The Knowledge Management Organization Model of Thai Community Business

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ABSTRACT

Building a knowledge management organization is now commonly viewed as an essential for organizations that require knowledge-based core competence through implementing and promoting knowledge management schemes for competitive advantage. High performance organizations must allow for changes in order to develop appropriate structure and infrastructure of the organization to facilitate the knowledge management activities processes.

This study focuses on developing a knowledge management organization model of Thai community business by identifying samples and exploring them in all dimensions and aspects associated with the formation of the knowledge management organization. There are two basic assumptions for this study: 1) A high performance organization comprises of well-managed knowledge management 2) There are three types of business units: group producer, sole owner, and legal person i.e. company and partnership, which individually has its own characteristics. The samples have been particularly identified from the high performance organizations within the northern part of Thailand. Criteria in determining samples were generated from the formation of the core competency of the small and medium business such as, growth rate, innovation and quality. These samples will then be examined in their organization form and explored thoroughly in each of four dimensions. These are Structure (hierarchical levels, decision rights, application level and knowledge workers roles), Culture (proficiency, commitment, behavior, and atmosphere), Systems (learning mechanism, coordination mechanism, assessment mechanism, and the use of information and communication technology) and KM strategy (styles of direction, organization aim, knowledge management process emphasized, and knowledge types and sources).

Keywords Knowledge management, Organization form, KM organization, Community business

INTRODUCTION

In the knowledge-based economy, knowledge is the main source of creating both innovation and sustainable competitive advantage (Johannessen, Olaisen, & Olsen, 1999). Many successful businesses come from the ability to acquire, codify, and transfer knowledge more effectively and speedy than competitors (Myers, 1996). Today businesses are facing increased turbulence and complexity in the business environment from many challenges and threats (Choueke & Armstrong, 1998) so firms have to increase their adaptability, innovation and process speed.

Building a knowledge management organization is now commonly viewed as an essential for organizations that require knowledge-based core competence through implementing and promoting knowledge management schemes for competitive advantage. Nowadays, it is very difficult to be successful in business, particularly in the knowledge-intensive economy, for the organization that lacks of an appropriate preparation in facilitating and supporting KM initiative (Myers, 1996). Furthermore, Walczak (2005) stated that KM is not only about managing knowledge but also related to managing and creating properly organization structure and culture too. Therefore, they should design the structure and infrastructure of organization properly, in order to manage knowledge and support their KM activities. Initially, the KM concept was implemented only in large organizations, multinational and international companies, as there were several researches that worked on such related topics (Wong, 2005) such as the study from European Knowledge Management Forum (EKMF) in 2000 that focused on KM organization among large organizations in Europe, by analyzing various types of organization forms and dimensions that are associated with knowledge-oriented organization. The result from...
the study has proposed several KM organization models for the new types of organizations, such as hypertext organization, spaghetti organization as well as traditional organization forms such as functional organization and bureaucracy organization. Although several scholars are currently working on methods of applying the KM concept to the small business, unfortunately the studies on the organization form and knowledge organization model, especially the development of an application model that can be practically applied to a small business, are still diminutive.

Thailand is currently a developing country, its fundamental economic system is still predominantly driven by small and medium business units. Thus giving support and encouragement to Small and Medium Enterprises (SMEs) is the most important policy in strengthening the Thai economy in order to be able to grow and develop such as United Kingdom, Germany, Finland, Australia, Japan and Malaysia (Kecharananta, 2007). From this standpoint, Thailand has recently decided to support the business section focusing on community business, by means of promoting the utilization of community’s knowledge and local wisdom, generating income for members in community, facilitating among members, promoting management competency, developing an applicable community model, encouraging a sturdy community economics system to be competent in any business boundary, and developing community business to be capable for the rivalry in a higher level (Department of Community Development, 2006). Presently, Thai’s community business is in the intricate state of coping with both large organizations and private SMEs businesses. The present struggling environment forced members in this business section to shift from production based to knowledge based orientation in order to pursue an intelligent organization. For this reason, the key success factors in developing the sustainable competitive advantage for exporting community business are to possess a fine quality product and designing products by reinforcing creativity instead of copying others (Chulavatnatol, 2005). In the real world, some will have to pass the awkward period of time-consuming trial and error before enjoying the fruitfulness of success, while the others will not even achieve the target. Therefore, if there is a study on successful organizations based on the assumption that high performance organization comprises of appropriate dimensions of KM organization; the result from the study should be the KM organization model for Thai community business that illustrates dimensions of a high performance organization and associates with the formation of KM organization. This application model will be beneficially for Thai community businesses that seek competitive advantages and to be an intelligent organization, by applying this application model to the business unit. Meanwhile this also can be a venerable roadmap for the community business supporting division in promoting Thai community business in the near future.

Therefore, the purpose of this paper is to develop Thai community business knowledge management organization model by introducing an appropriate infrastructure of KM organization and its dimensions which are Structure, Culture, Systems, and KM strategy.

What is Thai community business?

Cultivating an efficient business model into every section of the country’s infrastructure plays a significant role in the accomplishment of developing Thailand’s sustainable economics system. In the year 2001 Thailands’s government announced a policy that promoted and developed community business named One Tambon One Product: OTOP. The policy purposed to promote the utilization of community’s knowledge and local wisdom, generating income for members in community, facilitating among members, promoting management competency, developing an applicable community model, encouraging a sturdy community economics system to be competent in any business boundary, and developing community business to be capable for the rivalry in a higher level. The outcomes from implementing this policy generated jobs and incomes for members in community (Department of Community Development, 2006).

Thailand has obtained the idea “One Tambon, One Product” from Oita Prefecture, Japan. Mr. Morihiko Hiramatsu, the Oita governor, was the person who initiated and executed this successful concept. Oita is a small Prefecture on Kyushu island in the southernmost part of Japan close to Taiwan and Korea, and was considered one of Japan’s poorest regions, as it had only 10% of agricultural area and lacked opportunity in promoting the region to be a major industrial area compared to other parts of Japan. This situation pressurized the most efficient labors to move to other industrial areas. Such circumstances caused Morihiko Hiramatsu to set up a scheme by emphasizing that every community should have at least one major product that was produced from its own raw materials and resources. Such a productive policy and effective implementation has allowed Oita to become recognized through out the world as the One Village One Product: OVOP concept (Yoshimura, 2004).

Since 2001 the Thai government has continuously given support to developing OTOP in Thailand. The Thai community business is classified into three categories as follow:

1. Group producer: Group producer is a group of people in community gathering to produce a product that illustrates Thai’s identity or Thai’s local wisdom, and has a certain kind of relation with the community, like using local producing factors such as labour, raw materials, or participation in management and benefits.
2. Sole owner: Sole owner is any individual in the community that produces product that illustrates Thai’s identity or Thai’s local wisdom, and has a certain kind of relation with the community, like using local producing factors such as labors, raw materials, or participation in management and benefits.

3. Small and medium entrepreneurs (SMEs): SMEs are manufacturers or middlemen in a small or medium size business in the community that is registered with the government, such as company or partnership. These business units produces a product that illustrates Thai’s identity or Thai’s local wisdom, and has a certain kind of relation with the community, like using local producing factors such as labors, raw materials, or participation in management and benefits.

In the year 2006, Thailand had 37,840 community businesses, which generated a turnover of up to 55,104 million baht. Chiang Mai, the largest province in the northern part of Thailand, has 1,302 community businesses that are registered at the Department of Community Development, Thailand, with a majority of the businesses involved in the handicraft section (Department of Community Development, 2006). Nevertheless, most of them are still unsuccessful regarding a lack of competitive advantage and exportable know-how. This study will focus on developing a KM organization model that should be useful for community businesses throughout Thailand who are seeking to develop competitive advantage in the near future.

A Methodology for developing KM organization model of Thai community business

![Figure 1](image)

**Figure 1.** Framework of this study: KM organization model development of Thai community business

1. **Identifying High Performance Organization**

   According to an underlying assumption of the study, a high performance organization comprises of well-managed knowledge management. So we have to initially specify the characteristics of high performance organizations in Thai community business.

   **How to develop the criteria for identifying high performance Thai community business?**

   Criteria in determining samples generated from formation of small and medium enterprises’ (SMEs) core competency. As asserted by Smallbone, Leigh, & North (1995), who studied about the characteristics and strategies of high growth SMEs, found that high growth rate is the most important factor in identifying business performance. Characteristics of effective performing and high growth firms have been analyzed and three criteria, which are rapid growth, significant size, and financial stability, have been identified. Rapid growth means more than doubling sales turnover during the 1979-90 periods, significant size means reaching a minimum sales turnover of £0.5m, and financial stability means consistent profitability since the late 1980s.

   Man, Lua, & Chan (2002); Jones & Tilley (2003) concluded that the competitiveness of SMEs consisted of innovative ability and quality ability. The innovative ability is the ability in innovating new products, new services, new processes, or new way of working (Laforet & Tann, 2006), and quality ability is the ability in maintaining or achieving high quality in products or services that leads to good image and reputation of an organization, which is necessary for the achievement in domestic and international markets. Ghobadian & Gallear (1996) recommended that SMEs should maintain their competitiveness by delivering high quality products and services, since this strategy could sustain market share and profitability. Many research indicated that quality and profitability were positively correlated. In short-term, superior quality could increase profitability through premium pricing. In long-term, superior or improving quality should result in increasing market share. Tannock, Krasachol, & Ruangpermpool (2002) concluded that quality management is a significant strategy for Thai SMEs. Most of them also focused on international quality standard such as ISO 9000, as it is now demanded in every export market. In order to achieve TQM development, most of the organizations from case studies have implemented basic quality activities such as 5S, Quality Control Circle (QCC), 7QC tools.

   Subsequently, we have proposed several criteria in determining high performance community business. A community business is considered a high performance organization if their performance obtains all of the following characteristics:
Table 1, Characteristics criteria of high performance community business

In addition, their performances should also possess at least 8 items with the following specific characteristics:

<table>
<thead>
<tr>
<th>Characteristics criteria</th>
<th>Remark</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Producing handicraft product</td>
<td>Handicraft is Chiang Mai’s potential business</td>
</tr>
<tr>
<td>2) In business for more than 3 years</td>
<td></td>
</tr>
<tr>
<td>3) Employees more than 15 persons</td>
<td></td>
</tr>
<tr>
<td>4) Attained at least 4 star scholar</td>
<td>Thailand has evaluated the community business and rewarded the winner “champion scholar or star” from 5 to 1 star depending on the compatibility with the 4 criteria. 1) exportable and have brand equity 2) continuous operations and consistent quality 3) standardization and customer satisfaction 4) story of product</td>
</tr>
<tr>
<td>5) Registered at Department of Community Development, Thailand</td>
<td></td>
</tr>
<tr>
<td>6) Have own brand</td>
<td></td>
</tr>
<tr>
<td>7) Exportable</td>
<td></td>
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</table>

Table 2, Specific characteristics criteria of high performance community business

All of the 17 criteria were reviewed by two experts in community business, A. Teerawat (Head of community promotion in Chiang Mai, Thailand) and S. Harnpakdeesakul (Community business developer), who are both currently working in Thailand’s Department of Community Development, these criteria will be suitable and in accordance with the present community business situation. Next, the name list of members in community business were extracted from the Department of Community Development database and were evaluated one by one according to the criteria above. From the database, there are 25 handicraft community businesses that achieved 4 stars or up from the Thai government assessment, followed by interviewing every owner or leader of community business. Finally, there were nine community businesses applicable with all criteria, 3 group producers, 1 sole owner, and 5 SMEs. These selected groups represented samples of the high performance community. Finally their organization forms will be analyzed and explored thoroughly in four dimensions of KM organization.
2. Examining Organization Form

An assumption of this study is that there are three types of community business units: group producer, sole owner, and legal person i.e. company and partnership, which individually has its own characteristics. In order to examine their organization form, we have made an in-depth interview with every owner or leader of nine high performance community businesses and observed their working environments. The results can be categorized into 3 routine work organization forms and 1 non-routine work organization form, as followed:

**Organization form of routine work**

<table>
<thead>
<tr>
<th>Organization form</th>
<th>Number of organizations</th>
<th>Types of organization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Functional organization</td>
<td>5</td>
<td>2 group producers, 3 SMEs</td>
</tr>
<tr>
<td>Network organization</td>
<td>1</td>
<td>1 sole owner</td>
</tr>
<tr>
<td>Flexi-place organization</td>
<td>3</td>
<td>1 group producer, 2 SMEs</td>
</tr>
<tr>
<td>Total</td>
<td>9</td>
<td></td>
</tr>
</tbody>
</table>

**Table 3, Organization form of routine work of high performance community business**

**Organization form of non-routine work**

From the results we have found that the non-routine works of community business were 1) participating in national and international trade fairs, and 2) new product development. There are 5 organizations called task force organization that has a different structure in performing non-routine work. The task force structure is an organization that consisted of members from different units, in order to achieve the goal of any temporary issue within the given timeframe, such as participating in trade fair. However, task force organization still has a limitation. As the team is temporarily set up, after the project is accomplished, all newly acquired knowledge or know-how is uneasily transferred to other organizational members (Nonaka & Takeuchi, 1995).

3. Developing KM Organization model

This study uses the KM organization framework of European Knowledge Management Forum (EKFM) as the guideline. The EKMF study focuses on the organization form which the configuration of an organization is assumed to be a result from its own characteristics. The results of EKFM study indicated that there are several types of organization forms, from modern organization forms such as hypertext organization and spaghetti organization, to traditional forms such as bureaucracy organization, functional organization form.

![Figure 2, KM organization dimensions and sub-dimensions (EKMF, 2000)](image)

In the KM organization model that is shown in Figure 2, organization dimensions are divided into four main groups (macro-dimensions), namely Structure, Culture, Systems and Strategy. Each macro-dimension also comprises of sub-dimensions. Dimensions related to Structure are number and relevance of hierarchical level,
allocation of decision rights, organization application level, and existence of knowledge workers’ role. Dimensions related to Culture are relevance and applicability of employees’ proficiency, commitment, behavior, and atmosphere. Dimensions related to Systems are adopted learning mechanism, coordination mechanism, assessment mechanism, and relevance and purpose in the use of Information and Communication Technology (ICT). Dimensions related to KM strategy are styles of direction, organization aim, KM process emphasized and prevalent knowledge types and sources (EKMF, 2000). The sample of the new organization form below is excerpted from the study that EKMF has conducted and devised the below chart, which is called hypertext organization form as shown in figure 3. KM and Organization studies researchers are currently interested in the hypertext organization form.

Figure 3, Hypertext organization (Nonaka & Takeuchi, 1995)

Nonaka & Takeuchi (1995) described the hypertext organization as an organization that has some characteristic in relation with knowledge intensive organization. A hypertext organization consists of three layers or context i.e., business-system layer, project-team layer and knowledge-base layer. The business-system layer is the organization form in operating normal or routine operation, as bureaucratic structure, hierarchical level, is still the most effective form in managing routine work efficiently. On the top is project-team layer, which is an organization form that consisted of members from across the business system to accomplish the task until the assigned project is completed. At the bottom is knowledge-base layer, which is established when organizational knowledge has been created and collected for a certain period. This layer did not exist in form or structure, but embedded in corporate vision, organization culture, or technology.

Table 4, KM organization application model of hypertext organization (EKMF, 2000)
Once an understanding of the organizational form as shown in figure 3 has been developed then the researchers will analyze the four dimensions; structure, culture, KM strategy and systems, as illustrated in table 4.

Conclusions

According to the initial study, 9 high performance organizations of community business have been chosen by the evaluation based on 17 criteria. Then, their organization forms have been thoroughly analyzed, and it was found that they can be categorized into 4 forms of organizations i.e., functional organization, network organization, flexi-place organization and task force organization. This study also introduced the concept in developing KM organization model for Thai community business by using methodology from the study of EKMF (2000) as a basis in building an application model that consists of four related KM dimensions, which are Structure (hierarchical levels, decision rights, application level and knowledge workers roles), Culture (proficiency, commitment, behavior, and atmosphere), Systems (learning mechanism, coordination mechanism, and the use of information and communication technology) and KM strategy (styles of direction, organization aim, knowledge management process emphasized, and knowledge types and sources). Consistent with the result from the study of Stonehouse & Pemberton (1999), stated that KM organization will shorten the time in learning and improving their performance effectively due to well prepared organization’s dimension aligned with the organization’s form.

LIMITATION OF THE STUDY AND FUTURE STUDIES

The limitation of this study is the minimal amount of sole owner business that has been chosen as a sample of high performance organization. In the future, the KM organization model of Thai community business should be developed by interviewing nine high performance community businesses and analyzing the similarity and difference among organization forms and three types of business units: group producer, sole owner, and legal person i.e. company and partnership.

REFERENCES

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