CHAPTER 65
The Curious Success of Knowledge Management

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Knowledge management has had a difficult gestation, but now is emerging as an important element of enterprise strategies. It is enabled by technology tools, but encompasses far more than technology. Key tools in the near future will include expertise location, just-in-time knowledge delivery and the portal. But knowledge management faces a number of challenges, and to the extent that is successfully establishes itself, the label itself is likely to fade away. Ultimately, though, a knowledge approach is necessary for the modern business and particularly in today’s economy.

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1 Introduction

Knowledge management (KM) is a significant corporate tool, as this volume amply demonstrates. It is, in fact, the most powerful new insight into business strategy that most corporate executives had never heard of until recently.

KM’s visibility has been improving of late, though, thanks in large measure to the striking recent speedup in competitive time-to-market cycles and to the lessons being learned during the economic downturn of 2001.

Knowledge management as an approach to business management has had a tumultuous history. It was born as a hip buzzword, was shunned as a second cousin to business process reengineering, and was for a time hijacked by software vendors. Despite this circuitous path, knowledge management is now well on the way to becoming a necessary component of every bottom-line-oriented company’s long-term business strategy.

Ironically, that also means knowledge management is now in danger of disappearing as a distinct business practice. This is a good thing, and a hallmark of the evolution of business theory that will mark this period as a time of significant advance.
2 Has KM Arrived?

Recent journalistic reports have uncovered increasing numbers of companies exploring or embracing the practice of knowledge management. A number of certification programs in KM are being developed and marketed. At last report, several dozen college and university programs in KM had been established, with reports of additional programs arriving regularly.

Virtually every research report on KM or one of its component processes finds growth and potential in the market. To cite only two of the more recent ones:

According to a 14-year study conducted by the Center for Effective Organizations in the Marshall School of Business at the University of Southern California, there is a growing trend among major American corporations to devote more time and resources to the management of knowledge and to creating incentive systems that tie pay to performance. According to the USC study, companies are using these programs to replace the seniority-based reward practices and loyalty relationships that existed when the study began in 1987.

International Data Corporation reported in June 2001 that knowledge management is gaining momentum. According to IDC, worldwide KM services spending will increase at a compound annual growth rate of 41%, from $2.3 billion in 2000 to $12.7 billion in 2005.

Knowledge Management magazine published a report on "The State of KM" in its May 2001 issue. It was prepared in cooperation with Greg Dyer, senior research analyst for IDC's Knowledge Management Services program. Survey respondents indicated that their companies do understand the value of deploying KM solutions, and that their knowledge efforts are strategic in nature, with substantial involvement by executive managers.

Among the results was some data that suggests the relevance of KM in times of a weak economy: When asked the reasons for respondents' companies adopting KM, 51.9% said it was to retain the expertise of personnel - more than 8 percentage points higher than the second-ranking answer, which was to increase customer satisfaction.

When those being surveyed were asked about business uses of the KM initiatives under way, more than three-quarters said it was to capture and share best practices, while five-eighths said it was to provide training and learning.

The Knowledge Management survey results also echoed other analyses of corporate KM deployments with regard to management and leadership: senior corporate management leads almost half of all initiatives, with a cross-functional team being the most common approach.

Finally, the survey revealed that there is no illusion about the major challenges facing executives interested in knowledge-enabling their companies: they're lack of employee time, the absence of a sharing culture, a lack of understanding of the benefits of KM - and, fourth on the list, that persistent bugaboo, the ROI challenge. Despite the incessant drumbeat in recent years, "Lack of appropriate technology" ranked only 10th on the list.
3 Early Drivers

There are some core functions that have been found to be the early drivers toward knowledge management. One is a felt need for improved messaging and collaboration support, whether that be robust e-mail, instant messaging among employees, or real-time groupware tools. Another is the challenge of document management, which is evolving to become much more a process concern and far less about specific pieces of paper or office files.

There is no question that the availability of technology tools is an enabler. The abilities these tools offer to the aggressively competing company or organization can make a difference. They are, to use an oft-heard phrase, necessary though not sufficient to drive and support KM.

Three categories of tools are likely to play central roles in the strategic deployment of KM systems.

1. The first category is tools to facilitate access to expertise that exists within the company. Basex, a New York-based consultancy and analyst firm, issued a report in mid-2001 in which it suggested that software systems that facilitate the process of locating expertise within a company could be KM's killer app. I find this argument intriguing. It's a nuanced argument; the author, Charles Canning-Smith, takes pains to point out that the nature of the corporate culture plays a key role in determining the success of the deployment of such a tool in speeding time to market, reducing costs, and improving the bottom line.

2. Knowledge is useless unless it is shared with those for whom it has business benefit. Knowledge in a repository, a knowledge base, is a potential asset, but its value will not be realized until it makes a difference. Hence the importance of the just-now-developing category of what we call "just-in-time knowledge" tools. These are delivery tools rooted in the e-learning space but focused not on training but on the injunction oft voiced by Carla O'Dell, the executive director of the American Productivity and Quality Council, that the essence of knowledge management must be getting the right knowledge to the right people at the right time.

3. The identity of the technology tool that in the short- to mid-term is likely to be the glue that holds knowledge processes together will come as no surprise. It is, of course, the enterprise information portal. Particularly, it is the second-generation portal - personalized, of course, but also offering data access to legacy back-end systems, transactional capabilities and support for real-time collaboration. The label "portal" is particularly well chosen to describe these tools, which have such a tremendous capacity to empower by eliminating tedious processes and heterogeneous interfaces, integrating the unique blend of information and knowledge required by any given employee and putting it at his or her fingertips.

Corporate portal deployment is still in an early stage. Hummingbird in 2000 queried 1,000 companies about their plans, and reported that 60 percent of them were in the "conceptual" phase while only 15 percent had deployments underway or completed. Another survey, done by Delphi Group, indicated that only one-quarter
of the companies it questioned had already invested in portal technology, but companies amounting to half the sample said they'd make a significant investment in portals within the following year.

How they pursue that investment will make a difference. A portal ought not to be a shrink-wrapped buy. It is a complex tool for knowledge access and sharing that will deliver value only if designed to meet specific business needs.

Developments in communications technology promise to impact companies' ability to migrate to knowledge-centric approaches. In particular, I think the recent announcements about the interoperability of instant messaging tools offers great promise for expanding the potential for useful collaboration within the enterprise and adding functionality to those expertise-accessing systems.

In addition, if the wireless carriers can survive current market conditions and are ever able to get beyond their various political and technological confusions, faster and more robust wide-area wireless data access could change the entire face of knowledge empowerment. As carriers lurch unevenly toward 3G networks, we are only in the bleeding-edge early adopter phase, but some of the work that is being done with CRM tools and handhelds suggests where we may well be headed.

Improved real-time availability is not merely an enabler, though - it is likely to be a harsh taskmistress as well. As John Jordan of Cap Gemini Ernst & Young noted in a recent edition of the Business Innovation newsletter, "Increased connectivity challenges organizations to shorten strategy and operational cycles." The opportunities for profiting from better information and decision-making capability are almost endless, he notes, but the difficulties are legion as well, and extend well beyond the technical and process hurdles to include organizational and behavioral gaps. And as we all know, those are the tough ones to address.

As strong as knowledge management appears to be in North America, there are indications that the marketplace for KM tools and strategic and deployment advice may well be considerably stronger in the rest of the world. Some of those indications are anecdotal. But there are numbers as well. In its June report, IDC said, "the United States is leading efforts in the KM market; however, its share of worldwide KM services spending will dip to 48% in 2005, from 62% in 1999. Non-U.S. regions will outpace the United States in KM spending growth, with a 2000-2005 CAGR of 48%. By comparison, U.S. spending will be 35% during this time."

4 The Paradox

And yet, despite all these positive indicators, the future of knowledge management is a bit confused. For a number of reasons.

One is because, like all loosely defined undertakings, knowledge management is a moving target. Despite the many attempts to define it, and despite the existence of official-sounding bodies like IBM's Institute for Knowledge Management and the Knowledge Management Consortium International, KM remains very much in the eye of the beholder. It means different things to different people. As Tom Davenport, now the director of the Accenture Institute for Strategic Change, pointed out in CIO a while ago, KM is "an ever-growing collection of stuff.'
Where once it was about the creation and use of technology-based repositories and about developing a knowledge-oriented culture and structure, today it is about e-learning, and business rules, and business intelligence, and lots more.

To quote Davenport, "The drift and accretion of knowledge management surely has a downside. In referring to so many different ideas, the concept will probably lose focus, and knowledge management initiatives may try to do too much.'

What Davenport describes, and what a number of companies have experienced of late, is characteristic of the middle period in the adoption of a new strategic methodology. It is, in Tom Kuhn's terms, the period of the establishment of a new paradigm, the return to a "normal" that is in fact different from what went before. The definitional confusion will pass. For now, though, we must be careful to define our terms to be sure that we're discussing the same processes.

The relation of the business discipline of knowledge management to the vendors of technology tools has been much discussed of late. In the April issue of Darwin magazine, for example, Eric Berkman writes that "KM has fallen victim to a mixture of bad implementation practices and software vendors eager to turn a complex process into a pure technology play. The result: Like many a business concept, KM has evolved from a hot buzzword to a phrase that now evokes more skepticism than enthusiasm." To drive the point home, he evokes the image of the vendor feeding frenzy that was the trade show floor at the annual KM World conference in Silicon Valley. It's a scene many of us have seen.

I do not mean here to re-plow old ground. But the fact remains that despite the best efforts of many practitioners, analysts, journalists, and commentators, there remain senior corporate executives who believe that knowledge management is a technology-driven, rather than technology-enabled, undertaking. And so they hand the pilot project to an IT executive, who goes looking for a vendor to deliver the goods. And there are plenty of vendors eager to deliver KM solutions.

Or at least there have been. The scene on the KM World show floor in the near future promises to be very different from a couple of years ago. At this writing, this is, to put it mildly, not a good time for technology tools companies.

In addition, the endeavor of knowledge management is challenging, as is anything in the business world that involves people. It is with good reason that the human resources function is emerging as a strategic role that deserves a seat on the executive committee. KM is about what people know, what they need to know, and how they can help each other and their employers to work well and prosper.

For those corporations and other large organizations that are clear about the need to knowledge-enable their operations and processes, the road has not been a simple one - again, for all the reasons cited in this volume. Cultural change not only does not come easily, the need for it is often not obvious to the old-school business executive. Success requires dogged determination on the part of senior management, clear-sighted project and practice leaders, and buy-in from the knowledge workers themselves. The fact remains that deploying KM is not a guaranteed success. It's certainly not in the same ballpark as deploying a new relational database, or even deploying an ERP or CRM system.

The building and nurturing of communities illustrate the challenge of committing to knowledge as a corporate tool for competitive advantage. As organic, somewhat amorphous entities, communities need to be nurtured and managed, but
they can't really be directed. In other words, you can't directly make them succeed, but you can and should support them nonetheless. As Sun Tzu wrote in *The Art of War*, "In all fighting, the direct method may be used for joining battle, but indirect methods will be needed to secure victory."

These are economic times that reward the far-sighted in corporate leadership who understood there would be competitive value in knowledge-enabling their companies. Forward-thinking companies view periods of turmoil as opportunities to refresh their strategies, challenge their assumptions and innovate to gain market share. Even cutbacks—if handled deftly and with an eye toward conserving knowledge and expertise and improving efficiencies—can yield positive results. In particular, layoffs have far less impact if unique knowledge does not walk out the door with ex-employees.

But the identification, harvesting and central storage of company knowledge is not something that can be deployed in a few months. KM is a key component of an affirmative corporate response to an economic downturn, but the deployment needs to have been planned and begun long before the GNP growth starts to shrink.

Yet even that is challenging, for knowledge-enabling a large organization relies on the loyalty of employees. Employees need to trust that to the extent possible companies will take care of them, or else they will not share their knowledge. And without that shared knowledge, companies run a real risk of harming themselves, of losing their way amidst the high waves and torrential downpours of a rapidly-changing business and economic climate.

Loyalty is a tough commodity to come by these days, though. No surprise there; when the number of layoffs announced in a single month exceeds the population of Chattanooga, or Fort Lauderdale, or Syracuse, corporate employees are likely to be a bit hesitant about placing their trust in a company that may put them on the streets next month through no fault of their own, to compensate for reduced revenues and stay on something like an even keel.

A thoroughgoing knowledge strategy is proactive and long-term. It needs to in place and working, like the patch to a leaky boat, long before the skies turn gray. Because if it is not, if senior managers suddenly set about gathering employee knowledge in response to a sales downturn, sirens will sound, storm warnings will be run up, and employee trust will be hidden away with that knowledge. After all, who will willingly help rig the ladder that is likely to lead him or her over the side?

Knowledge management is too often understood as purely a conservative mechanism - as a way of retaining unique expertise so as to avoid the time and costs associated with developing that knowledge again. But knowledge management ought also to be understood as being about the process of creating new corporate knowledge. This extends it to encompass the set of business endeavors often referred to as *innovation*. And those are, if anything, even more frightening to the uninitiated or insufficiently motivated than is the term *knowledge management*.

Finally, a key link in the KM chain remains unforged. Despite the earnest efforts of a number of creative and original thinkers and scholars, we cannot yet show how and to what extent KM impacts a company’s bottom line. For senior
corporate managers to embrace knowledge management processes, particularly in hard times, they must be able to show to their boards why it is worth it, in terms that matter. We therefore are badly in need of a subtle but revolutionary shift in how companies are valued.

That work is under way. It is much in evidence, for example, at the annual conference on valuing intangibles hosted at NYU's Stern School by Baruch Lev. It is reflected in the work of Robert Herz and his colleagues at PricewaterhouseCoopers, and of Cap Gemini Ernst & Young's Center for Business Innovation on CGEY's Value Creation Index. Many others are at work in the same fields.

Ultimately, metrics must be developed that quantify the contribution of knowledge developed and used within the company to that company's value. We need to be able to show, and the accountancy and capital markets standards bodies must be willing to accept, that intangible assets not acquired through a market transaction nonetheless have market value, have exchange value. It is only then that we will be able truly to cost-justify KM.

We are moving in that direction. An official of the U.S. Financial Accounting Standards Board has now acknowledged this need publicly. In May 2001, an SEC-appointed committee on "Strengthening Financial Markets" recommended supplemental corporate disclosure about intangible assets. But we have a ways to go yet.

5 The Burden of Success

To the extent that knowledge management is in fact an approach that contributes to a company's competitive advantage, it is disappearing as a distinct business process. Instead, it is being incorporated as a component of other business processes. Increasingly, rather than speaking of a KM deployment, we're hearing references to a knowledge-enabled call center, an R&D unit that uses knowledge and expertise tools, an HR department that's knowledge oriented.

Analysts from the Basex consultancy in mid-2001 surveyed the Web sites of a number of companies that generate what Basex considers KM news to ascertain whether the Web site actually used the term "knowledge management" and whether it described what it does in KM terms. Based on what it found, Basex assigned each company a grade, ranging from an A if the company uses the term "knowledge management," relates it to sharing and describes what it does in KM terms, through B for use of terms equivalent to KM, to a low grade of C if the company plays in the KM marketplace but doesn't use KM terminology.

The result? Very few of the 32 companies surveyed, all of which in Basex's judgment were KM companies, identified themselves that way. Only 9 percent got an A grade. 19 percent got an A-, which required using the term KM and relating it to sharing.

This avoidance of the term "knowledge management" is not likely to be much of a problem for end users - for large enterprises seeking to embrace knowledge approaches to competitiveness and cost-effectiveness. In fact, given the ambiguity and confusion that has surrounded the term, the absence of the KM label may be a positive factor in getting sign-off on the project.
But it certainly may prove to be a problem for a self-defined KM marketplace. KM is a multi-billion dollar industry. But it's a stealthy one, and one lacking broad, compelling rhetorical appeal. If you're selling knowledge management services - consulting services, portals, collaboration tools, expertise software or any of the other categories - you know that KM as a marketing tag is not performing very well, and may not be the most effective label for you.

6 Where Should We Go with KM?

Is this then the beginning of the end for KM as a distinct endeavor? Will KM go the way, for example, of the quality movement? I think not. But the jury is still out.

When we rolled out Knowledge Management in 1998, we characterized knowledge management as risk management for the enterprise. If anything, the risks to competitive organizations have increased in the ensuing three years.

"To take advantage of this shift," we wrote, "organizations have to change in ways large and small. They have to jettison many of the old assumptions, while embracing new forms of organization and business methods that may be utterly alien."

That is happening. But knowledge management is proving not to be the best label for that phenomenon.

The name has been challenged repeatedly since Karl-Erik Sveiby wrote, "Personally I dislike the notion 'Knowledge Management.' Knowledge is a human faculty, not something that can be 'managed,' except by the individual him/herself. A better guidance for our thinking is therefore phrases such as 'to be Knowledge Focused' or to 'see' the world from a 'Knowledge Perspective.'"

Lars Johansen, the president and CEO of IT Factory, has recently been delivering a presentation in which he declares that knowledge management is a technology in the process of moving from the "hype" stage to the stage of really providing value for companies. "By the time KM really becomes widely used in organizations," says Johansen, "we won't call it KM anymore, because it will be in everything we do. It will be both transparent and pervasive. In other words, its use is so widespread that essentially everyone is using it, and they don't even know that they are using it."

KM functionality will be seamlessly embedded into the business application user interface. But at this point, users aren't really thinking of it as KM anymore, they're just thinking in terms of answers they need to pressing questions right now.

So in the end, says Johansen, we won't think of KM as KM anymore. We'll simply think of it as the right answers at the right time in the right context.

That, he says, is when KM gets really interesting.

I'd agree. Stay tuned.
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