Chapter 6.4
Governance and Leadership of Knowledge Management

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ABSTRACT

This chapter introduces a framework for analyzing governance arrangements of KM programs. The framework is used to analyze the organizational structures, processes and relational mechanisms, including leadership matters, which guide the KM program of a large European corporation. The analysis focuses on the issues KM leaders and staff encounter in defining their KM position in the organization as well as issues regarding their collaboration with each other. The results of the study highlight the impact that various factors exert on the development of the KM governance configuration and the role of the KM leader. The chapter concludes with recommendations detailing important governance and leadership aspects which contribute to the establishment of KM in the organization.

INTRODUCTION

The importance of knowledge as a core strategic resource for organizations has been widely recognized (Davenport & Prusak, 1998; Nonaka, 1994). While organizations have traditionally focused on resources such as labor, land and capital, knowledge as a critical resource has increasingly received the attention of organizations and their decision makers. Drucker (1993) states that "we are entering the knowledge society in which the basic economic resource is knowledge

and where knowledge workers will play a central role" (p. 7). Knowledge is driving innovation and organizations are competing with knowledge and knowledge intensive products in this emerging knowledge based economy. Drucker, together with a range of other management researchers (e.g. Liebeskind, 1996) concludes that knowledge is the most important asset that a firm possesses.

This recognition of knowledge as an important basis for organizational success has encouraged firms to focus on appropriate ways for its management. Knowledge management (KM) has emerged as a field which focuses on the management of diverse knowledge resources and knowledge processes in an organizational context. The KM field focuses on tools and concepts from established disciplines which address various knowledge processes (Raub & Rüling, 2001). KM seeks to strategically integrate these diverse elements to support knowledge creation and knowledge sharing in organizations. Stimulated by the well-publicized benefits of KM, many organizations have started to actively engage in KM activities. Recent data shows, for example, that 24 percent of Fortune 500 companies have created the role of Chief Knowledge Officer (CKO), and 80 percent have formalized their KM activities through the development of a KM strategy (Holden, 2004).

Though a large number of organizations have adopted KM programs, a considerable number of these programs do not provide the expected benefits to the organizations. Fluss (2002) observes that KM programs and individual initiatives have a high rate of failure, and Chua and Lam (2005) even state that: "KM projects attract an alarmingly high level of risk" (pg. 15). While the importance of managing knowledge and the potential of the KM field are widely recognized, organizations often struggle to establish and maintain successful KM programs. Research has identified a range of factors which contribute to the failure of KM programs. Among the main reasons for these failures are a lack of business integration and alignment, a lack of clear strategic objectives, unclear

distribution of authority and user involvement as well as a lack of top management and leadership support (Chua & Lam, 2005; Riege, 2005; Storey & Barnett, 2000). Often, KM programs do not meet the requirements of the business and fail to attract attention and support from senior management. While KM programs focus on integrating and coordinating tools and initiatives across the organization, often the decision making authority for these efforts has not been clarified.

In related disciplines, a lack of business integration and unclear allocation of responsibilities are considered symptoms of inappropriate governance arrangements (A. E. Brown & Grant, 2005). Governance arrangements describe the structures, processes and mechanisms through which responsibilities are allocated and strategic decisions are made. In the IT domain, sophisticated governance arrangements are attributed to improved business-IT alignment and the creation of significantly higher returns on IT investment (Weill, 2004). It has been shown that a focus on IT governance has significantly improved IT performance in organizations (Van Grembergen, 2004). Despite the value of governance research in related disciplines, little research has been conducted which focuses on governance in a KM context. Very few studies focus on the governance of KM programs and investigate the diversity of arrangements which guide the development of KM programs. This chapter addresses this lack of governance research which has been identified as a critical gap in the knowledge management literature.

The following sections identify the core aspects of knowledge management and describe the governance concept. A KM governance framework is then introduced which outlines the diversity of governance configurations which have emerged in organizational KM programs of organizations. Next, a case organization is introduced and its KM governance configuration is analyzed and discussed. The chapter concludes by highlighting some of the important governance related

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