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The Wealth of Knowledge:
Intellectual Capital and the
Twenty-First Century Organization.

Currency: New York, 2001.

HD 53
.S743
2001

FOREWORD: So Near . . .
Every idea is an incitement.

TQM.
reengineering
intellectual capital

AGES: agricultural industrial information

MANAGEMENT:
division of labor interchangeable parts
assembly line Scientific Management
knowledge management

Part I: The Theory of a Knowledge Business
Chapter 1: The Pillars of the Knowledge Economy
We are confronted with insurmountable opportunities.

Consider a key.

Knowledge is:

1. **what we buy, sell, and do (more science, less stone);**
2. **an asset (human + structural + customer); and**
3. **requires new technologies and strategies.**

data v. information v. knowledge v. wisdom
total factor productivity
leverage

Chapter 2: What Companies Do and Why They Exist

Companies only exist if people are willing to show up.

Efficiency sets the boundary between market and firm.

- **shapers**

competition: deregulation and globalization
transaction costs
barriers to entry & exit

firm as bundle of assets v. beehive of ideas

- **purpose**
- **complementary assets**
- **tacit knowledge (collab. + custom. + nonlinear)**
- **warranty**

Chapter 3: The E-corporation

Information technology amplifies and alters trends.

management matters: bounded rationality & transparency
distribution is more than a cost

- **aggregation & arbitrage**

broadcasting declines and service increases in importance

- **warranty**

cutting costs cuts both ways

- **shut down rule**
- **winner's curse**

dislocations + simplicity + scarcity
choke points: the standard; value chain; market share, customer relations; brand; two-year lead; one-year lead; 20% lower costs; parts; distribution.

Part II: The Disciplines of a Knowledge Business

Chapter 4: An Intellectual Capital Strategy: The Four-Step Process

inside out v. outside in is organization v. business

reverse markets (e.g., infomediary)
unbundling
industry boundaries
asset arbitrage

Assets are transformative.
You manage what you measure.
Value: chain v. network v. shop
Strategy: unique proposition + control + profit model.
Knowledge: growing intensity + primacy + value.

Chapter 4: An Intellectual Capital Strategy: The Four-Step Process (continued)

Managing Intellectual Capital

1. identify knowledge asset: input, process, and/or output

2. match revenue to knowledge asset
   human v. structural v. customer

3. develop strategy for investing and exploiting
   knowledge intensity + leverage + restructuring

and

4. improve efficiency of knowledge work and workers

Chapter 5: Investing in Intellectual Capital: Working Knowledge Harder, Smarter, and Faster

chief knowledge officer
evangelizing + running + managing

(reality) map out: who knows what where
community + place + help desk
yellow pages + primer + knowledge artifacts
bulletin board + doorway

size versus scale
synchronicity: inventory is reliability
participants + empowered + time & distance + volatility

Chapter 6: The Case Against Knowledge Management

technology: functional v. ceremonial
It's not what you know, it's what you remember.

circulating correspondence
knowledge is: raw material & value added & output
Knowledge Management is:
[a] knowing what we know,
[b] capturing and organizing knowledge, and
[c] using knowledge to produce returns.
Kraken creatures are:
[a] demand driven,
[b] tacit & latent knowledge,
[c] front-of-mind; and
[d] full of opinion.

Knowledge Management manages (i.e., teaching a knack):
- [a] work group,
- [b] need to know (transient v. abiding),
- [c] standardize v. customize, and
- [d] nature of knowledge.

Moore's Law: 18 month doubling of circuits per cm^2

Rule of 70: (70 ÷ i) = periods to double or to halve

Kay's Law: technology is inversely proportional to the amount of content transferred
content v. fidelity v. bandwidth

Finch: reliability, authority, efficiency, and replicability

Information Technology (IT) is about information (explicit); not knowledge (tacit).

SECI: socialization, externalization, combination/creation, and internalization

Chapter 7: A New Offering: Selling Knowledge Products

Value springs from synchronicity.

leverage the data
- each data can serve multiple (hidden?) contexts
- reciprocal opportunities

products v. projects v. processes

competitive advantage: differentiation & cost

monopoly: legal v. quasi v. economic

economies: scale v. scope v. knowledge

cash flows: revenue & margins, costs & capital requirements, cost of capital & taxes

value chain: yours (good) & customers' (better)

Never sell anything only once.

Clare & DeTore *Knowledge Assets Professional's Guide to Valuation and Financial Management*

attributes of knowledge assets: whether tacit or explicit
- [a] content; [b] structure; and [c] reasoning

knowledge is: fungible & transubstantiable & transformable

map knowledge on a choice board by
- risk
- scale
- leverage: front loaded cost & multiple sales
- pricing: explicit v. implicit (e.g., bundled)
  - product v. black box v. knowledge transfer
- governance
  - channel management
  - line extensions
  - life cycles

knowledge community: network effects

end of material for Midterm Exam