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Competitive Organizations Knowledge Based on Economy

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Abstract

Management system of complex business organizations must in virtue of necessary variety principle of Ross Ashby, at least as complex. The application of this principle implies stimulating multiple individual and organizational learning lines, fed by a dense network of communications and meaning sharing. These intercorrelated learning and common experience accumulation processes have the function of identification production: consolidating values, they provide the institutional support of the organization by creating the feeling of membership, by strengthening employee’s commitment and motivations, the development of the cohesion and discovery of the compromising organizational solutions. This undertaking materializes in a revision of the hierarchies, of the domination reports and of the extreme competing attitudes. Learning, knowledge and the sustainability favors networks as a form of organization.

1. Introduction

The factors that have profoundly transformed in the last decades the economic structures and practices are complexity and knowledge. Complexity acted by the unprecedented infusing of diversity, uncertainty and fluctuation in business contexts, and knowledge has become the key economic resource and the basis for competitiveness of both companies, as well as territories (Bontis, Crossan & Hulland, 2002).

The knowledge-based economy – this product of the confluence between the emergence of knowledge and the emergence of complexity – shake the foundations of the competitiveness of business organizations. The explosion of complexity subordinates the reality of uncertainty, incompleteness and indecisiveness principles, which greatly increase the sensitivity of the economic systems to insignificant variations of the initial conditions and reduce the predictability of their behaviors. Knowledge cannot be treated sequentially, linearly, as the tangible resources, being characterized by volatility, rapid diffusion processes and increasing returns (Lev, 2003).

The increase of complexity determines the accentuated expansion of costs associated with the control and rational coordination of the economic systems and the increasingly complex knowledge make it almost impossible its full

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possession by a single actor. The strategy of the business organization can no longer be defined in terms of perspective, position, plan, action pattern, rather we can discuss about the strategic attitude of the organization: an intellectual, emotional and behavioral commitment of the entire organization towards a particular event or set of events possible in certain contexts.

2. Strategic challenges of complexity and knowledge

The increase of the external complexity of the organization determines, by virtue of Ashby’s principle of requisite variety, the development of internal complexity. As this process deepens, the difficulties of control of the organizational system amplify and management costs increase by the multiplication of informational and decisional errors, having as global effect the decrease of organization’s functionality. In order to redress, the organization will try to get rid of a part of the internal complexity, transferring it back into the environment. We named this tendency “complexity externalization”.

Knowledge development applied to business processes materializes in more sophisticated technologies and products. Not only do the organizations become more dependent on the intellectual resources, but also it is shaped the organization’s inability to control autonomously all the knowledge needed to realize complex products and technologies. Most economic organizations face the following paradox: the more intense their dependence on knowledge, the more severe the deficit of knowledge they feel. The more knowledge is necessary, the less (in relative terms) knowledge is found within organizations. To compensate for this internal lack of intellectual resources, the organizations will try to capture them in their environment (Hamel & Prahalad, 1994). We named the process of knowledge absorption in the organizational environment “knowledge internalization”.

The creation of networks constitutes the unique answer to both challenges. Networking allows overcoming the inability to directly control a complex knowledge and, at the same time, facilitates the reduction of costs implied by administrating some more complex forms of business. It is a process of almost total re-invention on how to relate to environmental elements and fundamental re-build the organization’s internal mechanisms.

Networking represents a unique strategic option in itself, very different from traditional strategies. Network formation is not a process that takes place at the boundary between organization and environment. Internal networks support the external networks. The possible syncope between them can be very dangerous for the elementary survival of the organization.

Communication and learning are the organizational processes that feel the most intense influences of knowledge and complexity. A concentrated knowledge, under the conditions of a reduced complexity, determines the preponderance of vertical communications, favoring local and discontinuous learning. An organizational context defined by such processes may be efficiently managed based on hierarchical structures of authority and formal control systems. Instead, multi-referential knowledge, under the conditions of an accentuated complexity, privileges lateral communications stimulating, at the same time, the continuous and generalized organizational learning.

The orientation and coordination of this type of organizational processes may be achieved efficiently only on the basis of self-organization within some network structures. Self-organization and networks do not fully exclude the elements of the “bureaucratic machinery”, but only substantially limit their harmful effects. The explosion of knowledge and complexity represents the catalyst of lateral communication and general learning processes, determining in this way the networking of the structures and the increase of the importance of self-organization skills of the elements of the system (Lundvall, 2000).

Learning and organizational communication represent the main means of accumulation and fixation of the organization’s knowledge capital and innovation constitutes the main modality to increase this capital (Foray, 2004). Innovation performance is directly and significantly conditioned by the quality of learning and organizational communication. These processes acquire force not when they are “enchained” in bureaucratic hierarchies, but when they are left to “flow” freely within the flexible networks. Innovation involves a lot of creativity and experimentation. The disjunction between knowledge and decision on the one hand, and decision and action, on the other hand, obstructs the experiment and creativity. The intellectual capital of the business organization is retained and powered by the structures in the network (Malhotra, 2000).
Important organizational processes such as learning, communication and innovation, which depend on the way of organization, have a word to say in its efforts to create and adjust the organizational strategy. In knowledge economy, the strategy’s vocation consists in the potentiating of communication, learning and innovation processes (Christensen & Raynor, 2003). Structure is no longer a simple instrument of achieving the strategy, turning into one of the key strategic objectives, because only certain structural configurations stimulate learning, communication and innovation, acting in this way, like some leverage of development of the knowledge (intellectual) capital of the organization.

3. Strategic attitude as support of the organizational competitiveness

The strategic attitude of the organization emphasizes the visionary, exploratory, emergent and cognitive characteristics of the strategies, minimizing the programmed and formalized dimensions (without eliminating them entirely). Strategic attitude requires a decentralized way of the strategy formation, process named by Mintzberg (2010) “Grassroots Strategy”.

The process connects thinking to action, so that the strategy takes shape by the intimate and interactive integration of the processes of thinking, planning and decision making with operational activities, movements. Those who conceive the strategies are those that develop and periodically review them “on the go”, along with learning and accumulation of practical knowledge. As it is the most tangible expression of the organization’s internal networks functionality, the strategic attitude produces cooperative strategies and systems of creation of the economic value structured in network, under the form of cobwebs.

Strategic attitude is the way in which the entire organization understands how to position to current and probable future challenges, formulated by the growth of complexity increasing the dependence on knowledge of the production processes of economic value. The intensity of the application of knowledge in business processes and the increase of the uncertainty of the organizational environment, as direct expression of complexity, constitute the main challenges for organizations, setting out the way in which they choose their strategic attitude (Hamel & Breen, 2007).

Strategic attitude materializes in strategies focused on evolutionary advantages. If the competitive advantage reflects the superiority of the organization on a market, at a given time, the evolutionary advantage reflects the organization’s effort to renew its strategy by continuously refining its initial competitive advantage. Building the evolutionary advantage forces the firm to discover and explore new options that complement and develop the original source of competitiveness, eventually reaching to transform it radically. Continuous success becomes a completely new cycle of advantages. The organization generates “strategy spirals”, in which the end of a cycle is the start for a new one. If the competitive advantage gives the measure of the attractiveness of the organisational offer, the evolutionary advantage determines the sustainability, viability and attractiveness of the organization itself.

Evolutionary advantage means that the organization which holds it continuously innovates to always be unique and competitive in a singular way. Building this advantage involves the continuous seeking for differentiation, which, in its turn, must be significant and original and not obtained only by the simple adding of some additional features to the existing products. The sources of the evolutionary advantage are human intelligence and creativity, as well as the organizational mechanisms which support and stimulate them. The way in which people are organized and led decides the organization’s uniqueness, as well as the originality of its offer and services. Competitive are those organizations that succeed in organizing and lead their operations in the most innovative way. The organizational innovation creates the sustainable and significant differentiation.

The point that triggers the whole process is an organizational phenomenon that we named self-sustainability capital: the whole of intelligences of any kind (rational, emotional, social) the organization has and which maintain the self-organization, learning, knowledge accumulation processes and ultimately, the organizational renewal through creativity.
4. Competitive organizations are responsible organizations

The most important knowledge for the organization is the knowledge of the socially responsible mode of functioning, respectively knowledge concerning organizational policies, structures and practices viable from an economic point of view, socially desirable and prudent under environmental perspective. Social responsibility formulates a coherent response to the multiple challenges of knowledge-based economy, being generated and promoted by a continuous flow of innovations and incremental improvements of human capital, structural capital and relational capital, which converts this intangible wealth of the organization in the foundation of competitiveness. This is the new wealth of firms and societies, a prosperity based on new values, compatible with the economic, social and environmental changes, without any discrimination.

The new model of business organization – intelligent and responsible – derives from a paradigm of the organizational complexity structured by the interactions and interdependencies between different groups of interests or stakeholders (shareholders and investors, opinion formers, public administrations, clients, local communities, regions, employees and unions, financial institutions, suppliers and subcontractors, partners, pressure groups, etc.). The dialogue between organizations and groups of interests associated appears as a necessary condition for competitiveness. In fact, the ability to initiate, maintain and manage this dialogue constitutes the core of the social responsibility of the business organization (Donaldson & Preston, 2005). Among stakeholders, the employees of the organization have a special importance, as they are partners in the dialogue and communication in the management approach of organizational knowledge. The employees capture the knowledge in the organization environment, assess it by learning, distribute it internally, enrich it by innovations and apply it in work processes, generating value.

The dialogue organization – employees launches a double socioeconomic requirement: on the one hand, the employees are challenged to improve their abilities, competencies and skills in accordance with the requirements of competitiveness; on the other hand, the management must project new formulas of communication and negotiation, decision making and work organization which favors the participation and co-management. Both requirements are subject to the understanding of the organizational context as a place of learning, innovation and shared experiences.

One such context is defined by a quite different organizational culture. The competitive organization is not dependent only on the intellectual resources, it is primarily dependent on learning and its culture is oriented towards permanent and total learning. In this organization all learn and every experience is a learning opportunity. Why learning becomes the supreme value of the competitive organization? Learning represents the essential means of accumulating the knowledge capital, which, in its turn, is the main instrument for handling the internal and external organizational complexity.

5. Conclusions

Knowledge and complexity – based economy radically changes the content and the way of formation of the strategy, highlighting the evolving nature and strong orientation towards the formation of networks as defining features of the “new” strategy, which advances from the autarchic integration value creation chains to limited network and further, towards extended and total networks. The increase of complexity moves the emphasis from the integration of the value chains to the connection of multiple chains, under the conditions of the increasingly clear contouring of their “internal focus” (specialization in certain functions or operations). We named this tendency “connection-concentration process”. The complex of knowledge induces the transition from competitive autarkic systems to cooperative organic systems. The process resides in the networking of business structures.

The “new” strategy may be expressed with the formula “Creation of new markets as primary objective + Business coordination by self-organization”. This implies the opening of business organisational borders by structuring it as a network connected to other networks. The evolutionary advantage becomes important: the organisation’s capacity to innovate, explore, experience, learn and re-invent or the organization’s ability to evolve as integrated system in an environment that evolves itself.

The main feature of the “new” strategy is the fact that it arises where knowledge is necessary for understanding the context, decision making and imagining actions. The more complex the organization, the more dispersed this
strategic knowledge is. The more sophisticated the specific knowledge used by the organization, the more the sources of organizational success have a “local” and not a “central” feature.

References


