

Chapter 3

A Comprehensive Model for Assessing the Organizational Readiness of Knowledge Management

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ABSTRACT

Nowadays, the key to an organization's success is the ability to assess its readiness to create and improve the processes underlying its strategy. Realizing the fact that knowledge plays important roles in attaining competitive edge and strategic goals, managers give much emphasis on Knowledge Management (KM). However, implementing knowledge management or knowledge-sharing projects in an organization require significant organizational prerequisites. Lacking proper infrastructures and prerequisites, not only make the knowledge management process unprofitable, but also it might incur harmful effects as well. To decrease such risks, it is proposed to introduce the readiness assessment, in order to gauge a company's appetite for the work involved in implementing the knowledge management. In this research, critical success factors have been extracted from comprehensive literature reviews and they have been surveyed through a questionnaire, distributed among 130 knowledge management experts. Then, to validate the measurement of the multi-item constructs, Exploratory Factor Analysis (EFA) was used. Identifying effective variables and their grouping into related factors, the second questionnaire was employed for readiness assessment of an IT firm working in Iran. The final results were presented with Radar diagrams. Finally, promoting propositions were provided based on the firm's current status.

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1. INTRODUCTION

According to Alavi and Leidner (2001), knowledge is the information processing that takes place in human minds, as well as personalized information related to facts, procedures, concepts, interpretations, ideas, observations, and judgments. Hoffman et al. (2005) believe that sustained competitive advantage occurs when a firm develops a distinctive core competency such as Knowledge Management. Knowledge Management (KM) comprises a range of practices used by organizations to identify, create, represent, and distribute knowledge. In recent decades, there has been a proliferation of KM projects in many organizations. Correspondingly, corporate spending on KM projects has increased substantially over the years (Ithia, 2003). The theoretical benefits of knowledge management are clear; hence, in order to maximize internal efficiency, internal coordination, service to clients, and overall profitability, one needs to make tacit knowledge explicit, updated and accessible. Simple one might think but one must go through the reasons as why organizations fail to make KM work possible (Guptara, 2000).

Knowledge power can be distinguished in the following items:

1. knowledge is distinct from information in enabling competitive advantage;
2. knowledge is distributed unevenly, hence, must flow for organizational performance;
3. tacit knowledge supports greater appropriateness for competitive advantage than explicit knowledge does;
4. knowledge flows must balance exploration through learning with exploitation through doing; and
5. enhancing knowledge flows requires simultaneous attention to personnel, work processes, organizations, and technologies (Nissen, 2006).

According to Karkoulian et al. (2008), organization can maximize returns through knowledge utilization. Weber and Weber (2007) introduce knowledge as a source of sustainable competitive advantage. Wills-Johnson (2008) supposes ability to manage and coordinate knowledge amongst resources provide comparative advantage to a firm. It is evident that in the new economy, knowledge assets are grounded in the experience and expertise of those individuals working in a company and the firm has to therefore provide the right structures to shape knowledge into competencies.

There are several definitions and constructs of the term 'knowledge' and its importance for the firms. Kogut and Zander (1992) for instance, describe knowledge as an embedded resource of the firm. Birkinshaw et al (2002) see it as 'contingency variable'. Like many other managerial innovations, knowledge management also appears to be adopted first by manufacturing firms, and is beginning now to permeate the service sector, predominantly in professional services such as consulting firms (Hansen et al., 1999). Knowledge, and consequently its management, is currently being touted as the basis of future economic competitiveness. Many large companies have resources dedicated to Knowledge Management, often as a part of 'Information Technology' or 'Human Resource Management' departments. Nevertheless, implementing KM projects or knowledge-sharing philosophies in organizations often require significant organizational changes. In essence, assessment of an organization's readiness could serve a guideline to leaders as they plan and implement KM initiatives (Holt et al., 2004).

Based on the dismal success rates of change implementation, managers are being encouraged to be proactive by utilizing change measurement instruments to gauge their organization's demeanor before implementing changes (Jansen, 2000; Simon, 1996) because of changes effect, which imposes risk and uncertainty onto organization. Assessment readiness provides thorough answers to two fundamental questions: What is a firm's

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