Chapter 1: Unlocking organisational potential and making a difference

THIS CHAPTER sets out a basic understanding, overview and philosophy in using knowledge management (KM) practices to leverage organisational capability, meet business challenges and deliver tangible value. Its purpose is to root the disciplines of KM firmly within the business context, provide some useful frames of reference that can be used to provide sound arguments in favour of KM and progress the KM agenda to the overall benefit of the organisation.

KM is such a huge and complex subject in terms of its scope, challenge and potential impact on an organisation that it cannot be treated in isolation. It requires a holistic approach that recognises organisational reality to ensure that the benefits of the discipline are truly embedded and sustainable.

New business realities
There is a sound argument that the issues faced today by organisations and businesses are no different to those that were faced in the past; for instance, the basic fundamentals of economics, the relentless competitive pressures and the need to adapt to new technology. However, it could also be argued that the pace of change is increasing and there are some specific current factors which, when combined, provide some challenging circumstances thereby requiring different organisational approaches in order to be able to thrive. Some of the specific macroeconomic and global drivers that distinguish today’s business realities are summarised below:

- **Western economic turmoil** precipitated by a credit crunch and developing into a sovereign debt crisis, restricting access to capital, increasing the cost of borrowing, reduction in public spending and struggling to emerge from recession to a potentially extended period of low/neutral growth;
- **The continued pace of globalisation**, particularly with the influence of the emerging markets of China, India and Brazil, providing both threats by bringing in new competition and opportunities from new markets;
- **Loss of confidence in the capitalist model**, which is more than likely to remain in place, but may develop to embrace new thinking around shared social and economic value; and
- **Changing demographics** – after decades of accelerating global population growth, growth is now slowing, resulting in older citizens becoming a larger proportion of the population, and more economically dependent.

Key business and organisational drivers:

- Declining rate of **return on assets** for corporations, along with declining life expectancy of corporations;
- Highly informed, **sophisticated customers** faced with increasing
choice, requiring more than merely the satisfaction of transactional needs – i.e. deeper relationship building – in order to retain them, demanding a more customised service for higher quality and lower prices;

- Transition of the semi-skilled to knowledge work requiring different management skill sets to the traditional 20th century model;
- Increased partnering relationships and loss of cohesion of organisational boundaries, particularly as organisations become more specialised, from integrated value chains to the delivery of large programmes;
- An increasing trend for short cycle project based working, especially with disparate groups, individuals and skill sets requiring more agile structures, forming coherently and then disbanding quickly on completion, working across geographies and time zones;
- The acceleration of shortening product and service lifecycles requiring creativity, innovation and market availability at an ever faster pace and the ability to recoup costs over these diminishing life spans;
- Relentless cost pressures driving the need for ever increased efficiency and effectiveness; and
- Dealing with an ever higher level of complexity, mostly as a result of developments in information technology, resulting in many more connections and interfaces creating complex systems that are difficult to predict and behave in unexpected ways.

Perhaps change is not what it used to be; it is not only more rapid but is also more often discontinuous in nature, with new technology enabling new business models to be viable in highly disruptive ways. The increasing complexity of the business environment is hitting the cognitive limits of leaders and managers, challenging their ability to make sense of the situation.

The business drivers for knowledge management

Building on the premise that business environments are ever more unstable and shifting with higher degrees of uncertainty, where it used to be enough to compete on quality and cost these are now a given. Organisations have to differentiate themselves through effectively managing:

- Knowledge – Tapping into the collective organisational expertise, ensuring retention and expanding the knowledge boundaries;
- Networks – The complex interdependent relationships often across porous organisational boundaries; and
- Innovation – Quickly solving problems and bringing solutions to market.

KM effectively encompasses these challenges, currently amplified by the present economic climate, demanding organisations deliver ever more for less, at pace.

Increasingly, knowledge is being seen as a strategic asset and a critical source of competitive advantage. However, by its very nature it lies in the heads of people, being a combination of their insights, experiences and relationships. It can therefore be both highly transient and mobile. The challenge is to tap into this collective organisational expertise, to ensure retention and to expand the knowledge boundaries.

Organisations need appropriate solutions that will enable them to create an environment and a culture that encourage sharing and collaboration, through the
introduction of KM practices and the embracement of suitable technology. KM is starting to be recognised as the next level on which to compete, as a means for organisations to grow stronger and more productive in a climate of uncertainty.

The recent history of knowledge management

The acquisition and utilisation of knowledge goes back millennia, the drive to do so fulfilling many human and societal needs. But KM as a discipline within the modern business context and as a term that can be understood today can be traced back to the 1960s. It has had an interesting development path and is arguably still in the early stages of evolution, which in part explains why it can be difficult to confidently define. Patrick Lambe observes: "Connecting to a mature, inter-connected theoretical base would allow knowledge management to work from foundational principles toward empirically (or evidence supported) practices, as contrasted with the current state of a fragmented and often naïve theoretical landscape, largely disconnected from an implementation landscape of constant invention, reinvention and improvisation."  

In the 1960s there was an emerging understanding of the importance of knowledge to economies and to business, and it was during this decade that the term ‘knowledge worker’ was first coined. The 70s saw the development of the information age and data processing, with computer technology playing more of a role within organisations’ data processing. But it was in the 80s that the information society started to take off, with organisations investing in information systems and the development of systems for managing knowledge starting to emerge. Knowledge at this time began to be seen as a competitive asset.

KM as a discipline became much more widely known in the 90s. It was at this time that computing started to become more ubiquitous and with a functionality that started to meet some of the early KM needs. It was also perhaps at this time that it became more widely encouraged by consultants. Whilst it was also a time of business process reengineering and systems thinking, the concept of managing knowledge assets and intellectual capital became more embedded. Yogesh Malhotra notes: “The new business environment, characterized by dynamically discontinuous change, requires a re-conceptualization of knowledge management as it has been understood in information systems practice and research.”

The first decade of the 21st century has seen the emerging social networking thread and the advent of Web 2.0. This requires workers to generate new information or content, whilst also enabling collaboration. This ‘bottom-up’ organisational approach, engaging a wider participatory base of knowledge workers, opens up new possibilities for businesses to realise their organisational potential.

Defining knowledge management

There are many definitions for KM, therefore in order to try to encapsulate the essence of the discipline they need to be considered collectively. In this regard a few key definitions are captured below:

- KM comprises a range of practices used in an organisation to collect and share knowledge to enable people to work more effectively, to improve decision making and to increase innovation;
- KM recognises that an organisation’s key assets are not its buildings, market share or products, but lie in the heads of its people;
KM is used to identify, create, represent, distribute and enable adoption of insights and experiences. These insights and experiences are embodied in individuals, organisational processes and practices (this definition is adapted from Wikipedia\(^3\));

KM can help to: provide individuals with valuable organisational insights and best practice; avoid repeating mistakes; avoid ‘reinventing the wheel’; reduce training time; retain intellectual capital as employees turn over in an organisation; and adapt to changing environments and markets (this definition is adapted from McAdam and McCreedy\(^4\));

KM “is to provide support for improved decision making and innovation throughout the organization. This is achieved through the effective management of human intuition and experience augmented by the provision of information, processes and technology together with training and mentoring programmes” (David Snowden\(^5\)); and

KM enables companies to exploit their intangible assets for competitive advantage.

A common thread, however, is that KM cannot be seen as a separate function but as a way of working, woven into the fabric of the organisation and part of everyone’s daily responsibilities.

The value case for knowledge management
Being able to exploit intangible assets could be pivotal for achieving success. KM practices can be used to deliver value in a variety of ways:

- Lessons learnt – Leveraging past experience, successes and failures to avoid repeating mistakes and to continuously improve;
- Knowledge integration and collaboration – To enable and capitalise on innovation in the competitive market of ever shortening product and service lifecycles, effective knowledge integration internally and collaborating across value chains become critical;
- Organisational responsiveness – With high levels of unpredictability and uncertainty it is critical for organisations to be able to spot and capitalise quickly on market changes, whether this is from new technology, customer trends or even knowing when to exit from certain products or markets;
- Organisational agility – By rapidly exploiting and applying knowledge (often fragmented) a business can more reliably detect emerging windows of opportunity before competitors, and so be a leader and not a follower;
- Organisational effectiveness – Collaborating across silo boundaries, geographies and time zones, sharing best practice, leveraging insights and developing new ways of working;
- Realising organisational potential – By creating a culture of sharing, learning and experimentation, people are enabled to make more of themselves and their capabilities, to become more creative and help drive innovation;
- Making sense of complexity – KM facilitates the difficult and time consuming process of filtering the highly complex, global and ever shifting business environment; and
- Retaining tacit knowledge – Tacit knowledge is rarely fully articulated but is highly mobile and provides a vulnerability to organisations. KM cannot completely capture this knowledge by definition but can, through the various processes of
integration and collaboration, enable a high degree of mitigation.

A business that has woven these KM competencies into its organisational fabric can build an adaptive capacity and is likely to be much more resilient to external shocks, thriving rather than surviving and using KM as a driver for change.

Shifting paradigms
Realising the value from KM or, more precisely, being able to use the discipline of KM to leverage organisational potential, requires a different management mind set to the general traditional management paradigm. One of the key reasons why many KM programmes fail and become tarnished is because they are handled as a separate initiative in the way, perhaps, that new process software is introduced, rather than seeing it as integral and fundamental to the way the business is organised, managed and led.

The ‘traditional’ management approach has been highly effective over the last century or more in driving efficiency and scale; it is organised around hierarchical structures, with processes broken down into semi-skilled activities which are closely monitored and controlled. However, to meet today’s business challenges there is a need to shift to a new paradigm, from a siloed approach to one that is more open, collaborative and distributed. Figure 1 puts the two paradigms in summarised context.

Letting go of the current mindset is not easy, especially for mature organisations that have been built on the success of this model. Particularly when the current paradigm is still able to deliver value, the solution may lie within a mixed model over the period of transition or organisational evolution, retaining the best of the original whilst adopting new practices. This requires leadership and management to resolve the dichotomy for their organisation of reconciling the need for control against the need to create an open, enabling environment more akin to an ecosystem.

A useful metaphor in helping to reconcile the apparent conflicts is to see the traditional...
management model as a ‘vertical’ one, its main characteristics being about formal hierarchical control with the emphasis on discipline with many measures, processes and procedures to control the workflow, limit variation and ensure consistency of response. The benefit of this is clarity and transparency and, while there is always an informal social structure to the workplace that helps lubricate the ability to get things done, this is not the dominating factor.

Taking this metaphor a step further into the new management paradigm, this can be seen more as a ‘horizontal’ model. Its main characteristics are built more on the social networks of the organisation with communications, information and knowledge flowing across organisational boundaries (rather than up and down). The emphasis is more on enabling individuals to collaborate, to operate above the contractual price of their labour and tap into discretionary contributions, to value diversity and to encourage innovation.

Figure 2 shows how the two paradigms could be reconciled by drawing on areas of commonality and breaking down silo barriers through the use of such tools as social media and collaborative tools, while still retaining some essence of responsibility and accountability. Chapter 5 on mainstreaming KM explores the strengths and weaknesses of siloed organisations in more detail.

Knowledge management ecosystem

The challenge with the new paradigm is that you cannot manage attributes like knowledge directly, but you can create the enabling environment. KM in essence forms from a more complex system, and so cannot be easily viewed as a process; a better and more useful metaphor to adopt is that of an ecosystem. Figure 3 outlines the key components of a

Concerned with flexibility, responsiveness and adapting to circumstance:
Dealing with uncertainty & ambiguity

Figure 2: Model for reconciling conflicting management paradigms
Making Knowledge Management Work for Your Organisation

A generic KM ecosystem that could be usefully adapted to specific organisational contexts.

Ron Young in Case study 1 takes a similar perspective, arguing that in the growing global knowledge society organisations are becoming more like organisms – flexible, holistic, fluid, dynamic and knowledge based – and that a holistic approach is required. This is encapsulated in the four dimensions of KM: personal, team, organisational and inter-organisational.

Ensuring that knowledge management delivers value

In summary, for KM to deliver value it is critical to ensure that:

- It is aligned to the business plan and is business led, preferably as a major integrated strategic initiative or cornerstone;
- A practical solution is developed based on an understanding of the essence of the business that speaks to the mainstream of the organisation;
- A balanced perspective of people, process and technology is maintained, with recognition of the importance of culture change;
- Culture change is a critical element of success, ensuring that people are engaged and involved; and
- The outcome is tangible and measurable with people performing both more productively and creatively, making the day job easier so that the focus can shift more to the future.

Structure of this report

In making KM work for your organisation there are a number of potential entry points; each subsequent chapter of this report focuses on some of the key ones. An outline approach has also been structured as illustrated in Figure 4, which attempts to follow a logical sequence starting with...
aligning with the business and organisational needs, through planning and establishing the business case to a series of potential initiatives, and finally a look at the changing workplace in a networked world.

References