

## Chapter 7

# Organizational Culture: A Pillar for Knowledge Management

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### **ABSTRACT**

*This chapter describes how and why organizational culture is paramount towards endeavors of social knowledge and knowledge management systems. Previous literature is discussed and ideas presented to give an underlying understanding of organizational culture and knowledge management and how the two interact. It is argued that a culture based on honesty, trust, and openness is best suited for knowledge management. Cultures will ebb and flow as they evolve. It becomes important for managers to take notice when this occurs. Learning is essential to developing cultures as it molds the participants inside the organization. Organizations that employ social media to aid in culture development will build systems of knowledge management that are based on proper culture that will inevitably lead to competitive advantage.*

### **INTRODUCTION**

*An organization's ability to learn, and translate that learning into action rapidly, is the ultimate competitive advantage.*

*-Jack Welch, Chairman, General Electric*

Industry leaps of efficiencies are bringing companies closer to one another in effectiveness and strategy management that will inevitably lead to a war of attrition. Organizations are recognizing the strategic importance of social knowledge management within their respective firms to establish efficiencies inside firm practices. Many organizations have arrived at the conclusion that effective social knowledge management can enhance their competitive abilities (De Long and

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Fahey, 2000) and provide strategic advantages in the marketplace. However, to truly offer a sustainable advantage the advancement made from social knowledge management must add value. (Oliver, 1997) Once an implemented knowledge management system exhibits added value, it will offer the organization the ability to consistently outperform competition.

The value benefit of social knowledge management will branch from the ability of a firm to develop the proper organizational culture. Value benefit can best be defined as differences in strategy and structure across the firm that offers above-normal rates of return. (Oliver, 1997) Organizational culture is vital to a firm's success and performance as it is what leads activities that reinforce best practices. (Reed, Lemak, & Montgomery, 1996)

The adoption of knowledge management follows the seeking of technical efficiency gains and customization of practices that lead to unique business problem resolution. Organizational characteristics will lead firms to adopt stronger culture bearings, clearly needed for successful knowledge management ventures. Knowledge management will aid corporate leaders in allocating resources to areas that offer greater advantage and benefit, while staving off competition. This will effectively eliminate the root of business problems while enabling achievable performance. The allocation of firm resources, which include assets, capabilities, organizational processes, and firm attributes, (Barney, 1991 and Spender, 1996) will aid in outperforming rivals and establish clear distinctions that can be preserved.

Attention to customer requirements is supreme when environmental uncertainty is high. (Reed, Lemak, & Montgomery, 1996) When firms are market driven, their attention is focused on anticipating and responding to customers' needs and preempting those needed changes. (Reed, Lemak, & Montgomery, 1996) Knowledge management will aid in understanding environmental shifts inside and outside of the organization which will

reduce the elasticity of demand by the customer. (Reed, Lemak, & Montgomery, 1996) Improved revenues will be realized by a positional advantage made with the development of accessible knowledge management. It is the implementations of knowledge management that will allow firms to turn improved responsiveness into value priced items and services. It will further drive competitive advantage that comes directly from the abilities of the firm to develop goodwill with customers, distribution channels, lines of technology, and lines of communication, a positive reputation and many other benefits associated with channels of knowledge management. Firms, with the assistance of knowledge management networks, will take into consideration their relative competitive strengths. When stakes are escalated, the firm will allocate needed resources to knowledge management development. This allows firms to employ a decision-making process based on information seeking and information processing activities (Yu & Cannella, 2007) which aids in understanding the environment in which they interact.

The chapter will concentrate on the importance and pitfalls of organizational culture and its relationship within social knowledge management. Discussed within the chapter will be the evolution of culture around participants inside the firm and how those participants develop the assumptions and values they use. A short literature review and general descriptions of key terms are also included. The chapter will move into common assumptions about culture and knowledge management and will finish with future research implications and where the field of knowledge management is heading.

## **ORGANIZATIONAL CULTURE**

*Question: What are the three critical factors in knowledge management?*

*Answer: Culture, culture, culture*

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