KNOWLEDGE MANAGEMENT AS AN ECONOMIC DEVELOPMENT STRATEGY

Knowledge Management (KM)

KM is a set of techniques and tools to uncover and utilize information and knowledge assets—
especially tacit knowledge. Economic development organizations can use KM tools to enhance
external communications of local companies including marketing and to promote internal communications within local businesses and help companies capture tacit knowledge. More
importantly, they can use those tools to uncover and develop local intellectual assets, including
helping develop information products, and helping identify entrepreneurial and business opportunities. KM tools are also useful in developing local economic clusters. Finally, these
tools can be used to enhance external knowledge sharing among the economic development
community and to capture and share tacit knowledge within an economic development organization.

The information age is also having a profound impact on those industries that utilize technology
and information. Both manufacturing and services have been transformed by the IT revolution.
The importance of information as an input to the production process—both to better meet customer demand and to continuously improve the product and the process—is one aspect of the
impact. The speed with which knowledge is created and exchanged is another. In this digital
marketplace, instantaneous information must be processed as quickly as possible. Otherwise
advantage can be ceded to competitors.
In the information era, productive capability is no longer completely dependent on capital and
equipment. Productive capability is more and more a function of workers' skills, knowledge and
expertise. Peter Drucker has observed:
Increasingly, the human being does not work in mass production, but in what might be called "team production." And that means that increasingly the producing human being is a knowledge worker. Workers as they did before the Industrial Revolution, own the means of production. The means is between their ears.[3]
As information and knowledge become more important, organizations are re-structuring

themselves to better utilize these assets. Empowerment, flattening and decentralization of the organization, and a focus on innovation and continuous improvement are all hallmarks of the modern enterprise. Networked forms of organization are arising that draw in suppliers and customers, as well as workers, as knowledge sources and information processors. This reorganization of work originated in manufacturing and has spread to virtually all forms of work including services and government activities.

Knowledge is information combined with experience, context, interpretation, and reflection. It is a high- value form of information that is ready to apply to decisions and actions.[4]
Making decisions and solving problems involves much more than systematic and rational analysis.[5] It involves "making the gut choice" or "just doing what had to be done." It is a process of assessing a situation and acting. That part of our knowledge base is intuitive and experiential:
The skilled carpenter knows just how a given variety of wood must be handled, or what type of joint will best serve his purpose at a particular edge. To say that he "knows" these things is not to claim that he could put his knowledge into words. . . The practitioner's knowledge of the medium is tacit. It is essential to the skilled practice: the carpenter uses what he knows with every stroke of his tools.[6]
The ability to develop and then utilize this tacit knowledge is what distinguishes an expert—be it a line worker in a paper mill, a brain surgeon or a computer software developer.
This is not to downplay the importance of formal knowledge. Formal knowledge consists of the codified body of knowledge upon which our scientific and technological process is based. Access to this knowledge rests on the ability to read, write, perform arithmetic operations, and reason mathematically—what is sometimes referred to as literacy and numeracy. Without these basic skills, it is next to impossible to operate successfully in today's economic environment—unlike in the past when brawn was enough in many cases. Indeed, with the proliferation of knowledge and information, reasoning skills become even more important. There is an enormous need to be able to quickly distinguish between what information is relevant and what is irrelevant

CONCLUSION

The shift to an information economy is creating new challenges for economic development. As knowledge and information play an increasingly important role in economic activity, the needs of businesses have changed. More importantly, the nature of the business opportunities has shifted. These opportunities are twofold:

- to create new information and knowledge-based enterprises, and
- to utilize information and knowledge better in existing companies.

The tools and techniques of Knowledge Management can help economic development practitioners face this new environment. Economic development organizations can use KM tools to enhance the external communications of local companies, including for e-commerce and marketing. They can also promote the use of KM tools and techniques to help local businesses capture and utilize their knowledge and information assets.

More importantly, KM tools and techniques can be used by economic development practitioners to uncover local information assets and entrepreneurial activities that can serve as the bases for future economic development. Finally, economic development practitioners can use these tools to enhance knowledge sharing among key members of the community and to capture and share tacit knowledge within their own organizations.

Knowledge management can be a powerful tool in economic development—but only if we can harness its power to the unique needs of economic development activities. As this review has shown, the use of KM tools in economic development is just emerging. Just as companies are learning a new way of operating, economic development organizations need to learn and experiment with these tools and techniques. Economic development practitioners should be encouraged and supported in their efforts to use and tailor these tools to meet their own needs—and be encouraged to share their successes and failures. In essence, we need to set up a KM process for understanding and sharing best KM practices.

Economic development in the information age requires better use of information and knowledge. It requires unlocking the information and knowledge assets of a community as the driver of local

economic development. It also requires unlocking the hidden information and knowledge about a community and about the process of economic development.

The information economy is not about the information technology industries. It is about the use of information and knowledge—formal and tacit—in economic activities. Building a strong local economy means developing and cultivating the local knowledge and information base. KM tools and techniques can provide the foundation upon which to build successful local information-age economy.

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April 2001