

A Conceptual Framework for the Creation of an Expert Organization Strategy

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Management of expert organizations was one of the leading themes in management literature and research already in the 1990s. What was missing was a holistic approach to knowledge-creating organizations in the framework of a strategic management theory. The paper proposes a conceptual strategy framework for expert organizations, based on the triple time-frame model, which is an important concept of the doctrine, adopted by the Faculty of Management. The narrowest time-frame includes the short-term current strategy, the broader includes the medium-term development strategy and the broadest the long-term basic strategy of an expert organization. Each strategy includes activities, organization and resources. The framework permits a dynamic reconciliation among activities, organization and resources in each time-frame, as well as among time frames themselves to create a holistic and effective strategy for expert organizations. The paper is based on an extensive monograph written by the author.

RECENT TRENDS IN KNOWLEDGE MANAGEMENT

Expert organizations, knowledge based or intensive firms range from one-man operations to global corporations, large R&D as well as educational organizations.

The human civilization is based on organizations and all organizations are based on knowledge. They simply cannot exist and operate without it. This holds for labour intensive as well as capital intensive, for profit and not-for-profit, private and public organizations.

Expert organizations – as all organizations – must be managed to operate efficiently and effectively. Management means planning, organizing, directing and supervising activities of organization members.

The focus of traditional literature on management is on management of knowledge – mostly product and technology know-how and expertise – prevalently in large and successful companies, which face, by definition, a constant danger to become petrified, retarded giants.

In the last decade the focus of interest has shifted to small, entrepreneurial organizations, where innovations are the foundations of success. Historically, many multinational corporations have evolved from these organizations, from Honda to Microsoft, from HP to Accenture and many others. Some, however, stayed small, but very successful, as many hi-tech ventures, and many features of these firms could be signposts for the evolution of big knowledge-based organizations. Following this vein of thought, the focus has shifted from managing knowledge in general to managing knowledge intensive organizations. Knowledge and know-how to do that have been pooled from diverse fields such as: strategic planning, organizational theory and economics, human relations theory, organizational politics, sociology and psychology.

Knowledge creation and operationalization are complex activities – and the same holds for knowledge intensive organizations. The easiest way to master complexity is to choose a partial approach; parts of a whole are easier to handle and will, eventually, lead to an understanding of the whole. In organizations this is generally not the case – to understand and control organizations a holistic approach is necessary. The other way is to introduce simplifications and reduce the apparent complexity to a manageable level, mostly by use of models which should be simple enough for the human mind to grasp as a whole, and complex enough to be nearly realistic.

In the field of management and organization theory it is interesting to observe how models of increasing complexity were built in the 1970s and 1980s and how they were abandoned as unmanageable constructs, reaching the unattainable future as well as how, in the following decades, they were superseded by partial approaches, which are apparently manageable but of dubious validity. The central problem in building models of organizational behaviour is how to find a working compromise among simplicity, accuracy and general validity.

A STRATEGY FRAMEWORK FOR KNOWLEDGE-BASED ORGANIZATIONS

Research and literature on knowledge management in large organizations run a constant risk of substituting complexity with sterile generalizations, and creativity with regulations. Both are unproductive in the area of knowledge creation and application. The traditional approach in managing complexity is to choose several dominant dimensions and use them to build comprehensive models. Many dimensions are possible: hard (rational) and soft (behavioral), active and reactive behaviour, low

and high risk, dynamics ranging from low to extreme, and many more. But basically, this strategy is dealing with the future, more or less distant, more or less known.

Spreading general concepts of organizational strategy, based mostly on experiences of medium-to-large companies, to knowledge based organizations is a dubious undertaking due to considerable cultural differences. A more promising concept is using the experience accumulated and concepts adopted in small knowledge based organizations (notably the so called professional service firms, P S F S – in management consulting, legal consulting, design, construction planning and design etc.) to a knowledge intensive organization in general. It is true, however, that linking more flexibility and individuality to big traditional firms may be off-set by cultural differences between small and big knowledge based firms. Knowledge based companies may be considerably more complex than their labour or capital intensive counterparts of roughly the same size. Thus, including all important and specific categories of knowledge creation and exploitation in knowledge intensive organizations (on products, human relations, structures, marketing etc.) may increase the risk of excessive generalization of specific concepts, categories and cases.

Nevertheless, the evidence of advantageous concept transfers in other areas is compelling. Is the generally accepted breaking large corporations in networks of nearly independent companies not a general proof that 'small is beautiful' advantages of flexible, innovative small organizations can be successfully carried over to larger organizations?

By common sense, each organization must be run on at least some long-term principles, concepts, directions. Each organization is in need of some planning for the future, at least for a period, which comprehensively covers the creation of new core competencies as potential future competitive advantages. Finally, each organization has to plan its day-to-day operations to exploit its current competitiveness and, at the same time, to build – step by step, frequently over several years – new core competencies. These considerations lead to a model with at least three time horizons: long term, medium term and short term. Shorter horizons are, of course, integrated in longer ones.

THE THREE HORIZONS STRATEGY FRAMEWORK

Traditionally, a three time horizons or time-frames model of organizational strategy is an important constituent of the strategic management doctrine adopted by the Faculty of Management Koper.

The narrowest time-frame includes the short-term *current strategy*, the

broader includes the medium-term *development strategy* and the broadest the long-term *basic strategy* of the knowledge based organization. Each strategy includes activities, organization and resources.

The basic strategy is aimed at the purpose of knowledge based organizations with long-term goals and a general vision for the future; the development strategy is directed toward medium term objectives, and the short-term current strategy aims to short term targets. In this paper, the prevailing Anglo-American concept of organizational strategy including goals, objectives and targets is being used. The Faculty of Management doctrine relates to the prevailing continental European notion of strategy including all activities, structures, resources needed to reach the goals (or objectives, targets); strategy and goals are the 'policy' of an organization (in German: Politik, Unternehmenspolitik etc).

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Strategies in all three time frames (horizons) include activities, arrangements in resources needed for the attainment of goals (targets, objectives) of the organization.

Activities in the long term frame include the mission – the long term portfolio of basic activities of the organization. Mid-term activities focus on the creation, choice and plans for gradual accomplishment of new core competencies. Short term activities concentrate on the exploitation of current competitive advantage, based on the implementation of existing core capabilities, and on gradual accomplishments of new core competencies as provided in the development strategy.

Organizational *arrangements* support activities by channeling members' decisions toward goals, objectives and targets. The most important long term arrangement is the organizational culture of motivated creation, sharing and enactment of knowledge; a prevailing behaviour in such culture exerts a strong influence on members of the organization and can be the most influential, informal direction-giving instrument in the organization.

Medium term formal arrangements include organizational structure (competencies and responsibilities, division of work) and systems (universal rules of behaviour in the organization). Knowledge creation, sharing and enactment are social activities mostly performed in informal expert groups. These can be either internal (the so-called communities of experience) or external networks, including experts from the organization (technical, marketing, IT-specialists etc.) and customers, strategic partners etc., estimating future needs and requirements based on organizational core competencies and customers' values. These groups are

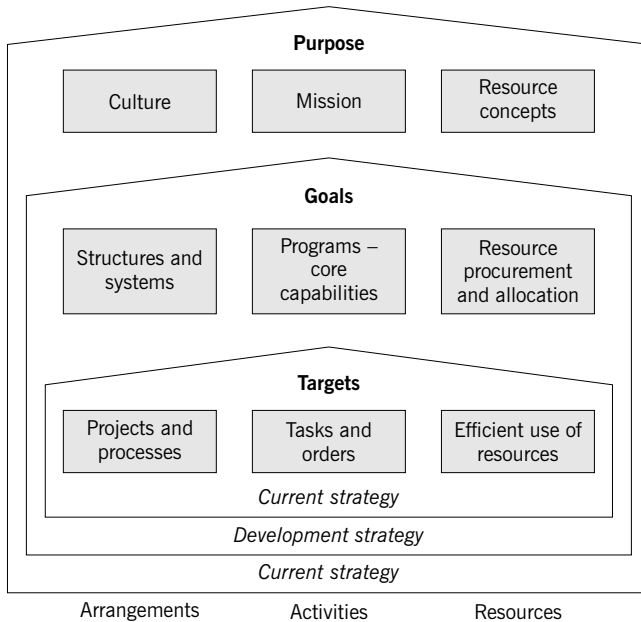


FIGURE 1 The three horizons strategy framework

necessarily based on mutual trust and understanding; management can only enable and facilitate their activities.

In the short term horizon the most important arrangements are those aimed at process efficiency, mostly through project management. Models, either traditional or IT-assisted, are necessary tools for project management, but are much less important than project leadership – coordinating, stimulating and supervising activities of many people, belonging to different parts of the same organization or even to different organizations.

Organizational *resources* make the attainment of goals, objectives and targets possible. They generally include labor, capital and knowledge, with the last prevailing in knowledge based organizations.

In the long-term strategy knowledge or intellectual capital is defined as the basic organizational resource and the foundation of organizational core competences. Categories of intellectual capital such as human capital, organizational capital, and intellectual property as well as basic approaches to these categories and their function, either as core competencies of the organization or contents of professional services marketed and performed to customers of the organization have to be understood.

In the medium term developmental strategy, a portfolio of resources is created and resources are allocated to important activities. In a knowledge based organization, knowledge is the most important resource. Creating knowledge is a social process, including individual creation and articulation of new ideas, sharing and enhancing individual ideas in groups to become collective knowledge, internalizing it and socializing with it again on the individual level to increase the individual's capacity for the creation of new ideas. This spiraling process is the core of the sequential formation of new knowledge – starting with data, screening them for meaningful information, combining information with previous experience and learning as well as with theoretical concepts to become knowledge, then enhancing it to become understanding and finally wisdom. Directing and inducing these processes is a delicate task, where understanding and empathy enhance knowledge while normative behaviors destroy its creation and sharing. Sharing instead of creating knowledge monopolies makes the crucial difference needed to transform an organization in a learning organization (learning individuals do not make a learning organization).

In short term current strategy resources are being created and used in accordance with medium-term plans and allocations. Concepts of knowledge can be defined in the long-term frame, knowledge creation and allocation can be decided in the framework of development strategy, and finally, all knowledge is being created, enacted in protected in the real-time current strategy. Resources must be protected against disappearance, misuse or waste. The most volatile resource is knowledge – either as such, available in a codified form, or as people, who create, memorize and use knowledge; only a fraction of knowledge can be legally protected, all other protection strategies are much more effective inside the organization rather than outside it.

MANAGERIAL TASKS AND THE STRATEGY FRAMEWORK

The strategy framework is the basic instrument or check-list underlying managerial activities. Due to complexity and diversity of knowledge based organizations, the strategy framework cannot be prescriptive and exhaustive.

Tables 1–4 (representing the three main managerial tasks: planning, organizing, directing and supervising) cover the main activities in all three time-frames, in the long-term basic or fundamental, in the medium-term development and in the short-term current frame. They could be

TABLE 1 Managerial tasks – planning

Activities	Arrangements	Resources
<i>Fundamental strategy + purpose</i>		
Definition of long term programs portfolio and basic guidelines on specialization vs. generalization of core activities.	Choice of long-term strategy to culture: riding on it, enhancing it, neglecting it, devising an alternative culture.	Definition of knowledge as the basic organizational resource and foundation of core competencies.
<i>Developmental strategy + goals</i>		
Creation, choice and medium term planning of new core competencies for future competitiveness, building trust between the organization and its partners as well as other influential stakeholders.	Definition of formal organizational structure – competencies and responsibilities, division of work – giving adequate importance to informal structures (internal as well as external).	Developing a holistic resource portfolio and procurement system with knowledge as priority, and a formal resource allocation system for short and medium-term purposes.
<i>Current strategy + targets</i>		
Establishing an activity portfolio, balancing activities for current effectiveness and activities for gradual implementation of new core competencies as planned in the development strategy.	Use of project management concepts to allow an efficient performance.	Establishing a flexible current resource planning system, with priority of an efficient and effective use of intellectual capital.

effectively used as a guideline in planning managerial activities for a current short-term and long-term strategy.

THREE APPROACHES AND FUTURE TRENDS

Three fundamentally different approaches to knowledge creation, sharing and use have gradually evolved in literature, research and academia.

The *Anglo-American* approach deals with knowledge creation and implementation as a structured process, supported and determined by investments in informatics and organizational structures. Basically, this approach follows the principal-agent concept of organizational governance as applied to relations among managers and employees, notably professionals. There is no place in this approach for concepts as trust, loyalty, membership – all players endeavors are guided by their (political)

TABLE 2 Managerial tasks – organizing

Activities	Arrangements	Resources
<i>Fundamental strategy + purpose</i>		
Establishing a balanced, standard system of measures and the criteria for a permanent evaluation of organizational performance of all fundamental activities.	Considering organizational culture as the most influential instrument governing behavior of people in an organization.	Establishing permanent guidelines upon the structure of resource portfolio.
<i>Developmental strategy + goals</i>		
Establishing rules for evaluation and choice among the proposed core values and target competitive advantages fore the medium-term future.	Considering the formal and informal organizational structure as the basic mechanism governing most routine and many analytic decisions of employees choosing among alternative medium-term organizational arrangements.	Creating an efficient information system on resource creation and availability in allocation. Providing an organizational environment, incentives and personal development systems to promote creation, sharing of new knowledge.
<i>Current strategy + targets</i>		
The prerequisite for an efficient operation is a system of priorities in accordance with the developmental strategy – among current activities, among new core competencies and among both categories.	Process reengineering is the most promising approach to improve performance of most organizations, if done properly. Knowledge creation and application are, by nature, relatively unstructured processes, and require permanent managerial attention and tactful involvement.	Current procurement and use of organizational resources can be to a reasonable extent regulated by organizational systems, but still require permanent managerial interventions and decisions.

interests and they will use any opportunity to fulfill these interests. Relations among members of the organization, owners, customers and other parties involved follow basically the distributive premises (the ‘win-lose’ concept) of the game theory.

To avoid unwanted behaviours, knowledge shall be codified as much as possible and than legally protected. As employees shall in principle not be trusted, they shall accept, through employment contracts and internal

TABLE 3 Managerial tasks – leading and directing

Activities	Arrangements	Resources
<i>Fundamental strategy + purpose</i>		
Focusing all important activities on programs, contained in the mission framework, reminding members of the organization on 'which business are we in'.	Leader's actions concentrate members' attention to values on which an organizational culture, and a supporting long-term organizational effectiveness shall be founded.	The fundamental role of knowledge – vs. capital and labour as core organizational resources – is most efficiently promoted by leaders' personal behavior and example.
<i>Developmental strategy + goals</i>		
For the creation and choice of future core competencies based on future needs and expectations of customers, a close and confident cooperation with important customers and stakeholders, led by management, is necessary.	An effective organizational structure (competences, responsibilities, division of work) and systems (as universal rules for behavior) shall be carefully aligned with the organizational vision, culture and informal structure.	Effective knowledge creation, sharing and materialization cannot be achieved through normative actions but by enabling behavior and measures. The informal influence of experts shall be recognized and properly channeled.
<i>Current strategy + targets</i>		
Permanent directing is needed to maintain a proper ratio of current vs. strategic activities, among current effectiveness and investment in future competitiveness.	Successful project management and efficient processes depend less on formal structures and models than on project leadership and process coordination – on good managerial leadership.	Effective and economic use and protection of organizational resources, above all intellectual capital, can only result from motivated involvement of employees, led by capable leaders.

regulation, many limitations on passing their knowledge to third parties, as far as it is legally possible. An extensive use of informatics shall enhance the efficiency of sharing and using organizational knowledge. In daily practice many companies use much softer approaches, and many critics claim that this approach in its extreme forms is one of the reasons for meagre competitive advantages of many companies being on the cutting edge of the technological progress.

The so-called *European approach* which was promoted mostly by some progressive Scandinavian firms focuses on attempts to measure organi-

TABLE 4 Managerial tasks – supervising

Activities	Arrangements	Resources
<i>Fundamental strategy + purpose</i>		
Creative, innovative behavior shall and must be sustained – but the organizational mission as a portfolio of programmes must be significantly changed only after thorough strategic analysis. This can create considerable internal tensions among experts and management and shall be handled very politically.	The culture of knowledge based organizations is characterized by many freedoms and apparent irregularities, specific for influential professionals, and by specifics of knowledge creation as such. Emerging groups of professionals may change the prevalent values – not necessarily for the benefit of the organization.	If intellectual capital shall be the basic resource of the organizations, it shall be managed carefully. To supervise this, measuring tools for intellectual capital are needed. As it cannot be measured directly, indirect measures shall be identified and institutionalized in the organization.
<i>Developmental strategy + goals</i>		
Proposing potential core capabilities and corresponding programmes is a creative process and shall not be inhibited – but management must currently analyze potential capabilities and programmes for internal compatibility with fundamental strategy.	Organizational structure and processes are not only guidelines for routine and partially analytic decision-making by organizational members, but shall as well be an efficient instrument to enforce and supervise conforming behaviors.	Resource procurement and allocation are critical for any organization, but are by their nature subject to political behaviors of organizational members and are therefore an important focal point in managerial supervision.
<i>Current strategy + targets</i>		
Due to inherent limitations of employees' self-control, current activities must be properly supervised for quality and influence on lasting relation with customers. Standing supervision is needed to assure, that activities for future core values / competitiveness are not neglected under pressure for current performance.	Typical for knowledge based companies are numerous, one-time, diverse activities and projects, as well as temporary assignments of personnel. Effective day-to-day supervision with IT support is an absolute necessity on several levels and areas of activity. All supervision can, however, be outwitted – if there is not a strong adherence and support for organizational vision and goals.	As knowledge assets cannot be readily measured, it is easy to misuse them – possibly with long-term consequences. Knowledge is volatile and easily transferable and must be carefully protected, first of all inside of the organization. The creative and independent culture of knowledge based organizations may lead to sloppy control of other, mostly financial means.

zational knowledge and include it in accounting processes and reports. An achievement in this direction would presumably reduce risks faced by investors and, first of all, allow organizations to get excellent publicity. There are enough arguments in favour of this approach and many techniques and models have been proposed. It is probably not very realistic to expect clean solutions to resolve the market to book value phenomena. Organizational success, not the proven, but the one expected by shareholders and investors, is based on a myriad of factors, many of them in constant flux, and on countless changing and soft relations among them.

The popularity of knowledge management themes in the last decade or slightly more has been incited by *Far East* researchers and authors. Once more, as on several previous occasions (quality management, leadership, employee relations etc.), their arguments are based on values and behaviors in cultures, very different from those of the Western world. The best known concept, the so-called SECI knowledge creating spiral, reflects a cooperative mindset, very different from the individualistic one, prevailing in some developed western societies. The concept is based on soft approaches, built on psychology and sociology of knowledge creation and sharing, on stakeholder theory, on trust and appurtenance to organizational vision, culture and values. It took years for this approach to gain momentum but now it is widely accepted, worked upon and broadened by numerous researchers and authors worldwide.

As far as Slovenia, a small European economy, is concerned, the orientation to knowledge based firms is not a matter of choice, but of survival. Diminishing the chances of prosperity in low-technology, low-capital and high labor-content industries shall be matched with better options in knowledge (or at least, skills) intensive industries. Past national development over centuries on geopolitical crossroads shaped a relatively adaptable culture and a relatively advanced level of education which are, among other factors, favourable to knowledge creation. Less favourable are the prospects for knowledge enactment due to a less developed managerial culture, skills and knowledge. This area shall become one of national strategic priorities.