Chapter 2.7
Organizational Readiness Assessment for Knowledge Management

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ABSTRACT

Implementing knowledge management or knowledge-sharing projects in an organization require significant organizational prerequisites. Lacking proper infrastructures and prerequisite, not only make the knowledge management process unprofitable, but 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 literature reviews and 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 onto related factors, the second questionnaire was employed for readiness assessment of an IT firm working in Iran and its results were presented with Radar diagrams. Finally, promoting propositions were provided based on the firm's current state.

INTRODUCTION

Knowledge management (KM) comprises a range of practices used by organizations to identify, create, represent, and distribute knowledge. In recent decades, there has been 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 KM 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).

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, KM 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 as a guideline to leaders as they plan and implement KM initiatives (Holt et al., 2004).

System Group Company was founded in 1988 as a small start-up IT company with the vision of establishing IT as an industry in the country. The company is currently the largest private software company in Iran providing IT solutions, specifically integrated business software solutions for vertical markets embodied in different industries. The company has developed a unique combination of the best breed of technology, professional services, and intellectual management in the science of application development. Currently, the company has eight active subsidiaries each specialized in different IT fields, 27 nationwide satellite companies providing after-sales services and 19 licensed companies providing sales and installations across the country. It has grown to become a company of 650 professional staff nationwide to reach its 4,500 customers. The company has received numerous high credentials and awards from Iran's National Council of Informatics and other high-ranking organizations as recognition for its quality software development and contribution to the IT society of Iran.

The firm as a software company faces the challenge of sustaining the level of competence. In fact, the company has problems keeping track of what this knowledge is, where it is, and who has it. A structured way of managing the knowledge and treating the knowledge and its owners as valuable assets could help the company leverage the knowledge they possess. As Rus and lindvall (2002) mentioned, a software organization's main asset is its intellectual capital and the major problem with intellectual capital is that it has legs and walks home every day. At the same rate experience walks out the door, inexperience walks in the door. Based on these facts, the company recognized the need for embarking knowledge management. But 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 (Simon, 1996; Jansen, 2000) because of changes effect, which imposes risk and uncertainty onto organization.

KM assessment readiness provides thorough answers to two fundamental questions: What is a firm's current KM capability? And what changes must be in place before embarking on a KM initiative? An instrument to assess readiness should be developed based on the premise that KM is enhanced through the critical success factors (CSFs). Before investing scarce resources in such risky projects, corporate leadership is calling for a means to decrease uncertainty surrounding knowledge management.

A failure to assess organizational and individual KM readiness might result significant loss of time and energy of managers dealing with

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