Lessons From the First Decade of Knowledge Management

Insight from Nathan Zeldes, Feb. 27, 2013

Everybody likes Knowledge Management. What's not to like? Knowledge is good, knowledge is power... *of course* we want to manage it and grow it. And so Knowledge Management is a popular buzzword, well advanced along its hype cycle by now.

And yet, most people don't look beyond the hype; entire organizations fail to address the layers below the obvious immediate aspects of Knowledge Management. Thus, although the available tools are far better than they were 15 years ago (when we had to develop them in-house), the underlying culture and philosophy are often ignored, as I witness when talking to companies who should know better.

I was very fortunate to hop on the KM bandwagon long before it became a bandwagon, before it was a trend or a buzzword, before it was even called Knowledge Management. This forced me to really think, for myself, about what it really was all about; and it gave me the opportunity to share this thinking with others who were leading the exploration of this new territory.

In this article I want to share some of what happened, and some key concepts that I came to appreciate during Knowledge Management's first decade – and that I think we should all keep in mind when applying it today.

The millennium Project

Knowledge Management as an organizational discipline started to gain traction in 1995. That was when Skandia, a Swedish insurance and savings corporation, having appointed Leif Edvinsson its Director of Intellectual Capital, proceeded to issue an *Intellectual Capital annual report* to complement its traditional annual report of physical and financial assets.

Shortly after that, in 1996, I had one of the best strokes of serendipity in my long and interesting career. I was on a US business trip – always an opportunity for wonderful insights and connections – and met one of Intel's thought leaders who was in process of pulling the company into an exploratory collaboration with half a dozen corporate and research organizations worldwide. This endeavor, dubbed the Millennium Project, was launched in order to create insight into what Knowledge Management is and how to do it – and to exchange KM methodologies and insight among the participating companies. I was delighted to be drafted into the project.

The participating individuals were, naturally, a fascinating lot – forward thinking visionaries and early adopters willing to explore an uncharted domain and to share the learning with peers in other companies (a kind of sharing I always found extremely fruitful, but not always an easy sell in a corporate milieu). Activity included face to face meetings and remote collaboration in between, sharing our new found insights as we went. We defined Best Practices, tested methodologies, and launched new pilot projects to explore them.

Being part of the Millennium Project not only gave me the incentive to launch new KM projects in my own company; it gave me access to the thinking of other leaders in this new field, and led me to take a hard look at the significance of knowledge management and its development.

The focus on Knowledge as Capital

Few people today may realize that originally, Knowledge Management was not called *Knowledge Management* at all. It was called *KCM – Knowledge Capital Management*.

There is a subtle difference between this early name of the discipline and today's ubiquitous abbreviated form. Speaking of knowledge as **capital** placed a focus on intangible knowledge assets as having the same financially tangible nature as traditional capital assets. The notion that knowledge is a real asset that can be managed and increased like any other – a building, a machine, or hard cash in the bank – may be easier to grasp today, but back then it was a true innovation. It was, I recall, also the first thing I'd say to a colleague when explaining what this newfangled "KCM" is all about.

If this seems fuzzy, consider a famous case study we'd reviewed. Dow Chemical had decided in 1994 to audit the actual monetary value of each of its huge portfolio of tens of thousands of patents. The idea was to figure the total value of the patent throughout its future life, identify and drop those with negative value (patents have tax and maintenance costs) and optimize the application of the valuable ones. By acting on patents as capital assets with associated value and cost, they'd reported adding at least $150M to the company's bottom line!

The lesson: try figuring out how the knowledge in your company can be treated as an actual capital asset. You may be surprised by the insights you'll attain!

The people focus: enhancing the creation of knowledge

Leif Edvinsson of Skandia is considered the first CKO, but his title was not "Chief Knowledge Officer"; it was "Director of *Intellectual* Capital".

This is another subtle nuance: *Intellect* is not the same as *Knowledge*. To my mind, knowledge is the product, but intellect is what creates it. The notion back in the nineties was that you manage not only your knowledge assets, but also the intellect – the brain power of the employees – that is its ongoing source. Edvinsson's book "Intellectual Capital", written with M. S. Malone in 1997, is subtitled "realizing your company's true value by finding its hidden brainpower" – **brainpower**, not merely **brain product**. There is a focus on people here that is easy to overlook: a good Knowledge Management implementation should be not only about trawling the company for knowledge; it must also, and perhaps primarily, be about enabling people to create more – and more valuable – knowledge every day.

Viewing it this way may change your focus: instead of hearing "Knowledge Management" and thinking "SharePoint", you may start thinking in terms of people and the processes of creative thought they employ. As I like to say, KM can be enhanced even by widening the aisles between the cubicles in an open space office area – allowing people to walk side by side instead of walking in a row, so they can talk and argue and exchange insight. And of course you need to have many small areas to complement those anti-collaboration cubicles – “mini-cafeterias” – where people can sit and talk over a coffee. It all adds up to an environment that promotes knowledge co-creation and transfer.

The lesson: Every company has a value along the line of “our people are our most precious asset”. Not every company lets this asset generate intellectual value. **Make sure yours does!**

The importance of Values and Culture

When you talk about KM, Values may not be your first thought... and they ought to be. A major factor in Knowledge Management is the transfer of knowledge among employees; when you do this in a global company, you have a to take value mismatches into account. I’ve learned early on that KM is values dependent: moving knowledge between people with inconsistent value sets can become quite difficult (years ago I wrote an email overload solution that I tried to disseminate across Intel; there was one site that rejected it at once because my PowerPoint slides were incompatible with the local culture’s value set. I learned a valuable lesson!) Understanding that values enter into it is a first step towards solving the mismatch or working around it.

Corporate culture also affects KM in other ways. All the document repositories in the world won’t help much if the culture discourages innovating, or devoting some time to thoughtful study, as in sitting in a library and reading (sadly, physical libraries and learning centers are a threatened species in this digital age – but a noisy open office area is hardly conducive to knowledge assimilation). A culture of trust and openness is particularly crucial: without it people will naturally hoard their knowledge rather than share it for the general good.

A key question is who in involved in the knowledge management effort. Whether or not you appoint a CKO, it is critical that everyone in the organization be engaged. KM involvement should be ubiquitous across the entire organization – not just engineers and other knowledge workers, but also blue collar and clerical staff. And of course, managers must be fully on board as sponsors and role models. I’ve seen the difference a truly committed senior manager can make to the acceptance of a knowledge management program by the employee base.

The lesson: treat KM in a wider cultural context, with special attention to values across the company.

The challenge of tacit knowledge

You’ve seen the Iceberg infographic: only 10% of the knowledge assets are formal and accessible, while 90% consist of tacit knowledge, hidden in people’s heads, desk drawers, and odd bits and files on their local hard drives. Dealing with the 10% is the easy part. Capturing, storing and accessing that 90% is the real challenge...

The most popular aspect of Knowledge Management that I see in companies is the storage of explicit formal knowledge in repositories and databases – but the litmus test of a great KM implementation is that it doesn’t stop there; that an honest effort is made to deal with the tacit knowledge as well.

To capture tacit knowledge, you need to institutionalize, legitimize and reward the effort of rendering it explicit. One of the first projects I initiated after being drawn into the KCM field involved building a knowledge repository for technical knowledge in a production plant. We made sure this would not stop at formal documents; we instituted a routine whereby engineers and production operators would get together in regular sessions to discuss and jointly document what they know about their machines. You wouldn’t believe how much you can learn in such a process!

Incidentally, there is one drawback to tacit knowledge: it lacks the authority of a formal document that has gone through an approval signature loop. This may cause the implementers of Knowledge Management to ignore it as unreliable. My solution to this is to differentiate between "approved" and "unapproved" documents up front – mark them accordingly, and let future users of the repository treat them with this classification in mind. The informal knowledge may still bring huge benefit by triggering ideas and hinting at problem solution directions.

The lesson: the job isn't done until you've addressed the generation, capture and retrieval of tacit know-how.

In summary

You'll note how the points I make above ignore the "mainstream" components of setting up company-wide knowledge repositories and – more recently – social networks that allow knowledge to be captured, searched and shared. What I wanted to point out are some underlying ideas that tend to be pushed aside when one deploys these "heavy guns".

And a last caveat: nobody said setting up a knowledge management system will be easy. There's a lot of hard work involved: in the initial project work – setting up software, training, etc; in the ongoing maintenance of systems and documentation; and, most importantly, in effecting the required cultural change. Of course the benefit to the organization justifies it all!

If you want to look for ways to improve your current or planned KM implementation, I'm happy to discuss it – drop me a line!

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For more insight articles on Knowledge Worker Productivity, see here. You may also want to check out Nathan's blog at www.nathanzeldes.com, and consider subscribing to his RSS feed and to his Newsletter on that site.