Chapter XIII

Role of Organizational Controls in Knowledge Management: Is Knowledge Management Really an “Oxymoron”?

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The mainstream concept of information technology enabled knowledge management suffers from the limitations embedded in the traditional organizational control model. Although importance of organization control is acknowledged by many authors as critical to the success of knowledge management implementations, however the concept of ‘control’ is often misinterpreted and misapplied. It is the thesis of this chapter that most such assertions are based on incomplete, and often, fallacious understanding of ‘control’. Several authors have often suggested that knowledge management is an ‘oxymoron,’ however such observations are based upon inadequate and incomplete understanding of ‘control.’ Inadequate and incomplete understanding about organization controls may be often attributed for failure of knowledge management implementations in the new world of business. This chapter sets forth two important goals: first, to develop a richer understanding of organizational controls as they relate to knowledge management; and, second, to propose an organic model of organizational controls that facilitates creation of new knowledge, renewal of existing knowledge and knowledge sharing.

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management implementations in the new world of business. This chapter sets forth two important goals: first, to develop a richer understanding of organizational controls as they relate to knowledge management; and, second, to propose an organic model of organizational controls that facilitates creation of new knowledge, renewal of existing knowledge and knowledge sharing.

The next sections provide a literature review about the concept of ‘organizational controls.’ Then, the limitations inherent in the mainstream model of knowledge management are discussed. Discussion in this section also expounds how inadequate understanding and application of organizational controls may often lead to failure of knowledge management implementations. The following section proposes and illustrates an organic model of organizational controls that is better suited to creation of new knowledge, renewal of existing knowledge and sharing of knowledge between the organizational members. Based on the preceding discussion, we conclude by underscoring that ‘knowledge management’ is as much of an oxymoron as any other related notions such as information systems management, human resource management, business management, and so forth.

**REVIEW OF LITERATURE ON ORGANIZATIONAL CONTROLS**

Based on their review of the concept of organizational controls in diverse areas of management research and practice, Merchant and Simon (1986) had observed absence of any unifying view of control. Flamholtz et al. (1985) define organizational control as the process of influencing the behavior of people as members of a formal organization. Eisenhardt (1989) suggests that control can be accomplished through performance evaluation or by minimizing the divergence of preferences among organizational members. Performance evaluation refers to the cybernetic process of monitoring and rewarding performance and emphasizes the information aspects of control: “namely to what degree the various aspects of performance can be assessed” or measured. In contrast, the minimization of divergence (goal congruence) is based on people policies and assumes that members understand and have internalized the organizational goals. The two control strategies are interrelated. An organization can tolerate a work force with highly diverse goals if a precise evaluation system exists. In contrast, a lack of precision in performance evaluation can be tolerated when goal incompatibility is minor, i.e., goal congruence is high (Ouchi, 1979): “people must either be able to trust each other or to closely monitor each other if they are to engage in cooperative enterprise.” Within this perspective, the performance evaluation strategy for control can be either behavior based or outcome based. Ouchi (1979) argues that the choice between the two criteria is based upon: (a) knowledge of the transformation process or task programmability (task knowledge), and (b) the ability to measure outcomes. Task programmability implies that behaviors can be explicitly defined and readily measured. If the goals can be clearly stated, then outcomes can be measured and performance evaluations of outcomes can be conducted. If both behaviors and outcomes can be measured, then either can be used (Ouchi, 1979).

Despite lack of a commonly accepted framework or typology of organizational controls (Green and Welsh, 1988, Simons, 1990), invariably, most authors (cf.: Henderson...
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