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Revisiting the ‘Knowledge Creating Firm’ in the ‘Post-Capitalist Society’ Context

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Introduction

This essay contributes to Dr. Ikujiro Nonaka’s knowledge creation theory and in particular what Peter Drucker termed a theory for a post-capitalist society. The following four sections look back over thirty years from the beginning of the Japan miracle and current management theory as the development of the knowledge creation theory. It concludes with the author’s proposal of ‘purpose engineering’.

The first section deals with the history of knowledge creation as a theory of knowledge economy first proposed by Peter Drucker more than 40 years ago. Nonaka’s 1991 study and theory highlighted the success of Japanese companies in the 1980s. After encountering the theory, the US became active in the knowledge management approach in the first major stage of the 1990s. The second major stage of development occurred in the first decade of the 21st century. Concepts dealing with intellectual capital, intangible assets and the value of innovation were developed and explored during this period. The third stage is now occurring in the second decade of this century. In particular, the whole organization and the fundamental management goal is the creation of knowledge for the society or social innovation.

The second section then introduces the current situation of knowledge creation theory. Discussion of the present day problems with the global economic system focuses on the necessity of a new management approach. We cite some of the problems that existed in Japan and some of the positive examples from the US. We then delineate our ‘to do’ list for 21st century management.

The third section focuses on the relationships with Hayek and others ideas, regarding the theories of innovation and the community. The significance of ‘tacit knowledge’ as well as innovation theory proposed by Schumpeter is explored. The four components of the ‘SECI Model’ are explained as a
discovery process of new knowledge, and how they integrate the explicit and tacit knowledge of ecosystem in the knowledge process.

The final section on theory of ‘ba’ is quite extensive. Here we revisit the meaning of ‘ba’ and explain why it is necessary. We explore designs of ‘boundary objects’ which combine ‘ba’. We discuss further the notion that knowledge creation must include the human component. The chapter ends with the concept of ‘purpose engineering’ or orchestration of purposes.

**Drucker on capitalism and the necessity of knowledge theory**

‘In fact, knowledge is the only meaningful resource today....We need an economic theory that puts knowledge into the centre of the wealth-producing process. Such a theory alone can explain the present economy, it alone can explain economic growth. It alone can explain innovation. It alone can explain how the Japanese economy works and, above all, why it works’ (Peter F. Drucker, *Post-Capitalist Society*, 1993, italic by the author).

The paragraph is cited in Nonaka’s new book (Nonaka & Konno, 2012). This essay discusses the past and the future of the knowledge creating theory, based on ideas presented in this new work.

Drucker questioned how economic value could be created in a knowledge-based capitalist society. He did not answer the question himself. Based on what he had observed about the 20th century modern world and industrial society, he predicted the evolution of an organizational society. Compared to the isolated and divided work style typical of early mass manufacturing, Drucker suggested that flexible networking and collaboration (socially organizing) among knowledge workers would be the key factors for creating value.

During his early years in Vienna, he foresaw the collapse of Soviet Union Russia and the rise of Nazism and totalitarian society. It could be that Drucker was sounding a warning to our society and that we should seek such an organizational evolution beyond the industrial society. Knowledge Creation theory is now becoming an answer to the question that Drucker posed.

Organizations that are founded upon the core principle of ‘knowledge creation’ require management that supports and fosters this organizational compass. Knowledge Creation Management (KCM) is a model whose foundation and core is the process of knowledge creation.

The idea of knowledge creation originally emerged from research into the process of new product development in Japanese firms. Japanese firms such as Honda, Canon, NEC and KAO were growing quickly in 1980s.

After its introduction in 1990s, the theory was refined by further research and examination into a holistic theory of management and organization. It resulted from an iterative struggle of weaning itself off the natural instinct to follow the successful ways of the past and trying to create new ways of thinking and doing. We can say that KCM is a relatively new concept in the