Realizing potential: a real option perspective on communities of practice in organizational transformation

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ABSTRACT

This research aims to explore the recognized advantages of Communities of Practice (CoPs) in enhancing knowledge sharing and spurring organizational transformation. Despite their acknowledged importance, CoPs often receive inadequate attention or representation in numerous organizations, likely due to leaders’ unfamiliarity or insufficient skills to manage such groups. This study introduces the “Real Option Perspective” as the recommended approach for top executives to understand and leverage CoPs. Initially, it clarifies the concepts of CoPs and the Real Option Perspective, highlighting their significance. These concepts then lay the groundwork for developing a management model for CoPs. The proposed management trajectory for CoPs involves five phases: Investment in CoPs, Recognition of Stagnation, Re-engagement with CoPs, Transition of Value, and finally, Dissolution and Feedback. This research seeks to expand the applicability of the Real Options framework in managing CoPs, providing leaders with strategic insights to fully realize the potential of CoPs in line with organizational objectives.

Introduction

In the rapidly evolving landscape of today’s data-centric economy, organizations are continually challenged by the growing complexity fueled by technological and informational advancements. This raises a pertinent scholarly question: What methods effectively enhance an organization’s ability to learn and cultivate creativity in the face of increasing complexity? Gómez & Suárez (2021) have identified the model of Communities of Practice (CoPs) as a critical tactic, enhancing not just the organizational learning but also its inherent creative capacities. Forrest (2021) asserts that CoPs, born from collective intellectual collaboration (Secundo, Dumay, Schiuma, & Passiante, 2016), act as hubs for diverse streams of information (Dever, Azevedo, Cloude, & Wiedbusch, 2020), fostering innovative thinking for problem resolution (Lages, Ricard, Hemonnet-Goujot, & Guerin, 2020). It is through dedicated continuous learning that organizations can integrate new insights and thus strengthen their competitive edge. Despite being recognized by the World Bank as a cornerstone of its knowledge exchange framework, many senior leaders are still reluctant to incorporate and operationalize CoPs within their organizational strategies (McKellar, Pitzul, Yi, & Cole, 2014). This document offers an extensive examination of CoPs, accentuating their crucial role in organizations and discussing the potential drawbacks of not embracing them.

In recent times, an uptick in scholarly interest has spotlighted Communities of Practice (CoPs); notably, Hasan & Du (2023) explored the interconnection between CoPs and innovation. Meanwhile, studies by Akhavan, Marzieh, & Mirjafari (2015) have illuminated the relationship between CoPs and organizational learning (Khan, & Khan, 2019; Ishak, & Mansor, 2020; Agrifoglio & Agrifoglio, 2015). As CoPs are woven into the fabric of organizational processes (Steitz et al., 2016), researchers like Yamklin & Igel (2012), Agarwal & Agarwal (2016), Jang & Ko (2014), and Schwartz (2019) have emphasized the crucial role of social networking in augmenting the effectiveness of CoPs. Lanke & Nath (2023) highlighted that recognizing the growth boundaries of CoPs is critical...
when integrating them into knowledge management strategies. The collective consensus among academics points to the significant role of CoPs in knowledge enhancement and distribution, positioning them as instrumental in driving organizational evolution. Nonetheless, the assimilation of CoPs into corporate structures remains inconsistent or is frequently marginalized. This hesitancy is often attributed to a lack of understanding or proficiency among top executives in managing these community networks. Unfortunately, this gap in integrating CoPs may lead to risks of underutilization or over-management.

According to Wenger & Snyder (2000), CoPs represent “informal collectives” established by groups united by specific knowledge or intent on devising strategies to optimize efficiency and yield. These entities differ from standard teams with predefined duties. Unlike goal-driven organizations, CoPs aren’t centered on accomplishing a set task or objective. Participation in CoPs (Farnsworth, Kleanthous, & Wenger-Trayner, 2016) is largely voluntary, often without formal assignments from senior leadership. Engaging in a CoP might, on occasion, necessitate supplementary contributions from its members.

As such, the contributions of members in Communities of Practice (CoPs) usually evade the typical frameworks of regulation or evaluation. Their operational dynamics markedly differ from those of traditional formal groups (Gertner, Roberts, & Charles, 2011). While embedded within organizational structures, CoPs prioritize not only organizational profitability but also the enrichment of their members. Men, Yue, & Liu (2020) suggest that senior leadership should integrate these communities to expedite organizational learning (Gedro et al., 2020) and secure a competitive edge (Azeem et al., 2021; Almeida & Campos, 2022). Without sufficient executive focus, CoPs may become underutilized and not fully effective. A disregard from leadership might relegate CoPs to a marginal role, possibly impeding rather than advancing organizational objectives. Traditional management approaches are often unsuitable for CoPs as they might stifle the innovation, collaboration, and natural interactions that are crucial for the community’s development. It is notable that conventional performance metrics might prioritize measurable results, potentially distorting the goals and activities of a community (Wenger et al., 2002; Waghmare & Waghmare, 2019). Conversely, Lester & Kezar (2017) argue for a thoughtful adoption of appropriate perspectives and metrics by senior leadership in managing CoPs to navigate these managerial complexities (Rowe et al., 2023; Bootz et al., 2023; Saldana, 2017). This article begins by defining CoPs and their inherent value, followed by a discussion on the Real Option Perspective (Kogut & Kulatilaka, 2001; Pandza et al., 2003) and its relevance. It concludes by addressing the possible challenges of this management approach and future considerations.

The values and problems of CoPs

The notion of Communities of Practice (CoPs) and their significance to organizations (Agarwal & Agarwal, 2016; Venkatraman & Venkatraman, 2018) originated in the 1990s, based on the Social Theory of Learning that underscores the role of social interaction and participation in learning. Wenger (1998; 2000) posits that learning is fundamentally intertwined with active involvement in social groups and the formation of individual identity within these contexts. This concept is underpinned by four key elements: meaning, practice, community, and identity, which together illuminate social participation as a pathway to learning (Figure 1). For individuals, learning involves engaging with the practices of the community. On an organizational scale, it entails sustaining the network of communities that underpin the organization’s collective knowledge base.

![Figure 1: Components of Social Learning Theory](image)

Akhavan, Marzieh, & Mirjafari (2015) elucidate that Communities of Practice (CoPs) are anchored in Social Learning Theory and encompass three primary components: the domain, the community, and the practice. (1) The domain: CoPs are distinguished from casual social clubs by their focus on a specific area of interest, attracting individuals who share a profound connection through their expertise and commitment to a particular field (Iaquinto, Ison, & Faggian, 2011). (2) The community: Members, while experts in their areas, unite to pursue common ambitions and interests. CoPs are recognized as active systems (Venkatraman & Venkatraman, 2018) where participants foster a collective understanding of their actions and their significance within their lives and broader community. They often originate from the spontaneous networking among individuals involved in similar work or pursuits (Ma, Zhang, & Ding, 2020; Blanco-Encomienda, Garcia-Cantero, & Latorre-Medina, 2020), engaging in discussions, sharing information,
and supporting each other for mutual learning (Janssens et al., 2017; Jagasia, Baul, & Mallik, 2015; Pattinson & Preece, 2014). It's pivotal to note that not every group with shared professions or roles is a CoP; the defining elements are the interaction and collective learning. For example, impressionist painters might independently practice their craft, but they constitute a CoP when they regularly convene in cafes or studios to converse about techniques, artworks, and peers' works. CoPs extend beyond mere interest groups (Eikelenboom & Long, 2023) and consist of practitioners who frequently share narratives, experiences, solutions, and results pertaining to professional challenges (Lesser & Everest, 2001; Lave & Wenger, 1991; Wenger, 1998).

Mohajan (2017) highlighted various essential roles of Communities of Practice (CoPs), including (a) bolstering strategic capabilities, (b) spawning new business initiatives, (c) expediting problem-solving, (d) evolving towards best practices, (e) fostering specialized methodologies, and (f) contributing to talent acquisition and retention. Bucciari, Javalgi, & Cavusgil (2020) analyzed CoPs' contributions, noting that in the short run, they aid organizational progress through rapid resolution of problems and multifaceted understanding. Over a longer term, CoPs (Almeida & Campos, 2022) serve to augment organizational efficiency by innovating on existing plans, devising new strategies, and discovering novel techniques or markets. However, CoPs aren't intended to replace formal organizational teams or units, rather they complement them by applying varied and intricate methods to deliver value to both the organization and its members (Blanco-Encomienda, García-Cantero, & Latorre-Medina, 2020). The unique functionality and structure of CoPs within organizations are derived from this specific purpose.

Should senior executives impose conventional organizational mandates on Communities of Practice (CoPs), they risk diluting the essence of CoPs—namely, the spontaneous involvement of members and their unstructured character. For example, should leaders direct or compel membership in CoPs, these entities might begin to mirror targeted projects with selected members aligned to achieve specific goals (Walker et al., 2022). Such practices may diminish the natural diversity and openness of CoPs, conforming instead to managerial preferences and potentially leading to a reliance on habitual strategies. On the other hand, an overemphasis on CoPs by top management can also have adverse consequences. CoPs might merely become strategic tools under executive control or transform into exclusive groups influenced predominantly by leadership. This occurs when executives attempt to wield influence over other segments through these informal networks, potentially sparking internal strife.

CoPs represent a form of organization that is more flexible and capable than a traditional organic organization. CoPs are not defined by predetermined outcomes but rather by a broad domain of practice. While lacking explicit bureaucracy, they rely on members' enthusiasm for their practice and the connections within the community, posing a management challenge for top executives. To enhance CoPs' efficiency and differentiate them from conventional organizational structures, Walker et al. (2022) proposed seven principles for their development: designing for evolution, fostering open dialogue, encouraging diverse levels of participation, creating spaces for both public and private community interaction, focusing on value, balancing familiarity with excitement, and establishing a community rhythm. However, these principles are more suited to the facilitators of CoPs rather than to top managers, since excessive managerial focus on these informal community structures could disrupt the regular operations of the organization. Therefore, this research approaches CoPs from the perspective of top managers and introduces a management model to fully leverage CoPs' value. The following section will discuss the 'real option' perspective, explaining why top managers should adopt this view for CoPs and how it forms the theoretical foundation for developing CoPs' management model.

The management model of CoPs

Borzillo, Aznar, & Schmitt (2011) articulated the progression of Communities of Practice (CoPs) through five phases: (a) The Potential Phase, marking the nascent formation of communities centered around connectivity; (b) The Building Phase, wherein communities establish their norms and strive to forge a shared history and context (Kirkman et al., 2011); (c) The Engaged Phase, denoted by the enhancement and enactment of practices, with a primary emphasis on cooperation (Hoadley & Kilner, 2005); (d) The Adaptive Phase, during which communities utilize the knowledge initiated by members to amplify their core strengths (Bhattacharyya, 2012), focusing on innovation and creation. Furthermore, Pyrko, Dörfler, & Eden (2017) observed that certain communities might stay at a particular phase, disintegrate, or advance to the Adaptive Phase. Similarly, Waite (2018) categorized the continual progression of CoPs into five stages: (a) The Potential Stage, defining the primary domain challenges (Wenger et al., 2002); (b) The Combinative Stage, characterized by the amalgamation of perspectives and values, and the formation of relationships, trust, and mutual benefits and necessities (Austin & Seitanidi, 2012); (c) The Flourishing Stage, managing the demarcation of community boundaries and systematically organizing knowledge (Omotayo, 2015); (d) The Managing Stage, endeavoring to gain organizational recognition and maintain momentum (Jay, 2013); (e) The Transforming Stage, marked by the community's waning, bifurcation, or systematic change (Patton & Parker, 2017).

The proposed models for CoPs' evolution by both research cohorts draw parallels to individual growth, yet it is vital to recognize that not all communities navigate through each phase fully. Some may stagnate at the Potential Stage due to lack of momentum or terminate at the Flourishing Stage due to limited resources. Given the diverse paths CoPs might undertake, it is essential for executives to avoid a uniform lifecycle management approach. They should instead embrace tactics that resonate with the distinct nature of CoPs and the overarching organizational goals. In this vein, employing the Real Options (RO) framework as a theoretical basis for managing CoPs is advantageous. The RO model augments the traditional lifecycle approach by offering actionable insights for implementation, particularly in the realm of progressive, non-reversible investments under uncertainty (Moretto, 2000). The RO framework operates in two phases: an initial modest investment granting the option to proceed, followed by a decision point for more
substantial commitment, based on accrued insights (Bowman & Moskowitz, 2001). This dual-phase structure marries strategic agility with practical management in the CoPs context. Adner & Levinthal (2004) highlight two critical facets in the RO investment process: (1) the value of the option is extrinsic to the investor's actions (Posen, Leiblein, & Chen, 2018); (2) the market signals that denote the option’s value are perceivable and independent of the investor’s actions (Jiang et al., 2018). Applying these principles to CoPs investments (Chen, Liu, & Hu, 2016), the financial option structure tends to favor a “wait and see” approach over an “act and see” style (Ahi, 2017; Ahi, Baronchelli, Kuivalainen, & Piantoni, 2017). Yet, too much executive involvement in the intricacies of CoPs might prove counterintuitive. Therefore, this study introduces a hybrid method, the “act-wait and see-act” model (Figure 2). This model fuses active involvement with a period of observation and evaluation before subsequent action, effectively balancing direct management interaction with the organic dynamics of CoPs.

![Figure 2: “act-wait and see-act” Mode](image)

The "act-wait and see-act" approach suggests that top managers should initially adopt a proactive stance towards CoPs. This entails advocating and facilitating the formation of CoPs as a form of positive reinforcement. Once a CoP is established, however, top managers should refrain from intervening in its development and operational processes, such as the setting of issues and domains or the facilitation of member relationships. These aspects should be autonomously determined by the community. During the operational phase of CoPs, top managers need to maintain awareness of the community’s activities. In scenarios where a CoP encounters developmental bottlenecks or possesses potential but lacks resources, top managers should offer support, ideally in the form of subsidies aligned with both the CoP’s objectives and the organization’s strategic goals (Wenger, 2010). As CoPs reach a state of stability and maturity, top managers can then integrate the knowledge or techniques developed within the CoPs into the broader organization or even transform these CoPs into formal units. This strategy enables top managers to empower CoP members, fostering their ability to make independent decisions, enhancing their self-efficacy, and encouraging active engagement with community operations. Concurrently, Crespin-Mazet, Romestant, & Salle (2019) the top managers can focus on the broader operational strategy of the company, thereby avoiding the pitfalls of over-management and under-leadership. The subsequent section of this research will delve into the detailed aspects of the proposed management model for CoPs, elaborating on its practical implementation and potential impacts.
Investment CoPs

Communities of Practice (CoPs) typically arise from shared interests and collective zeal. However, the excitement can diminish as members face the realities of dedicating time, effort, and sharing expertise. It falls to senior management to maintain and cultivate CoPs by initially grasping the activities, strengths, and resources present within these groups. Such comprehension facilitates the charting of prospective directions for the CoPs (Caballero-Anthony, Cook, & Chen, 2021). Yet, senior managers frequently encounter obstacles in pinpointing concrete initiatives within the firm, as many prospects remain hidden as “shadow options” (Bowman & Hurry, 1993; Trigeorgis, & Reuer, 2017; Andriani & Cattani, 2023). The abundance of such possibilities inherently limits the leaders’ ability to acknowledge and evaluate every potential opportunity.

Top managers aiming to actively pursue growth opportunities should adopt the Real Options (RO) approach, which supports the discovery of new potentials and endorses a departure from the company’s traditional thought processes. When setting objectives for CoPs, the methodology should be a bottom-up process as opposed to a top-down one, as suggested by Li et al. (2013). This method is in harmony with the empowerment principle, which entrusts lower and middle-level members—who are often closer to the forefront of opportunity recognition—with the responsibility to elevate their findings and perspectives to senior management (Berthoin Antal, Debucquet, & Frémeaux, 2019). Such an inclusive strategy cultivates a more vibrant (Zheng, Zhang, & Du, 2011) and adaptable CoP ecosystem, which is a fertile ground for innovation and development (Bocken & Geradts, 2020).

To ensure CoPs thrive within a bottom-up development framework, it’s critical to equip them with the necessary resources and an environment that fosters growth. Resource-wise, the clearest form of backing is financial, which includes allocating administrative funds for CoPs. Moreover, a financing model that mirrors the process of securing a project budget—tantamount to launching an in-house business initiative—may be employed. This financial strategy provides top managers with a transparent view of the CoPs’ growth paths while also maintaining efficient organizational budget control. Additionally, the organization’s commitment to providing technological and logistical support is paramount. As noted by Simchenko, Tsolah, & Pavlenko (2020), this encompasses ensuring availability of meeting areas and granting access to digital networking platforms. This foundational support is instrumental in establishing and sustaining CoPs, substantially boosting their efficacy and influence within the company.

Far more critical than the mere allocation of resources, creating a nurturing environment for CoPs involves fostering supportive organizational norms and robust educational training initiatives, as highlighted by Tansey et al. (2020). Integrating CoP activities within regular work hours elevates their appeal and viability, avoiding the pitfalls of viewing these communities as an extra workload that could hinder their dynamism and growth. Organizational support must transcend the simplistic act of permission, extending into substantial educational programs that rapidly build the organizational knowledge and collaborative skills of CoP members. Such comprehensive training not only empowers individual participants but also enhances the overall performance of CoPs, ensuring their effective integration into the organizational ecosystem.

The decision-making process for top managers regarding the number of CoPs to support is analogous to an investor determining how many options to buy. Echoing the insights of researchers like Leong, Pan, Leidner, & Huang (2019), a pivotal factor in this process is the amount of capital on hand — with more funds typically enabling a wider array of investments. In the context of CoPs, top managers must evaluate the organization’s resource pool that could be dedicated to these communities. When resources are finite, it becomes essential to selectively invest in those CoPs that hold the greatest significance or promise for the
organization's future. By adopting this focused investment strategy, the organization can ensure that its limited resources are channeled towards nurturing the CoPs that are most aligned with its strategic objectives and operational needs.

Within the domain of options trading, lower option costs enable the purchase of a larger volume of options with the same capital, potentially amplifying the investment return. When relating this to Communities of Practice (CoPs), it's clear that those in the developmental phase demand more than sufficient resources—they require a fostering environment that promotes growth (Thomas, & Gupta, 2022). The investment by top managers in cultivating such an environment may be more economical than providing direct financial assistance. This stems from the fact that while all CoPs share the same organizational milieu (Zacharias, Rahawanir, & Yusriadi, 2021), each may have unique financial needs. Therefore, improving the overall organizational environment to back CoPs could be a more cost-efficient and advantageous strategy than earmarking funds for individual CoPs. Such enhancements to the organizational climate benefit numerous CoPs at once and may result in a more strategic allocation of resources. Thus, this research proposes strategy topic 1.

**Topic 1:** The provision of sufficient resources and suitable environments by top managers is directly linked to the increase in Communities of Practice (CoPs). A higher number of CoPs indicates the commitment of top managers to diversify their investment options, which positively impacts the organization's future growth and development.

**Deadlock of CoPs**

Navigating the growth of Communities of Practice (CoPs) can be arduous, with common developmental hurdles such as frail memberships or ambiguities in knowledge exchange (Wenger et al., 2002; Gongla & Rizzuto, 2001). In facing these challenges, it is imperative for top managers to avoid hastily withdrawing support or intervening disruptively, as such actions may detract from the inherent value of CoPs. Rather, a strategy of sustained resource allocation and restrained involvement is advisable, affording CoPs the liberty to potentially recalibrate and progress, possibly through the advent of fresh opportunities or the inclusion of new members. Choosing not to abandon or sideline CoPs during tough periods is not indicative of negligence by top managers; it signals a commitment to a long-term, constructive outlook on CoPs. This stance, as Yu et al. (2013) suggest, embodies a strategic mindset that appreciates the enduring worth of CoPs, acknowledging their substantial role in the organization’s sustained learning and advancement (Darwin, 2017).

When encountering a standstill in the evolution of Communities of Practice (CoPs), top managers have a repertoire of strategies to address the deadlock. The root causes of such stagnation can be diverse, from differences in members' views on subject matters to evolving subgroups within the CoP, highlighting the need for a versatile resolution approach. Instead of becoming deeply involved in the CoPs' daily affairs, top managers should focus on supervising the organization's core activities. In times of deadlock, engaging in dialogue with key CoP members, offering support and acknowledgment, is advisable. An effective tactic is “stimulation” (Figure 3). Stimulation entails supplying pivotal information or acting as a liaison to connect CoP members with external specialists or resources, thereby facilitating their forward movement. This approach not only underscores the organization's endorsement of the CoPs' value but also equips them with a critical operational resource—knowledge—either directly or through intermediation. The ultimate aim of stimulation is to maintain and nurture the CoPs' momentum and evolution, thereby contributing to their enduring success and congruence with the organization's aims. Thus, this research proposes strategy topic 2.

**Topic 2:** It is important for top managers to offer essential information and serve effectively as intermediaries, facilitating the connection of valuable members, to support the growth of Communities of Practice (CoPs).

**Reinvestment of CoPs**

Over time, Communities of Practice (CoPs) become capable of responding to, analyzing, understanding, defining, and evaluating the value they generate, often leading to more tangible ideas or proposals (McDermott, 2001; Gongla & Rizzuto, 2001). When CoPs reach this stage of proposition, it presents an opportunity for top managers to make judicious reinvestments. This phase is critical in the management of CoPs, especially considering that initial investments in CoPs are typically unrestricted in terms of domains and objectives. However, given the finite nature of organizational resources, not all CoPs can be afforded limitless support. Consequently, top managers must exercise caution in reinvesting in CoPs, ensuring that the outcomes align with and contribute to the organization's strategic development goals (Lozano & Barreiro-Gen, 2023; Rosati, Rodrigues, Cosenz, & Li · Ying, 2023). This strategic alignment ensures that the resources allocated to CoPs are utilized effectively and contribute to the broader objectives of the organization.

When considering reinvestment in CoPs, top managers should evaluate several key criteria. Firstly, the clarity of focus within a CoP is crucial. While CoPs may originate in specific domains using various approaches, a lack of clear focus can hinder further development, rendering reinvestment ineffective and potentially wasteful of organizational resources. Secondly, the alignment of a CoP's development with the organization's objectives is vital. This involves assessing whether the techniques or management methods employed by the CoP are congruent with the organization's current operational priorities. This consideration is not merely about short-term results but about ensuring that the CoP's progress is in sync with the overall organizational strategy (Rosati, Rodrigues, Cosenz, & Li · Ying, 2023). Thirdly, understanding the operational mechanisms of CoPs is important. Despite their informal nature, elements such as member interactions, process tracking, and documentation are essential. As CoPs become more institutionalized internally, top managers can gain a better insight into their operations. Fourthly, the reinvestment process should be transparent and
well-defined. Top managers need to communicate the criteria for reinvestment clearly to all CoPs and maintain an open application process. This transparency is critical to minimizing unnecessary political influence or internal conflict within the organization (Heras-Saizarbitoria, Urbietta, & Boiral, 2022; Pizzi et al., 2022).

Within these parameters, the initial two points emphasize the synchronization of CoP objectives with those of the organization (Hong, 2017; Muneb, 2023), seen as “favorable news”. The subsequent two points are concerned with the management of these positive developments. For CoPs experiencing a standstill, employing consistent evaluative criteria before contemplating further investment is crucial. Such a structured approach guarantees that resources are judiciously deployed and resonate with the strategic trajectory of the organization. Thus, this research proposes strategy topic 3 and 4.

**Topic 3:** With a deeper insight into the functioning of Communities of Practice (CoPs), top managers can make more accurate decisions regarding reinvestment in these communities.

**Topic 4:** In the process of reinvesting in Communities of Practice (CoPs), top managers should align their decisions with the evolving needs of the organization. This approach aims to generate a synergistic effect while minimizing any adverse impacts.

**Transferring of CoPs Value**

Upon finalizing financial strategies, it falls to top managers to execute the chosen initiatives to realize gains. Similarly, when Communities of Practice (CoPs) reach maturity, it becomes incumbent upon these leaders to extend the learned methodologies or insights from CoPs across the organization. The responsibility of disseminating the accumulated value from CoPs largely lies with the executives, as CoP members tend to concentrate on the community’s internal functioning (Eddington & Jarvis, 2022; Roberts, 2006). Ineffective dissemination of the value derived from CoPs by an executive result in not fully leveraging their potential.

Kirkman et al. (2011) identified primarily two approaches for disseminating the values of Communities of Practice (CoPs): through knowledge transfer and by incorporating CoPs into formal organizational departments or units (Forsten-Astikainen et al., 2017). In knowledge transfer, recognizing the differences in objectives, qualifications, backgrounds, and types of knowledge is crucial. Conversely, integrating CoPs as formal units within the organization incurs substantial management costs, surpassing those of mere knowledge transfer. These expenses include resource distribution, staffing, recruitment, and evaluating individual contributions (Dawes, Cresswell, & Pardo, 2009; Gertner, Roberts, & Charles, 2011). This delineation underscores the necessity for meticulous evaluation of the methods and outcomes associated with transferring CoPs’ value into the wider organizational structure (Eberle, Stegmann, & Fischer, 2014; Malone, 2002).

Therefore, a fundamental task for executives in the process of value transfer from Communities of Practice (CoPs) is to ascertain the extent and methodology of this transfer. By curbing the costs akin to minimizing transaction fees in options trading, organizations can achieve reduced overheads and enhanced returns. This strategic perspective highlights the significance of economical value transfer mechanisms in optimizing the advantages gained from CoPs. Thus, this research proposes strategy topic 5.

**Topic 5:** The greater the reduction in transfer costs achieved by top managers, the higher the ultimate value of the Communities of Practice (CoPs).

**CoPs Failure and Feedback**

The failure of Communities of Practice (CoPs) typically takes one of two forms: either the community dissolves or it experiences a gradual reduction in active participation, leading to dormancy (Baker & Beames, 2016; Nicolini, Pyrko, Omidvar, & Spanelis, 2022). At such a pivotal moment, leaders face the crucial decision of whether to dismantle the CoP or to retain its legacy for potential future benefit. In financial decision-making, this is akin to choosing between abandonment or continuation options. CoPs benefit from the possibility of delaying action and thus minimizing losses, an approach that also holds value in mainstream organizational management through the application of the Real Options (RO) approach (Trigeorgis & Reuer, 2017; Regan et al., 2015). Viewing through the RO lens, the aim is not merely to evade failure but to strategically handle the costs associated with it. This includes mitigating negative impacts while preserving the potential for future opportunities and maximizing possible advantages.

When faced with setbacks in CoPs, it’s important for executives to maintain a constructive outlook, recognizing that these groups still hold value despite occasional failures. Drawing from Social Learning Theory, failure can be a potent source of learning. Reflecting systematically on what went wrong can significantly contribute to organizational and individual growth (Haghighat & Hosseineichimeh, 2020; Bolander Laksøv & McGrath, 2020; Ellis, Carette, Anseel, & Lieve, 2014). For instance, identifying the weaknesses within CoPs might highlight areas of the organization that require development, fostering skill enhancement in those particular realms. Such understanding helps in avoiding repetition of similar mistakes and expedites future developmental phases. Moreover, failures within the less formalized structure of CoPs often have less drastic repercussions than those in more formal organizational sectors. Even as established CoPs might face challenges due to external changes, the associated costs tend to be lower than those arising from the creation or modification of formal organizational structures. This underscores the role of CoPs as a conducive, low-risk setting for innovation and learning, even amidst failures. Hence, this research proposes strategy topic 6.
Topic 6: In the face of failures within Communities of Practice (CoPs), top managers should view these setbacks as investments in future learning and as a form of risk mitigation for current organizational operations.

Conclusion

The Real Options (RO) approach is predicated on the existence of inherent uncertainty, unfolding over time and permitting managers to adjust their strategies accordingly. In comparison to the Life-Cycle Model, this approach empowers top managers with a deeper insight into the managerial attention needed at various developmental stages (Mosca, Gianecchini, & Campagnolo, 2021). Nevertheless, the management model proposed in this research is not without its constraints. First, it operates on the premise that Communities of Practice (CoPs) invariably aid organizational growth, yet it doesn't thoroughly examine the applicability of CoPs across all organizations. Second, the CoPs' developmental models scrutinized here predominantly adopt a bottom-up methodology, with top managers serving as enablers rather than direct leaders of these CoPs. This overlooks situations where top managers are at the helm of CoPs. Finally, the research confines the scope of CoPs to business and professional realms, not encompassing CoPs centered around personal interests or hobbies.

This study sheds light on several compelling facets of Communities of Practice (CoPs) management, underscoring areas ripe for further inquiry. Initially, the impact of continual reinvestment in CoPs on the budgeting for formal departments demands scrutiny, particularly in how top managers might adeptly negotiate resource allocation and resolve conflicts between CoPs and formal units with overlapping objectives. Furthermore, while the study identifies factors contributing to CoPs' stagnation and discusses the application of Social Learning Theory to reinvigorate these communities, employing techniques like reinforcing identification or practice requires more extensive exploration. Additionally, the study probes into the criticality of value transfer from CoPs. An essential inquiry is how to reduce organizational resistance to this transfer. Questions arise concerning the integration and collaboration of a CoP transitioning into a formal unit, as well as strategies to enhance the reception of CoP-derived knowledge across the organization. Potential complications like organizational silos during the transfer underscore the intricacy and significance of effectively managing the incorporation and spread of CoP-informed knowledge and practices within the larger organizational ambit.

Communities of Practice (CoPs) are increasingly recognized as a novel operational model within organizations, gaining prominence in their strategic value. Harvey et al. (2013) noted that among the numerous IBM communities worldwide, only a select few have achieved a state of flourishing, indicating that CoPs often necessitate more time for organic growth. This study advocates for the Real Options (RO) approach as suggested by Hernandez-Perdomo & Mun (2017) and Trigeorgis & Reuer (2017), expanding its theoretical utility to CoPs management. This approach is designed to assist top managers in fostering CoPs' development while adhering to their intrinsic values and ideals. In implementing this, top managers can more effectively oversee CoPs, ensuring their alignment with the organization's wider goals and augmenting their overall contribution to the organization's success.

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