Chapter 17

Improvement of Organizational Knowledge Transfer through Integration of Functional Silos in Smart Network: Case Study of Public Enterprises

Ivan Todorović
University of Belgrade, Serbia

Mladen Ćudanov
University of Belgrade, Serbia

Stefan Komazec
University of Belgrade, Serbia

ABSTRACT

This chapter presents the possibility for improving inter-organizational knowledge transfer in the public sector by implementing adequate organizational change through analysis of public enterprises in one European capital. The structure of public enterprises is often fragmented in groups of specialized companies. Internal organizational models of particular companies are most often functional organizational structure models. Functional organizations are characterized by formation of organizational silos, where knowledge, power, and information can often be trapped and secluded from other parts of organization, among other structural weaknesses. Further, isolated structures exist not only on the level of functions within single organizations but also between different public companies in the same municipality, in spite of common ownership. Thus, knowledge transfer is restrained, not just among functions in individual organizations, but also on even higher levels, among different companies. The main purpose of this chapter is to describe how introduction of smarter, networked organizational forms can reduce these barriers and enable knowledge transfer.

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INTRODUCTION

People from same communities consolidate in order to satisfy their common needs (Jaško, Ćudanov, Jevtić & Krivokapić, 2013). Using their joint knowledge, they used to build houses together, dig irrigation channels, cut firewood, build roads etc. With the development of societies, these relationships became more formal and different public entities started being formed. Main purpose of such units is to secure appropriate living conditions in the community, by providing residents with certain communal services. These public enterprises are usually financed from the community budget, and their existence is not conditioned by successful business results (Čudanov, Jaško & Săvoiu, 2012). Their only task is to ensure reaching of widely accepted living standards.

During the years, numerous factors, such as development of infrastructure, market modernization and technological improvements, have constantly been opening new possibilities for all people, and raising the bar which points the minimal living standard. Residents expect from their community authorities adequate response to changing environment. Additional services that improve life quality are demanded, not just communal. In order to adapt to new trends, public sector leaders often widen the scope of public services (Indihar Stemberger & Jaklic, 2007). It causes the necessity for labor division within public sector. Set of activities provided by public sector has become significantly larger and rather heterogeneous over time. For this reason, different tasks were assigned to various groups of people. As a consequence, number of public companies in single community increased (Charvériat, Gouthière, Bardet & Beetschen, 1991). Each of them represents unique function, which is specialized for providing certain public service to community residents.

Specialization and clearly defined jurisdiction forced public companies to start acting individually, without relying on resources of other public sector entities. Since they are all claiming funds from single source, certain level of rivalry has appeared among different members of same public sector. Satisfaction of residents with concrete public service has become important for management of each public company, because of its effect on company’s reputation, influence and position that company representatives will occupy in the negotiations with community authorities about funds distribution. Besides this, due to public budget limitations, exigency for additional sources of financing is generated in most public enterprises (Garcia & Marcou, 2003). For the purpose of improving perception of residents and widening client portfolio, management of each public utility make significant efforts to bring the public service that they are in charge of to higher level. Although their core businesses remained unique, in most public companies were formed similar non-core organizational units, in order to provide support to primary activities and improve the output quality (Jaško, Krivokapić & Ćudanov 2010).

This led towards increased independence of each public company, as well as to growth of its size, in term of number of employees (Čudanov, Jaško & Săvoiu, 2012; Stare & Jaklič, 2011). Nevertheless, since not enough attention was dedicated to business performance, because all the expenses were covered from the budget despite achieved results, it was followed with enlarged costs on community level, which put in danger the sustainability of such system (Mijatović, Ćudanov & Jaško, 2012; Ćudanov, Jaško & Săvoiu, 2012). For this reason, performance of public enterprises has become persistent topic in organizational analysis (Aharoni, 2000), causing the introduction of different new methods for performance measurement to public sector (Marr, Schiuma & Neely, 2002). Furthermore, knowledge and experience that used to be centralized in public sector started being dispersed to many individual entities, which are characterized by very low level of cooperation and communication.

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