



KNOWLEDGE MANAGEMENT

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EXECUTIVE SUMMARY

As they say, Knowledge is Power – and profit. One source of competitive advantage is to diffuse throughout a company the unique, proprietary knowledge about customers, competitors, products, and techniques that resides in the minds of its employees. But many efforts at knowledge management have failed to deliver that advantage, because they haven't focused on the creation and broad exchange of knowledge within a company. Establishing an internal knowledge market with its own unique approaches to pricing, exchange, market facilitation, and competition can solve that problem and boost productivity.

One way of knowledge creation, that is new and yet untapped, is Knowledge co-creation. The internet is allowing companies to interact with people in many different ways. If a company could use technology to connect these widespread people across the globe to one project, could they create a better product? Wikipedia remains the best example of Open Innovation or distributed Knowledge co-creation in the world today. This is one of the most efficient creation of knowledge and its proliferation to world wide audience.

We generally tend to have emotional bias and certain preferences that may cloud our perception as to what reality may be. We need perspective – a deeper, broader, higher, more thorough view of our situation. That's where consultants are helpful. They ask the questions we might be afraid to ask. They probe into places we have agreed quietly not to explore. They bring information we don't have in our group. They elicit from us data we didn't know was within us. That is the way, a knowledge economy will progress and we get our best solutions possible.

WHAT IS KNOWLEDGE MANAGEMENT?

For companies and people alike, Knowledge is Power – and profit. Knowledge Management ('KM') comprises a range of practices used by organizations to identify, create, represent, distribute and enable adoption of what it knows, and how it knows it. Knowledge Management programs are typically tied to organizational objectives such as improved performance, competitive advantage, innovation, developmental processes, lessons learnt transfer (for example between projects) and the general development of collaborative practices. Knowledge Management is frequently linked and related to what has become known as the learning organization, lifelong learning and continuous improvement. Knowledge Management may be distinguished from Organizational Learning by a greater focus on the management of knowledge as an asset and the development and cultivation of the channels through which knowledge, information and signal flow. Knowledge Management may be viewed from each of the following perspectives:

- **Techno-centric:** A focus on technology, ideally those that enhance knowledge sharing/growth.
- **Organizational:** How does the organization need to be designed to facilitate knowledge processes? Which organizations work best with what processes?
- **Ecological:** Seeing the interaction of people, identity, knowledge and environmental factors as a complex adaptive system.

Companies today find that their primary source of competitive advantage lies in the unique proprietary knowledge they possess. Many companies and people have access to similar talent and public knowledge, but the special value that comes with understanding provides that edge. An example would be of a company which thoroughly understands its market and is able to utilize this information to gain an advantage over others.

Thus, there is great value in sharing insights into customers, competitors, products, production technique and innovation like. In practice, companies find it much tougher to gain these insights and this is where the role of consultants becomes evident.

KNOWLEDGE MARKET – HOW TO DERIVE COMPETITIVE ADVANTAGE?

From the early 1990's, technology has come to be seen as the main mode of diffusing knowledge across the organization. Simple machines like the telephone or the fax, and lately the emergence of web technologies have opened up exciting new possibilities for sharing knowledge efficiently and rapidly. The future now belongs to companies that can effectively manage their knowledge base and leverage it for unhindered growth. But sometimes the goal is to apply the knowledge gained to every problem presented. To achieve this, there have been two major approaches:

1. Document management systems - Centralized

Some companies believe that by creating technology solution that caters to document management will be enough for its users to use the knowledge base of the company. But this tends to bring more inefficiency, majorly due to the sheer amount of documents that may exist. Also, documents get obsolete or are poorly written and remain of no use after some period of time has elapsed.

2. Web Sites - Decentralized

Companies that are more decentralized, setup their individual knowledge bases via. Web sites which are unique, depending upon core business, geography etc. These units are small, where people know each other, are motivated to add to the management of the knowledge base. Usually, such small groups are divided by the project they work on and have support of the senior management which provides for the infrastructure cost.

The decentralized approach works better since it facilitates interaction between a smaller group of people with common interests, but the purpose of sharing this knowledge across the organization is still not achieved. The obvious flaw is that the proliferation techniques and

technology tools have few common protocols and accepted norms and hence provide only a fraction of potential benefits of knowledge dissemination

Real value comes from managing knowledge and much more from creating and distributing it. And to realize this we must understand that a company's really valuable knowledge resides in the head of its most talented employees. In short, effectively exchanging knowledge is more of an organizational problem rather than technological one.

Large public markets for knowledge have long existed through books and articles, libraries and now more recently the web technologies. But there is still nothing more valuable than proprietary knowledge with the company's own employees. The main challenge is to create efficient internal markets created from nothing but experiences of its own employees. From the point of view of a market, we need the following to make the market a success:

1. Objects for trading
2. Prices for trading
3. Exchange mechanisms
4. Competition among suppliers.
5. Market facilitators

Common knowledge by definition, needs no market for trading. The opportunity lies in trading distinctive knowledge. From a buyer's perspective, the knowledge must be easily accessible, easy to assimilate. Usually, knowledge found in the internal knowledge management systems, does not fulfill this criteria. But how do we motivate sellers or more likely, the knowledge producers to sell their knowledge, and for what price?

In internal setups, the price generally received by the authors is their reputation and personal enhancement. The author needs to produce content, keeping in mind the market standards, since not all employees will be able to interact with the creator of knowledge in an oral setup. This document created, now becomes the object that can be traded. The buyer will go to the market since he can find something to enhance his or her own knowledge.

The exchange mechanisms have to be provided by the organizations, so that the employees come to the knowledge market for their own mutual-benefit. This requires investment in infrastructure and the staff to maintain it. An internal market has its own benefits to the company, since it will be the ultimate recipient of the intangible profits derived from knowledge creation. Therefore, the company, rather than the knowledge seeking buyer has to provide incentives, even monetary sometimes, to its employees.

A company needs to come out with certain standards, which reduce the cost of producing this knowledge object. Standards can include everything from templates used to define content organization to keeping the documents in a manner that they become searchable by the consumer of this information. Protocols can define which forms of information can be traded to what kind of document can be called the Knowledge Object.

Bulk of corporate investment goes into providing knowledge management infrastructure and people to manage this system. People are needed to see to it that the knowledge object passes standards, and protocols applied to them. Relying upon authors and knowledge seekers simply does not work, since they lack the familiarity, interest or time. This is where the role of a consultant emerges, to create strategies for the Knowledge market and to sustain it or to overhaul an existing knowledge market.

MANAGING INNOVATION VISTAS – KNOWLEDGE CO-CREATION

Innovation, a closely guarded secret, so much so that many firms keep it a very private activity known only to a select few and the R&D department, is now following a different trend. Some companies are breaking the conventional mould and moving towards *Open Innovation*. They are looking at ways to delegate some part of the work to their suppliers, contractors and even customers. If a company could use technology to link up people across the globe to one project, could they create a better product? Could a car manufacturer, get in his suppliers during project planning and development phase to create better synergy and a better product?

Increasing number of organizations are now taking this route called: Distributed Co creation or Knowledge networking. LEGO invited its customers to create a new model and rewarded those whose ideas proved marketable. In the IT sector, open source platforms created through distributed co creation like Apache, Linux, MySQL have become standard components of corporation's infrastructure. What facilitates this approach is the rise of the Web as a participatory platform.

In many sectors, many ideas that emerge come from a number of participants in the value chain. Boeing designs its aircrafts, but suppliers (also own the intellectual property) make many of the components. Apple's iPod includes many parts created in over a dozen countries. Suppliers tend to understand the technology they create better than many corporations who buy these parts for their goods. Clearly, an automaker's suppliers can make better headlights than the car manufacturer. Many companies participate in joint ventures like the Bajaj and Nissan deal to adopt Nissan's famous models for the Indian market i.e. Modify the design a little to suit Indian standards. Collaborations extend in many directions. Tata has outsourced

the creation of parts entirely to its suppliers since they can achieve better economies of scale compared to Tata for its Nano car.

Collaboration looks completely different for Wikipedia. It is an online encyclopaedia created entirely by its users and not its corporate development staff. It is a continually expanding work consisting of more than 10 million articles and 253 languages. Wikipedia's articles can be edited by anyone with access to the Internet. Looking at Wikipedia suggests that there is ample room for corporations to take greater advantage of the network of specialists by ceding more control of entire production to suppliers or customers or both. Sun for one, is now going the open source way to develop its products like the Open Office Suite which is the best competitor to MS office so far. Mozilla allows developers across the world to create add-ons for its Firefox web browser. Many other such examples are under way by major corporations.

While distributed co creation looks promising, there are some problems like motivating co creators, governance mechanisms for co creation, maintain quality over the final product that may hinder the adoption of this idea. Also, this is largely an uncharted territory and there are no guiding frameworks yet for each corporation to use and deploy.

In a sense, LEGO of Billund, Denmark, has always been customized. Every child who has ever had a set of the most basic Lego's has built his or her own unique and amazing creations, brick by plastic brick. However in 2005, Lego set-up The Lego Factory, which, as it says on the company website, "lets you design, share, and build your very own custom Lego products." Using Lego's freely downloadable software, customers can create any structure. The creations can exist-and be shared with other enthusiasts-solely on-line, or, if customers want to build it, the software tabulates the pieces required and sends an order to Lego's Enfield, Connecticut warehouse. Not only do Lego customers have the pride of building their own creations, but they can also earn royalties if Lego decides the design is good enough to put it in its own catalogue. Some of the most creative models, rendering of the Danish parliament is the result of this co creation. In 2006, the Lego factory initiated a design competition in which eight contestants competed to be profited on the Lego factory website along with their creations.

CONCLUSION

There is immense potential for knowledge sharing and productivity gains to be got out of it. Logically it may seem that the largest opportunities would appear for companies that are diversified, have a huge global presence, but even small companies have the potential to create knowledge systems that can be shared with the small number of employees. That said, it takes a huge investment to create a knowledge market and poses many challenges to create a company wide market, the major one being effective creation of knowledge and proliferation of the same. Consultants, with their vast pool of knowledge and expertise, can help immensely in knowledge proliferation and creating a knowledge system.

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