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Sharing the Wealth

How Siemens is using knowledge management to pool the expertise of all its workers

In July, 1999, about 60 managers in Siemens' telecommunications division (SMAWY) were deposited on the shores of Lake Starnberger, 12 miles south of Munich, and told to build rafts. All they had to work with were steel drums, logs, pontoons, and some rope. Another catch: No talking. The managers, who gathered from offices around the world, could only scribble messages and diagrams on a flip chart. For the better part of a day, it was knowledge-sharing at its most basic. Yet the group managed to put together a small fleet of rafts, which they paddled about triumphantly on the placid waters of the lake.

Okay, *Survivor* it ain't. But the exercise has its own can-do lessons for companies trying to find a competitive edge in a slowing economy. The raft confab showed managers just how vital sharing information can be. It was organized by Joachim Döring, a Siemens vice-president in charge of creating a high-tech solution to the age-old problem of getting employees to stop hoarding their knowhow. His grand plan: Use the Internet to spread the knowledge of 461,000 co-workers around the globe so that people could build off one another's expertise. "People who give up knowhow get knowhow back," says Döring, a hyperactive 31-year-old who likes to spend his free time skydiving.

At the heart of his vision is a Web site called ShareNet. The site combines elements of a chat room, a database, and a search engine. An online entry form lets employees store information they think might be useful to colleagues--anything from a description of a successful project to a PowerPoint presentation. Other Siemens workers can search or browse by topic, then contact the authors via e-mail for more information.

So far, the payoff has been a dandy: Since its inception in April, 1999, ShareNet has been put to the test by nearly 12,000 salespeople in Siemens' $10.5 billion Information & Communications Networks Group, which provides telecom equipment and services. The tool, which cost only $7.8 million, has added $122 million in sales. For example, it was crucial to landing a $3 million contract to build a pilot broadband network for Telekom Malaysia. The local salespeople did not have enough expertise to put together a proposal, but through ShareNet they discovered a team in Denmark that had done a nearly identical project. Using the Denmark group's expertise, the Malaysia team won the job.

Better yet, the system lets staffers post an alert when they need help fast. In Switzerland, Siemens won a $460,000 contract to build a telecommunications network for two hospitals even though its bid was 30% higher than a competitor's. The clincher: Via ShareNet, colleagues in the Netherlands provided technical data to help the sales rep prove that Siemens' system would be substantially more reliable.

ShareNet is a case study in knowledge-management systems, which are gaining a foothold in corporations around the world. Advocates preach that the collective expertise of workers is a company's most precious resource, so executives need to tear down the walls between departments and individuals. By using the Net, companies can quickly and easily unlock the profit potential of the knowledge tucked away in the brains of their best employees. While only 6% of global corporations now have company-wide, knowledge-management programs, that will surge to 60% in five years, according to a 2000 survey by the Conference Board. Among the early birds: Chevron (CHV), Johnson & Johnson (JNJ), Royal Dutch/Shell (RD), Ford

Motor (F), and Whirlpool (WHR).

Siemens' project has become something of a poster child. For the past two years, it has been voted "best practice" by members of the American Productivity & Quality Center, a Houston-based industry group with more than 400 member organizations. "They've accomplished a whole lot more as compared to any other organization," says Farida Hasanali, a project leader for the center. Companies, including Intel (INTC), Philips, and Volkswagen (VLKAY) studied ShareNet before setting up their own knowledge systems.

Siemens has had little choice but to lead the parade. The $73 billion conglomerate, which makes everything from X-ray machines to high-speed trains, is under intense pressure because of uncertainty about the global economy and shrinking profit margins. Some analysts believe it may have to sell off chunks of its empire, perhaps divesting slower-growing industrial units such as power plants and focusing on tech businesses like telecom and medical technology.

Boot Camp. That's a path Chief Executive Heinrich von Pierer rejects. He is trying to prove big can work-- and might even be an advantage in the Information Age. The CEO wants to take the ShareNet approach beyond the telecom unit to every nook and cranny of the Siemens empire. Next up: people who service telecom equipment and scientists in research and development. Siemens already has staged a ShareNet boot camp for telecom service people and started rolling out the system. So far, a few hundred of the staff of 10,000 are online. "The only rationale for these businesses staying together is if they share their knowledge," says Thomas Davenport, director of the Institute for Strategic Change at Accenture, formerly Andersen Consulting. Davenport has worked as a consultant to Siemens and is co-author of an in-house textbook on the company's knowledge-management programs.

Siemens may even set up specially tailored ShareNets to give customers direct access to its knowledge storehouse. Döring and his team plan to start small in a few months with an experimental ShareNet involving a few select customers. The puzzle, which Siemens is working on, is how to protect customers' confidential information. If the system works, customers should get quicker access to technical info, and Siemens hopes the online dialogue will lead to the development of better products.

Even though the advantages are clear, getting employees to change their ways and share is the toughest obstacle to overcome. "You have to go in and change processes around. It takes a lot of time," says Greg Dyer, a senior research analyst of knowledge management services at IDC. Siemens has tackled this problem through a three-pronged effort. It has anointed 100 internal evangelists drawn from all its country units, who are responsible for training, answering questions, and monitoring the system. Siemens' top management has shown that it's behind the projects. And the company is providing incentives to overcome employees' resistance to change.

Delicate balance. Siemens uses the carrot and the stick. Managers get bonuses if they use ShareNet and generate additional sales. But CEOs and CFOs of the company's country business units can't collect all their performance-linked bonuses unless they demonstrate that they either gave information over ShareNet or borrowed information from it to build sales. Employees get prizes such as trips to professional conferences if they contribute knowledge that proves valuable to someone else. That may not sound like much, unless you're a salesperson in Bombay and the conference is in New York.

But the real incentive is much more basic. Commission-driven salespeople have learned that drawing on the expertise of their far-flung colleagues can be crucial in winning lucrative contracts. "They realize very soon that people using ShareNet have an advantage, and that convinces them to join the club," says Roland Koch, CEO of Siemens' telecom unit.

Now comes the hard part. What's the incentive for someone in R&D or marketing to use the system? They'll contribute as long as ShareNet provides useful information in a convenient way. But that depends on a delicate balance between giving and getting, says Döring. People need to believe that if they reveal precious secrets, others will too. "As it gets bigger and bigger, there's a danger you'll lose that trust," acknowledges Döring. Servicepeople will continue to log on if they learn new tricks of the trade. R&D people will join if the system helps them develop new products faster.

One challenge is spreading the ShareNet idea around the company without creating an unwieldy monster. Siemens is loath to restrict access or exert too much control over how employees use it. But some restrictions are necessary to keep ShareNets from getting so overloaded with information they become useless. Siemens employs teams of people that keep an eye on ShareNet content and weed out the trivial or irrelevant. It's not enough to create groovy software. The system has to serve up the best ideas in digestible bites that help people do their jobs better.

By Jack Ewing
Contributing: Faith Keenan