Chapter I

Approaches to Knowledge Management

INTRODUCTION

There is a growing recognition in the business community about the importance of knowledge as a critical resource for organizations. Traditionally, this resource has not been treated with the degree of systematic, deliberate, or explicit effort devoted to managing human, material, and financial resources. But in the coming years, the firm that leaves knowledge to its own devices may be putting itself in severe jeopardy. More and more practitioners and researchers believe that knowledge resources matter more than the conventionally tended resources (material, labor, capital) and must be managed explicitly, not left to fend for itself (Holsapple & Joshi, 2000).

Knowledge management can be defined as a method to simplify and improve the process of sharing, distributing, creating, capturing and understanding knowledge in a company. Knowledge management is description, organization, sharing and development of knowledge in a firm. Knowledge management is managing knowledge-intensive activities in a company. Knowledge management refers to identifying and leveraging the collective knowledge in a company to help the company compete. Knowledge management is a method for achieving corporate goals by collecting, creating and synthesizing and sharing information, insights, reflections, thoughts and experience. Knowledge management is a discipline focused on systematic and innovative methods, practices, and tools for managing the generation, acquisition, exchange, protection, distribution, and utilization of knowledge, intellectual capital and intangible assets (Montana, 2000).

The purpose of knowledge management is to help companies create, share and use knowledge more effectively. Effective knowledge management causes
fewer errors, less work, more independence in time and space for knowledge workers, fewer questions, better decisions, less reinventing of wheels, improved customer relations, improved service and improved profitability. Knowledge management is purported to increase both innovation and responsiveness. The recent interest in organizational knowledge has prompted the issue of managing knowledge to the organization’s benefit (Alavi & Leidner, 2001).

Earl (2001) developed taxonomy for knowledge management that he labeled schools of knowledge management. Each school was proposed as an ideal type. No claims were made that any one school outperforms others. Each represents a particular orientation or perspective. The schools are not mutually exclusive.

In this chapter, Earl’s (2001) taxonomy is applied to classify a number of approaches to knowledge management. This classification of approaches is based on an overall match to each ideal type in terms of school of knowledge management. Three relevant schools are labeled the economic school, the organizational school and the strategic school. The economic school has a focus of income, in which the aim is to exploit knowledge assets. The organizational school has a focus of networks, in which the aim is knowledge pooling. The strategic school has a focus of competitive advantage, in which the aim is to identify, exploit and explore knowledge capabilities.

**THE ECONOMIC SCHOOL**

According to Earl (2001), the economic school is explicitly concerned with both protecting and exploiting a firm’s knowledge or intellectual assets to produce revenue streams (or rent). It is concerned with managing knowledge as an asset, in which knowledge or intellectual assets include patents, trademarks, copyrights and know-how. Intellectual property could be another means of describing the object being managed. This school is more concerned with exploitation of knowledge and less concerned with exploration. One critical success factor in this school appears to be the development of a specialist team or function to aggressively manage knowledge property through intellectual capital accounting, intellectual capital management and creation of effective and efficient knowledge marketplaces. Otherwise it is too easily forgotten.

**Intellectual Capital Accounting**

According to Roslender and Fincham (2001), intellectual capital is currently the focus of significant discussion and enquiry across the management disciplines and beyond. This reflects the recognition that intellectual capital provides a crucial source of value for the contemporary business enterprise. It is a resource that requires careful management if it is to fulfill its maximum potential.
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