

Total cost of knowledge ownership

Knowledge is the key driver of life, much more so than land, capital or labour. Knowing how to use land, capital and labour yields greater wealth than that of the individual asset. Present and future success in competition will be based less on the strategic allocation of physical and financial resources and more on the strategic management of knowledge (Bontis, 1996). The capacity to manage knowledge-based intellect is the critical skill of this era (Quinn, 1992).

Unfortunately, knowledge is invisible and intangible, and thus it is not captured very well by any of the traditional measures, accounting or otherwise, that corporations master in their everyday operations. (Bontis, Dragonetti, Jacobsen & Roos 1999).

Firms that are thriving in the new strategic environment see themselves as learning organisations pursuing the objective of continuous improvement in their knowledge assets (Senge, 1990).

So how exactly does an organisation calculate an intangible asset? To understand this one must firstly understand the anatomy of knowledge and secondly understand how the relationships that exist between the classes/branches of knowledge gives rise to the asset.

Anatomy of knowledge

Knowledge can be divided into three distinct branches:

- Tacit - that which is implied and cannot be sensed. Eg. a 'gut' feel such as a purpose or vision statement
- Explicit - that which is specific and can possibly be sensed. Eg. a logical argument or representation such as an organisation chart
- Missing - that which one knows is not available or that which one does not yet realise one needs

Computer systems store explicit knowledge, management processes handle tacit knowledge and business strategies identify missing knowledge (Lethbridge 2001).

Knowledge assets

To develop an asset from the two branches of knowledge you will need to develop a framework about which the asset can be grown. This is similar to growing a crystal from particles suspended in a liquid.

The framework has to be sound so as to yield the same result every time, regardless of who is building the asset. Once the framework is in place, the cost of developing each part can be calculated.



Rapidly integrates patterns of strategic elements

Ripose Pty Limited

QLD 4878
Australia

Voice (07) 4081 0197

Facsimile

Email info@ripose.com

Web site <http://www.ripose.com>

Knowledge framework

A number of frameworks have been developed and they are called methodologies. Each methodology will yield a different cost structure due to the number of steps and the resource requirements (people, equipment and time) needed to complete each step. The deliverable(s) from each step becomes the asset.

Methodologies

What is a methodology? A methodology is a documented set of formal procedures, rules and/or guidelines for a specific discipline.

The following methodologies can be used to create the deliverables:

- Government guidelines
- Traditional - plan, analyse, design, construct
- Best practice - includes Strategic planning, Balanced scorecard, Structured analysis, Object orientation, Information engineering
- Business process reengineering
- Ripose - please read our fact sheet Ripose technique - Knowledge Management, which can be found on <http://www.ripose.com/KnowledgeManagement.pdf>

For a comparison of costs, please read our article Strategic planning - a resurrection, which can be found on <http://www.ripose.com/StrategicPlanningResurrection.pdf>.

We have two additional white papers, which contain more detailed information. Please contact us for login permission to gain access to them. They are:

- Business simulator - a comprehensive breakdown on all phases and costs
- Ripose technique - comparisons - a comparison between Ripose and the other methodologies, please ask us for our white paper.

Conclusion

Depending on the method you use, the total cost of knowledge ownership can vary between \$314 and \$2,747 per unit. The number of units can vary between 450 and 1,650. For an explanation of what a unit of knowledge is, please read our fact sheet Ripose technique - grammar. Contact us for access to this fact sheet. Ripose integrates tacit, explicit and missing knowledge, delivering the most cost effective and efficient technique on the market today.

References

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[http://www.ripose.com/ CompilerFeatures.htm](http://www.ripose.com/CompilerFeatures.htm)

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