

CONSIDERATIONS ON KNOWLEDGE BASED STRATEGY TYPOLOGIES

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Abstract

Companies face an increasing number of challenges, driven by market pressures, changes in the nature of labor or customers' needs. In this context, one of the solutions to address these challenges are to develop and implement knowledge based strategies. To be successful, such approaches must identify critical needs and problems of the company and provide a framework for solving them. For decision makers, one question, once the decision to use such a strategy is taken, is what type of knowledge based strategy must be used.

This article addresses the topic of knowledge based strategies typology, in the context of their increasing importance in the strategic development of companies and their rather loose representation in the academic literature.

Keywords: knowledge, knowledge based management, knowledge based strategy, typology

1. INTRODUCTION

In today's economy, learning and knowledge have become key success factors for companies. Competition between companies shifted from controlling tangible resources to intangible elements such as knowledge and the ability to use those (Ceptureanu et al, 2012). Knowledge is increasingly becoming the main resource of a company, explaining how and why it assures and keep a competitive position. According to various specialists, no managerial or economic activity has attracted more and more attention in the last decade, as the knowledge oriented one (Ceptureanu et al., 2012). Today, knowledge is an integral part of all economic and social systems. Knowledge-based economy is depending on generation, sale, acquisition, storage, use and protection of knowledge because it is decisive in profit making and strategic competitiveness. Knowledge participates to a large extent in the manufacture of modern products and made up almost entirely services. Simultaneously, knowledge is a key factor of production, as they take part, along with other classical factors of production, to all phases of the modern production process. Finally, knowledge represents a finished product itself, like software, patents, quality standards, scientific studies etc. (Ceptureanu, 2015).

Knowledge based strategy is a rather controversial concept in the literature, both due to its content and implementation (Denford and Chan, 2011). For some, it is synonymous with KM strategy, for other is just

business strategy with a focus on acquiring knowledge-based competitive advantage while for others is an approach to Knowledge Management (Saito, Umemoto, Ikeda, 2007). According to Zack (Zack, 1999), knowledge strategy represents a competitive strategy based on intellectual resources and capabilities of the organization. In this regard, it is subordinated to company's knowledge management strategy and seeks to assess what type of knowledge is strategic for business. By contrast, knowledge management strategy defines the processes and infrastructure for managing knowledge (Zack, 1999). Kasten argues that knowledge based strategy must comprise guidelines on how the company should use available knowledge assets (Kasten, 2007). For others, it means the plans company design to efficiently use knowledge for acquiring competitive advantage (Holsapple and Jones, 2006).

Various scholars consider that knowledge based strategies should be approached from two perspectives.

- a. The first focuses on the specific nature of knowledge as a critical resource for a company. Accordingly, a knowledge based strategy is seen as "the set of choices and plans that determine the firm's knowledge base" (Bierly & Chakrabarti, 1996).
- b. The other perspective considers the knowledge based strategy in direct relationship with company's business strategy (Zack, 1999) and how knowledge can be best used to fulfill the strategic objectives.

2. KNOWLEDGE STRATEGY TYPOLOGIES

There are few studies that describe knowledge strategies. So far relatively few have outlined specific types, most of them using instead classical types of business strategies with some adaptations to knowledge.

a. Hansen, Nohria and Tierney typology

Hansen, Nohria and Tierney (1999) identify two types of knowledge strategies:

- a) Codification strategy, emphasizing codification and storage of knowledge, which can be accessed and used by any employee of the organization. It refers to explicit knowledge and is characterized by reusing codified knowledge, focus on explicit knowledge and high budgets for IT.
- b) Personalization strategy focus on employees' knowledge who, by direct contacts between them, is created and used. Unlike the previous one, this type envisages tacit knowledge. Characteristic

of this strategy are focus on individual knowledge, importance of knowledge networks to share, emphasis on organizational and social factors and low budget for IT.

b. McKinsey typology

Specialists from McKinsey Company identified five types of strategies focused on knowledge used by large companies, based on their previous experiences (Haggie&Kingston, 2003):

- a) Strategy based on development and transfer of best practices regards assessing best practices in the company, usually in one subsidiary and dissemination of them among other company's subsidiaries.
- b) Creating a new industry from existing knowledge emphasize new ways to exploit existing knowledge within organization.
- c) Transforming corporate strategy around knowledge strategy emphasize actions to develop company's Meta strategy around knowledge.
- d) Strategy based on creating and marketing innovation emphasize ability to achieve a competitive position through technological innovation.
- e) Strategy of creating a standard by releasing proprietary knowledge emphasize intellectual assets the company own, focusing on their development.

c. Treacy & Wiersema typology

Treacy and Wiersema proposed three value disciplines as a way to focus an organisation's activities (Treacy & Wiersema, 1993): customers, products and organization. Depending which area an organization is focusing, 3 types of knowledge based strategies can be followed:

- a) Customer Centered (customer intimacy), focused on knowledge related to customers and their needs and desires;
- b) Product Centered (product leadership), focused on knowledge about products;
- c) Operational Excellence, focused on knowledge related to the organisation itself and its processes.

d. Zack typology

Another approach is provided by Michael Zack. He proposes a framework to support organizations to achieve a strong connection between their competitive situation and competitive knowledge-based management strategy to acquire or maintain competitive advantage. Knowledge is classified according to the degree of innovation: core, advanced and innovative.

Zack's approach takes into account two dimensions (Zack, 1999):

- exploration / exploitation;
- internal / external.

By linking the two dimensions, Zack argues that organizations can employ 2 types of generic strategies (Zack, 1999):

- a) Conservative strategy, followed by organizations addressing internal knowledge and focused on exploitation, usually core knowledge type;
- b) Aggressive strategy, followed by organizations addressing exploration of advanced and innovative knowledge, usually external.

e. Skyrme's typology

According to Skyrme (1999), there are several knowledge based strategies available for organizations:

- a) Focused on customer knowledge, seeking to integrate various sources of customer knowledge into organization knowledge base.
- b) Focused on knowledge in processes assumes knowledge is embedded in procedures and, as such, seeks to develop and improve these procedures.
- c) Focused on knowledge in people seek to capitalize employees' knowledge. For that, creating the appropriate environment and culture is essential.
- d) Focused on organizational memory seeks to develop effective knowledge programmes emphasizing capturing knowledge from every day work and from assignments.
- e) Focused on knowledge in relationships, aiming personal knowledge within collaborative relationships. It assumes organizations need to do more to capture some of this knowledge and provide forums where these relationships can be strengthened.

- f) Focused on knowledge assets seeks to monitor four categories of intellectual capital - human capital, customer capital, structural capital and intellectual property, helping management in setting objectives and hence create additional intangible value and corporate growth.

f. Von Krogh typology

Based on two knowledge processes (creation/transfer) mixed with knowledge sources (internal/external) von Krogh et al. (2001) consider that there are:

- a) Leveraging strategy is focused on sustainable use of internal knowledge resources of the company. It aims to facilitate internal transfer of existing knowledge from various knowledge bases.
- b) Expanding strategy is focused on increasing depth of knowledge bases of the company. It aims to refine existing knowledge and transfer additional expertise relevant for knowledge creation.
- c) Appropriating strategy is focused on knowledge domains nonexistent in the company. It seeks to capture knowledge from external sources like consultants or partners, mainly by transfer.
- d) Probing strategy enables employees to responsibly build new knowledge domains. New knowledge is created outside of the firm's current knowledge bases and then internalized.

g. Binney typology

Binney (2001) has developed a framework seeking to help organizations better understand knowledge management and support them in determining their actual level in implementing it. Even though some may argue this typology is more suitable for KM strategies, we consider that the 6 types of strategies are also applicable to knowledge based strategies:

- a) Transactional strategy assumes knowledge is generated mainly technology. In this respect, the organization must focus on consolidating IT infrastructure in order to build a strong knowledge base.
- b) Analytical strategy considers that knowledge is derived from external data sources, usually focusing on customer information. According to this strategy, main source of knowledge is external and the organization should organize to capture this knowledge.
- c) Strategy focused on asset management assumes knowledge derived from asset management, usually created as a product of the business, can be reused in various ways.

- d) Strategy focused on process implies codification and improvement of business practices and sharing them with the company.
- e) Knowledge Management development assumes incrementally building skills of knowledge workers within the organization through continuous training and professional development. The focus is on employees, especially knowledge workers.
- f) Strategy focused on innovation / creation aims to create prerequisites to facilitate creation of new knowledge, usually through research and development of inter-departmental teams. Similar to previous one, the focus is on employees but the difference is on approach, this strategy focusing on collaborative learning.

h. Bierly-Chakrabarti typology

Bierly and Chakrabarti (1996) considers four dimensions of knowledge: organizational source of knowledge (internal/external), radicalness of learning (incremental/radical), speed of learning (slow/fast) and scope of knowledge (broad/deep). Their combination generates four generic strategies:

- a) Loner strategy, pursued by companies isolated in terms of knowledge. These companies are usually ineffective, are spending a lot on research and development and has low knowledge dispersion, so basically considers internal and incremental knowledge, being slow learners.
- b) Explorer strategy, pursued by companies creating or acquiring knowledge. They are considering knowledge as a precondition to be competitive on the market and as such focus internally. Similar to loners, they only differ in their focus on radical learning.
- c) Exploiter strategy is pursued by companies' possessing knowledge capabilities that extends beyond the requirements of the market, allowing them to use knowledge to gain a better competitive position. Exploiters don't spend much on research and development and has broad knowledge bases but also consider external sources.
- d) Innovator strategy integrates the best characteristics of the previous types. Innovators are the most aggressive and fastest learners, combining internal and external generated knowledge, equally consider radical and incremental learning.

3. CONCLUSIONS

Choosing this topic was not an easy one. Even though there are a lot of papers dealing with strategy and knowledge, there seems to be a serious lack of consistency. First, there is an actual need for an integrated approach on knowledge based strategies, ensuring that the investigations undertaken to develop this area of knowledge based management are comprehensive and systematic. As we mention above, even the concept of knowledge based strategy is not yet fully crystalized, having three meanings in scientific literature.

Secondly, so far relatively few studies have outlined specific knowledge based strategies in use by companies, most businesses still using classical business strategies, with some adaptations to further consider knowledge as a strategic asset.

As a part of the knowledge management initiative, a knowledge based strategy must connect people and leverage their know-how (Tocan, 2012). But it is fundamental to know what type of strategy the organization must employ considering its goal, internal and external factors and actual capabilities. Knowledge based strategy needs and has to be integrated into the strategic knowledge management framework of the organization. No matter what type a strategy is chosen, developing knowledge based strategy has to be designed and operationalized differently from business strategy, but congruent with it.

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