

Knowledge Management

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The core message of is note:

The core message of this note is that the only sustainable advantage of a firm comes from:

- 1) What it collectively knows,
- 2) how efficiently it uses what it knows, and
- 3) how readily it acquires and uses new knowledge.

Knowledge Management: What?

Knowledge is neither data nor information; it is related to both.

Data is a set of discrete, objective facts about events. In an organizational context, data is most usefully described as structured records of transactions.

Information is a message, usually in the form of a document or an audible or visible communication. As with any message, it has a sender and a receiver. Information is meant to change the way the receiver perceives something, to have an impact on his judgment and behaviour. It must inform: it's data that makes a difference.

Unlike data, information has meaning, relevance and purpose.⁴

Transforming data into information: 5C methods:

Contextualized: We know for what purpose the data was gathered;

Categorized: we know the units of analysis or key components of the data,

Calculated: the data may have been analyzed mathematically or statistically,

Corrected: errors have been removed from data,

Condensed: the data may have been summarized in a more concise form.

Knowledge:

A working and pragmatic definition of knowledge:

Knowledge is a fluid mix of framed experience, values, contextual information, and expert insight that provides a framework for evaluating and incorporating new experiences and information. It originates and is applied in the minds of knower.

In organizations, it often becomes embedded not only in documents or repositories but also in organizational routines, processes, practices, and norms.

Transformation of information into knowledge: Four C method:

Comparison: How does information about this situation compare to the other situations we have known?

Consequences: What implications does the information have for decisions and actions?

Connections: How does this bit of information relate to others?

Conversation: What do other people think about this information?

While data is found in records and transactions, or information in messages, we obtain knowledge from individuals or group of knowers, or sometimes in organizational routines. It is delivered through structured media such as books and documents, and person to person contacts ranging from conversation to apprenticeships.

Some of key components of knowledge:

- **Experience:** Experience refers to what we have done and what has happened to us in the past. Experience and expert are two related words. Experts – people with deep knowledge of a subject – have been tested and trained by experience. Experience provides historical perspective from which to view and understand new situations and events. When firms hire experts they are buying experience-based insights.

- **Truth:** Knowledge has ground truth, on the ground, rather than from the heights of theory or generalization. The difference between what is taught and what happens in practice.

Judgment: Unlike data and information knowledge contains judgment. When knowledge stops evolving, it turns into opinion and dogma.

Rules of thumb: Knowledge works through rules of thumb: flexible guides to action that developed through trial and error and over long experience and observation.

Values: People's values and beliefs have a powerful impact on organizational knowledge.

De-knowleding: Dealing with excess knowledge.

Types of knowledge: Explicit and Tacit

Knowledge in organizations is often classified into two types: explicit and tacit.

1. Explicit knowledge is knowledge that can be captured and written down in documents or databases. Examples of explicit knowledge include instruction manuals, written procedures, best practices, lessons learned and research findings. Explicit knowledge can be categorized as either structured or unstructured. Documents, databases, and spreadsheets are examples of structured knowledge, because the data or information in them is organized in a particular way for future retrieval. In contrast, e-mails, images, training courses, and audio and video selections are examples of unstructured knowledge because the information they contain is not referenced for retrieval.

Types of knowledge: Explicit and Tacit

Knowledge in organizations is often classified into two types: explicit and tacit.

2. Tacit knowledge is the knowledge that people carry in their heads. It is much less concrete than explicit knowledge. It is more of an “unspoken understanding” about something, knowledge that is more difficult to write down in a document or a database. An example might be, knowing how to ride a bicycle – you know how to do it, you can do it again and again, but could you write down instructions for someone to learn to ride a bicycle? Tacit knowledge can be difficult to access, as it is often not known to others. In fact, most people are not aware of the knowledge they themselves possess or of its value to others. Tacit knowledge is considered more valuable because it provides context for people, places, ideas and experiences. It generally requires extensive personal contact and is effectively.

MANAGING KNOWLEDGE: COLLECTING AND CONNECTING

- ✘ Knowledge management tends to have a “**collecting**” and a “**connecting**” dimension.
- ✘ **The collecting dimension** involves linking people with information.
- ✘ It relates to the capturing and disseminating of explicit knowledge through information and communication technologies aimed at codifying, storing and retrieving content.
- ✘ Through such collections of content, what is learned is made readily accessible to future users.
- ✘ Examples include various intranets, database, library, and many more.

MANAGING KNOWLEDGE: COLLECTING AND CONNECTING

- ✘ The **connecting dimension** involves linking people with people and enhancing tacit knowledge flow through human interaction, so that knowledge is diffused around the organization.
- ✘ Connecting is necessary because knowledge is embodied in people, and in the relationships within and between organizations.
- ✘ Examples of connecting initiatives include skills directories and expert directories – searchable online staff directories that give much more detail about who does what and who knows what, collaborative working, communities of practice – networks of people with a common interest, and various “socialisation” activities designed to support knowledge flows.

MANAGING KNOWLEDGE: PEOPLE, PROCESSES, TECHNOLOGY

- ✘ One widely-used approach is to think of knowledge management in terms of three components, namely **people, processes and technology**:
- ✘ **People**: Getting an organization's culture “right” for knowledge management is typically the most important challenge.
- ✘ Knowledge management is first and foremost a people issue.
- ✘ Main questions: Does the culture of organization support ongoing learning and knowledge sharing? Are people motivated and rewarded for creating, sharing and using knowledge? Is there a culture of openness and mutual respect and support? Do people feel inspired to innovate and learn from mistakes, or is there a strong “blame and shame” culture?

MANAGING KNOWLEDGE: PEOPLE, PROCESSES, TECHNOLOGY

- ✘ **Processes:** In order to improve knowledge sharing, organizations often need to make changes to the way their internal processes are structured, and sometimes even the organizational structure itself.
- ✘ For example, if an organization is structured in such a way that different parts of it are competing for resources, then this will most likely be a barrier to knowledge sharing.
- ✘ Looking at the many aspects of “how things are done around here” in organization, which processes constitute either barriers to, or enablers of, knowledge management? How can these processes be adapted, or what new processes can be introduced, to support people in creating, sharing and using knowledge?

WAYS WITH KNOWLEDGE: PEOPLE, PROCESSES, TECHNOLOGY

- ✘ **Technology** : A common misconception is that knowledge management is mainly about technology – getting an intranet, linking people by e-mail, compiling information databases etc.
- ✘ Technology is often a crucial enabler of knowledge management – it can help connect people with information, and people with each other, but it is not the solution.
- ✘ And it is vital that any technology used “fits” the organization's people and processes – otherwise it will simply not be used.

WAYS WITH KNOWLEDGE: PEOPLE, PROCESSES, TECHNOLOGY

- ✘ The three components - people, process and technology - are often compared to the legs of a three-legged stool – if one is missing, then the stool will collapse.
- ✘ However, one leg is viewed as being more important than the others – people.
- ✘ An organization's primary focus should be on developing a knowledge-friendly culture and knowledge-friendly behaviours among its people, which should be supported by the appropriate processes, and which may be enabled through technology.

The Three Stages of Knowledge Management:

Stage I: By the Internet out of intellectual capital:

- Information technology
- Intellectual capital
- The Internet.

Stage II: The human relations stage:

- Communities of practice
- Organizational culture
- The learning organization
- Tacit knowledge.

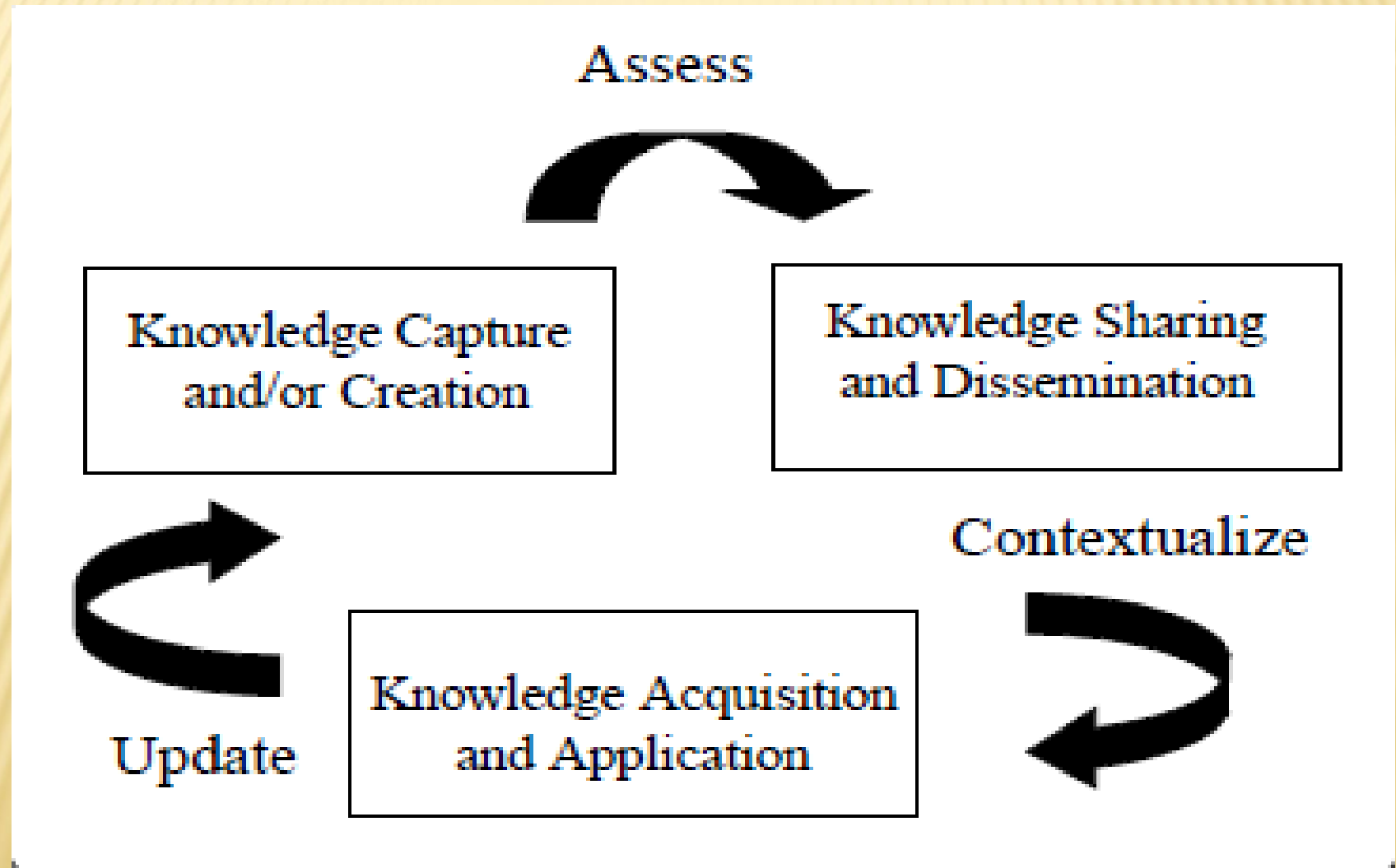
Stage III: The content and irretrievability stage:

- Content management
- Taxonomies.

Knowledge Management: How?

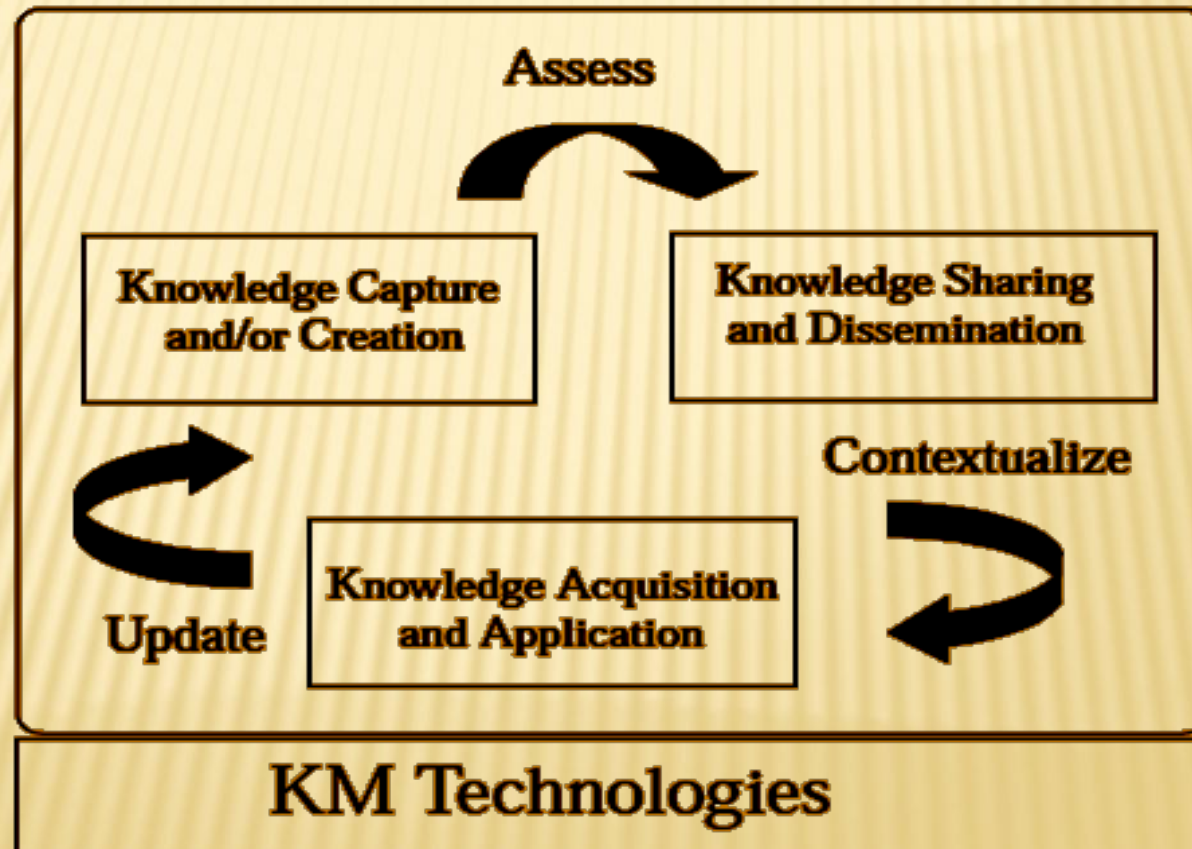
AN INTEGRATED KM CYCLE

DALKIR'S KNOWLEDGE MANAGEMENT FRAMEWORK

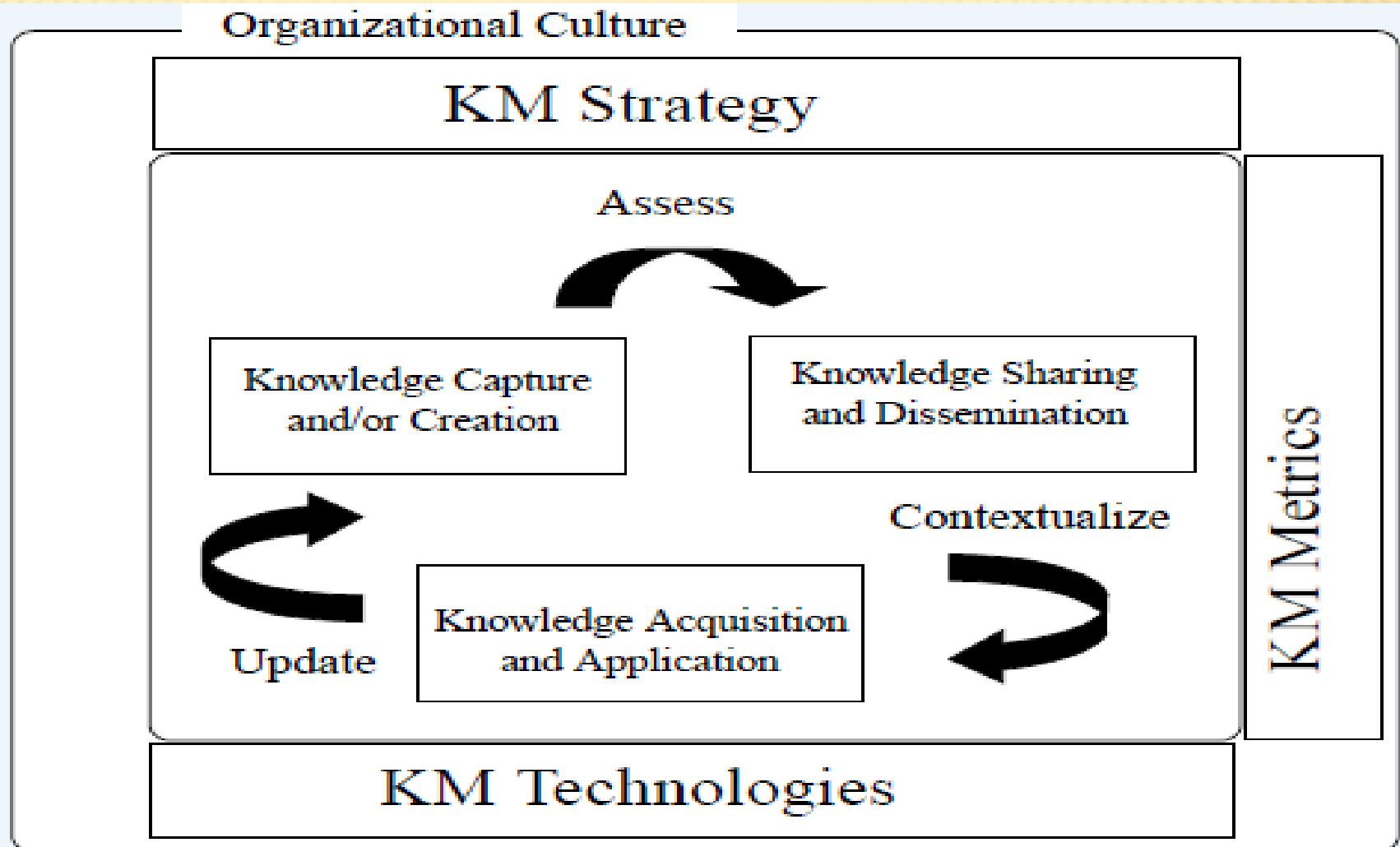


DALKIR'S KNOWLEDGE MANAGEMENT FRAMEWORK

Organizational Culture



DALKIR'S KNOWLEDGE MANAGEMENT FRAMEWORK



BUSINESS STRATEGY AND KNOWLEDGE MANAGEMENT

**Tiwana (2000) rightfully states that
“knowledge drives strategy and strategy
drives knowledge management”**

BUSINESS STRATEGY AND KM STRATEGY

- ✘ The most important context for guiding knowledge management is the firm's strategy.
 - ✘ An organization's strategic context helps to identify knowledge management initiatives that support its purpose or mission, strengthen its competitive position, and create shareholder value.
- Zack

BUSINESS STRATEGY AND KM STRATEGY

- ✘ Intuitively, it makes sense that the **firm that knows more about its customers, products, technologies, markets and their linkages should perform better.**
- ✘ However, the link between knowledge management and business strategy, while often talked about, has been widely ignored in practice.

BUSINESS STRATEGY AND KM STRATEGY

- ✘ Many executives are struggling to articulate the relationship between their organization's **intellectual resources and capabilities**, and its competitive strategy.
- ✘ They need a pragmatic, yet theoretically sound model of *knowledge strategy*.

INTELLECTUAL CAPITAL

- ✘ Three components of intellectual capital can be identified:
 - ✘ 1. Human Capital
 - ✘ 2. Relational Capital
 - ✘ 3. Structural Capital

INTELLECTUAL CAPITAL

- ✘ *Human capital* is the first component, consisting of the know-how, capabilities, skills and expertise of human members of an organization.
- ✘ *Relational capital* is the second component, consisting of any connection that people outside the organization have with it, together with customer loyalty, market share, the level of backorders, and so forth.
- ✘ *Structural capital* embraces the remaining component of intellectual capital, including both systems and networks, and cultures and values, together with elements of intellectual property such as patents, copyrights, trademarks, and so forth.

BUSINESS STRATEGY AND KM STRATEGY

To put balance back into the original notion of business strategy, recent work in the area of strategic management and economic theory has begun to focus on **the internal side of the equation – the firm's resources and capabilities**. This new perspective is referred to as **the *resource-based view* of the firm**.

BUSINESS STRATEGY AND KM STRATEGY

- ✘ Strategic management models traditionally have defined the firm's strategy in terms of its product/market positioning – the products it makes and the markets it serves.
- ✘ The resource-based approach suggests, however, that firms should position themselves strategically based on their unique, valuable and inimitable *resources and capabilities* rather than the products and services derived from those capabilities.

BUSINESS STRATEGY AND KM STRATEGY

- ✘ Knowledge as a Strategic Resource
- ✘ *knowledge* can be considered the most important strategic resource, and the ability to acquire, integrate, store, share and apply it the most important capability for building and sustaining competitive advantage. The broadest value proposition, then, for engaging in knowledge management is that it can enhance the organization's fundamental ability to compete.

BUSINESS STRATEGY AND KM STRATEGY

- ✘ What is it about knowledge that makes the advantage sustainable?
- ✘ Knowledge, especially context-specific, tacit knowledge embedded in complex organizational routines and developed from experience, tends to be unique and difficult to imitate.

BUSINESS STRATEGY AND KM STRATEGY

- ✘ The Knowledge - Strategy Link
- ✘ The traditional SWOT framework provides a basis for describing a knowledge strategy.
- ✘ In essence, firms need to perform a *knowledge-based SWOT analysis*, mapping their knowledge resources and capabilities against their strategic opportunities and threats to better understand their points of advantage and weakness.

BUSINESS STRATEGY AND KM STRATEGY

- ✘ They can use this map to strategically guide their knowledge management efforts, bolstering their knowledge advantages and reducing their knowledge weaknesses.
- ✘ Knowledge strategy, then, can be thought of as balancing knowledge-based resources and capabilities to the knowledge required for providing products or services in ways superior to those of competitors.

BUSINESS STRATEGY AND KM STRATEGY

- ✦ Identifying which knowledge-based resources and capabilities are valuable, **unique and inimitable** and how those resources and capabilities support the firm's product and market positions are essential elements of a knowledge strategy.

BUSINESS STRATEGY AND KM STRATEGY

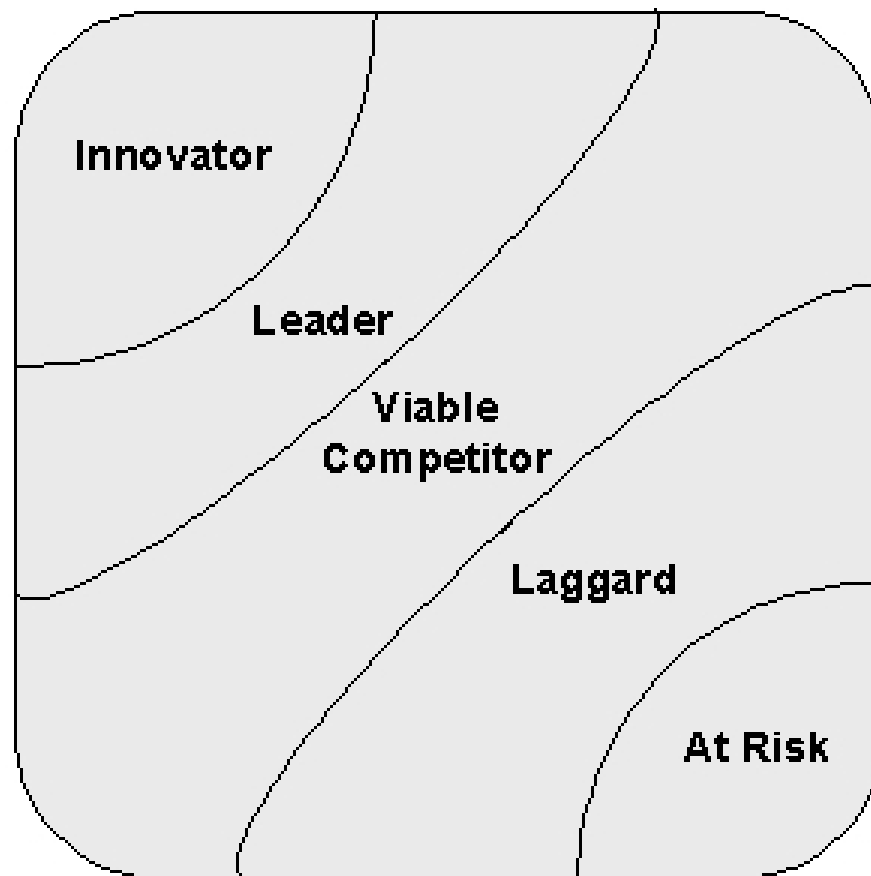
- ✘ The following strategic knowledge framework offers the ability to take a snapshot of where the firm is today vis-à-vis its desired strategic knowledge profile (to assess its internal gaps) and vis-à-vis its competitors (to assess its external knowledge gaps).

Your Organization

Innovative Knowledge

Advanced Knowledge

Core Knowledge



Core Knowledge

Advanced Knowledge

Innovative Knowledge

Competitors

Figure 2

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BUSINESS STRATEGY AND KM STRATEGY

- ✘ *Gap Analysis*
- ✘ Having mapped the firm's competitive knowledge position, an organization can perform a gap analysis.
- ✘ **The gap between what a firm must do to compete and what it actually *is* doing represents a *strategic* gap. Addressing this gap is the stuff of strategic management.**

BUSINESS STRATEGY AND KM STRATEGY

- ✘ Underlying a firm's strategic gap is a potential *knowledge* gap.
- ✘ That is, given a gap between what a firm must do to compete and what it can do, there may also be a gap between what the firm must know to execute its strategy, and what it does know. The result is a set of potential knowledge gaps.

BUSINESS STRATEGY AND KM STRATEGY

- ✘ Knowledge Gap analysis sets the stage for developing a knowledge strategy to address those misalignments.
- ✘ The greater the number, variety or size of the current and future knowledge gaps, and the more volatile the knowledge base because of a dynamic or uncertain competitive environment, the more aggressive the knowledge strategy required.

BUSINESS STRATEGY AND KM STRATEGY

- ✘ To give knowledge management a strategic focus, the firm's knowledge management initiatives should be directed toward closing this strategic knowledge gap.
- ✘ The important issue is that the knowledge gap is directly derived from and aligned with the strategic gap.

BUSINESS STRATEGY AND KM STRATEGY

- ✘ This simultaneous alignment of strategy and knowledge is a crucial element of a firm's knowledge strategy.
- ✘ In many firms, knowledge management efforts are divorced from strategic planning and execution. However, having an appropriate knowledge strategy in place is essential for assuring that knowledge management efforts are being driven by and are supporting the firm's competitive strategy.

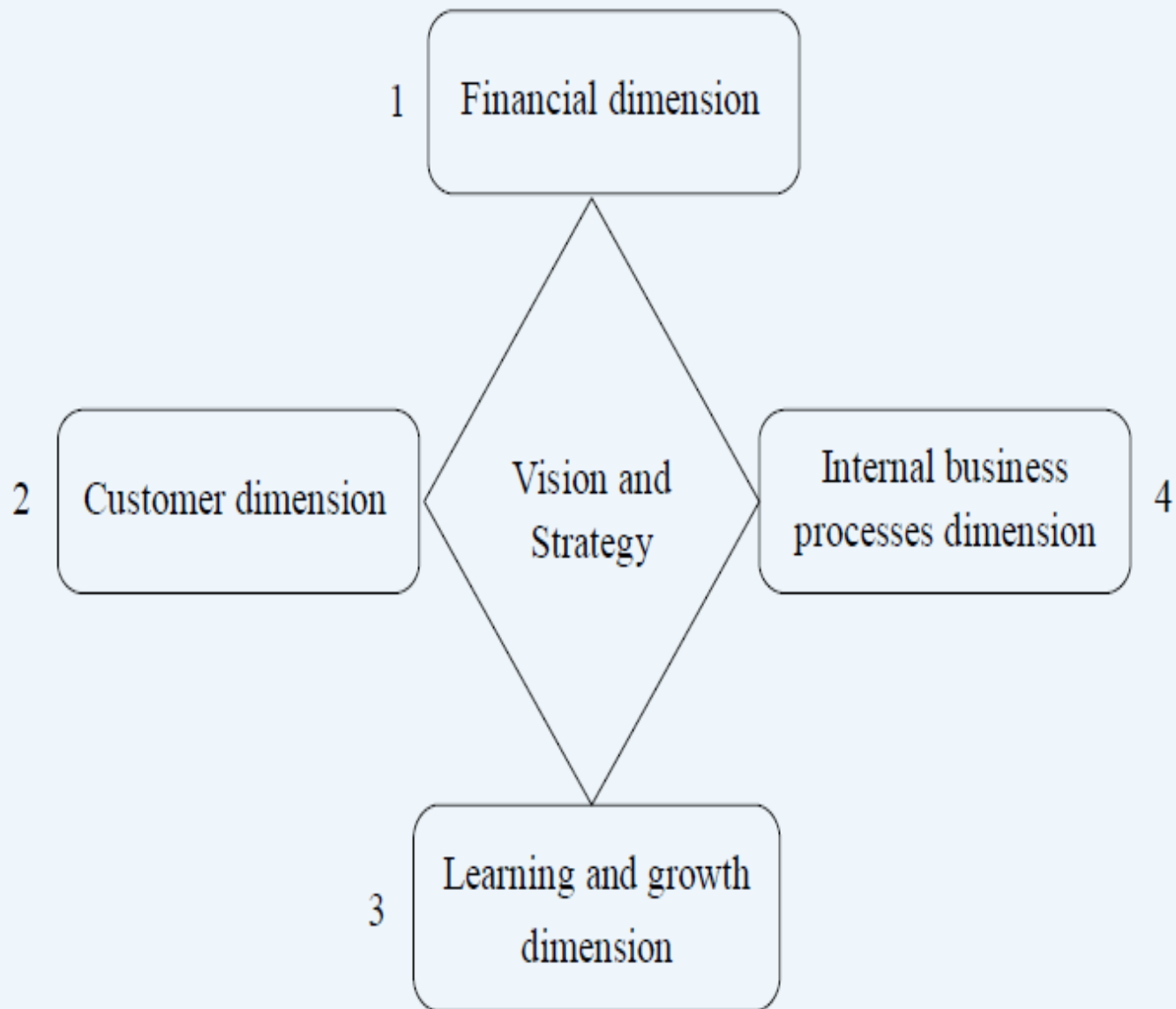
KNOWLEDGE MANAGEMENT METRICS

- × Three approaches:
- × Benchmarking
- × Balanced Scorecard Method
- × House of Quality

BALANCED SCORECARD METHOD

- ✘ Balance Scorecard Method is a measurement and management system that enables organizations to clarify their vision and strategy and to translate them into action.
- ✘ It provides feedback on both internal business processes and external in order to continuously improve strategic performance and results.

HIGH-LEVEL BALANCED SCORECARD



Final word:

In the end, the location of the new economy is not in the technology, be it the microchip or the global telecommunication network.

It is in the human mind.