

## How smarter companies get results from KM

### The secret is to know what you are trying to accomplish

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#### SUMMARY

Knowledge management can be plausibly broken down into five stages: data becomes information, which in turn becomes knowledge; knowledge results in informed actions, and these produce business results. Peter Murray says many knowledge managers make the mistake of "going with the flow," of concentrating on the supply of knowledge rather than the desired results. They would do better to start with the results and deduce what knowledge will be needed to achieve them. This falls into two categories: knowledge as a body of information (which can be readily processed by suitable IT and resides at the "data/information" end of the flow) and knowledge as know-how (which requires good people management and is found at the "action" end). An effective strategy is to create and nurture "virtual teams," which can leverage knowledge across geographical and organizational boundaries.



What most managers want first and foremost are results. Once they have defined the desired results, the next issue is to determine what actions are needed to get them. With an action plan laid out, the question arises: "What do we need to know to perform the actions?" This approach of starting at the results end, identifying the business pull-through and locating KM within that context was recently used in the knowledge survey carried out by Cranfield business school in association with [Information Strategy magazine](#). The survey examined what European businesses are thinking, planning and doing in the area of KM; we will look at some of the results later in this article.

The results end approach also provided the framework for judgment in the [Economist's](#) annual KM Awards. Entrants were awarded most points for a clear statement of the business benefit they had achieved through KM, for demonstrating that the benefit was obtained by managing knowledge, and for showing how they measured the benefits. Many entrants failed at the first hurdle because their case for seeking an award was purely from the knowledge supply side; they failed to start by identifying the business benefit arising from KM.

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#### A RESULTS-DRIVEN KM MODEL

**Knowledge as body of information** Starting from the knowledge box in the Dikar model and looking toward data and information, the knowledge manager has a set of issues to contend with which are different from the upstream view. An example would be where a worker at a research establishment has knowledge that the company could benefit from in its own research or market planning.

This could be knowledge about laboratory or survey work or something similar; it can be thought of as a body of information, formally written down and capable of being readily assimilated by the interested company's systems.

The issues of KM here are: identifying the knowledge and its location; validating it and verifying its value; obtaining it in a useful form at a reasonable cost; determining where it is most useful in the business; making it available there in an appropriate form, using suitable technology; and ensuring that the knowledge is used beneficially. Knowledge defined this way is amenable to being processed by information technologies.

**Knowledge as know-how** Looking upstream, the knowledge manager is concerned with the kind of knowledge that determines actions, and actions that need certain knowledge. This is the domain of know-how, a more elusive form of knowledge that resides in people's heads.

An example could be a business that wants to move into a new overseas market. It will need someone who knows how to set up supply chains into that market quickly, who knows the business scene there, the relevant legal and tax factors, the culture and so on. This is primarily experiential knowledge, although some of it can be made explicit to a degree (for example, tax laws). Someone who knows the working relationship between businesses and a country's civil servants has knowledge that is hard to code.

In dealing with know-how, the knowledge manager has to operate in a much more personal domain. The motivation to share hard-won experiential knowledge is not usually high; the individual is "giving away" their value and may be very reluctant to lose a position of influence and respect by making it available to everyone.

Some managers are hopeful that as the information software and systems become more "intelligent" it will be possible to capture such know-how. Suppliers of knowledge systems are keen to feed this hope. But the assumptions that all knowhow can be captured may be too simplistic. While at one level it is clear that rules that have evolved over time can be encoded, some behaviours owe more to chaotic, intuitive factors than to predictable, universal reason.

A more complex variation on know-how is the situation where knowledge is distributed among a team of people. Teams can be an effective way of generating learning and of marshalling and disseminating knowledge. Here the knowledge manager has to facilitate team activities, provide frameworks for more formal knowledge handling and ensure that knowledge is recorded so that learning can take place.

Barriers to team-working are numerous. Two considerations a knowledge manager has to address are geography, especially in global companies, and team members' perceptions that their real job lies elsewhere, which means that they ration the time they devote to teamwork. This leaves no space for formal steps such as recording and disseminating learning.

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## **BENEFITS ARISING FROM KM**

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As part of the Cranfield knowledge survey, European companies were asked to rank eleven possible benefits of KM programs. Strikingly, competitiveness was ranked way above any other benefit. The only other contender was profitability, which was ranked second or third in all countries (except Germany, which ranked it eighth). Revenue growth was consistently ranked last. Taken together, this suggests that businesses are looking for high-margin market niches; these can only be sustained by companies that have something unique to offer, and this in turn requires companies to leverage knowledge.

So what should businesses do in the way of KM if they are aiming to be competitive? And what are the obstacles to achieving this? One message is clear from the Cranfield survey, case studies and current research: do not look to technology for the solution. Installing an intranet will not turn your organization into a knowledge company (whatever one of those is). That is not to say that technology does not have a role; it does, but it is never the primary role. Above all, KM is a people-and-process issue. Organizations that are reaping benefits from KM activities are those that have identified the agents of knowledge and have in effect embedded the "Dikar" relationships into their business processes.

Global companies, especially those that also have global customers, are making serious and successful attempts at this. Often such organizations have the necessary expertise to crack many issues, but geography and organizational structure make it difficult to assemble all the relevant knowledge. Many organisations are certain that they have the knowledge but are unsure as to where.

One solution is "virtual teams". Properly constructed and focused, they can act as communities of best practice, something that many KM proponents advocate. Successful organisations are also insisting that the team runs with a formal learning loop as part of its activity, irrespective of whether it has succeeded or failed (there are lessons from both situations).

One obstacle to this is that project teams are often disbanded as soon as the project has delivered, largely because of time pressures on the members. This is wasteful because immediately after the project the team probably knows more about the issue in question than anyone else in the organization. And the team itself may be in an excellent position to further leverage this knowledge.

An example of an organization that has brought together the various elements discussed so far is [AstraZeneca](#), in the area of product licensing. Like all major pharmaceutical companies, AstraZeneca invests heavily in its own research and development. Increasingly its portfolio of drugs contains products that are under licence from other companies. Typically, around 20-30% of revenue in the industry comes from licensed-in products.

The route in for a licensed product can be varied and complicated. During the Cranfield survey, Roger Lloyd of AstraZeneca's business development group reported that there were up to 15 legitimate contact points between AstraZeneca and prospective licensors. Approaches to AstraZeneca can run to thousands a year. The process for handling all this lacked focus and was vulnerable to duplication and misunderstanding. It was also too slow.

Just under two years ago, Fred Brown, AstraZeneca's internal knowledge management consultant, initiated a KM approach to the issue. There were two bodies of knowledge that needed managing: the scientific and commercial knowledge, and the knowledge scattered all around the company about the status of any particular product under consideration.

The first step for Brown and Lloyd was to understand fully the process of transferring products and technology into the company's R&D and commercial activities.

The next step was to secure agreement on the roles of knowledge owners and experts within that process. Clarifying ownership of each stage of the process and its key knowledge components was vital; only when they had fully understood the process, its owners and the knowledge required did Brown and Lloyd employ technology.

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## **VIRTUAL GLOBAL DEPARTMENT**

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They created, in effect, a virtual global department – a community of the various experts needed to manage external investment activities. While they now act in concert with each other, the experts remain in their previous functional and geographical locations, where they are

most valuable. The supporting technology (named Concert) allows structured and managed contact to occur among the relevant experts and the project manager at each stage of the external investment process.

The results have already been rewarding. The weeding-out process is much sharper serious evaluation which might lead to contractual commitment can involve up to 60 or 70 people, so making sure unsuitable candidates do not get far means that scarce expertise can be focused on what really matters.

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## **KNOWLEDGE OWNERSHIP**

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The AstraZeneca case also illustrates another important feature of KM knowledge ownership. With a clear process, agreed ownership, and demonstrable security in the Concert technology, vital knowledge is now quickly available to the groups that need it.

In a true knowledge process, learning is critical. AstraZeneca wants Concert to be the basic repository of this learning. The company asserts that everyone in the investment process is now better informed; that corporate vulnerability arising from knowledge residing in one individual has been reduced; that knowledge and best practices are being shared; and that as a result individuals' contributions are becoming more valuable.

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## **THE WAY AHEAD**

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Cranfield's research on knowledge management is based on a model that charts how well a business can manage information and knowledge. Basically there are three linked competences to consider: knowledge supply, knowledge exploitation, and knowledge strategy.

These link together in a virtuous circle, in which the connections are themselves organizational competences. For example, there is a two-way relationship between knowledge exploitation and supply: exploitation needs should drive the supply agenda and supply opportunities should inform and enhance exploitation activities.

Early work indicates that many organizations are placing almost sole emphasis on supply issues; attempts to exploit knowledge are often made out of context (that is, they are not linked to company strategy) or are over-determined by technology-push.

Another common weakness is that supply lacks strategic direction. This can lead to undirected accumulation of information in the hope, say, that a data-mining technology will reveal the knowledge.

Organizations are taking knowledge management very seriously.

According to the Cranfield survey, most chief executives reject the notion that it is a fad and spending on KM is set to rise by more than 60% in the next three years. The first companies to benefit from this expenditure will be those that locate KM within a balanced framework of competences.

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