Towards an Effective Organizational Knowledge Management Strategy

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OBJECTIVE

The main objective of this study is to develop a comprehensive strategy for effective knowledge management in organizations, based on the best practices used by organizations (private and public) that have successfully implemented knowledge management systems (KMS). A set of knowledge management success factors is developed, which should help organizations focus their efforts and resources on those issues that are most likely to lead to success in knowledge management implementation projects.

THE IMPORTANCE OF A KNOWLEDGE MANAGEMENT STRATEGY

In today's "new" economy, it is becoming increasingly apparent that organizational performance depends less on tangible assets and more on intangible ones, notably knowledge. The reverse was the case just a couple of decades ago. As stated recently by Norton (2001), "the source of value has shifted from tangible to intangible assets." Citing studies conducted by The Brookings Institute, among others, Norton notes the declining trend in market value attributed to tangible assets (62 percent in 1982, 38 percent in 1992, and 15 percent in 1998) and a corresponding increase in market value attributed to intangible assets (38 percent in 1982, 62 percent in 1992, and 85 percent in 1998). Other authors have made similar observations. For example, Drucker (1993) asserts that knowledge has become the only meaningful resource today, relegating the traditional "factors of production" to a secondary level of importance. Therefore, to the extent that an organization is able to harness and successfully utilize its knowledge resources will it be able to improve its competitive position in the new economy. This calls for a comprehensive, meaningful, and deliberate strategy for organizational knowledge management (Jennex et al., 2003).

Knowledge management poses a significant challenge to many organizations. For one thing, the concept is relatively new, and for another, there is very little direction (in the form of strategy) that organizations can follow in their quest to implement effective knowledge management systems. Citing KPMG's "Knowledge Management Report 2000," in which 137 companies were surveyed, Barth (2000) noted that companies practicing knowledge management were generally better off than those that were not, however, the benefits did not always fulfill the respondents' expectations. The main reasons given for this failure to meet user expectations are as follows: (1) lack of user update due to inadequate communication; (2) KMS not integrated into normal everyday working practice; (3) lack of time to learn a complicated system; (4) lack of training; (5) users not seeing any personal benefits; (6) senior management not standing behind the project; and (7) unsolved technical problems.

At the present time, there is tremendous interest in knowledge management in the information systems literature. Numerous articles have been written on the subject. However, almost invariably, each article has come with its own classification system for the various aspects of knowledge management; there is no single source that pulls all the information together into a comprehensive taxonomy of the salient aspects of knowledge management and its implementation.

The issue of knowledge management is not just a matter of "managing" some "knowledge" that resides in some known place. It also includes the ability to recognize the different *types* of knowledge, as well as the establishment of policies, procedures, and processes for extracting, codifying, storing, and maintaining the knowledge. Several authors, notably Nonaka and Takeuchi (1995), have identified two main types of knowledge—*explicit* and *tacit*. The former consists of relatively "structured" knowledge that is easily verifiable and readily available in the form of paper documents and/or electronic files (e.g., corporate policies). The latter comprises knowledge that typically resides inside the heads of individual experts—needless to say, this is also the more difficult type of knowledge to extract and manage. Tacit knowledge is more likely to provide a competitive advantage to an organization, if harnessed effectively and managed properly. Therefore, it deserves special attention by organizations.

With respect to organizational knowledge management, Nonaka and Takeuchi (1995) assert that "the essence of strategy lies in developing the organizational capability to acquire, create, accumulate, and exploit knowledge. The most critical element of corporate strategy is to conceptualize a vision about what kind of knowledge should be developed and to operationalize it into a management system for implementation" (p. 74).

Liebowitz (2001) identifies the knowledge management lifecycle as comprising the following stages: *knowledge capture; knowledge sharing; knowledge application;* and *knowledge creation*. Therefore, an effective knowledge management strategy should provide guidelines to address each of these stages.

THE CASE STUDIES

Several case studies of successful, as well as unsuccessful, knowledge management projects were analyzed for this study. The companies examined include the following: Best Buy Company, Xerox Corporation, Frito-Lay, IBM, Pillsbury, and a Washington D.C. lobbying organization. These companies embarked on their knowledge management projects with different objectives, ranging from increasing company profitability to consolidating information/knowledge that was dispersed throughout the organization. All but two of these companies were successful in their knowledge management implementation. Of the two failures, one was rectified mid-stream and changed into a success.

SUCCESS FACTORS IN KNOWLEDGE MANAGEMENT

Based on the analysis of the case studies mentioned in the preceding section, several factors for the successful implementation of an organizational knowledge management system begin to emerge. These factors are grouped

below into three categories: *managerial success factors, design/construction success factors,* and *implementation success factors*. Collectively, they address issues at each of the four stages of the knowledge management life cycle identified by Liebowitz (2001).

Managerial Success Factors

- Create and *actively* promote a culture of knowledge sharing within the organization. This includes:
  - clearly articulating and sharing a corporate vision of knowledge management
  - rewarding employees for knowledge sharing activities
  - creating communities of practice to improve communication among people with common interests
  - involving multiple departments and levels within the organization in KM projects to further encourage cross-functional knowledge sharing
  - encouraging, and even championing, the creation of a "best practices" repository
- Create an environment that encourages and rewards experimentation and creativity.
- Create a learning organization.
- Provide the necessary training for employees who will use the KMS.
- For a given KMS project, correctly define the problem at hand, and identify it as one that *requires* a KMS solution, as opposed to some other technology.
- Precisely define the KMS project objectives.

Design/Construction Success Factors

- Approach the problem not as a technical problem, but as an enterprise-wide problem, whose solution will most likely involve a realigning of people, processes, and technologies.
- Create and standardize a knowledge submission process.
- Create methodologies and processes for the codification, documentation, and storage of structured knowledge in relevant databases.
- Design processes for capturing and converting individual tacit knowledge into organizational knowledge; this can include the use of apprenticeship programs, workshops, and demonstrations by recognized experts to reveal their tacit knowledge.
- Aim to capture knowledge that has the following characteristics:
  - is relevant to the intended user's daily activities and is easily accessible
  - has value (i.e., produces some real benefit to the user and the organization)
  - is accurate, reliable, and up-to-date
- Use formal design methodologies.
- Creating relevant and easily accessible knowledge-sharing databases.
- Create a system for cataloging the team members' strengths and expertise.

Implementation Success Factors

- Use a pilot approach to manage complexity and demonstrate success.
- Measure the benefits of the pilot system by means of appropriate and valid metrics.
- Utilize operational knowledge during implementation.
- Involve subject matter experts for content management.
- Use formal implementation methodologies.
- As much as possible, use advisory boards and steering committees, comprised of relevant players, to further ensure buy-in and implementation success.
- Use appropriate knowledge management tools and technologies, such as portals and intranets, where necessary.
- Acquire requisite expertise by using external consultants and/or other strategic partners where necessary.

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