lane and Probert (2007) analyze the effects of internal and external knowledge acquisition on firm performance.

Due to the interdisciplinary nature of knowledge, KS cannot be created in isolation. It must be informed by other aspects of the organization’s plans. Three of the most important drivers of KS, in addition to the business strategy, are the organization’s human resources strategy, technology strategy, and the organizational structure. Human resources policies dictate the incentive plans, training structures, and retention plans, all of which contribute directly to a firm’s ability to retain tacit knowledge (Kim, Yu, & Lee, 2003). Using data collected by the Danish government, Laursen and Mahnke (2001) are able to show that the human resources practices of firms vary with respect to their KS. Firms whose knowledge strategies call

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