

Thorsten Mühl

Knowledge Management as a strategic resource - an analysis of theoretical principles and managerial implications for creating and transferring knowledge to gain sustainable competitive advantage

Master's Thesis

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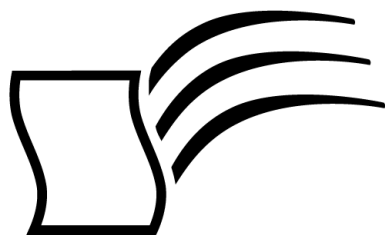
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PART I: RESEARCH METHODOLOGY

1. Executive Summary

'Knowledge has become the key economic resource and the dominant – and perhaps even the only – source of competitive advantage.' – P. Drucker, 1991

For many years, the concept of knowledge management (henceforth KM) never received substantial or precise notice within the vast, extensive area of strategic management. On the contrary, today's business environment is determined and shaped by the awareness of its significance and corporate strategies without the contemplation of KM are virtually unthinkable.

'The realization that knowledge is the new competitive resource has hit the West like lightning.' (Nonaka/Takeuchi, 1995) Nonaka and Takeuchi flawlessly underline the magnitude of KM in a globally increasing economy. There is a perception that we are moving into an epoch in which conventional pillars of economic strength – capital, land, plant, and labour – are no longer the overarching forces behind market success. Technical progress indicates that an expanding number of organisations are valued by their competency in the development, employment and distribution of knowledge or information. KPMG predicts the total transformation of the industrial economy to a Knowledge Economy. (Parlby, 1999)

Given the importance of such an expansion, it is by no means surprising that organisations everywhere are paying attention to the opportunity of creating, transferring, and employing knowledge efficiently. Companies are starting to realise that *'... inside their own organizations lies, unknown and untapped, a vast treasure house of knowledge, know-how, and best practices. If tapped, this information could drop millions to the bottom line and yield huge gains in speed, customer satisfaction, and organizational competence.'* (O'Dell, 1998, p.154)

Nevertheless, knowledge is unlikely to deliver its full potential if it remains within the organisation. Likewise, managing knowledge in an entire, sophisticated strategic manner is now seen as a crucial part of a company's success.

2. Aims of the Research

The overall aim of the subsequent master dissertation is to determine how KM must be organised in order to achieve benefits, respectively competitive advantage.

In other words, understanding the foundations of knowledge and KM in conjunction with outlining how companies can transform into a knowledge-creating organisation through an efficient management of their intangible assets.

3. Research Questions and Objectives of the Study

The principal focus of the study will be on managerial implications of effective, value-adding KM within organisations; therefore I will address three relevant research questions:

- (1) What are general principles of knowledge, KM, and learning organisations in a firm's overall strategy?**
- (2) How do companies identify and evaluate essential knowledge?**
- (3) What are managerial implications for applying a knowledge strategy?**

The following hypothesis should further underline the proposed research:

'KM adds substantial benefits and could influence a company's performance significantly when implemented thoroughly and managed in an entire, comprehensive, and sophisticated strategic approach.'

Increasingly, the creation of new organisational knowledge is becoming a managerial priority. New knowledge provides the basis for organisational renewal and sustainable competitive advantage. (Ruggles, 1998) The basis for this research is drawn from recent work on KM, which explores how firms classify and manage knowledge.

Knowledge Management as a strategic Resource

Consequently, the following research objectives shall be addressed:

- ♦ To provide an introduction into learning, knowledge, and KM. That is to say, outlining basic ideas and conceptual frameworks as well as to demonstrate the utmost significance these issues have on the business agenda.
- ♦ To identify the importance of strategic aspects with reference to KM.
- ♦ To evaluate organisational conditions and presuppositions that favour KM and transfer in order to reinforce the organisation's performance and enhance their capabilities.
- ♦ To demonstrate theoretical implications by providing practical examples.

As mentioned earlier, the dominant objective of the dissertation shall be the demonstration of a theoretical KM concept that could also be applied, to a certain degree, in practice.

4. General methodological Approach and proposed Method of Research

Methodology is the overall approach to the research process. The research process itself can be divided into respective stages: Identification of the research topic; definition of the research problem; determination of the general methodological approach; collection of research data (both primary and secondary); analysis and interpretation of the research data; writing the paper itself. (Saunders, 2000)

Within the following, I shall explain the research approach that I intend to adopt. The approach is clearly related to the suggested content of the dissertation.

Generally speaking, literature on academic research identifies two approaches or research paradigms, positivist and phenomenological. That is to say, quantitative and qualitative. Quantitative (positivist) is based on the natural sciences. It seeks the facts or causes of social phenomena, with little regards to the subjective state of the individual. Qualitative (phenomenological) stresses the subjective aspects of human activity by focussing on the meaning, rather than the measurement of social phenomena. (Saunders, 2000)

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It is intended that the dissertation will be based on literature research. There appears to be no merit in undertaking any questionnaire survey work. However, as mentioned in my objectives, I shall illustrate theoretical arguments and conclusions with practical examples. Specifically, an outline or case study will be provided where a company was successful in managing knowledge in terms of competitive advantage to demonstrate the investigated theoretical implications.

In general, the topic demands qualitative consideration supplemented conceivably by some numerical work to generate a comparison or draw a conclusion of performance in companies.

All the literature referred to summarises the essence of KM into some key issues or considerations. These are all of a fundamental and comprehensible nature.

Due to the fact that the study intends to observe the managerial implications of KM programs and processes, it shall highlight the interplay of the issues singled out within the literature. Therefore, the research is primarily comparative (in that it searches for similarities and/or differences between the issues highlighted by the current literature), descriptive (in that it focuses on the description of relationships between variables) as well as qualitative (in that it is concerned with qualities and non-numerical form). Furthermore, it intends to describe a relative world where there are no absolute truths.

To conclude, the expected research paradigm is mostly determined by the nature of the research problem to be investigated, as we have seen. In this particular research study, the research problem concerns *'KM as a strategic resource'* and is of a qualitative rather than quantitative nature. Consequently, the underlying paradigm is phenomenological.

5. Data Collection and Analysis

In both research approaches, the intention is to collect data regarding significant variables. There are two main sources of data, primary and secondary data. Primary data is original data; secondary data is data that already exists. Data can also be described in terms of the type, as qualitative or quantitative. Qualitative data is concerned with qualities and non-numerical characteristics, whilst quantitative data is all data that is collected in numerical form. (Saunders, 2000)

The initial research was carried out via conventional academic methods. Keyword searches for books or journals were undertaken extensively. Furthermore, as the subject is particularly contemporary and of principal interest within the business community, academic journals were investigated broadly. The next avenue of research was the Internet and major consulting companies in order to achieve pragmatic insights into the research topic.

The primary, mainly qualitative, collected data will be analysed and assimilated. One possible approach is to quantify the data, either formally or informally. The other possibility employs non-quantifying methods. In the case of a phenomenological paradigm, the analysis should follow the informal, quantifying method.

Problems in terms of analysing data will occur regarding reliability and validity due to the fact that both issues are overwhelmed within the credibility of the research findings. Furthermore, generalisations made by previous research might be a limiting factor. (Saunders, 2000)

The subsequent master dissertation about '*Knowledge as a strategic resource*' shall employ the approach of quantifying data and will address research limitations within the conclusion.

Due to the relatively focused, qualitative, in depth analysis, the results are substantially valid but less reliable. However, as long as the hypothesis can be verified as true and absolutely consistent, the findings can be generalised.