Chapter 2
Managing and Measuring Knowledge Assets Dynamics for Business Value Creation in Organisations

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ABSTRACT
The ability of an organisation to govern knowledge assets dynamics lies at the core of an organisation’s value creation capacity. A key challenge both for researchers and for practitioners is to understand how to manage and measure knowledge assets dynamics. In this chapter three fundamental management processes affecting the knowledge-based strategies for business value creation are introduced. They provide the conceptual background to understand how to measure and manage knowledge assets within organisations. The three processes are ‘identification and measurement of knowledge assets’, ‘mapping knowledge assets’ and ‘managing knowledge assets flows’. The ability of an organisation to gain sustainable competitive advantages is related to the capacity of mastering these processes. Each process is analysed introducing the possible frameworks which can inspire both scholars investigating the microfoundations of organisational knowledge dynamics, and for practitioners looking for approaches for leveraging knowledge assets to drive the enhancement of organisational value creation.

INTRODUCTION
In today’s knowledge economy the organisational ability to harness knowledge assets dynamics lies at the core of the organisation’s value creation capacity. Indeed knowledge assets are the building blocks of organisational capabilities that affect the ability of an organisation to manage its operations and business model, and most importantly to innovate and adapt in today’s continuously changing and complex business landscape (Carlucci et al., 2004; Schiuma et al., 2007; Teece, 2007). In this perspective it is of fundamental importance to understand how to measure and manage knowledge assets dynamics in order to drive organisational value creation.

The new business age has shown that sustainable organizational value creation capacity
resides not only in the ownership and protection of knowledge assets that guarantee present competitive advantage, but it requires the ability to understand and govern how to continuously develop, deploy, exploit and combine the organizational knowledge assets in order to renew and support organisational capabilities.

The strategic management literature has investigated the reasons explaining why knowledge assets are key strategic resources and sources of value creation. They represent a portfolio of idiosyncratic, difficult-to-replicate and difficult-to-trade organisational resources. In fact, according to the Resources-Based View (RBV) of the firm a sustainable competitive advantage results from both the possession of resources that are hard to transfer and accumulate, inimitable, not substitutable, tacit in nature, synergistic, not consumable because of their use, and the ways of combining and developing such resources (Barney, 1991; Collins & Montgomery, 1995; Peteraf, 1993; Rumelt, 1984; Wernerfelt, 1984). The way how resources are combined and exploited is the focus of the research stream labelled as the Competence-Based View (CBV). This strategic approach stresses that competitive advantage is related to the development of core competencies and to the ability to dynamically renew the capabilities grounding an organisation’s capacity in order to fit with the business environment (Davenport & Prusak, 1998; Prahalad & Hamel, 1990; Teece et al., 1997; Teece, 2007). The RBV and the CBV are integrated in the theory perspective of the Knowledge-Based View (KBV) of the firm that highlights that the critical resources for competitiveness are those characterised by a knowledge nature and that knowledge processes play a critical role for the organisational performance improvements (Amit & Schoemaker, 1993; Grant, 1991, 1996, 1997; Hitt et al., 2001; Spender & Grant, 1996).

The above strategic research streams explain why knowledge assets are important. In accordance with the RBV, knowledge assets denote strategic organisational resources that differentiate an organisation in the competitive environment providing sustainable competitive advantages. In accordance with the CBV, knowledge assets can be interpreted as the components building and affecting organisational capabilities, that in turn define the abilities and the capacity of an organisation. Finally the KBV provides the conceptual lens to see knowledge assets as cognitive artefacts, i.e. organisational resources made of knowledge or representing knowledge that define the knowledge domains of an organisation. The different, but complementary strategic research streams emphasize the central role of knowledge assets for competitiveness explaining why firms differ and how the ownership of heterogeneous and immobile resources matter.

The fundamental managerial insight to be distilled by these strategic management views is summarised by the recognition that organisations need to strategically manage and develop their knowledge domains by designing and implementing knowledge assets management initiatives (Teece, 1998, 2000). However, the recognition of the strategic relevance of knowledge assets for organisational value creation capacity needs to be integrated with a clear understanding of how knowledge assets create value for an organisation. This represents a key issue both for theory building and for practice. From conceptual point of view there is a need of disclosing the mechanisms underlying how organisational knowledge assets are translated into business performance improvements and value creation. While from a practical point of view managers need to have a clear understanding of how the investments in knowledge assets management initiatives are converted into value. This entails the explanation of why and how the management of knowledge assets can be turned into business performance improvements. The investigation of how knowledge assets support organisational value creation dynamics has been one of the main concern of my research attention in the last decade (Carlucci et al., 2004; Carlucci & Schiuma, 2005, 2007,
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