Chapter XV
Knowledge Management
and Trust in E-Networks

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ABSTRACT

This chapter focuses on trust issues relating to knowledge management. Knowledge management is increasingly reliant on information systems to identify, collect, and disperse information and knowledge. Moreover, such systems are stretching across the borders of the firm to include collaborators and their knowledge assets in e-networks. This scenario has important implications for trust between the organization and individuals who contribute to and/or use knowledge management systems. Organization-to-organization trust issues are also apparent as valuable, proprietary information and knowledge are shared across the borders of firms. The authors hope that with an increased awareness of the trust issues implicit in the burgeoning field of knowledge management, executives and managers will be better prepared to employ some of our suggestions for dealing with this complex problem.

INTRODUCTION

Over the past decade, a school of thought has developed that the only enduring competitive advantage for an organization is found in its people, especially what its people know. Further, some of us believe that firms better at acquiring and then managing knowledge resources will be the winners as we increasingly move into a knowledge-based economy. To manage intellectual capital effectively, however, organizations need to realize the trust issues implicit in knowledge sharing and knowledge protection. These issues involve fairly clear organization-individual trust dynamics, which we’ll discuss, and some less obvious organization-organization matters also deserving of further analysis.
Knowledge management (KM) has become such a buzzword that the general business world sometimes doesn’t understand the true nature of the concept or its power. Once a phrase winds up in Dilbert, it can be hard to take it seriously. But knowledge is increasingly seen by strategists as not only a unique, sustainable source of competitive advantage but perhaps as the only source that lasts. From Drucker’s (1991) knowledge workers to the resource-based theory of the firm (Dierickx & Cool, 1989), a group of influential strategists have increasingly moved toward the idea that the only competitive advantage that cannot be eventually copied is the one that is continuously reinvented through the skills and knowledge of an organization’s people (Zack, 1999a; Grant, 1996). Indeed, most identifiable core competencies in firms that lead to competitive advantage can be attributed to individuals in the firm having unique knowledge or insight into their jobs, be they operations, management, marketing, finance, R&D, or elsewhere.

Knowledge in this context is usually differentiated from basic data or information. Knowledge, some of which is referred to as know-how, implies that some reflection and/or learning has taken place based on data, information, or experience. The basic idea is that individuals develop knowledge about their duties and the context of those duties. Thus, they perform better, yielding better results for the organization. Li & Fung Chair Victor Fung, for example, has noted that value is found not in his firm’s list of sourcing and manufacturing partners or its customer lists (information), but rather in the personal knowledge he holds concerning strengths, weaknesses, and preferences of all the members of Li and Fung’s widespread virtual network (Magretta, 1998). The information could be stolen tomorrow without any advantage to the thief. The personal knowledge of relationships behind the information is the key to Li and Fung’s competitive advantage.

Several other definitions are probably appropriate. Intellectual capital (IC) is a companion field to knowledge management. IC generally grew out of attempts to measure knowledge-related, intangible assets. KM refers more to attempts to better manage these assets. Since both deal with identifying and managing knowledge assets, the terms are interchangeable for our purposes. Another related term is intellectual property (IP). The idea of intellectual capital grew out of an interest to manage knowledge assets not structured enough or innovative enough to rise to the level required to protect them with intellectual property mechanisms. Well-defined knowledge assets can be identified, described, and protected with IP mechanisms such as patents, copyrights, and trademarks. The challenge of IC and KM is to take less well-defined knowledge assets and identify, describe, and protect them as well. Within a pharmaceutical firm, for example, data and information can come from experiments and clinical trials, from production and quality control, from marketing and sales, and elsewhere. Intellectual property would include the patents filed on new drug discoveries. And knowledge, or intellectual capital, would be found in how to optimize production processes, how to conduct more effective research, sales expertise regarding a particular product or particular customer, expertise in dealing with regulators such as the FDA, insight into competitor strategies and tactics, and similar circumstances.

To summarize, KM refers to attempts to better manage intangible knowledge assets. These knowledge assets include both intellectual property and less well-defined knowledge (or intellectual capital) such as know-how. Most of the discussion centers on non-IP assets as IP has previously received a lot of attention and its management is better understood. The less well-defined knowledge (non-IP) assets are the newer topic, have less existing scholarship concerning their management, and are not as well understood.
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