

# Chapter 1

## Culture and Strategy

### ABSTRACT

*This chapter describes the knowledge economy and explains how it differs from an agrarian and industrial economy. The authors describe the changing role of information in the knowledge economy and the impact of business information assets on knowledge organizations. The chapter stresses the importance of managing information and business strategies, and of aligning information and business cultures. The authors consider what we need to know to align strategies and cultures. Eight essential questions help the reader to translate these issues into his/her environment.*

### ROLE OF INFORMATION IN THE NEW ECONOMY

In 2019, there is a consensus about the knowledge economy's basic factors and behaviors and how these differ from the earlier agrarian and industrial economies. In agrarian economies, the basic factors of production were land and resources. In this economy, the nature of work was extraction – whether through agriculture, mining, or other forms of leveraging natural resources. In the industrial economy, the primary factor of production is financial and equipment. In this type of economy, the nature of work is fabrication and manufacturing.

The essence of the knowledge economy is the idea that knowledge capital replaces financial and physical capital as the primary factor of production and the primary source of wealth. The concept of a knowledge economy was first presented by Machlup (1962) in his groundbreaking research into the

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shifts in the national accounts. Research into and characterizations of the knowledge economy have continued over the decades (Bell, 1976; Porat and Rubin, 1977; Baumol Braunstein Fisher and Ordover, 1980; Antonelli and David, 2015; Drucker, 2013).

In the knowledge economy, the primary factor of production is knowledge – what people know and what they know how to do. Knowledge is the natural resource, and knowledge processes are the means of production in the knowledge economy. New economies never entirely replace earlier economies, but they significantly change those economies.

These early characterizations of a knowledge and knowledge economy are important. However, they do not describe the seismic shift in attitude and practice that has taken place in the last 20 years. In the past sixty years, we have moved from academic research into the knowledge economy to everyday management of businesses struggling to survive in a knowledge economy. Today, knowledge plays a critical role in every organization, every day, in every function and process, and the work of every individual (Kucharska and Bedford, 2019). The world economy is now dominated by knowledge capitalism. Knowledge is recognized as an economically valuable resource. Organizations, teams, and individuals must produce, consume, and leverage knowledge in every aspect of their work. Knowledge is a critical resource of every type of organization in every sector. This means that our business strategies need to be adaptable, agile, and dynamic. Just as we developed business strategies to support business cycles in the industrial economy, today, we must develop business strategies that align with the knowledge economy.

The knowledge economy shifts how we do agriculture, how we do resource extraction, how we manufacture, and how we do innovation. The knowledge economy also significantly shifts who can become a primary economic player. An individual with ideas and knowledge competencies can become a primary player - an individual no longer needs significant financial or physical capital to become a significant producer in the 21<sup>st</sup> century. This means that who engages in a market is dynamic. It means that an organization's position and role in a market is no longer determined only by the amount of financial and physical capital they control. Information and knowledge workers are independent producers of knowledge and information in these markets. It means that individuals who understand how to leverage their knowledge capital can be competitive. It means that organizations that do not leverage or manage their knowledge capital are at risk in a market. This means that an individual's, a team's, and an organization's business strategy must take knowledge capital into account. This means ensuring that our business

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