

# **KNOWLEDGE MANAGEMENT IN CHINESE CORPORATIONS**

Faxiang Chen<sup>1</sup>

## **Abstract**

*Knowledge management (KM) is a management principle and method that is necessary for a modern organization. Chinese significant high-priority to become a more knowledge-based economy and society means that knowledge management is becoming increasingly important. Knowledge management, however, is a new concept to most managers in Chinese corporations, despite having been implemented in many firms in Western countries' firms in the past two decades. This paper will discuss how knowledge works and what knowledge management is and proposes a knowledge management framework for supporting Chinese corporation development. In addition it will analyze the current state of KM in Chinese corporations. Then this paper will indicate why KM is an important development strategy in the Chinese corporations currently and propose how Chinese firms can successfully implement KM strategies in the Chinese culture and technological context. This paper also gives some examples to show how KM can bring a promising future to Chinese corporations.*

Key words: knowledge management, knowledge sharing, culture, strategy, organization learning

## **1. Introduction:**

Research on development strategies in Chinese corporations has the potential to make substantial contributions to the development of the Chinese economy, society and research. The Chinese government began its economic reform policies, encouraged experiments in enterprise autonomy, reduced central planning, and attracted direct foreign investment into China following the pivotal December 1978 Third Plenum of the 11th Party Congress Central Committee. This changed environment had a heavy influence to the development of Chinese enterprises (Chen 1995, pp. 113-126). Nowadays, Chinese corporations not only have more opportunities but also more challenges in a globalizing environment. The opportunities comprise low human capital costs, huge domestic markets, and rich regional material supplies. China is one of the countries with the lowest human capital costs in the world. It has a 1.3 billion population in its domestic market, and a 9.6 million square kilometer area with rich regional supplies of materials. However, the challenges also are crucial and urgent. In contrast to their foreign counterparts, Chinese corporations lack the experience of a market economy and advanced management. Chinese corporations, therefore, should adopt the advanced management theories of Western firms and learn from their

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<sup>1</sup> F.X. Chen Associate Professor, School of Management, Hefei University of Technology, Hefei, China, (Phone: 04-23290914, Fax: 03-99032205, Email: robin.chen@infotech.monash.edu.au or faxiang\_chen@yahoo.com), Currently – a Visiting Researcher at Monash University, Melbourne, Australia.

advanced experience in order to improve organizational management.

Knowledge management has been adopted by Western firms as an organizational development strategy during the past two decades. KM strategies can facilitate organizational knowledge work and maintain competitive advantages. Knowledge management has become a very 'hot' topic today and plays a key role, as an integrated methodology, in making companies competitive. However, few of Chinese companies have adopted KM strategies and have benefited from them.

This paper proposes a knowledge management framework for supporting Chinese corporate development. It is based on many case studies of the knowledge management of knowledge intensive organizations, which have been successfully implemented in recent years (Rao 2003, Mertins, Heisig, & Vorbeck 2003, Davenport & Probst 2002). It is also informed by the Monash Task-based KM framework (Burstein & Linger 2003, 2006). This model includes six activities of knowledge management: capturing, storing, sharing, learning, exploiting and exploring knowledge. It also highlights three factors in the process of implementing KM strategies: people, technology and policy. Based on the dynamic knowledge management model, this paper analyzes how knowledge works in an organization and the impact of three key factors for implementing a knowledge management strategy in Chinese cultural and technological context. Then it analyzes why Chinese firms need KM for their development in both global economic environments and corporate development. Finally, this paper describes how an organization can implement a KM strategy linked with the three key factors of implementing KM based on the current state of Chinese firms. A KM strategy can act at different levels such as the individual, group, organization, and even the country. This paper focuses the most notable factors on the management levels of an organization.

## **2. A knowledge management framework**

Knowledge has become the most precious property of an organization and is one of the core elements in an evolving corporation in the age of knowledge economy. In the other words, knowledge is the basis of modern organizational existence, especially knowledge intensive organizations. The term of "knowledge" refers to two different forms: explicit and tacit knowledge. These make a different contribution to an enterprise depending on their different characteristics. Explicit knowledge is the knowledge that can be codified, documented, stored, transmitted, shared and learned indirectly. Tacit knowledge is based on the personal accumulated experience and learning, which is rarely reproduced, and is shared in direct ways (Debowski 2006, pp. 17-18). Sharing tacit knowledge is most like to be transferred via face-to-face activities. Tacit knowledge is more difficult to access without ongoing engagement with the knowledge possessor. However, organizational tacit knowledge is often the competitive advantage of the organization in markets and possesses the higher value.

Knowledge is the most important driver of development of an organization in today's knowledge-economic environment (Sunassee and Sewry 2003). An enterprise is separated from its competitors by the intellectual capital which it possesses. The evolvement of an organization depends on its employees' collaboration because most organizational knowledge is located in an employee's personal space. However, it is not easy to get this "collaboration" as there are many barriers between employees. Knowledge management strategies are essential to develop the organizational intellectual capital. Many definitions of knowledge management have been explored by scholars and practitioners in recent years (Macintosh, Filby, and Kingston 1999, Jashapara 2004, p.12, Newell, Roberson, Scarbrough, & Swan 2002, p.16). In this paper, the concept of knowledge management is defined as: Knowledge management is a multidisciplinary approach focusing on knowledge work as the core and an integrated methodology, which leads to using knowledge effectively and efficiently through capturing, storing, sharing, learning, exploiting, and exploring knowledge sustained by human resources and information technology in an organization.

A dynamic knowledge management model (Fig. 1) is suggested for the development of a corporation. In this model, there are six interlinked activities for implementation of KM: knowledge capturing, knowledge storing, knowledge sharing, knowledge learning, knowledge exploiting, and knowledge exploring. There are also three main factors for implementing a KM strategy: people, technology, and policy. People, of course, is the most important factor which carries out all of the six activities in the process of KM. Technology directly affects the activities of capturing, storing and learning knowledge. Policy mainly connects with the sharing, exploiting, and exploring of knowledge.

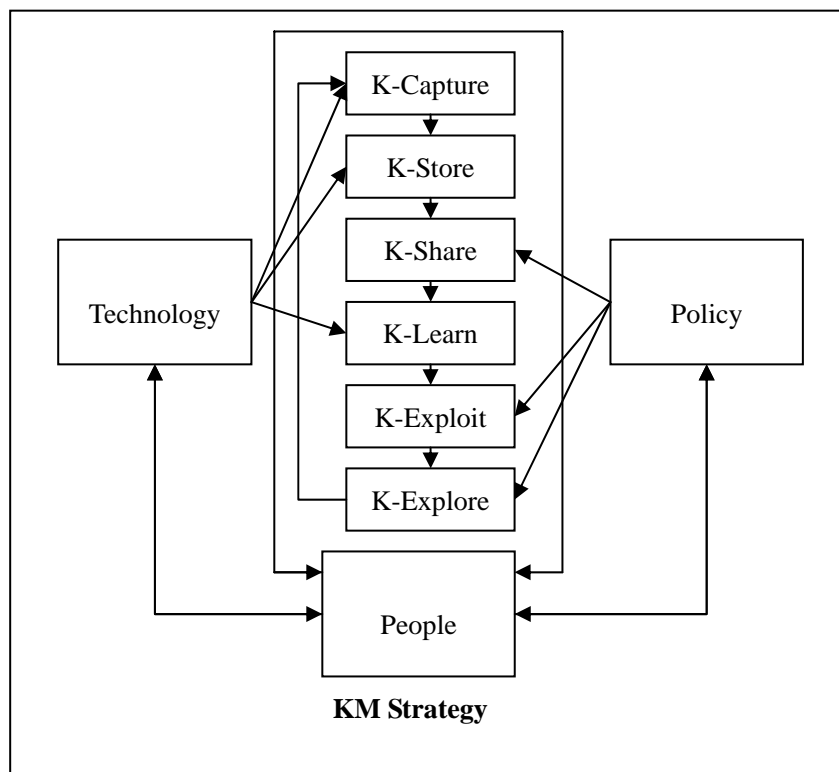


Figure 1 A dynamic model of knowledge management

Knowledge capturing means an organization has to know where and how it can get the knowledge that it needs when it decides to implement KM strategies. The first task is that it has to know what knowledge it needs, what knowledge it knows, what knowledge it has, and what knowledge it lacks. Knowledge capturing is the beginning of knowledge management for current or future strategies. For instance, BP has continued to work with the analogy of a “knowledge bank” of captured knowledge, which can be “withdrawn” before learning and “paid in” after learning. (Mertins, et al 2003, p234)

Knowledge storing is the process of identifying, classifying, and storing knowledge and establishing repositories. It may be easier for organizations to store knowledge in their databases utilizing IT. However, the knowledge in the databases has to be classified carefully and be updated regularly so that employees can use it easily. Likewise organizations have to eliminate obsolete knowledge to avoid knowledge overload.

Knowledge sharing is one of the most significant activities of knowledge work in all the processes of KM projects. Employees can gain the knowledge they need at the least cost, not in money but time, when they just open their minds to each other. Only when knowledge is shared daily can organizations use the knowledge effectively and efficiently. When an organization begins a KM project, it has to change organizational culture to overcome various obstacles to knowledge sharing. Of course, current information technology facilitates knowledge sharing via the internet and the intranet in an organization, such as ICT.

Knowledge learning is another significant KM activity. Employees can learn explicit knowledge from documents, books, newspapers, and other materials. Organizations can enhance this learning process by putting necessary knowledge and learning guides on an intranet. Experts online can improve employees’ learning interests and encourage them to extend their knowledge areas. Therefore technology has a crucial role in these processes of learning (Shaikh & Cornford 2005). However it is more difficult for employees to learn tacit knowledge, which often gives an organization a competitive advantage. Support is needed to gain the advantage of this knowledge which is most likely learned through face-to-face interaction.

Knowledge exploring and exploiting processes are the core activities when organizations develop KM projects to keep their competitive advantages so that they can be differentiated from their competitors. A healthy developing organization should keep using and generating knowledge which puts new functions into old productions, provides new knowledge to customer services, and creates new products. Knowledge exploring and exploiting are mostly based on knowledge learning and sharing. Mikulecky (2005) indicates that, while many organizations have implemented KM

strategies, only those which exploit and explore knowledge via leverage knowledge and the best practice are successful.

### **3. Developing Chinese corporations need knowledge management strategies**

KM strategies can facilitate Chinese Companies to gain competitive advantages in the global economic environment. China's investment climate has changed dramatically since it reformed its economic policies and opened its doors to the outside world in 1979. Chinese government has authorized the establishment of wholly foreign-owned enterprises, facilitated direct contact between Chinese and foreign trading enterprises, and allowed foreign investors to manufacture and sell a wide range of goods in domestic markets since the early 1990s. Foreign direct investment (FDI) grew quickly first through joint-ventures then through wholly foreign-owned enterprises. In 2005 China, as one of the leading recipients of FDI in the world, received \$60 billion of a cumulative total of \$623.8 billion. To investors and firms, especially following China's formal accession to the World Trade Organization (WTO) in December 2001, China represents a vast market that has yet to be fully tapped and provides a low-cost base for export-oriented production. As part of this far-reaching trade liberalization agreement, China agreed to lower tariffs and to abolish market impediments. Chinese and foreign businessmen, for example, gained the right to import and export on their own, and to sell their products without going through a government middleman. China therefore has taken important steps towards opening its foreign trading system and integrating itself into the world trading system (Background note: China 2005).

With this economic background, all Chinese enterprises, whether state-owned enterprises (SOEs) or private (non-state) ventures (PVs), have severe competitive pressure from their foreign counterparts. If an enterprise is to survive and develop in the long term in this competitive environment, it has to employ an efficient strategy to organize its knowledge and the process of knowledge flow – KM, is now the preferred strategy of Western firms. KM is an effective management strategy for Chinese organizations to enhance their corporate core competitive capabilities and to achieve long-term development.

KM strategies can facilitate the development of an organization. Chinese organizations are facing a number of conflicts in this very competitive contemporary environment. First, knowledge updates occur faster and faster, as the period of knowledge value becomes shorter and shorter, however employees always tend towards inertia. Second, organizations have been increasingly globalizing and extending, however they have not had enough quality managers and experienced employees. Third, a conflict occurs with knowledge overload on the internet and the intranet, and on the same time organizations cannot get the knowledge they need in time. Fourth, organizations want to keep developing steadily, however there are increasing trends for employees to retire earlier and to increase their mobility. Fifth, organizations motivate knowledge sharing, however employees like to monopolize

their knowledge. Finally, a subsequent reversal strategy may lead to a renewed knowledge requirement, but the employees who possess this knowledge may have left.

These conflicts involve organizational knowledge repositories, markets, management, technologies, and services. Macintosh et al (1999) describe knowledge assets as the knowledge regarding markets, products, technologies and organizations. A business owns or needs to own knowledge which enables its business processes to add value and to generate profits. Knowledge management is not only about managing these knowledge assets but managing the processes of knowledge activities. KM may enable organizations to share their knowledge, to prevent knowledge loss, and to make knowledge work well.

KM initiatives can facilitate knowledge creation for Chinese corporations: changing “made in China” into “created in China”. Knowledge updates faster and faster as the period of knowledge value becomes shorter and shorter. To remain competitive in global markets, Chinese firms have to create the knowledge of their own intellectual property rights as they follow Western knowledge and skills closely. In 2006, the Chinese government called for Chinese firms to improve their knowledge innovating capabilities and to build knowledge intensive enterprises for the next five years. However, there are some serious issues to overcome, such as high investment costs, high consumption, high pollution, difficulties with recycling, and low efficiency, while the Chinese economy keeps developing at a high speed and gains great achievement. Chinese firms have to solve these issues as soon as possible. They depend on creating new knowledge and also contributing their knowledge towards building a knowledge intensive society in China.

Many experts and practitioners believe KM can enable an organization to create (Newell et al 2002, p.16, Tiwana 2002, p.4). Although Chinese products are branded “made in China” and have been marketed in every corner of the world, the intellectual property rights of most of them belong Western companies whilst Chinese firms just make and sell them. Every one of Chinese enterprises has the responsibility to provide Chinese products marked “created in China” to the global market. Therefore Chinese firms have to produce more new products with their own intellectual property rights if they want to extend their global markets and gain long-term development.

Chinese corporations can improve even gain corporate core competitive advantages from KM initiatives. Chinese organizations have been increasingly globalizing and extending, however, they have not had enough, not only quality managers and experienced employees, but also rich international management experience and theories. To improve corporate core competitive capability and compete with their Western counterparts, they need to implement KM strategies.

Considerable foreign investment capital has come into the Chinese economy since

China applied its open-door economic policy in the early 1980s. Many more overseas companies are preparing to invest in China. They will become strong competitors for firms in China, particularly in knowledge and technology intensive businesses. Meanwhile, many of Chinese large companies are extending to other countries to participate in the global economic competition. This situation requires Chinese companies to make their organizational knowledge work well and to gain a core competitive capability. ZZ is a famous consulting company in China. Liu, as the general manager of ZZ, believes the biggest gap between Chinese companies and their foreign counterparts is that the latter have successfully implemented KM strategies and accumulated repositories and experience. For the future development of ZZ, Liu and his colleagues have initiated KM strategies since early 2002 (AMT, 2004).

KM initiatives enable Chinese corporations' knowledge flow and knowledge work well. When talking about organizational knowledge, many managers have experienced a conflict in recent years. One side of the conflict is knowledge overload on the internet and the intranet, another side is that their organizations cannot get the knowledge they need in time. Mapping and locating knowledge has become so important that many foreign companies have employed specific consultant companies to design an organizational work flow in their firms.

Chinese firms have much experience in losing knowledge when their employees retire or change to a new job. This lost knowledge often influences, and sometimes even hinders the development of the corporation. Subsequently a renewed knowledge requirement may occur because the employees who possess this knowledge may have left. Such issues can be solved in an organization if the organization has successfully implemented good knowledge management practices.

#### **4. Implementing task-based KM systems in Chinese corporations**

The task-based KM system can make an organizational efficiency to supply market demand as well as the organization's internal knowledge management activities including knowledge capturing, storing, sharing, learning, exploiting, and exploring (Burstein & Linger 2003, 2006). Figure 1 represents three key factors for implementing knowledge management strategies: people, technology, and policy. An enterprise has to organize these three infrastructure factors well in order to implement a successful KM strategy. People are the central factor which directly decides everything in knowledge management projects, together with the other two supporting factors. Technology facilitates knowledge management projects in knowledge work activities and also can affect the employees' performance. Policy measures and values mainly affect the employees' performance in implementing knowledge management successfully.

Chinese firms have to consider these factors in the context of Chinese culture.

Although there are many successful KM models in western corporations, Chinese firms have to design KM systems in accordance with local culture. There is certainly no doubt about the failure of many of Chinese companies which directly adopted foreign management theories to use in the Chinese culture environment. This paper proposes that Chinese firms should consider three key factors in the process of implementation of KM strategies in local technological and cultural environments.

## **People**

Top management of Chinese corporations has to overcome shortsighted action and to design long-term development plans. KM strategies are aimed at knowledge flow and work flow instead of directly providing benefits from local and global markets. Many managers, especially top managers, may not know clearly the effects of KM strategies because they have a barrier of short-term goals and benefits for their enterprises, not only in SOEs but also in PVs. Nowadays in the Chinese anomalous market environments, there are many opportunities to gain short-term benefits due to the privileges of power, the low price of labor, elements of policies, monopolies of materials and special inter-relationships. Many of Chinese enterprises can utilize these opportunities to earn money quickly in the short term without using technology or other capabilities. Therefore the managers of these organizations have less of an interest in adopting KM strategies for the long-term development of their organizations. The result of this option is a crucial mistake which may cause the organization to experience losses to its core competitive capabilities and to be disadvantaged in future markets.

The managers of knowledge management projects should seek top management support in Chinese corporations. Top management as sponsors of KM projects give these projects financial support. They are also key people in decision making because their opinions decide if KM projects can continue in their organizations. In a Chinese company, this issue is more important than in a western enterprise. Martinsons (2004) has investigated the implementing of ERP systems in eight of Chinese enterprises including four SOEs and four PVs. The result was that all four successful cases were initiated by top management in contrast to all three cases of failure which were initiated by IT managers.

Chinese corporations should motivate their employees to enhance customer-oriented knowledge work. Customers are the power and source of KM projects. One survey indicated that 74.5 per cent of organizations thought knowledge management should be viewed as a means of helping organizations to increase customer satisfaction and 55.7 per cent of service firms saw their customers as the most important source of knowledge (Mertins, et al. 2003, pp4-5). Buchman Laboratories has developed a strategy to close the knowledge gap with its customers faster than its competitors could. This meant that its employees have to focus on releasing the knowledge in the company for creative use in meeting the needs of the customer anytime, anywhere in

the world. (Buchman & Meek 2005).

However, in Chinese organizations, customers' suggestions or complaints are often ignored as their foreign counterparts regard them while an important resource for creating new services or products. The survey carried out by Martinsons (2004) indicates less than ten percent of Chinese firms are able to improve their responses to customer needs as they implement ERP (Enterprise Resources Planning) often through reorganized task responsibilities or consolidated key processes.

Chinese corporations should build a knowledge worker team like their Western counterparts for KM initiatives. In building a knowledge worker team, it is crucial that members are given the responsibility to develop knowledge management projects. Newell, et al (2002, p.18) suggest that knowledge workers are characterized as individuals with high levels of education and specialist skills combined with the ability to apply these skills to identify and solve problems. Their initiatives make the process of implementing KM projects more fluent. Their tasks are often linked with their daily jobs and involve all employees in the corporation.

## **Technology**

Chinese corporations fully utilize advanced information systems or technology for KM initiatives. One reason for knowledge management being implemented universally in the most recent couple of decades is the benefits of information technology being developed which provides strong technological support. Advanced technology facilitates and enables knowledge management and is a key factor in the implementation of KM. This has been seen in many knowledge management cases. Technology is not just 'another' enabler for KM but a 'key' one; technology-assisted platforms like My.Oracle.com, GlobalXchange, Knowledge areas and Community Areas help KM concepts be put into action in the Oracle Corporation (Rao 2003, p40). Tiwana (2002, p128) claims that technologies can enable KM to find knowledge, to create new knowledge, to package and assemble knowledge, to apply knowledge, and to reuse and revalidate knowledge. The Infosys knowledge portal has been designed to provide all the basic functionality and features associated with robust, scalable and secure enterprise knowledge portals with assured availability across geographical and time boundaries. Infosys's experience also provides a good example showing that an effective and scalable technology infrastructure can be built for knowledge management without necessarily deploying expensive hardware or special KM software products (Rao 2003, pp260-263).

Technology in KM projects of an organization includes specific software and hardware applications, mainly utilizing advanced technology systems for capturing, storing, and sharing knowledge. Technology is one of the key elements in the process of implementation of a KM strategy. However, Chinese corporations are seriously lacking or do not use information systems and technologies that could facilitate

employees' and organizational knowledge work performance. In recent years, some provincial governments have been pushing their regional organizations to adopt new technologies and international standards (Garg & Ma 2005). A successful implementation of KM strategies must adopt a range of knowledge management technologies, including significant enhancement of the content management system to allow data mining from a range of sources, collaborative group work using group ware, knowledge repositories and conferencing technologies.

A Web-based knowledge management system is essential to a KM strategy in an organization. The knowledge management system (KMS) is the technological basis of efficient knowledge management. KMS provide the technical support for knowledge capturing, storing, learning, sharing, exploiting, and exploring to meet the organization's knowledge priorities and enable knowledge exchange to occur freely, readily and openly across the many different stakeholders in organizations. KMS is a common platform for employees to acquire, document, transfer, create and apply knowledge. An effective KMS should have no major impediment to good knowledge practice as its members seek to share or acquire knowledge from many available sources. Technological systems' functions in KMS include maintaining a record of all electronic assets, automatically indexing those assets, categorizing and annotating records being held, enabling searching across the records, automatically trawling existing databases on a regular schedule, and providing a common platform throughout the organization for sharing these capabilities. Technology not only can facilitate knowledge interactions distribution, retrieval and retention but also can influence of the knowledge philosophy and their subsequent readiness to accept further technological innovations (Debowski 2006, pp. 140-141).

## **Policy**

The role of policy in the process of implementation of KM strategies is its support for establishing a rational mechanism for sharing, exploiting, and exploring knowledge. Almost all organizations which have implemented KM have integrated KM projects into their business processes. Their organizational structure should have an awareness of KM from top to bottom. These organizations have established a series of policies to promote knowledge sharing, to reward a drive towards knowledge exploration and exploitation, and to support collaboration across all employees and units. For example, MITRE's knowledge management strategy enhances mission outcomes by leveraging internal and external expertise and assets, supporting the exchange of knowledge among employees, individuals and groups and supporting knowledge re-use through the capturing and sharing of knowledge (Rao 2003, p294).

When a KM initiative as a new concept or approach is adopted by an organization, some employees may hesitate to accept it while other employees may readily apply it. Then policy supports are needed to sustain the cultural change. Organizational culture influences strongly employees' performance. Chinese corporations should foster a

suitable culture for successfully implementing KM. Chinese corporate culture has its own unique characteristics in contrast to foreign organizations. Burrows, Drummond, and Martinsons (2005) believe that KM in China is not only constrained by technological limitations but also is influenced more by the Chinese culture. Compared with the United States and Japan, it is more difficult to implement KM strategies in China. In technology, Chinese corporations rarely develop information systems to capture knowledge. In the culture, the management, especially the general manager (the biggest boss) of Chinese corporations makes decision more likely depending on a collective group approach, in other words nobody has the responsibility for a faulty decision. The communication between employees and senior managers is mostly unidirectional. Garg and Ma (2005) indicate that Chinese organizations used to exhibit a more autocratic leadership style with no team-building effort, less contact between the senior management and the workers, a greater sense of uncertainty, and a distant and aloof management style. These are the barriers to organizational knowledge sharing and learning and may lead to failure of KM projects.

It is very useful to investigate how Western companies have changed their cultures for knowledge management initiatives and how Chinese firms which intend to implement KM strategies can do the same. Western companies are more team oriented, with an accountable and effective leadership style focusing on greater individualism, a greater effort to promote certainty and stability, lesser differences between power structures, and greater masculinity by having a more assertive and confident leadership style (Burrows et al 2005). Buchman and Meek (2005) suggest that trust is critical to achieving knowledge sharing and learning. Employees are willing to share their knowledge when management must trust employees to do their best at all times and tolerate mistakes depending on their KM strategies practices. For example, Buchman Laboratories, which is a global chemical company, started the modification of its culture by determining the values that were significant to the associates of the company so that its employees could communicate and collaborate effectively across time and space. It has built a foundation of trust which enables the knowledge initiatives that exist across the organization today. Another example, to create a knowledge sharing culture, E&Y has championed the value of the knowledge process, built employee performance measurement systems, integrated the culture into training and career development, promoted internal communication, and established clearly defined roles (Muzumder 1998).

Chinese corporations should align knowledge actions with the employees' daily work. The implementation of KM strategies in an organization requires that every employee, not only knowledge workers, should contribute effective knowledge work every day. Employees' initiatives on KM are very important because their work is the basic force of KM projects. They should use their initiatives to share their knowledge willingly and make some contributions to developing KM projects. So it is necessary that the organization establishes an employee performance measure system which

indicates what performance it wishes to review. These performances include all knowledge activities and collaboration actions. For example, ZZ company did not gain an expected result at first year of implementing KM strategies because it just focused on its top and middle management but not all employees then. It began to promote knowledge accumulating and sharing amongst all employees in the end of 2002 for its KM (AMT 2004).

Chinese corporations should foster communities of practice (CoPs) throughout all their organizations. CoPs have existed as informal social groups for a long time and perform a crucial role in daily life and work. However, the term “Communities of Practice”, which comes to our notice as a new concept, was developed by Lave and Wenger (1991, p. 29) a decade and a half ago. CoPs are mainly used for organizational learning and knowledge creating in modern corporations. Western organizations have invested a large amount of money and time in fostering and organizing CoPs when they implement knowledge management strategies. Communities of practice are becoming a priority in many organizations in order to share knowledge and to facilitate knowledge flow and work flow. As the APQC (2004) shares:

*CoPs are becoming the core knowledge strategy for global organizations. As group of people who come together to share and learn from one another face-to-face and virtually, communities of practice are held together by a common interest in a body of knowledge and are driven by a desire and need to share problems, experience, insights, templates, tools, and best practices.*

CoPs exist mainly as informal groups, which are called self-organizing groups. Wenger (1998, p.7) suggests that communities of practice are so informal and so pervasive that they are too familiar to come into explicit focus. Most of them do not have a name, a date of establishment, or a checklist of members. CoPs provide an opportunity to learn and to create new knowledge. People can deepen, expand, examine, and rethink their intuitions in communities of practice. CoPs can facilitate organizational workflow and knowledge flow via their individual member's interaction (Wenger 1998, pp.46-47). There are various barriers which obstruct knowledge generation and creation in organizations. CoPs can span organizations and overcome these barriers efficiently for knowledge transferring and innovating in an organization. In Oracle EMEA, around 30 per cent of employees are members of one or more communities and more than 70 per cent of members say that their communities add value to their job performance (Rao 2003, pp392).

## **5. Conclusion**

The strategy of KM has enabled unprecedented innovation and productivity across many countries' private and public sectors in the Western world. In recent years, the Chinese government has encouraged domestic knowledge creation in both universities and enterprises for establishing a knowledge style society. Chinese firms, both

state-owned and private enterprise, are increasingly seeking to improve their core competitive capabilities by learning from their counterparts or by innovating new knowledge themselves. KM strategy is becoming necessary and indispensable.

However, there are some barriers to implementing KM strategy in Chinese corporations. In Chinese culture, Chinese organizational managers prefer to trust personal relationships and their own intuition to make decision rather than rely on statistical analysis. Unidirectional information flow, which commonly exists in Chinese organizations, hampers organizational learning, sharing and creating knowledge. In current technology, there are few information systems designed to capture reusable and transferable knowledge and few data warehouses and intranets for enabling widespread access to organization-specific knowledge. Therefore, to compete and succeed globally, Chinese companies must overcome their own inherent cultural constraints and enhance their technological strengths in the process of implementing KM strategies. (Burrows et al 2005).

Chinese corporations are developing at a faster speed than at anytime before. They maintain many advantages as a result of their growth, such as a low human capital cost, huge domestic markets, and rich regional material supplies while they have to face the critical challenge of management problems. The key issue is how they can improve their management levels to keep a rapid and steady development. By the strong will that enables full participation in global competition, Chinese corporations have to make their knowledge work well and align KM with their business strategies.

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