Stewart, Thomas A., *The Wealth of Knowledge: Intellectual Capital and the Twenty-First Century Organization,* Currency Doubleday, 2002, 320 pages (ISBN: ISBN: 0385500718)

Stewart's *A Wealth of Knowledge* offers myriad examples of how to manage intellectual capital. The question is whether anyone is listening.

Executives today are more concerned with bottom-line growth. Intellectual capital, knowledge management and organizational learning are no longer the boardroom topics *du jour.*

Of course, intellectual capital – broadly defined as the intangible assets of a corporation, those that do not appear on its balance sheet – remains a valid topic for debate. Even industrial companies are today as dependent on their intangible resources as on plant, machinery and trucks.

Wealth of Knowledge offers plenty of case study material. From Dell to Ford, from Chevron to Enron, anecdote follows case study follows quote.

There are useful ideas here: the way the World Bank set about making its regional expertise available to employees and client countries; or how International Business Machines global services division collects accounts of how contracts were won or lost.

But one is left wondering whether any company has managed to develop a coherent strategy for managing its entire range of intangible assets.

Broken down in this way, intellectual capital starts to look like an artificial construct, a conglomeration of corporate assets and facets that have nothing in common apart from the fact that they do not appear on a conventional balance sheet. A book that tries to tackle everything is almost too broad.

Then there is the problem of measurement. Measuring the difference between the book value of its tangible assets and the full value of the corporation is tricky. The stock market has proved to be an unreliable judge. The intellectual capital of many new companies fell from billions to next-to-nothing faster than you could say 'new business model.'

The Enron debacle is a reminder that corporate reporting is already in poor shape. Again, the prevailing mood in financial markets favors tighter control rather than imaginative experiment.

Like many of the companies it describes, *Wealth of Knowledge* is packed with facts, figures and examples. The trick is converting them into something of real value.

(Extract of a book review by Simon London, *Financial Times* writer.)

Thomas Stewart claims that intellectual capital is the third 'big idea' of the past 20 years of management theory – the others being total quality management and re-engineering.

Intellectual capital and knowledge management are two arms of the same concept. You need the capital before you can manage it, but owning the capital without effective management is less productive than saving money by stowing it under the mattress; at least you know where to find it later.

Leading edge companies have been quick to understand that ideas are behind all quantum leaps in performance. Jack Welch, whose ‘Work-Out’ system forced his managers to act on ideas coming from the shopfloor, pointed out: "An idea is taking a process that used to require six days to do and getting it done in one day. Everyone can contribute."

Stewart’s exhilarating book shows how Welch’s words can be turned into action and profit. The first part explains how knowledge is made, bought and sole and where the money is. The second offers a practical four-step process for managing the assets, from identifying them to improving their efficiency. The third addresses such important issues as how companies should reorganize to maximize the performance of their knowledge and compensate people accordingly.

As Stewart points out, there is a component of knowledge in everything we use, from the chemical formula of toothpaste to cars.

A richly-researched, readable book that even in the fast-moving field it describes, deserves to become a classic.

(extract of a review by Carol Kennedy, Institute of Directors.)

Director, February 2002. © 2002 Institute of Directors.

Knowledge is America’s most valuable export. According to Thomas Stewart, in the year 2000 it earned the country US$ 37 billion in licensing and royalties compared to US$ 29 billion in aircraft sales. The shift towards the knowledge economy is well known, but a few figures show just how dramatic the transformation has been.

"Knowledge is what we do," says Stewart. "Ideas, knowledge and information have always mattered, but today they define our working life. This is unprecedented."

The Wealth of Knowledge is not in the least imposing. Stewart is a skillful and passionate writer and despite playing a seminal role in the development of the subject, he is not afraid to point out its limitations and shortcomings.

The Wealth of Knowledge is structured in a manner designed to show how good knowledge management can transform the operation of a company. Stewart describes how BP Amoco, in just one year, used shared knowledge to add US$ 260 million to the bottom line with another $400 million in possible savings yet to be booked.

But it’s not just global companies that can benefit. Stewart tells the story of a company that started out as a debt-collection agency – chasing restaurants that owed money to fishermen – before using the knowledge gained to transform itself into an online industry portal. This story is enticing enough to make a book in itself.

Stewart includes an excellent think piece on the shortcomings of accounting for intellectual capital. "Investors have been systematically mislead," he contends, a claim that may have seemed controversial when he thought of including it, but one that has proved to be prophetic for entirely different reasons.

(Excerpt of a book review by Frank Fitzgibbon).

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