

Can you Name Your Knowledge Assets?

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Abstract: Knowledge assets drive the 21st century economy, yet we have no international standard names for these assets; no matter what the industry or the organization. Questions abound: how can we measure what we can't name; how can we value what we can't name; how can we manage what we can't name? These are but a few of the vital questions that emerge from not having a standard name. As a consultant, one of the first questions I ask of my executive clients is: do they have a list, an inventory, of their major assets that drive their economic engines? I have yet to find one that does in a knowledge-intensive organization. Yes, they have lists of their physical assets; they have lists and resumes of their people; but they do not have an inventory of their real intangible knowledge assets. So again, how then can they leverage their principal assets for competitive advantage if they don't even know what they are? This is the major issue surrounding the knowledge economy; one that contributes to the confusion and proliferation of definitions and meanings of what Knowledge Management (KM) is all about. This paper proposes intensive global research on adopting an international standard "naming convention" for knowledge assets.

Keywords: Knowledge Assets, Intellectual Capital, Knowledge Management

1. Background

Some say that KM is people, process, and technology. Others, that if you connect with people through social networks, you will have KM. Others, that a portal is all you need; others, a good search engine. Some see KM as a process, a program, a technology, a strategy, a whatever. What you don't often hear is that knowledge assets are the prime factors of producing services, manufacturing, and agriculture in the new economy. Knowledge, to use an industrial term, is the raw material, which makes things happen. Why is it then, that we don't know how to name it, value it, measure it; and yes, even manage it? Knowledge is the currency of the 21st century economy; a source of national, organizational, and personal wealth. It is the raw material that breaks the cycle of poverty and leads to national greatness. Why is it then that we have difficulty in putting a standard label on it to describe it, manage it, leverage it, value it, and measure it?

This "naming convention" is the piece of the KM puzzle that, if found, would make all things about KM transparent and purposeful. This paper proposes a template to facilitate this process. It addresses the two strategies of KM: codification and collaboration. Research was conducted with a high technology organization to validate a knowledge-naming template. There was some evidence that knowledge resources, once named and inventoried, were better deployed and utilized for operational reasons.

2. Defining Knowledge Management (KM)

One of the primary difficulties in addressing a “naming convention” for KM is the difficulty in defining KM. As noted above, KM has many perspectives: organizational, behavioral, technological, strategic, and ontological. Some of the areas noted as KM are:

- Intellectual capital management
- Process knowledge
- E-business
- Information management and access
- Knowledge workplace
- Learning

In trying to better understand and define KM, extensive doctoral research was undertaken at The George Washington University (GW). Researchers took all the various aspects of KM that were noted throughout the many works and practices, and found a pattern unfold, indicating that KM has four major components:

- leadership/management [strategic objectives; decision-making],
- organization [structure, processes, metrics],
- technology [portals, collaboration, content management, search engines --- to name a few]
- learning [social networks and relationship management].

These became the DNA of a knowledge management system. All four of these have to be operative in order to have a successful KM program. Eventually, these four elements were dubbed the “four pillars” of KM at GW.

Concurrently, in order to address the definition issue, many existing ones were evaluated. However, because of the diversity of KM, with its multiple elements, we decided to create one that focused on the outputs of knowledge management, as well as the strategic role knowledge assets played. Hence the following definition:

Leveraging relevant knowledge assets to improve organizational efficiency, effectiveness, and innovation (Stankosky 2005).

We started out with an operative verb – *leveraging* – to highlight the actionable nature of knowledge management. If an organization could not deploy and utilize these assets in a significant manner, then something is amiss and needs to be investigated. The addition of *relevant* was considered important, since too often organizations collect and manage assets that have little to no bearing on their strategic and operational objectives. Finally, organizations are all about competitive advantage, and that is normally found in significant advances in *efficiency, effectiveness, and innovation*. This is not an either – or proposition. All three outputs, in measurable terms, have to occur if an organization is to survive and prosper.

Both the above KM definition and four pillars became the foundational point for creating the curriculum for the 1st masters and doctoral program in KM at a major American university - GW. At its high point, there were 45 doctoral candidates who matriculated into the research and teaching program.

3. Knowledge as Strategic Assets

The definition of KM recognizes that knowledge assets are strategic assets; the primary material which accounts for the majority of the gross domestic product of advanced economies. These knowledge assets are often referred to as intellectual capital, and have the following representative categories:

- Human capital
- Structural/organization capital
- Customer capital
- Process capital
- Relationship capital
- Intellectual property

There are several other names given to these, but the above again are generally representative. Sources of these assets are varied, but typically come from customers, employees, competitors, partners, and various open sources. Tom Stewart in his book, The Wealth of Knowledge, treats this topic in a comprehensive and compelling fashion (Stewart 2001). He leaves no doubt that we operate in the dynamics of a knowledge-based economy, where knowledge assets are what it is all about. To put it succinctly: *knowledge is the currency of the 21st century economy*.

4. The Management of Knowledge

Some say one cannot manage knowledge, especially since it is principally found in the minds of people. However, if knowledge is a strategic asset, a primary and dominant material for delivering products and services, it must then be judiciously acquired, allocated, and deployed. If the traditional management functions are to plan, organize, staff, and control -- then these must apply to the knowledge-based organization and activities. The main issue here is that we have no general curricula or degrees at major universities in knowledge management or services' management. We are trying to apply product and industrial paradigms to intangible assets, processes, and practices. We do find elective courses in these, but until we grant students the privilege of a degree, then the faculty, researchers, and students will not gravitate to them. Remember, people attend a university primarily to get a degree. KM has to be elevated to the ranks of an academic discipline, with its own international professional body, governing all its aspects. Until then, KM will only be a sideshow; not the main event (Stankosky 2005).

5. The Valuation of Knowledge

The following caption was recently published in The Washington Post (May 2, 2007):

The value of intangible assets, including patents, has surged since the 1970s, and now accounts for nearly 80 percent of the market value of companies in the Standard & Poor's 500 index, according to an investment research firm.

The issue in a knowledge-based economy, however, is that there are no national or international accounting rules for valuing these assets. Most metrics are either market valuation, or some model derived from an industrial-based formula. Which presents us with a significant issue: how do we truly value knowledge assets; or what is the true worth of a knowledge-based company?

This is not a new dilemma, as many other scholars, analysts, and economists have tackled this issue, but are still searching for an international formula or model. The author is involved with two organizations that have undertaken this task: (1) The National Task Force on Knowledge and Intellectual Property Management; and (2) The New Club of Paris. The National Task Force is U.S. based, and has a program aimed at coming up with accounting standards regarding intellectual property; whereas the New Club of Paris is an international group, Vienna-based, whose goal is to create international accounting models and standards for valuing all knowledge assets, including intellectual property. The list of participants represents a who's-who of scholars and practitioners in the field. The National Task Force has been plodding along for over nine years, while the New Club is in the 2nd year. It remains doubtful if their objectives can be achieved. As long as executives of major organizations do not comprehend the strategic role their knowledge assets play, then only token efforts will occur. The knowledge economy and organizations still go on and function despite the senior level resistance to, and rejection of, KM programs and systems.

6. The Measurement of Knowledge

There was a period in the early stages of KM, when everyone was searching for program justification and new measures for success. So much attention and resources were given to those, that no one saw the futility of trying to measure something that had no standard names, nor valuation models. When asked about this topic, the only reply that made sense was to use the metrics already in place, since they were, in theory, tied to the objectives of the organizations. One should always measure against their objectives; and to try and come up with surrogate metrics could dissipate efforts at accomplishing them. In conclusion, KM needed no new metrics. If knowledge assets are the prime factors of production (to use industrial language), then the prime metric has to be how efficient, effective, and innovative they were in accomplishing organizational goals.

7. The Naming of Knowledge Assets

Which leads to the prime purpose of this paper: in order to manage, value, and measure an asset, we need put a *name* to it. Since knowledge is an intangible asset, this makes it all the more difficult to address. Imagine having strategic assets that account for the majority of your outputs, yet having difficulty naming them; or understanding their impact on processes and outputs?

The author has not found any significant research in this area, and consequently, has undertaken such in the doctoral program at George Washington University. Dr. Andreas Andreou was one of the first candidates to address this topic. His dissertation was recently defended, and can be considered a seminal work in this area. Several others are working on follow-on research (Andreou 2006).

Dr. Andreou's approach was to see if we could work closely with a business sector (aviation was chosen as a first attempt) and see how they could take human capital, one of the categories of knowledge assets, and go beyond the resume to list and put a common name to individual competencies. The list would put these competencies under critical and important categories, and try to adopt a name for them that everyone could agree on. We also wanted a coherent understanding of these knowledge assets that were employed at the lowest level of operational granularity. The objective was to identify both tacit and explicit knowledge assets that would be directly attributed to performance outcomes.

Preliminary results were encouraging. The aerospace organization wants confidentiality at this point, so specifics have to be withheld for the moment. However, what is of interest is that knowledge asset names and labels were given and agreed upon; and by attempting such, transparency occurred across divisional groups; and a higher degree of collaboration and codification was implemented. Senior managers noted their ability to better understand these assets, and made improved human capital allocations across divisions, leading to more efficient and effective utilization. Additionally, the personnel involved were rewarded at a higher level of compensation due to their respected competencies that were not heretofore known. Figure 1 was the template used in this research.

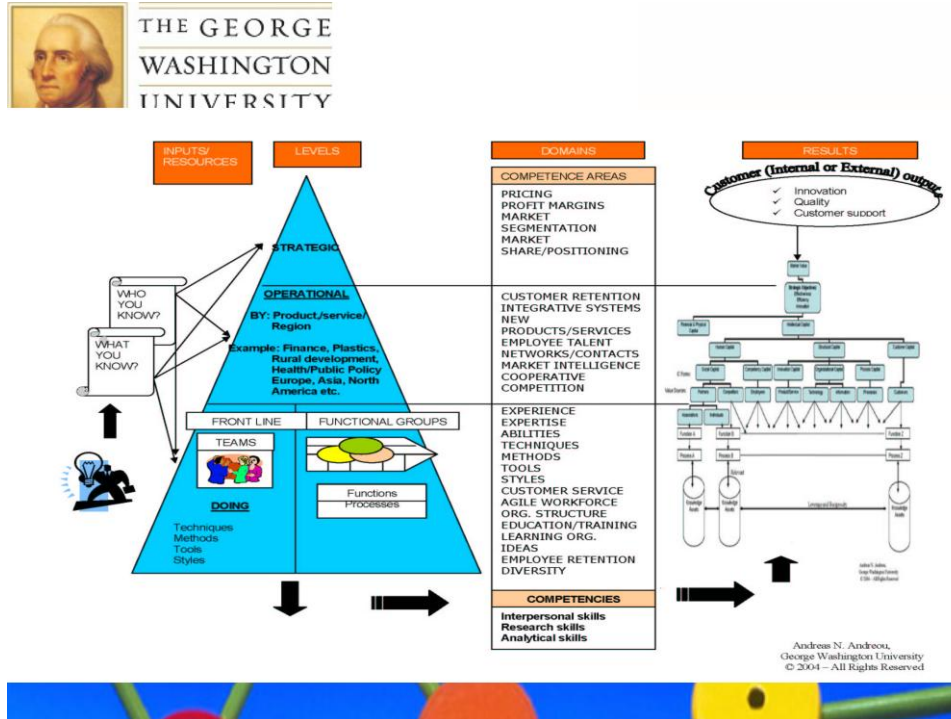


Figure 1: Knowledge assets naming template (Andreou 2006)

While this is a busy template, the key notes here is attention to “what you know” assets of the individual; such as: experience, expertise, abilities, techniques, methods, tools, styles, education, training, and ideas. The research did not treat “who you know” assets, which by themselves, could prove of equal or more value than the “what you know”.

One practical use of this template is not only doing a current inventory of human capital, but also used as a checklist when new hires join an organization. This could supplement the resume, and provide additional insights into the knowledge asset inventory of the organization.

8. Future Research

In any event, the research has begun, and will continue in earnest, covering other business sectors, government and non-profit organizations. With the numerous professional associations that exist, we feel each would not only have a stake in the research, but also can help the standard naming conventions of the knowledge assets in their respective groups.

Cultural and foreign language issues will have to be accounted for, similar to language conventions for international pilots. Further research in this area is of prime importance. Again, the importance of this is evidenced by the flat world we live in, where organizational functions are performed throughout different regions and boundaries; knowledge assets are

truly scattered and shared globally. International organizations, such as Boeing and Airbus Corporations, whose workforces and partners are distributed across many countries, will need to have such naming standards and conventions, to manage and leverage their strategic knowledge assets for profit.

In conclusion, knowledge is both an infinite resource and independent of geography. Consequently, for it to be truly shared and leveraged, we need an international “naming convention” for it to work. Such international conventions would be the basis for international valuation mechanisms for these knowledge assets. It would also lead to better deployment of knowledge resources across global organizations. KM would then truly become the leveraging of knowledge assets to improve efficiency, effectiveness, and innovation.

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