

# **Knowledge Management**

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Simply, knowledge management (KM) is the process of maintaining and using company information<sup>1</sup> and integrating knowledge workers' experience. Knowledge Management is tied to Knowledge Work, the work that involves the development and transmission of knowledge and information and implies a greater amount of ambiguity, searching, researching, and learning in the job environment<sup>2</sup>. Overall, KM strategies allow firms to handle more clients and projects by saving time and reducing both research and communication costs.

According to Kulkarni, Ravindran, and Freeze, "KM can be viewed as the process by which organizations leverage and extract value from their intellectual or knowledge assets. . . . Knowledge is embedded and flows through multiple entities within a firm, including individuals with domain expertise, specific best known methods, or lessons learned from similar experiences, documents, routines, systems, and methods."<sup>3</sup>

## **Integrate KM into Daily Life**

One approach to KM claims that "the key to success is to bake specialized knowledge into the jobs of highly skilled workers – to make knowledge so readily accessible that it can't be avoided."<sup>4</sup> This is done by using the technology used by knowledge workers as part of their daily life. The goal is to eliminate extra effort, motivation and time spent on KM activities.

Embedding KM activities into daily tasks is easiest for low skill workers and complexity increases as job complexity increases. There are several keys to success, beyond the right technology, for embedding knowledge into daily tasks.

1. Support from the Best and Brightest
2. An Expert and Up-to-Date Knowledge Base
3. Prioritized Processes and Knowledge Domains
4. Final Decisions by the Experts
5. A Culture of Measurement
6. The Right Information and IT People<sup>5</sup>

### **KM Strategy: Codification or Personalization**

Another approach to KM starts first with determining which KM strategy best fits with the firm's overall strategy. There are two basic choices: codification (people-to-documents) and personalization (people-to-people).

Codification strategy "provides high-quality, reliable, and fast information-systems, implementation by reusing codified knowledge."<sup>6</sup> Codification typically includes databases of information, previous reports and presentations, all of which have disguised customer information. The knowledge workers' experiences and knowledge are stored in documents, either in hard copy or electronic soft copy. The knowledge is not connected to a specific person and reused for multiple projects. This idea of reuse economies is critical to codification strategy and its role in creating large revenues.

Personalization strategy "provides creative, analytically rigorous advice on high-level strategic problems by channeling individual experience."<sup>7</sup> Knowledge workers use each other as resources through brainstorming sessions, networking, one-on-one conversations and team projects, where the focus is on individual knowledge and experience. This method is particularly useful when information cannot be codified and stored electronically. Because of the customized solution generated by personalization strategy firms can charge higher prices and sustain higher profit margins.

The best results are achieved when a firm focuses on one strategy; however, a secondary strategy can be employed to support the primary, but with less emphasis.

There are a few simple issues to consider when determining which strategy to choose.

1. Do you offer standardized (codification) or customized products (personalization)?
2. Do you have a mature (codification) or innovative product (personalization)?
3. Do your people rely on explicit (codification) or tacit knowledge (personalization) to solve problems?
4. Which primary strategy best fits the firm's competitive business strategy? The answers to these questions must be clear or picking a KM strategy could cause more damage than good.
  - a. What value do customers expect from the firm?
  - b. How does company knowledge add value for the customer?
  - c. Why do customers buy the firm's products/services?
5. What is the ratio of primary strategy to secondary strategy? (80/20 rule)
6. Remember to coordinate KM with HR and IT.<sup>8</sup>
7. Remember that it can be hard to calculate the return on KM investments. Anecdotal evidence could be the best measure of KM success.<sup>9</sup>

### **Applied KM Strategies Examples**

Partners HealthCare uses the embedded-knowledge approach to KM. They developed integrated information systems to help eliminate human error. For example, the order-entry system is linked to the clinical database and the patient's records so that if a doctor recommends a medication the system checks the databases to see if the patient has any history of allergic reaction and, if so, what reaction.

Consulting firms employ either codification or personalization strategies as the primary KM strategy. Ernst & Young, like Anderson Consulting, is a consulting firm that uses a codification strategy. An Ernst & Young partner in the Los Angeles office was bidding on a project for an industry he was unfamiliar with. He used the firm's electronic KM database to research how other teams had handled similar manufacturing projects. By reusing other teams' research, the partner was able to not only win the bid but also close the sale in half the normal time.

Personalization strategies are employed at McKinsey & Company and Bain &

Company. These companies hire a different type of employees. They look for MBA graduates who can be innovative when using their analytic and critical thinking skills to solve distinct business problems for distinct clients.

## Knowledge Management References

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<sup>1</sup> Foster, S. Thomas. *Managing Quality: Integrating the Supply Chain (3<sup>d</sup> Edition)*. Upper Saddle, New Jersey: Pearson, Prentice Hall, 2007, p. 164.

<sup>2</sup> Foster, p. 338.

<sup>3</sup> *A Knowledge Management Success Model: Theoretical Development and Empirical Validation*. Kulkarni, Uday R.; Ravindran, Sury; Freeze, Ronald. *Journal of Management Information Systems*, Winter06/07, Vol. 23 Issue 3, p.310.

<sup>4</sup> *Just-in-Time Delivery Comes to Knowledge Management*. Davenport, Thomas H., Glaser, John, *Harvard Business Review*, July 2002, Vol. 80, Issue 7, p.108

<sup>5</sup> *Just-in-Time Delivery Comes to Knowledge Management*, p.110-111.

<sup>6</sup> *What's Your Strategy for Managing Knowledge?* Hansen, Morten T., Nohria, Nitin, Tierney, Thomas, *Harvard Business Review*, March/April 1999, Vol. 77, Issue 2

<sup>7</sup> *What's Your Strategy for Managing Knowledge?* p.109.

<sup>8</sup> The list to this point is from *What's Your Strategy for Managing Knowledge?*

<sup>9</sup> *What's Your Return on Knowledge?* Cohen, Don, *Harvard Business Review*, December 2006, Vol. 84, Issue 12