Chapter 14

Innovation: The Key for Creating and Sharing Knowledge

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ABSTRACT

This chapter focuses on the tensions from two opposite forces: the need for formalization (static knowledge) on the one hand and the tacit understanding that implies creativity and innovation (dynamic knowledge) on the other. In order to explore these concepts, the means of overcoming this confrontation are analyzed – in other words the “knowledge vision” of management, the knowledge culture(s) in organizations, and the profiles of actors who create, capture, organize, and integrate knowledge into organizational practices. Finally, a model is proposed to identify the transformation from static into dynamic knowledge flow amongst actors, facilitating the organizational innovation process. The main goal is to explore how competition is leading firms to increasingly base their competitiveness on two intertwined factors connected by learning: valuable knowledge and innovation (Swan et al., 2002).

INTRODUCTION

This chapter analyses the role of innovation in creating new knowledge within organizations. It will present a literature review about knowledge and its nature, the organizational innovation concept and how innovation promotes knowledge creation and sharing among individuals.

The chapter includes a brief study of knowledge management fundamentals and innovation theory. Its contribution is to review basic ideas about knowledge creation and sharing, allowing forthcoming discussion about the main issues for organizations to conduct managerial actions. Knowledge sharing can boost innovation and allows managers to implement successful organizational practices and processes, resulting in efficient new business models (Kalakota & Robinson, 2001; Kearns & Lederer, 2003; Takeuchi & Nonaka, 2004). This can deliver results in complex scenarios with different strategic design and execution pathways. A selective approach is taken to discussing the vast theory of innovation and knowledge management.

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CONCEPTUALIZING KNOWLEDGE

The Nature of Knowledge as Theoretical Background

Knowledge can be an enabler or a disabler of organizational innovation and change success, because individual knowledge transfer and use is a very complex social interaction process (McAdam & McCreedy 1999; Nonaka, Toyama et al. 2000; Von-Krogh, Ichijo et al. 2000).

Davenport and Prusak’s (2000) argue that “knowledge is a fluid mix of framed experience, values, contextual information, and expert insight that provides a framework for evaluating and incorporating new experiences and information”. Polanyi (1958) associates knowledge with action. He says “Knowledge is the ability to act”. Nonaka and Takeuchi (1997) explain that knowledge is created by the flow of information associated with the beliefs and commitments of those who possess it.

It was also important to understand the nature of knowledge - tacit or explicit. Frappaolo (2008) suggest that tacit knowledge is highly personalized, context sensitive and informal, and very hard to measure and manage. It includes know-how, intuition and informal communications that make up a large part of the organization’s culture. On the other hand, explicit knowledge (Nonaka, 1991) is an object that can be codified and distributed outside of the individual who created it (Fahey & Prusak, 1998).

Several authors (Clark & Staunton, 1989; Blackler, 1995) argue that implementing organizational innovation practices requires not only the translation of new knowledge from its abstract formulation into an organizational setting, it also requires practical embedding in systematic routines and working practices, and its “enculturation” in shared understandings, norms and values. As we shall see in the field research, organizational routines are learning processes involving people doing things and solving problems, reflecting on what they are doing, and doing different things (or doing the same things differently) as a result of the reflection.

This perspective on routines is consistent, in several ways, with the work of Nonaka and Takeuchi (1995) on knowledge creation. They claim that “seen from the vantage point of organizational knowledge creation, double-loop learning is not a special, difficult task but a daily activity for organizations”. They also argue that change in organizations does not simply consist of responses to the external environment, but also consists of internally generated knowledge. Finally, they argue that there are four modes of knowledge, and that the interconnection of these four modes in a continuous spiral represents the process of knowledge creation.

In the field research, forms of interaction share tacit and explicit knowledge, supported by the base idea of Nonaka and Takeuchi’s (1998) Knowledge Spiral. However, the categorization of the model (Socialization, Externalization, Internalization, and Combination), will not be used because at the processes of creation and use/share of knowledge cannot be separated. It is a dynamic process that blends all forms of knowledge sharing.

Two Concepts: Dynamic and Static Knowledge

Most knowledge of organizations is dynamic, rooted in each worker, and a small part is static, rooted in documental information. It is essential that the dynamic knowledge can be stored in repositories so that it can become a substantial source of relevant information and expertise.

However knowledge flows much better under informal networks assuming a dynamic nature than through the hierarchical structure where static knowledge assumes a bigger importance in the form of reports, memos and other organizational documents (Table 1).

In a practical way, we acknowledged that in some organizations middle managers participated