

KNOWLEDGE AND INTELLECTUAL CAPITAL MANAGEMENT: THE COMPETITIVE EDGE IN TODAY'S GLOBAL ECONOMY

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ABSTRACT

This study examined the agility, absorptive and resilience capabilities of organizations in accelerating their abilities to create, transfer, and deploy knowledge in order to meet organizational current and future performance capacity. The report deployed a descriptive research method. The research finding revealed that management of organizational change is a challenging one that firms must study continually in order to identify the skills set and needed to cope with today's ever-accelerating pace; and that speed, flexibility, adaptability to change are among the greatest concerns of firms in the new economy. It also indicated that organizations that are able to deploy Knowledge Management (KM) to meet current and future performance capacity are those organizations that build the right kinds of change management capacity into their operating systems. The study conclude that superior change-management practices that build an organization's adaptive capacity by considering the individual employees, team, organization, and industry, will support sustainable high performance now and in the future.

Keywords: *Global Economy, Knowledge, Intellectual Capital Management, Efficiency*

INTRODUCTION

The process of knowledge and intellectual capital management aims to improve organizational performance and efficiency. Knowledge is a distinct capability that contributes to the improvement of this efficiency (Liyanage, 2003). Also Reilly (2005) observes that the management of organizational change is a challenging one that firms must study continually in order to identify the skills set and needed to cope with today's ever-accelerating pace; and that speed, flexibility, adaptability to change are among the greatest concerns of firms in the new economy. The author continues that business growth with sustained high performance requires relentless, well-executed change just to keep pace with new markets, technologies, and competitors. The alternative is under performance, even business failure, in other words, organizations must 'adapt' or simply 'die'. This report examines the agility, absorptive and resilience capabilities of organizations in accelerating their abilities to create, transfer, and deploy knowledge in order to meet organizational current and future performance capacity.

DEVELOPING ORGANIZATIONAL GROWTH CAPABILITIES

Knowledge creation calls for a fluid space, one that can promote creativity, rich exchange of insights, debates and dialogue, and also nurtures new idea. Desouze and

Awazu (2005) argue that creating knowledge is a significant aspect of any KM program and that capabilities are routines or process that use or leverage assets, for example, Maritime Academy of Nigeria, (MAN) Oron and Australian Maritime College, Specialist Institute of the University of Tasmania (AMC/UTAS) are both Maritime higher education training (MET) institutions and were both established almost at the same time; but at present AMC/UTAS offers certificates, Diplomas, bachelor degrees, master degrees, Ph.D. degrees and Post Ph.D. degrees respectively, while MAN Oron is still struggling to offer Diploma and Post Graduate Diploma (PGD) courses only. This is because the later has no adequate collection of capabilities it can deploy to extract value from its available shrinking assets, while the former has a collection of capabilities to deploy in or extract maximum value from its abundance array of assets.

Cohen and Levinthal (1990) state that a capability is generally classified as a firm's absorptive capacity, that is, a firm's ability to value, assimilate, and apply new knowledge. A firm's absorptive capacity also depends on its prior knowledge. The learning process assists the internalization of both new and externally situated knowledge competencies and improves the thought and behavioural quality of individuals and organizations (Liyanage, 2003). A firm's knowledge-base would as such require a learning process that depends on direction rather than passive experiences. Organizational action can be improved through specific knowledge applications and deployments. For example, and apprentice working with a master craftsman learns by observing with or without interacting, and imitative behaviour though trial and error. Learning can therefore be seen as the progressive unlocking of the tacit components of knowledge and the internalization of knowledge.

Crossan and Hulland (2002) have highlighted how the firm can learn through the ability to internalize knowledge and that learning provides a firm with varying capabilities, which can be analyzed from two perspectives: Situated organizational learning perspective which views knowledge as embedded in individuals, connections between individual and social groups, and artifacts. Knowledge can also be situated within certain social and organizational contexts and embedded in certain practices. Learning untangles such knowledge and provides a common knowledge base for the organization.

However, the value of such knowledge depends on each firm's absorptive capacity that will determine the similarities between the routines and knowledge-base of firms (Leonard and Sensiper, 2002). From these perspectives learning is a conduit that transmits knowledge from internal and external resources. The situated organizational learning perspective argues that learning is an ongoing activity carried out by individuals. Knowledge created by this learning process is embedded in both the minds of individual actors and actor's environments, which become structured as a result of this activity (Cohen and Levinthal, 1990). The situated organizational learning perspective lends support to the continuous transformation of knowledge. Deevy (1995) observes that from a knowledge absorption viewpoint, other important aspects of learning are the negotiations, interactions, and collaborations that take

place, and which are facilitated by knowledge interchanges. Such interchanges allow the mixing and aligning of contextually situated knowledge with a firm's internal structures of knowledge. Knowledge interchanges can be achieved through contextually appropriate interaction and activity. According to Meyer and Davis (2004), organizational learning is neither strictly micro nor macro in nature; instead, it involves a complex interplay between individuals, work-units, and the overall business processes of an enterprise.

Learning process like knowledge requires management and guided development. They also involve a process of knowledge absorption within individual and organizations. Such absorptive capacity determines a firm's level of knowledge; learning allows the transition from generalized capability building to specific capability building. McCann (2004) concludes that the interchange of knowledge operates by transmitting contextually situated knowledge into an enterprise's internal structures of knowledge. The connection between an enterprise's prior knowledge, its absorptive capacity, and the relationship between new and prior knowledge are essential determinants of an organization's capabilities of internalizing knowledge in the new market-driven economy.

Deployment of appropriate strategies for sustainable competitive advantage

Saint-Onge (2004) argues that transformation in any organization, whether a simple change process or a major re-engineering of core functions, requires learning that must encompass all levels of the organization to enhance overall learning capacity. Individual learning, collective or team learning and organizational learning were suggested by the author. Also Ciborra and Andreu (2002) described this as the firm learning ladders, 'routinization learning loop', in which learning occurs in an organizational context that influences the learning process and in turn influenced by its result. In this process, new working practices becomes part of the context, thus increasing the knowledge base of the organization.

For example, understanding the market and its functions in the firm's own way, resulting from its particular positioning and experience allows it to apply forecasting capabilities in a much more effective and focused way, to the point of becoming fundamental for the firms competitive advantages. Ciborra and Andreu (2002) sum up that one basic loop routinizes work practices and indirectly routines, while using resources; a second one combines work practices and organizational routines to form capabilities; and the third loop gives meaning to capabilities in the context of the firm's competitive environment and business mission, thus allowing the selection of core capabilities. Also Heckett (2002) opines that an organization must have a working definition of knowledge and learning before it can attempt to manage it. That a primary reason KM has grown so quickly is that it offers the means to work across functional, business unit, regional, and hierarchical boundaries. Organizations must work towards finding out all the pockets of knowledge-sharing activity often hidden throughout the firm, using KM tools and techniques to break

down the walls and ceilings that often limit communication and knowledge flows in the firm. For example, General Electric Company (GE) is seeking a boundary-less organization using chief learning officers, recognizing knowledge-sharing behaviours as a major concern of the firm. A combination of tactics, including performance management, communication and education are being deployed to combat the problems of knowledge hoarding and the 'not-invented-here' syndrome (Hackett, 2002). Additionally, Bowles (2005) argues that Human Capital Management (HCM) is not just about managing Human Capital (HC) to achieve current productive performance.

It must also be concerned with developed human capacity and nurturing capabilities that contribute to potential productive performance. That organizational efficiency and effectiveness necessitate building Human Capacity (HC) in a systematic manner, which requires alignment of organizational approaches to Knowledge Management (KM), learning, and performance improvement. Thus, the most common KM goals of the firm should be focus on internal practices, that is, sharing practices and increasing efficiency. However, innovation and customer knowledge in the new emerging economy are expected to be the key areas where breakthroughs and future organizational growth will emerge. For example, the technology that allows people to share knowledge has also put more information into the customer's head. Organizations can no longer compete primarily on the basis of prices. Real growth and real profit are coming from deepening the customer connections and building customer loyalty. The customer relationship can be developed most quickly and sustained most effectively if the entire workforce is engaged in and understanding the value of building and keeping customer loyalty in the new economy (Teece, Pisano and Shue, 1997).

DESIGNING ADAPTIVE CAPACITY FOR ORGANIZATIONAL CHANGE

Organizations must constantly design strategies of surviving in the new emerging economy or die. Bryan (2005) observes that one organizational approach is to make large investments in people, process, systems, and new organizational designs; which are centered on building openness towards change, overcoming resistance to change, and forecasting creative problem solving and team work. Here, skill development is directed at the individual and group. Another approach can be found in the fields' organization's vision, mission, strategy, and design elements are aligned with its larger market, and environment are of intense interest in their case. The capabilities that organizations need in order to thrive in a fast-changing industry need to be dynamic and multifunctional (Teece, Pisano and Shue, 1997)

Award and Ghaziri (2003) pinpoint that in less turbulent conditions where episodic change prevailed, firms responded through thoughtfully planned and executed change programs. They used strategic planning to enhance their performance and contingency planning to anticipate and prepare for external changes that escaped the strategic plans. This enables firms to be flexible in the face of change while maintaining

routine operational efficiencies. McCann and Selsky (2003) opine that in more turbulent conditions, where change is both continuous and disruptive, it is increasingly recognized that businesses need to be not only more agile but also more resilient. For a business to be agile according to the authors, means that it can move quickly, decisively, and effectively in anticipating, initiating, and taking advantage of change. Furthermore, organizational agility has come from the assumption that the best-performing organization is one that moves the fastest and most effectively in identifying opportunities and avoiding major collisions in an increasingly fast-paced environment. To strengthen organizational agility, the authors suggested that change-management practices designed to promote agility must concentrate on creating an openness to change, destroying barriers of all kinds that impede the flow of work, people, resources and information, and also assuring swift execution of business strategies of the firm.

Sheffi (2005) contributes that in all these areas, resilience focuses on how well an organism or ecosystem resists disturbances and how quickly it 'bounces back' of systems. Meaning resilience is about the robustness of organizational systems in the new economy. Explaining that resilience is being able first to absorb the impact of, and then effectively react to, severely disruptive change. In some cases, when businesses cannot or should not revive a business model that has failed, they must be able to reinvent themselves and find an entirely new model or ways of operating that preserve their core identity in the face of change.

Adaptive capacity and balancing organizational agility and resilience

Zahra and George (2002) highlight that agility and resilience is viewed as two sides of the same coin of adaptive capacity, or the capacity of organizations to manage change. This capacity can be built, sustained, and deployed to help organizations cope with both rapid change and disruptive change. Agility is suited for managing organizational rapid change by supporting early, fast, and effective recognition of opportunities and threats in the organization's environment. McCann (2004) opines that agile organizations are good at inducing and taking advantage of opportunities through fast, flexible, and decisive action, but they are also extremely good at avoiding collisions with events. For example, agility can allow a firm to patch a weakened link in a global supply chain or exit a declining market quickly, either or which can occur in dynamic business environments.

Resilient organizations are most effective in managing disruptive change in the knowledge age. Resilience helps to ensure stability in the face of sudden adversity, support an effective and timely response to disruptions, sustain the organization for prolonged period of turbulent change, and even provide foundation for total renewal and transformation of the organization if required. This report submits that resilience is what is needed when agility alone fails to protect the firm in a turbulent environment in the knowledge age. Bryan and Joyce (2005) also contributed that agility without resilience can create an overexposed organization that emphasizes leanness, boundary destruction, openness, and speed so much that severe shocks and disruptions can

severely damage its performance, even threaten its survival. Such organizations can become 'fragile' in the sense that they cannot absorb, respond, and adapt to disruptive change effectively because they are designed to respond agilely to rapid change. According to Bryan and Joyce, rigidity, not resilience, results when organizations, and entire industries, are overly bounded and buffered from change: they may be able to 'take a hit' and survive a significant disruption in the short term because they have financial resources, but assuring superior long-term competitive performance could prove challenging. They suggested deploying agility and resilience to work together in order to prevent both 'over-exposure' and fragility or 'under-exposure' and rigidity in organizations competing in the new economy.

CONCLUSION

Organizations that are able to leverage KM to meet current and future performance capacity are those organizations that build the right kinds of change management capacity into their operating systems. Organizations deploying change-management capacity will be able to operate in a fast-paced and even turbulent business environment. They will therefore, tend to outperform other organizations in terms of competitiveness, markets share, and profitability in the knowledge-age economy. This report strongly submits that superior change-management practices that build an organization's adaptive capacity by considering the individual employees, team, organization, and industry, will support sustainable high performance now and in the future.

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