

Knowledge Capital

One of the metrics that a number of organizations keep is their current level of Knowledge Capital. There are a number of abbreviations for this metric. "IKC" is used for Invested Knowledge Capital. "TKC" is used for Total Knowledge Capital. In order not to be too confusing, I'm going to keep to these two for now. If you're wondering what this is all about, here's a quick overview.

Knowledge Capital

At the macro level, Knowledge Capital is the combination of a number of factors that organizations weight differently depending upon their type of business and where they are in terms of growth. The factors include, but are not necessarily limited to:

- ✚ Number of people with post-secondary education (e.g. college diplomas or university degrees). To count this metric properly, the diploma or degree must be able to add value to the work that the person is doing. For instance, having a B.A. in Fine Arts is arguably not an added value for a logistics analyst. These are known as "Applicable Education Credits (AEC)".
- ✚ Number of people with professional certifications and total professional certifications. Again, the certification must add value to the work the person is doing. This is also part of the AEC factor.
- ✚ Total post-secondary education. This is the total number of AEC years in the organization. For instance, a person with a four-year university degree is four AEC whereas a CPIM designation might count as 1.5. This metric is normally sub-totaled into Senior Management, Middle Management and Non-Management categories.
- ✚ Average post-secondary education. Take the total AEC years and divide by the number of people who have them. An average of less than four in Senior Management is typically not good enough.
- ✚ OTJ (On-The-Job) experience. Depending on the organization, this could be weighted for OTJ with the organization versus OTJ earned prior to joining the current organization. Some argue that OTJ coming into the organization might actually be more beneficial than OTJ within the organization as the outside experience, if used properly, adds new Knowledge Capital to the current organization. Again, OTJ only counts if the experience is relevant to the work being performed.

The difference between IKC and TKC is that IKC takes into consideration the amount of money the organization has invested in its employees' education in order to gain the credentials. Knowing what you have invested tends to put an emphasis on retaining those employees and not losing that investment.

Rating and Analyzing Knowledge Capital

Each organization, based on its own unique requirements, develops their Knowledge Capital profile. An organization that is heavily into R&D will likely develop a higher profile of AEC based on the specific knowledge base required to conduct the research. A widget manufacturer or third-party logistics organization is likely to have a lower AEC but a high OTJ factor. Appropriate metrics need to be developed carefully by each organization that is going to use them.

Quite often, the metrics are a combination of factors. For instance, Senior and Middle Management profiles might include a weighting factor of AEC combined with OTJ. Only non-management personnel with a factor nearing, or at, the desired factor will likely be considered for promotion. This factor readily tells an organization if they have a viable succession plan in place.

Knowledge Capital can be analyzed in many ways. Most often organizations will rate themselves both horizontally (e.g. Senior Management, Middle Management, Skilled Trades, etc.) and vertically (e.g. Operations, Finance, Sales, Marketing, R&D, etc.). The vertical ratings are often broken down into key departmental factors such as a Skilled Trade metric in a machine shop.

Analyzing the range that each metric should be in can be a long, laborious task. Each position in the organization, especially at the management and specialized skill types of position, should have a base and top-out metric. The base metric is a baseline minimal factor that a candidate for the position should possess. The top-out metric would signify that anyone with a higher score is either in the job too long (therefore may becoming stale) or ready for advancement. The totals of the scores add up through the organizational structure to form the basis for the macro-level metrics. It's not in all cases that it is an absolute mathematical summation of numbers. Weighting can be factored in.

The methods and scoring that the organization uses to create its Knowledge Capital metrics should be thought out, documented, measured and used to enhance the human factors of organizational competitiveness.

Getting Stale

Even with a good program in place, bringing 'fresh thinking' into the organization is never a bad idea. However, the questions of how to do this without disrupting the current chemistry and how to keep fresh thinking coming continuously have been a challenge. However, there is an innovative method that several organizations have embraced: Co-op students.

There are many colleges that offer co-op programs where the students study for several months and then work with an employer for up to four months to practice their learned skills. These co-op programs cover a wide range of skills including logistics, operations management, marketing, electro/mechanical design, packaging design and construction, information technology, etc. The students entering a co-op assignment have been learning the latest methods and technologies known in their field of study...what some might consider the leading edge of thinking.



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By bringing these students into the organization a win-win situation is created. The student is gaining invaluable experience in applying their learned knowledge in 'real life' situations. The employer is getting a relatively inexpensive and temporary knowledge base that will not upset the current chemistry of the team in place but does refresh their knowledge base with what the student has learned.

Summary

Although Knowledge Capital is not a bankable, tangible asset it is nonetheless an asset that is worthy of measurement and tracking. Without knowledge, information becomes meaningless data. Strategic use of knowledge capital will always yield a return to the bottom line of any organization.

About the author

Ken Cowman has over 11 years experience working in operations management and over 26 years of management and enterprise solutions consulting experience. With over 25 years of executive management experience and 6,500 hours of education and seminar leadership experience, he has the experience to be able to view the organization from all levels and ability to provide the appropriate level of teaching and/or consulting to effectively assist organizations in their quest for continuous improvement.