

# Approaches to Knowledge-Based Strategies

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## **Abstract**

*Companies face an increasing number of challenges, driven by market pressures, changes in the nature of labour or customers' needs. In this context, one of the solutions to address these challenges is to develop and implement knowledge based strategies. To be successful, such approaches must identify critical needs and problems of the company and provide a framework for solving them. For decision makers, one question, once the decision to use such a strategy is taken, is what type of approach should be followed. This article addresses the topic of knowledge based strategies approaches, concerning the prescriptive and emergent ones, in the context of their increasing importance in the strategic development of companies.*

**Keywords:** organizational strategy, knowledge management, knowledge

**JEL classification:** M00, M12, D01

## **1. Introduction**

In today's economy, learning and knowledge have become key success factors for companies. Competition between firms moved from controlling tangible resources (capital, raw materials, land, equipment, etc.) to intangible elements such as knowledge and the ability to use those (Ceptureanu et. al, 2012, pp. 70-87). Knowledge is increasingly becoming the main resource of a company, explaining how and why it assures and maintain a competitive position and gain competitive advantage. According to various specialists, no managerial or economic activity has attracted more and more attention in the last decade, as the knowledge oriented one (Ceptureanu et. al, 2012). The knowledge under different forms can be perceived in many fields, including those that with soft approach at international level as diplomacy, for example (Cercel, Saftescu, 2015).

Today, knowledge is an integral part of all economic and social systems. Knowledge-based economy is depending on generation, sale, acquisition, storage,

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use and protection of knowledge because it is decisive in profit making and strategic competitiveness.

Knowledge participates to a large extent in the manufacture of modern products and made up almost entirely services. Simultaneously, knowledge is a key factor of production, as they take part, along with other classical factors of production, to all phases of the modern production process. Finally, knowledge represents a finished product itself, like software, patents, quality standards, and scientific studies etc. (Porter, 2004, Ceptureanu, 2015, pp. 5-22).

Knowledge based strategy is a rather controversial concept in the literature, both due to its content and implementation (Denford and Chan, 2011, pp.102–119). For some, it is synonymous with KM strategy, for other is just business strategy with a focus on acquiring knowledge-based competitive advantage while for others is an approach to Knowledge Management (Saito et al., 2007, pp. 97–114).

According to Zack (Zack, 1999, pp. 125-145), knowledge strategy represents a competitive strategy based on intellectual resources and capabilities of the organization. In this regard, it is subordinated to company's knowledge management strategy and seeks to assess what type of knowledge is strategic for business. By contrast, knowledge management strategy defines the processes and infrastructure for managing knowledge (Zack, 1999, pp. 125-145; Ceptureanu, 2014, pp. 51-61).

For others, knowledge based strategy comprise guidelines on organization's use of its knowledge assets (Kasten, 2007) or can be associated with plans of company to efficiently use knowledge for acquiring competitive advantage (Holsapple, and Jones, 2006). Other scholars argues that knowledge based strategy should be approached from two perspectives. The first focuses on the specific nature of knowledge as the key resource of a company. Accordingly, a knowledge based strategy is seen as "the set of choices and plans that determine the firm's knowledge base" (Bierly and Chakrabarti, 1996, pp.123–135). This calls for a strict relationship with Knowledge Management program of the organisation (Sveiby, 2001, pp. 244-258; Ceptureanu and Ceptureanu, 2010, pp.150-157), and the knowledge strategy practically becomes the same as KM strategy. The other perspective considers the knowledge strategy in terms of direct congruence to the firm's business strategy (Zack, 1999, pp. 125-145). In other words, the central point is how knowledge can be effectively used to fit the overall strategic objectives of the company.

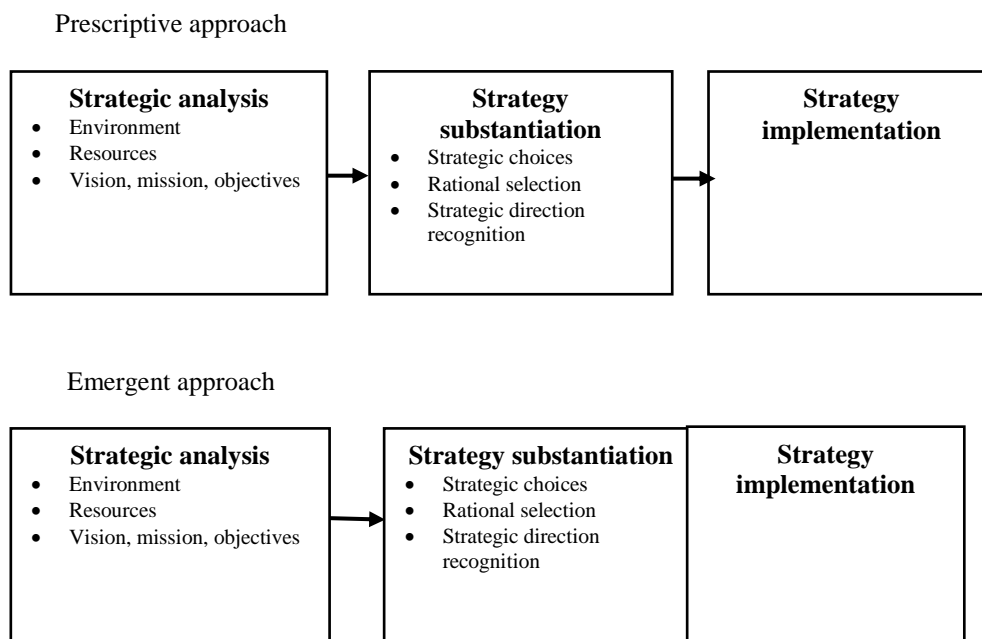
## **2. Prescriptive and emergent approaches**

Due to the scale and complexity of the strategic approach appeared divergent visions of content, process and nature of the organization's strategy. Currently, the overall differences can be summarized in two approaches to the strategic management process:

### a. Prescriptive approach

Some researchers believe the strategy as a process essentially begins with linear and rational answer to the question "At what point are we now?" and continues developing new strategies for the future (Argenti, 1976; Glueck and Jauch, 1984, Ceptureanu et. al, 2012, pp. 325-336). This approach is one whose objectives are defined with anticipation and whose main elements are prepared before actual implementation.

Prescriptive approach assumes that the three core areas - strategic analysis, strategy development and strategy implementation - are consecutive. Thus it is possible to rely on the analysis to develop knowledge strategy, then, implement it. The strategy is defined in advance. These relationships are illustrated in Figure 1 (Lynch, 2006).



**Figure 1. Prescriptive and emergent approaches to strategy**

*Source:* Lynch R., Corporate strategy, Prentice Hall, 2006

### b. Emergent approach

Other researchers consider that knowledge strategy is emerging gradually, adapting to organization's needs and continuing to develop over time. It is evolutionary, continuous and increasing and therefore cannot be useful and easily synthesized in a plan to be implemented (Mintzberg, 1978, pp. 934-947; Cyert and March, 1963; Ceptureanu and Ceptureanu, 2015, pp. 61-66). Emerging approach argues that final objectives are not clear and whose elements will be developed during its life, once it is actually implemented. Supporters of this approaches often

argue that strategies based on prescriptive approach are of limited value on a long term.

Emergent approach assumes that three core areas - strategic analysis, strategy development and strategy implementation - are, for the most part, intertwined. However, it is natural that the analysis should be seen as distinct and preceding the other two elements. Because the strategy is then developed through a process of experimentation, it is not appropriate to make a distinction between the stages of development and implementation: they are in close contact each other using direct results of the other. These relationships are illustrated in Figure 2.

Under the two approaches models can develop that would help to understand how knowledge strategy is operating. The entire process is illustrated in Figure 3.

Strategic analysis of the two approaches - prescriptive and emergent - can be divided into two parts:

- Environmental analysis - examining events that occur or may occur outside the organization, such as economic and political developments, competition.
- Resource analysis - exploring the skills and resources available within the organization: human resources, equipment, financial resources.

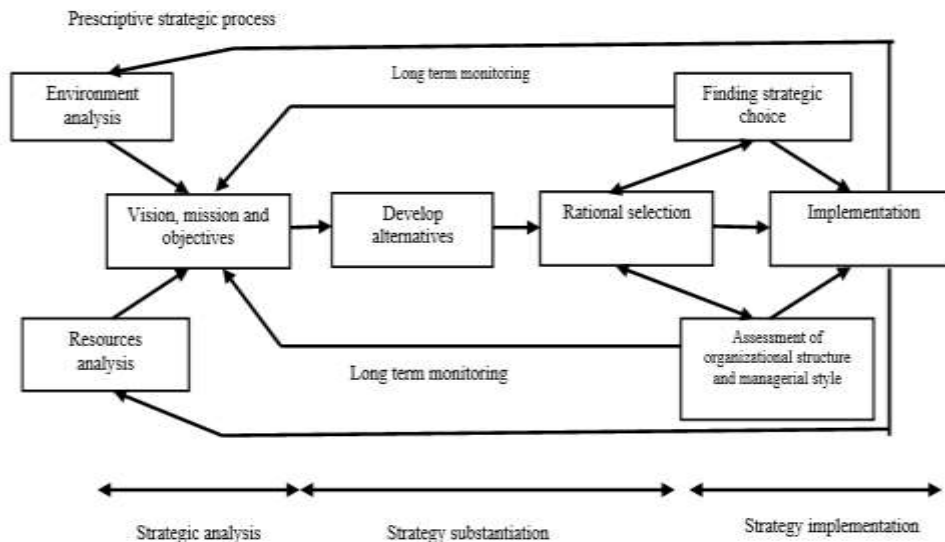
These two items are followed by a third:

- Identify the vision, mission and objectives - defining and reviewing the strategic direction and more concrete objectives, such as maximizing profit or return on capital, or in some cases, providing a service of social value.

The third element is supported by both approaches, but from now on the two approaches differ considerably.

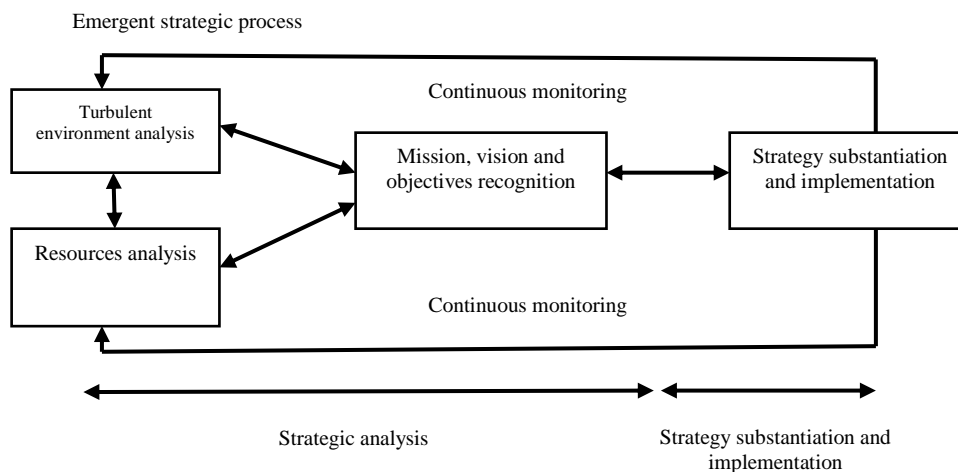
According to prescriptive approach, the next step is to rigorously examine the options available to achieve the objectives. This is followed by a rational selection of options identified according to specific criteria, which are designed to outline a strategy. In most cases this choice is then subject to the following two methods:

- Identify strategic direction to follow - take account of new data and those that occur on the way to identify how they might influence choice, operating, if necessary, certain adjustments.
- Analysis of strategy, structure and style - taking account of how the organization is managed and structured, and its operational style.



**Figure 2. Prescriptive strategic process**

Source: Lynch R. (2006) *Corporate strategy*, Prentice Hall



**Figure 3. Emergent strategic process**

Source: Lynch R. (2006) *Corporate strategy*, Prentice Hall

### 3. Conclusions

All these issues must be considered before making the final decision on what strategy to follow. At this stage it is of crucial importance to examine the impact of these choices on the mission and strategic objectives of the organization. This requirement is necessary because the strategic option can have a number of

implications for the mission and objectives. For example, it may happen that the chosen strategy does not meet the objectives and as such either strategy or objectives will be modified. Since the strategy was adopted, it is implemented.

Considering emergent approach, in essence, this method addresses the selection and implementation of the strategy of a more empirical point of view. It seeks to learn through exploration, experimentation and discussion during strategy development process development. There is no final strategy, approved, but rather a string of experimental viewpoints that are first examined by persons involved and then detailed. Strategies are substantiated during a process of creation and experimentation.

Therefore, for emergent approach there is no clear distinction between the two phases - strategy development and implementation. Moreover, it is not necessary to define a distinct phases for discussions on leadership, culture and organization, because all these issues will be addressed during the inevitable phases of development and implementation of the strategy. It is therefore important the reverse link closely with previous analytical phase which allows immediate coverage of environmental changes and resources in this adaptive and empirical strategy approach.

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