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# Knowledge Management

Value Creation Through Organizational Learning

Second Edition

 Springer

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The ability to create and maintain the knowledge infrastructure, develop knowledge workers and enhance their productivity through creation, and nurturing and exploitation of new knowledge will be the key factors in a nation becoming a knowledge superpower.  
–APJ Abdul Kalam, (Former President of India)

# Prologue

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On the path towards a knowledge-based society, organisations – firms, public institutions, non-governmental organisations – increasingly face the challenge to mobilise knowledge resources for creating value in a sustainable manner. The transformation towards a digitized economy and society deeply changes how we manage information and knowledge, how we connect, collaborate, learn and decide within and across organizations. While digitalization offers new opportunities for disruptive renewal; knowledge workers, managers and organizations will have to recreate their governance, leadership, innovation, knowledge and learning processes and practices as well as their work organization. New business models and digitally enabled co-creation emerge, requiring new ways of managing knowledge.

This book aims at providing an overview of the fields of knowledge-based management as well as offering guidance for the implementation of knowledge management.

As the fruit of more than twenty years of research and consultancy projects carried out by both authors, this is the first textbook to bring together perspectives and practices on knowledge-based value creation from all continents.

It is intended not only for academic education but also to provide guidance to managers, business consultants, trainers, coaches and those interested in learning about organisations in a knowledge economy. While the main focus of this book is on businesses, many of the approaches, methodologies and tools explained are also applicable in public administration and non-profit organisations.

This book also presents «state-of-the-art» theory and practice. Many case studies, examples, questions, assignments as well as easy-to-use knowledge management tools at the end of each chapter make this work a compendium for learning and for implementing knowledge management initiatives.

This book begins with an *«Introductory summary»*.

Chapter 1 deals with the changed environment of competition in knowledge-based societies and increasingly digitalised economies, and a self-assessment invites the reader to evaluate their own organisation.

Chapter 2 explains what knowledge means in organisations and clarifies the relation between information, knowledge and competitiveness.

Chapter 3 addresses the issue of finding the right organisational form to enable organisational learning, innovation and «boundaryless» knowledge flows. By using several case studies, different forms of organisations are described from the viewpoint of knowledge structure and knowledge transfer.

Chapter 4 underlines the significance of people for the knowledge of an organisation, and focuses mainly on future working methods in knowledge firms as well as new perceptions of roles of knowledge workers 4.0.

Chapter 5 concentrates on strategies for managing knowledge and offers an explanation of the «knowledge market» concept.

Chapter 6 is devoted to knowledge management in such different contexts as managing knowledge across cultures, countries and regions as well as in small businesses and the public sector.

Chapter 7 concentrates on how information and communication technologies associated with the digital transformation can support knowledge work.

Chapter 8 addresses the issues of intellectual capital reporting and how to protect and safeguard the knowledge of an organisation.

Chapter 9 provides guidance on implementing knowledge management initiatives in practice and on fulfilling the KM requirements of ISO 9001:2015 in particular.

This book discusses knowledge management predominantly from an organisational and business perspective, but for those readers who are interested on a knowledge worker and leadership perspective based on Peter Drucker's thinking, we recommend *North and Gueldenberg: Effective Knowledge Work: Answers to the Management Challenge of the 21st Century* (Emerald Publishing).

Our thanks go to Deepti Parte and Virendra Degvekar for translating, formatting and editing this book and to Ian Copestake and Christopher Drodge for proofreading. We also thank Silke Bartsch for designing appealing graphs and figures. Lastly, we are also grateful to Springer for their support of the book.

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# Introductory Summary

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*«L'entreprise est le lieu où s'organisent les savoirs et les intelligences individuels en une intelligence collective créatrice capable d'entreprendre»*

Jacques Morin

*(The enterprise is the place where individual knowledge and intelligence converge to form a collective and creative intelligence capable of undertaking entrepreneurial actions)*

We have tried to encapsulate the essence of this book by providing brief answers to the following ten questions regarding knowledge-based management.

- Why is «knowledge» and knowledge management a hot topic of discussion today?
- What is the relevance of knowledge as a competitive factor?
- What does «knowledge» of an organisation actually mean?
- Is it possible to measure knowledge?
- What is knowledge management?
- What are the hurdles in the creation and use of knowledge?
- How to promote knowledge sharing?
- How can an enabling environment that promotes knowledge flows be developed?
- How can processes and structures be organised to support a «knowledge market» in a company?
- How should an organisation begin with the introduction of knowledge management?

## **1. Why is «knowledge» and «knowledge management» a hot topic of discussion today?**

---

With globalisation and digitalisation firms, public institutions and non-governmental organisations realise that sustaining competitive advantage or reaching goals requires tapping the full creative potential and knowledge of all members of the organisation. The business environment is transforming from that which was largely dominated by physical resources to one dominated by knowledge. Companies are increasingly designing products and services which are a result of and collaboration within and across organisations. Quick organisational learning and agile processes are required to find adequate answers to faster changes in the markets and higher speed of innovation, resulting in fall in prices, shorter product lifecycles, personalisation of customer needs, establishment of new business areas, etc. For this purpose, it is necessary to mobilise all relevant knowledge resources. Traditional potential for rationalisation and differentiation have to a large extent been exhausted. However, «knowledge» as a resource still retains rationalisation potentials

(e.g. by transferring best practices) and differentiation potentials (e.g. by combining knowledge). The developments in information and communication technology offer the option of dealing with huge volumes of information at low cost, allowing people to collaborate with each other even over long distances, and so facilitate co-creation, decision support and the exchange of knowledge (see ► Chap. 1).

## 2. What is the relevance of knowledge as a competitive factor?

---

The specific set of knowledge and competence of organisations supports their ability to offer unique products and services and enables operational effectiveness in creating customer value. The intelligent use of knowledge about customers enables the management of individualised customer journeys by recognising the customer's present and future needs. Having knowledge about competitors and other innovative organisations helps to learn from them and position itself accordingly. Productivity and quality increase by process know-how and transfer of «*best practices*» within and across the company. A transparent presentation of the «*intellectual capital*» makes a company more attractive to investors. Thus, a company can achieve long-lasting competitive advantages, especially if its knowledge is difficult to be copied or transferred. This applies to know-how of employee teams, patents, personal and organisational networks as well as to organisation structures that promote cooperation and exchange of information. An organisation's ability to learn and discard irrelevant knowledge – i.e. to learn and unlearn – is of great importance in this age of knowledge-intensive activities (see ► Chap. 2).

## 3. What does «knowledge of an organisation» actually mean?

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Knowledge can be classified as explicit and tacit. Explicit knowledge is formal and structured and can be codified to be shared, while tacit knowledge is experiential, consisting of lessons learned while executing tasks/projects and insights gained from continuous problem resolution. Among other things, knowledge is comprised of patents, processes, technologies, abilities, skills and experiences of employees, and information about customers, markets and suppliers. Knowledge is developed in a specific context and cannot be considered in an isolated form. It is people specific and its availability or existence is unknown in many cases. For example, even if a painter precisely explains to us how he has made a certain painting, we are unable to reproduce the same painting. The result of this complexity of knowledge is that it cannot be completely stored and transferred detached from people. Knowledge is not «*frozen food*» that can be randomly stored, broken down and transferred. It is like preparing fresh food and learning from it every time; knowledge is the process of knowing (see ► Chap. 2).

#### 4. Is it possible to measure knowledge?

---

«What cannot be measured cannot be managed» is a frequent saying in management. Therefore, some organisations structure their «*Intellectual Capital*» and have started to experiment with Intellectual Capital Reporting and to develop indicators that refer to customers, employees, processes, innovations and finance capitals. The «*Balanced Scorecard*» of Kaplan and Norton also helps in evaluating knowledge and learning associated with objectives and processes. However, at present, there is no comprehensive methodology for measuring organisational knowledge (see ► Chap. 8).

#### 5. What is knowledge management?

---

Knowledge management enables individuals, teams and entire organisations to collectively and systematically create, share and apply knowledge to achieve their strategic and operational objectives. Knowledge management contributes to increasing the efficiency and effectiveness of operations on the one hand and to innovate and change the quality of competition on the other. The aim of knowledge-oriented management is to generate knowledge from information and convert this knowledge into a sustainable competitive advantage that can be measured as success in the business. In view of this, knowledge management is comprised of the following tasks and purposes:

- *Acquiring knowledge*: Ensuring that the information and knowledge necessary for business development and business processes is available.
- *Creating knowledge*: Ensuring that the knowledge is developed in the most suitable place inside or outside the company and that it leads to innovation.
- *Sharing and using knowledge*: Ensuring dissemination, learning and optimum use of knowledge.
- *Learning*: Ensuring that the organisation and each of its employees is able to learn and to reflect as well as apply what is learned.
- *Protecting knowledge*: Knowledge is an asset and its value needs to be protected by keeping it updated through contributions from people.

The challenge is to evolve the right approach for managing knowledge. It depends on the culture of the organisation and is a combination of «people systems» and «information systems». The approach of «*knowledge ecology*» emphasises that companies should achieve the right growth conditions for «*knowledge plants*» (see ► Chap. 5).

#### 6. What are the hurdles in the creation and use of knowledge?

---

Hurdles in the creation and use of knowledge in many companies can be summarised using the following points:

- *Organisation structure* (e.g. line of business, establishments, and profit centre) *and values* practiced in the organisation create obstacles to knowledge flows. Knowledge is power and is therefore kept under wraps. The «*not invented here*» syndrome prevents transfer of knowledge.
- *Reward and appraisal systems* offer too little incentive to collaborate, learn and transfer knowledge.
- There are a lack of *efficient processes for creating and transferring knowledge*. Information systems are not user friendly.
- Knowledge is often confused with *information* and is therefore treated as a product such as «*frozen food*» (see ► Chap. 3).

## 7. How to promote knowledge sharing?

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Managing a company from the knowledge point of view means aligning behaviour and cooperation directed towards shared goals and values of the organisation as a whole. This should be done in such a way that the short-term success of units and the long-term development of competence of the organisation as a whole can be ensured.

The following three conditions must be fulfilled in order to create and transfer knowledge effectively:

- *Enabling conditions*: Corporate values, guiding principles, mission, vision and the reward systems must interconnect with the success of the business units and the contribution to the development of the whole organisation.
- *Rules of the game*: A knowledge market should be established in the company with supply and demand. Those in need of a solution can seek knowledge and those who have insights can provide knowledge.
- *Processes/structures*: Efficient processes, structures and media should be developed for creating and transferring knowledge (see ► Chaps. 3 and 4).

## 8. How to create a «knowledge ecology» that promotes knowledge flows and learning across the organisation?

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A knowledge-promoting environment – also known as a knowledge ecology – contains a value system that is characterised by terms like trust, cooperation and openness to continuous change.

Today, the goals and incentive systems in many of the companies are based on business units or profit centres. Individual performance is honoured more than teamwork. However, under knowledge management, companies begin to consider measurable contributions to the creation and transfer of knowledge in their appraisal systems. While rewarding knowledge workers, the success of the entire organisation is heavily weighted (e.g. using equity options) in order to encourage transfer of knowledge and teamwork across firms.

By introducing a «*Balanced Scorecard*», the traditional financial indicators can be complemented by competence-based criteria (based on customer, employees, processes, innovations, etc.). Companies are increasingly appointing «*knowledge managers*» at senior management level. However, these efforts will be successful only if senior management is committed to knowledge management (see ► Chaps. 4 and 9).

## 9. How can we organise processes and structures to support a knowledge market in an organisation?

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Establishing a knowledge market facilitates knowledge supply and demand, brings knowledge sellers and knowledge buyers in contact, facilitates exchange of knowledge and determines the exchange conditions.

What does this actually mean? Firstly, it is necessary to achieve transparency in terms of «who knows what in the organisation». Once the knowledge supply is presented transparently, the sellers and the buyers should be brought into contact with each other. Formal and informal networks (e.g. communities of practice) are increasingly gaining importance for this purpose. Contact fairs, approaches via the internet, debates, exchange of experiences, mentoring, etc., are other options to bring knowledge sellers and knowledge buyers in contact with each other.

The common interest of the seller and the buyer is crucial for the success of the subsequent exchange of knowledge or the collective development of knowledge. Exchange and development of knowledge can take place through competence networks, cooperative projects, personnel rotation and exchange of manuals as well as process and customer information (see ► Chaps. 5 and 9).

## 10. How should a company introduce knowledge management?

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Experience has shown that a combined change process from top to bottom (top down) and from bottom to top (bottom up) supported by appropriate information technology is promising. It is possible to adopt different ways of introducing knowledge management.

The following arrangements should be made:

- Knowledge, learning and innovation are integral parts of the overall organisational strategy. *The leaders of the organisation* should be fully committed to actively managing knowledge resources: «Knowledge creation and transfer is very important for ensuring prolonged competitiveness of our company. The performance of the management and the employees is measured based on this».

- *Management and reward systems* should be reformed so that learning and competence development oriented at the overall goals of the organisation are honoured. Collaboration is a defining principle across the organisation. Managers and leaders recognise and reinforce the link between knowledge, learning and performance.
- Relevant knowledge is made available and enriched in processes, work flow and projects. *Competence networks and «Communities of Practice»* transfer knowledge within and outside the company (e.g. to suppliers).
- The *information and communication systems* ensure that information is easy to access and retrieve. Selected information is sent to potential users in a systematic and coherent manner.

Firms should avoid to create a knowledge management structure that is parallel to the «real business», but rather make sure that KM is integrated into all business functions.

This *introduction strategy* of knowledge management leads to short-term successes that pave the path for a long-term strategy of knowledge management. The «*Twelve-point programme*» at the end of this book will assist its implementation (see ► Chap. 9).

# Contents

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1	<b>Towards a Digitally Enabled Knowledge Society</b> .....	1
1.1	<b>Knowledge: A Resource for Creating Wealth</b> .....	2
1.1.1	Knowledge Societies and Economies.....	2
1.1.2	International Division of Labour Based on Intangible Assets.....	6
1.1.3	Accelerated Competition: Improving Faster and Becoming Different .....	8
1.1.4	What Is Knowledge Management? .....	12
1.2	<b>How Organisations Learn</b> .....	17
1.3	<b>The Knowledge Firm: A Quick Assessment</b> .....	19
1.4	<b>Key Insights of Chapter 1</b> .....	28
1.5	<b>Questions</b> .....	28
1.6	<b>Assignments</b> .....	28
1.7	<b>KM-Tool: Knowledge Café</b> .....	28
	<b>References</b> .....	29
2	<b>Knowledge in Organisations</b> .....	33
2.1	<b>Knowledge Based Value Creation</b> .....	34
2.1.1	The «Knowledge Ladder»: Information, Knowledge and Competence.....	34
2.1.2	Fields of Action of Knowledge Management .....	38
2.1.3	KM Maturity Assessment.....	39
2.2	<b>Dimensions of Knowledge</b> .....	43
2.2.1	Nature of Knowledge.....	43
2.2.2	Availability and Conversion of Knowledge: SEICI-Model .....	46
2.2.3	The Value Dimension of Knowledge.....	51
2.3	<b>Knowledge as Competitive Factor</b> .....	56
2.3.1	Knowledge-Based Theory of the Firm.....	56
2.3.2	Knowledge as Strategic Competitive Factor.....	56
2.3.3	Impact of Knowledge Management Practices on Performance .....	58
2.4	<b>Key Insights of Chapter 2</b> .....	61
2.5	<b>Questions</b> .....	62
2.6	<b>Assignments</b> .....	62
2.7	<b>KM-Tool: Idea Competition</b> .....	62
	<b>References</b> .....	64
3	<b>Organisational Forms to Leverage Knowledge</b> .....	67
3.1	<b>Balancing Antagonisms</b> .....	69
3.1.1	Stability Versus Renewal.....	69
3.1.2	Competition Versus Cooperation .....	73
3.2	<b>Platforms for Knowledge Creation</b> .....	80
3.2.1	The Hypertext Organisation.....	81
3.2.2	The Platform Organisation.....	83

3.3	<b>From «Infinitely Flat» to «Star Burst»</b> .....	85
3.3.1	The Infinitely Flat Organisation: Effective Replication of Routines.....	85
3.3.2	The Inverted Organisation: Support to Individual Expertise.....	87
3.3.3	The Starburst Organisation: The New Business Creator.....	88
3.3.4	The Spider Organisation: Creating Value by Networks.....	90
3.4	<b>Overcoming Deficiencies of the Multidivisional Organisation</b> .....	92
3.4.1	Independence Versus Integration.....	92
3.4.2	The Entrepreneurial Corporation.....	94
3.5	<b>Knowledge Alliances</b> .....	98
3.6	<b>Groups as Knowledge-Promoting Forms of Organisations</b> .....	100
3.7	<b>Key Insights of Chapter 3</b> .....	104
3.8	<b>Questions</b> .....	104
3.9	<b>Assignments</b> .....	104
3.10	<b>KM-Tool: After Action Review (AAR)</b> .....	105
	<b>References</b> .....	106
4	<b>Knowledge Work(ers) in the Digital Age</b> .....	109
4.1	<b>The Future of Knowledge Work</b> .....	111
4.1.1	A New Social Contract.....	111
4.1.2	Types of Knowledge Work.....	112
4.1.3	Knowledge Work(ers) 4.0.....	113
4.2	<b>Drivers and Obstacles of Effective Knowledge Work</b> .....	115
4.3	<b>The Actors of the Knowledge Firm</b> .....	120
4.3.1	Five Groups of Employees.....	120
4.3.2	Redefining Middle Management in a Digital World.....	122
4.3.3	Upper Management: Visionary Context Designers.....	125
4.3.4	Professionals: The Knowledge Practitioners.....	127
4.3.5	Information Brokers and Infrastructure Managers.....	129
4.3.6	Support Employees.....	131
4.4	<b>Motivating Knowledge Workers</b> .....	131
4.4.1	Extrinsic Versus Intrinsic Motivation.....	131
4.4.2	Motivating Knowledge Workers.....	133
4.5	<b>Competencies for the «Intelligent Firm»</b> .....	137
4.5.1	Managing Talent and Competencies.....	137
4.5.2	How Does Your Organization Deal with Competences?.....	138
4.5.3	Developing Competence.....	139
4.6	<b>Communities of Practice: A Learning Approach</b> .....	143
4.6.1	Understanding Communities.....	143
4.6.2	Ideal Type of Communities of Practice.....	145
4.6.3	Dimensions of Communities of Practice.....	147
4.7	<b>Key Insights of Chapter 4</b> .....	151
4.8	<b>Questions</b> .....	151
4.9	<b>Assignments</b> .....	152
4.10	<b>KM-Tool: The Skill or Competence Matrix</b> .....	152
	<b>References</b> .....	154

5	<b>Strategies for Managing Knowledge</b> .....	157
5.1	<b>The Need for a Knowledge-Oriented Strategy</b> .....	159
5.1.1	Guiding Principles for a Successful Knowledge Management Strategy .....	160
5.1.2	Knowledge Management as Response to Tactical and Strategic Changes... ..	161
5.2	<b>Developing a Knowledge Management Strategy: Five Questions</b> .....	162
5.3	<b>Focused Strategies: Innovation, Process and Project Perspectives</b> .....	170
5.3.1	Innovation-Oriented KM Strategy .....	170
5.3.2	Process-Oriented KM Strategy .....	173
5.3.3	Project-Oriented KM Strategy .....	177
5.4	<b>Organisations as Knowledge Markets</b> .....	179
5.4.1	The Knowledge Market Concept .....	179
5.4.2	Creating a Knowledge Market .....	182
5.4.3	Roles of Knowledge Managers and Coaches .....	184
5.4.4	Defining Principles of the Knowledge Market .....	186
5.4.5	Knowledge Culture: An Enabling Framework .....	189
5.5	<b>Spaces for Interaction: The Physical Layout</b> .....	193
5.6	<b>Key Insights of Chapter 5</b> .....	195
5.7	<b>Questions</b> .....	195
5.8	<b>Assignments</b> .....	196
5.9	<b>KM-Tool: Knowledge Market</b> .....	196
	<b>References</b> .....	198
6	<b>Context Specific Knowledge Management Strategies</b> .....	201
6.1	<b>Knowledge Management in International Contexts</b> .....	203
6.1.1	Challenges of Knowing Across Cultures .....	203
6.1.2	The Projection Approach .....	204
6.1.3	The Integration Approach .....	205
6.1.4	The Orchestration Approach .....	205
6.1.5	Knowledge-Oriented Project Planning .....	209
6.1.6	Bridging the «Knowing-Doing» Gap in International Service Organisations: Three Cases .....	210
6.2	<b>Knowledge Management in SMEs</b> .....	215
6.2.1	Coping with Turbulent Environments .....	215
6.2.2	Need for Harnessing Organisational Learning in SMEs .....	218
6.2.3	Knowledge Management Strategies of SMEs .....	219
6.2.4	Framework for Effective Implementation of KM in SMEs .....	221
6.3	<b>Knowledge Management in the Public Sector</b> .....	224
6.3.1	New Public Management .....	224
6.3.2	KM Challenges in the Public Sector .....	225
6.3.3	KM Practices in the Public Sector .....	227
6.4	<b>Managing Knowledge at a Country or Regional Level</b> .....	230
6.4.1	Tangible Versus Intangible Assets .....	230
6.4.2	Attracting Talents to Regions .....	233
6.4.3	Knowledge Management for Rural Development .....	234

6.5	<b>Key Insights of Chapter 6</b> .....	235
6.6	<b>Questions</b> .....	236
6.7	<b>Assignments</b> .....	236
6.8	<b>KM-Tool: Storytelling</b> .....	237
	<b>References</b> .....	239
7	<b>Information and Communication Technologies Supporting the Digital Transformation of Knowledge Work</b> .....	243
7.1	<b>Changing Needs</b> .....	245
7.2	<b>Challenges for Designing ICT Systems</b> .....	246
7.3	<b>High Performance Workplace</b> .....	250
7.4	<b>ICT Applications for Knowledge Workers: An Overview</b> .....	254
7.4.1	Individual Efficiency .....	255
7.4.2	Teamwork .....	258
7.4.3	Information Supply .....	261
7.4.4	Active Information Search .....	262
7.4.5	Cooperative Knowledge Use .....	263
7.4.6	Management Systems for Planning and Control .....	263
7.5	<b>Success Factors for ICT Implementation</b> .....	264
7.6	<b>Key Insights of Chapter 7</b> .....	267
7.7	<b>Questions</b> .....	268
7.8	<b>Assignments</b> .....	268
7.9	<b>KM-Tool: Knowledge Taxonomy and Knowledge Map</b> .....	269
	<b>References</b> .....	270
8	<b>Measuring and Safeguarding Intellectual Capital</b> .....	273
8.1	<b>Finding Measures for Intangible Assets</b> .....	274
8.2	<b>Intellectual Capital Reporting</b> .....	277
8.2.1	Deductive Summarising Approaches .....	279
8.2.2	Inductive Analytical Approaches .....	280
8.2.3	The Multi-stage Indicator Model .....	287
8.2.4	Evaluation of IC Reporting Approaches .....	290
8.3	<b>Protecting Knowledge</b> .....	291
8.3.1	Loss of Knowledge: The Organisation Forgets .....	291
8.3.2	Ways of Safeguarding Knowledge .....	293
8.4	<b>Key Insights of Chapter 8</b> .....	296
8.5	<b>Questions</b> .....	296
8.6	<b>Assignments</b> .....	297
8.7	<b>KM-Tool: Knowledge Inventory</b> .....	297
	<b>References</b> .....	298
9	<b>How to Put Knowledge Management into Practice</b> .....	301
9.1	<b>Shaping the Knowledge Organisation of the Future</b> .....	303
9.2	<b>KM Implementation Frameworks</b> .....	305
9.2.1	Business Excellence Models as an Overarching Framework .....	305
9.2.2	ISO 9001:2015 as an Implementation Framework .....	307

9.2.3	Step Approach Frameworks to KM.....	309
9.2.4	A KM Implementation Framework Based on the «Knowledge Ladder».....	311
9.3	<b>Implementing KM: A Change Project</b> .....	318
9.3.1	Structuring a Change Project.....	318
9.3.2	Kotter's Eight Steps of Change.....	319
9.3.3	Implementation Paths of Knowledge Management.....	321
9.4	<b>Implementing KM at Individual Level: Key Competencies for Knowledge Workers</b> .....	324
9.5	<b>The 12-Point Programme for Knowledge-Oriented Management of a Company</b> .....	326
9.6	<b>Key Insights of Chapter 9</b> .....	327
9.7	<b>Questions</b> .....	328
9.8	<b>Assignments</b> .....	328
9.9	<b>KM-Tool: Work-Out (General Electric)</b> .....	328
	<b>References</b> .....	330
	<b>Supplementary Information</b>	
	Multilingual Glossary.....	332
	Knowledge Management Resources.....	335
	Index.....	337

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# List of Figures

---

<b>Figure 1.1</b>	Three driving forces increasing the importance of «knowledge» as a factor of competition .....	3
<b>Figure 1.2</b>	Phases of knowledge production and dissemination .....	4
<b>Figure 1.3</b>	The value of a company is being increasingly determined based on its intangible assets .....	6
<b>Figure 1.4</b>	What hampers the creation and transfer of knowledge? .....	11
<b>Figure 1.5</b>	Basic questions for the knowledge management of an organisation .....	12
<b>Figure 1.6</b>	The knowledge intensity matrix .....	20
<b>Figure 2.1</b>	The knowledge ladder .....	35
<b>Figure 2.2</b>	Degree of maturity of knowledge-based management of a company .....	39
<b>Figure 2.3</b>	Differences between capital and knowledge .....	45
<b>Figure 2.4</b>	Four ways to create and transform knowledge .....	47
<b>Figure 2.5</b>	The spiral of creation and transfer of organisational knowledge .....	49
<b>Figure 2.6</b>	Organisational knowledge base is part of intangible assets .....	52
<b>Figure 2.7</b>	Skandia's structuring of organisational capital .....	54
<b>Figure 2.8</b>	Performance improvement attributed to KM initiatives (240 impact statements by 48 German firms) ...	61
<b>Figure 3.1</b>	Balancing stability and renewal .....	70
<b>Figure 3.2</b>	Balancing competition and cooperation .....	75
<b>Figure 3.3</b>	Payoff matrix of a two-person knowledge-sharing dilemma .....	76
<b>Figure 3.4</b>	Criteria to decide whether to share or not to share knowledge .....	77
<b>Figure 3.5</b>	The hypertext organisation .....	81
<b>Figure 3.6</b>	The inverted organisation .....	87
<b>Figure 3.7</b>	The starburst organisation .....	89
<b>Figure 3.8</b>	The spider organisation .....	91
<b>Figure 3.9</b>	Evaluation of forms of organisation as per stability of the company environment and information costs .....	93
<b>Figure 3.10</b>	The processes and roles in an entrepreneurial corporation .....	94
<b>Figure 4.1</b>	Possible structuring of work .....	115
<b>Figure 4.2</b>	Actors in a knowledge-oriented company .....	121
<b>Figure 4.3</b>	Functions and roles of middle management .....	124
<b>Figure 4.4</b>	Functions and roles of upper management .....	126
<b>Figure 4.5</b>	Life-cycle model of the market value of specialised competence .....	127

<b>Figure 4.6</b>	Functions and roles of professionals .....	130
<b>Figure 4.7</b>	Branch competence and inter-branch competence .....	141
<b>Figure 4.8</b>	Dimensions of communities of practice: the MIEO model .....	148
<b>Figure 4.9</b>	The competence matrix: who can do what and how well? .....	153
<b>Figure 5.1</b>	Strategic K gap analysis .....	160
<b>Figure 5.2</b>	The KM process framework by Buckowitz and Williams .....	162
<b>Figure 5.3</b>	Strategic objectives according to Traey and Wiersema .....	164
<b>Figure 5.4</b>	Strategic knowledge analysis .....	166
<b>Figure 5.5</b>	Assessment of knowledge management situation .....	167
<b>Figure 5.6</b>	Information and knowledge analyses of business processes .....	173
<b>Figure 5.7</b>	How best practices emerge .....	174
<b>Figure 5.8</b>	Knowledge organisation in project cycles .....	178
<b>Figure 5.9</b>	Governance concept of knowledge markets as «internal social market economy» .....	180
<b>Figure 5.10</b>	The knowledge market concept .....	180
<b>Figure 5.11</b>	Extract from the short analysis of knowledge-oriented company .....	182
<b>Figure 5.12</b>	Actors of knowledge market .....	183
<b>Figure 5.13</b>	Coaches = catalysts of knowledge management .....	184
<b>Figure 5.14</b>	Extract from the short analysis of knowledge-oriented company .....	190
<b>Figure 5.15</b>	The framework conditions at General Electric encourage creation and transfer of knowledge .....	192
<b>Figure 5.16</b>	Types of offices .....	194
<b>Figure 6.1</b>	Projection: push-out knowledge to subsidiaries .....	205
<b>Figure 6.2</b>	Different organisational models of international research and development .....	206
<b>Figure 6.3</b>	Orchestration fuses multiple capabilities .....	207
<b>Figure 6.4</b>	Knowledge management strategy at WHO .....	211
<b>Figure 6.5</b>	Knowledge management framework .....	220
<b>Figure 6.6</b>	Knowledge repository .....	223
<b>Figure 6.7</b>	Skandia framework for National Intellectual Capital .....	232
<b>Figure 6.8</b>	What makes a region attractive for knowledge workers .....	233
<b>Figure 7.1</b>	Social media – features, content, means, people and purpose .....	248
<b>Figure 8.1</b>	Process model of ARCS .....	277
<b>Figure 8.2</b>	Indicators of «intangible assets monitor» .....	281
<b>Figure 8.3</b>	The «intellectual capital navigator» .....	282
<b>Figure 8.4</b>	The «intellectual capital index» .....	283
<b>Figure 8.5</b>	Structure of Balanced Scorecard .....	284

<b>Figure 8.6</b>	The intellectual capital statement model developed by the Intellectual Capital Statement Project Group (AK-WB) .....	285
<b>Figure 8.7</b>	Implementation of Danish guideline for IT skill resources department of a bank (an extract) .....	287
<b>Figure 8.8</b>	Process of measuring and transforming knowledge ....	288
<b>Figure 8.9</b>	How do organisations forget? .....	292
<b>Figure 9.1</b>	The knowledge management cycle.....	308
<b>Figure 9.2</b>	KM implementation framework based on the «knowledge ladder» .....	312
<b>Figure 9.3</b>	Nihilent's MC <sup>3</sup> framework .....	316
<b>Figure 9.4</b>	Five phase implementation model of project management.....	319
<b>Figure 9.5</b>	Implementation paths of knowledge management.....	322

# List of Case Studies

---

Production Impresarios: Orchestrating International Manufacturing Networks.....	7
K&P Engineering: Learning Fast .....	9
The Rise of the Knowledge Market .....	16
Mumbai's Dabbawalas – «A Model of Managerial and Organizational Simplicity» .....	22
Transfer of Best Practice (Electronic Manufacturing Services).....	34
Thought Experiment: Is Knowledge «Justified True Belief»? .....	36
Evolvement of Knowledge Management at Eureka Forbes Ltd .....	43
Integration of Knowledge: Taking Over a Foreign Company.....	45
The Best Bread in Osaka .....	50
The Value of Knowledge .....	54
Oticon – The Spaghetti Organisation .....	72
Creating Organisational Linkages – The Eureka Forbes Senate.....	74
Mini Case: Mindtree I .....	78
Allianz Group Business Services (AGBS) Encourages Knowledge Synergies .....	79
Sharp – Hypertext in Research and Development .....	82
Mini Case: WIPRO as a Platform Organisation.....	84
Financial Service Provider: Replicating Financial Services .....	86
NovaCare – The Rehabilitation Service Provider .....	88
3M – The Product Generator .....	90
The Indian Youth Climate Network (IYCN) .....	91
Mini Case: Mindtree II.....	95
KAO – Creative in Japan.....	98
Fairness Increases Performance – Two Lab Experiments.....	117
Making Time-off Predictable & Required .....	120
Mini Case: The «gardener» at MindTree Consulting .....	125
The Company Breakfast.....	133
«Sharing Knowledge Earns you Miles» – Initiative of a Management Consultancy .....	136
Gamification: Get Employees to Share Knowledge and Expertise by Making Fun .....	136
Career in the CSC world: Become More Precious.....	141
Dare2Share .....	142
Knowledge Communities at MindTree .....	143
Two Examples of Communities of Practice .....	146
Mini Case: www.innocentive.com – A Platform to Tap External Knowledge .....	171
«Sense» Increases Innovation Performance .....	172
Mini Case: Lighthouse Principle: The «Best in Class» Programme.....	175
Learning to Improve Processes – Two Examples .....	177

Transferring Knowledge Through a «Listeners Program» at TCL, India .....	187
Restructuring General Electric towards a Boundary-Less Organisation .....	191
Knowledge Work Across the World .....	204
GIZ: From Worldwide Project Experience to Service Products. ....	208
«Headstart» – Transferring Valuable Knowledge in the Welsh Government. ....	229
The Manifesto of «The New Club of Paris» on the Knowledge Society and its Economic Foundations Extract. ....	231
India’s National Knowledge Commission. ....	233
Storytelling: The inspiring pot: The Difference Between a Report and a Story .....	239
A Normal Research Day at a Global Business Software Development Company. ....	252
Mini Case: Watson in Jeopardy .....	258
The MITRE Social Business Platform. ....	260
KM at eClerx – an Example of Knowledge Process Outsourcing. ....	266
Intellectual Capital Statement of Austrian Research Centre, Seibersdorf (ARCS). ....	276
Intangible Assets Monitor Applied to a Cricket Team .....	287
Intellectual Capital Statement of a Home Loan Bank. ....	289
Volkswagen’s Knowledge Relay. ....	294
Better Use of Patents at Dow Chemical .....	295
Suggestions for Knowledge Management in a Small to Medium Law Firm .....	314
Share TRAnsactions Totally Electronic (STRATE). ....	318
Competence Networks in an Electronics Company .....	323