

Strategic Management, Learning and Innovation

Convergence of Strategic Management, Organizational Learning and Innovation: The Case of Lithuanian Organizations

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Abstract: The emphasis on knowledge and importance of knowledge has become one of the main factors distinguishing an intellectual organization of the 21st century from others: seeking to improve their operational efficiency, new millennium enterprises unceasingly learn to cherish their most important elements: information, knowledge and experience. Keen market competition just proves that material resources have long ago ceased to be a source of advantage against competitors, and competing by products, services and prices produces only a short-term effect. Having figured out the nature of a competitive advantage, organizations turned back to their most valuable assets – human resources which form the basis for the creation and development of generic and strategic competences. The competitive advantage of an organization primarily arises not from its created products or services, but from its ability to turn technological and industrial skills into competences which support organizational strategy and allow adapting to the changing environment as well as discovering new business opportunities. The purpose of the paper is to use the case study of Lithuanian organizations to illustrate the correlation between knowledge management, organizational learning and innovations. Research methodology: theoretical research by employing the systemic analysis, induction, deduction methods, the questionnaire survey.

1 THE ROLE OF KNOWLEDGE MANAGEMENT IN THE MANAGEMENT OF AN ORGANIZATION: PROBLEM AREAS

Effective knowledge management in any organization has become an important instrument which enables not only to control current complicated situations, but also to take advantage of future possibilities. Knowledge is a valuable and irreplaceable asset of the organization, which is unique in its inexhaustible and immeasurable character. However, the results produced by knowledge are measurable and tangible: improved products, services, processes, new markets, innovative solutions, better customer service, established competitive advantage, saved expenses, changes in organizational culture (Marr et al., 2003); (Moustaghfir, 2008) – these are some examples of how the implementation of knowledge management substantially changes the organization.

D. J. Teece (1998) claims that the competitive advantage of an organization in modern economy is gained not through the position occupied in the market, but through the knowledge assets accumulated by the organization and difficult to repeat as well as the ability to apply and use it. Hence the necessity for knowledge management practices: processes enabling accumulation, formation, systematization and efficient use of the knowledge assets and a constant increase in its value. D. J. Teece (1998) defines knowledge management as the entirety of procedures and techniques targeted at a maximum use of available knowledge assets. According to K. M. Wiig (1997), knowledge management has two key objectives: to make the organization act intelligently and to realize the best value of its knowledge.

While analyzing knowledge management and its impact on the strategic competences of an organization, it is important to identify and substantiate problem areas which largely influence efficiency of the organization's operations. Although covering many diverse activities and research fields,

knowledge management is mainly related to strategic management, organizational learning and innovation management in the analyzed context.

Although diverse tendencies have been observed in the evolution of strategic management ideas, the two essential links connect the ideas of basically all strategic management theoreticians (Thompson, Richardson, 1996); (Zack, 1999); (Bollinger and Smith, 2001); (Tidd, 2006); (Sajid, 2010); (Skyrme, 2011). Firstly, all authors try to emphasize the importance of organizational competences and their improvement: whatever the profile of the organization's activity and its unique characteristics, its competitive advantage lies in the organization, in the form of resources and competences; therefore, the organization should act strategically with regard to its available unique, valuable and irreplaceable resources and competences, rather than to the products or services derived from these competences, because particularly these resources are the driver of the present-day economy. Secondly, they all underscore the role of effective leadership in strategic development. Both approaches are closely related to the discipline of knowledge management: the first approach points to the meaning of competences (i.e. the outcome of adequate application of knowledge management in the operations of an organization); the second approach points to one of the major conditions for the implementation of knowledge management in an organization, the absence whereof makes efficient competence development impossible.

Knowledge is related to learning and development. According to J. Loermans (2002), the creation of knowledge is the final result of the learning process and vice versa – learning starts when the creation of knowledge, its sharing and use begin. Not only individuals, but also social systems, i.e. organizations, can learn (Fiol and Lyles, 1985); (Senge, 1990); (Dodgson, 1991); (Sandler, 1993); (Argyris and Schon, 1996); (Loermans, 2002); (Sanchez, 2005); (Ryder, 2012). If an organization is capable of effectively and efficiently managing available knowledge, it will be able to manage new knowledge created in the process of organizational learning. In other words, knowledge management is based on the results of organizational learning; it controls them and ensures an adequate environment seeking to retain and properly maintain the processes of knowledge assets creation and management.

Knowledge management is a systemic and organized effort to use knowledge in an organization for the purpose of improving its functioning. Since the ability of organizations to adapt to ever changing

external conditions is limited, knowledge management, focused on constant renewal of intangible assets, forms a basis for effective and efficient management of innovations (Bruton et al., 2007). Increasingly complicated tasks require innovative and creative decisions from an organization, which mainly depends on a favorable organizational culture and harmonious distribution of resources. Effective innovation management directs the process of knowledge development towards realization of creative ideas and commercial use of results. Knowledge is the basis of all innovations, whereas innovations are the driver of organizational development and the source of a competitive advantage.

The presented problem areas of knowledge management lead to the statement that this area of management is multidisciplinary and integral. Knowledge, being the basis of all operations of an organization, is improved and developed through organizational learning, turns into skills which later develop into abilities and competences necessary for the achievement of the strategic goals of an organization.

2 THE CASE OF LITHUANIAN ORGANIZATIONS

Theoretical insights of the paper suppose a problem question of the empirical research: Is the formulation and implementation of strategic goals in Lithuanian organization related to organizational learning and application of new knowledge (innovative activities) while seeking a competitive advantage?

The successful micro, small, medium and large Lithuanian organizations (total: 42) working in information technology field were surveyed. 36% of surveyed organizations are small and 43% are medium Lithuanian limited liability companies and this group will be used to summarize the results.

86% of surveyed organizations have formulated a strategy, vision and mission. 81% of respondents underlined that organizational strategy is concerned with information and knowledge management. 76% of respondents stressed that employees' knowledge is managed as one of the main resource in organizations. Managers underline that employees are the most important asset in the strategic documents. Employees are identified as a key organization resource in surveyed Lithuanian organizations. Also the importance of new products and services development is emphasized (Figure 1).

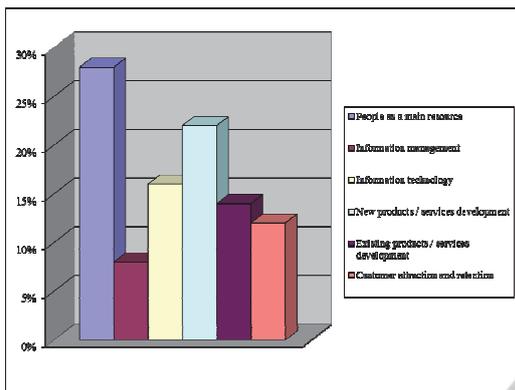


Figure 1: The most important aspects underlined in the strategic documents.

Information technology, existing products and services development, customer attraction and retention and information management are less mentioned in organization's strategic documents. These results show that organizations are trying to create innovations using knowledge as one of the most important strategic resources.

37% surveyed Lithuanian organizations use acquisition and adaptation of new knowledge, 31% - new products/services development and improvement 17% the best price offer, 14% information technology renewal and improvement, 1% other while seeking competitive advantage in the market.

79% of respondents agree that teamwork is encouraged in surveyed Lithuanian organizations. Errors and failures are tolerated in 71% of surveyed organizations. 98% of respondents are constantly improving their competence and trying to gain new knowledge. New continuous training courses for staff are organized at least once every six months.

Organizational learning can be related with the organizational culture type. Organizational culture type was determined according to one of the most popular organizational culture typologies proposed by K. S. Cameron and R. E. Quinn (1999). Scientists have identified four types of organizational culture: hierarchy (control culture), market (compete culture), clan (collaborate culture) and adhocracy (create culture). One organization may belong to different types of the organizational culture.

37% of respondents agree that the clan organizational culture dominates in the surveyed Lithuanian organizations. Organizations, belonging to this type of culture, are friendly workplaces where people are sharing everything together. Leaders are seen as teachers or even as parents, who care for employees, show the right direction help (Cameron,

Quinn, 1999). This type of the organizational culture could stimulate team working, the process of sharing good or bad practices, tolerating failures and errors, sharing, developing and expanding knowledge.

The most important factors which lead to the organizational success among respondents were organizations' employees, products and services (Figure 2).

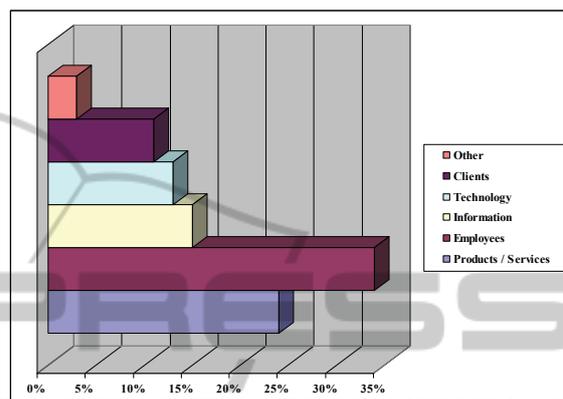


Figure 2: Factors of organizational success.

Organizational learning is one of conditions, which leads to successful work and innovation in organizations. 64% of surveyed Lithuanian organizations are flexible and dynamic. 83% of respondents are encouraged to propose new ideas. Almost all studied Lithuanian organizations are innovative. They are improving or developing new products and services for the past three years (Figure 3).

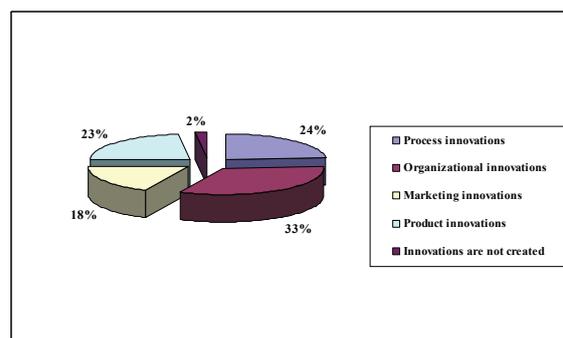


Figure 3: Innovation activities of organizations over the past 3 years.

The majority of created innovations are organizational in surveyed organizations. The most popular type of innovation is the implementation of new management methods. Also, organizations support the process of modernization, the use of new production methods and innovation projects, the

development of new and the improvement of existing products and services.

3 CONCLUSIONS

The correlation between strategic management, organizational learning and innovations is very important in every competitive organization. The case study has confirmed the significant role of knowledge management in the organizational strategy that was presented in earlier mentioned theoretical paradigms. Employees and their knowledge are highlighted in the strategic documents of Lithuanian organizations. Surveyed organizations gain a benefit and are very successful in the market because of integrating employees' knowledge into organizational processes and it leads to innovations. The clan culture dominates in organizations and it could be referred as advantageous to share, develop and expand knowledge. In conclusion, surveyed Lithuanian organizations try to relate the formulation of strategic objectives and their implementation to organizational learning and innovative activities while seeking competitive advantage.

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