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Knowledge Management: The New Competitive Advantage. The GUCCI Case-Study.

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Executive Summary

This report examines the implications of Knowledge Management (KM) within Gucci Group, an international house of fashion based in Italy. Founded in 1923, Gucci became a multi-brand luxury goods group in 1999. The company, which has a long-standing international reputation in the fashion industry, uses knowledge management mainly "to share knowledge within the other brands of the Group, successfully building the Group's market share in the luxury goods industry" (Gucci Group, 2005, p. 1).

The first section of the report reviews selected literature on knowledge management. In particular, various definitions and conceptualizations of KM are examined to identify the main themes and dimensions of the phenomenon (including type of knowledge, organisational culture and identity, procedure, expertise, strategy and cultural barriers) in order to see why and how these dimensions are relevant to the analysis of KM in Gucci. In addition, the study reflects on a face-to-face interview with a member of the Logistic Division of the Gucci Group aimed at critically analysing the *modus operandi* and orientation of the company towards knowledge management.

The rationale behind this analysis is to investigate the role of knowledge management within Gucci Group and to examine how knowledge management affects approaches to company management. In essence, this study has aimed to 1) Trace the historical evolution and survey the state of knowledge of the concept of KM, reviewing how the concept has been conceptualized and defined in the specialised literature; 2) identify the main categories and dimensions of the concept of knowledge management in order to inform the research, and; 3) assess the relevance of the Knowledge Management discipline in the Gucci Group.

Results show that, albeit recognised as a competitive asset in Gucci, knowledge has not been fully conceptualised or explicitly managed within the organisation. In particular, knowledge management is perceived more as a personal initiative rather than a key factor of the corporate vision. The KM approach is mainly developed through training sessions, tutoring activities and online self-learning courses, thus taking into account only limited aspects of how KM is conceptualized in the literature. These findings are additionally confirmed by the absence of a Knowledge Management division or department within the Gucci Group. Results also show an overall "tacitness" of the KM system in the Gucci organization, where the absence of an explicit knowledge culture can be read as a symptom of a missing alignment between the knowledge culture and the knowledge objectives.

In addition, the presence of cultural barriers concretely prevents the knowledge culture from being implemented. Although knowledge sharing and creation are well considered within Gucci, there are still some aspects of the KM system, such as the KM storage, which are either not in practice or have been only partially employed. This lack of a knowledge culture may find explanation in the hierarchical structure, expressed by the vertical knowledge organisation. Conversely, horizontal interactions could increase the level of interactivity, collaboration as well as a good reuse of the existing knowledge. Further research could be developed within other fashion *maisons* to examine the development of KM in the luxury sector. In addition, future studies could aim to better understand barriers to KM development, perhaps by making a comparison with the other Gucci associated brands.

Chapter 1

Knowledge Management: The New Strategic Asset

Introduction

In an economy where the only certainty is uncertainty, the one sure source of lasting competitive advantage is knowledge. Successful companies are those that consistently create new knowledge, disseminate it widely throughout the organization, and quickly embody it in new technologies and products (Nonaka, 1991).

In recent years, the concept of knowledge in organisations has gradually become more fashionable in academic literature (Avesson and Karreman, 2001), with knowledge being recognised as the most important resource for organisations (Nahapiet and Ghoshal, 1998; Spender and Grant, 1996). These phenomena have led to a growing recognition of the importance of managing knowledge in the business community (Holsapple and Joshi, 1999, p. 1) as a topic of serious study and academic knowledge transfer (Wiig, 1997, p. 2). In fact, the discipline was popularised as a topic of research and practice amongst researchers when academics and practitioners began publishing their works through several avenues (Jasimuddin, 2012, p. 158).

As stated by Wiig (1997), knowledge management can encourage firms to act as brightly as possible to ensure their feasibility and overall achievement, and to otherwise appreciate the best value of its knowledge assets. In order to attain these goals, "advanced organisations build, transform, organise, deploy and use knowledge effectively" (Wiig, 1997, p. 2). Hence, an academic interest in knowledge management increased v since a "knowledge-based economy is emerging, and knowledge management is being rapidly disseminated in academic circles as well as in the business world" (Chen and Chen, 2006, p. 17).

1.1 What is Knowledge?

Knowledge Management has recently been the subject of much research and scholarly work. The study of human knowledge has been a central philosophical topic since the ancient Greeks (Pemberton, 1998; Kakabadse *et al.*, 2003). Plato, for instance, defined knowledge by using the term *episteme* as opposed to *doxa*, which refers to a common idea or opinion. Knowledge is traditionally defined as "justified true belief" (Audi, 1998), indicating that it is produced by human reflection and experience (Roth, 2003), or in other words, that it is made by the mind (Bhatt, 2001; Lang, 2001). Nietzsche wrote in 1882:

> What do people want, when they want knowledge? Nothing more than this: something strange must be converted into something known (...) Is our need to know not just this need for the known, the need to find something that does not disturb us, between all the weird, the unusual, the dubious? Couldn't it be the instinct of fear that leads us to know? Couldn't the cheering of him who knows, just be the cheering over the feeling of a regained feeling of safety? (...) The known is that which are used to; and that which we are used to, is the hardest to know, that is to say, to see as a problem, that is to say, to see as strange, as far away, and outside us? (Friedrich Nietzsche, 1882, Die fröhliche Wissenschaft).

As Nietzsche states, "knowledge can be seen as some basic need of human beings, the need to structure the world around them, to categorise it and then, to interpret it somehow, basically, the need to reduce the uncertain" (Beijerse, 1999, p. 99). However, "knowledge, in terms of management, is not simply connected with human needs, but is information...plus... what is under the tip of the iceberg" (Polanyi, 1966, p. 60) as shown in Figure 1.1.

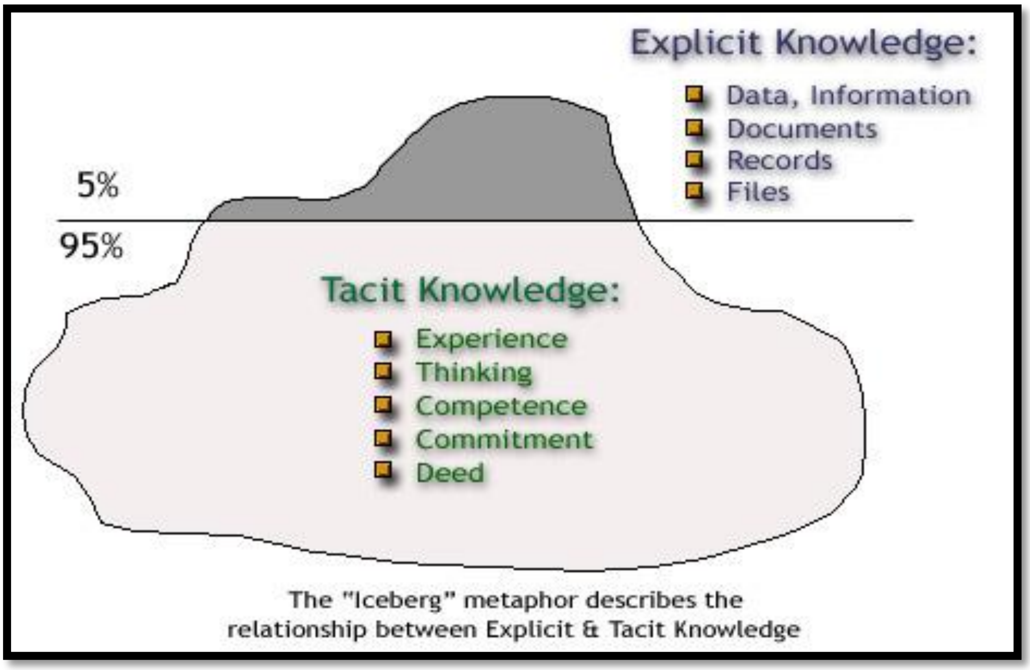

Figure 1.1: Explicit *Knowledge is just The Tip of the Iceberg*. Source: Polanyi, 1966.

Clearly, “knowledge is something more than information; knowledge is seen as capability, something that cannot be said, something plus something” (Beijerse, 1999, p. 99). As Ipe (2003) argues, the terms ‘knowledge’ and ‘information’ have been used synonymously by some scholars and interchangeably in the literature, while other authors such as Blackler (1995), Davenport and Prusak (1998), Nonaka and Takeuchi (1995), and Pemberton (1998) have drawn distinctions between the two.

In his book *The New Organisational Wealth: Managing and Measuring Knowledge-Based Assets*, Sveiby (1997) stresses the confusion between knowledge and information because, unlike information, knowledge is embedded in people, and business managers need to realise this. Weggeman (1997) argues that knowledge is the personal capacity that should be seen as the product of information, experience, skills and the attitude of a given person.

According to Nonaka and Takeuchi (1995), information is the “flow of messages” (p. 58), and “knowledge is created when this flow of messages interacts with the beliefs and the commitments of its holders” (Ipe, 2003, p. 340). Besides, Nonaka and Takeuchi (1995) identified three main differences between these two conditions. Firstly, knowledge is the function of a particular perspective and the aim of a specific individual, and, as opposed to information, it relates to commitment and beliefs. Secondly, knowledge is always about action. Thirdly, knowledge is context specific and relational.

Having identified some of the key differences between knowledge and information, it is necessary to focus on knowledge and its various categorisations. *De facto*, knowledge can be classified as explicit and tacit as pointed out by the Hungarian chemist, economist and philosopher Michael Polanyi. Polanyi (1966) suggests that personal or tacit knowledge is essential for human cognition since individuals obtain knowledge by the active (re)creation and organisation of their own experiences. On the other hand, explicit knowledge corresponds to a codifiable component that can be disembodied and transferred (Alavi and Leidner, 1999). It is the ‘know-what’ that can be pulled out from the knowledge possessor and shared with other persons (Nonaka and Takeushi, 1995). Hence, this combination turns to be essential for the organisation that recognised the great value of the individual as the holder of intrinsic knowledge. In point of fact, hiring new talents in the labour market enables “acquisition of tacit knowledge embodied in them, integrating the external knowledge to the internal organisation meant for improving the business performance” (Nonaka *et al.*, 2000, p. 5).

1.2 Knowledge Management: A Contemporary Challenge

Jasimuddin (2012) notes that the origin of knowledge management can be traced back to the twentieth century. More specifically, the starting point of this innovative procedure can be traced back to the mid-1970s (Gu, 2004). Despite other beliefs (i.e., Jashapara, 2005; Cooper, 2006) remarked, “the first appearance of knowledge management should probably be dated in 1997, since the earlier times frames are unclear” (Jasimuddin, 2012, p. 157). At the early stage, this idea was categorised as “knowledge acquisition”, “knowledge engineering”, “knowledge-based system” and “computer-based ontologies”, and later as “knowledge management systems” (Jasimuddin, 2012). The latter was coined by Karl Wiig at the beginning of the 1990s (Garavelli *et al.*, 2004) during a conference in Switzerland for the International Labour Organisation (ILO). Not only was the scholar one of the earliest to reference the concept of knowledge management, but he also demonstrated its chronological growth.

More recently, knowledge management has received great interest from both academics and practitioners (Nonaka and Takeuchi, 1995; Davenport and Prusak, 1998; Hall and Paradice, 2005). In fact, Tom Stewart (1991) introduced knowledge management in the popular press by writing quite a few articles, and academics such as Nonoka and Takeuchi (1995) published two volumes related to the topic. Among other such scholars are Peter Drucker, Paul Strassmann, Chris Argyris, Thomas Davenport Laurance Prusak and Dorothy Leonard–Barton (Jasimuddin, 2012).

In order to get a broad overview of the phenomenon of knowledge management, a vast selection of definitions will be provided in Table 1.1, as to define and understand knowledge management from various scholars’ perspectives.

Authors	Definitions
De Jarnett (1996)	*Knowledge creation, which is followed by knowledge interpretation, knowledge dissemination and use, and knowledge retention and refinement.*
Bassi (1997)	*The process of creating, capturing and using knowledge to enhance organisational performance.*
Brooking (1997)	*An activity that is concerned with strategy and tactics to manage human-centred assets.*
Wiig (1997)	*The systematic creation and use of knowledge to maximise an organisation's knowledge-related effectiveness and returns on its knowledge-assets and to renew them constantly.*
Davenport *et al.* (1998)	*Attempts to do something useful with knowledge to accomplish organisational objectives through the structuring of people, technology and knowledge content.*
Zuckerman and Buell (1998)	*The strategic application of collective company knowledge and know-how to build profits and market share; knowledge assets – both ideas and concepts as well as know-how – are created through the computerised collection, storage, sharing and linking of corporate knowledge pools.*
Beckman (1999)	*The formalisation of and access to experience, knowledge and expertise to create new capabilities, enable superior performance, encourage innovation and enhance customer value.*
Beijerse (1999)	*The achievement of organisational goals through the strategy-driven motivation and facilitation of knowledge workers to develop enhance and use their capability to interpret data and information (by using available sources of information, experience, skills, culture, character, personality, feelings, etc.) through a process of giving meaning to these data and information.*
Bhatt (2001)	*A process of knowledge creation, validation, presentation, distribution and application.*
Bergeron (2003)	*A deliberate, systematic business optimisation strategy and that selects, distils, stores, organises, packages and communicates information essentials to the business of a company in a manner that improves employee performance and corporate competitiveness.*
Bounfour (2003)	*A set of procedures, infrastructures, technical and managerial tools designed for creating, sharing*

	and leveraging information and knowledge within and around organisations. *An activity that is concerned with strategy and tactics to manage human-centred assets.*
Awad and Ghaziri (2004)	*The process of gathering and making use of a firm's collective expertise wherever it resides on paper, in databases or in people's minds.*
Becerra-Fernandez *et al.* (2004)	*The activities involved in discovering, capturing, sharing and applying knowledge in terms of resources, documents and people skills, so as to enhance, in a cost-effective fashion, the impact of knowledge in the unit's goal achievement.*
Jashapara (2004)	*The effective learning processes associated with exploration, exploitation and sharing of human knowledge (tacit and explicit) that use the appropriate technology and cultural environments to enhance an organisation's intellectual capital and performance.*
Jasimuddin *et al.* (2006)	*A discipline that promotes an integrated approach in identifying, capturing, storing, retrieving and transferring an organisation's knowledge so as to enhance its competitive advantage.*
Mc Nabb (2007)	*The creation and subsequent management of an organisational culture that encourages knowledge to be created, shared, learned, enhanced, organised, and used for the benefit of the organisation and its stakeholders.*

Table 1.1: *Overview of the Knowledge Management definitions*.

Source: Jasimuddin, (2012, pp. 39-42).

By analysing the definitions in a sequential order, it emerges how the perception of this phenomenon has changed over the years. The consideration that comes into sight expresses knowledge in terms of a system, not a single factor, as in the early 90s. Table 1.1 reveals how the combination of variables has increased the actual value associated with the idea of managing knowledge, from a simple mechanism that enhances organisational performance, to a practice encompassing knowledge, information, skills, culture, personality, experience and technology. In short, knowledge management represents a real asset to gain more profit. By considering the abundance of factors, there is an observable revolutionary progression in action, totally rebuilding the figure of the worker along with the spread of innovation and technology. Scholars then focused on the great value of knowledge management and organisational management perceived as a strategic asset for the organisation.

Recently, studies in the area of strategic management and economic theory have focused on "the firms' resources and capabilities" (Kalkan, 2008, p. 391). In this regard, knowledge is the strategic key resource for the organisation (Nonaka, 1994; Kogut and Zander, 1996; Zack, 1999). The ability to build the value of these intangible assets constitutes "a core competency for businesses" (Holden *et al.*, 2000, p. 366); where the way of processing knowledge is indispensable to the business success (Prahalad and Hamel, 1990; Drucker, 1998; Crawford, 1991). As a result, knowledge represents expertise, creative ideas, and skills, treated as resources that can be captured, codified and shared (Nonaka and Takeuchi, 1995; Boisot, 1983).

1.3 The New Concept of Knowledge Based-Economy

In classical economic theory, knowledge is regarded as external to the economic process, thus generating a debate on what the role of knowledge is in economic growth (Beijerse, 1999). To address this scepticism in terms of managing knowledge, resource-based theories showed that investments in knowledge - as a reproducible production factor - lead to economic growth (Beijerse 1999). More recently, knowledge has been regarded as the organisation's key asset. Since the 1990s, "the idea of the knowledge-based economy has been brought up for broader discussions in the management literature" (Jasimuddin, 2012, p. 125), specifically as an evolution of the industrial society (Katsoulakos and Zevgolis, 2004). *De facto*, the development of the Post-Industrial Society has inspired contemporary scholars such as

Toffler (1990), Reich (1991), Quinn (1992), and Nonaka and Takeuki (1995) to think about the knowledge-based society. In the early 1960s, Peter Drucker coined the terms ‘knowledge work’ and ‘knowledge worker’ suggesting that knowledge work has become the “central resource of a developed economy; and knowledge workers the central workforce” (1993, p. 4). At present, it seems clear how the investment focus changed since the organisational capital is gradually more based on the intangible component (Beijerse, 1999). In this society, “knowledge is the primary source for individuals and for the economy overall; that is why, land, labour and capital do not disappear, but become secondary” (Drucker, 1992, p. 95). Table 1.2 shows the different features among the Agrarian, Industrial and Knowledge Economies.

Features	**Agrarian Society**	**Industrial Society**	**Knowledge Society**
Key production Factor	Land	Capital	Knowledge
Wealth base of organisation	Ownership of land	Holding of capital and the latest technology	Possession of knowledge (particularly tacit)
Primary products	Anything extracted from farming, breeding and mining	Manufactured Goods	Intangible products (e.g., software, corporate solutions)
Main sector	Agricultural sector	Manufacturing sector	Service sector
Main occupation	Farmer	Factory worker	Knowledge worker
Goals	Ensuring maximums production	Reaching economies of scales	Enhancing quality of service

Table1.2: *Salient Features of the Agrarian, Industrial and Knowledge Economies*.

Source: Jasimuddin, 2012, p. 13

As a result, the knowledge economy has had, and continues to have, a great impact on the organisational approach (Jasimuddin, 2012), where, to compete in the knowledge society, one should pursue the modern paradigm of management (Drucker, 1992). To implement this vision, it will be necessary to take all of the factors of reality into account. Some scholars, such as Katsoulakos and Zevgolis (2004), Quinn (1992), Probst *et al.* (2000), and Eisenhardt and Santos (2002) have suggested “three main aspects by which it will be possible to ensure the organisation intensification of development and survival threshold” (Jasimuddin, 2012, p 13.):

- *Knowledge-sharing and learning culture:* Katsoulakos and Zevgolis (2004) posit that the appearance of the knowledge-based economy requires training and learning sessions for employees - at all levels - in knowledge-based organisations to facilitate the personnel to better perform and improve the organization’s potential. *De facto*, these training sessions help to increase one’s ability to manage knowledge-based activities (Quinn, 1992).
- *Adequate investment:* Organisations operating in the knowledge economy must invest more to manage organisational knowledge. Effectively, as suggested by Probst *et al.*, “it is much more profitable for an organisation to make a large investment in managing its knowledge assets than to spend the same amount on material assets” (2000, p. 3).
- *Compatible organisational design*: The emerging knowledge economy itself is progressively more vibrant. Instead of focusing on their formal structure, organisations need to be more flexible, accommodating, and resilient to cope with the prompt changes in the turbulent global economic environment (Jasimuddin, 2012). By this echo, Eisenhardt and Santos (2002) noticed that organisations in the knowledge economy intend to generate dynamic competencies by combining internal abilities with the know-how of exogenous forces (Jasimuddin, 2012).

Consequently, the fact that employees are at once motivated, trained, and perceived as a value for the company is indicative of a reliable formula in which individuals and firm's interests are aligned. All of these factors are in fact helpful because they are able to clarify the procedure by which knowledge passes through, stressing all of the relevant elements that may help an organisation improve its line of attack. Furthermore, Arthur (1996, p. 100) identifies what the knowledge society is by asserting that the knowledge-based society is moving:

- Beyond bulk-material manufacturing to designing new technologies;
- Beyond processing physical resources to processing knowledge;
- Beyond applying raw energy to applying ideas.

Thus, previous observations have led to an emerging trend heading towards the dislocation of capital and labour-intensive organisations by knowledge intensive organisations (Starbuck, 1992; Jashapara, 2005). This inclination has led to a relevant position of knowledge-based organisation growth that appears to be perceptible over the global economy (Windrum and Tomlinson, 1999; Lundvall and Borras, 1998). Therefore, the movement towards the knowledge-based economy is now a necessary criterion of success for organisations of all kinds, as they enter into and operate within the knowledge economy system (Binney, 2001). It is evident how this phenomenon has considerably marked management history.

Presently, organisations are more flexible, innovative and able to adapt to changes of the external environment, and are always looking for a competitive advantage. However, the way in which human capital is employed in order to reach this advantage is still at the heart of this debate. Nevertheless, as suggested by Pfeffer (1994), the competitive advantage is gained through people and human capital. Clearly, Pfeffer considers human capital as the real value of the company, a competitive advantage achieved by putting people first by using a strategy that enables the worker to take active part in the process.

Although most scholars' opinions are overwhelmingly positive, copious contradictions are also apparent in the relevant literature (Jasimuddin, 2012). Aside from all criticisms, it cannot be denied what has happened where organisations – both manufacturing and service-based – give the impression to be knowledge-based organisations and involved to some extent in the acquisition, sharing, creation, retrieval and utilisation of significant knowledge (Brown and Duguid, 1998). Classical examples of knowledge-based organisations include professional service firms, such as accounting or consulting companies (Morris and Empson, 1998). However, it is not only consulting companies that can claim to be knowledge-based (Jasimuddin, 2012). In fact, all organisations are in essence knowledge-based enterprises (Brown and Duguid, 1998).

Nonaka *et al.* (2000, p. 3) note that, "Firms create knowledge *organisationally*, which, does not merely mean that organisational members supplement each other to overcome an individual's bounded rationality". However, the organisation also represents a place where individuals transcend themselves using knowledge creation (Nonaka and Konno, 1998; Nonaka, Toyama and Konno, 2000). In sum, almost every company falls under the category of knowledge-based organisation, whenever each of them views "knowledge as the most critical resource for the firm to survive and compete in the knowledge-based economy" (Jasimuddin, 20012, p. 135).

1.4 Knowledge: The New Business Asset

In Nonaka *et al.*'s theory of knowledge creation, "interaction is required within the three separated but interrelated layers" (Hislop, 2005, p. 164). The first layer, SECI, stands for the four types of knowledge creation and conversation, where knowledge is created through the correlation of tacit and explicit knowledge. The second layer, "ba", indicates the context (e.g., physical, virtual or mental) in which knowledge takes place, originating from four different typologies of "ba", each one related to a specific mode of knowledge creation. The final layer refers to knowledge assets covering four main categories. To comprehend how knowledge is created and used, four categories of knowledge assets are introduced by Nonaka *et al.* (2000), as shown in Table 1.3.

Experiential Knowledge Assets Tacit knowledge shared through common experiences • Skills and know-how of individuals • Care, love, trust, and security • Energy, passion, and tension	**Conceptual Knowledge Assets** Explicit knowledge articulated through images, symbols, and language • Product concepts • Design • Brand equity
Routine Knowledge Assets Tacit knowledge routinised and embedded in actions and practices • Know-how in daily operations • Organisational routines • Organisational culture	**Systemic Knowledge Assets** Systemised and packaged explicit knowledge • Documents, specifications, manuals • Database • Patents and licences

Table 1.3: *Four categories of Knowledge*. Source: Nonaka *et al.*, 2000, p. 15.

First, *Experimental Knowledge* assets encompass all tacit knowledge elements such as skills and know-how that are required and accumulated by all individuals through experiences in a particular context. Experimental knowledge includes emotional knowledge (e.g. care, love, and trust), physical knowledge (e.g. gestures), energetic knowledge (e.g. enthusiasm and tension), and rhythmic knowledge (e.g. improvisation and entertainment). Second, *Conceptual Knowledge* indicates the explicit knowledge expressed by images, language and symbols.

These assets are, for the most part, based on customers and organisational members' ideas such as the concept of brand equity. The third asset, *Systemic Knowledge,* includes explicit knowledge such as technology, intellectual properties, licences or patents, manuals, and documented information about customers and suppliers. The final asset, *Routine Knowledge,* conceptualises tacit knowledge as being embedded and routinised in organisational actions and practices. Know-how, routines, and culture in carrying out the daily business comprise examples of assets of this kind.

Undoubtedly, the literature now stresses how intellectual capital is gaining a large consensus in contemporary businesses. The explanation comes from a dependence on the correlation between individuals within the organisation (Brown and Duguid, 1991; McDermott, 1999; Ipe, 2003). Individuals in organisations always created and shared knowledge and therefore managing knowledge should be a responsibility that occurs naturally (Chakravarthy and Zaheer, 1999; Ipe, 2003).

1.5 Knowledge Management in the Fashion Industry

Over the last several years, business organisations have been affected by the challenge of competitiveness. That is why a strong competitive advantage is constantly required. The way in which business is conducted now is exceptionally different from how it was conducted before, and even traditional sectors such as the fashion industry are involved in this modern "war", constantly struggling to survive in the global economic arena by changing their attitudes from labour-intensive to knowledge-intensive production (Owen, 2001). In the global economy, markets are extremely dynamic and fashion trends and consumer tastes change every day. Li *et al.* (2006, p. 85) note that, "It is difficult for organizations to forecast future trends as well as for new products to survive in the markets". Thus, intangible assets are the starting point for competitiveness and heterogeneity of performance because of extremely elevated entry barriers (Hall, 1992).

Scholars have confirmed a positive *liaison* between intangible assets and organisational performance for both service and non-service sector organisations (Bontis, Keow and Richardson, 2000). However, despite the optimistic correlation, some researchers have argued that this connection might be dependent on the sector or the cultural pattern of the context in which the business is operating. If so, hard assets may play a more determinant role than intangible ones by enhancing the performance level as the degree of competitiveness (Firer and Williams, 2003).

As previously observed, knowledge and skills help to innovate new products, processes, and services, and to improve the existing ones more efficiently and/or effectively throughout the knowledge (Nonaka *et al.*, 2000). With respect to the fashion industry, creativity is likely the most frequent word used in the sector. Critics have argued that enhancing the creative performance of employees is a necessary step if organisations are to achieve competitive advantage (Amabile, 1988; Devanna and Tichy, 1990; Kanter, 1983; Shalley, 1995). When personnel performs creatively, an additional value emerges since individuals suggest original products and ideas, providing growth and potential implementation (Amabile, 1988; Staw, 1990; Woodman *et al.* 1993). The introduction and implementation of these goods and creative ideas enhance the organisation's ability to respond to opportunities and, thereby, to adapt, grow and compete more aggressively in the broader industry (Kanter, 1983; 1988; March and Simon, 1958; Van de Ven, 1986; Van de Ven and and Angle, 1989).

Fashion is creativity. As Boden (2001, p. 95) observes, "It is from tacit knowledge that popular stylists launch their creations, communicating themselves, coming up with new ideas which are surprising yet intangible and valuable". More recently, the emphasis on knowledge and knowledge management has sparked an interest in the performance implications of organizational knowledge management and sharing processes and practices (Becerra-Fernandez and Sabherwal, 2001; Hsu, 2006; Lee and Choi, 2003; Wide´n-Wulff and Soumi, 2007). The theory of knowledge-creating firms reveals the aptitude of constantly creating fresh knowledge out of existing firm-specific capabilities (Wilkins, 1989; Teece *et al.*, 1990; Barney, 1991; Nelson, 1991; Lei *et al.*, 1996), which may represent what added value the firm should possess.

Nevertheless, it is important to recognize that knowledge sharing is a test of human nature (Cabrera and Cabrera, 2002; French and Raven, 1959) and that, garnering knowledge from colleagues and other individuals could be complicated (Constant *et al.*1996; Hsu, 2008). Hence, knowledge sharing is not always successful and organizational performance is not always satisfactory (Hsu, 2008). For this reason, managerial interventions are essential to encourage and facilitate systematic knowledge sharing (Hsu, 2006; Husted and Michailova, 2002).

Conclusion

Although there is much literature surrounding *why* knowledge-management is central to organisations, there is considerably less literature on *how* knowledge is managed, i.e., "on the processes that are used to identify, capture, share, and use knowledge within organisations" (Ipe, 2003, p. 339). In light of this, Nonaka and Takeuchi's *The Knowledge Creating Company* (1995) suggests that, "knowledge creation should be viewed as the process whereby knowledge held by individuals is amplified and internalised as part of an organisation's knowledge base" (Ipe, 2003, p. 340). An organisation cannot generate knowledge without individuals and, unless individual knowledge is shared among other individuals and groups, knowledge will partially affect organisational success (Ipe, 2003).

The first section of this chapter reviewed academic literature and perspectives on knowledge management, revealing how knowledge is effectively positioned at the heart of much of today's global economy, and how, "managing knowledge became vital to the company success" (Kluge *et al.*, 2001, p. 4). As observed, the knowledge economy is not yet all-conquering, but it is well on its way to being so. The knowledge and know-how of knowledge workers represent "the most valuable property that firms have" (Giddens, 2000, p. 69). In short, there has been "a transformation from a world largely dominated by physical resources, to a world dominated by knowledge" (Burton-Jones, 1999, p. 3). For this reason, "the basic economic resource is no longer capital, neither natural resources, nor labour… **it is and will be knowledge"** (Drucker, 1993, p. 7, emphasis in original).

Chapter 2

Knowledge and Luxury: The Gucci Case-Study

Introduction

The central theme of the economic theory focus on *why* a company differs from another one represents a critical issue that actually marks the extended competition at the international level (Nelson, 1991). Over the last 15 years, the acknowledgement of this new phenomenon has increased among academics and managers, spreading throughout the industrial sector (Nonaka *et al.*, 2006). Hence, knowledge management is finally proposed as the answer to the actual situation.

In the past, academics have attempted the answer passing through numerous theories: from the neoclassical to the resource-based view, currently the best solution to get the best performance. The resource-based approach, which renewed the conception of organisational management, stresses the importance of knowledge as the striking "must-have" to be competitive in the contemporary marketplace. This chapter aims to comprehend how knowledge can make such a difference, even in such an unusual sector as the fashion luxury industry, taking Gucci as a case study. All information about Gucci will be analysed since 1999 when the group became part of the Pinault-Printemps-la Redoute (PPR) now Kering, one of the world's group leaders in fashion apparel and accessories.

2.1 Pinault-Printemps-la Redoute (PPR): A Brief Overview

PPR Group was founded by François Pinault in 1963 as a timber and building materials business. In the mid-1990s, PPR repositioned itself in the retail market, shortly becoming one of the leading players in the sector: “The acquisition of a controlling stake in Gucci group in 1999, in conjunction with the establishment of a multi-brand luxury group, marked a new stage in the Group’s development” (PPR IN, 2011, p. 4). As a family-owned business, PPR's corporate outlook has been underpinned by a comprehensive entrepreneurial spirit and a real *atout* for the Group and its people since its genesis. Over the years, as PPR carried out a series of profound transformations, “this spirit has pervaded all the Group’s major strategic developments” (PPR In, 2011, p. 11). The corporation recently entered a new chapter of its adventure, in which the organisational structure has not only “empowered its people boosting their autonomy, but it [has] also strengthen[ed] the connections among the Group's various components” (PPR IN, 2011, p. 11). These inflexible links allow PPR to release the great potential of its brands so as to reach an organic intensification.

Starting from 2008, but in particular since 2011, the sovereign debt crisis impacted the global economy by causing a very strong downturn in growth, particularly in Europe. In this context, “emerging markets remained the key drivers for a global growth as the growth’s corporate structure and brand teams started working together more closely” (PPR IN, 2011, p. 11). More recently, “PPR is stepping up and partnering the digital strategies of its brands and chains by systemising the fostering of inter-brand synergies, co-ordinating e-business projects and encouraging knowledge sharing” (PPR IN, 2011, pp. 12-13). The Group has pooled its key expertise in supporting all of its brands, “to identify and share best digital practices, encouraging innovation, enhancing technical capacities and customer websites functionalities plus increasing Internet penetration for the Group’s activities” (PPR IN, 2011, p. 13). In this uncertain environment, the Group continues to look into the future with confidence, "thanks to the solid fundamentals and the refinement of the business model, undertaken since 2008 with the pertinence of its corporate strategy; persisting in the upcoming years" (PPR IN, 2011, p. 12).

2.1 The PPR Structure

When various brands make a venture, they unconsciously transmit and add value reciprocally. As matter of fact, "the brand development strategy as well as the group sharing process[es] are the most important sources of parenting advantage that luxury groups can actually create" (Ijaouane and Kapferer, 2012, p. 25). In all fairness, this is precisely what has happened over the years in the PPR experience, when the management line decided to amplify commercial activity by acquiring new brands, allowing the business to escalate (as showed in Figure 2.1).

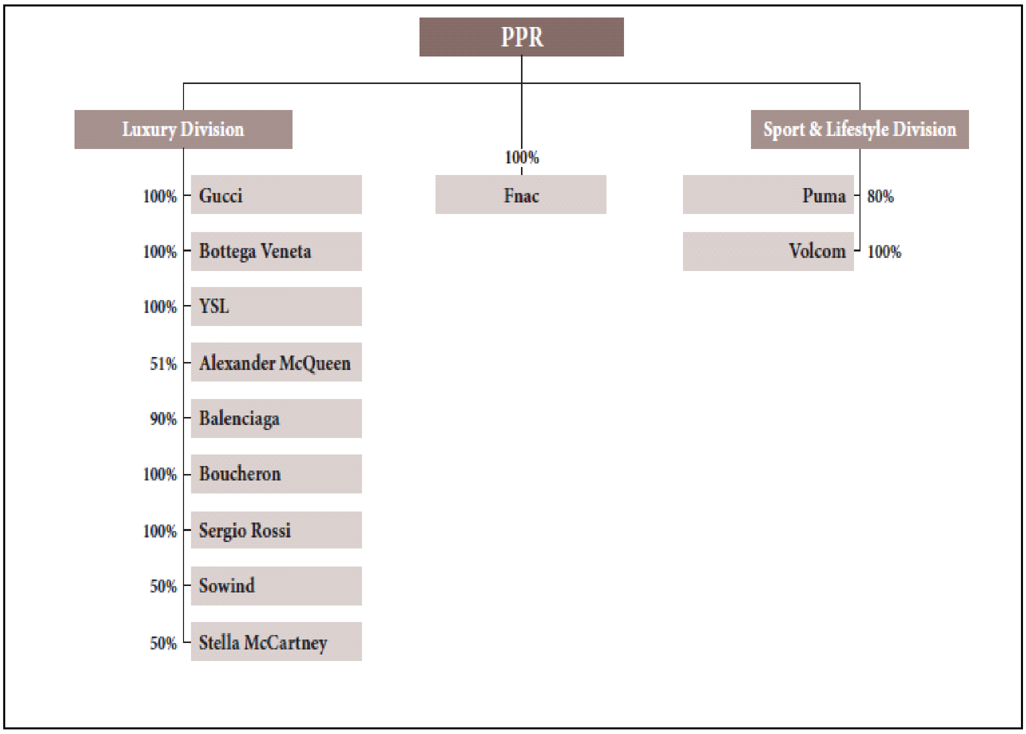

Figure 2.1: *The PPR Structure*. Source: PPR website.

As noticeable, the Group leader in apparel and accessories began operating in the two fastest growing market segments: Luxury and Sport and Lifestyle by enlarging the overall business offer (PPR website).

2.3 The Luxury World

Luxury as a concept is defined within the scope of socio-psychology as the result of its connection to a culture, state of being, and lifestyle, whether it is personal or collective. When linked to brands, luxury is characterised by “a recognisable style, strong identity, high awareness, and enhanced emotional and symbolic associations” (Okonkwo, 2009, p. 287). There are many definitions of luxury that connect extravagance, prestige and elegance (Duboiis and Czellar, 2002); however there are not so many definitions that provide a categorization of what a luxury brand is (Moore and Birtwistle, 2005). In 2002, Jackson and Haid wrote that “luxury brands heightened status by setting an allure that goes well beyond its mere function” (Moore and Birtwistle, 2005, p. 258). This is also an immense prestige produced by the scarcity in its accessibility, resulting from the enforced restrictions on distribution in association with a particular consumer segment (Moore and Birtwistle, 2005; Kapferer, 2001; Vigneron and Johnson, 1999; Quelch, 1987; Dubois and Czellar, 2002).

Bernard Arnault, founder and CEO of Louis Vuitton *Moët* Hennessy (LVMH), stated that “luxury is the only sector that can provide luxurious margins” (Kapferer and Tabatoni, 2011, p.1), and that Gucci is one of the finest Italian *maisons* to be part of this glamourous elite. The luxury marketplace has shown an incredible global expansion over the past two decades, estimated as a $229 (US) billion industry in 2009 (Dona-a Ilbo, 2010). In fact, the incredible demand for luxury items transcends the recent problems associated with the global economic recession as confirmed by Western economies where, even if they have not yet transitioned out of crisis, a significant increase in the luxury sector has been confirmed (Kapferer, 2012). Demand for the luxury sector is not confined to the EU or to the United States of America but reaches also to the emerging economies of China, India, the Middle East, and Latin America (Tynam *et al.*, 2009).

Asia now represents the emblematic paradigm of the economic picture as confirmed by the President of Gucci, Fabrizio de Marco, who asserted that "in five years time the company has been able to open 52 stores; a fact which had and will have a significant impact on Europe, where 100/200 million of Chinese travellers are expected" (Corriere della Sera, 2012). Thus today, Gucci's flagship brand is one of the most prominent and profitable trademarks in the luxury sector, ranked as the 38th Best Global Brand in 2012 (Interbrand, 2012). Despite this incredible and virtually close to perfection depiction, some researchers' opinions are contrastive. Experts strongly believe that, "future profitability prospects in luxury markets will be problematic as well" (Choo *et al.*, 2012, p. 81). In order to gain a better understanding of the contemporary economic status, it is imperative to focus also on how the Italian *milieu* recalls the company origins. As acknowledged, Italy is now experiencing a very complex condition because of the current economic decline. The internal trade decrease has had a negative impact on the country by causing the collapse of many Italian family businesses.

The contemporary situation somehow forces the "survivors" to increase the export profit, by now the only way to carry on in a nation repressed by taxes. As evidenced, the trend is confirmed by recent export ratios that show an increase of products *Made in Italy* (+ 4.3% of the overall export, ISTAT Report 2012), which is no more perceived purely as synonym of guarantee, but also as a real brand. The actual scenario shows an intensification of the outdoor opportunities essence of the Italian economy that along with the recent crisis has emphasized the foreign demand supporting all the business sectors (ISTAT Report, 2012).

By and large, the analysis illustrates how a large number of European countries present a strong accumulation of intangible capital along with a simultaneous slowdown in tangible capital (ISTAT Report, 2012). In light of this, it is easy to provide an explanation to the EU27's thinking, where the required qualities to deal with this "transformation" have now changed: large investments in human capital, a high ratio of expenditure to GDP in Research and Development, less regulation of markets and substantial investments in the reorganization of production processes (ISTAT Report, 2012). In short, this decisive trend evidences a revolutionary measure towards the "knowledge economy" (ISTAT Report, 2012).

2.4 Introduction to the Gucci World

Founded in Florence, Italy, in 1923, Gucci emerged as a privately owned company establishing a very glamour trademark, a synonym of top quality products. At present, the Gucci group designs, manufactures and markets high-end luxury items, including ready-to-wear, leather goods, shoes, watches, jewellery and accessories. The extensive product portfolio is probably one of the Group's major *atout*. The Gucci production is that experienced to "express and represent the *Made in Italy* brand, looking at the future albeit a deep respect for its past" (PPR IN, 2011, p. 19).

The President and Chief Executive of Gucci, Patrizio di Marco, emphasized that the company has never highlighted, as now, its own identity. Greatly Italian and Florentine all at once; an absolutely wonderful melange of tradition and craftsmanship; tastefulness and charming life; alongside antiques expertises and a cool creativity (Corriere della Sera, 2012).

To be comprehensively aware of the company's turnover, the ultimate published key figures will be reported as accounted in the PPR Report of 2011 in Figure 2.2.

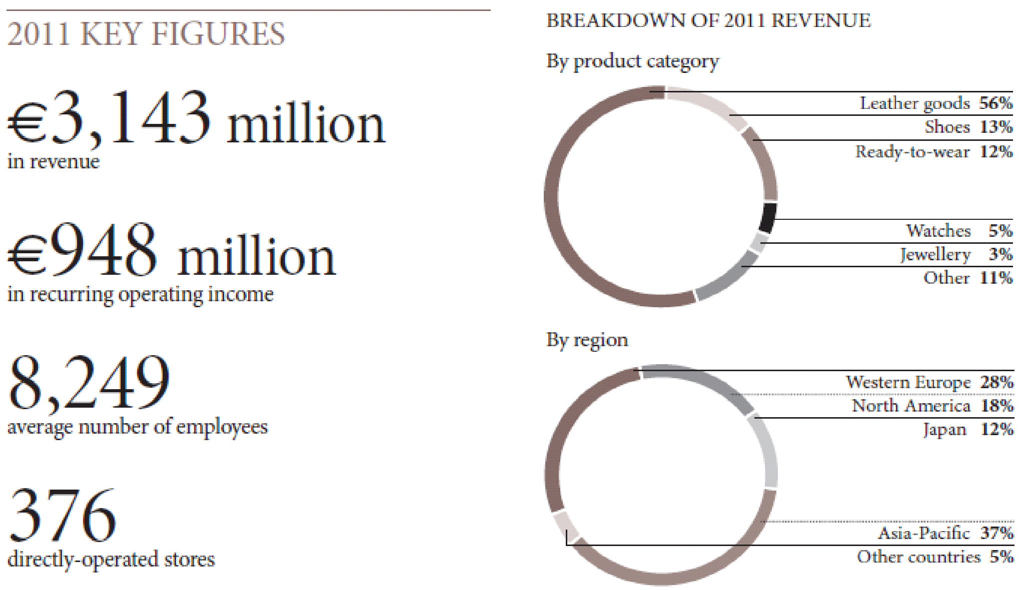

Figure 2.2 : *PPR 2011 Figures*. Source: PPR Website.

Taking a look at the records and figures, it is evident how Gucci has improved as a result of the revolutionary administration, which has wholly renewed the business approach. Now all products are sold by way of directly operated stores as well as by using exclusive franchise store departments in addition to specialty stores all over the world. The company continues to invest in the network and in digital activities like expensive complementary communication and business channels, "building new levels of direct engagement for the brand with the purpose of connecting -in a deeper way- the existing and future clients" (PPR IN, 2011, p. 19). Through this new leadership, "the company gave new life to the long-standing values brand including the mission of *Made in Italy*: outstanding quality and superior craftsmanship; all accurately shared with its fashion authority and versatility" (PPR IN, 2011, p.20).

2.4.1 The Gucci's Breakdown

Albeit an idyllic portrait of the corporation with uncontested potential, it is also necessary to examine the whole company profile, including its history, when the business was miraculously saved "by doing a Gucci" (Tom Ford, 1999). Doing a Gucci are words of Tom Ford taken from an interview in 1999 at the Public Broadcasting Company when Ford "breathed life" into Gucci so successfully that fashion insiders came up with the new expression: "doing a Gucci" (Heller, 2000; Tokatli, 2012). This creative definition highlights the Gucci phenomenon, emphasising knowledge and tradition, while at the same time encompassing the brand where identity and image are very well reflected.

Everything started when the company began licensing its name to a range of non-luxury products in the 1970s, damaging its most valuable asset: the exclusivity of the brand itself. The company scenario, spoiled by family feuds, caused several problems for the business (PPR reference document, 2005), having since created numerous troubles in preserving the original prestigious image at the international level (Choo *et al.*, 2012). In short, by the late 1980s, "Gucci was in disarray" (Moore and Birtwistle, 2005, p. 261)**.** In 1987, with the recognition of the long-standing brands' prospective, Investcorp (a Bahrein-based investment company) began building a stake in Gucci, culminating in sole ownership by 1993 (PPR Reference document, 2005). Subsequently, through the recession, the management's plan gave a new lease of life to the business proving to be extremely successful. As declared by Domenico De Sole (Chief Executive of Gucci) "the key element to get out of that tremendous condition was the Investcorp's ability to work and support the management without interfering. They knew the advice I needed but they also knew the advice I didn't want and I didn't need".

As a result, Gucci turned out to be a very successful self-regulating company once recovering its prestige and influence internationally (PPR Reference document, 2005); the company promptly became over again a business label with a strong soul evolved over more than 90 years (PPR IN, 2011). Now Gucci is an icon of tradition, *Made in Italy*, exclusivity, and certainly *haute couture*, different from other brands, even if placed in the same market share.

2.4.2 The Stabilisation Phase: Early 1995-October 1999

During this vulnerable phase, several actions of De Sole and Ford proved to be decisive in reinforcing the situation. De Sole and Ford redefined their skills in luxury brand management, "establishing the internal resources for exploiting the parenting advantage whenever the company wanted to become a luxury brand group" (Moore and Birtwistle, 2005, p. 261). Hence, "the management line pursued a successful strategy entirely focused on six main dimensions with the ambitious wish for the brand stabilisation" (Moore and Birtwistle, 2005, p. 263):

- Re-establish control of Gucci product design and manufacture;
- Re-establish control over Gucci distribution;
- Create a balanced product portfolio for the luxury brand;
- Establish a marketing and communications platform;
- Create a luxury brand consumption experience;
- Tom Ford – design direction and control.

These six dimensions fundamentally helped the company to decrease the franchised stores present globally; still, considered one of the main causes that led the company close to doom. By changing the communication platform they strongly re-established the brand image as a credible luxury brand name (Moore and Birstwistle, 2005). Furthermore, senior management defined "the communication strategy to be coordinated in a more focused way, by ensuring a distinct, clear and effective international brand message" (Gucci Group NV Annual Report, 1999, p. 27).

Hence, by specifying the new Group strategy, the company began managing the brand portfolio more efficiently, making every single brand different and unique in its own brand image and value (Gucci Group Annual Report, 1999). *De facto*, being a multi brand company, the Group expressively began capitalising on specific expertise by endorsing the knowledge sharing among its various brands (PPR Reference document, 2005).

2.4.3 The New Positioning

As already acknowledged, Gucci has built its strong heritage over an inflexible quality, *Made in Italy* and craftsmanship. The understanding and positive reception of the brand's heritage took the company to a great revival of the Italian *maison*. Thus, Gucci confirms an outstanding potential in most of the important product categories and regions, "mostly due to an appealing offer veiled by the emphasis on the evolution of an enhanced communication policy" (PPR Reference document, 2005, p. 26). For its 90th anniversary the company achieved excellent results, "not only in terms of revenues, but also concerning the brand reputation and status, constantly growing at the international level" (PPR IN, 2011, p. 20). This success is exemplified through a variety of inter-branding activities and ventures emerged throughout the years as collaboration with two popular Italian names: Riva and FIAT, along with which they had the opportunity to create exclusive limited edition designs expressed by *Acquariva by Gucci and Fiat 500 by Gucci.*

This clearly shows the Group's brand power as measured by the ability of the trademark to create loyalty, and to continue generating demand and profits into the future (Rocha, 2012, p. 6). Actually, Interbrand's annual Top 100 Brand survey ranked 38th overall with a value of USD 8.8 billion (up 5% compared with 2010), confirming Gucci to be the most valuable Italian brand in the sector. The brand has continued to see growth in 2012 with a 30% increase in online sales and a 15% increase in China, symptomatic of the fact that that the luxury brand is in a good place despite global economic uncertainty (Interbrand website, 2012). By analysing the collected information, it certainly appears how the renewed brand strategy has been fully understood by the personnel as well as by customers shown by a company stronger than ever.

2.4.4 Gucci's Management Synergy and Strategy

Since its emergence, "the achievement of intra-brand synergies and the retention of uniqueness concerning the brand image has always been a strategic objective for Gucci group" (Moore and Birtwistle, 2005, p. 266). In all probability, the groups' synergy comes from the sense of exclusivity of the pursuit of excellence expressed by the search for best-in-class profitability, long-term sustainable growth, and high standards of social responsibility (PPR IN, 2011).

The combination of these components confirms once again the implementation of the strategy, where a great emphasis is placed on the *maison*'s core values. Therefore, "this emphasis is only a part of a more general and focused strategy rebalancing the overall product mix" (PPR IN, 2011, p. 20). The complex strategy accentuates "three areas of action:

capitalising on its state-of-the-art positioning in fashion, innovation and product quality" in order to maintain a strong impetus by capitalizing on new opportunities (such as in the jewellery and watches) (PPR Reference document, 2005, p. 26). Further, the distinction between two significant features, the operational aspect and the internal leadership, can be very interesting. Essentially, "if on the one hand the operational aspect stresses on the brand autonomy; on the other hand, a straight guidance at the Group level is strongly recommended" (Gucci Group NV Annual Report, 1999, p. 58).

De facto, Gucci has succeeded in supporting and reinforcing its leading status over the past few years by using a rigorous image, an uncompromising communication policy, terrific product quality, and an organized distribution network (PPR Reference document, 2005). After the company's troubles, brand management and image began to be firmly controlled throughout the distribution network set up at a geographical basis, a very distinctive aspect in the strategic design.

As a result of the communication target activity, preserving the brand *je ne sais quoi*, ensures a high level profile along with constant visibility with the intention of supporting the market position at the international, national and local levels (PPR Reference article, 2005). Currently, "Gucci has granted considerable independence, surrounded by specific guidelines to the CEOs of the brands portfolio, now in charge of design, merchandising and general aspects of the operating and financial product of each brand" (PPR Reference document, 2005, p. 25). The Group always keeps a vigilant eye on other luxury competitors as well as on other industries, preserving its position at the top of the supply chain (PPR Reference document, 2005).

Today, “Gucci operates in more than 55 countries thanks to the strong global brand recognition that made possible the opening towards the emerging economies where the demand recently increased” (PPR Reference document, 2005, p. 27). Thanks to the “glocal” approach, the critical balance of the present economy does not seem to have had any critical effects on company trends. Actually, Gucci delivered a very good performance in the third-quarter of 2012 revenue, with sales up 7% in comparable terms and 16% on a reported basis. More specifically, revenues were up to 2% in Asia-Pacific, with good results in Mainland China, where the Group posted strong revenue growth (PPR Press Realease, 2012). Despite the current uncertain global economic context, the Group has definitely been able to recapture the more knowledgeable clientele by catching the attention of “aspirational” customers, principally from newer markets that have an increasingly higher average price point (PPR IN, 2011, p. 20).

2.5 Knowledge Sharing in Luxury Multi-Brands

Albeit the massive uncertainty of the markets, the luxury sector is still doing well. Today, luxury is a business model fined-tuned over the time by the top luxury names (e.g. Louis Vuitton, Chanel, Gucci, Hermès, Ferrari and Rolex), which were and currently are dominating the international scenario” (Kapferer, 2012, p. 456). Many of these luxury brands preserve the company’s exclusivity with a long tradition of craftsmanship along with a successful business model (Kapferer, 2012). However, Gucci’s history reveals how sometimes the expertise, knowledge, records and values are not enough to avoid the breakdown.

Clearly knowledge is a real advantage for businesses that, in any case, still necessitates proper management guidelines; no longer simply referring to soft skills but also how much of the company is transferred to a single member of the staff. In essence, collective intelligence represents the evolution of knowledge from a “property” of individuals to a “resource” of shared organisms (Pór, 1995). Individuals and organisations can “transfer from data to knowledge articulating a fluid mix of experience, values, contextual information as well as expert insight” (Belussi *et al.*, 2006, p. 3). That is why knowledge should be accurately stored in documents or repositories and organizational routines (Nelson and Winter, 1982), so as to build a collective intelligence (Lévy, 2002) leading to organisational wisdom (Pór and Molloy, 2000).

In any case, this transfer allows brands to share best practices, reducing various costs such as manufacturing, contract manufacturing, licensing, processes, etc. On the other hand, “it ends in extra opportunities for the company as the permission to extend the existing offer” (Ijaouane and Kapferer, 2012, p. 27). A good example is the watch production offered by fashion brands such as Tag Heuer and Louis Vuitton, Richemont and Ralph Lauren, and Boucheron and Gucci. As shown, in the joint venture involving Gucci and Boucheron, the company transferred its knowledge, thus improving the company business range perceived as “a great company but with a tremendous heritage. A clean brand with no licenses but strong in watches” (Gucci Chief Executive Domenico De Sole, 2000).

Hence, “this mutual knowledge relocation enabled the brand to boost its presence in new markets easily and rapidly, thanks to the existing knowledge added to the stakeholder relationships in local luxury markets previously established by those already operating in there” (e.g., LVMH’s access to the US fragrances market thanks to Bliss, Hard Candy, Urban and Decay) (Ijaouane and Kapferer, 2012, p. 27). Visibly, Gucci brought the heritage and Boucheron provided the technology, both of which are central ingredients for brand excellence. On the whole, the two brands exchanged information related to the marketplace trends and the actual demand, developing an enhanced vision of the luxury market (Ijaouane and Kapferer, 2012). They provided “a precious framework for evaluating and incorporating new experiences and information” (Davenport and Prusak, 2000, p. 5), implying a progressive empowerment of the organization (Belussi *et al.*, 2006).

Thus, by reconsidering the scholars’ point of view, which highly stressed the role of the resource-based society, it might be easier to comprehend what began earlier regarding the passage from an “old” prominence of hard skills to this new phenomenon. Naturally, if in the hierarchical structure the vision is shared, all members from the bottom to the top take part in organisational accomplishments. For this reason, knowledge and best practices should perfectly match one another in order to guarantee the alignment of the company assets. As observed, being a multi-brand company, Gucci is now immersed in the knowledge sharing approach. In fact, by way of its expertise, the company allows the entire Group to boost skills by sharing its own expertise. As a result, “managers’ attention aims to develop the human capital as well as the knowledge management practice (including sharing of best practices). By now, two inevitable strengths that companies must cultivate in order to outperform their peers on a long-term basis” (Ijaouane and Kapferer, 2012, p. 29). In short, the result is the new competitive advantage.

2.6 The “PPR Effect” vs. LVMH

Before focusing our attention on the case of Gucci, it is of great value to take into consideration the luxury segment *in toto* and to address Gucci’s main competitor, i.e., the Group Louis Vuitton Möet Hennesy (LVMH). LVMH, one of the biggest Groups of the luxury sector, is active in more than 60 prestigious brands in five different sectors: Wine, Fashion, Leather Goods, Perfumes and Cosmetics, and Watches and Jewellery. Thanks to its brand development strategy and the expansion of its international retail network (over 3,000 stores worldwide), LVMH has had a strong dynamic expansion since its creation in 1987 (LVMH website). *De facto,* the search for excellence goes well beyond the mere quality of the offer including store layout and locations, as well as the capacity to make all customers feel welcomed indoors (LVMH website).

LVMH is a synonym for elegance and creativity. It embodies cultural values, tradition and innovation together with dreams and fantasies. The value sharing that actually helps all company members to be aware of the ongoing work is of the utmost importance for the Group (LVMH website). The Group's mission statement is set over five points, stressing creativity and innovation, product excellence, and support of the brand image by passionate determination that strives all staff members to be the best in every situation (LVMH website). *De facto,* the long-term success that marks out the Group is rooted in a perfect combination of artistic creativity, technological innovation and quality, each of which are expressed by the Western "Art de Vivre". In essence, a duality of creativity and innovation is the most important concern both for Gucci and LVMH, and in all probability is at the basis of their consistent success.

Alternatively, the PPR group offers an illustration of the other side of luxury. As previously stated, the Gucci Group expertise aspires to accelerate the expansion of its companies by globalizing all of the brands at the heart of "the PPR effect" (PPR website). PPR's management style is open, genuine, accessible, human, ethical, entrepreneurial, and favourable for the achievement of challenging goals (PPR website). The strategy is based on the organic intensification of existing brands: additional product categories and expansion into new markets along with the opening of new stores followed by a subsequent intensification of the distribution channels. Via the brand-focused activities, the Group ensures broad-spectrum control on the value as the supply chain, providing financial arms, knowledge, resources and synergies needed to expand the company margins to guarantee profit (PPR website). In short, PPR is about empowering imagination, promoting the brands' autonomy and encouraging creativity. These goals are indispensable to stepping beyond the comfort zone and injecting managers and directors with the ambitious vision to perform the unexpressed potential (PPR website).

By considering the two Groups, it is easy to denote a series of similarities in which both of them invest in innovation, technology and high-quality products that establish current luxury standards. The remarkable supremacy of the Groups is at the basis of LVMH and PPR's heritage combined over the years. Indeed, both Groups benefit from exceptional brand goodwill that would not count so much, and could not be performed if they were not sponsored by the shared creative supremacy (LVMH website). As a matter of fact, mostly in this epoch, we can speak of 'casual business', where quality, innovation and technology are the three essential factors for dealing with company aspirations (Andrea Della Valle, Tod's Group).

As mentioned earlier, organisations of this kind are extremely fascinating and dynamic. The demand for sharing this positive entrepreneurial spirit reveals a constructive environment that allows the whole workforce to grow in conjunction with the business. To sum up, encouraging the corporate ethos and maximising indoor synergies can actually exploit best-practice and knowledge-sharing across the brand portfolio by answering to the manifest thirst for progress. Hence, this search for perfection is explicit in the subsequent search for quality. With no quality, this sublime extra dimension and power of expression that transcend reality (that is, the "stuff of dreams"), Gucci would not be Gucci and Louis Vuitton would not be Louis Vuitton (LVMH website).

Conclusion

In recent years, increased interest in luxury brand management among researchers and academic scholars has been the result of the aforementioned evolutionary factors. As the luxury sector evolved into an economic sector with the creation of LVMH in the late 1990s and the subsequent consolidation of the Gucci Group in the early 2000s, "several management issues linked to product design and strategic management, production, marketing, retail and above all branding emerged" (Okonkwo, 2009, p. 287). Among business leaders, "the debates have been related to the correlated challenges and paradoxes that emerged consequently to the evolution of luxury since it became a consolidated economic sector in the late 1990s; led by the vision of conglomerates such as LVMH and Gucci Group" (Okonkwo, 2009, p. 287).

Therefore, organisational issues' links to resource management including people began generating much interest and discussion in both academic and business milieus. This is probably driven by the organic growth and consequences of changes in the Group's structure. It evokes uniqueness and exclusivity and is actually interpreted in products through high quality, controlled distribution, and premium pricing (Okonkwo, 2009, p. 287). The analysis the PPR's Luxury Division once again confirmed the strategic rationale of its multi-brand business model, reporting a strong increase in its results (Half-year PPR Report, 2012, p. 12). Furthermore, the importance of knowledge management points to the consequences of the contemporary transformation process that is characterising the business' approach. In fact, "all the companies that invested substantially in brand building were shown to have a stronger competitive positioning than those whose core values were linked more to products and services than to branding" (Okonkwo, 2009, p. 287). This performance as likely driven by the organic growth and knowledge sharing that introduced important changes into the business structure.

Certainly, soon after the internal breakdown, Gucci management realised that by encouraging individual initiative and efficiency, as well as by motivating people in achieving the company goals, a personal maturity in the trend analysis could have been accomplished. By revoking this feeling of uniqueness and exclusivity, wholly interpreted through the level of quality, Gucci answered to increasing market demand, which at the time was evidently asking for something different. In other words, the latest management thinking and approaches to luxury brand management critically contributed to the widening of knowledge in the luxury business (Okonkwo, 2009).

Chapter 3

The Research Methodology

Introduction

The earlier chapters have focused on the importance of the concept of knowledge management as an asset to "generate value for the market place and to gain competitive advantage" (Ambrecht *et al.*, 2001, p. 28). In particular, it has been argued that organisations have recognised the critical role that knowledge can play "in responding to the uncompromising competition in today's knowledge economy" (Choi *et al.*, 2008, p. 742). This chapter will provide a description of the design of the research undertaken for the study and will give an account of the method for the acquisition of data. The purpose of this chapter is to detail the research method undertaken and to elucidate the research questions.

3.1 Justification for the GUCCI Case

Based on the literature review, it has been possible to trace a significant evolution in the concept of knowledge management, from a "single factor" to a real "system" connecting all business facets. Today knowledge management has proven crucial in enhancing the company results. It has been recognised as a vital tool in terms of management, although it is still ambiguous as to what extent this approach has been implemented within the organisations.

Usually, knowledge management is aligned with the consulting business sector, where knowledge represents the product they advertise. Now, the question should be: Why Gucci? The Gucci Group is actually a fascinating case study, due to its incredible modernization process that has breathed new life into the company. *De facto*, the group quickly became a trendsetter as well as a leading brand in the luxury sector. In the late 1990s, by going through this critical circumstance when the company was on the verge of collapse, the Group renewed its management approach, reorganizing the business structure around two great assets: Heritage and Made in Italy. Since then, "Gucci has been promoting the sharing of knowledge among its various brands, capitalizing on specific expertise" (Gucci Group, 2005, p.1), encompassing tradition, values and heritage, and factually recognising the great value of knowledge within the organisation.

Indeed, the Gucci brand name, which has a long-standing reputation in fashion, leather goods and accessories, "has shared its in-depth knowledge with the other brands of the Group, successfully building the Group's market share in the luxury goods industry" (Gucci group, 2005, p.1). As a result, the entire business has come to be predominantly focussed on heritage, or in other words, knowledge.

Justification to the Methodology

In order to analyse the knowledge management processes of Gucci Group, a qualitative methodology was chosen. Since there is a dearth of research on knowledge management practices, it is arguable that an exploratory approach would be appropriate (Strauss and Corbin, 1994). Furthermore, qualitative methodology seems to be suitable to explore knowledge management practices. For instance, Pan and Scarbrough (1999) employed semi-structured interviews and participant observation to investigate knowledge sharing processes from an international organization. In addition, Gabbay and Le May (2004) used non-participant observation, semistructured interviews, and documentary review in order to explore in depth knowledge management processes in primary care. Similarly, Hahn and Subramani conducted semi-structured interviews of managers heading the knowledge management function in eight large organizations to investigate approaches to knowledge management. This report will employ qualitative methodology (i.e., semi-structured interview) to analyse the knowledge management practices of Gucci Group.

3.2 Methodology and Research Procedure

The rationale behind the research question has been to consider how knowledge management influences approaches to company management and to investigate the role of knowledge management within the Gucci Group so as to recognize if the examined method is an ephemeral idealism or an existing belief. In order to organise and categorise the data obtained through the interview, the recorded interview was transcribed verbatim.

In order to offer a comprehensive examination of this business and its approach to knowledge management, a face-to-face interview was conducted on the 7th of July 2012 with a member of the Logistics department at the headquarters of Gucci in Rome. The meeting lasted for one hour and the questions largely focused on evaluating a series of variables of knowledge management in correlation with the actual organisational trend. The present report will evaluate the knowledge management system in Gucci, and in particular, the research was aimed at answering the following research questions:

- How much is the management line aware of knowledge management and how is it developed?

- How does the Group share knowledge? And what is the specific knowledge management model within the Group's organization?

- How is knowledge management developed through procedures, expertise, organisational culture and strategy?

The interview was recorded and the ensuing deductions will be illustrated in the final chapter. The main research stages are illustrated in Figure 3.1.

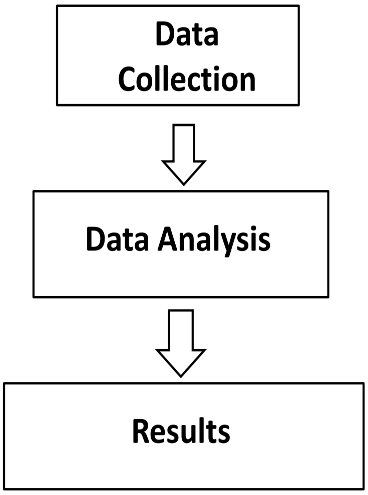

Figure 3.1: *The Research Process*

By considering what has been previously acknowledged throughout this report, the qualitative research endeavoured to achieve the following goals:

1. To assess the relevance and personnel awareness of the knowledge management discipline. In other words, how this approach is internally applied to the existing business *modus operandi*.

2. To identify the knowledge sharing methods among the group members and to analyse the resulting qualitative data under a critical outlook by considering the six dimensions of knowledge development.
3. To determine which of the analysed categories is crucial in the internal KM maturity.

Conclusion

As confirmed by Eisenhardt (1989), it is of great importance to respect a definite line in order to realise a good and responsible analysis to build a theory from case-study research. The methodology of the interview, at the origin of a qualitative study, aimed to identify and to offer a better understanding of the variety of data collected. The framework encompasses specific phases such as the definition of the research questions, selection of the case-study, data collection and analysis.

In brief, the research question aims to identify the role of knowledge management in Gucci, as well as to establish the perception and the overall implications generated in the achievement of the company upshot. The project will verify the knowledge management system under six main dimensions: Type of Knowledge Organisation, Organisational Culture and Identity, Procedure, Expertise, Strategy and Cultural Barriers and ultimately validate how this approach is conceptualised and at what level of implementation the company might be positioned. The report stresses the essential research objectives pursued through interview questions, in attempts to make manifest the contemporary function of knowledge management in such a glamorous *maison*.

Chapter 4

Gucci Case-Study: The Data Analysis

Introduction

The following research provides an analysis of knowledge management strategies and practices in the Gucci Group. The case study design was chosen because the lack of research on knowledge management (KM) in the luxury industry is symptomatic of the need for a more exploratory or theory-building approach (Eisenhardt 1989; Strauss and Corbin 1998).

This investigation aims to identify the presence or absence of KM practices in order to realise whether it may be considered as a real asset or a mere discipline for the organisation. This chapter will review the broad literature on the knowledge management development applied to the Gucci case-study. The review of the definitions and conceptualizations of KM and its related dimensions (i.e., type of knowledge, organizational culture and identity, procedure, expertise, strategy, cultural barriers) will be used to inform research and understand why and how these could be relevant to the analysis of KM in Gucci.

4.1 Case Study: GUCCI

4.1.1 Research Framework and Data Analysis

In the review of the discipline of knowledge management, I outlined a number of categories that prove useful in classifying the collected data. In particular, the literature review made it possible to identify six main categories in the concept of KM: 1) Type of Knowledge; 2)

Organisational Culture and Identity; 3) Procedure; 4) Expertise; 5) Strategy, and 6) Cultural barriers. The first category is in fact the starting point for a comprehensive explanation of the interview data analysis. Furthermore, Organisational Culture and Identity have emerged to be an essential component of a good management approach.

In essence, when the corporate identity is reflected in the corporate image, the company is on the point of achieving its mission. Identity stands for the company spirit which is essential to communicate. Procedure is the area showing how things are processed on the inside, but also determinant to define the knowledge sharing, transfer and implementation policies. By the expertise, it will be established the knowledge structure and the variety shared. Strategy is another central key, which is now seen as a real strategic asset in many business sectors. Finally, Cultural Barriers have been shown to prevent the KM approach, since it is culture that mediates relationships between individuals and organisational knowledge (De Long and Fahey, 2000). This comprises the context that determines how effective an organisation can be at creating, sharing and applying knowledge (De Long and Fahey, 2000).

4.2 Data Analysis

Keeping in mind that the main purpose of the knowledge management is to "support the creation, transfer, and application of knowledge in organisations" (Alavi and Leidner, 2001, p. 107), the following analysis will present and critique the qualitative results under the four above-mentioned criteria.

4.2.1 Type of Knowledge

The first datum emerged from the interview is the tacit character of knowledge management in Gucci. Knowledge management is actually spreading quite quickly, and in many cases corporations have established a Knowledge Management division and a Chief Knowledge Officer position. Typical examples of companies in this category include “law and accounting firms, management, engineering and computer consultancy companies, advertising agencies, R & D units, and high-tech companies” (Alvesson, 2001, pp. 863-864). Evidently, this is not the case for Gucci, where the phenomenon of KM is truly acknowledged but not really legitimised. Despite being recognised as an asset, KM is not utterly in use. As the interviewee reveals:

> *Knowledge management is certainly recognised as a strategic asset for the whole organisation, but it is still a tacit reality.*

This simple statement is surely the essential reading key at the basis of the following analysis. This significant starting point shows that Gucci, despite recognising the importance of knowledge management as a fact, does not make it a visible reality within its organisational structure. Even if, at present, Gucci presents a very collaborative and open culture with reference to some aspects of the KM development - such as knowledge sharing and creation - the conception that knowledge is power is still not as evident in its organisational culture. As Guptara (1999, p. 29) posits: “most barriers to success with knowledge management are ingrained within the culture and structure of the organization. Those organizations which aim to make a success of KM must promote a collaborative culture right from the induction phase of employment; opening up a dialogue with employees to address the idea that knowledge is power culture”.

4.2.2 Organisational Culture and Identity

The literature review reveals that one of the main uses of knowledge management is to spread organisational culture and values amongst employees. Companies use knowledge to be more competitive. After renewing its image in 1994, Gucci established its main foundational values expressed in terms of quality and heritage (Gucci website 2013). In this sense knowledge is used as a means to spread the values of the Gucci brand identity, which is "central in forms of control associated with corporate culture, but also in other contexts" (Alvesson, 2001, p. 877). As the interviewee reveals:

> *It is imperative to state that Gucci firstly expresses quality. Gucci stands for Made in Italy, top-quality materials. The 90 percent of all the production is made in Italy with the 10 percent of the production that might be externalised. Gucci imports many materials from India or China but the assembly procedure is wholly realised in Piedmont at Novara. Albeit there are few phases of the production that are externalised - such as in the case of watches in Switzerland, country leader in that sector and the leather manufacture in Florence – the creativity headquarter of Gucci is located in Rome. This occurs because our values may be identified with the Italian character.*

This is consistent with the literature on luxury branding (Beverland 2004), which identifies quality and originality as critical dimensions of brand authenticity (Beverland 2005; Beverland and Luxton 2005). Arguably, knowledge management is the primary tool to make organisation members aware of brand identity. Conversely, despite knowledge being recognised as an important organisational resource, it is not explicitly managed:

Knowledge Management is certainly recognised as a strategic asset for the whole organisation, but it is still a tacit reality. Nevertheless, every sort of information is concretely shared within the organisation platform. This happens from the public relations to the marketing or the institutional communication. Even if I stated that KM is still a tacit reality, it is important to say that the organisational culture inside the company is quite favourable towards the knowledge transfer process.

In fact, from the organisational culture dimension perspective, KM is conceptualised as a personal or individual initiative, meaning that the KM process is not necessarily top-down or hierarchical, but follows different paths:

Even though at Gucci the significance of transfer and knowledge sharing is highly valued, still the KM system is tacit. I would perceive this approach more as a personal move. If you want to improve and grow in a company, this desire to boost your knowledge, to get involved in the knowledge transfer, to learn as well as to be trained should be incentivised from the company of course; however, it should also be a personal move.

In Gucci, the conception of training, tutoring and updating courses is an authentic value even if it has not yet been "institutionalised". Indeed, there is no Knowledge Management division and the Human Resources Division of Gucci plans all kinds of knowledge sharing events. The interviewee stated that sometimes "knowledge management might be a task of few designed ones and with no need of knowledge sharing". From this statement it is easy to identify the lack of conceptualisation of such a phenomenon within the organisation; even if knowledge sharing and creation are essential parts of the company ethos. It is arguable that Knowledge Management in Gucci is a "tacit reality", something in use, but unconsciously used. As reported by the interviewee:

> *It is a method that should be shared from the highest to the lower position. Despite the critics, it is imperative to highlight anyway the Gucci's innovative entrepreneurial spirit transferred at the entire personnel; expressing that in all probability the company is conceived in a coherent way. This ambiguity in the use of knowledge management may also highlight that the application of such a method might occasionally differ on the various operating divisions.*

Manifestly, it is clear how the Gucci Group as part of a multi-brand corporation as PPR shows an inclination for the Knowledge Management system, where knowledge is shared across several brands that are part of the group portfolio. This inclination towards the KM practices might derive from being part of PPR, however it has still not been well conceptualised within the Gucci organisational mindset. The above statement factually confirms that the KM approach may differ depending on the division and that all procedures do not have to be written.

4.2.3 Procedure

The second dimension emerging from the literature review relates to the procedure. Naturally, this factor refers to how knowledge is accurately processed and is probably the most technical aspect to be taken into account. In essence, “KM co-ordination processes cover the management of KM, including planning and tracking, and the KM operational processes cover the actual work with knowledge, such as creating, storing, and sharing knowledge” (Kucza, 2001, p. 18). Before going further into the investigation, it is essential to affirm that even if KM is revealed as a tacit nature, it does not mean that knowledge is not a critical element within the organisation.

As stated by Alavi and Ledner (2001), usually the knowledge process is used when applying expertise throughout a series of tools such as knowledge creation, sharing, and distribution systems. Indeed, most multinational corporations are well organised in this direction by subsequently sharing their business activities. In this evolution, the role of Information Technology plays an essential role. Gucci makes a great use of technology and innovative tools as confirmed by the statement below:

> *In Gucci we use GUCCI 360 – an internal network - that puts together the Gucci Group along with PPR. It is a platform that only employees may access, where information of all kind can be shared. Knowledge and Information are actually developed exclusively by the HR office. Indeed, there is no KM division at the moment in the organisation. As you would expect, GUCCI 360 is extremely confidential. It is very important to remember that Gucci has got a very hierarchical structure; basically, it is a top down organization*

where the information is transferred from the top to the bottom. We never insert information but information always comes from the top management. There is anyway a constant email inflow.

Here, it is very interesting to notice that by having a very strict structure, all of the information must pass from the top management to the bottom. This differs from the conceptualisation of KM in the organisational culture dimension where KM is conceptualised as a personal or individual initiative. In fact, when cultures with norms and practices discourage open and frank exchanges between varying levels in the hierarchy, this creates a context for communication that undermines effective knowledge sharing (De Long and Fahey, 2000, p. 121).

Thus, it is possible to see how knowledge co-ordination is vertical (as opposed to horizontal) and implicit. In addition, personnel cannot independently add any information: an assertion that validates once again the "tacitness" of the Knowledge Management system in Gucci. As a result, the personnel is not yet active in Knowledge Management activities from the procedure perspective. For the most part, the procedure is a prerogative of the top management line, as confirmed by the interviewee:

Actually we all get emails with constant updates or innovations or issues related to a marketing event, an opening of a new Gucci store [...] or the acquisition of a new brand or maybe a fusion. Actually, news and information are not always concerning GUCCI but may also be referring to other group members as Stella McCartney or Brioni. In any case, the information comes from the PPR portal. No matter what is included in the internal portal. And of course it is *always by using Gucci 360 that the knowledge is shared even in terms of training. This can be developed individually or collectively internally or externally to the company. Besides, it is important to say that training and mentoring sessions got a very important role within the company asset; even supposing that the 60 percent of this information are shared and transferred according to the employees attitude and/or the manager opinion. For this reason, KM is still a tacit reality since it is not mentioned when you talk about the operative system.*

Knowledge storage is another consequence generated by the Knowledge Management approach, which is not always put in practice for various reasons:

In some cases, this is to respect the corporate policy but most of the time it is because knowledge is tacit and might be improved later on during the realisation/creation process. I believe that this can be seen as common strategy used in the prevalence of top companies as to get better in their management approach anytime. As far as I am concerned, working within the creation phase where I take care of precious jewels, I have to deal with a long working process but every procedure is quite inferred. I mean, everything is tacit, we all know that in order to realise some specific tasks and to do it well we have to follow a definite procedure. However, most of the times, these are not formalised or better, not even written. Again, KM is surely more tacit than perceptibly mentioned. Albeit there is no *document, in the corporate Intranet we have an informative folder. The employees are not obliged to read it or study it - as it happened to me before in others corporations – it depends on your personal attitude or ethos.*

The fact that knowledge is not formalised and written justifies again the inferred character of the KM process. They all know what to do and how to do it, however it is not yet written anywhere, and thus it is inferred. Briefly, the best way of spreading knowledge is by using the internal platform, which personnel can access online via Gucci 360 to get training sessions:

Everything can be shared: from a letter of the president to the employees to a PPR letter reporting the final results of the company trend. In my division my manager uses to organise several meetings with the intention of sharing information of all kind [...] related to the internal management, general news or even to set an organisational asset in case of extraordinary circumstances or contemporary events.

Here, it is possible to read again the great value attributed to knowledge sharing, where all sorts of information may be transferred. However, it is essential to underline the verticality of KM processes, probably due to common guidelines perceived as binding agents over the various PPR brands. This shows a greater consideration of knowledge management at the Group holding company than at the single parent business.

4.2.4 Expertise

Expertise is another crucial factor identified in the literature review, and exemplified by the entire knowledge content that can be shared among members of a group. Expertise is a category of tacit knowledge, emphasising the exclusivity of a person's knowledge (Van Krogh *et al.*, 2000). Naturally, the expertise may be (as knowledge) implicit and explicit, however it should be cultivated and increased. Hence, we can see that "expertise is based on extensive knowledge" (Karhu, 2002, p. 432). Along with this knowledge, "the expert is prepared to respond to many situations intuitively, recognising the situation and evoking an appropriate answer; by using his experience for analysing new and difficult problems" (Karhu, 2002, p. 432).

This happens throughout several training sessions that companies use to organise and plan the business year, so as to guarantee a good and updated preparation across all boundaries. Clearly, as observed in the report, it emerges how, from time to time, knowledge is not enough and this way of processing is of great importance for the employees so as to increase personal involvement and motivation. This feeling of getting involved and the perception of the importance of knowledge culture should be encouraged by top management in order to create a favourable environment to implement such an approach. As the interviewee reveals:

> *In Gucci the knowledge culture is quite important and this is actually reflected by the numerous training and self-learning courses that the company organises for all the employees. For example, in my case the training was realised in primis with my manager and with the general manager for all the company*

divisions. Further, they want you to be aware of all the division within the organisation as "Gucci woman", "Gucci men" and "Gucci children". After that, I have been in Milan to take part in an online training section where the focus was mainly on practice than theory. Being Gucci one of the most successful and popular brands makes the knowledge management be considered as an asset for our organisation.

The use of online training processes may sometimes create a sort of distance between the employees and the company that could be filled by face-to-face training sessions. Gucci uses both methods of processing training and self-learning courses, a strategy pleased by the personnel and evidencing a great connection with knowledge and IT. Hence, it emerges once again that a good entrepreneurial spirit allows all members to feel like part of the group. In Gucci, the relevance of professional training sessions and the numerous motivational letters show the great interest of the company in the intellectual capital placed at the heart of the group. As asserted by the interviewee:

When I first entered in Gucci I was trained since my previous job was totally different. I used to work in Marketing and now I have to deal with fashion collections in the jewellery division. I need to know materials, precious stones etc. Basically, I have to look after the pure luxury management. I see raw materials entering inside my office to leave later on as a finished product, ready to be put into commerce. I did not know anything about this process before but they made me part of this great story. Indeed, I strongly believe that *knowledge transfer is an essential step so as to feel like part of a group.*

4.2.5 Strategy

Strategy is another significant dimension at the heart of the KM development process. Before focussing on strategy, it is essential to identify the relationship between KM and strategy, which is effectively central as highlighted by Tiwana (2000). Tiwana reported that "knowledge drives strategy and strategy drives knowledge management; and without a clearly articulated link between KM and the business strategy, even the world's best KM system will deliver zilch" (2000, p. 103). Since knowledge is perceived as a real strategy in the current business scenario, it is indispensable to understand how knowledge is supported and created within the Gucci Group. As stated by the interviewee:

> *The knowledge management strategy is definitely focussed on research and development (R&D)which is vital to improve the degree of such a trend. Actually, R&D is the critical asset for the company that, in our case, is represented from the style office, the creative headquarter located in Rome where I am currently working. Here, all creations are first realised, and basically the investments consist in making travels to research something fresh and original in order to generate a successful collection.*

Thus, in this case the company's attitude in the management of knowledge is exemplified by the high rate of investments required to get the best materials for the best products. By travelling around the world, creative talents are able to increase internal knowledge. In all probability, this extreme search for the unknown makes the strategy fruitful by allowing the Creative Division to enhance its knowledge. Furthermore, Gucci, as in most fashion businesses, invests in travel for inspiration despite the high expenditure rate since it is useful in terms of knowledge. With regards to this issue the interviewee said that:

> *Noticeably, travelling around in the attempt to get new ideas increases the internal expenditure but I mean, we are talking about Gucci, one of the most successful luxury brand [...] the top management consideration is aligned with the very high business targets [...] whatever happens they will never get a significant loss in the final budget. In fact, in the last decade we always ended up positively, always in active. Since when Gucci started to be part of the PPR group, we had no more problems in terms of profit.*

Consequently, despite significant costs, this appeared to be the most important investment in terms of knowledge, which, in all fairness, in the luxury sector, does not seem to be a big deal. This assumption is confirmed by the fact that the Group did not report any financial distress, even in a sensitive conjuncture as such, where the business reality, predominantly in Italy, is fairly challenging. As stated in the interview:

> *Despite the crisis, the luxury division kept on growing. The strategy pursued by the company concretely aims at creating a product for a niche. A product not for the mass. I can say that the contemporary challenge with the main competitor of the Gucci - Louis Vuitton - is on the refined quality and uniqueness of the materials used into the*

realisation phase. Besides, Gucci, as Louis Vuitton and other fashion maisons, started producing manufactured goods without any logo since the Group is trying to be recognised from its style and quality. This is the paradigm of the elevated investment realised to generate such a product.

At this point, it is essential to recall what Nonaka (1991) prophetically acknowledged by saying that "in an economy where the only certainty is uncertainty, the one sure source of lasting competitive advantage is knowledge" (p. 21). Today in 2013, this statement is nothing but the truth. Modern enterprises "need to ensure that their knowledge strategy and knowledge program is consistent with corporate ambitions, and that techniques, technologies, resources, roles, skills, culture etc. are aligned with and support the business objectives" (Bater, 1999, p. 18). When "such alignment between the knowledge management strategy and the business strategy is established, the KM system is moving in a direction that holds promise for long lasting competitive advantage" (Shyman and Kruger, 2004, p. 5).

4.2.6 Cultural Barriers

Cultural barriers are essentially what prevent KM from being implemented. Indeed, "organisational culture is increasingly recognised as a major barrier leveraging intellectual assets" (De Long and Fahey, 2000, p. 113). According to Long and Fahey, culture influences behaviours central to knowledge creation and sharing. Hence, culture is a determining factor in the establishment of a specific knowledge management strategy and diffusion. This barrier may affect the individual, the way of working, and the relevance attributed by the single employee to that particular approach. This clarification on the barriers perspective, preventing the knowledge system to be conceptualised, confirms once more the "tacitness" of the KM system. The organisational culture and the KM goals within the Gucci world are not likely aligned, resulting in a barrier as stated by the interviewee:

> *The reason why knowledge management is not fully implemented is that Gucci may perhaps be hostile to changes for the use of new procedures or technique. This might prevent from wholly applying KM. An issue exemplified by a personal barrier showing that the employee is unwilling to be flexible. I cannot think of any other barriers since Gucci is essentially quite an opened organisation, focussed on training and knowledge sharing. For example, in Florence the company organised a series of meetings with the personnel for improving their English language skills. Actually, the entire management cares about this issue, despite all, they want the employee to feel satisfied and motivated.*

Throughout the statement, it is easy to identify a lack of alignment, a missing KM culture that is a key step in creating and managing knowledge. To do so, "managers should have frameworks to characterise the links between culture and knowledge so that they can design the interventions needed to create behaviours that will support their knowledge management aims" (De Long and Fahey, 2000, p. 125).

4.3 Discussion

From the interview analysis it emerges, firstly, how the Knowledge Management influence has been greatly recognised as a competitive asset for the organisation, even if its nature is still tacit. In particular, six main KM development areas (Table 4.1) have been analysed in order to identify how the KM approach may or may not be considered as a real competitive advantage in Gucci and to further identify the resulting influences.

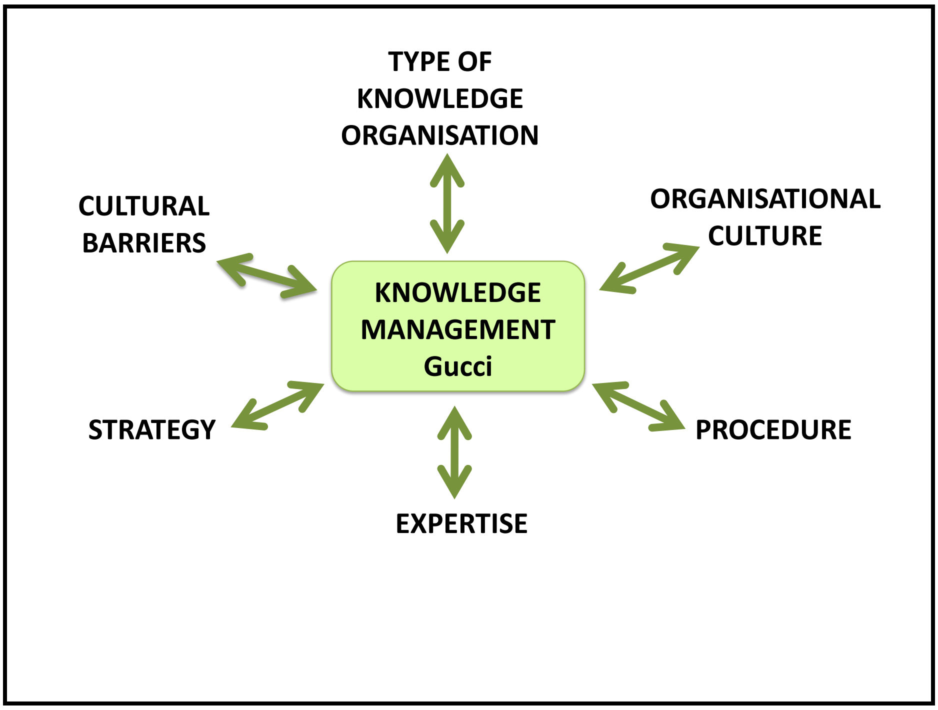

Figure 4.1: *Knowledge Management Development Areas*

The interview has been a valuable and remarkable research method, by which it has been possible to develop and get into contact with the contemporary Knowledge Management condition. For a better understanding, the interview results are summarised in Table 4.1 where the information has been divided into indicators and influences, so as to categorise the identified data and comprehend their consequent influence on the KM in Gucci.

	Type of Knowledge Organisation	Organisational Culture and Identity	Procedure	Expertise	Strategy	Cultural Barriers
Indicators	-Vertical Knowledge Co-ordination - No KM office or Chief Knowledge Officer. - Horizontal Knowledge Operational. - Lack of KM Organisational Culture.	-Recognition of KM as an asset. -Knowledge Sharing Values. -Tradition, Craftsmanship, Quality and Knowledge. -Partial perception of the KM system. - No presence of KM division or Chief Knowledge Officer.	-GUCCI 360 internal intranet. -Great stress on the use of IT. - All sort of information is shared by the platform. -Top down sharing. -Control of PPR. -Training, self-learning, online trainings and tutoring (not always compulsory).	-High relevance of knowledge culture as a tool to increase and disseminate expertise. -Elevated expertise since Gucci operating in the Luxury sector. -Expertise developed by trainings.	-Great investments on R&D. - Knowledge seen as crucial in the strategy-making. -Great investments for improving Knowledge. -Knowledge management for knowledge creation at the basis of a fashion business as Gucci.	-Lack of complete awareness and positive attitude towards the KM practice. - Business ethos and KM objectives are not perfectly aligned.
Influences	-Knowledge management perceived as a personal move. - No alignment between the business goals and the KM objectives. -Implicit awareness of KM system. -High Hierarchical management structure.	-Tacit KM approach. -Company culture not aligned with the KM objectives. -Partial awareness of what KM is. - KM as a personal move. -Lack of institutionalisatio ns. - Ambiguous application depending on the division.	-Opened organisation; - Hierarchical procedure. -Vertical knowledge co-ordination. -Vertical communicatio n processing. -No formal procedure to follow. -High PPR control. -Horizontal knowledge operational process.	-Well educated personnel. -High workforce level. -Workers responsibility towards the organisation. -Well implemented values. -Expertise as a key creation step for improving the overall production.	- Research and development for boosting the knowledge level. - Knowledge Travels. -Leasing of several materials for the realisation of new collections. - Opened entrepreneuria l spirit.	-Lack of flexibility from the personnel towards new procedures or new technologies. -Missing framework linking knowledge and organisational culture. -Lack of KM positive behaviour.

Table 4.1 Research Findings

Initially, it emerged that KM in Gucci is still a tacit reality. This statement validates the vertical knowledge co-ordination which reveals a missing framework linking together the organisational culture and knowledge objectives. The lack of a conceptualisation of Knowledge Management - not present in the company ethos - leads the personnel to perceive the practice as more of an individual move than as a pillar of Gucci's organisational culture. In fact, this perception makes the personnel aware of KM, but not *in toto,* since the company identity does not rely on these principles. This entire phenomenon may find explanation in the fact that, generally, companies should develop an explicit KM culture within the organisation itself, otherwise the workforce will never be motivated to put it into practice. Notwithstanding the current depiction, it is imperative to highlight the great attention given to some facets of the KM approach, namely knowledge sharing and creation.

Knowledge sharing is very important for Gucci. Indeed, everything is shared: from the PPR motivational letters to other kinds of updates or events. Despite it all, technical procedures are neither written nor formalised, partly in respect of company policy, but also because the shared knowledge is far more implicit than explicit. In the knowledge sharing process, IT plays a great role, since everything is communicated through the internal platform GUCCI 360, which is apparently the main tool used to connect personnel.

The knowledge sharing method is also highlighted by several training and self-learning and online courses and tutoring activities developed by the Group so as to enhance knowledge and keep staff informed. Being part of PPR is somehow generating vertical communication and sharing processes that, not being written, may vary according to the division and the manager. As a result, it is easy to see that knowledge - internally recognised as a competitive asset - is an unconscious determinant in strategy making.

The fact that the KM system is mainly tacit does not indicate that knowledge is not critical within the organisation. To a certain extent, especially because Gucci is one of the most glamorous and leading *maisons* of the luxury sector, it is easier to envisage how knowledge - in terms of know-how, expertise, creativity, quality and mainly heritage - is the key of the brilliant Gucci path. Essentially, KM is not formally part of the company culture, however the Group invests high capital in R&D, in order to develop and generate more knowledge.

In sum, this chapter has revealed that, regardless of the great importance of knowledge for Gucci, the Knowledge Management *modus operandi* is tacit. That is why the following and final question is crucial: what is preventing KM from being formally implemented? The answer is now evident: cultural barriers. In fact, the interviewee highlighted the lack of flexibility in the implementation of new procedures in the production phase that along with the hierarchical structure may create a hostile environment. This confirms again that, being that KM objectives are not aligned with the corporate identity, a real barrier has been built up.

Briefly, a challenging as well as fascinating contradiction has been revealed. Firstly, the relevance of knowledge management emerges as a critical tool for increasing and disseminating expertise. On the other hand, a tacit knowledge culture is preventing this coordination from becoming a reality. Hence, this diagnosis is the decisive first step in generating a new strategy and a suggestion for intervention: to align the firm’s culture for a more effective knowledge use.

Conclusions

This report has provided a broad-spectrum analysis into the Knowledge Management scenario through a study on the Gucci Group, a leading firm of the luxury sector. Nowadays, knowledge has acquired a great importance in the contemporary management picture, since it is perceived as the new competitive advantage. Hence, the question leading the entire research has been to discover how the KM approach has affected such a company.

The findings indicate that KM in Gucci is still tacit, albeit with an incredibly positive tendency towards knowledge sharing that contributes to knowledge application, innovation and ultimately competitive advantage (Jackson, Chuang, Harden, Jiang and Joseph, 2006). Predominantly, in Gucci the KM approach is developed by training sessions, tutoring activities and online self-learning courses, naturally representing a limited vision of what KM stands for. In fact, to be competitive it is necessary, but not sufficient, for organisations to rely on staffing and training systems, selecting people with specific knowledge, skills, abilities and competencies (Wang and Noe, 2010). In Gucci, the "tacitness" of the knowledge culture is a symptom of a missing alignment between the knowledge culture and knowledge objectives. Hence, the first step for developing the knowledge culture is through the employees, since it has been shown that knowledge-intensive workers have numerous significant advantages in developing and maintaining an active work identity (Alvesson, 2001).

Thus, by analysing the identified areas of KM development, it is evident how one of these categories is essential in understanding the tacit nature of such a phenomenon. Essentially, cultural barriers lacked on flexibility from the employee's side, concerning the implementation of new procedures and the consequent uncertainty. Although knowledge sharing and creation are well considered within Gucci, there are still some aspects of the KM system (such as the KM storage) that are not in practice, consequently stressing a partial use.

This lack of a knowledge culture may find explanation in the hierarchical structure, expressed by the vertical knowledge organisation. Indeed, if knowledge culture mediates the relationship between levels of knowledge (De Long and Fahey, 2000), it is easier to enhance such a custom. Therefore this *milieu* does not look favourable since “cultures with norms and practices discourage open and frank exchanges between levels in the hierarchy, creating a context for communication that undermines effective knowledge sharing” (De Long and Fahey, 2000, p.120). Conversely, horizontal interactions could increase the level of interactivity, collaboration, as well as a good reuse of existing knowledge.

Here, culture that explicitly supports knowledge sharing over knowledge acquisition “would generate a context for interaction, actually more encouraging to leveraging knowledge” (De Long and Fahey, 2000, p.121). To some extent, being (or being constructed) as a knowledge-intensive company can increase “the chance of people letting their identities be formed and constrained through organizational membership” (Alvesson, 2001, p. 879). However, findings should be tested in a larger scale and specifically in the luxury sector.

Since data have revealed a partial awareness of the Knowledge Management practice, future studies could aim to better understand these cultural barriers, perhaps by a comparison with other PPR associated brands. All this, to make sure if Gucci might be presented as an isolated case or as a consequence of specific supervision directed by PPR. In addition, it would be worth verifying if the missing alignment between culture and objectives is the only valid key of interpretation. In conclusion, a final enigma emerged: is this management realised on purpose or does it really depend on a missing knowledge conceptualisation? Briefly: an explicit - implicit paradox, yet to discover.

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