

David Owens on KM and Profits

The chief knowledge officer of The St. Paul Companies discusses KM as a cure for the corporate diseases that affect the bottom line.

By David Owens
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Corporate Diseases

The sad fact is that many organizations are diseased. Organizations are living, breathing entities, and like other living things they can fall ill. In fact, three diseases plague many companies:

Corporate amnesia. Many organizations have had their memories wiped clean by attrition, downsizing and repeated restructuring. These companies have forgotten what they once knew, and they continually repeat mistakes because they don't learn from them--or even from their successes.

Corporate myopia. Many firms grow blind to the vast stores of knowledge that exist throughout the enterprise, because each business unit becomes fixated on its own needs and functions. They stop paying attention to their key sources of knowledge: customers, partners, competitors--and themselves. Eventually, they lose focus. And no company is successful without focus.

Corporate anorexia. Many companies fail to recognize that knowledge is nourishment. They fail to feed their knowledge resources, and as a result those resources grow thinner and thinner--as do their products, employees, partners, customers and, ultimately, revenues.

The cure for all three diseases is effective knowledge management. But what is knowledge, and who does the managing?

What Is KM?

Knowledge is more than information. Information can be stored electronically and involves bits. Knowledge largely resides in the heads of people and involves wits. Knowledge is the ability to absorb information from various sources, integrate it with our own experience and expertise, and then take effective action.

To be effective, knowledge management must involve every person in the organization. And to gain that kind of buy-in, it must be driven from the highest levels. Leadership must provide constant mentoring and reinforcement to promote knowledge sharing. Business leaders must be willing to invest in the creation of new knowledge and in the exchange of knowledge--both internally and with agents, brokers and other external constituents. Information services must be willing to deploy an enterprise-wide IT infrastructure that enables the capture and distribution of information. And human resources must be willing to cultivate a culture that values and rewards collaboration among employees, customers and external partners.

Investing in Knowledge Pays Off

Such a formidable list makes clear that knowledge management is not a short-term, limited-scope project. It involves long-term investment and a major rethinking of how the organization operates. But the returns on such an investment are measurable. Chevron cut its annual power and fuel expenses by \$150 million by sharing and implementing ideas on how to reduce company-wide energy costs. Dow Chemical saved \$25 million and generated an additional \$125 million by making better use of the patents it already had. Skandia has cut the time it takes to achieve significant financial results from opening a new office from seven years to seven months.

Mike Miller, senior vice president of global specialty practices at The St. Paul says that "by leveraging the knowledge that exists across our global specialty, we were able to pick up \$15 million of new business in Australia just within the last month. This sort of story is why I'm excited about the power and the payoff of knowledge sharing."

These examples illustrate the power knowledge management has to create value and reduce costs--by learning from employees, customers, partners and competitors; and by learning from mistakes, sharing lessons learned and implementing best practices.

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