Knowledge management in the public sector: stakeholder partnerships in the public policy development

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Abstract

Purpose – How knowledge management theories and frameworks are applied in the public sector is not well understood due to little evidence being published in the literature. This paper aims to identify core issues and challenges that governments face in delivering effective public policy, particularly challenges presented by increasing community expectations, and to highlight the importance of developing public policy via knowledge-based partnerships with its stakeholders.

Design/methodology/approach – Arguments draw on relevant theory in knowledge management and related fields as well as from public sector experiences.

Findings – The main discussion examines some issues, challenges and opportunities in public policy developments and proposes some practical models to assist governments develop and capitalize on more effective knowledge-based stakeholder partnerships.

Practical implications – This paper suggests that some existing process frameworks can provide a good starting-point to capturing knowledge about stakeholders, highlighting how stakeholders interact with policy development processes. The reviewed literature and ideas proposed herein classify stakeholders from a number of different perspectives and attempt to provide some practical assistance to governments in developing more effective and strategically guided stakeholder policy partnerships, including more effective use of resources and improved knowledge transfer. Such frameworks need to be viewed as being dynamic and stakeholder classifications need to be monitored continually.

Originality/value – This paper highlights the need for more effective government and stakeholder partnerships to develop better public policy, including providing governments with cost-effective avenues to knowledge and expertise, and facilitating greater public accountability. Several processes are suggested that can facilitate more transparent and effective two-way knowledge transfers between public organizations and stakeholders, which are fundamental for establishing successful partnerships.

Keywords Knowledge management, Public sector organizations, Government, Stakeholder analysis

Paper type Literature review

Introduction

The concept of knowledge management (KM) is not new to the public sector, and whether intentionally or unintentionally, KM initiatives have always been integrated in government tasks, inseparable from strategy, planning, consultation, and implementation. Through public policy in particular, politicians and public service workers use knowledge to shape their domestic environment and try to make a difference (Bridgman and Davis, 2004). The entire community is affected by public policy, thus governments play a large part in a society’s success. Societal responsibilities, for delivering public policy that benefit the common good further enhance the importance of effective KM in public services (Wiig, 2002). Furthermore, governments are under continual pressure from the society to increase their effectiveness and quality with fewer resources (Keating and Weller, 2001; McAdam and Reid, 2000), while simultaneously being expected to demonstrate greater accountability and transparency in processes. For example, several years of new public management (Hood, 1991) and the deregulation of more and more public sector services, such as telecommunications, energy, and education, have introduced competitive elements into government agencies.
Clear communication of policy outputs and outcomes to stakeholders, and attempts to achieve those together in partnerships with stakeholders can be the starting point to transforming relatively uncompetitive public sector organizations into dynamic and knowledge-intensive learning organizations. Whilst knowledge has been recognized as a core strategic asset in increasingly dynamic public business environments and communities, more effective governing and public policy development depends on a more systematic and effective capture, dissemination, transfer and application of knowledge. Some governments are at risk of falling behind practices of leading private sector firms unless they start being conscious of the benefits of setting KM goals and strategies (Accenture, 2004; OECD, 2001), that is, viewing knowledge as a significant competitive differentiator and resource of wealth and value-creation. Government agencies such as the Army, Air Force, and Navy have had well-defined KM strategies for quite some time, going beyond knowledge repositories, motivated by the competitiveness of other countries’ defense forces (Asoh et al., 2002). Similarly, in the education sector, knowledge has been constantly progressing through new research results and in the legislative process, existing knowledge is combined with political decision-making, resulting in new guidelines and regulations for society (Friis, 2002).

Typically, public policies are based on theories about the world and human behavior within a nation, and articulate preferred directions and philosophies that influence government decisions about public resource allocation in that nation. The better the knowledge base upon which public policies are built, the more likely they are to succeed. In particular, good public policy seems to emerge when knowledge possessed by society is transferred effectively to governments and when public policy options in turn are tested via ongoing knowledge transfer between governments and stakeholders, leading up to the release of policy, and followed by ongoing policy review (Bridgman and Davis, 2004).

**KM practices in the public sector**

During the past ten years, a large number of national governments, departments and agencies have embraced KM practices with a quest to creating more innovative and complex systems that connect people to information and knowledge. There are various examples in the literature highlighting the successful use of KM policies and solutions at various government levels. Since 2002, for example, the OECD has been publishing an annual survey of KM practices for ministries, departments, agencies of central government in OECD member countries; and there are over 200 KM cases accessible via their web site (see www.oecd.org).

A main driver for the adoption of diverse KM initiatives in public services is the change of organizational culture. In particular, governments seem to face four critical issues. First, drive efficiencies across all public services, for instance, by connecting silos of information across different levels of government and across borders. For example, the “Project Exodus”, a US Army KM initiative promotes KM practices and techniques as well as collaboration between novices with experts, and concentrates on the capture and application of knowledge, especially tacit knowledge, to leverage organizational learning and enhance organizational competencies across the entire US Department of Defence (E-Government Institute, 2004).

Second, develop new or consolidating outdated systems to improve the overall performance, and capitalize on a broader, more integrated and easier accessible knowledge base. For example, the Australian Bureau of Statistics (ABS) had a knowledge director since 1993 the same year it adopted a knowledge strategy labeled the “ABS object management strategy” together with the introduction of Lotus Notes to promote the use of shared discussion forums as an alternative to email. Since then numerous new KM initiatives, information behaviors and tool were developed to strengthen an organizational culture that values a knowledge and information sharing philosophy assisting ABS staff to collate, analyze, and publish large amounts of statistical information. Also, there are several hundred workgroup databases, about three times as many as it has defined organizational teams, all
of which are working in parallel to the agency’s defined organizational structure (Chatwin,
2004).

Third, improve accountability and mitigating risk by making informed decisions and resolve
issues faster, supported by access to integrated, transparent information across all
organizational boundaries. The European Union’s e-government “good practice
framework”, for example, provides some recent examples on knowledge discovery and
their purposeful transfer, and good practice exchanges from experiences at local, regional,
national, European and international level (Europa, 2005). The Internal Revenue Services of
the USA has implemented a new KM initiative across all US states that is supported by its
“internal revenue manual knowledge base” which is a linkable, searchable electronic
network of information and data repositories to provide high-tech on-line electronic tax
administration tools to its employees and better services to the public at a reduced cost
(E-Government Institute, 2004). Also, with the wider community becoming more
knowledgeable and seeking individualized solutions, the public sector needs to make its
decisions more transparent on a variety of complex policy issues. Recently, there have been
several heated political debates, if not crises, over issues such as illegal immigration, seen in
Australia’s “Tampa affair”, the existence of Iraq’s nuclear weapons program and
governments’ motivations behind supporting the USA in the Iraq war, the European
Union’s rejection of genetically modified meat, or the sudden insolvency of big corporations
such as Enron and Worldcom in the USA, Holzmann AG in Germany, and Ansett Airlines and
HIH Insurance in Australia. All these examples demonstrate that citizens increasingly
question governments’ positions and decisions (or lack of decision-making), and demand
that authorities provide their information sources.

Fourth, deliver better and more cost-effective constituent services such as enhancing
partnerships with, and responsiveness to, the public, thereby clearly demonstrating a higher
return on taxpayers’ money. E-government, for instance, increasingly replaces traditional
means of accessing public services via personal visits, phone calls, and main delivery with
new dimensions such as: online information tools, electronic services like searchable
databases or text messaging services, outlines of privacy and security policies, foreign
language and disability access, and public outreach based on the variety of features such
as e-mail or search functions that help citizens contact government officials and utilize
information on web sites (West, 2005). E-government offers organizations on all levels to
become: more open and transparent thereby enhancing and reinforcing democratic
participation, more service-oriented by providing personalized and inclusive services to
each citizen, and more productive by delivering maximum value for taxpayers’ money
(Europa, 2005).

Discussions in the main part of this paper argue that partnerships with stakeholders such as
private industry and community organizations are critical to developing effective public
policy. That is, public policies and major policy changes often need the input and support of
multiple stakeholders who may have differing views of what policies should be. As a
consequence, public policies may be ambiguous, contributing to the challenges of effective
knowledge management (OECD, 2001). Further, transparency in policy development is
increasingly expected by stakeholders and is being increasingly emphasized by
governments, requiring improved understanding of scientific and social implications of
various policy options, and a transfer of this knowledge back to stakeholders.
Stakeholder partnerships in the public sector

In public policy, stakeholders may include any person or organization whose interest may be positively or negatively affected. This includes government organizations and private businesses of all sizes, local authorities, the general community, other interested parties such as voluntary and community organizations, disadvantaged groups, indigenous groups, and people of non-native language speaking background. Every public service involves a wide range of relationships between policy makers and its stakeholders, and enhanced partnerships with those stakeholders potentially provides a cost-effective way of obtaining good or better quality knowledge in an increasingly resource-constrained environment. Indeed, legitimacy of public policy now often depends upon a process of exchange between society and government (Adams and Hess, 2001; Quirchmayr and Tagg, 2002). Considering the many interactions within the public sector (e.g. cooperative efforts of various departments or agencies such as the department of trade, state tourism authorities, and diverse universities), between different public administrations (e.g. advances of the European Union resulting in closer cooperation of national public policies), and between public sectors and stakeholders (e.g. between the public health department, an advertising agency producing a TV ad for an anti-smoking campaign, and an anti-smoking lobby group), and their impact on policy and service provision, the scope for KM in the public sector is evident.

Although there is no doubt that KM plays a greater role within public services, there is little research and few guidelines on how governments in practice can develop more effective KM and public policy partnerships with stakeholders. The following discussion examines some of the primary issues and challenges that governments and diverse public sector organizations face in delivering better quality public policy via partnerships with stakeholders. It draws upon relevant KM theory and related fields of research and proposes a number of practical models to assist governments develop more effective KM stakeholder partnerships. Frameworks for the private and public sector are known to differ. First, the private sector is usually highly influenced by its competitive environment (e.g. markets, products, business processes, technologies, and so on), whereas the public sector concentrates on information provision and service delivery. Second, whereas the private sector is often shareholder-dependent, the public sector concentrates on stakeholder interests and tends to involve multiple parties in the process, thus being more complicated to deal with (Cong and Pandya, 2003).

Government and stakeholder relationship in the KM process

There are several approaches to classifying the KM process (e.g. Beckman, 1997; DiBella and Nevis, 1997; McAdam and Reid, 2000). One way of describing the KM process is as four core interrelated phases, each of which has an underlying factual or scientific and social dimension (McAdam and Reid, 2000):

1. Knowledge construction.
2. Knowledge embodiment.
4. The application of knowledge.

Based on these four phases, the primary purpose of government and stakeholder partnerships is the facilitation of effective transfer of scientific- and socially-based knowledge, held by stakeholders, to governments. This knowledge then needs to be effectively captured and embodied within the government (e.g. within its processes, practices, culture), disseminated, and finally applied to create public policy. It appears that the government and stakeholder relationship is most important to the knowledge construction phase. This perspective is also consistent with commercial objectives that predominately emphasize a one-way transfer of knowledge from the customer to the organization (Blosch, 2000). However, a public sector perspective of the stakeholder as a customer seems more closely akin to a two-way transfer of knowledge (Barnes et al., 2003;
Schlegelmilch and Chini, 2003), suggesting that governments also need to focus on KM processes that transfer certain knowledge back to stakeholders. Indeed, a two-way knowledge transfer could assist governments in achieving greater stakeholder participation and knowledge sharing, while also demonstrating public accountability. The political dimension of public policy means that stakeholder participation in itself may be central to government objectives. Society’s perceptions about the quality of public policy, for instance, are likely to be influenced by how well governments manage stakeholders, for instance through inclusiveness or collaborative partnerships (Adams and Hess, 2001). Of course, if stakeholder perceptions are positive, it can translate into desired outcomes for governments in the form of political support and votes. Effective government and stakeholder partnerships seem essential for effective KM practices and good public policy development. It further appears that stakeholders can offer a more cost-effective and better guide to good policy development than alternative methods available to governments, such as economic rationalism and historical reflection (Adams and Hess, 2001). However, processes involved with democratic and public accountability can too easily be presented as inefficient, and consent of the wider community too often taken for granted (Deakin, 2002).

While parallels can be drawn between knowledge-based partnerships sought by the private and public sector, there are distinct differences. Much of the knowledge transferred in government and stakeholder partnerships and by and large derived from social interactions, takes on a tacit form and is based conceptually (Wiig, 2002). This is mainly due to the fact that government functions, including policy development, are based heavily on social interaction; and socially derived knowledge is more difficult to capture than scientifically derived knowledge, on which the private sector tends to place a relatively stronger focus (McAdam and Reid, 2000). Although from a conceptual perspective it seems relatively easy to accept that effective stakeholder partnerships are important for good KM and public policy development, in practice this is difficult to achieve due to often diverse stakeholder views and widely varying stakeholder capacity to interact effectively with public sector organizations. In addition, governments often need to walk a fine line between having sufficient knowledge on how to proceed on a policy issue – perhaps adequately achieved, for reasons of accountability, by engaging with expert stakeholders –, available resources, and wide involvement of stakeholders in collaborative processes (Wiig, 2002).

**Managing diverse stakeholder views**

Governments sometimes need to consider expert support and to manage different objectives that come into conflict (Duncan, 1996). Conflict could be based on many underlying issues, for example, economic competition for scarce natural resources such as land and water, or conflict between contrasting societal objectives like economic versus environmental use and economic versus social use of natural resources. Similarly, differences between underlying value systems such as different religious beliefs about social issues are difficult if not impossible to reconcile for governments. Hence, deciding how to engage with stakeholders is central to the activities of every government, although different political allegiances (e.g. between Conservative and Republican, or Labor, Liberal, Democratic parties) may produce variations in how stakeholders are perceived, including which stakeholders are seen as important, versus those that are perceived as a risk. Further, governments are not amorphous entities, comprising of many organizations such as various departments and government-owned organizations that vary significantly in priorities and often compete with private industry; they themselves, therefore, have different perceptions as to the identity of their stakeholders’ importance. The political nature of public policy also

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means that important but narrowly held views may not be embraced due to more powerful and influential stakeholders seeking to maintain their status quo (Bridgman and Davis, 2004).

A core challenge for governments is the development of methods that effectively involve diverse stakeholder groups in policy processes, while avoiding unreasonable delays and unbalanced influence of unrepresentative groups and invested interests (Bridgman and Davis, 2004). In so doing, governments need to ensure that individuals engaged in policy development processes are truly representative of stakeholder groups and that social excluded groups are represented adequately (Barnes et al., 2003). However, in practice, current trends towards private sector management practices in government are resulting in public policies that emphasize competition and contestability (Bertok, 1999; Keating and Weller, 2001; Preston, 1999), which would appear to be creating increased social disadvantage in some stakeholder groups. Consider, for instance, remote communities and lower socio-economic groups (Adams and Hess, 2001).

Stakeholder capacity

Public policy is more effective when stakeholders are able to participate effectively. Doing so, however, involves a sound understanding of options and issues (Barnes et al., 2003). Stakeholder capability, including skills and resources, to participate in informed decision-making may vary widely, especially when policy issues are multifaceted and complex. Social issues relating to health or disadvantage, for instance, are often highly emotive, and involve complex financial and practical issues that are difficult to communicate effectively, particularly through public media. There are also common misunderstandings resulting from variations in knowledge levels among stakeholders and value-based disagreements (Wiig, 2002). Hence, governments need to identify potential barriers to effective knowledge transfer, such as language, physical and education disparities, cultural and gender differences, as well as resources and time constraints within stakeholder groups. That is, some stakeholder groups will be more capable than others at representing themselves and therefore capable of participating more effectively in policy partnerships with government. Those may include other government organizations, some professional bodies, and stakeholders which have relatively greater access to resources and knowledge. While those partnerships could therefore be compared to strategic alliances formed in the private sector, in that a two-way flow of knowledge is emphasized (Das et al., 2003), there may not always be mutual benefit in the relationship as tends to occur in private sector strategic alliances. That is, business arrangements normally seek to achieve mutual commercial benefit.

On complex public policy issues, governments need to develop techniques that effectively transfer tacit knowledge and understandings. Appropriate KM practices, guided by a clear vision, may be used to develop more effective policy partnerships with stakeholders, including education programs, dialogue programs and effective networks (Wiig, 2002). Effective dialogue seems particularly essential because people often do not articulate their values easily or may not even understand them (Lesser et al., 2000). Also, governments may need to develop specific practices for engaging with particular cultural groups, such as indigenous people. In addition, governments face significant challenges in developing effective stakeholder partnerships when there are imbalances in knowledge sharing capability, which are perhaps most evident in marginalized groups that are frequently excluded (by social exclusion) from public debate on policy issues (Barnes et al., 2003; Deakin, 2002). Groups can be excluded from policy debate for a range of socio-economic reasons, for example, poor education affecting issues such as capacity to understand issues, and communication constraints such as non-English speaking backgrounds.

As governments increasingly embrace social justice principles in public policy development, including equity and full participation (Bridgman and Davis, 2004), it is becoming more important to find ways of engaging effectively with marginalized groups, particularly where they are affected greatly by a policy, either directly or indirectly. However, even when governments have a clear intent to achieve good long-term social objectives,
their practices may not be effective (Barnes et al., 2003). Typically the wider community is also resistant to change, making it difficult for governments to address issues of disadvantage and discrimination against marginalized groups (OECD, 2001). At an extreme, some stakeholder groups may represent views that actively disregard individual and minority rights such as anti-sectarianism (Deakin, 2002).

**Capture and dissemination of socially constructed knowledge**

Whilst the focus of this discussion lies on how the stakeholder relationship can be enhanced to improve knowledge capture from diverse stakeholders, for completeness it is important to note that knowledge captured by individuals, such as people involved directly with stakeholder consultation, may not be captured effectively by an organization and disseminated effectively for use in policy development. This is particularly important for governments where people are the key knowledge repository (McAdam and Reid, 2000). In general, public sector organizations seem to be lacking in their management of stakeholder and socially-based knowledge. One of the main reasons for government failure in this area seems to be the use of approaches suited for scientific knowledge, with too much emphasis on technology, rather than management processes that emphasize people (Friis, 2002; LaMont and Lesser, 1999; OECD, 2001). Thus, governments need to ensure that they encourage a participative culture at all levels, including formal and informal communications (McAdam and Reid, 2000). In addition, other human resource practices may need to be considered, including organizational structures, human and technological, as well as incentive or reward arrangements (e.g. De Long and Fahey, 2000; Finerty, 1997, O’Dell and Grayson, 1998). Staff skills, including communication and negotiation skills, also require particular attention (Duncan, 1996).

**Knowledge partnerships and good public policy**

Based upon the above discussion, we propose that the potential quality of government and stakeholder partnerships can be presented as a function of stakeholder capacity to participate effectively, and effectiveness of efforts made by governments to address gaps in knowledge transferring capability through specifically customized strategies. Figure 1 illustrates an example of possible stakeholder groups and their relative positioning in a simplified two-dimensional model, with the degree of boldness of arrows indicating a relatively higher amount of effort required to construct a good quality partnership.

Successful public policy seems to depend on effective coordination of many stakeholders, as shown in Figure 1, necessitating a chain of processes that involve analysis, evaluation and reconsideration. This can only occur when governments commit to policy objectives that are stated and communicated clearly, honestly and openly. Since government objectives
determine how priorities are assigned, they also need to be a result of a fair and ethical analysis of alternative objectives, and ideally should reflect shared values of society (Bridgman and Davis, 2004). Therefore, governments have a moral responsibility to ensure that power relations are structured so that all stakeholders participate equally in deliberation and decision-making and that no groups are socially excluded. Equality is a difficult concept here, that is, the principal usually applied is one of inclusiveness rather than equity of participation since this is, in practical terms, very difficult if not impossible to achieve. While much seems to be achieved by establishing trusting relationships based on reciprocity (Adams and Hess, 2001), some stakeholder groups also may not be able to effectively represent themselves, and hence need to be represented by other means (e.g. sick and elderly represented by carers). Other groups may require capacity building such as training and financial assistance (Barnes et al, 2003).

At a broader level, governments have an ethical responsibility to ensure a prosperous, stable, just, orderly, and secure society with adequate quality of life for everyone; and must be open and inclusive in public policy development (Wiig, 2002). In doing so, governments also need to approach stakeholders in a heuristic manner with a view to learning rather than adopting quick fix solutions (Adams and Hess, 2001). While policy making is political, outcomes should not be predetermined, and feedback should be provided to stakeholders on how their contributions have been used. Indeed, policy processes need to have procedural integrity, including intellectual and technical rigor, and comprehensive post-evaluation. Governments need to be committed to accountability mechanisms that encourage ethical practices and ensure the implementation of proper processes, including detailed documentation and openness to scrutiny, not abusing privileges (e.g. not leaking confidential information to the media to strengthen a particular political view), and not manipulating the public service to shape its advice for political gain (Bridgman and Davis, 2004). While governments may seek to provide positive incentives for ethical behavior, ultimately there must be enforcement mechanisms to enable action to be taken against unethical practices (Bertok, 1999).

The simplified model presented in Figure 1, accompanied by consideration of good ethical practices, does not provide sufficient guidance to governments on how to better manage and optimize the effectiveness of knowledge sharing partnerships with different types of stakeholders. On the one hand, public sector organizations are unlikely to desire good quality partnerships with all stakeholders, due to resource and time constraints. On the other hand, good quality partnerships with some stakeholders may not be achievable, due to opposing values making collaboration impossible.

**Developing effective knowledge-based stakeholder partnerships**

Governments can form different types of knowledge-based partnerships with stakeholders, ranging from a simple exchange of information through to full collaboration, based on shared resources. Various types of partnerships create diverse circumstances and opportunities for the people that participate (Barnes et al, 2003). It seems that greater democracy and public accountability occurs with increasing collaboration. It is unclear, however, whether greater collaboration with stakeholders in itself results in better public policy, and thus more benefits for the common good (Deakin, 2002). As well, partnerships with governments never appear to be an even exchange as governments, and sometimes business, have a near monopoly of power and resources and can exert greater influence over outcomes, for example, using the media and political machinery to bring pressure to bear. However, it seems clear that effectively managed stakeholder relationships, as part of a wider array of good processes, including high quality intellect and thinking, are integral to consistently good policy, and that
bad policy tends to emerge from a haphazard approach. Importantly though, governments may seek successful public policy outcomes, measured by consensus among government policy makers and stakeholders. This differs from good public policy that is gauged by how well issues are addressed. In practice, governments rarely have sufficient resources to fully address all issues, however they may be able to deliver successful public policy (Bridgman and Davis, 2004).

**Types and expectations of stakeholder partnerships**

Governments need to classify stakeholders meaningfully so as to better understand their significance and guide allocation of time and resources dedicated to them (Perrott, 1996). While there is no scientific evidence and also little practical advice in the knowledge management literature on how this may be undertaken, guidance may be drawn from other areas of research, such as research undertaken on the health care industry. Governments are commonly major providers of health care services and health policy issues are often complex, including a large diversity in stakeholder issues. Effective stakeholder management within an industry such as health care involves analysis of stakeholders and their expectations, followed by development of appropriate management strategies (Duncan, 1996). Based upon research developed in the health care industry, it is expected that variations in stakeholder expectations will be governed significantly by whether core objectives are profit or non-profit driven (Kumar and Subramanian, 1998). In addition, core expectations of individual stakeholders seem to vary according to their particular interest or stake in the issue (e.g. shareholder, health worker, carer, patient), including: profitability, financial growth, quality of leadership, adequacy of resources allocated, efficiency of resources used, cost and quality of services. On the assumption that stakeholders in public policy can be identified and classified according to their expectations, it is then necessary to develop appropriate KM strategies.

Blair and Buesseler (1998) suggested that stakeholders could be identified using a framework such as Porter’s (1985) five-forces model. Management strategies for stakeholders could be developed based on their potential power to influence outcomes. Earlier, Blair et al. (1996) identified four types of stakeholder management strategies that may be adopted by organizations, based upon stakeholder potential for threat and cooperation, as shown in Figure 2. Such a matrix framework may also assist in guiding governments to develop more effective knowledge-based partnerships in public policy development. Consider for example politicians from an opposition party who may have significant power to influence public perception on a public policy issue (high potential for threat), but their different value position may mean they are unlikely to be supportive (low potential for cooperation). A defensive KM strategy may be the most effective way of managing those types of stakeholders, for example, by sharing general information but not

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Figure 2 Stakeholder management strategies

![Figure 2](image_url)
seeking to collaborate or achieve consensus. Further, it seems that if KM strategies are not carefully designed, there may be less desirable outcomes, such as missed opportunities, government being at risk, or too much attention being paid to relatively unimportant stakeholders (Blair et al., 1996).

While stakeholder potential to cooperate on policy issues may be based on the alignment of values, as suggested in the above example, we argue that practical issues relating to stakeholder capacity to participate may also govern cooperation potential. This appears to be particularly evident in complex public policy issues, where perhaps only specialized groups of stakeholders, such as academics and professional bodies, have adequate capacity (i.e. knowledge or expertise) to participate effectively, whereas large proportions of the general community are excluded from complex aspects of the policy debate. Governments need to recognize this as it bears a political risk; for instance, large proportions of an electorate may be alienated easily by simplified and/or misleading rhetoric by their opponents. Governments could develop defensive KM strategies, such as campaigns to convey simplified positive messages, to counter this situation, thereby seeking to win support for the government’s public policy. The Australian Federal Government’s ongoing campaign to convince the Australian public about the merits of a “war on terrorism”, balanced by counter attempts from the opposition, illustrates a practical example of how difficult it is to reach the general public through the media on a complex public policy issue. It also shows that governments pay greater attention to the importance of policy communication. Good communication is not just a matter of employing advertising tools, but the employment of diverse marketing communication instruments depending on which ones relate best to certain citizens. That is, governments realise that they “need to promote voice as well as choice” (Keating and Weller, 2001, p. 78).

Perrott (1996) provided a perspective on how governments may classify stakeholders and develop communication strategies, as illustrated in Figure 3. The approach is similar to, but more one dimensional, than the model suggested by Blair et al. (1996). Figure 3 still provides a useful guide to governments wishing to focus on effective communication of knowledge, suggesting that stakeholder communication strategies can be targeted effectively by considering a stakeholder’s relative level of interest and power to exert influence. Notably, stakeholder positioning may change over time. Consider a latent stakeholder who could become a priority stakeholder if interest in an issue grew with governments becoming significantly politically exposed if they did not alter their communication strategy accordingly.

**Improving knowledge transfer**

Effective transfer of knowledge between stakeholders and governments requires clear KM goals and strategies, and their successful implementation through effective leadership
(Demarest, 1997). Hence, governments need to create and foster a culture that focuses on stakeholders, is supported by sufficient resources, and pays attention to maintaining formal and informal dialogues so as to effectively capture socially-based knowledge (e.g. Lesser et al., 2000; McAdam and Reid, 2000). Ideally, governments possess the best expertise and knowledge while simultaneously collaborating with experts outside of government, including leaders in the business and academic communities. It seems that governments need to achieve a better balance between being experts, lead facilitators and KM moderators (Wiig, 2002), and develop more effective public policy partnerships with the community (Adams and Hess, 2001). The emphasis on the community is particularly enhanced by current national trends in organizational and political governance, such as decentralization and empowerment of local governments (Barnes et al., 2003).

While the KM literature suggests that effective knowledge transfer results from knowledge-effective and closed-loop stakeholder communications, including feedback provided to stakeholders through dialogue (Wiig, 2002), there is little practical advice available on how the transfer of knowledge between governments and its stakeholders can be enhanced. However, increasing trends within government towards private sector practices suggest that the rational-technical perspective of the private sector may provide some guidance, including strategic alliances and customer focus. In addition, guidance may be drawn from theory and public sector best practices in various consultation processes with stakeholders. The following discussion focuses on these three issues.

**Strategic alliances.** Strategic alliances in the private sector are long-term cooperative partnerships, either contractual or non-contractual (based on trust), between two or more independent stakeholders aimed at achieving a mutual competitive advantage. Strategic alliances recognize that resources, including intangible ones like knowledge, may be accessed more efficiently through an arrangement with another organization, rather than trying to increase internal capabilities. Alliances can enable organizations to respond more rapidly to changing pressures and dynamics, which is an increasing necessity in modern knowledge-centric economies, particularly where the knowledge required is tacit and difficult to acquire, disseminate and share internally. Strategic alliances seem to have a key impact on management in the twenty-first century, showing an annual growth rate of 25 percent and a projected value of US$40 trillion in 2004, contributing more to organizations’ bottom lines than ever before (Parise and Sasson, 2002, p. 41).

The importance and effectiveness of KM practices in the context of business partnerships in private industries (e.g. between Intel and Hewlett-Packard, BMW and McLaren, and the StarAlliance of numerous airlines) seem to have become increasingly critical to the success of any successful partnership. That is, the “make versus buy” decision that once confronted decision makers has now expanded to a more complex “make versus buy versus partner” decision. Also, it is important that organizations consider alliances as a way of learning from their partners’ practices that enable knowledge creation, dissemination and application (Parise and Sasson, 2002, p. 41). Similarly to private sector alliances, long-term partnerships between governments and particular stakeholders are likely to be based on shared resources and enhancements of commercial value. Further, the comparison may be valid for other long-term partnerships where there are common objectives based on mutual benefit and added value, such as partnerships with community-based welfare groups (e.g. Red Cross, Legal Aid Services, and Save the Planet) on which governments often depend for many social, legal, and environmental services.

Governments should also consider advantages and disadvantages of possible partnerships structures and formats, including greater complexity and commitment, as they move from simple contracts to more complex equity ties that seem to be more balanced by a greater exchange of knowledge and learning. Governments further need to be aware of ethical considerations in forming alliances, including being overly influenced by partnerships at the expense of other stakeholder interests. In selecting partners, governments need to consider issues such as compatibility of objectives, resources, types of learning, leadership styles, and organizational cultures, because different interests may require different KM practices. In addition, alliances need to be given time to work and expectations should be realistic.
(Pekar and Allio, 1994), and perhaps most importantly, governments need to focus on building long-term trusting relationships based on knowledge sharing routines that eliminate fears of opportunism (Parise and Henderson, 2001).

**Customer focus.** The private sector is increasingly recognizing the importance of organizational cultures that focus on customer trends, customer needs and desires. A customer-oriented approach to KM recognizes that customer knowledge can create value when it is incorporated into organizational activities, including a better understanding of how customers interact with its key business processes so as to better design products and manage customer relationships (e.g. Bloesch, 2000; Schotte, 2003). Key factors in creating an externally-based knowledge culture focusing on the customer include organizational leadership commitment to customer knowledge and efficient sharing of customer knowledge throughout an organization. Customers may not articulate their values or understand them, and private organizations therefore increasingly try to enhance and facilitate customer dialogue using an array of interrogation and observation techniques that cover a complex set of customer behaviors and motivations (Lesser et al., 2000). Similar to private industry sectors, governments increasingly are recognizing the importance of having a stronger customer orientation as a means of delivering improved services to their consumers within an environment of decreasing public resources such as health care, education, energy, child and elder care.

In addition, more and more government service providers need to compete effectively with private sector organizations, enhanced by growing trends towards deregulation in sectors previously monopolized by governments such as telecommunications, health care, transportation, and electricity supply. A focus on some key stakeholders as customers, such as hospital patients and electricity supply consumers, may provide some valuable public policy insights and opportunities for partnerships. Governments seem to better prioritize their efforts in relation to customers by classifying them based on level of impact that an issue may have on a customer group and capability of the organization to address an issue (Perrott, 1996). Governments, for instance, may seek to introduce a health policy that improves the services for patients of greatest need, potentially involving shifting resources from less important areas to those identified as being deficient. However, it is important that governments recognize the customer relationship as dynamic, therefore requiring continual monitoring.

**Consultation with stakeholders.** Effective communication between governments and stakeholders is fundamental for developing successful KM partnerships. On-going consultation with stakeholders is necessary for public policy development, including identification, testing, and analysis of issues and scientific information, as well as post evaluation of policies and their ongoing review (Bridgman and Davis, 2004). While enhanced stakeholder participation through consultation can improve the quality and legitimacy of decisions, governments need to ensure that participants are representative of stakeholder groups. In particular, disadvantaged groups need to be considered (e.g. is their presence required or can they be adequately represented by another party) and individual reasons for participation, such as altruistic, personal, invited and coerced motives, need to be recognized (Barnes et al., 2003). Trends towards decentralization and local empowerment are driving an emphasis on consultation at the community level in many countries. Consultative mechanisms can be designed to equalize the power of community stakeholders over policy processes, such as community-based committees and focus groups (Bridgman and Davis, 2004). However these need to be balanced against availability of scarce resources and potential problems associated with consultation fatigue (Deakin, 2002).

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“Public policy is more effective when stakeholders are able to participate effectively.”
The types of consultation processes adopted by governments can provide different opportunities for participation and control over policy development. Consultation options can be shown as a continuum, as shown in Figure 4, ranging from a one-way transfer of information and knowledge, such as reporting to stakeholders via an advertising campaign, through to handing over control, as is the case if policy issues are put to referendum. For most public policy issues, governments are unlikely to seek stakeholder participation beyond partnerships. Both consultation and partnership involve an exchange of knowledge, although a partnership implies that some stakeholders have greater decision-making control. Consultation may involve public and interest group meetings designed to capture stakeholder opinions, whereas partnerships may involve advisory committees with a greater level of formality and structure, designed to give stakeholders a greater say over policy content (Bridgman and Davis, 2004).

Generally, governments should adopt a strategic approach to consultation so as to better facilitate debate and develop more sustainable policy solutions to identified issues. Consultation may typically occur initially with a targeted group of stakeholders, followed by wider consultation when governments wish to test policy options. Organized interest groups, such as industry associations or environmental societies, provide relatively cost- and time-effective consultation avenues for governments. However, governments may also need to develop consultation strategies that ensure less organized interests are considered. Additionally, governments need to have clear and transparent objectives and develop structured approaches and processes that keep consultation focused (Byrne and Davis, 1998). Hence, governments need to vary their consultation methods to suit different stakeholders, based on issues such as those outlined above (e.g. stakeholder power and risk, stakeholder capacity to participate), and the type of public policy issue.

Contentious public policy issues such as industrial relations and the natural environment seem best suited to a partnership approach, whereas consultation may be more appropriate for more general issues such as planning issues associated with a new road project. Informative marketing communication campaigns may be best suited to policy issues that are well understood, and when the desired outcomes are based on changing human behaviors such as a public health or safety issue. Furthermore, successful governments need to be ahead of the general public policy debate in the wider community and be able to effectively manage emerging issues (Perrott, 1996). Governments may seek to obtain advice on emerging issues through the public service or seek to use stakeholder consultation proactively through, for instance, community-based think tanks. Governments that effectively use such consultative techniques are more likely to have up-to-date knowledge on issues and not be overtaken by matters that then require quick reactionary responses (Bridgman and Davis, 2004).

Conclusion

Effective government and stakeholder partnerships are gaining increasing importance for good public policy, including providing governments with cost effective avenues to expertise and knowledge, and facilitating greater public accountability. A knowledge-based partnership learning capability and successful implementation of practices and techniques that enable mutual knowledge creation, dissemination, transfer, and application, is more than ever before becoming not only a critical success factor but also a differentiating factor for effective governments.

Figure 4 Consultation continuum

![Consultation continuum diagram]

Source: Bridgman and Davis (2004)
competitive factor. Transparent processes that facilitate effective two-way transfers of knowledge between public organizations and stakeholders are fundamental for establishing successful partnerships. These need to be guided by setting clearly and openly articulated KM goals and strategies, an implementation plan of selected KM strategies, and their transparent measurement. Many governments face particular challenges and ethical responsibilities in dealing with stakeholder diversity, including reusing of existing knowledge and creation of new knowledge, addressing conflicting cultures and views, and ensuring balanced stakeholder representation in policy debate, particularly from socially excluded groups. Therefore, governments need to recognize and address issues relating to varying stakeholder capacity to participate effectively in policy debate, and develop processes that effectively capture and disseminate socially based knowledge.

Given the emergent importance of KM in the public sector, particularly on stakeholder partnerships to assist public policy developments, it is regrettable that there still is limited guidance in the KM literature on how governments can develop more effective partnerships with major and minor stakeholders. This paper suggests that some existing process frameworks can provide a good starting point to capturing knowledge about stakeholders, highlighting how stakeholders interact with policy development processes. The reviewed literature and ideas proposed herein sought to classify stakeholders from a number of different perspectives and attempted to provide some practical assistance to governments in developing more effective and strategically guided stakeholder policy partnerships, including more effective use of resources and improved knowledge transfer. Importantly, however, such frameworks need to be viewed as being dynamic and stakeholder classifications need to be monitored continually.

We suggest that future research on KM in the public sector needs to see a stronger focus on refining the presented frameworks and ideas, particularly as most have not specifically evolved from application in public policy environments. More qualitative empirical research is required to explore KM-driven public policy development issues. This includes an examination of the suitability of the frameworks for different types of public policy, investigating issues such as complexity and social versus economic objectives, together with greater consideration of practical issues faced by governments, including for example case study applications of the frameworks in actual organizational settings.

References


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