

# Taxonomy of knowledge management strategies

[Business](#)



Earl (2001: 215-233) categorized organizations into three broad schools: technocratic, economic, and behavioral. The technocratic school generally emphasizes the creation of knowledge based-systems through innovation, mapping of ideas, and generating processes that would reinforce the knowledge-based system.

It is divided into 3 schools: systems school, cartographic school, and engineering school. The economic school focuses on the commercialization of knowledge (derived from patents) and creation of net surplus capital for increasing profit levels. The economic school is also named as commercial school. The behavioral school is based on the assumption that human behavior in different settings can generate knowledge so long as it is stimulated and put into organization. This school is divided into three schools of knowledge: organizational school, spatial school, and strategic school. All the school mentioned above differed slightly or significantly on four variables: focus, aim, principle IT element, and philosophy. commercial School

The increasing number of patents in the United States and Western countries in the past 10 years prompted many companies to develop revenue creating methods based on the utilization of existing patents. These patents if proven useful to the company may provide it with gross revenue above the profit margin. Although costs will be incurred, since procuring patents are met by increasing annual taxes and of course the high payment to the developer, it will be significant only in the short-run. Larger revenues are expected in the long-run, since the utilization of knowledge for commercialization, will in effect make the company the only producer of a product which is price way up the market price. This “ monopolization”

tendency of companies utilizing a specific patent is in the rubric commercial school philosophy. Maximize profit by reducing explicit and implicit costs.

Explicit costs refer to the costs incurred before and after marketing the patented products (and transaction costs). Implicit costs refer to the situation where the market controls the price of a product, and the existence of other firms selling the same product. An example is provided. Universal Corporation Ltd. (an inestee company), is currently producing the so-called saquinavir (a Roche's HIV medicine) ([http://www.finnfund.fi/ajankohtaista/uutiset06/en\\_GB/Universalcorporationkenya](http://www.finnfund.fi/ajankohtaista/uutiset06/en_GB/Universalcorporationkenya)). The company before the development of the said medicine, invited several scientists from different countries to conduct researches on the feasibility of producing a medicine that can cure an HIV infection. They were offered high salaries to encourage them to work, and of course a freehand on the research process. The scientists who developed the medicine sold the patent to the company for a very high price. The company estimated that almost 64 % of people in sub-Saharan Africa are infected by HIV virus.

This amounts to at least 100 million consumers of the medicine. If the medicine is produced to a degree that will accommodate each consumer, then the company expects an ROI (returns of investment) of at least 500 %. Since the company owns the exclusive right to produce and sell the said product, it can dictate prices which in economics is called " perfectly inelastic." Currently, the company is developing other medicines that will cure certain types of cancer. The same scientists who developed the HIV medicine will be working for the company.

It is clear that the management of the “ knowledge asset” of the company rests on the relative propensity of the scientists to work (through incentives) and of course to the profitability of the product when distributed to the market. This stance of the company is an example of a firm’s exploitation of its knowledge base to create revenue streams and capital surplus. Revenue streams of the company will be used to finance future researches (on the research schedule) and the cost of manufacturing the products. Systems School PELCO III is an electric cooperative that typifies organizations that belong in the systems school. The electric cooperative is comprised of departments that employ highly qualified personnel to codify some of its activities.

The results of the codification process were made available to all field and office personnel from the general manager to the line men. An example is the so-called system loss management handbook. Due to high system loss (which is 14 % on the average) in the past 10 years, the management draw plans for the reduction of systems loss (PELCO III, p. 23). The plan was designed by experts from Malaysia, Japan, and Taiwan.

These visiting engineers were employed by the company and asked to collaborate with the engineers (who were also experts in line maintenance and system loss reduction). The plan called for the restructuring of the line systems of the company through the purchase of new technologies from Japan and Taiwan at a low cost (estimated to comprise at least 15% of the cooperative’s annual costs). The idea was how to utilize and codify the use of this technology for the critical departments of the company. A memorandum was issued by the general manager to distribute the plan to all personnel of <https://assignbuster.com/taxonomy-of-knowledge-management-strategies/>

the company. It was a necessary step since the reduction of the company's system loss can only be resolved through a clear enticement of all its field personnel (technical know-how is necessary for field personnel). As for the field personnel, the system loss management guide can become a supporting document for decision-making processes, both horizontal and vertical in orientation.

Although this guide is domain-specific, it must be noted that such step reinvigorates the capability of the cooperative to adapt to recurring problems. The specialist approach of the cooperative is highly noted in its HR department. The cooperative also designed plans for reducing its annual loans from the power producers. Again a guide was formulated and made accessible to all personnel of the company. Many of the qualified experts from the different departments collaborated to design the plan.

Its purpose was to use micro-management of electricity supply in terms of long-term profitability and assessment of costs in the company. Since all departments were involved in this decision-making process, it was expected that such move will stimulate greater knowledge application and innovation among its personnel. The so-called knowledge-domain of each department would be coalesced in order for the organization to have a wider picture of its activities. Nevertheless, because of its strong emphasis on efficiency and cost-effectiveness, it is planning to extend the plan to some selected power consumers. Organizational School An example of an organization that belongs to the organizational school is the so-called Grameen Bank in Bangladesh. The bank was established by Prof.

Muhammad Yunus to provide microcredit to poor women in Bangladesh. This bank provides collateral-free credit to people who are below the poverty line (Yunus, 1). Unlike other banks, Grameen bank believes that credit is a basic human right, a step towards the attainment of human development. Although it was founded by Prof. Yunus, it is generally owned by poor women. Because the main purpose of the bank is to provide credit to poor people without collateral (and low interest rates), it is backed up by strong support from research institutions.

The owners of the bank are assisted by a pool of experts on credit banking and some social scientists. The goal is to develop methods that will enhance the capability of the lenders to pay their debts without the interference of collateral. Because lending is risky without collateral, the bank was able to create methods for stimulating the lenders to pay and increasing the consumer-base. In a typical conference, the expert presents his/her findings to the owners and their colleagues for discussion and knowledge/feasibility assessment. After a lengthy discussion, the board of directors will then decide to direct a research to possible lenders. Economists, sociologists, psychologists, and other social scientists will then go to the field to examine the payment capacity of its consumers.

Because the knowledge derived is community-based and assessed by the experts, this becomes incorporated to the banks set of policies. The collaboration of scientists and communities made possible the establishment of a banking method that became one of the most successful in the banking industry. The bank now employs 23 000 personnel, creating a network of 7. 21 borrowers spread in 79 000 villages in Bangladesh. The researches made <https://assignbuster.com/taxonomy-of-knowledge-management-strategies/>

by team of experts and the assessment of the communities' ability to pay were the result of the pooling of knowledge and non routine behavior (made clear in the interviews made) – from – the communities became the tool of success of the bank. Spatial School An example of an organization under this school (social school) is the Philippine Chamber of Commerce.

It was founded to stimulate business growth in the Philippines and to conduct researches on market profitability of products and innovations. Its board of directors is composed of the biggest entrepreneurs of the country. It is assisted by researchers from different universities in the Philippines. It employs over at least 1000 personnel, mostly engaged in research and on-field assignments. Generally, the organization uses places to stimulate knowledge exchange of directors, entrepreneurs, and social scientists. The golf course is usually the meeting place of the directors of the organization along with social scientists and some high earning employees.

Here the “ players” exchange information on the current state of the economy, and some problems of the organization. Since the organization is not a company, but somewhat like a research institution, it is engaged in staunch lobbying in the Congress (what economic policies should be instituted). The exchanged information will be addressed in the directors' meetings, together with some selected experts. For some of highly qualified employees, the organization usually designates a place – a first class coffee shop – for them to discuss some of the problems that the Philippine economy face – e. g. high unemployment, unutilized natural resources, etc.

The information gathered from the exchange will then be made formal in the meetings. This will be referred to the directors. Hence, although the organization delineates places designated for employees and directors (with highly qualified experts), the vertical differentiation of information is not strictly followed. Because knowledge in the organization is based on hypothetical assumptions (research institution) and predictions, the organization developed a system for integrating and assessing exchanged knowledge from variety of people. The use of spatial orientation to exchange knowledge is a feature of the organization, although during office hours, the prudence of authority and technical expertise is the norm.

In this way, the chamber was able to convince to pass certain laws that will benefit the economy in the long-run. Strengths and Weaknesses of Each Approach

The commercial school, although widely used by businesses around the world and recommended by economists as the model of organizational efficiency, has its own deficiencies. For one, this school does not provide the stakeholders the mechanism to participate in knowledge creation. This school assumes that the creation of knowledge assets can only be derived from innovations and patents. It is also assumed that the acquired theoretical and practical knowledge developed can be utilized so long as it is marketable and cost-effective. The European Union in recent years however noted that indigenous knowledge of medicine is more effective and least costly than conventional medicines.

It was the result of a long-research of natural medicines conducted by scientists from Europe. Nevertheless, because of the school's strong adherence to efficiency and incentive formation, it neglected the issues of

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business ethics. Products from China (which has an efficient economy - deemed), for instance, were proven to have numerous defects. For the systems school, its method of making information available to all stakeholders through codification of systems knowledge and increasing the knowledge base is a plus. Codification presents to the parties involved the necessary steps to follow when a certain specified problem ensues. Nevertheless, widening the knowledge base of the company stimulates innovation.

However, organization adopting this approach may suffer from the problems of revenue generation and surplus formation (due to its weak market orientation). The corporation established by Malcom McLean is an organization that adopted that systems approach. Although, the corporation was able to develop ships that can efficiently transport goods, it lacked a wide market base, which forced McLean to sell his company. The strengths of the spatial and organizational school rests on the value it attaches to the knowledge of experts, stakeholders, managers, and visiting researchers through either exchange or pooling of knowledge (by difference of focuses). The problem with organization adopting this school is the tendency for the knowledge base to become " subjective and supra-objective" in its objectives and methods of actions.

The tenacity either exchange or pooling of knowledge becomes blurred once it reached the top of the organization. Policies may become ineffective if such instance is not resolved. Conclusion Although the criticisms pointed out to the schools presented in this paper is practical in orientation, that is, assessing the effectiveness of the approach to organizations using it in <https://assignbuster.com/taxonomy-of-knowledge-management-strategies/>

actuality, it should be noted that the approaches mentioned in this paper, in its theoretical sense, aims for efficiency and effectiveness (since they are ideal types). “ Its” measure may not be accurate if only the practical side of the issue is assessed and criticized. An balanced judgment is necessary.