

Learning to Lead: knowledge as a success factor on liberalised markets

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Abstract

The present paper explores the competitive role of knowledge culture on recently liberalised markets, on the basis of an empirical study conducted at Swiss Post, Switzerland's erstwhile monopolist provider of postal and related services. The study results indicate strong links between deregulation and maturity of corporate knowledge culture on the one hand, and between maturity of knowledge culture and productivity on the other hand. Besides presenting and discussing these empirical insights, the paper also proposes a range of measures for actively improving knowledge culture in companies.

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I. Introduction

The present paper summarises the core results of an empirical case study (Sollberger 2004, 2005, 2006) designed (i) to reveal interdependencies between market deregulation, knowledge culture and management, and corporate productivity; and (ii) to derive practical suggestions as to how knowledge culture may be actively improved by organisations. In order to make the presentation of the results below more lucid, we start with some preliminary remarks on the notions of knowledge culture and knowledge management.

Knowledge culture

For decades, corporate culture and its relatives were dismissed by management theory and practice as topics too metaphysical to deserve serious attention – somewhat understandably, considering how thoroughly the cluster of phenomena in question seems to elude control, manipulation and measurement (cf. Juechter et al. 1998: 63-64). Since the early 80s, however, culture issues have been receiving a lot of attention in both practice and academia, and there is now widespread agreement that corporate success is very much also a matter of culture. As Nohria et al. (2003: 43) observe, "[w]ithout exception, companies that outperformed their industry peers excelled at what we call the four primary management practices – strategy, execution, culture, and structure."

Knowledge culture is one component of corporate culture. It too is a notoriously hard to define concept. In order to get a grip on it, we shall preliminarily characterise it in terms of the concept of knowledge management (to which we will turn immediately): namely, as comprising those aspects of corporate culture that are critical for implementing a workable knowledge management. In this vein, Sollberger (2004: 39; our translation) circumscribes knowledge culture (henceforth KC) as "the totality of norms and values in an organisation that guide the thinking and behaviour of members in their daily handling of knowledge". She conjectures that crucial among these values are "*trust, cooperation, open-mindedness, autonomy and empathy.*"

Knowledge management

In its primordial form of informal networks, knowledge management (henceforth KM) came into existence with the earliest organisations (cf. Birkinshaw 2001: 15). However, similarly as with culture topics, KM started to become an academic and practical issue only in the early 90s (cf. Hansen et al. 1999: 106; Stenmark 2001: 10; Birkinshaw 2001: 11). As a management discipline, KM aims to systematically support existing informal varieties of management of knowledge and to endow them with greater formality and efficiency (cf. Gamble/Blackwell 2001: 39). KM instruments and methods apply at the levels of *employees, organisation, and information and communication technology* (cf. e. g. Probst et al. 2003; Lee/Choi 2003). Within these areas of implementation, the human factor deserves special attention. "If we have learned nothing else in four years of observing the knowledge management vanguard, we have seen clearly the importance of getting the approximately 50/25/25 people/process/technology balance right from the outset" (Ruggles 1998: 88). Regarding method, KM has not so much developed new instruments as it has resorted to and synthesised methods and tools of related disciplines, particularly organisational psychology, communication science, sociology, and information and communication technology (cf. Gamble/Blackwell 2001: 141).

II. Case study and results

The case study presented here was conducted at Swiss Post, Switzerland's largest provider of postal services and, with a workforce of 52 000, the country's second largest employer. Earlier a monopolist, Swiss Post is now being confronted with gradual deregulation of its markets. The Swiss Federal Council as its owner expects

competitiveness, customer-orientation and financial self-sufficiency. The study focused on four business units: Express Post (fast mail services), PaketPost (parcels), Post Finance (financial and banking services) and Post Mail (letters). All of these have customer contacts, but vary in how long they have been exposed to competition.

In a first step, the study set out to test the following three hypotheses (cf. Sollberger 2005: 4), using both quantitative and qualitative methods:

1. The higher the regard for the putative core KC values trust, cooperation, open-mindedness, autonomy and empathy in a business unit, the better its KM.
2. The longer the exposure of business units to competition, the more advanced their KC.
3. The better developed the KC of a business unit, the higher the unit's productivity.

In a second step, the study looked into specific factors that are conducive to or that hamper KC, with a view to deriving practical recommendations on how to improve KC in companies.

Study design

a) Quantitative study

In the quantitative part of the study, primary data of an annual survey on personnel satisfaction and corporate culture were analysed in retrospective with a view to the hypotheses formulated. From the approx. 100 items of the questionnaire used, those questions were extracted that allowed to draw conclusions about the existing KC and the main processes of KM. The constructs KC and KM were treated as so-called latent variables and measured indirectly via a range of manifest variables and indicators (for details, cf. Sollberger 2004). The hypothesised link between the latent constructs KC and KM was tested by means of a Partial Least Square approach (PLS; cf. Abdi 2003, Sollberger 2004).

b) Qualitative study

The results of the quantitative study were subsequently subjected to qualitative analysis in group interviews with members of the middle management. This management level has a bridging function between the top management and the workforce and thus exerts a strong influence on KC (cf. Milner 2000: 73). The group interviews pursued the double purpose of putting the quantitative results to critical discussion and further interpretation, and of gaining deeper insight into Swiss Post's KC.

Results

a) Quantitative results²

Hypothesis 1: For the aggregated samples resulted values and a confidence interval for the independent variable KC and the dependent variable KM that indicate a very strong effect of the considered KC values on KM. Hypothesis 1 was thus fully confirmed.

Hypothesis 2: Here, KC was calculated for each business unit as a weighted average for the year 2004, and then compared between the units and the differences tested for significance. The figures fully corroborated hypothesis 2: those business units which were active on liberalised markets from the start or that have been exposed to competition for some time have a significantly better developed KC than those that still largely act as monopolists.

Hypothesis 3: Hypothesis 3 was tested over a period of three years (2002–2004) for three of PaketPost's parcel distribution centres. These all took up operation in mid 1999 and are close to identical in terms of technological infrastructure and operations. The results were as follows:

For 2002, productivity (measured in terms of number of parcels processed per hour and employee) is nearly the same for centres 1 and 3, and there is no significant difference in the KCs of these centres. Distribution centre 2 shows both a clearly lower productivity and a significantly worse KC compared with centres 1 and 3. For 2002, the hypothesis is thus confirmed.

For 2003, parcel distribution centre 1 is the most productive and has the highest KC value. Centres 2 and 3 are nearly equal in productivity and show no significant difference in KC. The hypothesis is thus also supported for 2003.

For 2004, distribution centre 1, the one with the highest productivity, also shows the highest value for KC. Centre 2 has the second largest productivity and the second highest KC value. However, no significant difference could be established between the KCs of centres 2 and 3. The hypothesis is thus not completely confirmed for 2004.

Overall, the thesis that productivity correlates with KC is not perfectly confirmed by the quantitative part of the study. Still, the centre with the best KC always also shows the highest productivity; and the interviews conducted subsequent to the quantitative analysis with the directors of the distribution centres add plausibility to the thesis.

b) Qualitative results

Managers' subjective ranking of the individual business units' (or distribution centres') KCs in the group interviews agreed with the results of the quantitative study. Reasons for differences in KC quality were seen primarily in *length and intensity of exposure to competition, workforce size, and level of professionalism* among employees. Further determinant factors of KC were judged similarly in all business units: thus particularly *external competition, management/superiors, and training and continuous education* were considered to have a positive, *corporate multilingualism*³ and *internal competition* to have a negative impact on KC. The interviews also point to the special importance of informal networks and personal contacts for smooth and sufficient knowledge transfer. Besides putting forward subjective explanations for differences in KC, the interviewees also corroborated the authors' conjectures regarding crucial KC values for KM, and, as already mentioned, the quantitatively only partly confirmed correlation between KC and productivity.

² We present quantitative results informally here to enhance readability. For detailed figures and calculations, cf. Sollberger 2005.

³ Swiss Post uses three official corporate languages: German, French and Italian.

III. Enhancing knowledge culture

In this section, a number of simple and straightforward measures for fostering KC and ensuring its long-term prosperity are suggested and discussed. Although derived from the specific case of Swiss Post, these suggestions ought to have wide applicability.

Obviously, the development of KC must proceed at all three levels of implementation of KM – employees, organisation, and information technology. Parallel to improvements in these domains, change management should be brought into effect so as to foster KC values and to gradually establish a knowledge-friendly corporate culture (cf. Thom 1997: 201 f.; Kyriakidou 2004: 22 f.). In this connection, managers/superiors play a central role: they are called upon to constantly advertise KC values, to introduce appropriate change processes and to make available the necessary material and immaterial resources.

Knowledge management implementation levels

a) Employees

Employees are the major repositories of knowledge in organisations. Crucial for KM, however, are not so much the skills of individual employees as the integration of individual items of knowledge in networks (cf. Felbert 1998: 139). Thus all group discussions conducted at Swiss Post emphasised the merits of so-called *Communities of Practice* (cf. Davenport/Probst 2002: 16). These are groups of employees from various hierarchy levels and areas of activity that organise themselves independently and meet on a regular or irregular basis to exchange experiences and knowledge. Participation is voluntary, which ensures that members are actually willing to share their valuable knowledge, and the mode of physical gatherings creates a base of trust that additionally promotes an unrestrained knowledge transfer. Since members hand down their individual knowledge to a large number of employees, it is widely distributed and sure to be retained in the company in the long term. Obviously, this type of networking is not least particularly helpful to new employees, enabling them to make contacts easily and to settle into their new working environment with more ease. And apart from motivating new networks, the Communities of Practice approach also helps to make visible already existing but previously unidentified informal networks.

b) Organisation

A necessary organisational precondition for knowledge exchange is a common language and technical jargon. Especially in multilingual or international companies and in organisations engaging in very diverse activities, this poses a huge challenge. For new employees, company speak may make for a problem that should not be underestimated. Important documents addressed to heterogeneous audiences should therefore always use straightforward terminology and, if necessary, be issued in various languages or at least contain a list of abbreviations and a glossary of technical terms.

c) Information and communication technology

The Swiss Post study indicates that intranet systems deserve particular attention as corporate information bases. However, when it comes to actually exploiting the potential of this particular tool, massive difficulties tend to arise. Intranet systems often require a certain degree of complexity to be fruitfully useable, which, however, tends to make them unsuitable especially for new employees and rare users. A minimal solution here is to offer brief introductory courses with voluntary or mandatory attendance, where basic user skills are taught and explanations of the structure of the intranet and of those contents that are relevant to all organisational units provided. A more expensive, but sometimes unavoidable option is to re-examine and, if needed, to redesign the specific intranet appearances of individual business units or the entire company.

Managers/superiors

The quantitative part of the study confirms the effects of the core KC values trust, cooperation, open-mindedness, autonomy and empathy on KM. Managers and superiors must therefore take care to promote and cultivate these values throughout the organisation. The huge responsibility of managers as role models and as supporters and promoters of knowledge transfer was a recurrent topic in the group discussions. Maintaining regular and direct contacts with the workforce, e. g. by means of daily visits at production facilities and offices was widely considered as essential. Regularly sending managers to work in operative units for a number of hours or days was mentioned as another very helpful instrument for exchange of ideas and value promotion. The principle that *direct* communication between managers and the workforce is to be preferred over indirect and/or impersonal information is held to apply for all aspects of management-workforce interaction.

VI. Conclusion

The results of the study at Swiss Post presented in this paper are indicative of a positive effect of a range of core knowledge culture (KC) values – trust, cooperation, open-mindedness, learning motivation, and empathy – on the sophistication of knowledge management (KM) and, ultimately, on corporate productivity. Moreover, the study identifies a number of factors that enhance (e. g. external competition, continuous education) or inhibit (e. g. multilingualism, large workforce) KC. In promoting and developing KC in the medium and long term, managers play a decisive role in two respects: on the one hand, they act as models and multipliers of the existing corporate and knowledge culture; on the other hand, they are called upon to take appropriate action at the levels of employees, organisation and information and communication technologies – i. e. on the major levels of KM implementation.

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