

Knowledge Auditing: An Activity-Based Method for Organizational Success

MATTHEW LOXTON



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Executive summary

WITH AN aging workforce that is larger and more experienced than the cohort taking over from it, identifying the knowledge required to execute organizational goals has become essential to protecting organizational capability. In addition to this challenge, the share of market capitalization attributed to intangible assets has steadily increased since the 1970s, and now exceeds 80 per cent of the valuation of the S&P 500.¹ This change makes it imperative that knowledge is evaluated as part of operational capability and capacity, as well as a potential source of intellectual property. In a global economy in which basic resources are available to all competitors, it is increasingly what an organization knows and how it puts that knowledge to work that distinguishes adversaries and provides competitive advantage.

The field of knowledge management (KM) continues to grow and mature, but business leaders often see the knowledge audit component as a daunting exercise, with the dubious outcome of perhaps yet another dusty report on the shelf. However, value exists in understanding what knowledge the workforce is putting into practice in order to achieve business goals, and to use a knowledge audit to improve operational processes.

This report focuses on knowledge as it relates to achieving organizational objectives agreed by management, and as such the report seeks to ground the focus of the proposed audit methodology on what an

individual needs to know in order to execute their role at task level.

Starting with the introduction of the basic theme of a practical audit process focused on the organization's goals, the report provides a coherent method to identify the knowledge required by the activities leading to the achievement of corporate objectives. Reduction in ramp-up time of new staff and transferees during on-boarding, and pinpointing knowledge required to carry out critical work are identified as primary outcomes of the audit process.

The audit process enables the reader to identify and on-board staff with the right knowledge, to create training that is work-oriented and results in task-specific knowledge transfer, and to create job aids that improve efficiency by reducing wasted time and enabling less experienced staff to take on higher-level tasks.

This report introduces the knowledge value chain, and provides an audit structure that starts with identification of the key performance objectives, and the associated value chain from task to activity to business process. Identification of agreed high-level goals, combined with analysis of business processes, enables the audit to isolate the workflows that are individually necessary and collectively sufficient to achieve organizational goals. Identifying the activities within the critical business processes makes it possible to create knowledge inventories for recruitment, training, and job aids that result in the

achievement of the business objectives by supporting operations at task level.

The audit process described in this report examines workflow activities and methods to capture the knowledge requirements for safely selecting and using the tools, materials, and utilities required to perform workflow activities. The guidance on the audit process also addresses the execution of steps in performing activities, and the knowledge needs of the worker that are represented in the sequence, pace, and execution of the steps. Obstacles to auditing are also discussed, as well as practical methods of mitigating potential obstacles.

Many organizations use role-based job descriptions for hiring. As a result, job descriptions can often be vague and insufficiently specific, with esoteric and unverifiable requirements that do little to select people with the required knowledge for the role. The audit process builds a requirements inventory for hiring that is directly task-related and testable. Metrics to monitor recruitment effectiveness are discussed in this report, as well as selection criteria/parameters, locating candidates with the required knowledge, and appropriate measurement methods.

Because of unfocused curricula, learning programs often do not translate to on-the-job performance improvements, or measurable effects at a task level. Blended learning and layered learning approaches that specifically target task-specific training are discussed in this report, as well as the requirements for the knowledge needs of specific tasks. The testing of training efficacy is discussed, as well as measurement of training contribution to operational effectiveness.

Just-in-time knowledge is a core knowledge management method of providing the knowledge required to execute a task to the right individual, at the right

time, and in the right way. Job aids bolster knowledge at the time of execution, or provide knowledge in preparation for an activity. Job aids, as discussed in this report, can also provide knowledge that cannot, or should not be remembered, such as critical quantities, ratios, sequences, or situations in which memory cannot be trusted.

Knowledge sharing is an essential component of obtaining the value of an audit, and since knowledge sharing is discretionary to a significant degree, cultural change and leadership are also addressed in this report. The ineffectiveness of direct rewards for knowledge sharing point to a need for evolving a knowledge sharing culture, and therefore key topics discussed include knowledge sharing motivations, managers as leaders, modeling desired knowledge sharing behaviors, trust, and reciprocity.

The long-term purpose of a knowledge management audit is to improve operational use of knowledge to achieve organizational benefit. Continuous improvement principles should be considered in order to build the knowledge processes into how business is done, rather than just during the audit. A further consideration of continuous improvement is establishing measurement and vigilance processes, and for periodic updates to the recruitment, training, and job aids inventories.

This report provides a critical step-by-step guide on the knowledge audit process which can be used in any industry. The primary audience for the report is business leaders and operational managers entrusted with putting knowledge to work.

Reference

1. Pagano, U. and Rossi, M.A., 'The crash of the knowledge economy', *Cambridge Journal of Economics*, July 2009, 33(4), 665–683.

About the author

MATTHEW LOXTON is a certified knowledge management practitioner with extensive international experience in putting knowledge to work in achieving organizational goals. He has served in senior, global KM roles in the US and Australia.

Matthew holds a master's degree in knowledge management from the University of Canberra. He is a peer reviewer for the international journal of *Knowledge Management Research & Practice*, and he has written numerous KM articles for various publications.

Pro bono roles have included KM and IT governance work with the Queensland Emergency Medicine Research Foundation (QEMRF) and the St. Andrew's Medical Research Institute (SAMI).

Matthew currently works as a senior analyst for knowledge management at Whitney, Bradley, & Brown, contracting to the Veterans Health Administration, and he regularly blogs on knowledge management and organizational learning – see <http://mloxtton.wordpress.com>. Matthew can also be followed on Twitter: @mloxtton.

Dedication and acknowledgements

THIS REPORT is dedicated to my wife, Margo, who is my muse and support.

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