of plug-in hard drives, processors, and memory, as dictated by demand. Similarly, many software vendors offer solutions (and licenses) that scale robustly with the number of processors available. Obviously, financial decisions based on the underlying technology should involve the CIO as well as the chief financial officer.

Law

The major legal risks of a KM initiative involve domestic and international intellectual property issues. For example, a corporation with foreign offices can be restricted in the degree of knowledge sharing permitted through a KM system. In addition, special U.S. tax rules apply to intellectual property used abroad. Furthermore, constantly changing laws restrict the international transfer of information. There are also unilateral organizations, free-trade unions, and bilateral treaties—such as the European Union (EU) and NAFTA (North American Free Trade Act)—that may adversely affect international contracts. Other risks include the failure of vendors and developers to honor contractual obligations and challenges from organized labor regarding the potential downsizing of employees through KM practices.

Many of the legal risks can be addressed at least partially by retaining the services of legal counsel as a cost of doing business. A company that has significant dealings with overseas vendors or overseas offices should have both domestic and internal legal counsel review all major contractual and employment agreements.

Technology

The technology-related risks of a KM initiative, like the financial risks, often seem pervasive. The major risks are associated with standards, scalability of the solutions selected, security, and, ultimately, the usability of the KM system. For example, even if the vendor and developers seem