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JUNE 26, 2000

Volume 3 • Number 10

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MARK H. FRIEDMAN

Successful knowledge management initiatives rely heavily on a balance between people and technology



Fred Ingram

KNOWLEDGE MANAGEMENT (KM) HAS BECOME the new business management buzzword, but the fact is, it's not all hype. The purpose of this article is to separate the hype from the real value by debunking some of the common mythology surrounding KM and providing some perspective on how to solve knowledge-based problems.

But first, let's establish a context so we know where we've come from ... and where we're going.

How Knowledge Management Evolved

The modern focus on performance improvement began as the total quality management (TQM) movement of the 1960s and '70s — the first broad response to increasingly global competition. The evolution of TQM since that time has seen an increasing emphasis placed on the importance of putting the customer at the center of all improvement strategies while adding product and service differentiation to quality as the determinants of competitive success. This emphasis culminated in the late '80s and early '90s with our decade-long investment in reengineering.

The real breakthrough of reengineering was how it radically changed the way we view and organize work. Reengineering disciples preached the gospel of organizing work to allow for the simultaneous achievement of cost, quality and market-differentiation in ever-shorter response times. While there were many painful, failed experiments from reengineer-

ing — and a mixed bag of positive and negative results — companies learned the importance of focusing on high-value business processes. They learned to use the collaboration of cross-functional teams to propose and implement solutions to business problems. And they learned to empower and mobilize the workforce to drive performance improvement. At the same time, firms built their understanding of technology and embraced the need to use it to get work done and manage organizational change.

What reengineering did *not* do was address the issue of infusing the redesigned work steps and processes with knowledge and insight. This created a sort of *knowledge barrier* that inhibited the firm's ability to perform at an optimum level (see Figure 1, page 70).

The Rise of Knowledge Management

Making knowledge productive is a concept that leaders and managers of many companies are beginning to rediscover. They're relearning the importance of creating an environment wherein workers at all levels — fueled by knowledge to support their decision process — play a major role in helping the company operate profitably. Coming on the heels of a decade of downsizing and eliminating cost, this trend signals a dawning realization that people are once again being placed at the core of value creation in order to help their companies reach peak performance.

FORK IN THE ROAD

What Businesses Are Doing

Today, large and successful organizations across a broad cross-section of industries have made significant commitments to their KM agendas:

- Driven by the massive scale of its customer base, AT&T has positioned itself to reap enormous benefits from relatively modest improvements in customer response
- From 1994 to 1998, Cigna P&C established the knowledge links between claims and underwriting that formed a powerful driver in its economic turnaround
- The technical skills and technology-based decisions developed by upstream oil companies lie at the root of their ability to create future value
- At Merrill Lynch and Hughes, you could argue that decision quality has profound and highly leverageable implications for their businesses
- The U.S. Army has spoken publicly about its KM efforts.

What Practitioners Are Selling

With leading business thinkers extolling the virtues of KM and leading companies making significant investments to harness the results, the demand for KM tools has created a flood of solutions in the marketplace. Each new solution, of course, claims to hold the key that will unlock the pent-up intellectual potential of your organization and convert it into bottom line results.

While there are nearly as many offerings or solutions as there are advocates, most fall into one of two opposing camps, system builders and prophets of learning. (See sidebar, "Fork in the Road".)

The Need for a More Balanced Approach

The truth is, both elements — people and technology — must be balanced to achieve a desirable result. Unfortunately, many companies are not in the position to do that kind of balancing. In its 1996 benchmarking report on KM, the American Productivity and Quality Center (www.apqc.org) found that 70 percent of organizations believe that knowledge can fuel growth, but 85 percent say their ability to manage knowledge is limited.

What created this situation? Our client

THE TWO KNOWLEDGE MANAGEMENT CAMPS

SYSTEM BUILDERS

The systems builders advocate that IT, properly applied, can solve virtually any business problem. This approach involves extensive libraries of information, warehoused in a web of databases and accessed through open systems architecture.

The problem with this approach is that it essentially attempts to "data manage the world." It often treats all information as equally useful and powerful! But, as anyone who has had the experience of searching the Internet on key words and receiving more than 100,000 hits can tell you, these approaches often subject users to endless games of thrashing their way through stacks of data to find what they are seeking.

For many companies, the end result is either a cumbersome system from which it is almost impossible to efficiently extract relevant information, or a very expensive groupware solution that becomes little more than an elaborate email platform.

PROPHETS OF LEARNING

The prophets of learning sing hymns of praise to "building the learning organization" and "creating a culture of innovation." This mindset focuses on the organization of multiple teams and networks charged with solving problems, creating new products and services, or promulgating functional excellence.

This idea is eerily similar in tone to the failed quality circle initiatives of the '60s and '70s. It seems to say, "cast a thousand seeds of innovation and watch for the proverbial poppies to bloom."

More often, the outcome is a broad range of teams with scattered and disjointed objectives, all in competition for scarce resources and with little focus on the strategic goals of the business. The very randomness of the activity ensures underperformance and a taxingly slow evolution of the culture — if it occurs at all.

work has shown four categories of forces influencing a firm's ability to manage knowledge to drive performance:

- **Downsizing** — The extended period of investment in delayering and downsizing removed significant staff resources from the organization. Beyond the attrition of some expertise, these actions also severed the conductive fiber for information and knowledge — the interconnected staff groups — which, while often inefficient, were frequently the only means to conduct knowledge across the enterprise.

- **Functional/Business Unit Fragmentation** — In an effort to adopt more empowering structures, many organizations set up business units to compete on an independent basis. An unfortunate byproduct of these efforts has been an increasing sense of isolation. This trend, coupled with the complexity of the collaborative alliances that have arisen in many industries, has increased the difficulty of managing functional

excellence and best practices in large companies.

- **Globalization** — Globalization has not only brought the strain of increased diffusion of resources but also the added complexity of operating in uniquely different business and cultural environments. This diffusion often conflicts with the need for consistency and functional excellence and inhibits the ability to respond rapidly with technology. In fact, by most measures, attempts to close the knowledge gap with information technology alone have largely been failures.

- **Technology** — IT advancements have exponentially increased the capability to acquire, store, and transmit unprecedented amounts of information at dramatically lower costs and have far outpaced the ability to manage and use it. The irony is that, as the barriers to acquiring information go down, the value of true knowledge and insight goes way up ... because it is only in its effective and

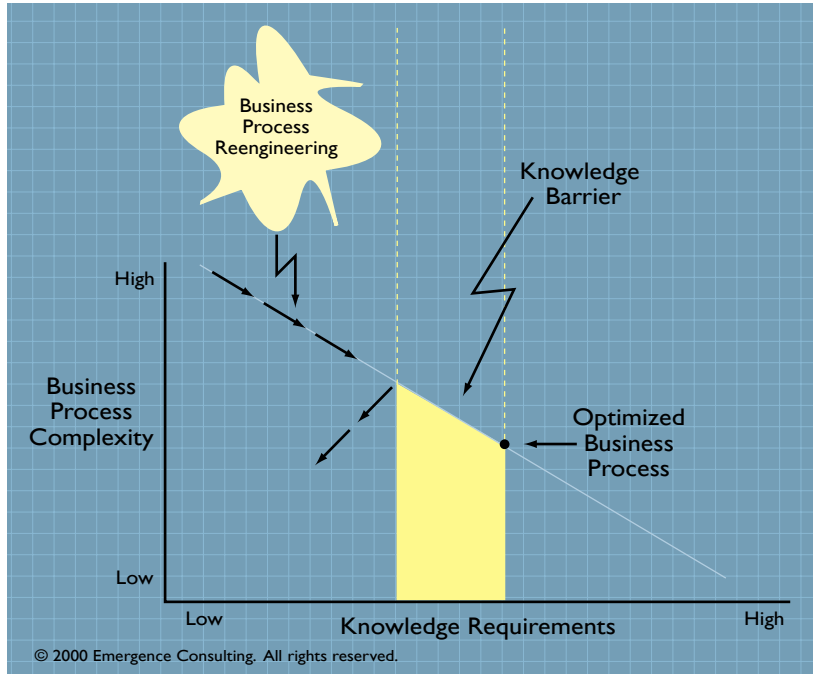


FIGURE 1 The knowledge barrier.

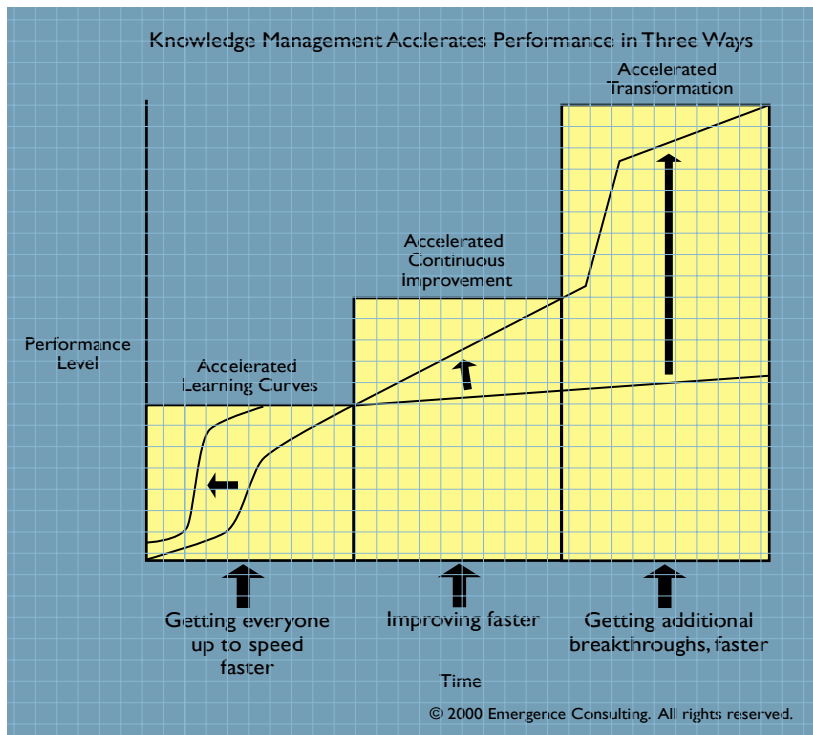


FIGURE 2 Knowledge management and performance.

practical application that information becomes powerful and relevant.

On the Positive Side

One gratifying result of all these efforts, however, is a renaissance in thinking

about the role of human assets. Many companies have begun to see, once again, that people do play a powerful and differentiating role in helping the business create significant value. This attitude is a positive step forward for managerial

thinking and a major driver behind the KM movement.

Each of these advances set the stage for the next logical step in our evolution — the realm of enabling the *individual* performer in the age of knowledge management.

Where Do We Go From Here?

Let's start with a definition. Defining KM could be the topic for a complete article in and of itself, but to quickly define KM from the philosophical perspective of a firm, we'll say:

Knowledge management is the ability to create and transfer as much of the right knowledge as possible to support as many people as possible in the best method possible in order to have a positive impact on the business. It's about bringing the full weight of the company's knowledge base (hardware, software, and people) to bear, in a relevant and useful manner, upon the requirements of the user; thus enabling the individual and the organization to learn and adapt.

This definition can and will vary as organizations customize their understanding of KM and fit it to their individual needs. The challenge for each organization comes in ensuring that each division or group understands the term from the perspective of what its individual KM effort is designed to accomplish.

Objectives

Ideally, KM objectives should be defined in terms of business impact, not technology or human resource strategy. Any KM effort should be anchored in some combination of the following (see Figure 2):

- **Accelerating the learning curve** — Getting individuals up to speed faster. An initiative with this focus should be able to identify how the learning curve impacts the value of the business.
- **Improving faster** — Increasing the rate with which the firm gets better in a given area. Again, the firm should be able to define how a knowledge-based approach will impact the rate of improvement and the value of this change.
- **Accelerated transformation** — Accelerating the pace of innovation in the firm. This level of impact is more difficult to qualify but the benefit of doing so will help set proper expectations once the effort has begun.

Challenges

Individual companies face common challenges arising from their unique knowledge barrier. These challenges include:

- Inability to tap expertise globally to solve customer problems locally
- Slow response to changing customer demands — the inability to quickly develop and launch new products and services
- Extreme variations in the performance of like groups
- Repeated ad hoc problem-solving — reinventing the wheel
- Internal competition and non-collaborative behavior
- Poorly defined roles for managing functional excellence
- Inconsistent methods and approaches to similar tasks
- Disincentives to sharing knowledge.

When you consider the barriers each organization faces, it becomes readily apparent that these really aren't KM problems, per se, they're actually performance problems. This is an important distinction because there may be a tendency to rush in to solve the KM problem without understanding that it's a performance issue.

KM is a means — one of many means — to achieve business performance ends. Its intent is to hone in on performance issues that may be addressed through a systematic application of KM principles. To do this, you must ask:

- What are the roadblocks to effective performance that are keeping us from achieving our desired level of performance?
- Which of these roadblocks could be eliminated if we applied our relevant levels of knowledge and expertise more effectively?

These questions present fairly straightforward logic that diagnoses business performance in order to discover where and how knowledge can be applied to achieve the greatest performance.

There are, in fact, areas of knowledge that have disproportionate value based on a firm's position in the market and its particular strategy for doing business. (See Figure 3.) Sorting out ends and means is the tricky part. To do it correctly requires not just decomposing performance but, in a generic sense, identifying the most important drivers of performance — and doing this in such a way that it reflects the firm's unique strategy, competencies, and capabilities needed to win in the marketplace.

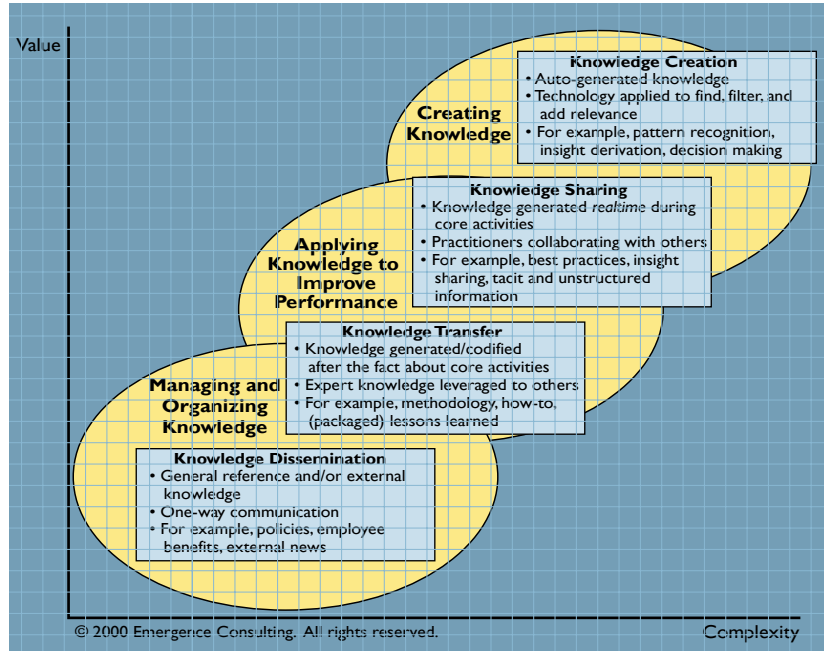


FIGURE 3 Increasing KM complexity adds value.

Knowledge Management is the practice of identifying, capturing, evaluating, systematizing, and applying information and insights for the purpose of driving strategic business performance.

Operational Excellence	Emerging Growth	New Business Generation
<p>“Doing the same things better through best practices management”</p> <ul style="list-style-type: none"> • Restoration of functional know-how • Continuous improvement of individual and process capabilities • Increased spans of control • Improved efficiencies (internal and supply chain) • Improved quality • Improved customer service • Improved sales and marketing effectiveness • Reduced cycle times • Improved responsiveness • Increased flexibility 	<p>“Doing better things through best practices and insight management”</p> <ul style="list-style-type: none"> • Continuous know-how growth • Continuous capabilities evolution • Setting new performance standards • Virtual, networked organization • Growth in existing market segments • Targeting of new segments (insight-driven augmentation and evolution of existing value propositions) • Growth through supply chain partnering • Growth through successful M&A management • Higher leverage R&D and PDI 	<p>“Doing entirely new things through insight management and strategic experimentation”</p> <ul style="list-style-type: none"> • Dynamic strategy development • Growth by capitalizing on emerging drivers of change • Entrepreneurial spirit and know-how • “Owning” customer relationships • Virtual, networked supply chain • Shared strategies with supply chain partners • “Shared destiny” supply chain relationships • Inventing new value propositions • Setting new performance standards • M&A management a core competency

TABLE 1 How knowledge management affects growth.

Creating Value by Managing Knowledge

KM efforts will vary in complexity depending on the firm's explicit business strategy and the knowledge requirements that strategy implies, given its current state and the exploitable assets it has or can acquire. Each firm must calibrate its effort with these conditions in mind.

As you begin to move along the KM

path, it's important to recognize and remember that it's possible to overwhelm your organization with the sheer magnitude of what you are trying to accomplish. Setting appropriate expectations for your KM effort and communicating these expectations clearly will go a long way toward making your efforts successful.

Recognize, as well, that there are many

Barrier Bashing

different objectives that can be set in launching a KM effort. The continuum runs from setting objectives for operational excellence all the way to the development of a new business or even new industries. (See Table 1, page 71).

In any of these designs, the truths of our methodological approach (see sidebar 2 online at IntelligentKM.com) apply at least insofar as growing and leveraging capabilities are central to the achievement of the company's objectives.

A Good Place to Start

Start by establishing the strategic context of your business, remembering that the only knowledge worth managing is that which drives business performance. Define precisely what your strategic business objectives are and what performance-based capabilities are necessary to drive the desired level of performance.

Don't try to "boil the ocean" — take a focused, targeted approach in a high-impact area.

Because knowledge is rooted in human experience and social context, man-

aging it well means paying attention to people, culture, and organizational structure, as well as the technology that's essential for knowledge sharing and use in large organizations. Keep in mind that KM is not about technology — it is about managing know-how at the intersection of strategy, organization, process, and technology. *Technology is simply an enabler.*

Remember, knowledge is an organizational asset that must be systematically valued, nourished, shared, and used. Ideally, your KM effort should help you reduce your business risk. If it's complicating your business, it's increasing your risk. Successful knowledge management may require fundamental and lasting changes in the way your organization operates internally and how you do business with your customers and partners. These changes are both the goals of KM and part of what make it difficult.

The Next Step

Is KM the next wave — the key to competitive differentiation in the coming

years? If the focus from leading business thinkers of our time, and the frequency with which the topic is noted in the press is an indication, then KM is a leading contender as the next logical step in corporate evolution. It may well also be a central element to achieving the next level of improvement in business performance and business growth. The emphasis here is on the word element. The *right* way to think about KM is as a thought process and a discipline, not as some new, gee-whiz, silver bullet solution to our very complex business issues. ❖

Refer to IntelligentKM.com for related content on KM vocabulary, methodologies, and a case study on using KM to increase sales force effectiveness.

Mark Friedman
(MFriedman@RealTimeStrategy.com)
is the President of Real Time Strategy, LLC, a general management consultancy. Friedman specializes in business transformation projects for Fortune 500 and international companies.