

## Chapter 1.12

# Exploiting KM in Support of Innovation and Change

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### ABSTRACT

This chapter emphasizes the importance of formally promoting close social interaction and open knowledge sharing to achieve superior innovation capability. It does so by discussing the advantages of developing Communities of Innovation and citing a case study that exemplifies these concepts. This chapter addresses the challenges and opportunities faced by businesses in today's complex and often unpredictable business environments. For success, an organization must be able to combine and recombine their resources in novel ways, eliminating or reconfiguring resources that are no longer relevant, and acquiring new resources. An organization's capability to change by manipulating resources continuously and rapidly—to innovate—is a competitive advantage that is not

readily imitated by competitors. Innovation is critical to an organization's viability since it enables the development and introduction of new products and services and thus enables an organization to maintain, or improve, its current business position. The chapter reviews the numerous theories of change and change management in the literature based on practice and precept. However, research shows that competitive advantage is increasingly located by authorities in an organization's intellectual resources including the skill base, business systems and intellectual property of its employees: its human capital. Organizational innovation depends on the individual and collective know-how of employees, and innovation is characterised by an iterative process of people working together, sharing insights, and building on the creative ideas of one another. The chapter emphasizes that an organization's intellectual resources have significant potential to realize innovation and

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change capabilities, but that the impact of these capabilities largely depends on the means of an organization to foster close community social interaction and open knowledge sharing, and to leverage its informal leadership as a precursor to and part of any related Knowledge Management (KM) initiative.

## **INTRODUCTION**

In trying to most effectively implement KM and foster innovation and change it is tempting for an organization to begin by simply introducing a system-wide technological solution. When the predicted performance improvements are not achieved further technological upgrades will likely be undertaken. However, although the centralization and codification of knowledge via storage/retrieval systems and the like are often useful, a big impact on KM and related innovative performance should not be anticipated. This is because significant breakthroughs and competitive advantage typically come from the social exchange, exploitation, and augmentation of current tacit knowledge, rather than codified explicit knowledge based on past contexts. Without an understanding of the “as is” state of the organization’s inter-personal and collective relationships and their implications, plus an appreciation of how the organization’s culture influences these relationships, technological approaches are almost certainly doomed to failure. Indeed, a purely technological solution may make matters worse by creating a “credibility black hole” for future interventions. Sharing explicit and particularly tacit knowledge, and developing an open culture are typically challenging problems for organizations. In this chapter the authors describe a practical approach for resolving this concern. To this end they discuss the development of a positive organizational social fabric; the impact of “people factors” on relationships and knowledge sharing; the important role played by “Opinion Leaders” in ensuring that KM initia-

tives are undertaken only when social conditions are appropriate; practical means to identify these highly influential individuals and their networks; and an explanation of how identifying Innovation Champions will facilitate the formation of Communities of Innovation (CoInv) that will more effectively and speedily leverage an organization’s intellectual resources, and significantly enhance its innovative capability.

## **THE IMPORTANCE OF SOCIAL FABRIC**

The extent to which public and private conversations can take place across an organization, including its customers and stakeholders, will be critical to the widespread sharing and generation of knowledge. Successful knowledge management and innovation will depend on an organization having the means to readily share tacit and explicit knowledge. To this end, the current knowledge economy in both public and private sectors is optimally founded on having ready and effective communications across collaborative partnership-networks of all kinds. It is not just “What you know” or even “Who you know” but rather “Who you know and trust” that leads to a viable and effective social fabric. When examined closely, an organization’s social fabric is not homogeneous, but rather consists of innumerable unique social networks based on members’ interpersonal relationships. Its collaborative properties are exposed when the organization’s Social Capital (SC) is appraised. SC is “The set of resources, tangible or virtual, that accrue to a corporate player through the player’s social relationships, facilitating the attainment of goals” (Gabbay & Leenders, 1999; pp. 3). Trust, open-mindedness, and lack of prejudice enhance SC, whereas distrust, fixed mindsets, and deep-seated independence foster low SC. Most importantly, the SC of individuals aggregates into the SC of the organization – its social fabric. The formation of

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