Experiential Perspective on Knowledge Management

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INTRODUCTION

The last few decades have seen a growing proportion of organizational wealth being represented by intangible assets, i.e., assets with value that cannot be measured in terms of any physical attribute. Management thinking, conditioned over centuries to extract the greatest value out of physical assets, has had to bring within its ambit the leveraging of these intangible assets in building the capabilities required to deliver superior products and solutions. The discipline of knowledge management (KM) was born and came to encompass the gamut of organizational processes, responsibilities, and systems directed toward the assimilation, dissemination, harvest, and reuse of knowledge. In simpler terms, KM is the answer to the question, "How can the organization update and use its knowledge more effectively?" (Kochikar, 2000).

Some of the world's most successful organizations, be they corporate, academic, or government, invest considerably in KM. McKinsey & Co. spends at least 10% of revenues on managing knowledge. The World Bank's annual KM budget is $50 million. IBM has one of the oldest formal KM initiatives, dating back to 1994.

Substantial benefits have been reported across industries. Johnson & Johnson has implemented KM for speeding up the FDA application process and reported savings of $30 million on one product alone (Berkman, 2001). British Petroleum has estimated savings of $400 million a year, while Chevron has discovered operational cost savings of $2.5 billion over 8 years (Infosys, 2002). Tufts University's school of medicine has used KM to integrate its curricula and has been hailed as a national model for medical education (Genusa, 2001). KM is, however, not an unmixed blessing, as Storey and Barnett (2000) noted. Each organization must fashion a KM strategy that takes cognizance of its unique competencies, aspirations, and business context.

Infosys Technologies (*NASDAQ: INFY*) has conceived, developed, and deployed internally an elaborate architecture for KM that aims to empower every employee with the knowledge of every other employee. The company's success on the knowledge-sharing front has been affirmed by the fact that the company has been a Global MAKE (most admired knowledge enterprises) winner in 2003 (Chase, 2003) and Asia MAKE winner for 2002, 2003. Key elements of the KM architecture include the *Knowledge Currency Unit* scheme, a comprehensive mechanism for reward, recognition, and measurement of KM benefits; *KShop*, the corporate knowledge portal built in-house; and the *knowledge hierarchy*, a four-level taxonomy of 1800 subject areas that constitute knowledge in the Infosys context.

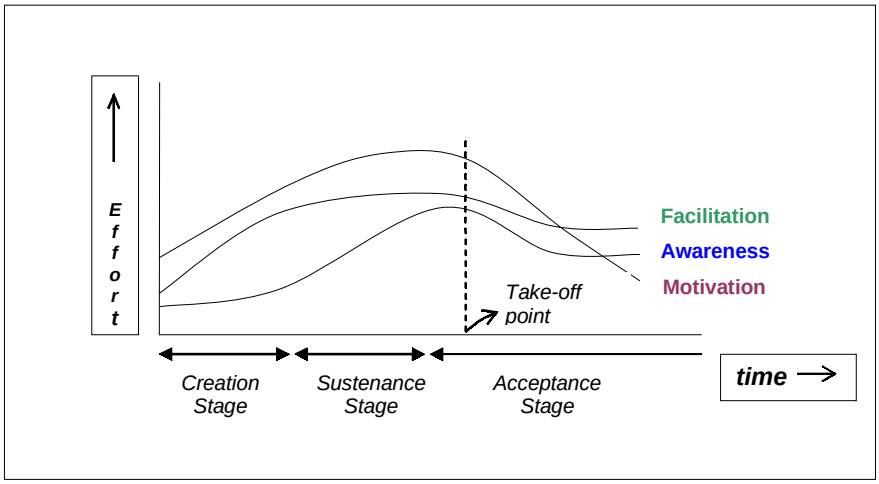
Along the KM journey, we also accumulated a sizeable body of thought on what organizations need to do in order to implement KM successfully, and it is the intention of this article to communicate some of that thought.

BACKGROUND—THE BUSINESS CASE FOR KM

In achieving its goal, KM needs to percolate into every corner of the organizational mind and create a culture of sharing within the organization. The following definitive statement of Lew Platt, Hewlett-Packard's former CEO, sums up the case for KM: "If HP knew what HP knows, we would be three times as profitable." A strong focus on KM has paid undeniable dividends to leading organizations wordwide. This year's Global MAKE winners have delivered a total return to shareholders of 19.6%, twice the Fortune 500 median of 9.1% (Chase, 2003). Similarly, these leading KM practitioners have shown a return on capital employed of 30.4% versus a Fortune 500 median of 18.5%. These winners also figure prominently in other honor lists, such as *Fortune* magazine's Most Admired Companies list (Hjelt, 2003) and *Business Week* magazine's list of the world's top brands (*Business Week*, 2003).

Chard (1997) and Bartlett (1998) have identified the following drivers for KM: the *pace of change* in a knowledge-driven age, which makes constant learning an imperative; *globalization*, which means acquiring knowledge about new environments and cultural and economic

Figure 1. Relative organization-wide effort devoted to motivation, facilitation, and awareness, as a KM initiative evolves over time



Source: Infosys Research

issues; the emergence of *new technologies* that offer new leverage if used well; the increase in *virtual work*, which needs much better knowledge sharing; *rising expectations* from all stakeholders, to meet the companies that need to be proactive and agile; and *growth*, which accentuates the challenge of leveraging the knowledge of individuals for corporate advantage.KM Review magazine's survey of 400 global corporations revealed that the following are key objectives of KM programs (KM Review, 2002):

1. Increasing organizational communication
2. Gaining competitive advantage
3. Increasing collaboration among employees
4. Improving customer relationships
5. Becoming more efficient
6. Innovating
7. Learning from previous mistakes and successes
8. Capturing and retaining tacit knowledge

Using the framework of Nahapiet and Ghoshal (1998), the above objectives can be classified as improving *financial capital* (2, 5); improving *social capital* (1, 3, 4), and improving *intellectual capital* (6, 7, 8). While KM activity, as enumerated below, focuses strongly on the social and intellectual capital aspects, the success of KM must necessarily be measured in terms of improving financial capital. As our extracts from Chase (2003) above demonstrate, successful KM adopters have found that this is the case.

BUILDING AN ORGANIZATIONAL KM ARCHITECTURE: CHALLENGES

An organizational architecture for KM must exhibit the following properties:

- *Motivation*: It must make people *want* to share knowledge.
- *Facilitation*: It must make it *easier* for them to do so.
- *Awareness*: It must make people *aware* of the KM architecture that has been created, and their roles in using it.

Figure 1 depicts conceptually the relative organization-wide effort required to be devoted to each of the above as the KM initiative evolves over time.

KM success hinges on an architecture that is designed specifically to suit each organization's business and cultural context. Such an architecture must address four key dimensions: *people*, *process*, *content*, and *technology*. Figure 2 outlines the key considerations to be addressed by a KM architecture along these four dimensions.

Enumerated below are a few key challenges on the people, process, content, and technology dimensions that must be addressed when creating a KM architecture.