

2002 North American Most Admired Knowledge Enterprises

Companies dedicated to creating shareholder value through innovation and knowledge management out-performed their competitors more than 2:1 according to Teleos' new *North American Most Admired Knowledge Enterprises (MAKE) Study*.

North American organizations recognized as world-class leaders in managing knowledge to deliver superior performance are (in alphabetical order):

- Accenture
- Buckman Laboratories
- Clarica Life Insurance
- Ernst & Young
- General Electric
- International Business Machines
- McKinsey & Company
- Microsoft
- US Navy
- Xerox

Managing corporate knowledge yields big dividends, according to Rory Chase, managing director of Teleos. Publicly traded 2002 North American MAKE Winners showed a Total Return to Investors (TRS) for the period 1991-2001 of 18.9% – a staggering 225% advantage over the Fortune 500 median.

Rory Chase said, “These MAKE Winners have been recognized as North American leaders in the new knowledge economy. They understand that effectively managing enterprise knowledge is the key differentiator when competing in today’s global markets. World-class knowledge companies, such as the North American MAKE Winners, are creating shareholder wealth over twice as fast as their competitors.”

About the Study

Using the Delphi research methodology, a panel of 250 leading knowledge management and intellectual capital practitioners was asked nominate organizations – founded and headquartered in North America – which delivered superior results against a set of 8 knowledge performance criteria:

- creating a corporate knowledge culture
- developing knowledge leaders
- delivering knowledge-based products/solutions
- maximizing enterprise intellectual capital
- creating an environment for collaborative knowledge sharing
- creating a learning organization
- focusing on customer knowledge
- transforming knowledge into shareholder value

Organizations nominated by at least 10% of the expert panel were named 2002 North American MAKE Finalists (see Table 1).

2002 North American Most Admired Knowledge Enterprises – Finalists

Enterprise	Industry
Accenture	Consulting
Amazon.com	Retailing
Best Buy	Retailing
Buckman Laboratories	Chemicals
ChevronTexaco	Oil and gas
Cisco Systems	Network communications
Clarica Life Insurance	Insurance
Dell Computer	Computers and office equipment
Dow Chemical	Chemicals
Ernst & Young	Professional Services
General Electric	Diversified
Hallmark	Retailing
Hewlett-Packard	Computers and office equipment
Intel	Semiconductors
International Business Machines	Computers and office equipment
Johnson & Johnson	Pharmaceuticals
KPMG	Professions services
McKinsey & Company	Consulting
Microsoft	Computer software
Minnesota Mining & Manufacturing	Diversified
Oracle	Computer software
PricewaterhouseCoopers	Professional services
US Navy	Government
Xerox	Computers and office equipment

Table 1: A total of 24 organizations were selected as 2002 North American MAKE Finalists (based on nominations from at least 10% of the respondents).

From this group ten organizations were recognized as 2002 North American MAKE Winners (see Table 2).

Key Findings

Total Return to Investors

Total Return to Investors (TRS), expressed as a percentage, includes both price appreciation and dividend yield to an investor in a company's stock. It is assumed that any proceeds from cash dividends and stock received in spin-offs is reinvested when they are paid.

For the period 1991-2001, the TRS for the publicly traded 2002 North American MAKE Winners was 18.9 – a staggering 225% advantage over the Fortune 500 median.^[1] And, for the 14 publicly traded 2002 North American MAKE Finalists the TRS is even more impressive – 26.9 – an amazing 320% above the Fortune 500 median.

2002 North American Most Admired Knowledge Enterprises – Winners

Enterprise	Industry
Accenture	Consulting
Buckman Laboratories	Chemicals
Clarica Life Insurance	Insurance
Ernst & Young	Professional Services
General Electric	Diversified
International Business Machines	Computers and office equipment
McKinsey & Company	Consulting
Microsoft	Computer software
US Navy	Government
Xerox	Computers and office equipment

Table 2: 2002 North American MAKE Winners.

Enron Effect

The 2002 North American MAKE study was conducted in February-March 2002. At the time of the survey much of the background to Enron's spectacular bankruptcy was widely known, as well as many facts regarding Arthur Andersen's role as Enron's auditor.

It is clear from this MAKE study that North American companies have become painfully aware of how their reputations, brands and other intangible assets – their corporate intellectual capital – are integral drivers of market capitalization and shareholder value.

A number of North American knowledge-based enterprises – especially professional service and consulting firms – failed to become MAKE Finalists and/or MAKE Winners because of the expert panel's negative perceptions regarding their corporate culture, leadership and management of enterprise intellectual capital. In the face of this 'Enron Effect,' Accenture, Ernst & Young and McKinsey & Company stood out in their industry as enhancing corporate intellectual capital.

Return on Capital Expended

Return on Capital Expended (ROCE) is a financial measure which shows how hard an enterprise's money is working for the firm and its shareholders. In 2001, the average Fortune 500 company had a ROCE of 17.4.

For the 14 publicly traded 2002 MAKE Finalists, their average 2001 ROCE was 34.1 – 196% more than the average Fortune 500 company.^[2]

Extended Knowledge Operating Environments

MAKE research shows that companies are failing to maximize shareholder value by not reaching out and engaging their key customers and partners to create an 'extended' operating environment

which encourages innovation, knowledge sharing and value creation. General Electric refers to this as the 'boundaryless' organization.

Although some companies have made considerable progress in establishing an e-Business environment with suppliers and partners, the focus to date has been mainly on inventory, transactional processes and customer relationship management.

The greatest gains through 'extended' knowledge management – in the areas of innovation, product development and business process alignment – have yet to be achieved by organizations. This will only occur as enterprises create knowledge-based networks including customers, suppliers and partners.

2002 North American MAKE Winners

The expert panel has recognized the 2002 North American MAKE Winners for their excellence across the eight knowledge performance dimensions. The expert panel commended each 2002 North American MAKE Winner as follows:

Accenture

Accenture, one of the world's leading consulting companies, is recognized in the 2002 North American MAKE study for its ability to deliver knowledge-based products/solutions, maximize the value of the firm's enterprise intellectual capital, and transform enterprise knowledge into shareholder value.

Accenture has been consistently acclaimed as one of the world's leading knowledge companies. In the 2001 global Most Admired Knowledge Enterprises study, the expert panel recognized the firm as a global MAKE Winner, ranked in 16th position worldwide.

Buckman Laboratories

Buckman Laboratories, a private specialty chemicals company located in Memphis, Tennessee, is recognized in this year's North American MAKE study for its strong corporate knowledge culture, knowledge leadership, maximizing the value of the firm's enterprise intellectual capital, and transforming corporate knowledge into shareholder value.

M. Sheldon Ellis, Vice-President & Chief Learning Officer, said: "To meet our goal of providing measurable, cost effective improvements in output and quality for our customers we systematically must create knowledge, creatively apply what we know, and leverage our knowledge across the globe. Our knowledge management processes provide us the edge we need to provide the knowledge systematically and consistently to our customers in more than 90 countries."

Clarica Life Insurance

Canadian-based Clarica Life Insurance is noted for its organizational learning, as well as for its knowledge leaders, corporate knowledge sharing environment, and managing customer knowledge to deliver superior business results.

"The realization of the knowledge strategy at Clarica continues to enhance both collaboration and capability building at Clarica," said Hubert Saint-Onge, Senior Vice-President, Strategic Capabilities. "In addition to providing a platform for the exchange and accessibility of knowledge, our comprehensive approach aimed at the transformation of our culture. We are building a culture

based on self-initiation, partnership and innovation. The adoption of a more robust and systematic approach at the enterprise-wide level takes more time to put in place but, in the end, brings greater tangible results and becomes more embedded in all aspects of the organization. We have simply transformed the way working and learning happens at Clarica. Knowledge and learning have now been fully integrated on the desktop of every member of the organization.”

“To enhance our cultural readiness, we have had a series of initiatives under the heading of ‘The Power of Me’ that has reinforced the perspective that Clarica offers a unique environment for our members to develop their capabilities. This progress has allowed us to make giant strides in both staking and occupying a high ground in the market place with our brand. The unparalleled success of our brand in the Canadian market attests to the power of a knowledge strategy in bringing an organization closer to its customers.”

Ernst & Young

The professional services firm Ernst & Young has been recognized in the 2002 North American MAKE study for its knowledge leadership, collaborative enterprise knowledge sharing, and value creation through customer knowledge.

Tim Curry, Global Chief Knowledge Officer and leader of Ernst & Young’s Center for Business Knowledge, commented: “We are delighted to be recognized as one of North America’s most admired knowledge enterprises, especially in the areas of knowledge leadership, knowledge sharing and value creation through customer knowledge.”

“We believe our leadership in these areas is due, to a significant extent, to the investment that we have been making in Knowledge Management for nearly a decade. In particular, Ernst & Young’s Center for Business Knowledge has been able to equip our client-serving professionals with high quality, relevant business knowledge and timely proprietary research and, in this way, enabled them to provide technically excellent, robust advice to clients. The correlation between excellence in Knowledge Management and business success is very clear.”

General Electric

GE is one of North America’s leading knowledge companies in several knowledge dimensions, including organizational learning, customer knowledge, and transforming corporate knowledge into shareholder value.

General Electric has been recognized as a leading knowledge company in every global Most Admired Knowledge Enterprises study. In the 2001 global MAKE study, the expert panel ranked GE as the world’s most admired knowledge enterprise.

International Business Machines

North American MAKE Winner International Business Machines is noted for its ability to create and sustain a corporate knowledge culture, innovation, and corporate knowledge sharing to create shareholder value.

IBM is another company which has been consistently acclaimed as one of the world’s leading knowledge companies. In the 2001 global Most Admired Knowledge Enterprises study, the expert panel recognized the firm as a global MAKE Winner, ranked in 15th position worldwide.

McKinsey & Company

The strategic consulting company McKinsey & Company has been recognized in this year's North American MAKE study for its strong corporate knowledge culture, collaborative global knowledge sharing, and ability to transform the firm's knowledge into shareholder value.

McKinsey & Company is another firm which has been honored as a leading knowledge companies. In the 2001 global Most Admired Knowledge Enterprises study, the expert panel recognized the firm as a global MAKE Winner, ranked in 9th position worldwide.

Microsoft

Leading new economy company Microsoft is cited for a number of knowledge best practices, including: creating and delivering knowledge-based products/solutions, maximizing the value of the firm's enterprise intellectual capital, and leveraging corporate knowledge into shareholder value.

Jeff Raikes, Group Vice President, Microsoft, said: "We place a very high value on the importance of sharing knowledge. Three years ago we started the Microsoft Consulting Knowledge Management team and launched a Knowledge Management program to increase global information sharing. Since that time we've completely redefined the way in which we think about and share information. Our ground-breaking work in knowledge management has not only helped us to fuel our service delivery but has also delivered value for our customers."

US Navy

A number of US government departments and agencies – including the US Army, US Forest Service, US Navy and US Department of Veterans Affairs – were nominated by the expert panel as North American MAKE Finalists.

Based on the strength of its knowledge management strategy and program, the US Navy is the only public sector organization recognized as a 2002 North American MAKE Winner. The US Navy is noted for the leadership of its knowledge-based programs and initiatives and for its emphasis on organizational learning.

Xerox

Xerox has a long history as a champion of managing knowledge for competitive advantage. It has been selected a 2002 North American MAKE Winner due to its corporate culture supporting knowledge best practices, managing enterprise capital to create value, collaborative corporate knowledge sharing, and organizational learning.

"At the core of Xerox's heritage of innovation is a deep understanding of how people, processes, and technology interact with each other in the creation of great work," said Tom Dolan, president, Xerox Global Services. "The dynamic and productive work environments that result from our knowledge management solutions have delivered business value to both Xerox and our customers."

MAKE Research Program

The MAKE research program consists of the annual global MAKE study – the international benchmark for best practice knowledge organizations – and regional/national MAKE studies for Asia, Europe, North America and Japan. The results of this year's global MAKE study will be released in June 2002.

Teleos

Teleos is an independent research company focusing on knowledge management and intellectual capital. Teleos conducts the internationally recognized Most Admired Knowledge Enterprises research program and operates The KNOW Network.

The KNOW Network

The KNOW Network is a Web-based global community of organizations dedicated to achieving superior business performance through benchmarking, networking and best practice knowledge sharing. Information on The KNOW Network and a membership application form can be found at: <http://www.knowledgebusiness.com/network/index.asp>

Contact

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References

1. "Fortune 500," *Fortune*, April 15, 2002.
2. "FT 500: The World's Largest Companies," *Financial Times*, May 11, 2001.

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