Why knowledge management is here to stay

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Intangible assets

Knowledge is the baseline of wealth. Before we can provide any goods or services, we have to know how to do it. In this world of rapid change, we have to create new knowledge and ideas constantly. We get that by looking at what we know, and applying it to what we do not yet know.

Traditionally, companies have been valued according to their tangible assets, such as property and equipment. This is still important, but the intangible assets, such as knowledge, brand and relationships with the customer, are coming into their own. This change can be well illustrated by comparing the market values of Microsoft and IBM in 1996. Microsoft was valued at $86bn in round figures, and IBM at $71bn. The value of their tangible assets gives the opposite picture. Microsoft had $930m. IBM had $17bn.

With technology ever at a gallop, and business cycles getting shorter all the time, it will continue to be the intangible assets, and in particular, knowledge, that add value. The organisations that are driven by knowledge are the ones that will succeed.

Knowledge workers are actively involved in the six Cs:

1. Capability – having knowledge and skills. The other five Cs are subsumed in this.
2. Capture – of tacit knowledge. Knowing where it is and how to deliver it.
3. Codification – of the knowledge available and making tacit knowledge explicit so that it can be used throughout the organisation.
4. Connection to the communities of practice. Networks of knowledge exchange are more important than traditional communication structures.
5. Co-creation of new knowledge. Using our collective brainpower to give us competitive advantage.
6. Conversion of knowledge to action in a way that adds value

Knowledge culture

Unlike technology, there is a limit to how far the process of the six Cs can be automated. Knowledge is a company asset, hidden, until the knowledge worker releases it. Knowledge workers are valuable, because they seek out
innovation, which generates choice, and increases the company’s knowledge assets in depth and breadth. The effects are rarely immediately obvious, so performance cannot be measured in the obvious terms of immediate results. Success of the individual will show itself in the success of the enterprise. Fostering self-development and employability is vital for long-term success, both on the individual and company level.

It is not enough to employ clever people. There needs to be an attitude that knowledge is an asset, to be looked after and used, and valued like any other asset. This means you need a policy of knowledge management. It may be tempting to form a great bureaucratic process into which to channel knowledge as it occurs. This will not work. It will obstruct the free flow of ideas, the freedom to try things out, and the spontaneous creation of new teams. These things are the life and blood of the knowledge creating culture. There needs to be a culture where everyone’s knowledge potential is encouraged, captured and rewarded.

Gathering information

There is a great deal of information in every organisation. Some of this is formal, written, and easy to access. This is not necessarily the most valuable. However, as this information was at the time it was created, things are forever changing. It might be completely inappropriate now.

There is a great wealth of tacit knowledge, inside people’s heads and embedded in the way we do things. It is vital for business success that tacit knowledge is shared, so that, when people leave, their knowledge does not disappear with them. Even if they have written meticulous notes on what they have done, how, and why, it will not flow so smoothly as when the others around have been continuously aware. Rediscovering the knowledge of an employee who has gone can be a long and expensive process.

Another advantage of the informal over the formal is dealing with the unexpected. No set of regulations, no matter how long and detailed, covers every eventuality. The way forward is to have people who know the situation and the background, who want it to work well, discussing and pooling ideas until the solution is found.

It will be difficult to achieve this free flow of ideas suddenly, if knowledge sharing has not been encouraged in the past. People hold back for fear of being blamed for having the wrong idea. It takes time to build up a culture of shared knowledge and shared development of ideas. If it becomes ingrained in the culture of the organisation, it will pay dividends whenever there needs to be a change.

Often, the message is that the task must be completed by yesterday at the latest. Another urgent task often follows on before the previous one is complete. This means one very important step, reviewing what we have learnt, tends to get left out altogether. This is even more so when things have gone wrong, when the knee-jerk reaction is to find a scapegoat. This is a loss, both to individuals and to the organisation. There is always masses to learn from the experience of a project. This is perhaps even more true when the results are less than we hoped. The best way to glean this information is to share views about how it went, what was good, what could be improved, in an atmosphere of mutual learning and trust.

Speed of knowledge transfer is important. Computers have made this easy in terms of the written (copied, pasted, put on disc, e-mailed etc). There is a temptation to feel that, as there are so many tangible records of everything, the job is done. However, social communication is a critical element in knowledge transfer. IT has partly addressed this, in shared document editing, video conferencing, chat-lines, news groups and other project management tools.

Nevertheless, face to face communication still has a quality that cannot be matched by more modern methods. That is why, as well as the plethora of super technology, we are beginning to return to the age-old tradition of story telling. When we tell stories we are passing on complex tacit knowledge. The knowledge leader will need to be a great storyteller.

Customer knowledge

Most companies know the importance of knowing as much as possible about their customers. Typically, there is a lot of information on record, but it is rarely collated into a sound knowledge base. There are
financial details in the Finance Department, orders past and current in the Sales Department, responses to advertisements in the Marketing Department, and so on. These different databases are usually set up in different ways, making it difficult to incorporate one set of data with another. There may also be interdepartmental possessiveness obstructing the free flow.

One frequently overlooked way of gathering information is to ask the customers what they want. Questionnaires are largely composed of closed questions, to make the collating of data easier. However, there is much to be learned from open questions, inviting customers to tell their story. They may be quite voluble about the process they went through to solve problems they had with a product. On paper, it looks wasteful, but there may be valuable information about how customers would like the product to be developed.

**Mental models**

Something happens to information when it goes through people rather than machines. It is shaped by that person’s experiences of the world, and their mental models of reality. This affects how the knowledge develops as it moves around the company. The childhood game of Chinese Whispers illustrates this phenomenon in a simple form. With complex information, the underlying assumptions of the people involved may alter it subtly, or distort it dramatically.

Argyris (1976) formulated the theory of single and double loop learning. This has a bearing on solving complex problems.

Single loop learning is when we adapt our behaviour in response to new experiences or data, but we keep our old assumptions and beliefs. Double loop learning is when we realise that those assumptions and beliefs no longer apply. We reframe our view of the world, and create new behaviours.

Argyris and Schon (1974) demonstrated that people turn to the formal knowledge available to develop espoused theories, whereas what actually happens in practice is more likely to stem from tacit knowledge. They act on tacit theories which rarely become formalised. So theory and practice are different.

**Collective brainpower**

Factors like the increase in mobility, the spread of education, and improved attitudes against discrimination, have greatly widened the range of backgrounds in the typical workforce. This increases the richness of the work environment, and improves the potential for innovation, but also makes conflict more likely. It is part of the package of increasing complexity of the workplace, along with the need to learn more and faster, the greater need for initiative, and the steady challenge to go beyond the system as it stands.

Complexity theory explores how the myriad independent factors interact to produce what we call “the organisation”. It involves creating new knowledge by creating metaphors, analogies and models to give us a new way of viewing the situation. When our conversations are expressed in metaphor, or developed into models, it may help us to see the importance of something we have overlooked.

This not so rapid as quick fire, off the cuff, solutions. In this era of seismic change, quickest often seems best, until the solution in action reveals itself to be no solution at all. Complexity theory may slow down the thinking process, but speed up the action.
process, because more problems have been removed at an earlier stage.

**Scenario planning**

Scenario planning is a technique pioneered by Royal Dutch/Shell in the 1970s. It involves making a story about what will happen if the present trends and paradigms continue. It can be very successful in bringing about organisational learning, so that that organisation can adapt readily to change. It became a recognised tool for strategic thinking about the future. It is even more apposite for corporate planning today, as the changes are more rapid and all-encompassing than ever before. The opportunities and the risks are huge. Rational planning can not take into account such a vast number of variables. It needs intuition, insight and innovation.

One way to advance this is to use dialogue. This has more than the conventional meaning of two people talking to each other. It means that those in the dialogue suspend any assumptions that get in the way of understanding what the other person has to say. It is a way to share divergent viewpoints to advance collective learning. When people throw away assumptions, they can discover transformational insights. One person going over and over the facts cannot achieve this. The sum is greater than the parts.

**Knowledge into action**

Knowledge for its own sake does not help the organisation unless it turns into action. To add value, give a competitive edge, create new opportunities and improve profit, organisations, teams and individuals have to make a real change in the way they see and do things. This means going beyond analysing, reporting, benchmarking and sharing. They have to transform information and knowledge into action.

**References and further reading**


**Useful Web sites**

www.knowledgeinc.com

www.sveiby.com

www.knowinc.com

www.brint.com

www.kmresource.com