

Critical Analysis of Organizational Knowledge Theory

Munshi Samaduzzaman¹, Musrat Mou², Farah Rezwani³

¹(Faculty, Department of Accounting, American International University – Bangladesh)

²(Faculty, Department of Management, American International University – Bangladesh)

³(Faculty, Department of Finance, American International University – Bangladesh)

Abstract: A good theory provides strong basis and powerful grounds for wisdom and comprehension of essential and imperative relationships in diverse humanitarian as well as societal disciplines. A good theory is truly vital for achieving and keeping a successful organization and management through valuing disciplines. Theory is a core element when dealing with science through efficiency, design and structures of which there are advancements in knowledge development and sharing. The relevance of a good theory lies in its practical assumption that will help us in determining as well as recognizing what specific factors are to be reviewed or studied and how and why they are connected, of which this good theory asserts relationship boundaries and conditions that can advance an individual in generating innovative theories within their field of study or research.

Keywords: Knowledge, Nonaka, Organizational, Theory

I. Organizational Knowledge Theory And Its Evolution

It was in 1995 that Nonaka proposed Organizational Knowledge Theory, noting that organizational knowledge can be indeed created. Basically defined as the capability of companies to create and disseminate new knowledge and embody such knowledge in products, systems and processes. Nonaka noted that knowledge transfers from the individual to the organization. There are two types of knowledge – tacit and explicit, and from individuals, these are transferred to different teams and department and the organization itself.

Nonaka also noted that there are four modes wherein knowledge can be converted namely socialization, externalization, internalization and combination. Basically, Nonaka heavily relied on qualitative approaches in developing the theory (Lynham, 2002). The theory was developed on a case basis wherein the main aim was formalizing a generic model of creating organizational knowledge (Nonaka and Takeuchi, 1995). Nonaka made use of Japanese companies which made it suitable since Japanese companies are an emblem of innovation which typically sprung new knowledge creation. While there may be concerns whether it can be applied to other organizations outside the country, the theory is very generic that it can be applied to various organizational types and in various cultural setting, for instance.

Further, Nonaka was able to perform a high quality conceptualization of the organizational knowledge theory based on the extensive review of the existing theories during that time and their shortcomings to inform the development of the theory itself. There remains the fact however that the theory Nonaka developed is too abstract in nature and it generally lacked explicitness and comprehensiveness. Nevertheless, even Nonaka himself noted that the field of knowledge creation in organizations is still in its infancy, that is, in his subsequent work in 2001. Organizational knowledge creation however continued to be refined and developed so that it can remain relevant. For instance, in 2001, Nonaka explained how knowledge can be indeed converted, in what place and what knowledge assets it may be converted or apparent.

Nonaka was also able to defend the theory by saying that knowledge creation is directly linked to obtaining competitive advantages as well as demonstrated how existing models then do not adequately explain how knowledge is created in organizations. In the subsequent works, Nonaka had also demonstrated the theory's applicability on non-Japanese settings. Organizational knowledge, as complex as it is, is difficult to explain but Nonaka triumphed on this aspect. Nonaka made it easier to understand the processes and conditions involved in creating knowledge within an organization. While it borders on parsimonious and comprehensive, the theory lacks sufficient explanation in some aspect like when it describes the conditions of knowledge creation (McLean, 2005). Nonaka did not offer whether these conditions may be measured in terms of their existence within the organization. Simply, Nonaka had explained the 'what' component of knowledge creation as well as 'how' knowledge is created. However, Nonaka failed to explain the 'mechanisms' by which these two aspects will work together to create organizational knowledge.

II. Nokia Success Or Failure

Assessing whether Nokia is a success or failure, it would be suitable to explain what Nokia is and how it operates. Nokia Corporation (Nokia) is an international communications company and player in mobile

industry, focused on the key growth areas of wire line and wireless telecommunications. Nokia is at the forefront of mobile technology and has over a century and a half of innovation with roots beginning as early as 1865. Nokia produces mobile phones for every major market segment and protocol, including GSM, CDMA, and W-CDMA (UMTS). Nokia makes a range of mobile devices with services and software that enable people to experience music, navigation, video, television, imaging, games, business mobility and more. Nokia is now the world's largest manufacturer with a global device market share and the world leader of mobile telephones and communications (Nokia online, 2012).

Barwise and Meehan (2011) noted that Nokia was previously a disrupter. In 1994, Motorola was considered as the largest mobile company in terms of shares. It was in 2000 Motorola's market share had dwindled from 15 to 45% because of the ever-growing Nokia. In early 2000, Nokia had reported a 31% lead among all the mobile phone manufacturers in the world, vouching for the success that Nokia had during the first five to six years of that decade, that is, from 2000 to 2006. Apart from its explicit brand promise of 'connecting people', Nokia was an early adapter and driver of various technologies like 2G. Nokia even provided for more than 200 million subscribers in Europe alone (Andersen, 2011). Nokia was able to create a standard for mobile telephony which is the GSM while Motorola didn't. Such technology enabled Nokia to further compete globally and at par with the current leader during those times which is Motorola. As such, Nokia enjoyed over 20 years of being an undisputed market leader until Apple came.

Nokia has its own fall especially when it turned down proposals to create its own online applications store in 2004, pre-Apple. Nokia proved to be disabled when it failed in responding to iPhone among others. In 2007, iPhone's sale had eaten a significant percentage of Nokia's market share. Same goes with that of Google's Android in 2008 (Barwise and Meehan, 2011). Andersen (2011) also managed to say that Nokia is clearly struggling in building winning software platforms among its users. Apple entered the market with its smartphone and an online platform to complement this. Apple was able to transform a simple handset into becoming a mini laptop that Nokia had considerably failed to ponder on. Mobile phones today are no longer considered as a mean to communicate alone but it had become a way to interact with everything around you including banks and schools. Nevertheless, Nokia stuck to mobile telephone, which may explain why it is lagging in the competition right now. Andersen (2011) also asserts that Nokia failed at installing a sense of urgency when it comes to its development.

III. Applying Organizational Knowledge Theory On Nokia

The last argument posited by Andersen (2011) is evidence that organizational knowledge theory is applicable in the case of Nokia, thereby explaining the success and the relative failure that Nokia had experienced in the last 10 years or so. Viardot (2004) claims that mobile phone marketers have to convince potential customers that their mobile phone product is the best solution to meet their communicating needs. Such needs however change with time especially that technology is endowing consumers with a lot of conveniences that comes not just in communicating with others but also by taking pleasure in what else your mobile phone can do. The mobile phone is an example of a product that is both inelastic and elastic. Inelastic because a mobile phone is a necessity and elastic because the continuous supply of Nokia phones in the market affects the level of its necessity.

In today's market environment, there are several factors that affect the demand for a specific product and these factors are changing with times. Product vulnerabilities will definitely affect the demand for such product. Considering the continuous roll out of new mobile phone models and often with more features than the previous model, which is the first factor that affects the success and the relative fall of Nokia. Nevertheless, Nokia's success is the relevance of knowledge that it can create based on external knowledge. Nokia depends on marketing intelligence throughout the lifecycle of its products since they can predict market trends and counter the strategies that competitors will employ. However, Nokia was not prepared to the amount of innovation that Apple and Google had gone through in recent years, which bring us to the next argument.

A factor that affects the relative failure of Nokia is technology. Nokia sees to it whether a product is developing along with the market. Apart, Nokia is also aware of what is happening to a market thus it keeps track of the latest technologies which can be incorporated to new mobile devices developments. However, Nokia was not able to manipulate the knowledge it created into utilisable mobile phone models that can compete with iPhone and Android. While Nokia's objective to connect people remained intact, it failed to embrace the idea of furthering such an objective by integrating new applications to its mobile phone produce. In lieu with Nonaka's organizational theory creation, Nokia failed to exploit the systems for creating and maintaining knowledge repositories and cultivate and facilitate the process of sharing knowledge among the employees.

Another factor that affects the relative failure of Nokia is the changing preference of consumers. Consumer preference is one factor that establishes the shifting attention of the people (Papadopoulos and Heslop, 1993, p. 45). That is, consumers will not hesitate to opt for alternative and better products especially when they are presented with choices. Remember that Nokia is not the only manufacturer of mobile devices.

There are others which are equally competent and may even surpass the quality of that of Nokia's products. People, further, are now investing on products that could provide them with more utility, better features and value on money. In connection with Nonaka's theory, Young (2009) manifests such by saying that in a rapidly growing global knowledge economy there is a need to be an effective knowledge worker. One's ability to create, capture, store, share, apply and sell your knowledge is critical. An individual's openness to knowledge development and sharing within the network will be a key driver in maintaining personal effectiveness and hence organisational sustainability in the long run. Nokia had failed to emphasize among the employees the relevance of sharing their experiences. For instance, Nokia did not develop a system where their employees can provide insights, ideas and inputs as they themselves are consumers and users of the mobile phone.

IV. Managerial Implications Of The Analysis

What we are witnessing today is the continuous creation of a knowledge culture which will transcend beyond the enhancing knowledge innovation system and creating industry competitive advantages but on treating knowledge as norm, values and belief. The creation of new knowledge is important on how firms treat knowledge or information. Elicited by economists and strategy academics suggested that organizations are a most noticeable portfolio of capabilities but are limited in its effectiveness by the prevailing cognitive and social skills. Knowledge, as the main building blocks of this, impacts how the executive teams treat and manage such. Though there had been the existence of new ideas placing old, organizations as the primary information processors act on knowledge as their asset which are regarded to be a strong force that binds their actions.

With this said, it is the responsibility of individuals to share and enlarge knowledge assets and knowledge modeling so that all organizational members would be able to make use of and produce knowledge and new knowledge within the workplace. In enabling knowledge management processes, the premise is for the people to encompass identification and mapping of intellectual assets as well as generating new knowledge for competitive advantage and making information accessible for each individual. Considerably, those organizations who failed to change over time to adapt to changing conditions will die off and swallowed up by more successful competitors. Further generation and development of the knowledge base of the organisation is accomplished through a bottoms-up approach thus the role of the individuals who are at the lower-tier leading to top management, industry and sector play a key role in knowledge management through challenging and developing own knowledge base. Best knowledge should be also shared within the individual's network where one individual feeds knowledge to other individuals and to the top.

References

- [1] Andersen, J. B. (2011). *Nokia's Rise and (Relative) Fall. What Lessons for European Innovation Policy?* Innovation Management – Open Business Council.
- [2] Barwise, P. & Meehan, S. (2011). Why Nokia's Collapse Should Scare Apple. *Harvard Business Review Blog*.
- [3] Lynham, S. A. (2002). The general method of theory-building research in applied disciplines. *Advances in Developing Human Resources* 4(3): 221-241.
- [4] McLean, L. D. (2005). A Review and Critique of Nonaka and Takeuchi's Theory of Organizational Knowledge Creation. University of Minnesota, USA.
- [5] Nokia. (2012). *About Us*. Retrieved on 6 March 2012, from <http://www.nokia.com>.
- [6] Nonaka, I. & Takeuchi, H. (1995). *The knowledge-creating company*. New York: Oxford University Press.
- [7] Nonaka, I., Toyama, R. & Byosière, P. (2001). A theory of organizational knowledge creation: Understanding the dynamic process of creating knowledge. In M. Dierkes, A. Berthoin Antal, J. Child, & I. Nonaka (Eds.), *Handbook of organizational learning and knowledge* (pp. 491-516). New York: Oxford University Press.
- [8] Papadopoulos, N. G. & Heslop, L. (1993). *Product-country images: impact and role in international marketing*. Routledge.
- [9] Viardot, E. (2004). *Successful marketing strategy for high-tech firms*. Artech House.
- [10] Young, R. (2009). *Planetary knowledge – personal knowledge management in a global economy*.