Managing the Wealth

Knowledge is power. But without the adequate management of it, the consequences for your organization could be devastating.

Intellectual capital is the sum of everything everybody in a company knows that gives it a competitive edge

By Preston Cameron

Ask yourself, "Why am I reading this?" Is it because somebody flagged an article from this publication and then dropped it on your desk, or did you happen to pick up the publication from a table in an executive's reception area while you are waiting for a meeting? Whatever the reason, you most likely wanted to "know" what this article was about.

Whether you want to admit it or not, you are reading this because you want to learn something. And that something is information, not to be confused with knowledge. Like "e-business" and other buzzwords dominating today's business publications, knowledge management is commanding a lot of attention.

So, why is this information important to you? Well, keep reading!

Every organization will create and consume knowledge. It's how we progress in business. If you generate a product or service, you spend resources trying to find out what your customers want (information), how to improve it (more information), how to produce it more efficiently and cost effectively (even more information), and how to track/report and monitor it (still more information). In the 'real world' of business, organizations that can do a faster, more efficient job of managing that information are the organizations with a greater chance for success. And success is not guaranteed. Why not? Because a host of competitors are trying to do the same thing faster — and cheaper. And what they wouldn't give to get access to your information and knowledge! Inadequate knowledge management can therefore produce devastating results for your organization.

Four steps to managing knowledge

1. Identify your knowledge experts
2. Make your knowledge experts available
3. Ensure that your knowledge experts communicate
4. Act on your knowledge experts' advice

Does this mean you must "manage" your organization's knowledge? You bet! Accounting and IT professionals are at the forefront of this knowledge management requirement. Organizations see these professionals as the keepers of their information (data, facts, figures, costs, etc.), or as controllers of their knowledge. At a minimum, these people are seen as the ones responsible for the tools that these companies use to get their information, whether it be in the form of a system, report, or otherwise. Lastly, if you are an accountant or an IT professional, you probably had a hand in the creation of their information generation or accumulation process (accounting transaction processes, business processes, information systems, etc.). And if your data, systems, and processes are 'state-of-the-art,' then you probably believe that you have done all that you can do, right? Think again.

Tom Stewart, author of the international best-seller *Intellectual Capital: The New Wealth for Organizations*, defines intellectual capital is the sum of everything everybody in a company knows that gives it a competitive edge. "It is the knowledge of a workforce; The training and intuition of a team of chemists who discover a billion-dollar new drug or the know-how of workmen who come up with a thousand different ways to improve the efficiency of a factory. It is the electronic network that transports information at warp speed through a company, so that it can react to the market faster than its rivals. It is the collaboration — the shared learning — between a company and its customers, which forges a bond between them that brings the customer back again and again."

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And there is the key that makes this whole process so difficult. The people in your organization are the ones who "know" what to do with all the data, systems, and processes. With the expansion of the Internet, organizations have had a wealth of so-called "knowledge" dropped on their doorsteps. This new technology is dramatically shifting the forces of competitive advantage. Because everybody is getting on the Web, all that information is no longer a significant advantage to anyone.

The last several years have seen a rapidly growing interest in the

topic of knowledge management. Every year, several new management books on the subject hit your local retail bookshelves. Companies are creating knowledge teams and appointing Chief Knowledge Officers (CKOs) or Directors of Knowledge. And what's more, competitors and partners recognize that your organization has knowledge and they have gone looking for ways to acquire it. Even your colleagues have also recognized that they have knowledge and that it is valuable. Organizations across the globe recognize the benefits of experience because experience is knowledge that has proven itself with time. The result: knowledge management is now (or it should be) a target on any organization's strategic radar screen.

Many organizations have grown complacent, an unfortunate benefit of acquiring information. Their ability to react is blurred by the vision that all of this information won't hurt them. How can you protect your team, department, division, or organization and the wealth of knowledge that you control? Let's consider four suggestions:

Identify your knowledge experts

The first key in successful knowledge management is to simply identify where the knowledge is. Having knowledgeable resources available in your organization means nothing if you don't know who or where they are.

A medium-sized manufacturing organization recently moved from a major West Coast city where it had been located for more than 25 years. Since many of the IT employees chose not to make the move, the "experts" who "knew" how to guide critical IT processes were lost. The result meant broken systems and a lack of data. It nearly

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wiped out the organization, as sales reps couldn't get the data they had once relied on, and the purchasing group couldn't co-ordinate with vendors. No cash was coming in, so no cash was going out. The knowledge resources for the organization's key processes were not available because the organization had not recognized where they were or the need to retain them.

Make your knowledge experts available

Once you've identified who those knowledge experts are, make them available to the rest of your organization. Management support both up and down as well as across the organization is critical.

Tom Davenport and Larry Prusak, authors of *Working Knowledge: How Organizations Manage What They Know*, demonstrate that knowledge is a commodity and subject to the forces of any other market commodity. The more readily available it is, the cheaper it is. Conversely, when knowledge becomes scarce, it rises in value.

During a recent enterprise-wide system replacement project, a leading news publishing organization recognized that its core business process knowledge experts would be required and that they were located in the accounting department. Their availability would be consumed almost half of every month with limited time for normal accounting duties. To ensure that these experts would be available when needed, the project was restructured so that major system conversions and the "go-live" events would take place in the middle of each month. After the first two sites were brought live on the system, the team had identified several ways to reduce the number of experts required without jeopardizing the overall project. The result was knowledge experts available when and where they were needed the most.

Your knowledge experts must communicate

Unless your accounting and IT knowledge is shared, it's meaningless to the rest of the organization. Simply installing a "chat" mechanism or organization-wide data collection and reporting system won't ensure that the appropriate knowledge gets to the ultimate user who needs it the most.

A large professional services organization created a sophisticated intranet "knowledge-port" to house valuable methodologies and other information. Employees were encouraged to share their knowledge by placing data into the port for others to access. Almost a year into the project, the organization found that knowledge wasn't being deposited in the site and ruled the entire project a huge failure. Employees admitted that it was easier to talk with colleagues than it

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was to search an incomplete and ill-prepared technology tool. The relationships developed over time and the trust of each participant in that relationship was deemed superior by the users of the system. Hence, users stayed with knowledge experts who they knew and trusted rather than communicating their "knowledge" with unknown recipients.

Act on your knowledge expert's advice

Your organization's ability to adapt in today's environment will be based primarily on two factors: first, knowing who your experts are by identifying the existing resources and capabilities that can be used in new ways, and second, by being open to the process of communication and change, and by acting upon the advice of your experts. The most important adaptive resources in any organization are those employees who can acquire new knowledge and skills, and then share that knowledge by applying it to help solve the organization's immediate problems. Management should do its part in attempting to use these experts by encouraging the distribution of knowledge wealth.

Even the best knowledge management process is subject to destruction without the element of trust. Regardless of the support of management, technology or relentless rhetoric, without trust the process is sure to fail. Trust must be visible, with the knowledge-sharing process receiving the highest reward possible. And trustworthiness must start at the top. Organizations profess that while their knowledge must flow up and across, they forget that trust can only "seep" down. Upper management's example of reward and action for an expert's knowledge will define the value of the knowledge management process and the speed with which it is accepted.

So, did you learn something? Now, what are you going to do with it?

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