

Two knowledge perspectives to growth management

Growth
management

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Abstract

Purpose – The purpose of this paper is to elaborate the connections between an organization's knowledge management and growth management strategies. The study shows how knowledge management can support organizations' growth objectives.

Design/methodology/approach – The paper first connects the literature streams of growth management and knowledge management. This conceptual understanding about growth-oriented knowledge management is then advanced through an exploratory case study of a company aiming at rapid growth in the construction industry.

Findings – The paper recognizes two knowledge perspectives to growth management. First, the perspective of knowledge assets concerns whether an organization has the needed knowledge resources to enable growth. Second, to make informed decisions, the management needs relevant and up-to-date information. From these viewpoints, the paper derives the case-specific cornerstones of growth-oriented knowledge management and suggests some paths forward in terms of future research.

Practical implications – Although growth strategy defines an organization's growth aims and clarifies how the intended growth will be attained, knowledge strategy takes a stand on the needed knowledge assets and paints a path from the existing knowledge base to a state where organization's knowledge assets enable reaching of its business goals. The paper helps practitioners to plan growth-oriented knowledge management strategies.

Originality/value – The paper contributes by extending the analysis of knowledge strategy to growth management and by providing a practical illustration of the development process where knowledge was put into prime focus of organization's growth strategy. The paper also provides original data and perspective to the roles and interaction of the board and the management team in the case of growth management.

Keywords Knowledge management, Growth management, Knowledge strategy

Paper type Research paper

1. Introduction

Growth is an important business objective for many organizations. Growth literature intends to understand how organizations grow and how growth can be managed (Penrose, 1959; Weinzimmer, 2000; Dobbs and Hamilton, 2007). At the same time, knowledge is recognized as a source of competitive advantage (Grant, 1996; Spender, 1996) and knowledge management as a lever of organizational performance (Wiig, 1997; Mahdi *et al.*, 2011; Wu and Chen, 2014). Especially, the importance of a knowledge strategy for organizational success, and knowledge management, in particular, has been recognized (Zack, 1999; Hansen *et al.*, 1999;



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Liu *et al.*, 2013; Venkitachalam and Willmott, 2013; Massingham, 2014). Although there is evidence and active research considering the linkage between the two management disciplines – growth and knowledge management (e.g. Salojärvi *et al.*, 2005; Basly, 2007; Lundvall and Nielsen, 2007; Yang, 2010; Hitt *et al.*, 2000; Choi *et al.*, 2008; Choi and Lee, 2002, 2003) – what seems to be missing is a more focused analysis of knowledge management strategies supporting growth. It is unclear which knowledge management strategies best support this particular business objective and its management and what are those concrete methods that could help organizations to begin their knowledge journey. From a pragmatic managerial perspective, it is unclear how the management should proceed with developing such knowledge-related strategies and actions that are suited for the growth objectives and contextual conditions in a given situation.

This paper addresses the aforementioned gap in connection to knowledge-based view of the firm (Grant, 1996) and aims to answer the research question: *how can knowledge management serve organizations' growth aims?* Thus, the paper considers knowledge as critical input in production and a primary source of value. The research on organizational growth has not found a universal strategy for growth (Andersson, 2003; Gibb and Davies, 1990; Smallbone and Wyr, 2000) and, therefore, the paper focuses on growth determinants as mediators of organizational growth. Growth determinants are categorized into individual, organizational and industry-specific determinants (cf. Andersson, 2003; Weinzimmer, 2000) and the paper studies how knowledge management can support growth through these mediating factors and help in solving management challenges confronted by the growing organizations (cf. Pundziene *et al.*, 2006).

The literature emphasizes the context-specific nature of growth determinants and knowledge management strategies (e.g. Bierly and Chakrabarti, 1996; Hansen *et al.*, 1999; Käpylä *et al.*, 2011; Liu *et al.*, 2013). This means that growth can be attained by different strategies, which brings support for the selection of a qualitative case approach (Eisenhardt, 1989; Gummesson, 2000; Yin, 2009). The paper seeks a deeper understanding about the phenomenon of knowledge-based growth in one particular exploratory case study. The empirical part of the study, which is elaborated more thoroughly in Section 3, uncovers how the case organization's executive board and management team understand the linkage of knowledge and growth, and further, to learn how growth can be influenced and supported by knowledge management initiatives. Although previous literature has focused mainly on external evaluation of growth determinants and justifying the linkage between knowledge management and growth (e.g. Salojärvi *et al.*, 2005; Lundvall and Nielsen, 2007), this paper takes an internal view and aims to understand how knowledge should be managed to support growth. Although growth determinants are context-specific, it is expected that some key characteristics of a growth-oriented knowledge management strategy are general.

The rest of the paper is organized as follows. The next section reviews the literature on growth determinants and presents two knowledge perspectives to growth management. Section 3 describes the methodology. Section 4 summarizes the main results of an exploratory case study. Section 5 analyzes the results and generalizes the case experiences. Finally, in Section 6, conclusions and suggestions for further research are presented.

2. Literature review

2.1 Growth determinants

The growth literature recognizes a range of factors that affect growth (e.g. [Dobbs and Hamilton, 2007](#); [Barringer and Jones, 2004](#)). These are referred to as growth determinants and are typically categorized into individual (also called entrepreneur), organizational (also called management strategies) and industry-specific factors (also called sector, network or environment) ([Weinzimmer, 2000](#); [Andersson, 2003](#)).

One position maintained is that the most important drivers for growth are entrepreneur's commitment and his/her growth-oriented vision ([Smallbone et al., 1995](#)), which help ensure that all strategic decisions are made with growth in mind ([Barringer and Jones, 2004](#)). Other important personal features are experience and education ([Dobbs and Hamilton, 2007](#)). [Gartner \(1988\)](#) presents a different view and argues that it is unfruitful to consider who an entrepreneur is. Instead, he proposes a behavioral approach focusing on entrepreneur's actions. By enlarging the viewpoint of an entrepreneur, [Bruyat and Julien \(2000\)](#) also point out that entrepreneur's environment is important to the understanding of entrepreneurship. [Weinzimmer \(2000\)](#) highlights the role of top management team and heterogeneity, both industrial ([Eisenhardt and Schoonhoven, 1990](#)) and functional ([Hambrick and Mason, 1984](#)), among top management team members that produces constructive conflict and leads to better decision-making.

Organization as well as strategies and capabilities are generally recognized as important growth determinants. In addition, the literature emphasizes the ability to communicate an entrepreneur's vision as the best strategy to employees and financiers ([Andersson, 2003](#)). Also, the ability to attract, develop and retain skilled and capable employees depicts an important growth determinant ([Barringer and Jones, 2004](#); [Pena, 2002](#); [Andersson, 2003](#); [Welbourne, 1997](#)). Growth of the firm typically necessitates the re-evaluation of many internal processes such as human resources management practices (e.g. [Thakur, 1999](#); [Dobbs and Hamilton, 2007](#)) and may also necessitate new facilities and supplies of services and goods ([Andersson, 2003](#)). Furthermore, empowerment and flat organizational structures are regarded as important elements in high-growth firms (e.g. [Hamel and Prahalad, 1989](#); [Andersson, 2003](#)). [Salojärvi et al. \(2005\)](#) note that maintaining the flexibility and innovativeness is a challenge for growing firms. Organization culture, values, leadership style, comprehensive and balanced knowledge management and (technological) learning capability are mentioned as organizational growth determinants as well ([Hitt et al., 2000](#); [Andersson, 2003](#); [Dobbs and Hamilton, 2007](#); [Salojärvi et al., 2005](#)). Moreover, these can also act as major obstacles for growth.

Related to strategy, some authors emphasize the environment (e.g. [Porter, 1985](#)) and the selection of goods and services to be produced and provided as well as the markets to be stepped in ([Ansoff, 1965](#); [Andrews, 1971](#); [Andersson, 2003](#)), whereas others see organizations resource base as the most important component of a strategy (e.g. [Barney, 1991](#); [Grant, 1996](#)). [Weinzimmer \(2000\)](#) makes a difference between portfolio-level strategy and competitive-level strategy. The former addresses the selection of industries in which an organization operates and the latter addresses how an organization competes within a particular industry. Thus, active strategies, particularly with respect to products and markets, are important to achieving growth ([Smallbone et al., 1995](#)). From the management perspective, an interesting discussion also relates to the role of

planning. Here also there are two schools of thought. Some stress on the importance of a planned strategy, structures and analysis (Baldwin *et al.*, 1994) and others on action and flexibility (Andersson, 2003).

In addition to individual and organizational growth determinants, industry-specific determinants can either support or hinder organizations' growth intentions. First, fast-growing firms and the biggest success stories are typically more common in fast-growing industries (Delmar *et al.*, 2003). Demand-side variables affecting growth opportunities include size, scope and buoyancy of local market (Dobbs and Hamilton, 2007). On the supply side, there are variables like cost and availability of resources (Smallbone and Wyer, 2000; Dobbs and Hamilton, 2007). Competitive situation on the market affects both the demand and supply side. Dobbs and Hamilton (2007) also pinpoint that the structure of the operating environment can significantly affect the possibilities of a small company. A strong presence and dominance by large companies may restrict growth opportunities. However, this might also create opportunities through outsourcing and sub-contracting. Furthermore, networked view emphasizes co-operation as a source of development and growth (Håkansson and Snehota, 1995; Larson, 1992). Financiers, and especially the availability of funding, are important players in growing firm's network. Growth needs investments in technology, markets and personnel, and financing is crucial to the implementation of a growth strategy (Andersson, 2003) (Table I).

2.2 Two knowledge perspectives to growth management

Knowledge as a strategic resource and a source of competitive advantage has aroused a lot of academic interest because the first contributions of resource- and knowledge-based views of the firm (Barney, 1991; Grant, 1996; Spender, 1996). There is also evidence that there is a correlation between higher levels of knowledge management-maturity and long-term sustainable growth (Salojärvi *et al.*, 2005) and some indications about impacts of certain knowledge management strategies on organizational performance (e.g. Yang, 2010; Hitt *et al.*, 2000; Choi *et al.*, 2008; Choi and Lee, 2002, 2003; Wu and Chen, 2014). A knowledge management strategy defines which knowledge resources are valuable, unique and inimitable and how those resources support organization's business strategy (Hansen *et al.*, 1999; Zack, 1999; Earl, 2001; Liu *et al.*, 2013).

Taking a knowledge perspective to organizational growth can mean two different things. *First*, when considering knowledge as a strategic resource, the managerial question concerns whether an organization possess the needed knowledge assets to enable growth (cf. Halawi *et al.*, 2005; Lev, 2001; Seetharaman *et al.*, 2002; Edvinsson and Malone, 1997; Sveiby, 1997). For example, are organization's brand and image at the level that would enable an increase in sales, or are processes and employees capable of handling the increase in production? This necessitates a careful analysis of the current knowledge assets as well as envisioning the needed assets. Various growth strategies require different knowledge assets and this analysis is a context-specific process. *Second*, to make correct and timely decisions, management needs information to base their decisions on (Choo, 1996; Ghoshal and Kim, 1986; Pirttimäki, 2007; Ritala *et al.*, 2013). Therefore, information should be gathered from various information sources. Furthermore, the acquired information should be refined and processed, for example, with the management team and board of directors before critical business decisions can

Individual growth determinants	<p>Entrepreneur's commitment and his/her growth-oriented vision (Smallbone <i>et al.</i>, 1995)</p> <p>Experience and education (Dobbs and Hamilton, 2007)</p> <p>Entrepreneur's actions (Gartner, 1988)</p> <p>Entrepreneur's environment (Bryat and Julien, 2000)</p> <p>Top management team (Weinzimmer, 2000; Eisenhardt and Schoonhoven, 1990; Hambrick and Mason, 1984)</p>
Organizational growth determinants	<p>Ability to communicate entrepreneur's vision as the best strategy to employees and financiers (Andersson, 2003)</p> <p>The ability to attract, develop and retain skilled and capable employees (Barringer and Jones, 2004; Pena, 2002; Andersson, 2003; Welbourne, 1997)</p> <p>Re-evaluation of many internal processes such as human resources management practices (e.g., Thakur, 1999; Dobbs and Hamilton, 2007)</p> <p>Empowerment and flat organizational structures (e.g., Hamel and Prahalad, 1989; Andersson, 2003)</p> <p>Flexibility and innovativeness (Salojärvi <i>et al.</i>, 2005)</p> <p>Organization culture, values, leadership style, comprehensive and balanced knowledge management and (technological) learning capability (Hitt <i>et al.</i>, 2000; Andersson, 2003; Dobbs and Hamilton, 2007; Salojärvi <i>et al.</i>, 2005)</p>
Industry-specific growth determinants	<p>Industry (Delmar <i>et al.</i>, 2003)</p> <p>Size, scope and buoyancy of local market (Dobbs and Hamilton, 2007)</p> <p>Cost and availability of resources (Smallbone and Wyr, 2000; Dobbs and Hamilton, 2007)</p> <p>Structure of the operating environment (Dobbs and Hamilton, 2007)</p> <p>Co-operation (Håkansson and Snehota, 1995; Larson, 1992)</p> <p>Financing (Andersson, 2003)</p>

Table I.
Summary of the
growth determinants

be made. These two roles are summarized and visualized in connection to organizational growth in Figure 1.

Considering strategies for managing knowledge, three types of studies dominate the discussion. Here, the focus is especially on strategic knowledge management discussion, and thus discussions, for example, on business intelligence, organizational learning and intellectual capital management have not been considered. These literature streams each have their particular views on knowledge, which fall outside of the interests of this particular paper. First, a predominant stream of literature categorizes knowledge management strategies based on their key characteristics. Hansen *et al.* (1999) recognized personalization and codification strategies. Earl (2001) captured the difference between information technology and human-oriented approaches by categorizing strategies to technocratic, economic and behavioral. Donate and Canales (2012) derived four strategies: moderate, inconsistent, passive and proactive knowledge strategy. Bierly and Chakrabarti (1996) focused on learning and identified four trade-offs that require strategic decisions in organizations. They stress the importance of balancing internal and external as well as radical and incremental learning. In addition, they stress a need to define an optimal speed of learning and a balance between the depth and breadth of knowledge base.



Figure 1.
Two knowledge
perspectives to
growth management

Various combinations of the above categories and especially their distinctive characteristics can be used for constituting different knowledge management strategies suitable for different purposes and business cases. Different categorizations illustrate the varying emphasis, for example, on the type of knowledge (data, information and knowledge), technology versus human orientation (tacit or explicit) also the management philosophy (organizational performance or the viewpoint of individual knowledge workers). A choice of the knowledge management strategy depends on contextual factors and is affected by the way the company serves its clients, the economics of business and the people it hires (Hansen *et al.*, 1999). Heisig (2009) provides an even more thorough list of the strategic choices, which also create the basis for constituting a growth-oriented knowledge management strategy. In addition, the literature provides several stepwise guidelines for carrying out a strategy process. Similar decisions and choices relate to both aspects of a knowledge management strategy – knowledge assets and decision support. For example, organization has to consider and decide which, internal and/or external, information sources are most valuable and whether it focuses on internal capability building or recruits key personnel from competitors. These strategic choices obviously relate closely to the chosen growth strategy.

Second, a group of studies have focused on the impacts of knowledge management strategy on organizational performance (Yang, 2010; Hitt *et al.*, 2000; Choi *et al.*, 2008; Choi and Lee, 2002, 2003; Wu and Chen, 2014). These studies show that knowledge management strategy is contingent on performance-driven strategies and knowledge management-based competencies (Yang, 2010). Choi and Lee (2003) draw four different knowledge management styles from the literature, namely, dynamic, system-, human-oriented and passive, and analyze their effects on organizational performance. A dynamic strategy stands out from the viewpoint of performance. It requires a firm-specific blend of both explicit and tacit knowledge and authors describe organizations applying this strategy as integrative and aggressive. In another study,

Choi and Lee (2002) studied the relationship between knowledge management strategy and knowledge creation and found out that from the two knowledge strategies, human- and system-oriented; the former one is more effective for socialization and the latter for combination (cf. Nonaka and Takeuchi, 1995). Also, the results of Revilla *et al.* (2010) indicate that knowledge creation (exploration) and knowledge application (exploitation) must be combined according to environmental factors (cf. March, 1991; Zack, 1999). This is emphasized also by Liu *et al.* (2013), who state that for companies, a knowledge strategy should be determined more based on the contextual determinants than the existing success cases.

Third, more practice-oriented studies provide guidelines for developing, choosing and implementing a knowledge management strategy (Zack, 1999; Soliman and Spooner, 2000; Earl, 2001; Haggie and Kingston, 2003). Although the two previous approaches aim to externally categorize or evaluate knowledge management strategies, here, the main driver is an internal need to understand how knowledge management can support value creation and attainment of business objectives. Earl (2001) and Zack (1999) focus on the recognition of performance gaps in discovering where firm's capabilities do not match the intended strategy. The next step in defining a knowledge strategy is to ask how knowledge can make a difference in filling these gaps. Zack uses knowledge-based SWOT (strengths, weaknesses, opportunities and threats) analysis as a tool and states that every strategic decision has a profound influence on knowledge, skills and core competencies. In parallel, what an organization does know limits the ways it can compete. Thus, an analysis of organizations' knowledge assets (Edvinsson and Malone, 1997; Sveiby, 1997; Lev, 2001; Seetharaman *et al.*, 2002; Halawi *et al.*, 2005) lays the foundation for recognizing knowledge gaps and constituting a knowledge management strategy.

To summarize, the following conclusions can be drawn from the literature review. First, the knowledge management literature has considered the role of knowledge management strategy from the viewpoint of business success in general but has not focused on the specific business objective of organizational growth and its particular knowledge requirements. Second, the literature on growth management acknowledges the importance of knowledge-related factors as drivers of growth (e.g. individual and organizational growth determinants) but has not specifically focused on the management of these knowledge-related phenomena. Therefore, a research gap can be identified in the intersection of these two domains.

3. Research methodology

3.1 Defining the empirical research setting

The analysis of previous literature showed the potential of knowledge management as a supportive managerial approach in pursuing organizational growth. Two particularly important knowledge perspectives were identified: first, the identification and development of relevant knowledge assets as growth determinants and, second, gathering and usage of relevant information on growth-related decisions. Moreover, the literature analysis also revealed that there is much that we do not know regarding the intersection of knowledge management and growth management. In practice, this means that currently there is a lack of understanding on how the management should proceed with developing knowledge-related strategies and actions that are suited for the growth objectives and contextual conditions in a given situation.

The design of the empirical study was based on the above-described starting point. As there is an evident gap in current knowledge, a qualitative and explorative approach was considered useful. This allows the researchers to be flexible in the data collection and make observations on a variety of issues. This is useful in research tasks such as this one where the phenomenon under scrutiny is complex and not easy to define precisely.

In the empirical examination, we wanted to better understand how knowledge-related strategies and actions could serve the growth objectives of a company. Moreover, we wanted to learn about the role of knowledge assets and growth-related information. From a managerial perspective, two key questions can be raised when thinking about the research aims described above. First, which are, in a given context, the important knowledge assets that facilitate growth and which information management should acquire to make sound growth-related decisions? Second, how could the mentioned knowledge assets and managerial information be identified, i.e. how to link the knowledge perspective to growth? The first perspective deals with the knowledge-related issues (i.e. which are the relevant issues?) while the second deals with the process of identifying (and managing) them. To be able to gain a thorough insight into these issues a case study approach was selected. Case study approach (e.g. Yin, 1994; Stake, 1994) was chosen to obtain detailed information about the conditions, critical events and processes of a single entity that would also lead to theoretical implications (cf. Eisenhardt, 1989; Stake, 1994; Jensen and Rodgers, 2001).

Because we wanted to obtain an in-depth understanding of the empirical context and we were interested in examining the process nature of developing growth-oriented knowledge management practices, we decided to utilize an action-oriented approach in the case study. In practice, the researchers participated as facilitators in a development process aiming to develop growth-oriented knowledge management practices in the case organization. In particular, the actual process of determining knowledge-related management needs and potential actions was in the focus of the empirical examination. This process was considered a valuable source of research data because it reveals the variety of potential knowledge strategies in the given context. This helps us understand the different roles of knowledge strategies in relation to the organizational growth objective. The action research process (Clark, 1972; Hult and Lennung, 1980) was carried out with an interview round and participatory workshops. Through the process, researchers gained an in-depth view to the organization-specific challenges and solutions of growth management. In this kind of a setting, action research is particularly appropriate approach because it concerns managerial processes and aims to develop practice-related theoretical insights (Huxham and Vangen, 2003).

The case organization is introduced and the more detailed research methods are described in the following section and the implications of the chosen methodology are discussed in Conclusions. However, it is mentioned already at this point that many other methodological choices would have been possible. The chosen methodology is considered beneficial because through a dialogue with the case organization's managers and directors and through participating in an actual development project on the theme at hand, it was possible to learn about this issue in an exploratory manner. A key reason for selecting this particular methodology was the existence of a trusting relationship between the researchers and the company, which made it possible to gain access to the company's internal development process and to data.

3.2 Case organization and empirical methods

Studied organization was Pohjola Rakennus Oy Sisä-Suomi, which is a middle-sized, growth-oriented construction and project (property) development company. In 2012, the company's turnover was €48.7 million. Its main products are housing and business premises. Pohjola, established in 1989, is a family business (firm) with over 50 employees. Pohjola operates mainly in Tampere region and Helsinki Metropolitan area in Finland. Pohjola was chosen as a case study due to its strong growth focus (the company has a newly established growth strategy) and because the chief executive officer (CEO) of the company considers knowledge management as a potential tool for supporting the growth intentions. These issues make Pohjola a fertile ground for studying the topic at hand. The unit of analysis was one company and, more specifically, the process of planning, developing and formulating company's growth strategy.

The empirical part of the study was carried out in two phases to gain a wide perspective on the phenomenon (cf. Eisenhardt, 1989). The literature review formed an initial definition of the empirical research and a well-defined focus of data collection (cf. Eisenhardt, 1989; Mintzberg, 1979). The first phase focused on industry- and context-specific growth determinants and the existing strengths and weaknesses in knowledge assets. Empirical data were collected through semi-structured interviews with members of the board of directors and two representatives of the management group. All members of the board of directors were interviewed excluding the CEO who participated in the research project through continuous and intense discussions with the research group. Documentations of these mutual discussions with the CEO act as another data source of the first phase. An important aim of this phase was to map critical knowledge assets related to the recognized growth determinants. Furthermore, interviewees' knowledge needs were identified. Detailed interview questions can be found in [Appendix](#). A total of six interviews were carried out during April and May 2013. All the interviews were tape-recorded and transcribed in their most essential parts to enable later analysis.

Analysis and the key findings of the first empirical phase created a starting point for the second phase, a short development project, which consisted of two workshops with the management team of the case organization. This stage was action-oriented and the main objective was to gain a deeper understanding about the role of knowledge and knowledge management in supporting growth intentions and to assist the case organization to gain new ideas to develop their operations. In addition, a secondary objective was to introduce knowledge-based management thinking to the case organization's key personnel. This was, of course, a prerequisite for attaining the main objective.

The first workshop started with an introduction to the knowledge-based view and a summary of the earlier empirical findings. Then, in a dialogic manner, practical concerns of the management team related to the two knowledge aspects – decision-support and knowledge assets – were discussed. In this workshop there were three participants from Pohjola: the CEO, deputy managing director and financial manager. The CEO was not attending the second workshop, which continued the discussion. In the first workshop, a need to outline the discussion became evident. It was noticed that to proceed to concrete solutions and management tools, the overall growth aim needs to be taken down into smaller pieces. Here, the preliminary discussions with the CEO provided valuable support.

Based on the learnings of the first workshop, the second workshop focused on one particular growth determinant. Related to this growth determinant knowledge assets and knowledge needs of the management team were further elaborated and analyzed. Again, the discussion was dialogic and the research team posed questions to better understand the role of knowledge assets in growth management. Three researchers participated to both workshops, which provided very detailed observations and enabled triangulation of individual interpretations and thus led to more objective findings. The discussion was supported by a diagram that the deputy managing director had prepared together with the employees taking part to this part of the business process.

4. Results

4.1 Starting point – recognizing growth determinants and knowledge needs

Before the interviews, research team had several discussions with the CEO of the case organization. These discussions were valuable from two perspectives. First, as a result of these discussions, a general idea of the linkages of knowledge management and organizational performance in this particular context was composed. In line with the basic assumption of the knowledge-based view (Barney, 1991; Grant, 1996; Spender, 1996) knowledge assets were seen in a key role in enabling the desired growth targets. It was acknowledged that different growth strategies require different assets and therefore management needs to understand, which assets best support the set growth objectives in this particular context with the given bundle of growth determinants (cf. Käpylä *et al.*, 2011). Furthermore, it was highlighted that management needs methods and tools for monitoring success and recognizing new business opportunities. A need for capturing and compressing information to support decision-making was also a timely issue in the case organization. This performance information would create a basis for communication and knowledge-based management more generally. Finally, it was noticed that growth both necessitates and causes changes.

A second important output of the preliminary discussions with the CEO was a strategy map, which helped the research group to better understand the special nature of the construction business. This illustration brought out the success factors such as employee and customer satisfaction and the importance of getting the best possible plots (defined by the growth strategy and segmentation decisions). Here, the measures for success were also discussed; revenue, earnings ratio and the share price were mentioned as the most important measures. It is not purposeful to disclose the whole map here; it is a context-specific exercise. Nevertheless, these discussions with the CEO built a basis for the interview study, which aimed to map the current status of organization's knowledge resources and recognize what knowledge is missing and needed to enable growth.

Considering *individual growth determinants*, two perspectives were stressed in the interviews: structure of the board of directors and getting top recruits. Based on the results, the case organization is well positioned, considering the structure and heterogeneity of the board of directors (cf. Eisenhardt and Schoonhoven, 1990; Hambrick and Mason, 1984):

Experience from different executive boards, education in business management, a good network – Member of the board.

We choose the best: we already have a very capable board of directors and I think it is also known that this is our strength – Member of the board.

Members of the board have complementing knowledge and expertise to offer. There are two senior advisors for building and planning, two hold an MBA degree and one a doctoral degree in technology. All have a long practical experience both in construction business and in acting as the member of the board of directors. Also, the entrepreneur is highly motivated to grow the business (cf. [Smallbone et al., 1995](#); [Barringer and Jones, 2004](#); [Dobbs and Hamilton, 2007](#)) and strongly believes in the possibilities of knowledge management to support these intentions. He also shows an example on continuous learning and is currently conducting his doctoral studies on the topic (cf. [Gartner, 1988](#)).

The main future development area concerning individual growth determinants seems to be the finding of the so-called top recruits. All the members of the board of directors agreed about the importance of the key personnel. This is noted also by the growth literature, which depicts the ability to attract, develop and retain skilled and capable employees as an important growth determinant (cf. [Barringer and Jones, 2004](#); [Pena, 2002](#); [Andersson, 2003](#); [Welbourne, 1997](#)):

Number one: top recruits, number two: top recruits, number three: top recruits, number four: other issues – Member of the board.

We have to find right people who can work and steer projects independently and economically – Member of the management team.

In connection to this, interviewees mentioned the internal knowledge academy (Pohjola academy), which was seen having a key role in enabling growth. This academy is an introductory program for new recruits. Through this program, all new employees learn organization's way of operating and familiarize and embrace the organizational culture. This was considered as an effective way of internalizing organization's values and getting all employees to work towards shared objectives in a similar manner (cf. [Hitt et al., 2000](#); [Andersson, 2003](#); [Dobbs and Hamilton, 2007](#)).

Concerning *organizational growth determinants*, the board of directors is not the best possible data source. Members of the board have an external view to management practice and, therefore, they do not necessarily know the status of internal processes in detail. However, interviews demonstrated that the growth strategy was clear to all interviewees, which creates a solid base for implementing this strategy (cf. [Smallbone et al., 1995](#)). Interviewees emphasized the importance of good management:

When a challenging growth strategy has been chosen it is extremely important that organization is properly managed: employees need to be motivated and committed to growth. Support is needed from the efficient management team and responsibilities need to be clear – Member of the board.

Furthermore, the importance of a solid knowledge base and the need for information systems was discussed and stressed as prerequisites for growth. Especially, building a more systematic knowledge base was recognized as an important area of development (cf. [Salojärvi et al., 2005](#)):

There are many issues that lead to success; management capabilities, social skills, marketing, sales, and an ability to realize opportunities. All this is easier if you have good knowledge base. In construction business these issues are in a bad shape – Member of the board.

We are implementing a CRM system to enable access also for other people. – Member of the management team.

The case organization aspires for organic growth and actively seeks new business opportunities also outside of its current regional coverage. Growth has been aspired systematically and it is already integrated to most of the business processes. Acquisitions were seen difficult from the viewpoint of organization culture, which was mentioned as a one justification for choosing an organic growth strategy. It was also considered that in big organizations the amount of non-productive work grows as well as the risk for malpractices.

Brand and customer perspective were emphasized as *industry-specific growth determinants*. Brand recognition in the targeted market areas was considered a weakness at the moment. This is a major challenge especially when the organization is not operating in a rapidly growing industry, which would boost the growth (cf. [Delmar et al., 2003](#)):

We have to develop our brand and increase our presence everywhere we operate – Member of the board.

This raises new kinds of knowledge needs that have to be carefully considered. It is also important to acknowledge that knowledge flow needs to be two-way. Customers need to acknowledge your presence at the market and organization needs to know its customers. Better recognition would drive both supply (e.g. availability of resources) and demand side factors (e.g. buoyancy of local market) (cf. [Dobbs and Hamilton, 2007](#)):

When expanding regionally we need to know local circumstances and customer needs. We have to know customers: homebuyers, users and renters of business halls, investors and financiers; we have to pay attention to business environment very widely– Member of the board.

In summary, interviewees were mostly satisfied with the information they have to support their decision-making. Interviews also showed that members of the management team clearly considered the issue from the viewpoint of their everyday work, whereas the board members had a long-term perspective. The first empirical phase provided a good starting point for workshops and for seeking a more in-depth understanding about the practices of knowledge management that would best support organization's growth aims. To further elaborate the perspective of the management team and to develop mechanisms and methods to fill the existing knowledge gaps, the next section describes how the issue was dealt within two workshops with the management team.

4.2 Supporting the organization's growth determinants with knowledge management

Solutions for the above-described knowledge needs raised mainly by the board of directors were further discussed and developed together with the management team in two workshops. The first workshop was started with an introductory lecture on knowledge management, which was a new approach for most participants. This was followed by a discussion on the practical experiences and challenges confronted by the management team members to concretize the discussion. Then three critical questions were posed: What is needed to make the growth objectives come true? What knowledge resources are needed? What information is needed to support decision-making?

This discussion begun in the first workshop and continued in the second one. Dialogue between practitioners and researchers led to the recognition of three main aspects or views to growth-oriented knowledge management in Pohjola. These illustrate the critical success factors leading to profitable growth and each pose their special knowledge needs (see Figure 2). In light of the strategic knowledge management literature, it was considered important to start from the business objectives. Discussion on knowledge management gets easily lost into details and technical solutions and becomes a separate management function unless it is continuously kept in mind that the overall purpose is to deliver business results, growth in this particular case.

Selecting the right projects depicts an important determinant for growth in the construction industry. Successful project is profitable for Pohjola, leaves the customer satisfied and is carried out according to plans. The latter is important from the viewpoint of resource allocation and capital turnover. Pohjola uses several knowledge sources for gathering the needed information to recognize so called "hot projects". Questionnaires for customers, customer feedback, market research, banks, investors, municipalities, real estate agents and the own production network were recognized as important knowledge sources. All of these provide information to support decision-making and long-term planning. This information increases, for example, the understanding about the image of the location, which affects both the plot prices and selling prices. Information also provides valuable views on the general market conditions, financial standing and more detailed characteristics of a certain plot, such as city plans, geography and contractual issues. This information has to be carefully analyzed before engaging in the project.

Personnel were recognized as an important enabler for growth. Growth necessitates higher operations volume and both more personnel and new capabilities are needed. Growth also changes the organization; culture and practices need to be scaled up to meet the needs of a bigger organization. It was acknowledged that getting employees committed to the ambitious growth objective is one of the most important management challenges. Each employee has to understand what growth means from their perspective; what will change and how will that affect his/her work. A central task is also training and commissioning new employees to Pohjola's ways of doing. This will also add load to the existing personnel because their efforts are needed in these tasks.

Production network will also be affected by the growth. The current network is not able to provide all the needed services and new operators will be needed to meet the growth objective. Also, a need for new capabilities and expertise will be raised. A careful analysis of the current network is a starting point. The operative capacity and

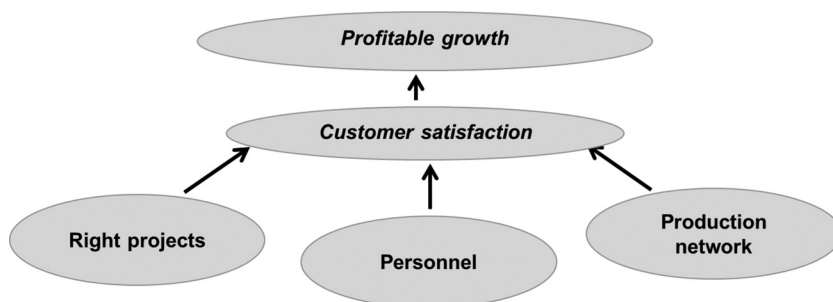


Figure 2.
Key areas of
growth-oriented
knowledge
management in the
studied organization

willingness of network partners to take part in Pohjola's growth have to be mapped. Either the existing partners need to grow along with Pohjola or new partners need to be found to complement the existing network. Growth also necessitates more systematic operation methods and network management. This may seem like bureaucratization from employees' and partners' perspective. Thus, it is important to clearly communicate with personnel and network partners the reasons why new methods and processes are implemented. Shared processes, documentation practices and information systems have a central role in building profitable growth.

To summarize the main results of the two workshops the following cornerstones of growth-oriented knowledge strategy were derived:

- Concretization of growth strategy and objectives. The "growth story" creates a basis for knowledge-based decision-making and communication of objectives.
- Open and mutual communication with the personnel. Growth both necessitates and causes changes, which brings along many requirements but also possibilities.
- Modeling and analyzing the extent and capabilities of the current production network. Having the right partners guarantees high quality and maintaining of schedules.
- Clarifying and systemizing the knowledge base for selecting the right projects. Choosing the right projects brings along profitable growth.
- Continuous follow-up of the prevailing market situation. Demand for housing and office premises as well as supply of resources set boundary conditions for growth.

These cornerstones of Pohjola's knowledge strategy cover many aspects stressed in the literature. Implicitly, those take into account the extremes of internal and external knowledge, individual and organizational knowledge as well as explicit and tacit knowledge. However, it is the business objective and the growth story, which defines what knowledge is to be gathered. This turns the focus from mere information gathering and accumulation to its usage for business improvement.

5. Analysis

The paper derived two knowledge perspectives to growth management from the literature, and by this way approached the answer to the main research question: how organizations' growth intentions can be supported by knowledge management? The two perspectives were perceived also in practical management situations. First, when considering knowledge as a strategic resource, the managerial question concerns whether an organization possesses the needed knowledge assets to enable growth. Second, decision-making necessitates correct and timely information. These viewpoints lead to very different knowledge initiatives. Acquiring new competence and capabilities is a different type of knowledge need than gathering information about the plot prices in a certain area. The same matters for different growth determinants: whereas individual determinants concern more the department of human resources management, industry-specific determinants call for the attention of marketing department.

Empirical examination of the two theoretical viewpoints brought up several important aspects to be considered when taking a knowledge perspective to growth management. Most importantly, the ultimate business target needs to be divided into smaller and more concrete management tasks to recognize the actual knowledge needs

and to define responsibilities. In the presented case study, this was done by breaking the growth objective down to three sub-objectives (performance gaps): choosing the right projects, keeping employees satisfied and confirming the performance of the production network. For these management tasks, it was reasonable to pose the two questions: what knowledge assets are needed and what information is needed to support decision-making?

As the empirical examination illustrated, the three management tasks identified raised very different knowledge needs and called for different knowledge management solutions. In choosing the right projects, the main focus was on external information. Recognizing the right information sources, having the processes and tools for gathering and analyzing this information and, finally, incorporating the results to everyday management processes are the main knowledge management tasks in this area. One major concern related to a more general issue in the construction business was its reliance on internal tacit knowledge (Nonaka, 1994; Nonaka and Takeuchi, 1995). This hinders the renewal capability of individual organizations and the whole industry. Organization's absorptive capacity, that is, recipient's prior knowledge and adaptability, amount and quality of communication as well as trust and cultural compatibility (Cohen and Levinthal, 1990; Lane *et al.*, 2001), could be enhanced by better utilization of external knowledge and the possibilities of business or competitive intelligence methods and tools.

Considering the other two management tasks identified, the focus is more on internal management issues, organizational culture and internal information. The importance of open communication with the personnel was emphasized. Condensing the information into a clear and understandable message, or a "growth story", was seen as an essential task. The importance of communicating the entrepreneur's vision was also highlighted by the growth literature (Andersson, 2003). This communication can be enforced with an open organization culture and further supported by the available information and knowledge. This kind of a story behind the growth objective puts in evidence what knowledge resources are missing, where to get them and what knowledge is needed to make more informed decisions. This could mean, for example, specifying the project types the organization is going to take part in. For example, whether office or residential buildings are more interesting, what size of projects and in which locations are aimed for. Setting priorities for different kind of projects will concretize the methods, capabilities and tools needed for making the growth objective to realize. This will open the intended future not only for employees but also other interest groups and lead to concretization of the growth objectives.

The existing categorizations of knowledge strategies (cf. Hansen *et al.*, 1999; Earl, 2001; Donate and Canales, 2012) assist the growth-oriented strategy process in many ways but depict an external perspective and hide the complexity of real-world decision-making. Selection between, for example, codification and externalization strategy gives very little concrete advice for implementing knowledge management. Case experiences highlighted that developing a growth strategy is always contingent on situational factors. It also became evident that it is very difficult to consider knowledge strategy, or management more generally, independently from the more traditional management. Rather, knowledge perspective should be integrated into human resource management, process management, marketing and strategic management to fully capture the potential of organization-wide knowledge resources. There are multiple

paths that can be chosen. Knowledge management literature provides managers with several mental models to be followed. These include at least information management, business intelligence, intellectual capital management and knowledge management. Empirical examination illustrated how different management situations and growth determinants call for different approaches and tools.

Empirical examination revealed that knowledge strategy is actually a complex mix of different methods, tools and actions. The empirical discussions brought out a risk in considering knowledge management as a one coherent management approach. Instead, various knowledge-based management approaches, such as intellectual capital management, organizational learning and business intelligence, each have their valuable viewpoints to offer. Effective knowledge strategy would balance various perspectives and notice that implementation of new tools, such as information systems, also require training and investment in human resources and most probably affect processes and ways of operating. In practical management situations, it is important not to be dazzled with only one perspective. Composing a knowledge strategy is a context-specific exercise. Selecting the most suitable approach and tools from the knowledge-based management toolbox depends on the business case and whether you are interested, for example, in knowledge creation, innovations, entering into new markets or improving internal efficiency and streamlining respective knowledge flows.

Various knowledge dichotomies (e.g. tacit/explicit, individual/organizational and internal/external) presented in the literature (e.g. Heisig, 2009) support the recognition of strategic knowledge assets and help in developing a knowledge strategy in many ways. The literature also provides some recipes for composing a knowledge strategy (e.g. Zack, 1999; Earl, 2001). However, there is the lack of a management originated analysis about the role of knowledge and knowledge management especially related to the specific business objective of organizational growth. It has also been criticized that knowledge management literature focuses too much on knowledge and leaves the connection to business objectives and performance into a side role (e.g. Kalling, 2003). To bridge this gap, this paper provided a practical illustration how an organization could support their growth management from the knowledge perspective. The paper purposefully left the more detailed discussions on knowledge out and focused on management issues and business objectives. This seemed to lead into more relevant discussions in workshops.

Consequently, in developing a knowledge strategy and supporting business objectives, growth in this particular context, an important notion of the existing literature, is the connection between the business vision and knowledge strategy. This is stressed by several authors (Zack, 1999; Earl, 2001; Heisig, 2009) and was supported by the discussions with the top management of the case organization. Further, derived from the firm's vision and business objectives performance gap and respective knowledge gaps should be identified: what knowledge do we need to achieve our growth objectives? In a fairly small organization like the case organization, it is important that the vision and the related decisions are well reasoned and communicated to employees (cf. Andersson, 2003). In a continuously changing business environment, employees' motivation and commitment can easily suffer if they are not aware of the situation at hand.

6. Conclusions

This paper contributes in two ways. First, by extending the analysis of knowledge strategy to growth management and, second, by providing a practical illustration of the development process where knowledge was put into prime focus of developing an organization's growth strategy. Instead of focusing on the characteristics of knowledge strategy as such or mere listing of the growth determinants, the paper applied an approach with an aim to understand the various management aspects that have to be taken into account when constructing a knowledge strategy in a growth-oriented organization. Thus, the paper links the theoretical discussions (of knowledge and growth management) and provides new practical understanding about this complex phenomenon of growth-oriented knowledge management.

Although a growth strategy defines organization's growth aims and clarifies how the intended growth will be attained, a knowledge strategy takes a stand on the needed knowledge assets and paints a path from the existing knowledge base to a state where organization's knowledge assets enable the reaching of its business goals. Knowledge strategy concretizes what assets are needed and how those are intended to be acquired. Furthermore, this strategy defines the focus of knowledge management by describing responsibilities and sets limits and performance targets for all knowledge management initiatives. Especially in the case of growth, which is a risky endeavor requiring organizational renewal, it is of special importance to carefully consider what new knowledge assets are needed, what assets might be outdated and on what information and understanding strategic decisions are based.

This paper showed that there are two viewpoints to be considered when growth management is analyzed from knowledge perspective. First, the perspective of knowledge assets concerns whether an organization has the needed assets or not. The second knowledge perspective has to do with decision support: to make informed decisions, management needs up-to-date information. This study adds to existing literature by elaborating both of the aforementioned perspectives in a real-world management setting. In addition, the study provides a valuable view to the interaction of board and management team in a growth-oriented organization. Although board members seek a long-term competitive advantage, the management team is working with a lot more pragmatic management challenges arising on a daily basis. These different time horizons and management tasks lead to different kind of knowledge needs and the resulting interaction and discussion between the parties becomes a crucial determinant of organizational growth and success more generally.

From a managerial perspective, our paper has three main messages. First, growth-oriented knowledge strategies are strongly case-specific. Therefore, they need to be designed case by case considering the contextual factors. Second, the two main questions related to knowledge strategies could be used as such as a tool for designing growth-oriented knowledge strategies: which knowledge assets the company needs to acquire to facilitate growth and what information must the management possess to be able to make sound decisions related to the growth objective? After searching for answers to these questions, the management team is likely to start forming an understanding of the knowledge-related management activities it needs to carry out. Third, only after identifying the knowledge-related management needs – that is, “needs” originating from the growth objective – it is time to start planning the actual knowledge management activities. In other words, planning a growth-oriented knowledge

management strategy starts from understanding the growth objective and the context, and only after that moves on to designing the more detailed knowledge management tools and processes.

The main limitation of the paper relates to having only one case organization. On the other hand, it also a key strength of the paper: the action-oriented approach of the paper made it possible to study the process of developing a growth-oriented knowledge strategy under a certain contextual setting. It seems likely that the strategic paths differ depending on the organization and context. Thus, in the future, it would be valuable to carry out similar studies in different contexts to learn about various knowledge strategies developed for different contexts. Also, an interview study covering several companies could provide more generalizable results and help us understand which growth determinants and knowledge management strategies correlate and how the growth objectives can be supported by knowledge initiatives. It would also be highly valuable to conduct retrospective studies to learn about the outcomes of various knowledge management strategies, how knowledge was turned into value and what knowledge was considered valuable in the first place. Furthermore, it would be interesting to study in-depth the recent success stories of super-rapidly grown companies such as Facebook, Twitter and Uber to learn how they have managed and exploited knowledge to make their rapid growth possible.

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Appendix. Interview questions

- Q1. What knowledge do you bring to the board of directors? (e.g. education and/or current work assignments)?
- Q2. What is Pohjola's growth strategy?
- Q3. What are the most essential factors from the viewpoint of Pohjola's growth? What are the most important growth determinants?
- Q4. What kind of knowledge needs board of directors (and you in particular) have?
- Q5. What additional knowledge is needed?
- Q6. How does the board of directors (management group) communicate to the rest of the organization?
- Q7. What kind of practices the board of directors (management group) has for knowledge management?
- Q8. Are the current performance indicators sufficient? (if not: how should they be developed?)

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