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Chapter 25

Getting over "Knowledge is Power": Incentive Systems for Knowledge Management in Business Consulting Companies

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INTRODUCTION

One of the most relevant aspects as to knowledge management is the need to make knowledge workers to actively participate in the diverse processes which are the objects of knowledge management. Especially the motivation to jointly share knowledge and to use the available knowledge of, e. g., colleagues or other third-party experts becomes an important issue for knowledge management in general and above all for business consulting companies which belong to one of the most knowledge-intensive and knowledge management-experienced industries. Therefore, we take a closer look at the importance of incentive systems for knowledge management in the business consulting industry.

The findings of our empirical qualitative investigation in 10 leading German business consulting companies show a range of special qualities: First of all and in correspondence with the assumptions in the literature incentive systems do

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(!) play an important role in this knowledge driven industry. However secondly, there are almost no incentive systems with a special focus on the issue of knowledge. Rather, the existing incentive systems are somehow implicitly expected to guarantee respective behavior of the consultants. Thirdly and finally, in contrast to our expectations and most of the recommendations in the praxis-oriented and theoretical literature for knowledge management the dominant incentives were not immaterial but material.

We conclude that the existing long-standing experience with the exchange and use of (new) knowledge, and the special knowledge-oriented culture of business consulting companies do motivate the consultants to share their knowledge and to use the existing knowledge of colleagues. However, in order to implement a more efficient knowledge management which supports the overall strategic goals in dynamic markets the examined business consulting companies should be aware of a special need for additional incentives – even if they do not know yet which incentives this can be and how to implement them.

STARTING POINT AND FRAME OF REFERENCE

Regarding strategic management at the turn of the new millennium, one of the central challenges for companies is the management of the firm's knowledge bases and learning processes in order to gain competence-based competitive advantages (see, e. g., Davenport and Prusak, 1997; Kumar, 1995; Drucker, 1993, Hansen, Nohria and Tierney, 1999). In strategic management theory, this is reflected by the establishment of the "resource-based view" of the firm, and more recently of the "knowledge-based view" of the firm (see below).

Knowledge-Based View of the Firm and Knowledge Management

For some time now research in the field of strategic management turns away from the traditional "market-based view" or "structure-conduct-performance paradigm" respectively (see Bain, 1968; Porter, 1981, 1998a, 1998b) and devotes itself to the question which role specific resources play in order to build up long-term company success (for early contributions to this research question see Selznik, 1957; Penrose, 1959). As a result the so-called "resource-based view" of the firm describes the uniqueness of companies as bundles of specific, non-transferable ("sticky"), difficult to imitate and appropriate resources (see Barney, 1991; Wernerfelt, 1984; Grant, 1991; Collis and Montgomery, 1995, 1998), stressing the capture of rents through the protection and deployment of these resources. Within the recent "knowledge-based view" of the firm knowledge as a specific kind of resource in terms of an essential competitive asset is in the center of research interests (see Prahalat and Hamel, 1990; Kogut and Zander, 1993; Hamel and Heene, 1994; Nonaka and Takeuchi, 1995; Grant, 1996; Spender and Grant,