

## Chapter 16

# Knowledge Management and Its Challenges in Global Business

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### ABSTRACT

*Knowledge Management (KM) is an organization-wide, strategic change management initiative dealing with people, processes, and Information Communication Technology (ICT) to achieve a competitive advantage through learning, productivity improvement, and innovation. Based on the current literature review of KM and its challenges in global business, a general framework for KM in terms of leadership, organization, and ICT is proposed. The role of leadership includes developing an international strategy for KM, executing strategic change management, practicing a mix of transformational and transactional leadership style, and developing KM performance metrics. The organizational parameters include learning, processes, culture, and organizational structure. ICT plays a crucial role in the learning and processes to acquire, store, share, and apply knowledge. Some of the KM challenges in global business include global leadership competencies and strategy, project-based flexible global virtual teams, global knowledge integration, and working with ICT gaps across different economies.*

### INTRODUCTION

Knowledge Management (KM) is an organization-wide, strategic change management initiative dealing with people, processes and ICT to achieve a competitive advantage through productivity

improvement. Productivity improvements come from innovation and process improvements rooted in organizational learning and knowledge sharing. KM in a global business has additional implications in terms of global leadership competencies, integrating explicit and implicit knowledge of

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global virtual teams across cultures and working with ICT gaps among subsidiaries in various countries. The goal of KM is to obtain the most pertinent information in the best context to the correct person at the optimum time for the right business purpose (Nohria, 2000; Lehaney et al., 2003). Based on the resource-based view of a business, knowledge is the most important strategic resource leading to competitive advantage (Nonaka, 1994).

The ability to acquire, integrate, store, share, and apply knowledge becomes the most important capability for building and sustaining competitive advantage (Zack, 1999). Knowledge has been referred to as “the genetic material” of firms. Knowledge and expertise resides in people, products, processes, and routines in an organization. Knowledge is embrained, embodied, encultured, embedded, and encoded in the organization. “Embrained” refers to the conceptual skills and abilities; “Embodied” refers to acquiring knowledge by doing; “Encultured” refers to acquiring knowledge through socialization; “Embedded” refers to organizational routines; “Encoded” refers to signs and symbols and is a part of organizational culture (Blacker et al., 1993; Blacker, 1995). Knowledge is the source of wealth. Applied to tasks we already know, it becomes productivity. Applied to tasks that are new, it becomes innovation (Drucker, 1991).

The popularity of KM with academics and practitioners has increased since the discussion first started in the 1990’s. The literature on challenges for KM in global business is not as extensive as that for KM but is increasing as globalization progresses. Five top ranked peer-reviewed, refereed KM journals include the journal of knowledge management, journal of intellectual capital, knowledge management research and practice, International journal of knowledge management and the learning organization (Serenko & Bontis, 2004). The market value of an organization consists of the tangible assets and intangible assets. Intangible assets include knowledge and expertise of the employees and knowledge in processes,

products and routines. Intangible assets are part of the intellectual capital that consists of human capital, structural capital and relational capital (Edvinson & Malone, 1997). A significant part of a company’s value may consist of intangible assets such as the value of its workers’ knowledge and expertise or the intellectual capital. A knowledge worker is one who works primarily with information or one who develops and uses knowledge in the workplace (Drucker, 1959; Davenport, 2005). Knowledge Workers are now estimated to outnumber all other workers in North America by at least a four to one margin (Haag et al., 2006). A knowledge worker’s primary task is “non-routine” problem solving that requires a combination of convergent, divergent, and creative thinking (Reinhardt et al., 2011). Managing the productivity of knowledge workers across cultures is the main focus of KM and its challenges in global business.

Based on the literature review, a general framework for KM and its challenges in global business is proposed in terms of leadership, organization, and information communication technology (ICT). The role of leadership includes developing an international strategy for KM, developing global competencies, practicing a mix of transformational and transactional leadership style, and creating a learning organization. Knowledge assessment, identification of knowledge gaps, knowledge integration, creating a learning environment, and establishing measures of effective KM, including rewards, are some of the leadership challenges for a global business. The organizational parameters include processes, culture, structure and learning. The organizational processes include acquiring, storing, sharing and applying knowledge where ICT plays a key role. Cultural sensitivity and competence is essential for knowledge integration in project-based flexible global virtual teams. Organizational learning and working with ICT gaps across different economies play a crucial role in effective KM. In this chapter, KM is discussed in general first and then its challenges in global business are reviewed.

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