Chapter IXX
Knowledge Management Success:
Roles of Management and Leadership

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ABSTRACT

Globalization and free market philosophy characterize the current economic environment of increased competition, and it has posed far greater challenges than ever for organizations to meet customer needs and demands. The global competition is compelling organizations to develop products and services faster, cheaper, and better in order to sustain competitive advantage in the marketplace. Twenty-first century economy is setting new trends and unique styles of business operations because of continuous advancement of information technology and communication technologies. These technologies have offered more avenues to conduct business effectively and efficiently. Many organizations participating in the global economy have two distinct features associated with their operations, outsourcing and virtual teams, which have become feasible because of these technological advances. These two features have an impact on how organizations manage knowledge, and they deserve further discussion.

OUTSOURCING AND VIRTUAL TEAMS

Outsourcing is a common business practice because it helps acquire quality services and expertise at a lower cost. General Motors, Toyota, Siemens, Hewlett-Packard, General Electric, and IBM—among many other major organizations—are using outsourcing as a strategy to cut down costs.

Also, global economy is compelling organizations to establish operating divisions and factories close to marketplaces and other strategic locations where the labor costs are cheaper. Consequently, virtual teams are integral to many organizations in the current economy. A case in point is Infosys Technologies Limited—one of the leading software consultants in the world. The company has a conference room in Bangalore, India that can hold a virtual meeting of the key players from its

entire global supply chain on a super-size screen to integrate project functions and work as an effective project team (Friedman, 2005).

These virtual teams span various time zones, different languages and cultures, and possess a wide range of competencies and skills. Needless to say, outsourcing and consequent virtual teams are challenging the traditional structures of organizations.

Two questions come to our mind: How do they impact the way organizations run their business operations? And how do they impact the manager's role? It is critical for organizations to find answers to these questions. More importantly, both these distinct features—outsourcing and virtual teams—have one thing in common: the explicit and tacit knowledge of the organization is no longer confined within the organization. The daunting task that faces organizations is how to manage knowledge resources to gain and sustain competitive advantage. In this chapter, we will attempt to address all these important questions.

KNOWLEDGE MANAGEMENT

Intense competition, indecisive consumers, and globalization are some of the driving forces that have led to increased interest in studying how knowledge is used, applied, and leveraged. This has led to placing greater emphasis on understanding and developing better frameworks for assessing knowledge management effectiveness, thereby determining its impact on bottom-line business results (Lim & Ahmed, 2000).

A recent study (Nidiffer & Dolan, 2005) observed that in the current economy, top management priorities are building virtual teams with a minimum of face time, clearly defining work, measuring cybernetic worker productivity, and managing employee communications across time zones. These priorities are relevant to projects and processes of several management functions including knowledge management (KM) and have a significant impact on a manager's role. It is obvious that technology plays a critical role in supporting management's efforts to meet these priorities.

Before we discuss knowledge and knowledge management further, it is important to have a common understanding of these terms.

Data, Information, Knowledge and Knowledge Management

The word "data" generally refers to numerical facts collected together for reference. According to Ellis (2003), the distinction is that data are the facts that are organized into information; when used by someone to solve a problem, information in turn becomes personal knowledge (see Figure 1). When we convert it to explicit knowledge, it becomes an intellectual asset that can be shared within an organization.

Information is a subset of knowledge, which denotes understanding of the information. Knowledge is derived from thinking, and it is a combination of information, experience, and insight. This insight, in turn, is developed with the use of tacit knowledge. Deriving knowledge from information requires human judgment, and is based on context and experience. As a resource, knowledge increases its value with use. Ironically, knowledge will remain dormant and not very useful until it is reflected in action (Rad & Anantatmula, 2005).

Figure 1. Relation between data, information, and knowledge