ABSTRACT

In the context of sustainability and long term survival, knowledge based decision making has been recognized as a significant factor. Its application in organizational settings specifically through knowledge management, process management, and decision making presents one of the core organizational capabilities. This chapter explores more deeply the synergy that occurs between the knowledge based decision making and its contribution to sustainability. The extent of knowledge based decision making application is evaluated, and its relation to the economic, social and environmental sustainability, in the multi case analysis of four Croatian firms from two service industries: telecommunications and insurance.

INTRODUCTION

Sustainability in the context of competitive ability refers to the organizations that positively accept changes, constantly adapting to more developed ways of working and new requirements of the environment (Charbaghi & Lynch, 1999). In that sense, organizations are constantly trying to find new and improved ways in order to adapt. Emergence of knowledge economy that posits information and knowledge as a base for sustainability, has led many organizations to re-examine the ways in which they can exploit their knowledge assets more effectively in the future (Saryazdi, Owlia, & Azabadi, 2012). Knowledge is seen as a crucial organizational resource. However, as Sirmon, Hitt, and Ireland (2007) emphasize having highly valuable or rare resources and capabilities is not sufficient to obtain competitive advantages or to create value; organizations need to be able to manage them effectively. Seeing knowledge as a valuable resource, the key is to know how to combine knowledge in every day operations. As Evangelou and Karacapilidis

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(2007) state nowadays many organizations experience that long-term survival and competitive success is determined by the way organizations consciously attempt to learn, create, codify, and utilize knowledge. At the same time, decision making is seen as a crucial management activity whose purpose is to seize opportunities and solve potential problems and threats. As such, it is based on knowledge representation and processing tasks (Evangelou & Karacapilidis, 2007). Decision making and knowledge are intertwined and create a unique loop. In that sense it is easy to recognize the need of knowledge management in supporting the core task of management as the one of decision making and strategic planning (Yim, Kim, Kim, & Kwahk, 2004). All this would not be possible without understanding the supporting role of organizational process in these activities. Organizational members apply knowledge through value-driven processes (Spender, 1996). As such, they are the carriers of organizational activities and effective resource allocation requires careful identification of the internal process.

Developing sustainable organizations requires taking into consideration a strategic approach that integrates economic, environmental, and social considerations in all aspects of business activities inside organization (Maletic, Maletic, & Gomiscek, 2011). This triple-bottom line is a specific element of sustainable organizations that emphasizes organizational approach to balance the need for economic growth with environmental protection and social equity (Leon, 2013). Consequently, sustainable development is driven by multiple and conflicting goals, and interdependencies among various stakeholders and their needs, and as well it is dictated by considerable moral and ethical considerations (Bui, 2000). As some authors state this vision for sustainable development implies a long-term process, where decisions on economic, environmental, and social development are based on the best available knowledge and coordinated across different levels (Mikolajuk & Gar-On Yeh, 2000). The biggest challenge is how to make and coordinate wide range of these decisions across levels especially since they should target concrete problems, and also be based on appropriate knowledge of all aspects of sustainable development (Mikolajuk & Gar-On Yeh, 2000). Sustainable knowledge-based organization can be seen as an answer to these challenges as it presents “an economic entity oriented towards creating, disseminating and using knowledge inside and outside its boundaries, which establishes economic, environmental and social objectives for a short, medium and long term period” (Leon, 2013).

This chapter explores more deeply interrelations that occur between the decision making, knowledge management, processes and their contribution to the development of knowledge-based decision making. Additionally, knowledge-based decision making in the context of sustainability is evaluated, as well as benefits and problems of implementing knowledge-based decision making in organizations. Case studies of four Croatian firms in two service industries, telecommunications, and insurance, are presented. A multiple-case study strategy is used to get a more extensive picture of knowledge-based decision making within organizations, and to capture any possible differences between the implementation of knowledge-based decision making within telecommunications and insurance industry. In that sense, more specifically the objectives of this chapter are:

- To describe the interrelations among knowledge management, decision making, and process management as the contributing factors to the knowledge-based decision making, and explore their extent in analyzed organizations,
- To explore the extent of economics, environment, and social sustainability in analyzed organizations,
- To evaluate knowledge-based decision making in the context of organizational sustainability.
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