KNOWLEDGE MANAGEMENT

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For most organisations the business world is changing dramatically, they are facing ever-growing challenges as a result of more intense competition, increasing changes in the marketplace, and changes in the nature of the workplace. Many organisations have been forced to change - downsizing or expanding – and there has been an increase in the use of technology which more often than not can lead to redundancies. With organisations suffering from the loss of people and talent they can often struggle to keep relearning all the knowledge lost when people leave the company, as a consequence they are now looking to knowledge management to meet these challenges.

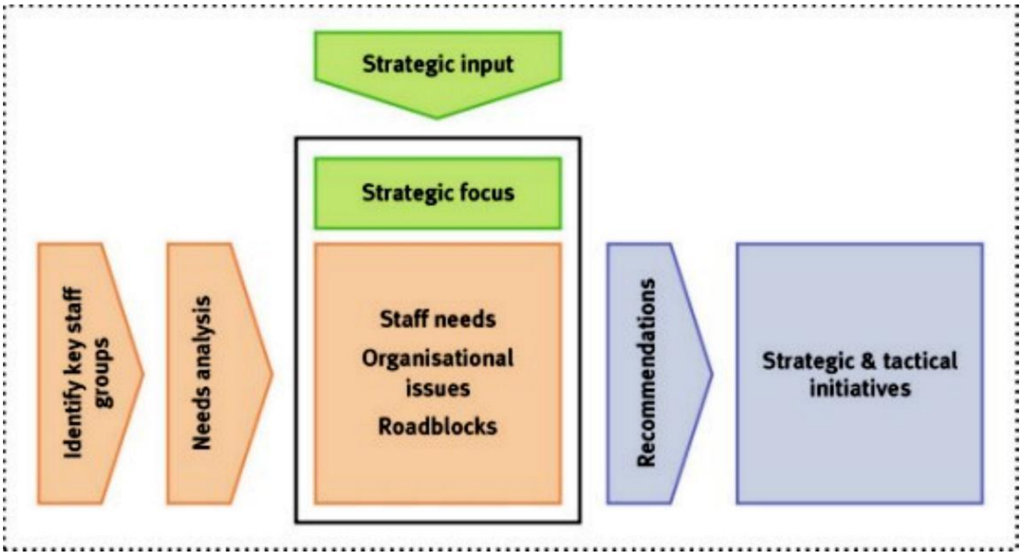
Davenport (1994) defined knowledge management as “the process of capturing, developing, sharing, and effectively using organisational knowledge”. Knowledge management refers to a strategic approach to achieving organisational objectives by making the best use of knowledge. It first emerged as a scientific discipline in the early 1990s. Thomas A Stewart, former editor of Fortune magazine and the Harvard Business Review, had published on the subject of intellectual capital and in 2001 published a cover story highlighting its importance in organisations. Stewart realised that others shared this conviction, as he put it in ‘The Wealth of Knowledge’ (2001) “an idea whose time has come tends to bloom everywhere at once”. Karl-Erik Sveiby, often described as one of the ‘founding fathers’ of Knowledge Management pioneered many of the fundamental concepts and had been conducting his own research into the nature of intellectual capital; Leif Edvinsson and Michael S Malone (Intellectual Capital, 1997), and Ikujiro Nonaka and Hirotaka Takeuchi (The Knowledge-Creating Company, 1995) were beginning the work that would establish their own reputations in this field.

The basis of competition is changing, it is no longer simply having a unique raw material or production system in manufacturing, but now differentiation is achieved through the building of knowledge. “Having knowledge can be regarded as even more important than possessing the other means of production – land, buildings, labour – because all the other sources are readily available in an advanced global society, while the right leading-edge knowledge is distinctly hard to obtain” (Kew & Stredwick 2008). Effectively knowledge is a competence and is more likely to meet the attributes required to be considered a core competence.

As more research was undertaken on knowledge management various approaches were taken and academic debate increased. This research included the following perspectives:

Techno-centric perspective – there is a focus on technology, preferably on those that enhance knowledge sharing and creation;
Organisational perspective – there is a focus on the design of the organisation and how it can be planned to facilitate knowledge processes best;
Ecological perspective – there is a focus on the interaction of people, identity, knowledge and environmental factors as a complex adaptive system akin to a natural ecosystem.

Irrespective of the perspective taken the core components of knowledge management include people, processes, culture, structure, technology, depending on the specific perspective (Spender & Scherer 2007). In practice, organisations are littered with well-meaning but poorly targeted knowledge management activities. In many cases, these failed because they simply did not share a clearly defined and essential need within an organisation. This is now recognised as one of the 'critical success factors' for knowledge management: identify the needs within the organisation, and then design the activities accordingly. Developing a knowledge management strategy provides a unique opportunity to gain a greater understanding of the way the organisation operates, and the challenges it faces.



There are three main reasons suggested as to why knowledge management is important to an organisation's success:

Facilitates Better Decisions and Processes:
In his book, Learning in Action: A guide to Putting the Learning Organisation to Work, David Garvin (2000) uses GE as an example of how a company can use a knowledge management system to help managers share information and improve their decision-making. GE established a Corporate Executive Council (CEC) comprising the heads of GE's fourteen major businesses. They hold two-day forums for sharing best practices, accelerating progress, and discussing experiences – failures and successes. Putting knowledge management systems in place can facilitate better and more informed decisions.

Contributing to the Intellectual Property of the Organisation:
Garvin (2000) used the U.S. Army to demonstrate this – the army's After Action Reviews (AARs) are an example of a knowledge management system that has helped build them into a learning organisation by making learning routine. After every important event or activity Army teams review assignments, identify successes and failures, and identify ways that they could perform better next time. By capturing learning from experience they build knowledge that can be used to improve processes and streamline operations.

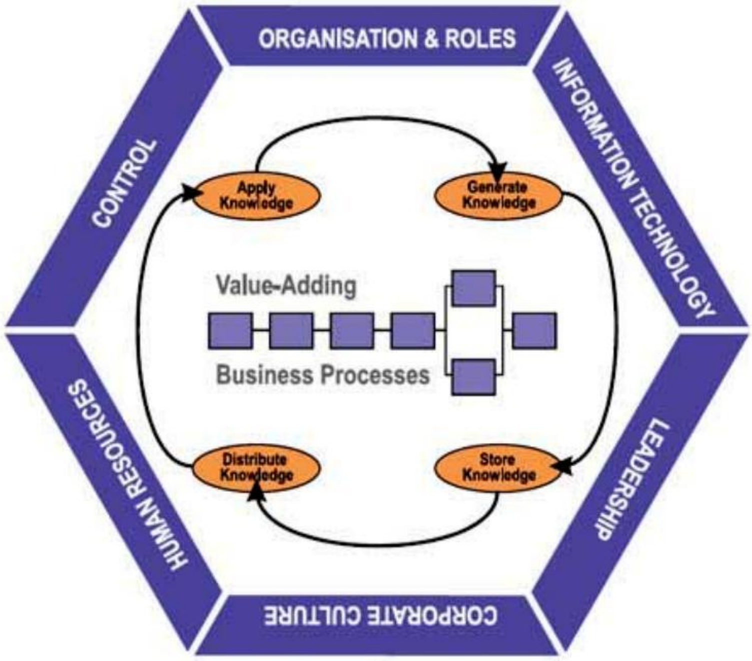
Stimulates Cultural Change and Innovation:
Encouraging the smooth flow of ideas can also stimulate cultural change and innovation. GE's Change Acceleration Process (CAP) was created to not only "convey the latest knowledge to up-and-coming managers" but also to "open up dialogue, instil corporate values, and stimulate cultural change". Knowledge management programs can help managers embrace change and encourage ideas and insight.

The aim of knowledge management is not simply about organisations becoming more knowledgeable, but organisations then need to be able to create, transfer and apply knowledge with the purpose of better achieving objectives. Effective knowledge management should dramatically reduce costs (by providing potential to expand and grow); should dramatically increase the speed of response as a direct result of better knowledge access and application; and as a result therefore dramatically improve quality of products and/or services.

There are also issues associated with knowledge management systems. One of the main issues when considering knowledge management is how to get people to share their knowledge. The easiest methods are often by traditional rewards such as pay, incentives, benefits, shares, profits, and commissions or alternatively, through learning opportunities (Kim & Mauborgne 2008). Because of the complex nature of work and the fact it has become more interdependent, individual employees rarely accomplish anything of importance on their own, they rely on both co-workers and external parties through networking etc. Despite this few knowledge-management systems focus on this relational aspect, and therefore capture only some of the knowledge that made a person successful and that must be transferred to colleagues to avoid disruptions in work (Parise, Cross & Davenport 2006). Furthermore, a study in 2005 found that only half the organisations surveyed had identified a list of critical skills needed for future growth, and more than a quarter viewed defining critical skills as "unimportant" (Deloitte & Touche 2005). If an organisation identifies staff needs and issues, then activities and initiatives can be recommended in the knowledge that these will have a clear and measurable impact upon the organisation.

An organisation also needs to examine why it wants people to share knowledge and to identify the value derived from sharing. Customers are looking for value and organisations have to offer value propositions and that is one of the main reasons for knowledge sharing. An organisation needs to provide the customer with what they want, not what the organisation thinks the customer wants, they should be looking to offer improved value and thereby create new markets.

It has been mentioned earlier that knowledge management can stimulate cultural change and innovation. There has been considerable work done in the knowledge management field regarding the process of innovation and how to nurture it in a business environment. It is now recognised that effective knowledge management can be 'the key driver of new knowledge and new ideas' to the innovation process, to new innovative products, services and solutions.



In the long-term an organisation's success is dependent on adding value. This requires creativity based on the current knowledge position of the organisation. With reference to knowledge management, the challenge (in the context of adding value) is that organisations have to reorganise themselves around the scarce resource of talented human capital and manage the constraining elements and strategic resources of information, knowledge and expertise (Bartlett 2008).

The more an organisation knows about stakeholder needs, customer needs, employee needs, industry needs, for example, then they should be able to manage their relationships better. The result of this should be to increase value and/or profitability

One obvious area of potential knowledge loss is where members of staff resign or retire. Knowledge management can help assist in setting up structures and a mechanism for capturing and transferring knowledge when this happens. It has been recognised that critical knowledge loss is not simply what the departing employees know about their job tasks, but also who they know and collaborate with to get work done on time. Knowledge loss resulting from employee turnover is becoming a critical issue that cannot be ignored. When employees leave they depart with more than what they know; they also leave with critical knowledge about who they know. Studies have repeatedly demonstrated that such relationships are crucial sources of information and performance in organisations (Cross & Parker 2004).

Many organisations only try to capture departing employee's knowledge when they have handed in their notice so time is short, there is no real incentive to share, and with work being handed over the leaver is busy through their final days. There is therefore little or no time for the departing employee to share their knowledge. If a knowledge management system exists whereby an employee is expected to record what they know in a reusable format, there is much less risk associated if that person leaves. Additionally, organisations that have a knowledge management system whereby knowledge is shared have an attractive selling point when recruiting new staff.

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