Chapter 2

Strategically-Focused Enterprise Knowledge Management

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This chapter describes the characteristics and types of strategically focused knowledge management systems and the key conditions affecting their development and success. The discussion, which is based around company examples, focuses on various strategic management uses of these systems. The knowledge management process is designed to increase profitability and competitive advantage in the marketplace.

INTRODUCTION

Narrowly defined, knowledge refers to practical skills or expertise gained from actual experience, as shown in Figure 1. In practice, however, knowledge management generally refers to the process of identifying and generating, systematically gathering, organizing and providing access to, and putting to use anything and everything which might be useful to *know* when *performing* some specified business activity. The knowledge management process is designed to increase profitability and competitive advantage in the marketplace.

Figure 1: Basic Definition

Knowledge: includes data and information (organized data which is relevant and purposeful), and knowing how to apply and use that information and data. The term "ledge" means to put to work or apply. The word knowledge, therefore, means knowing how to put to work what we know, and so in popular usage can in certain situations encompass information and data.
The following is a composite of various definitions found in Webster's dictionary and in writings on the subject by a variety of commentators. As seen from these definitions or descriptions of the connotations of the terms, it is useful to distinguish rigidly among many of the concepts only in selective clearly circumscribed situations.

Data: something given or admitted as a fact on which an inference may be based. Simple observations of the world, which are often quantified, and easily structured, captured on machines, and transferred. The number of "baby boomers" born in a given year is data.

Information: knowledge derived from reading, observation or instruction, at times consisting of unorganized or unrelated facts or data. Data endowed with relevance and purpose, for example, a firm's balance sheet and income statement.

Knowledge: familiarity gained by actual experience, practical skill, or expertise. The act, or state, of understanding. Valuable information arising from reflection, synthesis, and other cognitive activities of the human mind. It is often, but not always, hard to structure, difficult to capture on machines, sometimes tacit, and hard to transfer.

Intelligence: information, news, and advice. Brain power or cognitive skills. IBM uses the term "Business Intelligence Systems" to describe their mixed integrated knowledge systems.

Technology: applied science, systematically organized knowledge.

Part of the difficulty in defining "knowledge" arises from the fact that "inform" and "know" refer to just about anything, which makes it difficult to foist a strict definition of "knowledge" onto the average reader.

As seen from Figure 1, which includes both commentators' and *Webster's Dictionary's* (2000) definitions of relevant terms, since the knowledge management process involves keeping informed about and getting to know anything useful to doing a business task, the process can encompass data, information, and knowledge. Further, the knowledge management process can involve employing

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