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CONCEPTUALIZING AND DEVELOPING ALIGNMENT MODEL BETWEEN BUSINESS STRATEGY AND KNOWLEDGE MANAGEMENT STRATEGY

Abstract:
Since knowledge has been regarded as one of the important resources for firms to compete in today’s competitive environment, knowledge management (KM) are so crucial for achieving superior performance. In this vein the strategy of knowledge is likely to be a critical issue of strategic choice for the firm. Evidences showed that the implementation of KM strategy can cultivate organizational dynamic capabilities to improve knowledge quality and quantity, as well as for consolidating the value and practicability of knowledge. Thus, according to the previous research on KM field, this study tries to construct and develop a KM fit model. We contend that the alignment effect will contribute to knowledge management performance.

Keywords:
Knowledge management strategy, Business strategy, Knowledge management performance

JEL Classification: D83, M10
1 Introduction

As businesses are striving to cultivate their innovative capabilities and competitiveness in today’s rapidly changing environment, their attention is increasingly on how to manage their intangible assets. For various internal resources within a firm, knowledge has been regarded as a crucial capability for an organization. In this vein, knowledge management (KM) is viewed as a critical issue for business managers and administrators. By means of well-designed of KM, companies are recognizing the importance of knowledge and are improving their capability to explore and exploit all inherited knowledge.

Evidences showed that the development, implementation and use of organizational knowledge require specific strategies suitable for setting up KM and the alignment of KM strategies with business strategies (BS) to ensure that KM is an integral part of a corporate strategy (Abou-Zeid, 2003; Asoh, Belardo, & Duchessi, 2003). When BS and KM alignment is established, the KMSt will be directed towards the goal and objectives of the organization which will achieve and enhance its long term competitive advantages. For instance, if the BS is based upon differentiation with customer service, then KM efforts should probably target at customer care functions such as call centers, helping desks, and other customer support activities (Ekionea and Swain, 2008; Sunassee and Sewry, 2002).

In organizational research field, the issue of alignment is one of the top concerns among executives and senior managers since the mid-1980s (Luftman et al., 1996; Watson et al., 1997). Research indicated that the higher organizational effectiveness is driven by the internal consistency or “fit” among the patterns of relevant contextual, structural, and strategic factors (Doty et al., 1993, Powell, 1992). Alignment has been found not only a great contribution to potential capabilities of a firm, but also a significant positive effect on organizational performance (Azab, 2005; Davenport and Prusak, 1998; Xia and King, 2002). In KM field, prospective trends of KM research have emerged. It has been realized that research regarding the integrated investigation of various strategies of the organization is significantly limited. In addition, the analysis and design of the organization as a whole is critical to achieve efficient organizational benefits. As Asoh et al. (2003) note, there are few studies that empirically examine the issue of strategic alignment in KM field. This is what Asoh et al. (2003) called “the missing link in knowledge management research” (p. 39). Consequently, the main purpose of this study is to contribute to the academia and practice on knowledge management alignment by pursuing a specific objective to examine the KM strategic alignment by using the perspective of “covariation” which is one of six perspectives of fit defined by Venkatraman (1989a). We posit that a linkage
of effective KM strategy which is internal consistent with business strategy is the key to reduce costs, which in turn, a higher performance achieved.

2 Theoretical Underpinning

2.1 Alignment

The concept of alignment (or fit) is a key topic in structural contingency theory (Drazin and Van de Ven, 1985) and is well known and discussed in managerial behavior and organizational analysis (Delery and Doty, 1996; Miles and Snow, 1984a). Numerous terms have been called with alignment, such as strategic alignment, fit, integration, harmony, and fusion (Smaczny, 2001). However, no matter what it has been called, alignment concerns the integration of strategies relating to the business and its related contingency variables.

Van de Ven and Drazin’s (1985) and Venkatraman’s (1989a) studies on the fit concept render a solid theoretical foundation and analytical methods in practice. Van de Ven and Drazin (1985) define fit as three approaches: selection, interaction, and systems approaches; whereas Venkatraman (1989a) uses six different perspectives from which fit can be defined and explained, these are fit as: matching, moderation, mediation, gestalts, covariation, and profile deviation. The framework he proposed classifying each perspective along three dimensions: the criterion-specific or criterion-free (the presence or absence of a criterion variable; few to high), the degree of specificity of the functional form of fit-based relationship (low to high), and the number of variables in the fit equation (few to many). In the following paragraphs, we describe each perspective of fit according to these three dimensions, along with its underlying conceptualization, the verbalization of a strategy proposition, and the appropriate analytical schemes for testing the relationships.

2.2 Alignment model in KM

In line with the aforementioned discussions, strategic alignment between business strategy and IT strategy, as a critical issue within organizations, is a position that has been stated frequently (Luftman et al., 1999; Papp, 1998). However, there are few studies that have addressed the issue of strategic alignment in KM empirically. This is what Asoh et al. (2003) called “the missing link in knowledge management research” (p. 39). It is because of what contingency researchers were discovering, in the context of strategic alignment, that predicting KM or business performance involved something more complex than isolating specific strategy factors, so that a broader configuration perspective needed to be considered.

Despite the limitations in research regarding the strategy-related alignment of KM, nonetheless, a small amount of research has begun to address the impact of
situational influences or contextual factors on organizations. For example, Becerra-Fernandez and Sabherwal (2001) adopted the perspective of contingency theory, considering that the impact of KM process on KM satisfaction is moderated by the nature of the subunit tasks it performs. After conducting several interviews and reviewing survey data collected from 159 individuals across 8 subunits, they concluded that there was support for the contingency framework. Choi and Lee (2003) categorized various KM styles into dynamic, system-oriented, human-oriented, and passive. They empirically examined how these different scenarios improve business performance, ultimately determining that a dynamic style that integrates explicit- with tacit-oriented methods results in better corporate performance. Uzzi and Lancaster (2003) also demonstrated that the fit between the nature of knowledge and the type of tie used to transfer knowledge affects an organization’s learning outcomes. These studies identified better performance outcomes when components were congruent with each contingency factor. However, more research is needed on the mechanism through which strategy-related alignment affects learning and KM outcomes, as well as organizational performance. That is, a significant link to performance requires a holistic approach that considers KM (Asoh et al., 2003; Asoh, 2004) as well as all the factors associated with IT/IS/IM practices and information behavior and values (Marchand et al., 2001).

Based upon a knowledge-based view of organizations, Bierly and Daly (2002) assumed that for each type of knowledge strategy, there should be internal consistency between strategic actions and other organizational practices and systems. They proposed a theoretical framework to show that a firm can enhance its knowledge base, and thereby positively affect organizational performance, via congruency with HRM practices and knowledge strategy. Additionally, research conducted by Truch and Bridger (2002) demonstrated that knowledge orientation and strategic orientation, in one model, both are influenced by business environment, the alignment between them serving as an antecedent to predicting organizational performance (see Figure 1). Through analysis of surveys collected from over 150 organizations, knowledge orientation was found to vary significantly across organizations with different strategic orientations. In other words, the strategic alignment between knowledge orientation and strategic orientation has a significant direct effect on organizational performance.
Drawing on Goodhue and Thompson’s (1995) TTF (task-technology fit) model and the adaptive structuration theory proposed by Im and Raven (2003) proposed a KMS (knowledge management system) performance fit model (as Figure 2 depicts), indicating that the fit between task characteristics and KMS characteristics determines the impact on performance of individuals and groups. However, this article basically is just a theoretically-based paper, in which four propositions are presented without empirical verification.
In addition, using information processing theory, organizational learning theory, knowledge-based theory of the firm, and the theory of knowledge creation, Sabherwal and Saherwal (2005) used secondary data on 89 KM announcements from 1995 to 2002 to validate the hypotheses they had proposed. These hypotheses dealt with the linkage between cumulative abnormal return (CAR) and the alignment between industry innovativeness and KM process, the alignment between firm efficiency and the KM process, firm-specific instability, and firm diversification. The results support theory-based arguments, and make a contribution towards developing a contingency framework for the effectiveness of KM efforts.

Furthermore, Wang and Belardo (2005) proposed a knowledge-based crisis management framework to demonstrate the alignment of knowledge-based strategies with crisis management strategies on crisis management performance. By conducting case analyses, they revealed that proper alignment of knowledge-based strategies with crisis management can help organizations to identify the tasks they need to perform and the knowledge they need to acquire. Shih and Chiang (2005) conducted an empirical study to see whether the relationships between corporate strategy, human resource management strategy, and KM strategy exist or not. Conducting surveys on a sample of 147 large Taiwanese companies, they postulated that improved KM effectiveness - as measured in terms of process outcome, learning capability, and organizational outcomes - is determined by the alignment between KM strategy and both corporate and HRM strategy.

Finally, an important article that makes an important contribution to the concept of strategic alignment in the KM field was the report on Abou-Zeid's (2003) study. According to the premise of the original ITSAM that “the effective and efficient utilization of IT requires the alignment of IT with business strategies” (Henderson and Venkatraman, 1999, p. 473), he proposed the KM strategic alignment model (KMSAM), in which IT strategy is replaced by knowledge strategy, and made the underlying argument: “The effective and efficient use of organizational knowledge requires the alignment of knowledge strategies with business strategies” (pp. 158-159). It was his thought that business strategy or knowledge strategy can be seen as a balancing act between the external and internal domains, which contain opportunities/threats and capabilities/arrangements, respectively.

The second important study in the KMSAM field was a doctoral dissertation written by Asoh (2004). Drawing on Abou-Zeid’s (2003) study in terms of KMSAM, he proposed a model (see Figure 3) wherein business strategy and knowledge strategy are co-aligned. The results of this empirical study indicate that business strategy and knowledge strategy, and their alignment, indeed are key determinants of organizational performance.
3 Research model and hypotheses

3.1 Business strategy

Strategy can serve as a competitive weapon to achieve corporations’ mission and objectives (Sun and Hong, 2002). According to previous research, three interdependent levels of strategies should be considered by a firm (Hunger and Wheelen, 2001; Miles et al., 1995):

- Corporate strategy: involving in interrelationship among business, it describes a company’s overall direction.
- Business strategy: concerning on deploying a unit or product level strategy to maximize the profit in the marketplace, it occurs at the business unit level.
- Functional strategy: reflecting efficient allocation of resources to the firms, it concerns with developing a distinctive competence to provide a business unit with a competitive advantage.

In the studies of organizational behavior and strategy management, there are three widely used business strategic frameworks; these are generic typologies of Miles and Snow (1978) and Porter (1980), and the fined-grained framework of Venkatraman (1989b). The reasons why Miles and Snow’s (1978) and Porter’s (1980) strategy frameworks are termed “generic” and “typologies” are because of their not focus on any specific industry so can be applied to any business, and “they consider an array or bundle of idealized strategic choices integrated together to form specific strategic types” (Asoh, 2004, p. 33). In contrast to the fine-grained framework that does not offer any categorization scheme, the generic typologies of Miles and Snow’s (1978) and Porter’s (1980) strategy frameworks can be used to classified firms into certain category.
Miles and Snow’s (1978) typology is the most popular stream of business strategy research (Smith et al., 1989; Zahra and Pearce, 1990). This typology not only shows a complex view of organizational and environmental processed, but also indicates the attributes of product, market, technology, organizational structure and management characteristics (Smith et al., 1989). In Miles and Snow’s study, they assert that a firm could fall into one of these four categories, labeled defender, prospector, analyzer, and reactor, according to the perception it has of its environment. The first three types of typologies are expected to have a positive effect on business performance and share the same continuum, where the defender and prospector are at the two opposite ends of the poles, and the analyzer stands in the middle that shares some characteristics with each of the two strategies. The reactor, conversely, is a residual type that lacks a viable strategy. It has been considered not really a strategy at all (Daft and Weick, 1984) and some research excluded it in empirical studies (e.g., Asoh, 2004; Das et al., 1991; Delery and Doty, 1996; Miles and Snow, 1984a; Sabherwal and Chan, 2001). As a result, we also excluded it from our study.

Drawing on the perspective proposed by Miles and Snow (1978), Venkatraman’s (1985, 1989b) strategic orientation of business enterprises (STROBE) operationalization of business strategy is another widely used one. He defined STROBE as “…the general pattern of various means employed to achieve the business goals, with a particular emphasis on the business-unit level of the organizational hierarchy.” (Venkatraman, 1985, p.25). For conceptualizing and constructing the strategy constructs, he used four theoretical questions that are critical in strategic management research, namely scope, Hierarchical level, domain, and intentions versus realizations. In the considerations of means, business level analysis, broad, realized, and holistic perspective of strategy, six important dimensions of strategic orientation are proposed in Venkatraman’s (1985) study: aggressiveness, analysis, defensiveness, futurity, proactiveness, and riskiness. These constructs demonstrated adequate reliability and validity for serving useful measures in strategy research to test the theoretical relationships, and found to have a significant impact on business performance (Venkatraman, 1989b).

After these two pioneer studies of conceptualizing in business strategy, focusing on one or more of the six business strategy attributes, Sabherwal and Chan (2001) develop the ideal business strategy profiles with three configurations, namely Defenders, Analyzers, and Prospectors. Furthermore, the ideal profiles of IS strategy attributes for Defenders, Analyzers, and Prospectors are allocated respectively for facilitating operational efficiency. The findings indicate that alignment between business strategy and IS strategy is believed to improve business performance.
3.2 KM strategy

Since knowledge has been regarded as a strategic resource for an organization (Abou-Zeid, 2003; Choi and Lee, 2002; Conner and Prahalad, 1996; Kogut and Zander, 1992), it is important to know about how to effectively manage various kinds of resources (e.g., people, process, IT) comply with knowledge. KM strategy is the right tool determining how to employ these various resources, thus, are regarded as the facilitators for KM outcomes (Beckman, 1999; Hansen et al., 1999, Zack, 1999).

In previous studies, KM strategy is classified by the nature of knowledge itself, e.g., explicit or tacit (Polanyi, 1997; Shih and Chiang, 2005). Explicit knowledge refers to transfer information in a systematized manner whilst tacit knowledge refers to transfer information through social networks. These two concepts are similar to that of Hansen et al.'s (1999) classification of KM strategy as “codification strategy” which is also called “system strategy” and “personalization strategy” which is also called “Human strategy” respectively. While codification strategy seeks to retrieve and store knowledge in explicit form (e.g., in information systems or databases) that can be easily transferred and reused by anyone in the organizations; the personalization strategy, on the other hand, seeks to capture and share tacit knowledge that resides in human minds, behavior, and perception. It evolves from person-to-person interact extensively to obtain knowledge. In other words, organizations who employ system strategy attempt to share knowledge formally, conversely, those who employ human strategy attempt to share knowledge informally (Choi and Lee, 2002).

3.3 Alignment between KM strategy and business strategy

As Tiwana (2000) mentions that “knowledge drives strategy and strategy drives knowledge management.” (p. 103). He also manifests that lacks of a link between KM and business strategy, even the superior KM system would result in inefficiency. Thus, chief strategic or chief knowledge executives should take note of the major impact of knowledge on the formulation of business strategy to organizational performance. Additionally, firms need to keep their KM strategy and knowledge projects consistent with corporate goals, as well as the other resources (e.g., technologies, techniques, skills, culture, etc.) to aligned with the corporate objectives (Bater, 1999). Consequently, once the alignment between KM strategy and business strategy is clearly cohered, the KM program is toward to the right direction for long-term advantage (Snyman and Kruger, 2004). In Asoh’s (2004) survey of 165 respondents from Fortune 1000 companies, using the perspective of fit as mediation; results indicated that the strategic alignment between business strategies and knowledge strategies has found to have a positive direct effect on performance. In a case study at Buckman Laboratories, drawing on the premise that the business gains from KM investments require alignment between business and knowledge strategies,
Abou-Zeid (2003) proposes a KM strategic alignment model (KMSAM) to unravel their critical role in analyzing and assessing alternatives strategic choices. To sum up, numerous of studies have asserted that KM practices should complement with business strategy to achieve best KM outcomes (Nonaka and Takeuchi, 1995; Shih and Chiang, 2005; Ulrich, 1998). Therefore, the alignment model, which is shown in Figure 4, containing business strategy and KM strategy, is proposed because of their reinforcement with each other and serving as the basis for performance.

![Figure 4: Theoretical alignment model](image)

### 4 Conclusion

Over the last couple of decades, many researchers, consultants, and practitioners have developed frameworks that attempt to find out the intercorrelations between IT/IS and business strategy (Marchand et al., 2001). Following the alignment perspective, there exits underlying issues for studies to be further addressed and discussed. For example, is there alignment relationship between KM strategy and business strategy? How organizations really deploy their KM strategy in conjunction with business strategy? Currently, little studies neither focus on the alignment issue in KM nor use a multiple perspectives to examine the holistic and bivariate pattern nature of fit between the strategies or capabilities that organizations possessed in examining their overall effectiveness on performance. This present research is based on a major premise that it is important to retain the holistic nature of strategic alignment. This follows Van de Ven's (1979) argument of fit as “that characteristics of environmental niches and organizational forms that must be joined together in a particular configuration to achieve completeness in a description of a social system—like pieces of a puzzle must be put together in certain ways to obtain a complete image” (p. 323). We hope that the alignment concept approach would not only provide more definitive answers about the nature of KM strategic alignment with a holistic perspective than the previous research did but also guide management practice in this important area.
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