
Knowledge management: reducing the costs of ignorance

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1. Introduction

In 1997 and 2002 the European Foundation for Quality Management (EFQM) in partnership with CIBIT consultants | educators undertook two Benchmarking Study Projects searching for Good Practice in the area of Knowledge Management and organizational learning.

In the subsequent years many more organizations have come to recognize the importance of Knowledge Management as a key enabler for their future success, realising it is here to stay as a legitimate management discipline rather than being the latest, here today, gone tomorrow, “flavor of the month” fad. EFQM therefore judged that the time was right to create a framework for knowledge management in addition to the EFQM excellence model¹.

This article reflects on the position of knowledge management in the business environment of 2005, its critical success factors and addresses current ‘hot issues’.

The core objectives of knowledge management

Common sense says that learning from successes and failures, sharing knowledge with fellow employees and smart application of lessons learned from the past will lead to better results now and in the future. Excellent companies, teams and individuals know that by heart and apply this common sense everyday, preferably in a natural way. However for many reasons these learning processes might not function properly in companies anymore and need attention and support. Competing instead of collaborating divisions, differences in culture, pressure of the daily challenges, lack of communication tools and places to meet, stubbornness of people or lousy discipline within the company might get in the way. These barriers create various costs of ignorance because:

- Mistakes are duplicated because earlier ones were not recorded or analysed
- Work is redone because people are not aware of activities, projects in the past or their outcomes
- Customer relationships are damaged because knowledge is not available at the point of action
- Good ideas and best practices are not shared which raises overall costs
- 1 or 2 key employees hold crucial knowledge creating continuity risks
- The company learns too slowly which results in delayed product development or missed opportunities

¹ The EFQM framework for knowledge management has been developed by Rob van der Spek of CIBIT Consultants | Educators, and Geoff Carter of PACEPerformance. For more information on the EFQM KM framework see: www.efqm.org

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- Employees are frustrated because knowledge resources are not available
 - Business strategies are not aligned with current or future competencies

Organizing practical solutions to reduce these costs of ignorance and to improve the overall performance of companies is considered to be the scope of knowledge management.

In the context of the EFQM KM-framework, we describe ‘Knowledge Management’ as follows:

Knowledge management include all the necessary activities to orchestrate an environment in which people are invited and facilitated to apply, develop, share, combine and consolidate relevant knowledge in order to achieve their individual and collective ambitions.

The ultimate goal of knowledge management is to improve an organization’s effectiveness by leveraging three core-learning processes in a smart and lasting way:

1. Learning from success and failures, on individual, team or company level
2. Learning from each other, both from co-located colleagues as well as colleagues which might be located at a further distance (geographical as well as disciplinary-wise)
3. Learning from ‘outside-in’, from partners, suppliers, customers and even competitors.

Knowledge Management is a lens through which an organization could be seen. This lens focuses on the way employees, teams, units and the company as a whole organize their knowledge and learning processes to become more excellent.

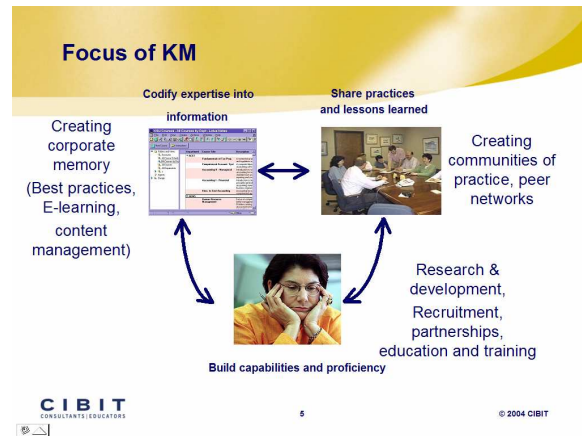
Knowledge management should empower employees to integrate these learning processes within their ways of working and to apply the outcomes of these processes on a daily basis.

What have been leading practices in European companies?

Client work of CIBIT and research by several organizations demonstrate that companies focus on three main operational tactics in the context of knowledge management.

1. Creating networks with cross borders in companies and might extend to partners outside the company. These networks enable members to collaborate and share best practices, to learn together and join forces to develop new knowledge.
2. Codification of personal experiences and skills into information that is accessible for all employees which need-to-know. This codified body of knowledge ensures continuity in operations and provides the foundation for improving business excellence based upon a well-organized corporate memory.
3. Developing competent employees via training, recruitment, partnerships, research and development. These activities are in most cases allocated to the HRM-function in the company and should ensure that the work force holds the right competencies according to the strategic agenda.

The next figure depicts these tactics and illustrates that they are linked to each other.



Peer networks could jointly develop best practices based upon common experiences, which then could be codified into the company standard way of working. New employees could become members of communities which then act as catalyst for their learning curve. Codified knowledge (via books, E-learning or intranets) could be used to train new employees.

Our best practice studies demonstrate that companies vary in their focus of the knowledge management initiatives with regard to these tactics. All companies focus on training and recruitment, which is the most established and well-known way of dealing with expertise in companies. In addition many companies focus on creating communities of practice as the main platform for knowledge sharing across the company. Other companies however focus especially on the codification of personal knowledge into information. They dedicate their attention to the infrastructure and processes to make this information accessible through intranets. Within several companies we have found all tactics under the umbrella of the corporate knowledge management initiatives. Which tactic is most beneficial is depending on the situation, the type of knowledge involved and the challenges that are faced by the company.

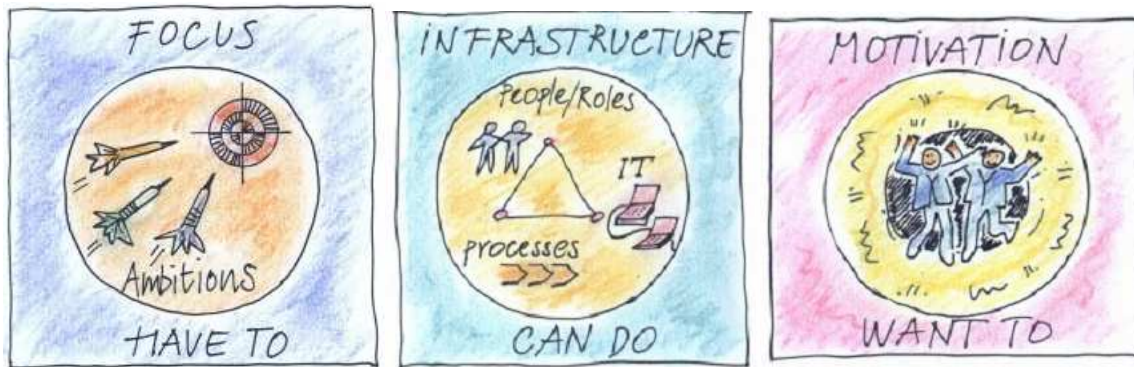
Critical success factors

In the past 15 years in which we worked in the field of knowledge management we encountered many obstacles for successful knowledge management initiatives. Lack of buy-in of employees, non-performing IT-infrastructures, cultural barriers and many others.

Our experiences demonstrate that the major keys to successful KM-programs are:

1. **Have-to:** Consistent and clear focus based on company strategies and relevant business drivers
2. **Can-do:** Effective enablers focused on the empowerment of employees
3. **Want-to:** Effective change management focused on employee participation

These key factors are nicely depicted in figure 1.



Have to: Focus

Knowledge management is not a goal in itself but a tool to improve the company's capabilities. In order to be able to learn in a focused way, a company should understand how these learning processes could fit in the business strategy and which knowledge areas are most important to focus on.

Depending on the type of business and strategy, important knowledge can range from the professional knowledge that underlies products and services, knowledge about customers, markets and common practices and knowledge about processes and the internal organization.

The benefits of knowledge management should ultimately be demonstrated in the Key Performance Indicators of the company or organization, where else? Any ROI of knowledge management initiatives should be connected with the model that is used to measure corporate performance. In this context we strongly believe there should be a strong connection with the EFQM-models for business excellence or the balanced scorecard.

Can do: Effective enablers focused on the empowerment of employees

Relevant enablers can be grouped in three clusters:

- Processes to:
 - Perform project evaluations and to capture their outcomes, lessons learnt and anecdotes
 - Connect to people which could provide knowledge or which could be supported by knowledge
 - Perform content management on company resources such as intranets, libraries, quality procedures, best practice resources
- Structure and roles to:
 - leverage the capabilities of teams and individuals to work with knowledge management tools

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- facilitate teams and individuals while learning and improving their ways of working
 - (ICT)-tools to:
 - Connect people on a world-wide scale (intra- / extranets)
 - Search for relevant resources (people, documents or other media) based on demands
 - Capture lessons learnt for later use of by other employees before, during and after operations
 - Improve analysis of data and other outcomes of work

Want-to: Effective change management focused on employee participation

In our experience Knowledge Management initiatives should incorporate effective change Management focused on:

1. Getting the business case right, in order to get senior management to support the initiatives by mouth and deeds.
2. Ownership of the initiatives by the line and the people on the work floor.
3. Strong support of local initiatives, even when they are not completely in line with the Corporate Knowledge Management Program. It is far easier to adjust the course when a unit is already moving than to get them to move at all. Use and cherish the available energy and motivation.
4. The ‘what’s in it for me?’ question. You can’t force people to learn or share precious knowledge. You have to motivate them, even seduce them, show them the importance and reward their sharing activities. Develop an appropriate reward and incentives scheme to get the message across that knowledge and learning are crucial to the sustainability of the business.
5. Let better results change the culture. If people see that better results are achieved by using the KM principles and its related enablers, the culture will change in favor of it. As we have stated earlier, focused actions to achieve better results in relevant areas should be the starting point of your initiatives. Knowledge management is a tool for change! If you believe that the culture should change first before you can apply knowledge management effectively, you are missing the point.
6. Effective communication of success stories. The direct output of Knowledge Management is difficult to measure, but the outcomes, the business results are sometimes more clear. But you have to create stories and heroes because in many cases they will not emerge without help. Use them to motivate people to participate.

Current ‘hot’ issues

When we evaluate the agendas of corporate knowledge management initiatives in 2005 three topics emerge, which are perceived as urgent. These are:

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- *Knowledge retention of leaving experts*; European companies are facing a massive leave of elderly employees who have been building knowledge for years. This departure of expertise creates risks for continuity of operations and quality levels and also will increase operational costs because of the necessity to bring the remaining work force on the same level of capabilities. Forerunners are building strategies to minimize the risks involved.
 - *Organizing a corporate memory and a lessons learnt cycle within companies*; to learn as a company requires processes, people and structure, which leverage individual learning to collective learning. This infrastructure should ensure that the company holds a memory which is accessible for all employees, is filled with relevant learning's and which is used as part of the daily operations. This organizational memory and its lessons learnt cycle is crucial for business excellence in the long term. However especially in multi-national companies and governmental agencies this memory and the learning cycle is not always 'excellent'. Forerunners are trying to improve this and they are building strategies for internal best practice sharing amongst others.
 - *Building knowledge strategies for outsourcing and off shoring*; Companies are rethinking their global presence, their position in the value chain and the way they produce their products and services. Operations are moved across the globe or outsourced to third parties. What does this mean for the knowledge landscape of companies? Which knowledge is still crucial given the new way of working or governance? How can we ensure that we are still knowledgeable enough to act as a professional contractor? Forerunners are building knowledge strategies as part of their restructuring in order to answer these questions in a pro-active way.

Further information on the author and CIBIT Consultants / Educators

CIBIT Consultants | Educators is a Dutch-based consultancy firm specialized in the area of knowledge management and business innovation. 75 professionals work for International companies, for national and local governments and the European Commission. Since May 2006 CIBIT is part of DNV (www.dnv.com).

CIBIT has been active in knowledge management since 1989 and is recognized as being one of the first organizations, which worked in the area of knowledge management in the world. In recent years CIBIT has developed an approach that addresses the alignment between company strategies and its current and future knowledge portfolio. Two large European Companies have licensed this method. Along with its consultancy activities, CIBIT partners provide Master-Classes on Knowledge Management in the Netherlands, London and Taipei and they lecture at various universities in and outside the Netherlands. For more information visit www.cibit.com. Rob van der Spek can be reached at rvdspek@cibit.nl. Mike Kelleher can be reached at mkelleher@cibit.nl.