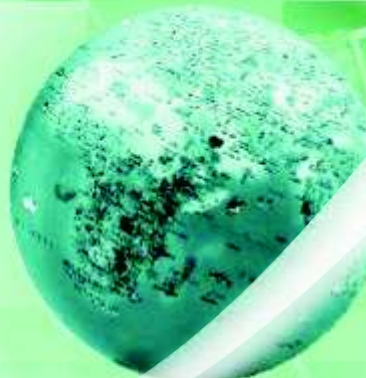


Consulting Ahead...

THE JOURNAL OF CONSULTANCY DEVELOPMENT CENTRE

Volume - 2 ● Issue - 2

2008
2007
2006
2005
2004



July - 2008



CONSULTANCY DEVELOPMENT CENTRE

Framework for Implementing Knowledge Management

The economies of nations and companies are thriving on innovation and knowledge management; the objective being survival, growth and strategy execution. The article explores various changes (cultural, organizational, process, people and technological) required to enable a knowledge sharing and learning organization that continuously comes up with new products, processes and systems.

The key aspects covered in the article are:

Identifying the Knowledge required : *The strategic roles that deliver on the strategy are identified and key knowledge areas for each of these roles are finalized. The organisation's knowledge readiness is determined through a knowledge assessment exercise.*

Creating a Culture of Learning and sharing: *It is important to create a learning culture to ensure that employees gain and create new knowledge for the firm. It is part of employees' key performance indicators to learn and share knowledge.*

Processes and Technologies to support Knowledge Management: *A KM process is defined using techniques such as Communities of Practice, Tacit knowledge externalization and Learning styles definition. Key technologies such as portals, eLearning and Business intelligence systems are also identified.*

Assigning Responsibilities: *The article recommends establishing a Chief Knowledge Officer (CKO) as the owner of the entire Knowledge Management process, who will act as the driving force.*



Minoo Dastur



Ravi Teja

Knowledge Management will and should answer the following questions :

- 1) Why manage knowledge?
- 2) How does it positively affect our Business Performance?
- 3) How do we know What Knowledge is required?
- 4) How do we create a culture of Learning?
- 5) How do we ensure that employees do Share Knowledge?
- 6) What Processes can we provide to enable KM?
- 7) What Technologies can we provide to enable KM?
- 8) Who is Responsible for KM?

Why Manage KNOWLEDGE? – To Continuously Create VALUE

Value creation in the present era needs to be understood from the perspective of a knowledge economy. Continents, nations, industries, companies, institutes, groups and human beings are global entities for which value needs to be created. As per the Living Systems Theory, the primary purpose and goal of these entities is to “SURVIVE” and “GROW”. And to achieve this goal, they need to have the capability to adapt themselves to the changing needs of the environment. They need to interact with the environment, take feedback from it and continuously learn, innovate and adapt themselves. In short, they need to be sensitive to the environment. The environment consists of people

(citizens, customers, suppliers/vendors, employees, competitors, investors, etc.), nature (forests, water, air, land, animals, etc.) and much more.

Value in the agricultural economy was about land, resources and labour. Individuals were the key focus area and they could produce value almost single-handedly. In the industrial economy, the assets were focused towards money and machines and the concept of workgroups was introduced. But in today's knowledge economy, the assets that create value are the intangibles such as experience, intuition, idea generation, innovation, collaboration and capability enhancement. Value creation happens through networks, boundary less entities, and through high levels of collaboration and sharing between these entities. In fact, the share of value generated by intangibles in today's economy is a staggering 85% vis-à-vis the share of tangibles that is only 15%. This is the reason why all great companies worldwide have their market value far greater than their book value. Global statistics say that the rate of return on intangibles is 10.7% and in comparison the rate of return on tangibles is 7% and that of financials is 4.5%.

Peter F Drucker in "Managing for Results" said, "Tangible resources, money or physical equipment, do not confer any distinction. What does make a business distinct and what is its peculiar resource is its ability to use knowledge of all kinds – from scientific and technical knowledge to social, economic, and managerial knowledge. It is only in respect to knowledge that a business can be distinct, can therefore produce something that has a value in the market place."

The knowledge economy has provided the under-developed nations, developing nations, under-performing industries and companies to leapfrog and take advantage of new knowledge through boundary-less collaboration and sharing. Charles Darwin said, "It is not the strongest of the species that survives, nor the most intelligent, it is the one that is most adaptable to change." India is a good example that is taking advantage of the knowledge

economy and has also shown the willingness to learn, innovate, adapt and change. Darwin's theory throws open a number of challenges for these entities. Nations, companies, human beings and others have to continuously experiment and innovate to come up with a number of alternative ways of achieving their respective goals. One of the fittest of these ideas would succeed out of the many that were experimented and that FITTEST and SUCCESSFUL idea would ensure that the company succeeds and creates value and survives and grows. So, a culture of continuous and purposeful innovation is extremely critical and Peter Drucker has seconded this theory. Innovation and improvements should not be by accident but by choice and design.

To summarize, the changing needs of the environment around us has necessitated a need to learn, share and collaborate with each other. Customers' needs change, they have newer desires and even higher aspirations. Most times, they are unable to express their desires and aspirations in words. A traditional customer satisfaction survey will never reveal the desires and aspirations of the customers. Based on their present needs, the customers would consider themselves extremely satisfied with their present vendors and service providers; but as soon as competition comes up with newer products and newer services that cater to their enhanced needs and desires, they would not blink an eye to switch to a new vendor.

Similarly, investors have changing needs depending upon the phase in which the company is at a particular point in time. In the initial and start-up phase of the company, they are happy to have funded a perceivably good business proposition; they would then expect it to be stable, and then grow and fund itself. They would expect higher returns over a period of time. Some investors have a long-term interest in their companies and some want to make a quick buck and quit (a la the investors and shareholders on the stock exchange). Worldwide statistics prove that the investors churn at the biggest rate in any industry.

Employee needs also change over a period of time. In the knowledge economy, no longer they are content with doing the tasks that result in the successful running of the company; they would also like to be involved in strategy formulation and execution with high levels of empowerment. They would expect their employer to utilize their brains and intellectual ability rather than just their hands. Organisations need to keep track of the changing needs of their employees so that they are able to retain their best talent and ensure that their employee goals would eventually lead to the organisation goals.

Suppliers today don't just want to be seen as vendors providing raw material, but would like to be seen as critical entities that create value in the whole value chain. Eli Goldratt, a famous management consultant says, "No one in the value chain has sold until the final consumer has bought the finished good in the market place". Suppliers would like to see themselves as partners or an extended company since their success depends not just on their sale to their customer; but also their customer's sale to the final consumer. In today's economy, the competition is not between companies, but is between "Networks". A Network is a group of companies that are part of the value chain. The most successful example of a network is the "Chaebol" in South Korea. Thus, tracking the changing needs of the suppliers is critical to a company's success.

Tracking competition is critical too. Competition would have learnt faster about the changing needs of the environment around them. They say, "Better late than never". To quickly copy what competition does also is a great skill to possess and keeps the company always in line with the latest that is happening in its own industry. Benchmarking one's products, services, processes and your policies with other companies in or outside of one's industry will help since success is always a relative term.

How does "Knowledge Management" positively affect our Business Performance?

Survival and growth of the entities means sustainable development and performance of these

entities that could only be achieved through continuous value creation (see Figure 1). Leveraging and implementing "best practices" leading to continuous improvement would lead to value creation. Unfortunately, continuous improvement can't happen without "innovation" in all areas. Innovation demands a strong urge for learning, knowledge exploitation, knowledge creation and knowledge acquisition. Learning requires content (both structured and un-structured content) that could be delivered through books, face-to-face contacts, interactions, IT applications (such as the Internet); and it also requires the right intent to share and collaborate. All these happen in the context of the business purpose of each of the entities.

The business purpose is extremely critical for each entity and needs to be communicated to each stakeholder in the entity. In the case of some sample

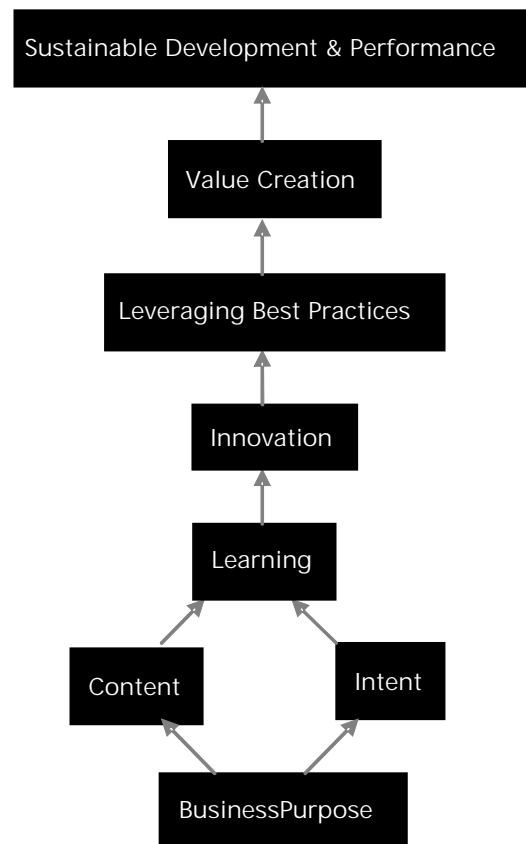


Figure 1

nation (country), the business purpose could be “To be a fast growing economy in the world by exploiting its natural resources, strengths and competencies”. Any learning, sharing and knowledge creation has to happen within the context of the above business purpose for this sample nation. This theory is similar to Porter’s theory of Competitive Advantage of Nations. In the case of companies, it is similar to the theory of “Core competencies” by C K Prahalad where he talks about creating value in a company by taking advantage of its core competencies and continuously building on its core competencies so that it is difficult for competitors to imitate.

To summarize, learning in any organisation would lead to improvement in business processes that creates new products and services and that sell to and serve the customers. The process improvement would lead to customer acquisition, retention,

satisfaction and loyalty ultimately leading to financial revenue, growth, productivity and profitability.

How do we know what knowledge is required? – What content is critical for the organisation?

Adopted from “Strategy Maps” – by Robert Kaplan and David Norton⁴

The knowledge that is required by an organisation depends upon the strategy and the focus of the organisation at any point of time.

An organisation can have a Financial strategy that is focused either on Growth or Productivity or both. The Growth strategy would lead to increase in market share and expansion or customers. The Productivity strategy would lead to decrease in costs, better utilization of organisation assets and lower cost to serve the customers.

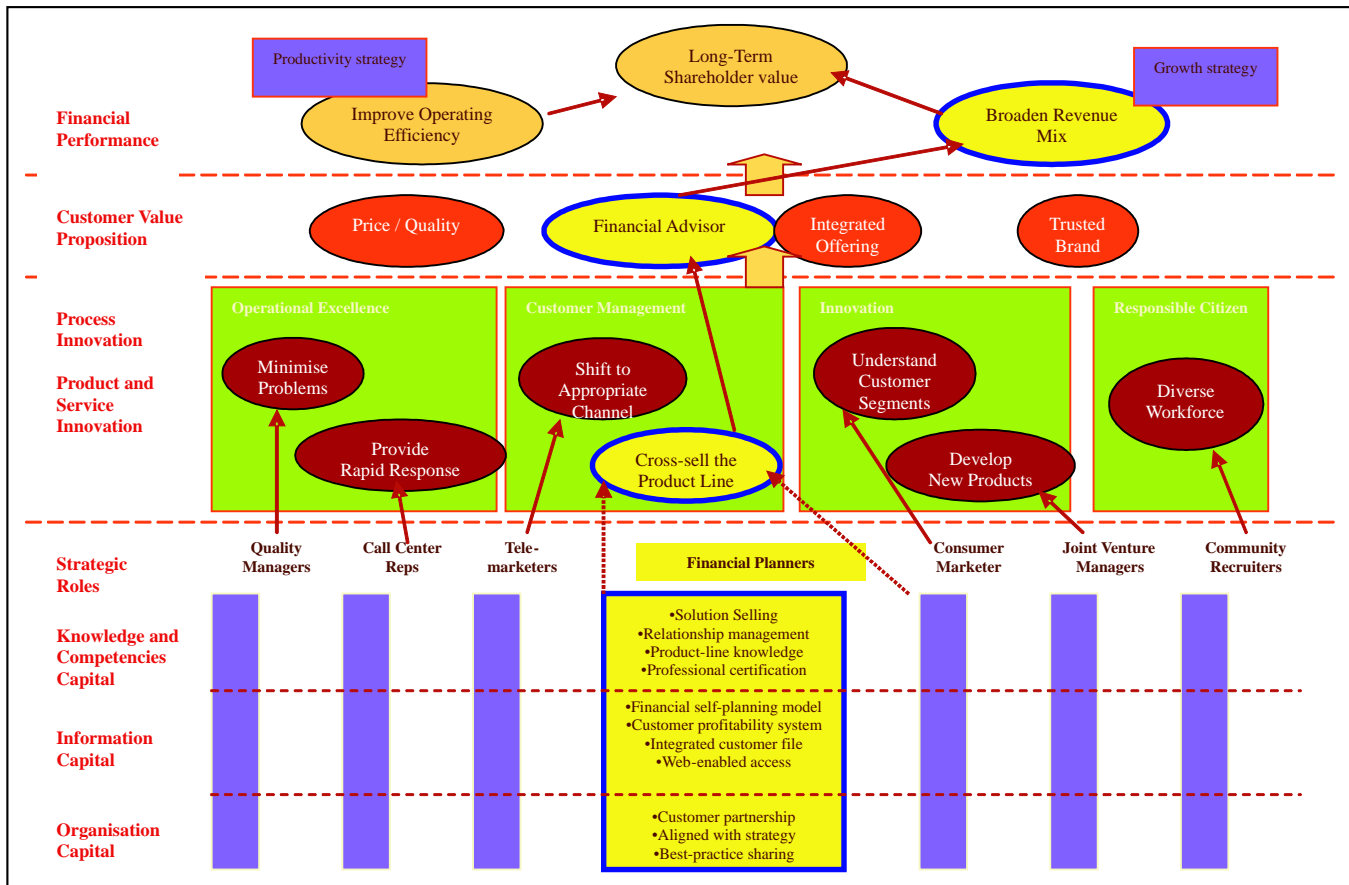


Figure 2

Depending upon the financial strategy chosen, the customer value proposition could be either based on Price, Quality, Functionality, Service, Accessibility, Brand, Customer relationship or Delivery. The company could choose to be the Lowest cost producer, or Solution seller (one-stop shop for all products) or Innovator (the first in the market in the chosen areas) or a Stable platform provider with a lock-in strategy.

Depending on the customer value proposition chosen, the critical business processes of the organisation have to be optimized and improved. These processes could be categorized as Operational Efficiency, Customer intimacy, Innovation / R&D and Regulatory. The key process focus areas will deliver on the customer value proposition of the organisation leading to financial growth.

For each of the process objectives, the strategic job families need to be identified to deliver optimally on the processes. Key competencies, values and knowledge that are required by these jobs have to be assessed and the gaps need to be bridged by creating a culture of Learning, Knowledge sharing and Collaboration. Strategic IT portfolio that would help in automating the critical business processes are also prioritized and delivered. Thus, a clear agenda on what knowledge, competencies, values and IT systems need to be acquired is finalized to deliver on the business strategy.

How do we create a culture of Learning? – The Intent to Learn

Learning happens in communities. Competencies such as team-work and collaboration are very important. The intent to learn in organisations cannot be institutionalized without a culture of collaboration. Ontology has an answer to this problem. Ontology is a science of “Being” and “Existence”. In the context of an organisation, it defines what it wants to be in its Vision and Mission statements. If communicated well, these statements would automatically define what each employee should be. E.g. The mission of the company is “To

be the most customer-centric and innovative company in its chosen areas of business and markets”. Thus, each employee can re-define himself/herself as “Customer centricity” and “Innovation”. People should be able to see both these values in each and every employee and their respective actions. Like they say, “There is a difference between ‘Saying Customer-centric and Being Customer-centric’”. In layman terms, it is the difference between “Saying sorry and Being sorry”. Being dictates Doing in individuals.

Employees as human beings can redefine themselves in organisations. The question that needs to be asked is whether an employee is being an individual, or being a group or being an organisation. Let's take an example. If the objective is “To be on time for a particular meeting”, then let's take the following scenarios:

If one is being an Individual, then it is okay for him to be on time. He has fulfilled the objective completely. If one is being a group, then it is not okay for him to be on time, but the whole group needs to be on time. The actions that would be triggered by being a group are that all individuals will collaborate and ensure that each and everyone is on time. By being a group, it is ensured that everyone is on time and not just a few people.

The intent to learn can happen only when each individual is being a group and not just being an individual. Creating such Intent is a MUST for learning and sharing.

How do we ensure that employees do share knowledge?

“What gets measured gets done”. Learning and sharing need to be part of the Scorecards and KPIs of each employee. Employees will no longer be measured just on financial and customer objectives. They will also be measured on their contribution to process improvement and their contribution to organizational knowledge creation and competency enhancement. Thus, a typical scorecard of a salesman in any organisation would include the

following:

- ⌘ **Financial** objective – To increase revenue in a particular geography
- ⌘ **Customer** objective – To ensure 100% customer satisfaction
- ⌘ **Process** objective – To improve the sales process by increasing the hit rate on proposals
- ⌘ **Learning** objective – To improve communication and presentation skills, to increase collaboration with the pre-sales team and to contribute new ideas for market expansion

The above scorecard ensures that the salesman is not just measured on financial objective that give an indication of past performance since they are lag indicators. The salesman is also measured on customer satisfaction; proposal hit rate improvement; and competency development, knowledge sharing and innovation. The Learning objectives are the lead indicators and give you a view of future performance.

Similar scorecards can be created at the Corporate and Functional levels in the organisation with balanced objectives and measures at all levels.

To encourage collaboration and team performance, the performance management model needs to be revamped and should include weightages to corporate, group and individual performance. The overall performance of an individual can be calculated as follows:

- ⌘ Corporate performance – 50% weightage
- ⌘ Division performance – 30% weightage
- ⌘ Individual performance – 20% weightage

The above would ensure that collaboration and teamwork are encouraged and rewarded.

What processes can we provide to enable KM?

Processes and methodologies that would enable knowledge management should be in place. The five points above ensure that the right metrics, intent and

content is in place for employees to collaborate. To ensure continuous creation of new knowledge and exploitation of existing knowledge, there is a need to introduce new processes and methodologies that would enable knowledge management. Processes should be in place for the following scenarios:

- ⌘ Experience gained on practices while performing day-to-day operations and tasks
- ⌘ Experience gained on practices while performing on projects
- ⌘ Experience gained while interacting with customers
- ⌘ Lessons learnt on successes and failures
- ⌘ New ideas on products, services, best practices, customer needs, competition, and market analysis through structured informal communities known as “Communities of Practice”
- ⌘ Tacit knowledge externalization using techniques such as Role playing, Critiquing, Story telling, etc. This process ensures that knowledge shared is both explicit and tacit.

What technologies can we provide to enable KM?

Enterprises today use the motto of ancient Olympians. They want to be FASTER, as they strive for real-time capabilities that remove latency from processes in support of more-connected business models, which demand accurate and timely information. They demand HIGHER return on investment and earnings per share via cost cutting, modified business models and a renewed focus on core competencies. They show BRAVERY in the form of collaboration, customer and supplier portals, marketplaces and fundamentally more-open business models and application architectures. The impact of the above is to apply substantial changes to IT products to serve virtual and real-time enterprises.

Verna Allee, a well-known Knowledge Management guru in the USA, said, “The really big return on

knowledge-based IT products is building capability for the future. That requires different measures for ROI.” Capabilities are the precursors to sustainable performance. Capabilities represent the link between strategies and performance. Capabilities that generate other capabilities are Collaborating and Learning. Thus, IT products of today need to support both collaboration and learning that would lead to knowledge exploitation and knowledge creation which in turn would lead to creation and leverage of best practices. The IT products need to specifically cater to the following:

- ⌘ Accelerate the generation of capabilities. Shape a “boundary-less” culture for greater synergy
- ⌘ Connect people into a network for greater speed. Promote innovation through collaboration and problem-solving situated in work
- ⌘ Prevent knowledge loss from the organization through exchange of cross-generational expertise

The key functionality and features of these IT products are Collaboration, Learning, Knowledge creation and exploitation, Discussion, Real-time messaging, Structured and non-structured knowledge, Document management, Analytics, and Integration to transaction applications. Some of the key IT products that have contributed to a country's success are the Internet, Government portals, Kiosks, Electronic commerce, eGovernance, and Citizen self-service. Some of the key IT products that have contributed to an organization's success are Enterprise business applications, Enterprise integration, Workflow and Process automation, Electronic commerce, eLearning, Intranet/extranet/groupware, Document management and Imaging, Customer relationship management, Supply chain management, Analytics and Business intelligence, Customer self-service, and Contact centres.

Thus, IT products in the knowledge age support collaboration and analytics. They have triggered convergence of computers, communication and

content; in comparison, IT products in the industrial age were restricted to automation of transactions.

IT products serve purposes at three main levels; namely operational, tactical and strategic. The IT products at an operational level help in codifying routine information to connect knowledge to people that need it. At an operational level, all the products that have been mentioned above are relevant. The IT products at a tactical level would support creation, usage and application of knowledge by connecting people to share good ideas. They would support Communities of practice, Story telling, Collaborative tools, Virtual team tools, After action reviews and project histories, Group processes and knowledge maps, and Sharing best practices. The IT products at a strategic level create value by leveraging knowledge in the business model and in relationships. They would support Intangibles scorecards, Value networks, Business modelling, Scenario building, Dialogue and planning tools, and Systems mapping.

Who should be responsible for KM?

Financial measures are the responsibility of the Chief Financial Officer

Customer measures are the responsibility of the Chief Marketing Officer

Process measures are the responsibility of the Chief Quality Officer

People measures are the responsibility of the Chief HR Officer

IT measures are the responsibility of the Chief Technology Officer / Chief Information Officer

Learning measures are the responsibility of the **Chief Knowledge Officer**

- ⌘ He is responsible for the growth of the Intellectual capital of the organisation
- ⌘ He is also responsible for the growth of the Innovation capital of the organisation

Imagine the following scenario:

The star performer of the company quits. CHO is responsible for employee retention and would be measured on it. But more important is the retention of the knowledge of this star employee, which is the responsibility of the CKO.

Summary

Managing knowledge is key in any organisation (be it a nation, industry, company, group or human being). KM is not about implementation of IT systems and technologies. It has a lot to do with people attitudes, KM processes and techniques, a change in culture to enable collaboration and transformation. The above would then ensure that true transformation happens in the organisation.

“Transformation” is not the same as “Change”. Someone said, “The more you try to change a person, the more he will resist”. For any organisation to successfully achieve transformation

to realize the above objectives, a shift in mind-set needs to happen at the leadership level, corporate level and most importantly at the level of each individual. This process is painful, time taking, difficult but not impossible. The trick is not in enforcing it on its people (since it would face with resistance); but the key is in “enrolling” and “involving” the organization in the whole process.

We believe that if all the above 8 points were taken care in an integrated manner, the possibility of successfully managing such a knowledge-enabled transformation in an organisation would be smoother and effective. Empowerment, Change in mindset, Professionalism, Continuous improvement and Excellence in all areas will become part of the organisation's DNA. Extra-ordinary results in this organisation would then be an obvious outcome and it could become a case study in itself for others to follow.

References

1. Miller, James Crier, 1978 , “*Living systems*”, McGraw Hill (New York)
2. Drucker, Peter F, 1964, “*Managing For Results*”, Collins
3. Prahalad, C K and Hamel, Gary 1996, “*Competing for the Future*”, Harvard Business School Press
4. Kaplan, Robert and Norton, David, 2003 “*Strategy Maps*” , Harvard Business Scholl Press

About the authors:

Minoo Dastur is Exec VP & COO, Nihilent and Ravi Teja is Associate VP & Practice Head - Enterprise Transformation Group, Nihilent

Nihilent is an ISO 9001:2000 and SEI CMMI® Level 5 certified global consulting and solutions integration company. Nihilent's Enterprise Transformation Practice partners with clients in successfully translating business strategies into definitive business results by enabling a culture of learning, innovation, collaboration, and performance. The practice is based on its patented change management framework, MC³ and is supported by proprietary tools and technologies. Key offerings include Strategy Execution using Balanced Scorecard and Dashboards, Capability Assessment and Development, Performance Management, Knowledge Management, Innovation Management and Customer Experience Management.