

Chapter 2.24

A Model for Knowledge Management and Intellectual Capital Audits

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ABSTRACT

Due to contradictory results obtained in knowledge management (KM) initiatives, a model of audit is presented. The main action in the international project “Strategi” is the development and application of a model to diagnose and propose suitable recommendations concerning the management of knowledge and intellectual capital of a firm. A brief description of the model is presented after the exposition of its key scientific assumptions.

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INTRODUCTION

In the last decade, the importance of knowledge has been highlighted by both academics and practitioners (Hislop, 2003; Braganza, 2004). Nowadays, knowledge is the fundamental basis of competition (Zack, 1999) and, particularly tacit knowledge, can be a source of advantage because it is unique, imperfectly mobile, imperfectly imitable and non-substitutable (Ambrosini & Bowman, 2001). However, the mere act of processing knowledge itself does not guarantee strategic advantage (Zack, 2002); instead, knowledge has to be managed. Skyrme (2001) defines Knowledge Management

(KM) as the explicit and systematic management of vital knowledge - and its associated processes of creation, organization, diffusion, use and exploitation. This conceptualization concerns about three basic ideas. Firstly, organizations need to have a clear attitude and constant efforts to KM. Secondly, companies have to focus on managing core knowledge (both explicit and tacit) due to limited resources. Finally, KM is a process composed by a set of different knowledge activities, which need to be properly managed.

From academic perspective, KM principles have been studied and implemented in every organizational discipline (Chourides et al., 2003) and related to many aspects, including strategy (Snyman & Kruger, 2004), human resources (e.g. Bierly & Daly, 2002), quality (e.g. Adamson, 2005), information technology (IT), and marketing (Tsai & Shih, 2004). This diversity has contributed to the rapid advance of the field (Argote et al., 2003), but also to a lack of integration of ideas (Scholl et al., 2004) and terminology (Clarke & Turner, 2004). In this situation, there are several challenges to establishing KM as a separate discipline (Nonaka & Peltokorpi, 2006). As a result, there is not a clear model about the factors that may enable or disable companies to adopt KM or about the variables which KM may have a significant impact on.

From practice perspective, firms are noticing the importance of managing knowledge if they want to remain competitive (Zack, 1999) and to achieve performance improvement (King et al., 2008). Thus, many companies everywhere are beginning to actively manage their knowledge and intellectual capital (DeTienne et al., 2004): most large companies in the USA, and many in Europe, have some sort of KM initiative in place (Davenport & Völpe, 2001). Nevertheless, many KM systems have been unsuccessful (Tsui, 2005; Schultze & Boland, 2000), with Storey & Barnett (2000) reporting failure rates of over 80%, due to diverse reasons, such as an overfocus on IT, inap-

propriate organizational culture and KM strategies, or ignorance of KM consequences.

Literature is consistent in the idea that KM audits can play a significant role in the solution of many of the failures in KM programs (Hylton 2002). By discovering what knowledge is possessed, it is then possible to find the most effective method of storage and dissemination. (Liebowitz et al., 2000). Thus, these audits must be the first part of any KM strategy (Henczel, 2000). Yet it has not been sufficiently recognized as being of supreme importance to every KM undertaking (Perez-Soltero et al., 2006). Thus, the purpose of present chapter is to contribute to the advance of KM research from a strategic point of view, by analyzing the importance of KM audits, and by proposing a model to implement a consistent methodology for auditing knowledge. Our contribution may help organizations to put into practice such a complex and confusing concept as KM (De Long & Seemann, 2000; Firestone & McElroy, 2005).

LITERATURE ON KM AUDITS

Prior research agrees in that KM audits are paramount to the success of any KM program (Hylton, 2002). Many of the mistakes of both earlier and more recent adopters of KM can be traced to the serious oversight of not including the knowledge audit in their overall KM strategies and initiatives (Burnet et al., 2004). Generally a KM audit will help to identify: the knowledge needs of the organization; what knowledge assets are available and where they are located; if knowledge gaps or bottlenecks exist; and the knowledge flow within the organization. KM audits are considered as the first part of any KM strategy (Henczel, 2000), since by discovering what knowledge is possessed, it is then possible to find the most effective method of storage and dissemination. (Liebowitz et al., 2000). More recently, Cheung et al. (2007) conclude that many KM programs failed because the

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