Towards Knowledge-based Network: Examining Three Essays in Intra-organizational Learning Structure

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Abstract

In this paper we deploy three essays; the role of knowledge in developing long term network, the role of leadership, authority and power, and structure that enhance the knowledge-sharing performance. Using grounded theory approach combining both compressed intra-organizational researches from early 90’s to early 2000, we found that strong motivation to improved organization knowledge act as triggered for long term networks. Decision to live in open system requires visionary leaderships. At the same time each member may develop its knowledge learning structure. Moreover, eagerness to earn short term profit will be replaced by learning needs from twofold of network policies: (1) all members shared the same position in terms of knowledge but not in terms of structure since the key role should be played by knowledge mediator. (2) This affiliation will act as knowledge-coordinated network and might perform on stable or dynamic structure.

Keywords: knowledge based network, intra-organization, network, authority and power, network structure

1. Introduction

Revisiting Snow et.al (1993), the ideal 21st business network was found to be the investment-based intra-organizational collaboration. Within this concept, every member will see its position as future investment. Each party identified to share the same contribution in preserving the network. But in reality, the mechanism is not that ideal. The rising role of broker as the one who own more information than others had given the power and authority to control the network. The hole that stands for unrevealing information has opened more opportunities for broker to fill in (Burt, 1992; Tsai, 2001; Raider and Krackhardt, 2001). This structure proved to be the underlying format for most current business networks.

Several brokerage firms also found to be successfully developed its organization by becoming public companies. With this essence, it is clearly concluded that brokerage business entities formed to achieve an abnormal return trough the networks. If that holds true than all the other members within network must treat the system as sets of structural mechanism that may profitable in the long run. Unfortunately, if in fact the profitability levels lowered than expectation, then they may disconnect from the network (Burt, 1992; Crouch, 1998; Douhthit, 2000). Relating the three types of business networks proposed by Snow (1993), it is clearly understood that profit-oriented perspectives used to form the network, especially for the dynamic types. Once the network can no longer sustain the flow of profit then players might leave the structure immediately. Drawing back from the role of broker, we may say that brokerage firm has more responsibility to ensure that members are fully benefited from network. Instead of conclude it as challenges we ought to see the phenomenon as critical point. Economic turbulence required broker to enhance its knowledge to optimum position (Davenport, 1998; Provan, 2001; Legare, 2009; Conklin et.al, 2013). If they did not provide themselves with proper knowledge management system, then they won’t be able to perform well. This will lead to the destruction of networks in the long run.
Addressing the issue at conceptual framework, it is possible for us to have another type of network that may last longer. On the context of social capital, Burt (1993) succeeded in arguing the importance of non-profit oriented tie in the networks. One of the plausible factors for those criteria is the need to enhance member’s knowledge through organizational learning process (Jones, 2002). If it is proved then organization theory may have other alternative types of network namely knowledge-based intra-organizational structure. In order to get clear conclusion, this study was done using grounded theory. According to Scott (2009), grounded theory enabled researcher to develop a theory which offers an explanation about the main concern of the study which is intra-organizational mechanism. We analyzed several academic findings in area of organization theory that clearly describe network type and concerning the role of authority and power. The decision to use 1990’s – 2013’s article is to have updated results for those areas.

The paper will be divided into three major parts; (1) Examining the role of knowledge-motivation in developing long term networks, (2) describing the role of authority and power in the context of intra-organization learning network, and (3) how network manage its knowledge sharing mechanism. The study enclosed the findings with several future research agenda.

1. Literature Review

1.1 Examining the role of knowledge-motivation

Free trade eras had caused many organizations to be more responsive to environmental changes. Several ‘trade-coalition’ among regions tend to motivate each company to develop its competitive advantage. Kehler (2004) conclude that the key factor for victorious is through knowledge development. Knowledge has been recognized as the creator for many brilliant business ideas. Companies such as Toyota Corporation, Procter and Gamble, Unilever, Apple and Samsung have proofed that the power to become market leader is supported by strong idea that differs from others. The term such as; unique, un-imitable, and futuristic was believed to be the key evaluation factors for effectiveness of the idea. Motivation to live under open system environment can be well understood since there are structural inertias within organization (Hanan and Freeman, 1982). Every organization found to grow through the life cycle. As human life’s, organization started its operation with the birth stage, then developed themselves at the growth stage. This is actually the true survival-test for organization.

In real business life, growth stage had characterized as high increasing demand for goods or services (Sabol, et.al, 2013). The connection with both existing and potential customer found to be the strongest. The same facts can also be identified at the back office. Relationships between organization and their suppliers become stronger since the mutual connection was built successfully (Brown, 2002). Another strong relation happened between organization and their secondary stakeholder, including with competitor (Suarez, 2007). Moreover, the study succeeded in exploring hidden-idea connectivity among players. Unconsciously each player tried to learn from one another in order to know their basic strategy to survive. It doesn’t include the benchmarking process but also expert-transfer especially for the middle-up managerial position. The rise of professional-hijacking among player proved that the needs to acquire knowledge from other parties are important. In the long run, it is believed to be the basic reasons to deal with ‘red-ocean’ strategy where there is no abnormal return between players.

Engaging in ‘blue-ocean’ strategy required strong knowledge acquisition power (Mauborgne and Kim, 2005). Thus instead of double-loose solutions, organization are found to look for another positive ways. One of them is through collaboration (Smith, 2010). This included not only in terms of supply chain management process but also for the learning mechanism that sometimes tried to seek future’s knowledge.

Internet eras succeed in creating new open environment. It is now concluded to be eras of very little privacy. People’s paradigm was also shifted. Most society now thinks that sharing information and knowledge to other people can be valued as good deeds (Paulin, 2012). Desired for knowledge sharing is increasing for the last two decade. This behavior was believed to form our nowadays society. If this is true then the new code of conduct must be well considered by business sector. The development of organization theory has accommodated the new paradigm (Wang, 2010). Employee is no longer seen as mere resources within production process. Conversely, employee was admitted as vital capital (Manuelli, 2010; Goldin, 2014) even in the movement of capitalism. Business owner has realized that the role of human within production process is more important than raw materials, machines or capital. Some specific work stage can’t be done with automated machine.
More human touch needed to perform the duties. This implies that human capabilities played important role in creating better performance. Significance improvement of human factors will lead to better economic performance for organization.

Addressing human as organization’s important elements gave strong support to the concepts of learning curve. Roedieger and Smith (2012) explained that based on psychological perspectives, every human provided with capabilities to learn from every particular things. They have willingness to learn from their past experienced, especially when they have to face negative situation. The more unpleasant experience they have, the easiest they kept that on memory. In some points, the process gave huge impact to human’s knowledge scientifically (Karpicke, 2007). This is the reasons why organization had to prepare the plan for enhancing employee’s capabilities in the long run.

Study done by Carpenter (2008) found that short memory saving mechanism should be undertaken by systematic learning scaffold from one steps into another. Furthermore, this is the basis of acknowledging working environment as a learning process. The more excitement the process is, the tighten employee relation to its organization (Frank, 2004; Echoles, 2007; and Kyndt, 2009).

Preliminary survey done by Prasetyo (2015) regarding knowledge-retention factors found that the top three elements for engagements are; capability appreciation, learning and growth environment and autonomy. Those three elements were acted as basic reasons why employee remains stay within one organization for more than ten years. Another important finding in the study is that in some cases, top management has fully realized that providing appropriate learning mechanism can’t be done independently. The needs for collaboration with other organization increased with high demand for improving learning atmosphere.

Ambourgey and Rao (1996) regarding population ecology theory stated that up to one critical point, organization might think that in order to get survived in the long run, they have to build mutual alliance with other player. In this terminology, competition is no longer seen as ways of eliminating others but as means to triggered better economic performance (Kim, 2005). For specific reasons, the concept was developed to the understanding of organizational networks.

At the very first steps, network was understood as partnerships among those who may provide mutual benefits. But in fact, it doesn’t always seem that way. Former research done by Wu and Chen (2014) concluded that external collaboration might resulted in negative performance, especially for partnerships that didn’t based on equality in terms of intellectuality and capabilities. Those who have more power might control the collaboration mechanism. In that senses powerful organization will set up the learning code to the entire members within networks.

At the case of business alliance between middle-up and start-up companies, most partnership may be understood in terms of ‘buyer-supplier’. More powered organization tends to see their partners as outsourcing company. Thus the driving motive for partnership is mere transaction, although the first party might set up some learning code using standard operating procedures. Research done by Gray (2012) explained that standard operating procedure limits organizational capabilities to grow. It is acting as legal order from one party to another to please previous needs. Somehow the existence of knowledge-sharing culture becomes absurd. Thus there is signal that authority and power played major role in knowledge-developing network among parties.

2.2. Authority and power

Study about terminology of authority and power had increased since two decades. More scholars and business leaders start to aware the importance of developing appropriate authority. Peabody (1962) underlined sources of authority. During that time, sources of authority was believed coming from the two vital powers: (1) legitimacy that rise from informal organizational structure and (2) position that derived from formal organizational structure. Former scholars identified that one leader might have legal position within an organization. But since they got legitimacy from the followers, then he may gain fully authority. His words and thoughts were easily received by all members. Although it seems simple, to get the same opinion in the context of sender-receiver is very complex (Lunenburg, 2010). One vital factor called noise can’t be deleted during the sending process. It was impacted by the receiver educational background, life and working experience and points of interest (Green, 2010; Keyton, 2011 and Kneen, 2011). Therefore we might point out that leader’s understanding about all those matters has played important role in developing his authority.
Appropriate approach to the receiver’s mindset is very useful to gain their interest. Then, up to a certain level of understanding, all receivers will give their support to the leader. This is how legitimate authority comes from. The second sources of authority come from organizational structure. Some scholars have seen that at this type of sources, authority will be given to those who is appointed on the position. Taking research report done by Centre of Creative Leaderships (2015), it was found that 41% from total respondent agree that as a leader, they would feel powerful if they can get formal authority within an organization. This is because by having legal position, they can accommodate internal agenda to every decision and policy made. Somehow there is nothing wrong with this finding. But that is actually where the triggering factors to have misuse of power lies. At least 28% of the top leaders agree in saying that misuse of power do happened within their organization. From financial perspective we might say that presumably this is where agency problems can be identified. At one side, leaders know what to do, but as human they also share personal desire.

On the context of learning mechanism process, one can be sure that leader decision will drive the decisions. Without top management’s decision, collaboration for intra-organizational learning may not be done. McLaughin (2011) and Eva (2011) conclude that the very basic factor for effective intra-organizational knowledge would be corporate culture. They have to be an open minded organization that sees other as strategic partner and not as their true enemy. The absence of this spirit will lead partnerships at nowhere. Decision to use the paradigm needs strong support from the top management for some reasons: (1) they have to defend the idea to all stockholders, (2) they share the responsibility to be more transparent to all stakeholders, and (3) they need to protect organizational strength points. It is said that the only concepts that might effected leader’s decision to be an open minded is a strong vision.

Revisiting the concepts of how leaders made decision effectively, study done by Vroom and Jago (1974), Lester (1975) and Ross (2013) proofed that there are some internal and external factors played as moderating variable within the decision. One factor called knowledge played an important role. Knowledge that acquired from educational experience or work-life experience tend to impacted decision significantly. Referring to the concepts of open organization, it is possible to propose that leader who has experience working in open system organization tend to copy their preferences on current decisions. Conversely, those who never life under open system might share some rejection to held business collaboration especially with competitors. Without prior acceptances for the twofold facts, another important stage is how leader influence all members to receive his ideas. It is believed to require the existence of strong authority.

2. Discussion

2.1 Brief Overview of Authority and Power in Academic Literature

What are the differences between authority and power in organization? This could be the most familiar question that feasible for us to be discussed, since (1) some literature were found in using both term for the same purposes and (2) based on several professional opinion, the two term has complementary characteristics.

The study of authority and power in organization can be traced back to 1950 when Laswell and Kaplan wrote about ‘a power and society’. In his book, it was clearly explained that using political power as basic concepts, we can see that the source of power and how it is used to pursue one objective in terms of economies activity. Power can be defined as the ability to influence other to believe, behave or to value as those in power desire them to strengthen, confirm and validate their current ideas (Petress, 2000). The statement seems to be the extension of Kaplan (1952) definition. He defined power as ability to influence other among society. From its standing point we may understand that the ability has some political message to promote one idea to other party. That’s why in the real world, people might use pressure to other to receive their political thoughts. Some of them even found to use military pressure or economic embargo to force any civilization to receive their ideology. By subjugating one civilization, the owner of the power might give their influence freely.

The same essence can be implemented in business organization. By having great power, someone will be able to leads all member towards his goals. As long as his goals still have congruence with organizational vision and mission then one might say that it comes in the right ways. Study done by Morry (2007) found that interpersonal factors had played major role in creating power to influence other behavior. From this point of view, every leader has identified as the one who is responsible to protect the sustainability of the organization. His strong vision gave significant impact to the effectiveness of every direction.
Authority was understood as revelation of one’s power (Zambrano, 2000). Furthermore, authority lies between relationships: once one party is willing to receive other ideas then the authority comes in. Another best explanation was proposed by social theory of authority. Binmore (1998) argue that a social theory of authority tried to setting up common understanding regarding basic factors underlined the authority. As manifestation of power, authority can be identified within the process of one society tries to influence others. The point of success for the process shows that one side might have legitimated authority that built from trust and loyalty from the other side.

As time goes by, closeness in the relation can make authority become stronger. Salancik and Pfeffer (1977) entitled the paper with a phenomenal statement ‘Who gets power and how they hold on to it’. The study addressing the facts that once people own the power, their desire must be making it to last longer. The concepts found to be useful for several leaderships theory. Leadership is no longer about short term obligation but more to long life responsibility. Stuckelberger (2007) described that using Christian values; leaderships could be seen as long-life process. Every human was born to become a leader among several platforms: (1) for their individual life, (2) for the family, (3) for the organization and (4) for the nation or society. Based on that spirit, every leader must develop their capabilities to its optimum point. Therefore the efforts to manage relationships with all stakeholders must be distinguished perfectly (Sach, 2007).

With regard to description above, we may see that it’s not about how to gain authority and power but more to how leader can manage the two elements so it may last longer. The primary goal was not about individual wealth, but more to the goodness of organization. The new paradigm was supported Simon (1957), Peabody (1962), Greenleaf (1977), Colleman (1980), Paulina (1995), Russel (2002) and Edmon (2011).

3.2 Visionary leaderships

In order to think, act and behave at the best interest of the organization, leaders must provide themselves with clear vision. Brown (2003) concluded that the visioning process ended up with the ideal leadership action. It was found that visionary leadership in action played a true visioning function for the entire organization. Willingness to learn something new and try to look for any possibility to implement it for the best of the organization has made the legitimacy become stronger. They also found to have better ability to listen to other and playing role as life-mentor for all members. Thus it is just for us to propose visionary leadership on intra-organizational learning. Taylor (2013) had profound that visionary leadership is believed to be the form of transformational leadership. The only opposition is that visionary leadership ensuring their vision to live within each decision and policy. The spirit is not just transformational, unless the transformation was one of the great organization agenda.

Research on how human made decision from psychological perspective gave strong motion to the needs of visionary leader for the effective intra organizational learning. Newell and Shanks (2014) used experimental studies to learn the role of unconsciousness in decision making. They came into conclusion to see that separating the decision from consciousness and unconsciousness are useless. Since most decision made was based unconsciousness but for the further stages, every individual tried to build consciousness concerning the decisions. It just like building up strong reasons that can logically accepted. Furthermore, that reasons were found useful in convincing all members the benefits from intra-organizational learning networks.

Those last statements showed the role of authority and power in decision making process. Since intra-organizational learning is actually a form of collaboration, therefore business leader must deal with trade-off between current scarification and future higher benefits. The decision is found not only required logical reasoning process but also some unconsciousness framework that might be called vision (Johnsons, 2003; Idson, 2004; and Milkman, 2008).

All description above has succeeded in pointing out that deciding to join the intra-organizational learning network is not simple. Several considerations have to be carefully analyzed beyond cost and benefits calculations (see figure 1).
3.4 Knowledge-based type of networks

Exploring type of network that might enhance productivity on intra-organizational learning can be done using Snow (1993). Taking sociology perspective in organization, it is clearly defined that all companies must face its structural inertia (Hanan and Freeman, 1982). This was understood as consequences of living in open system. They need to change in order to be fitted to ever-changing environment. Ecological perspective sees that this process is compulsory for those who want to get survive upon economic turbulence situation (Armenakis and Bedeian, 1999). In its development phase, new member will come to join the organization. As they share the same mission and spirit, through their daily routine, they will provide the best performance to the company (Van de Ven and Poole, 1995; Pfeffer, 1997; Lawrence, 1998 and Mullet et al., 2004). Although it seems manageable, turn over in the organization is the basis for future mutual learning (March, 1991). Based on the believes that organizational learning is the prominent factor for long term sustainability, the study found that there is trade-off between knowledge exploration and knowledge exploitation in the company. High turn-over failed to ensure that the learning process will happen effectively, vice versa. Several previous findings also share the same results (Avery, 2007; Tariq and Ramzan, 2013). Employee turn-over seen as one vital factor for inefficiency.

Moreover, the effectiveness of organizational learning highly depends on the frequency of mutual learning culture among all members (March, 1991). Since it included injection of new ideas which sometimes diffused each member, then systematic and comprehensive plan for learning may play an important role. The evidence showed that the rising problems come from the spirit of social capital (Burts, 2000). Since all members within organizations are now realize the importance of social value of working rather than short-term profit orientation, therefore the forced to manage knowledge properly has grown rapidly.

The best approach would be setting up corporate’s learning code of conduct that counts for all members from the lower to the top management level. Another clear explanation is that learning process can be implemented in both closed and opened system organization. For the closed system, learning process is slower than the open system (Toby et al., 2004; Avery et al., 2007). Current research by Mouritsen et al. (2004) gave strong support to March (1991) by stating that for open system, organizational learning factors found to have the two basic properties; effects on personal turnover and environmental turbulence. There are evidences that although employees turnover may not give guarantee the quality of learning, but new positive paradigm brought by external personal may be induced to the organization. In the long run this mechanism will lead to a proper-radical changing.

Ortenblad (2002) argued that in radical perspective, organization must have specific learning objectives. It is used as key evaluation factor in measuring effectiveness of the learning process. If the evaluation concluded that organization had accomplished one particular objective, then they should prepare for another learning plan. So in this context, learning process must be managed as long term strategy. It will affect several policies such as employee turn-over, reward and punishment system, corporate culture and etc. In this study, the writer concluded that through the radical perspective point of view, free-learning spirit can’t be accomplished in an easy ways. Most owners have thoughts that effective learning process may influence their legitimate authority. Therefore the ‘dilemma’ between humanism and organizational needs must be solved fairly (McGinnis, 2013).
After describing the needs and challenges of organization learning in practice, we may conclude that this is an ever-ending point of thoughts. The learning process must be clearly defined between the ultimate goals within the organization or just moderating aspects. If they act as the ultimate goal, then scholar might propose knowledge-based networks as media to provide a long learning process.

Putting considerations all together we can come to identify types of knowledge-based networks. This might be extension from Snow (1993). Internet and technological development was taken into account to give strong guidance to the conclusion that most organizations are facing shorter life cycle for both in terms of product and ages.

The proposed type of knowledge based network can be seen on figure 2. For the two types we tend to use the term open-source for supplier and distributor since creating closed system within current business atmosphere is too difficult (Amagoh, 2008; and Greenberg, 2009). Stable network can be best defined as those who already have stability for knowledge circulation among members. Thus the supporting efforts by open source of supplier may perform as knowledge input that will be processed by the core network.

![Figure 2: Types of knowledge based network](image)

The same essence also can be found on the second types. At dynamic network system, knowledge mediator played an important role. By providing knowledge ready to be counted into considerations, mediator might raise signal to all members, including for the player namely future designer. The finding give strong support to Jones (2002) as collaboration tried to form long term mutual benefits to each member, thus mediator’s primary obligation is providing knowledge timely. Another key role of the moderator is to provide the most effective communication methods (Kleinbaum, 2009). Although research on the failure of business network is still limited, but Kortland (2003) concluded that ineffective communication shared the possibility to face failure on business collaboration. For some reasons this can be logically accepted since lack of communication may create different opinion.

One critical point in this concept is concerning language literacy. Free trade era has force organization to developed knowledge-based network across nation. This leads to the use of different language as the source of communication. Therefore defining knowledge database for each native would be advantageous. This could be the third role of knowledge administrator.

3. Future implications

This study has limitation by providing only the model of knowledge-based network without clearly identified the characteristic of knowledge mediator and its development of future role. Further research needs to explore more about the relationships between authority, power and how it can be used properly to create better knowledge-based network.

Major implication from this study is that it might change organization perspectives concerning networks. Intra-organizational collaboration was now found not only to gain short term profit but more to sustain the operations. Addressing network as sources of knowledge may smoothen the tension of authority and power within collaboration’s structure. Equality of contribution can be created easily.
There will be no player with stronger authority and power to others. As they shared the same portion, then there is strong signal that in the long run they will choose knowledge-mediator to the networks. Thus every member will give authority and power to the mediator by setting up the rules. Mutual contract in this context will play as control mechanism for future knowledge development process.

Another unique finding from this study is concerning the impact of internet evolution unto network management. Basic concepts of internal network proposed by Snow (1993) stated that in some manners, the core player tend to create another form of closed-system could be replaced by the understanding of dynamic dyadic organizational characteristics. Since information from the internet is accessible for everyone then network can be concluded as living under open-system environment. As matter a fact, each member within networks has the opportunity to leave the structure once they found another better network. Therefore while developing knowledge-based network every participants must formed un-comparable type of knowledge that may tie them up. Several factors with possibility to be the strong tie are: (1) motivation to be pioneer, (2) un-imitated capabilities among member, and (3) oligopolistic market mechanism. Future research can be undertaken to identify factors that has the ability to ensure the effectiveness of knowledge-based networks. This can be deployed from the three possibility tie mentioned above.

4. Conclusion

The paper had answered the three essays. Decision to live within intra-organizational mechanism was found to be the hardest thing to do since it included the role of authority and power that direct bureaucratic system that already exists. Therefore examining the aspects required us to use some leadership concepts. Among the other type of leadership, visionary leaderships shared the highest possibility to make the network decision faster. This is because opening organization unto network relies on the leader’s instinct and experience. For more specific reason sometimes organization need to lower their authority and power level to have better collaboration with other parties. Therefore scholars need to think another element that directs the motivation for organization to have mutual-collaboration.

Moreover, the need to have accurate and timely knowledge had grown rapidly especially on the internet era. This leads to the basic reasons which most organization formed their business networks. Key performance indicator for the networks has shifted from profit-concerned to more sustain motive which are knowledge preserving spirits. Within the spirit, it is possible to look at each member’s contribution at the same portion, but not in the context of network structure.

Taking internet and technological changes, business turbulence and impact of open economy into account, types of network and its structure has to be expanded. The role of brokerage firm that used to allocate resources (including information) fairly among members now has change into knowledge mediator. This leads to the development of two major types of knowledge-based networks by addressing the role of knowledge mediator, open-source of supplier and open-source of distributor.

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