

The Knowledge Management Payback

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Knowledge management, an extremely broad term that was first heralded in the mid-'90s as the solution for companies looking to improve business processes, had its reputation tarnished as many companies that invested in knowledge-related technologies had little to show in return. Today, however, knowledge management (KM) seems to be in its renaissance as companies are now showing results. Moreover, KM is no longer a pie-in-the-sky technology that mystifies business leaders who allocate the technology spending dollars. Implemented properly, knowledge management is more of a strategy supported by technology that can show a quantifiable, and sometimes substantial, return on investment.

In fact, the term knowledge management may even be old-school. "I am not crazy about the term knowledge management, I prefer knowledge strategy," says Hubert Saint Onge, senior vice president of strategic capabilities at Clarica (Waterloo, ON, \$47 billion CD in assets). "Knowledge strategy is about giving people the ability to take effective and timely action with knowledge by putting it at the fingertips of people in the organization. Unfortunately, there tends to be a ton of information in the insurance industry, but there isn't much knowledge."

Insurers are turning the wealth of information they possess into knowledge in a few distinct ways, reports Bill Pieroni, general manager for Armonk, NY-based IBM's Global Insurance Industry. "Carriers are focusing on enabling existing knowledge for internal users, such as call center representatives and underwriters," he says.

"Another way carriers are working to share knowledge is by educating customers," Pieroni adds. At a minimum, insurers are putting information on the Internet describing different types of coverage, liability limits and some background on the rating process. "Historically, consumers would receive a notice in the mail about a rate increase with little explanation. Carriers are offering explanations of increases on the Internet so the insured isn't left in the dark. Policy education is very important for insurance customer service."

Regardless of whether the company takes an inwardly or outwardly focused knowledge strategy, the project cannot be an IT-driven initiative. "One critical aspect is that the business community has to be heavily involved from day one," says Mike Schroeck, partner, global data warehousing and iAnalytics, PwC Consulting (New York).

And the most successful initiatives seem to have higher-level input. "To be successful, sponsorship from line-of-business executives is very important," says Charlie Mihaliak, partner, insurance industry group, Accenture (New York).

CNA (Chicago) has been working on a knowledge strategy for about a year. The enterprise-wide project, supported from the top of the company on down, is a direct result of the company's reorganization that has the goal of presenting one view of the company to all customers, says Gordon Larson, knowledge officer, corporate development. "A year ago, we were 35 separate businesses," Larson says.

"It is very hard to bring all of company's products to the customer when the company is decentralized," Larson adds. "We had experts all over the company. We had to make it easy for employees to tap into the knowledge."

Larson says that since the top-level executives see the knowledge management project as such an integral part of linking the company's 15,000 employees, it is being well received throughout the company. CNA's knowledge strategy centers on AskMe Corp.'s (Bellevue, WA) AskMe Enterprise Version 6.5, a product designed for creating and managing employee knowledge networks in large organizations.

For instance, Larson says, representatives tend to offer the "products they know" to their clients. "The standard-line P&C field representatives have always served the customers' needs, but the customer may also have professional

liability exposures," he says. "Before we did the reorganization and gave people knowledge about the other types of products, the standard-lines [representative] would not be inclined to offer more complex coverages."

However, CNA's success isn't just as simple as combining business units, organizing information and distributing it. In order for a knowledge strategy to be successful, a number of criteria have to be met. One of the first discussions IT and business leaders should have when developing a knowledge strategy is about what the technology is supposed to do.

"A knowledge project should focus on a specific business problem that can be quantified," in terms of what the problem costs the company, says Peter Novins, vice president, knowledge management, community and portals, Cap Gemini Ernst & Young (New York).

Provide Value

Udai Shekawat, chief executive officer of AskMe, concurs. "Knowledge management has to be installed to improve business and it has to be used by everyone," Shekawat says. "You can't take knowledge management and deploy it across the entire organization and say it will automatically improve revenues by six percent. Start with a specific business problem, solve it, show the ROI and then expand the initiative."

For instance, says Accenture's Mihaliak, "Aim knowledge management at a critical workforce that has a business need," such as claims processors. "Then, you can directly tie the KM expenditure to a reduction in claims paid." The same can be applied in call centers, where it is easy to measure number of calls answered, or in underwriting, where number of applications processed can be measured, Mihaliak adds.

IBM's Pieroni says externally focused initiatives can be measured also, but the ROI may not be as cut-and-dried. Customer retention, customer penetration and customer lifetime value are three things that can be measured. And if knowledge management is used to enhance a sales process, "straight-through processing of applications is an easy one to measure," Pieroni adds.

But, above all, the technology has to work. In order to get mass adoption throughout a company, the knowledge management project has to provide useful content over an easy-to-use delivery channel. "We selected a Web-based technology," says Bob Atkins, application architect for Livelink, Vision Service Plans (VSP, Rancho Cordova, CA, 36 million members). Livelink is a collaborative application that brings together knowledge in a company from Open Text (Waterloo, ON). "Everything was moving to the Web and Livelink was the only product that could integrate with our imaging system," which is used to get new information from paper documents into VSP's knowledge repository.

Livelink allows VSP's 2,000 employees to search by keyword for reports, information in VSP's database of qualified doctors, sections in the provider service manual—which is now distributed electronically to VSP's doctors—and other information.

Cap Gemini's Novins says that the trend to move knowledge management technology to Web-based delivery methods is common. "The rationale to integrate Cap Gemini Ernst & Young's knowledge management with the portal expertise is because the two are so closely linked," he says.

CNA is also using Web technology to give its 15,000 employees access to the company's knowledge architecture. With AskMe Enterprise, CNA users can search by keyword. AskMe automatically captures the interactions the users have and gradually builds up a database of problem-solving solutions. "When people are working on a problem, the interaction is captured, resulting in an expansion of the problem-solving database," says AskMe's Shekawat.

However, determining the channel is easier than developing useful content. "One cause of failed knowledge efforts is companies think that they have great information and they must get it to people, but it is not presented in context so people don't know how to use it," Cap Gemini's Novins says. Watch for Pitfalls A large part of delivering useful content is being able to recognize the questions that users are asking. "If people's questions are not getting answered, or if the answers are wrong, they will not come back," CNA's Larson says. That is one reason why a KM needs facilitators, or supervisors, who will monitor certain knowledge areas to make sure the proper answers are given and that users are getting the most out of the system.

"Each community," or specialized knowledge area, "needs a facilitator to maintain the community," says Clarica's Saint Onge. "Having a high-quality facilitator is very important to make sure that at the end of the day, the users' questions are getting answered." Typically, Saint Onge says, the job of a facilitator is not full-time, but is part of a particular employee's responsibilities-such as the head underwriter overseeing a knowledge area on underwriting.

At VSP, the company's definition of knowledge management helped make Livelink a success, Atkins reports. "Our definition is the control, storage and retrieval of corporate knowledge, and to disseminate it to where it is needed in the company at the right point in time," he says. In other words: useful technology that is easily accessible to users.

Clarica's Saint Onge stresses the importance of accessibility. "If it takes a user more than five minutes to access information on the desktop, the user would probably rather spend an hour walking around the halls looking for the information the next time a question arises," he says. "Once that happens you probably won't get the user back," in the same way that Web surfers won't return to a Web site that didn't provide what they needed the first time.

Another part of knowledge strategy, and perhaps the most important, is applying knowledge that is relevant to the specific user's work practice. Sounds difficult? Sure is. "Nearly 70 percent of knowledge management projects fail even though the technology is implemented on time and on budget," says Jim Joyce of Xerox (Stamford, CT) and president of Xerox Connect. "There is a difference between work process and work practice. Most knowledge management initiatives are set up around work process, but the way people work in the office is work practice.

"It sounds esoteric," Joyce adds. "Companies spend billions on technology research, but it really takes sociologists and anthropologists to figure out how an office actually runs."

Spending more time focusing on work practice will help the knowledge strategy in the long run, points out Cap Gemini's Novins. "Discovering the way people work and possibly changing the way they work for the better is something that knowledge management has to address," he says. "The knowledge management programs that are effective spend much more time dealing with [work process] issues than the ones that just focus on technology."

Developing a KM Plan

There are three main components of a successful, and profitable, knowledge management strategy, according to Bill Pieroni, general manager for Armonk, NY-based IBM's Global Insurance Industry:

1. Infrastructure: "These are the tangible things, the network, the portals and the databases."
2. Soft Content: "Obviously an important part, the knowledge, content and information that is distributed over the infrastructure."
3. Communication Strategy: "Who is going to receive the knowledge, what are the users going to use the knowledge for, how are they going to receive it [e.g., Web portal], and what is the value?"

Adds Pieroni, "The measurement for value is the most important thing. A knowledge management strategy based off of a fact-based business case that shows it will create value for the organization is vital."



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