

Skiza, Tomasz

**Article**

## Knowledge mangement in the LGU's

e-Finanse: Financial Internet Quarterly

**Provided in Cooperation with:**

University of Information Technology and Management, Rzeszów

*Suggested Citation:* Skiza, Tomasz (2012) : Knowledge mangement in the LGU's, e-Finanse: Financial Internet Quarterly, ISSN 1734-039X, University of Information Technology and Management, Rzeszów, Vol. 8, Iss. 1, pp. 117-124

This Version is available at:

<https://hdl.handle.net/10419/66732>

**Standard-Nutzungsbedingungen:**

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

**Terms of use:**

*Documents in EconStor may be saved and copied for your personal and scholarly purposes.*

*You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.*

*If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.*

# KNOWLEDGE MANAGEMENT IN THE LGU'S

*Tomasz Skica*<sup>1</sup>

---

## Abstract

*The article is regarding the issue of the knowledge management at local government. It's contents are focusing on the diagnosis in theoretical as well as practical perspective possibilities of managing decks of the knowledge in local government units. The subject brought up in this article is appealing for the experiment to transfer tools of both the attempt at the identification and the knowledge management in the private sector to the level of activities of the local government. This article constitutes this way the attempt to draw the improvements in the sphere of functioning of local government structures using layers like open and hidden knowledge for gain this goal and also putting appropriate approach at the management. Presented in this text approach, constitutes about the possibilities of improving the effectiveness of activities local government units by appealing to decks of knowledge local governments have.*

**JEL Classification:** H7, H8, D8

**Keywords:** knowledge, management, local government units, knowledge transfer

Received: 14.11.2011

Accepted: 30.03.2012

---

## Introduction

The dynamics of changes in the environment in which a local government functions results in the need to make equally frequent and sometimes far-reaching transformations in the structures of the said local government units (LGUs). Regardless of whether they result from the LGUs passively following trends set by their environment or whether they are of a grass-roots character (i.e. are created by the LGUs themselves), the actions are conditioned by the endogenous potential of the units implementing them. In consequence, due to the relatively wide freedom of the LGUs in shaping organisational structures and setting the approach to performing public tasks – the intensiveness and character of solutions implemented by them may form an effective index of assessing how pro-developmental the policy of local government authorities is (Skica, Kiebała, Rodzinka, Reško, Wołowiec, 2011).

The basic and at the same time objective determinant of LGU initiatives' effectiveness – regardless of the scale of the initiatives and the potential of their effects – is the clerks' knowledge and the ability to draw from its resources. All the while, the knowledge of local government structures' employees should not be identified only with the ability to act stereotypically in situations regulated by the law in force (Wołowiec, 2011a). This knowledge is mainly a full awareness of the potential consequences of the initiated actions, the ability to identify and assess economic phenomena, and finally also the ability to understand and interpret the sources of law and to use them properly. Particularly important is here the order of the presented components of the knowledge potential of local government employees. What makes the LGUs' actions effective is not a mechanically performed service administration, but understanding regulations, which requires thorough economic and financial knowledge. The truth of the stand is confirmed by

---

<sup>1</sup> Ph. D. Tomasz Skica, Chair of Macroeconomics, University of Information Technology and Management (UITM) in Rzeszow, Manager of research and studies at the Institute for Financial Research and Analyses (IFRA), University of Information Technology and Management, ul. Sucharskiego 2, 35-225 Rzeszów, [tskica@wsiz.rzeszow.pl](mailto:tskica@wsiz.rzeszow.pl).

my own research which shows that in only about 4-5% of cases of faulty clerical decisions their fault lies in unclear regulations. In 95-96% of cases, the basis for revoking administrative decisions or for stating their invalidity are faults resulting from the fact that people making the decisions did not know the regulations or the principles of interpreting them<sup>2</sup>. Considering the above, one cannot help but agree that knowledge is an important element of the LGUs' proper functioning, and effectively managing their resources determines effective performance of tasks by the local government (Wołowiec, 2011b).

### **Knowledge, management, and knowledge management**

The analysis of knowledge management in the LGUs should start with defining the terms of “knowledge”, and “knowledge management”. This is a complex task due to the fact that while the concept of “knowledge” belongs to the domain of both the public and the private sector, which basically makes it easier to define the term, “knowledge management” is usually related only to the private sector. In effect, using the term of “management” in the context of local government structures means that solutions so far unexploited in local government practice need to be transferred to the area of LGU activity. Knowledge management should thus be seen in the perspective of actions enhancing the ability of local government units to reach the intended targets by referring management-related sector characteristics to the activity of local government structures.

Knowledge is identified with “data” and “information”. The first term means raw, unanalysed numbers and facts concerning phenomena or events (Stoner, Freeman, Gilbert, 1998). The other term – “information” – includes a set of data describing events or phenomena that shape the perception of reality (Jashapara, 2006, p. 33). Knowledge combines the two terms and at the same time it covers the possibilities of processing and using them. Assuming that data and information are knowledge components, one cannot help but notice that forming a qualitative definition on the basis of quantitative elements is extremely difficult. This view is confirmed by the stand of K. Perechuda (2005) who states that knowledge should be perceived solely as “psychological, individual or intersubjective experience which is a result of intellectual theoretical reflection on real and abstract beings” (p. 44).

Considering the above described situation and adopting the views of I. Nonaka and H. Takeuchi as the starting point for further reflections, knowledge should be divided into two categories, i.e. tacit and explicit knowledge<sup>3</sup>. The former is very difficult to discern and capture. In effect, all attempts to formalise it are extremely complicated. Adding to the holistic image of the tacit knowledge the difficulty of its identification, deep rooting in individual actions, and in particular its rooting in ideals and autonomous values – it must be noticed that the possibilities to share it in office structures are very limited. In the case of explicit knowledge expressed in numbers and words, the situation is quite the opposite. This type of knowledge, as opposed to tacit knowledge, is communicated clearly, which allows to spread it in the form of scientific rules, formulas, procedures or principles.

The awareness of the role played by knowledge in the practical activity of local governments stimulates actions aimed at building it in a well thought-out manner. A statement can be risked

---

<sup>2</sup> Research with an analysis of materials concerning the jurisdiction of the administrative court deciding on the defectiveness of public administration bodies' resolutions conducted in 2009 by Tomasz Skica, Ph. D. (UITM Chair of Macroeconomy).

<sup>3</sup> See more on the topic at: [www.sveiby.com](http://www.sveiby.com), and in: Nonaka, I., Takeuchi, H. (2000). *Kreowanie wiedzy w organizacji* (orig. *Theory of organizational knowledge creation*). Warszawa: Poltext, p. 110ff (author's note).

here that effects gained by the unit as expressed e.g. by budget planning effectiveness derive to an equal degree from clerical knowledge and from sharing explicit knowledge resources. The unit's potential is also constructed on the basis of tacit knowledge resources. Assuming that the office means the people creating it, a simple relation can be found between tacit knowledge and LGU actions' effectiveness. It can thus be noticed that both these spheres impact the effectiveness of the activity of single local governments – although in a completely different manner – and in effect also of the whole local government subsector of public finance. The fact is particularly important bearing in mind the relation between knowledge and an organisation's development<sup>4</sup> presented e.g. by P. Drucker. In his opinion (Drucker, 1993) “the basic economic resource (...) is no longer capital, nor natural resources (the economist's “land”), nor “labor”. *It is and will be knowledge*” (p. 8). This means that the potential of any local government unit should not be measured only in property categories, and its strength stems from knowledge and managing its resources.

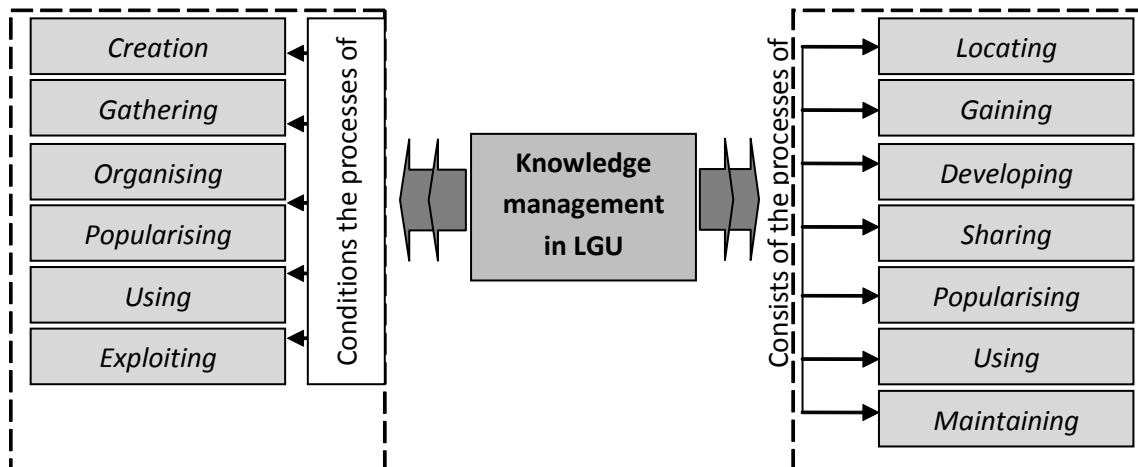
Realising that knowledge is a function of skills and acquired experience, and that due to its intangible character it is constantly shaped by perceiving and using new chances, it may be stated that knowledge is a determinant of effective actions of local government structures while it also stimulates their development. The view indicates how reasonable it is for local government units to construct solutions to efficiently mobilise knowledge resources and manage them. There appear the questions, what knowledge management is and how it should be related to LGU activity. Assuming that the basic component of knowledge is information, knowledge management should be viewed in the categories of information management, while the analytic context should be broadened to include managing knowledge employees. The key to such an analysis seems to be the process approach presented by B. Mięka. In his opinion (Mięka, 2002), “knowledge management is gaining means, developing and impacting the use of conditions of the methods and techniques that condition the processes of: creating, gathering, organising, popularising, using and exploiting knowledge as the organisation functions” (p. 74). The presented view is illustrated in Diagram 1.

The presented diagram indicates how complex and multidimensional the processes related to knowledge management are. It shows that relations occurring in knowledge management processes are visible both within the particular components that form knowledge resources in an organisation (i.e. a local government unit) and in all planes of its impact on an LGU's organisational environment. The diagram also indicates the repetitive character and thus the continuity of knowledge management processes, creating a certain management cycle where each process results from the one preceding it and introduces the one following. As a result, the effectiveness of knowledge management is determined not only by its resources, but also by the initiatives to multiply it. Knowledge itself is a necessary condition but does not suffice to effectively stimulate the organisation to grow. Using the knowledge resources at hand, without any initiatives to multiply them, results in hampering organisational development, and even stagnation. More and more real is the vision of blocking development processes not by limited access to capital, but due to inefficient knowledge management and lack of initiatives to develop it.

---

<sup>4</sup> Cf. e. g.: Davenport, T. H., Prusak, L. (1998). *Working Knowledge. How Organizations Manage What They Know*. Boston: Harvard Business School Press, p. 5, and Skrzypek, E. (2008). Wiedza i kapitał intelektualny jako źródło sukcesu przedsiębiorstwa (Knowledge and Intellectual Capital as Source of Company Success). In: W. Ćwika, Z. Szymański [eds.], *Między historią a teraźniejszością*. Lublin: Wydawnictwo UMCS, p. 303.

**Diagram 1: Knowledge management in an organisation (LGU)**



Source: Own study based on: Probst, G., Raub, S., Romhardt, K. (2002). *Zarządzanie wiedzą w organizacji*. Kraków: Oficyna Ekonomiczna, p. 42ff

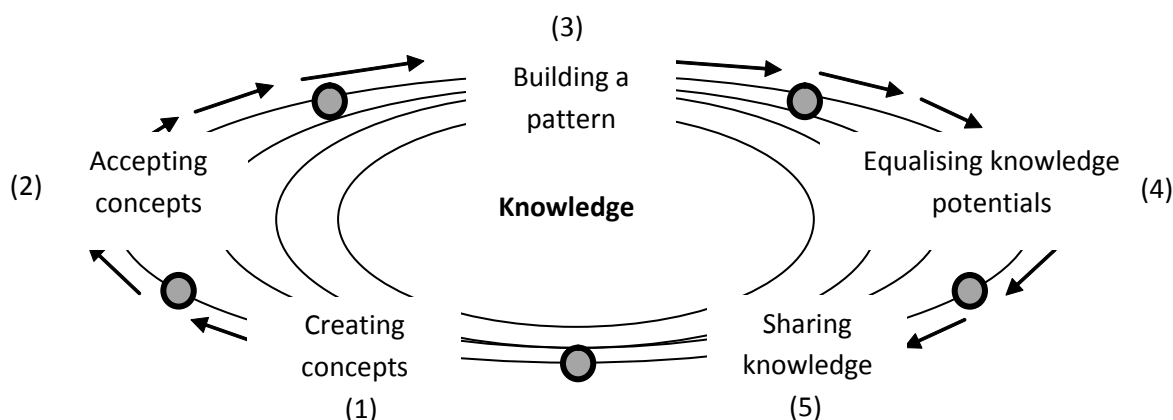
The specific character of local government structures' functioning brings with it the risk of isolating knowledge. Departments' autonomy creates closed knowledge centres formed by the office's particular units. The situation results in blocking knowledge within particular departments and not allowing it to be translated into the spheres of other departments. The described knowledge management model usually results in high assessment of single units (or the individuals employed there) against a general negative assessment of the whole office. It seems that the above presented problem could be solved by making separate information available within the local government unit's structures and transforming a single skill into a resource matching the needs of the whole LGU. This aim can be realised by applying knowledge management parallel in the strategic dimension (focusing on building a knowledge-based and open-to-knowledge organisation) and the operational dimension which includes creating, gathering and processing knowledge and using its resources to reach the organisation's aims (Błaszczuk, Brdulak, Guzik, Pawluczuk, 2004). The conducted analyses allow to notice that for a fully effective knowledge resources management it is necessary to combine three actions. These are: generating knowledge, sharing its resources, and finally applying it appropriately in practice (Murray and Myers, 1997). When viewed separately, none of the said actions will bring the desired effects, and the sole effect of the thus activated processes will be an only partial exploitation of the LGU's potential.

### **Knowledge transfer in a local government organisation**

Low efficiency of the impact of knowledge on LGU organisational potential does not result exclusively from deficiencies in managing its resources. As a static resource, knowledge has a relatively small significance for realising the aims of an organisation. Its real value for an LGU is thus determined by its transfer. Similarly, the real value of knowledge resources grows together with access to them (Morawski, 2005). The presented stand is confirmed by the views of K. Perechuda, who stresses the significance of tacit knowledge and the benefits resulting from its transfer, and of B. Buckman, who defines knowledge mobility in an organisation as the crucial determinant to build its potential. If the concept of knowledge transfer be viewed from the perspective of how knowledge is created, the key to recognising the process should be the 5-step organisational model of knowledge construction (cf. Diagram 2).



**Diagram 2: 5-step organisational model of knowledge construction**



Source: Own study based on: Nonaka, I., Takeuchi, H. (2000). *Kreowanie wiedzy w organizacji (orig. Theory of organizational knowledge creation)*. Warszawa: Poltext, p. 109

In its construction, Diagram 2 relates to the above described concepts, for it refers to the division between tacit and explicit knowledge. Transferred is mostly explicit knowledge. Tacit knowledge (identified basically only when actually applied) cannot be transferred due to its properties. Yet focusing on transferring explicit knowledge is not an optimal model. As has been shown above, it is the tacit knowledge that can decide on a unit's competitive edge over other LGUs. An example of that is the activity in winning investors. The fact that local government units do not exude tacit knowledge cannot be seen as the reason for abstaining from any activities that assume identifying its resources. It may thus be said that oftentimes local government units are unaware of their own potential, the exponent of which is the said tacit knowledge. While resources of explicit knowledge may be compared, referred and viewed against other LGUs, tacit knowledge constitutes an organisation's invisible resource, the multiplication and popularisation of which within the unit's structures may bring multiplier effects.

Combining knowledge resources with the scope of its use poses questions about its deficits and surpluses. The former result from blocking knowledge, lack of initiatives to help it flow, or insufficient qualifications of people employed in LGU structures. Knowledge deficits can thus cause wrong clerical decisions, faulty resolutions and interpretations. Knowledge surpluses cannot be considered a solution to the above mentioned problems. In fact, they mean information noise which makes making the right decisions more difficult. Both situations should thus be treated as disadvantageous extremes. Knowledge overload, understood as a load of information unrelated to the area of competence of the particular department, can be as disadvantageous as its deficit. Thereby, both situations bring recommendations on steering knowledge transfer. In the first place, the process should be selective. This means that the knowledge transfer ought to be preceded by recognising the needs of the people and units in the LGU structures where that knowledge is going to be transferred. Such a solution effectively eliminates burdening the employees of particular departments with unnecessary knowledge. Causing completely unjustified costs, such burdening does not translate into effectiveness of LGU activity. Secondly, the knowledge should be supplemented on the basis of a matrix of needs developed based on a diagnosis of the knowledge demand of employees in each department. Thirdly and finally, knowledge transfer to particular departments requesting the knowledge should be constant. Combining the factors makes the knowledge transfer process effective and efficient, and the related expenditure justified not only as to its subject, but also as to economy.

The considerations so far concentrate in three areas of the LGUs' functioning and concern the issues of the individual (clerk), internal structure (a unit's organisational structure) and external structure of an organisation (LGUs' environment). Such a view on knowledge management agrees with the stand of K. E. Sveiby (2005). That multi-directional knowledge flow gives the possibility to absorb it, i.e. to learn. To ensure that the processes are as effective as required it is necessary to first select and then indicate the needs in the area of knowledge and to take actions to supplement it in those departments of the unit which have a deficit of knowledge. Creating knowledge (as this process is called) bases on the interpenetration of its resources in three dimensions (Nonaka and Takeuchi, 2000). These are: knowledge worker (LGU clerk), knowledge team (formed by the particular departments) and knowledge factory (viewed as a local government unit). Basing on the division into explicit and tacit knowledge, these processes create a "knowledge spiral", based on four stages, i.e.: socialisation, externalisation, combination and internalisation (cf. Table 1).

**Table 1: Description of stages forming the spiral of knowledge creation in LGU organisational structure**

	<b>Stage 1: Socialisation</b>	<b>Stage 2: Externalisation</b>	<b>Stage 3: Combination</b>	<b>Stage 4: Internalisation</b>
<b>Knowledge category and the direction of changes</b>	Covers the flow of tacit knowledge	Concerns changing tacit knowledge into explicit knowledge	Concerns converting explicit knowledge from simpler into complex forms	Concerns changing explicit knowledge into tacit knowledge
<b>Way to realise a stage</b>	Expressed in decision-making autonomy within the unit's structures	Done through dialogue (done e.g. through creative thinking techniques)	Consists in gathering, sorting and integrating elements forming explicit knowledge resources	Usually done by giving experience and training employees

*Source: Own study based on: Nonaka, I., Takeuchi, H. (2000). Kreowanie wiedzy w organizacji (orig. Theory of organizational knowledge creation). Warszawa: Poltext, p. 86ff*

The above table is a certain matrix. Its interpretation allows to notice that optimising knowledge management by the LGUs is conditioned by full cooperation of the unit's structures in creating and transferring both the explicit and the tacit knowledge, in relation to individual clerks, particular departments and also the whole unit. The indicated solution should be viewed as a model, for it guarantees the required data and information circulation, and in effect knowledge circulation in all possible dimensions of local government structures' functioning, which strengthens the LGUs' ability to reach the assumed aims and optimises the process of knowledge creation and transfer.

## Summary<sup>5</sup>

The diagnosis of the practice of knowledge management in the LGUs does not evoke much optimism. It shows contradictions between how the processes of identifying, managing and transferring knowledge are understood and the practical approach to the actions. Research shows that about 40% of LGUs take actions to enhance knowledge resources and obtain greater effectiveness of its use, yet at the same time 43% deny taking initiatives related to knowledge management or transfer. What is worse, the LGUs openly declare not being convinced of any relation between knowledge management and the effectiveness of local government structures' activity. In effect, in the majority of cases the knowledge transfer in local governments goes just one way, according with the transposition direction of the statutory law.

As many as 55% of LGUs do not take actions to identify tacit knowledge resources or are not aware of its existence. What is worse, in the area of tacit knowledge resources local governments maintain a practically destructive policy, expressed e.g. in ignoring electronic data archiving (35% of respondents) or lack of initiatives to monitor knowledge management processes from inside the organisation (13% of respondents). Research also showed that the LGUs avoid creating R&D units (14% of respondents), practitioners' associations (11% of respondents) and professional networks (6% of respondents), which stimulate the knowledge management processes, and the knowledge transfer tools are mainly electronic mail (85% of respondents) and the Internet (about 80% of respondents). At the same time, despite such a high percentage of answers, in nearly 1/3 of communes the electronic system of document circulation does not work, and for 3/4 of units the function of a knowledge broker is an abstract concept. This proves a contradiction in the answers from local government representatives, which lowers the credibility of the understanding they declare to have of explicit knowledge management processes. Quite different is the situation concerning the application of tacit knowledge transfer tools. Nearly 52% of the examined LGUs declare that to do that they use trainings organised within the units, and further 27% confirm implementing programmes of sharing good practices. Only 5% of units use chats and forums in their actions aimed at sharing knowledge, and less than 4% create mentoring programmes. In consequence, over 2/3 of LGUs have not developed any procedures for implementing innovations in providing public service, and new solutions are implemented mainly on the basis of experiences resulting from previous projects (85% of respondents). With the lack of evaluation procedures, such a solution means copying all the previous mistakes.

As shown by the quoted research, local government structures are not yet ready to the role and expectations posed before them by market mechanisms. Not understanding the benefits flowing from knowledge management, multiplication and transfer, the LGUs are not able to appreciate them fully. The sphere of potential benefits from knowledge management is also obscured by focusing on performing current tasks, which postpones any initiatives aimed at implementing innovations in the quality of services provided. Adding to that insufficient care to transfer individual competences within the units' structures, the rift between the achievable and real exploitation of the potential formed by knowledge resources in an organisation is very clear to see.

---

<sup>5</sup> The conclusions were based on results of research conducted in 2009 by the research team made up of Tomasz Skica, Ph. D. (UITM, Chair of Macroeconomy) and Magdalena Żmuda, M. Sc. (UITM, Chair of Social and Economic Policy) on a representative sample of the communes of the Podkarpackie region.



## References

- Błaszczuk, A., Brdulak, J. J., Guzik, M., Pawluczuk, A. (2004). *Zarządzanie wiedzą w polskich przedsiębiorstwach*. Warszawa: Szkoła Główna Handlowa.
- Davenport, T. H., Prusak, L. (1998). *Working Knowledge. How Organizations Manage What They Know*. Boston: Harvard Business School Press.
- Drucker, P. (1999). *Spółczesność pokapitalistyczna*. Warszawa: Wydawnictwo Naukowe PWN.
- Jashapara, A. (2006). *Zarządzanie wiedzą*. Warszawa: Polskie Wydawnictwo Ekonomiczne.
- Mikuła, B., Pietruszka-Ortyl, A., Potocki, A. (2002). *Zarządzanie przedsiębiorstwem XXI wieku*. Warszawa: Wydawnictwo Difin.
- Morawski, M. (2005). Problematyka upowszechniania wiedzy między jednostkami organizacyjnymi uczelni. In: T. Gołębiowski, M. Dąbrowski, B. Mierzejewska (red.), *Uczelnia oparta na wiedzy. Organizacja procesu dydaktycznego oraz zarządzanie wiedzą w ekonomicznym szkolnictwie wyższym*. Wrocław: Uczelnia Fundacja Promocji i Akredytacji Kierunków Ekonomicznych.
- Murray, P., Myers, A. (1997). *The Facts about Knowledge – Special Report*. [Acrobat Reader]. Obtained from: <http://www.info-strategy.com>.
- Nonaka, I., Takeuchi, H. (2000). *Kreowanie wiedzy w organizacji*. Warszawa: Poltext.
- Perechuda, K. (2005). *Zarządzanie wiedzą w przedsiębiorstwie*. Warszawa: Wydawnictwo Naukowe PWN.
- Probst, G., Raub, S., Romhardt, K. (2002). *Zarządzanie wiedzą w organizacji*. Kraków: Oficyna Ekonomiczna.
- Skica, T., Kiebała, A., Rodzinka, J., Reško, D., Wołowiec, T. (2011). *Podstawy gospodarki finansowej gminy (Wybrane zagadnienia)*. Krynica-Zdrój – Rzeszów: Wyższa Szkoła Biznesu – National-Louis University & Instytut Badań i Analiz Finansowych Wyższej Szkoły Informatyki i Zarządzania z siedzibą w Rzeszowie 2011.
- Skrzypek, E. (2008). Wiedza i kapitał intelektualny jako źródło sukcesu przedsiębiorstwa. In: W. Ćwika, Z. Szymański (red.), *Między historią a teraźniejszością*. Lublin: Wydawnictwo UMCS.
- Stoner, J. A., Freeman, R. E., Gilbert, D. R. (1998). *Kierowanie*. Warszawa: Polskie Wydawnictwo Ekonomiczne.
- Sveiby, K. E. (2005). Dziesięć sposobów oddziaływania wiedzy na tworzenie wartości. *Ementor*, No. 2 (9), 49-53.
- Wołowiec, T. (2011a). Wiedza finansowa jako endogeniczne źródło potencjału JST. In: T. Skica (red.), *Wiedza finansowa w praktyce działalności jednostek samorządu terytorialnego: Raport analityczny Vol. 1, No 2*. Rzeszów: Wyższa Szkoła Informatyki i Zarządzania.
- Wołowiec, T. (2011b). Edukacja finansowa a obszary zwiększenia wiedzy finansowej w strukturach samorządowych. In: T. Skica (red.), *Wiedza finansowa w praktyce działalności jednostek samorządu terytorialnego: Raport analityczny Vol 1, No 2*. Rzeszów: Wyższa Szkoła Informatyki i Zarządzania.