



# The survival of the smartest

**Harry Clark, managing director of management consultancy firm SI Associates, describes how to successfully position and apply KM within an organisation.**

**W**e live in an era of unparalleled opportunity. The global success of an enterprise is less a function of its scale than of its ability to leverage and deploy the capability and competence of its employees. Such leverage will be enabled through the application of existing and future technologies. When undistinguished organisations routinely declare 'people' their most important asset, it should be no surprise that the best organisations strive to maximise capability through releasing the full talents of their human resource. The key component of this capability is how knowledge is identified, applied and managed. The purest expressions of success in managing knowledge are customer proximity and responsiveness, innovation and profitability. Organisations exhibiting these characteristics will be the exemplars of tomorrow. Today, many of them do not exist – in five years time they will be MBA case studies.

Our research indicates awareness that the management of knowledge within and across organisations will be the key competitive issue over the next few years. Most organisations believe themselves

to be currently under-equipped to meet this challenge.

#### **Why is KM important to commercial success?**

'Globalisation' is changing the business world. It's affecting the way we do business, from daily tasks to long-term strategy. One feature of globalisation is networked computing and the growth of e-commerce. As a result, established business logic is being disrupted:

- market segmentation is being displaced by the absolute centrality of each customer relationship
- timescales are compressing, customers demand near real-time responsiveness
- people are becoming knowledge workers, expected to know more, learn more quickly and cope with ever more frequent change
- employees are more mobile and challenging to manage, but fundamentally important to success.

For workers, the ability to manipulate increasingly sophisticated technologies will not be a career differentiator, it will be a given.

Not only do we need to face this

increasingly dynamic and changing business environment. We must embrace it with a strategic response.

The key to this strategy is the effective management of knowledge within an organisation. While the benefits of effective KM are generally accepted, the means to achieving these benefits are not so clear.

#### **Then how do we achieve successful KM?**

Our research and experience provides us with a practical implementation programme. This is how we are thinking goes.

Successful KM is visible in four strategic areas:

- Efficiency
- Responsiveness
- Competency
- Innovation

Over time within the marketplace, efficiency moves remorselessly towards being a given for every organisation. Customers are looking for transparency with their supplier partners. This will have the effect of driving out all non-value add activity. Traditionally configured 'customer-supplier partnerships' will die

a natural death. They will be replaced by the increasingly information-transparent organic web of relationships between organisations (individuals; teams; functions) and their customers and suppliers represented by Extended Enterprise Management. With efficiency a given, organisations will only be able to differentiate themselves sustainably along the strategic dimensions of Responsiveness, Competency and Innovation.

This premise is not new. Star performers of the last twenty-five years (e.g. Microsoft, Compaq, Adobe, FedEx, Sun, Cisco, and Intel) clearly understood this. In their early growth phases the strategic differentiators were implicit and the knowledge associated with them tacit. Sustained growth, however, requires that the tacit knowledge associated with these strategic differentiators be captured, systemised and made explicit (and therefore available in the right place, at the right time and in the right form) to inform routine operational as well as strategic decision-making and so prevent erosion of the company's distinctiveness and limit its potential for failure. If this

change process is not managed successfully then organisations will see their competitive positions seriously challenged. Databases will be full of information – they always are. This might even comfort managers. But knowledge of what this information means and of how it should best be applied is something else altogether. The recent sales and operations planning problems (demand and supply getting out of balance) that have beset Cisco Systems and savaged their stock price bear this out.

Closer inspection of other organisations (Digital, Wang, W.L.Gore, Motorola) reveal that they began to encounter difficulties when their ability to leverage differentiation was eroded in the strategic performance areas of Responsiveness, Competency and Innovation. When required to compete more vigorously on Efficiencies (price competition, cost focus etc.) they often found the transition difficult.

Failure to manage sustainably the identified differentiators meant that competitors – entrants into increasingly mature markets – were more aligned with the sorts of values associated with successfully implementing low-cost

producer strategies. Their organisational competencies reflected the imperatives of cost-leadership. Competency was therefore the source of their distinctiveness. In this scenario the vulnerability of organisations (to lower cost labour markets; to currency fluctuations etc) is significantly increased.

The maintenance of the key knowledge processes that drive sustained differentiation is central to success. We must, therefore:

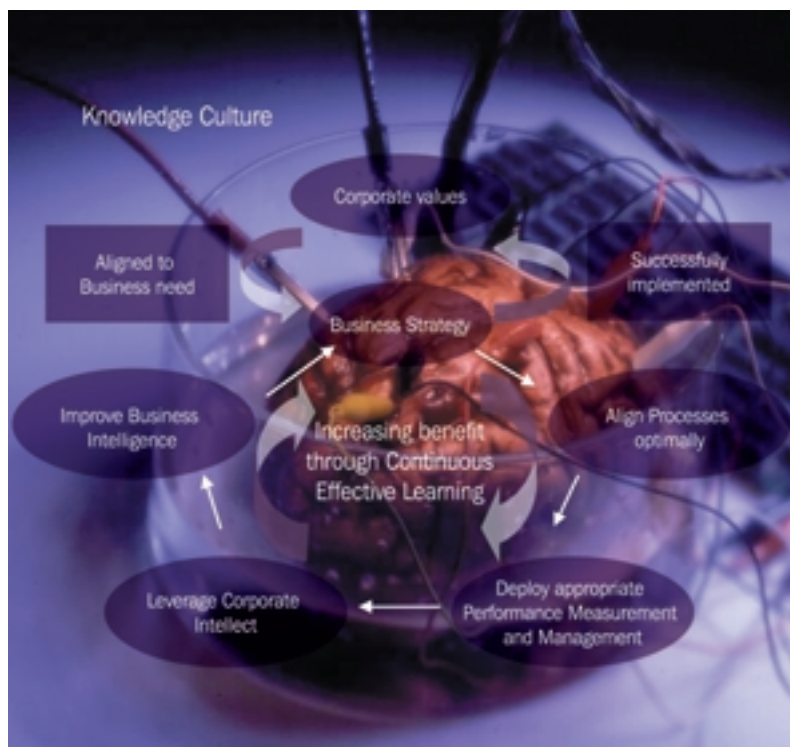
1. satisfy routinely the unique needs, not of markets, but of customers (total focus and responsiveness)
2. harness the creativity of our people and apply it appropriately (the very definition of innovation)
3. truly understand our business processes, their operation and inter-relationships, and the competencies necessary for their sustained performance

In short, we must nourish the right values. We must encourage the right behaviours. All of this must be focused explicitly on strategic business direction. KM is all about leveraging the Corporate Intellect (Expertise and Information) in pursuit of excellence in the strategic differentiators. The best organisations will genuinely empower their people to achieve extraordinary performance. Their organisational cultures will foster the effective development and application of knowledge. They will develop a Knowledge Culture. (fig 1)

The diagram below shows the virtuous cycle of improvement associated with the effective application of knowledge within organisations. Knowledge culture is the soul of exemplar organisations. Every organisation has the potential to develop and realise the benefits of this culture. Whilst the constant emergence of such organisations is a threat, it is also a wonderful opportunity – if the organisation is brave enough to look in the mirror and bright enough to recognise what it sees.

Knowledge strategies therefore form part of an integrated approach to the overall competitive strategy of the business. The knowledge strategy will form part of an organic whole that is also comprised of – for example – sales and marketing strategies, manufacturing strategies, innovation strategies and people strategies. Fundamentally a linkage is developed between the Goals, Objectives and Action Plans of the organisation and the

## The purest expressions of success in managing knowledge are customer proximity and responsiveness, innovation and profitability



◀ Strategic Performance Areas of Efficiency, Responsiveness, Competency and Innovation – the areas where effective knowledge management has most tangible impact.

The relationship between the values of an organisation and its competitive strategies should be symbiotic:

- Values express what the organisation really cares about - let there be no ambiguity here; if a value is the 'absolute abhorrence of any waste' or 'competitiveness and the will-to-win' (National Australia Bank) then this is far more legitimate in its expression than the standard adoption of 'trust and respect for individuals'
- Competitive strategies express what the organisation needs to be about if it is to realise its full potential.

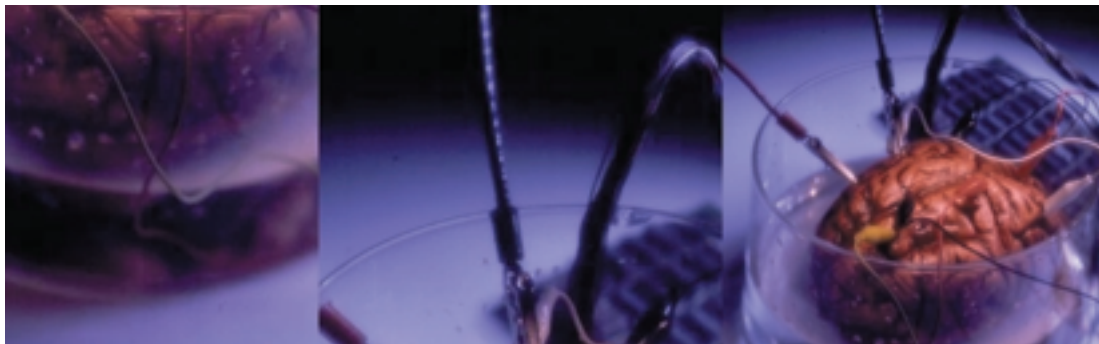
### Organisational Culture

The catalyst that makes sense of the relationship between values and strategies is organisational culture. A 1997-98 survey in The Journal of Knowledge Management indicated that organisational culture was viewed as the single biggest obstacle to the creation of a knowledge-based organisation. 80% of organisations indicated that their culture actively or passively hindered the progress of knowledge strategies.

If we are to combat this, then the following measures are necessary:

- the values and strategy must be laid down and communicated
- performance management must be in place to guide the effort of people towards organisational objectives (including knowledge goals and objectives)
- the process of performance management must build staff competencies, allowing them to apply their knowledge and skills routinely - it should be designed to reward competency, collaboration and knowledge-sharing
- cultural and behavioural objectives must be included in the performance management process

The final point is key – too many organisations believe they cannot manage their behaviours. This implies that they cannot develop an environment that will be more conducive over time to things like learning, knowledge sharing and collaborative team working. Indeed, we have seen that 80% of organisations



## How do we make the change happen?

Strategy reviews and climate survey feedback exercises define capability gaps within organisations. Process re-design ensures that such gaps are addressed systematically. Our total business process must be focused on our customers and on our strategies for optimising our relationships with them. Process re-design requires analysis using structured techniques. In maximising our capability in the Strategic Performance Areas through leverage of our Corporate Intellect then clearly a more sophisticated iteration of process mapping is required - knowledge mapping. Knowledge mapping ensures that the imperatives of performance in each process are understood and that the means by which routine optimisation of performance is achieved are established. This means that:

1. business direction must be sound, clear, communicated and understood. Individual contribution and accountability must be unambiguous.
2. business processes must be optimised, measured and must support the achievement of business goals and objectives as expressed in business strategies
3. process ownership must be unambiguous. People must be closer to their processes and empowered to maximise process performance through the application of both their knowledge and that of their colleagues
4. what people need to know is both understood and enabled
5. technology must be used to support – not to direct or contain – the application and distribution of knowledge within the business and across the Extended Enterprise. New management technologies will facilitate communication, collaboration and the effective devolution of accountability for process performance.

## KM is all about leveraging the Corporate Intellect in pursuit of excellence in the strategic differentiators

believe their cultures inhibit knowledge management. This submission can and must be overcome.

An organisational Climate Survey can be used to measure behaviours against the culture and values of the organisation. The feedback provides inputs (as objectives) to the performance management process with knowledge behaviours being specifically targeted. The change for organisations implicit in the above can be fundamental. It can also be managed!

### Conclusion

Successfully positioning and applying the management of knowledge within and

across an organisation requires:

- the management of values and culture
- clear direction
- aligned and measured processes
- the appropriate use of technology.

Collaboration and teamwork are the norm. Power is distributed proportionately to knowledge. Performance is leveraged. The management challenge is amplified. The power to succeed and to have fun is enormous. We know we need to take action – failure is certain only if we do nothing.

If you knew what you know, how much better could you be? Good enough to be a case study within five years? 