Concise paper

The IT Industry Leads the Field in Knowledge Management: Yeah Right!

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ABSTRACT

Knowledge management (KM) is an umbrella term which encompasses all the tasks associated with creating, storing, transferring and applying knowledge to meet the specific needs for learning and action in an organisation. It increases an organisation's ability to learn from its environment and to incorporate the knowledge, experiences and creativity of its employees into its business processes. Put simply, KM is 'about connecting people who need to know with those who do know'.

Three key issues have been identified as indicators of a successful knowledge management project, findability, usability and scale. Three further factors have been found to be critical to successful knowledge management:

- **knowledge** - the right knowledge streams and sources feeding into an organisation.
- **technology** - the right technology to store and communicate that knowledge.
- **culture** - a workplace culture that ensures employees are motivated to make use of that knowledge.

This paper is intended to demonstrate that in order for Knowledge Management projects to be successful there needs to be an optimal combination of both human and technological resources. It defines the terms knowledge and knowledge management. It examines the human side of KM from a theoretical perspective and provides an analysis of current theory relating to success factors in KM. A knowledge management project recently completed by a major New Zealand Bank is measured against factors which are recognised to be indicators of a successful project. The information was obtained from an interview with a Branch Manager. For the purposes of this paper the bank will be identified as BankInc.

1. INTRODUCTION

Pātai mai he aha te mea nui o te ao
Ka whakahoki au
He tāngata, he tāngata, he tāngata

Ask me what is the most important thing in the world
And I will reply
It is people, it is people, it is people.

Whakatauki (Maori Proverb)

We are constantly told we live in a knowledge economy. This implies that much of the wealth generated today is derived from workers who are paid to think rather than just do, such as scientists, engineers, workers in the IT industry, senior managers, accountants, doctors. It also implies that the measurement of an organisation's asset base will shift away from tangible assets for example, 'bricks and mortar', equipment etc, to intangible assets. These could include corporate knowledge or intellectual capital e.g. the skilled work force, know-how, patents, strong brands, customer relationships, unique organisational designs and processes (Herremans and Isaac, 2004; Lev, 2004). The question is how can this be successfully measured and managed?

Knowledge and knowledge management are difficult to define. Knowledge is more than data and information (Nonaka, 1994; Davenport and Prusak, 1998). It requires the minds of people to actually generate meaning from information and data to convert it to knowledge. Polanyi (1966) very early on recognised 'personal participation

as the universal principle of knowledge (Tsoukas and Vladimirou, p.982).

2. WHAT IS KNOWLEDGE?

Knowledge = information + purpose, or information combined with experience, context, interpretation and reflection (Davenport *et al*. 1998).

The earliest definition of knowledge found quoted in by research authors is that of Polanyi (1966) who classified knowledge into two categories:

• **explicit** knowledge which encompasses information and data. This knowledge is easy to decipher and record in digital form, duplicate and distribute. However it is limited because it does not automatically provide the solution to a problem. It requires human intervention to interpret it and transform it into:

• **tacit** knowledge. The largest body of knowledge in any organisation is that which resides inside the heads of its employees but has not been formally documented in a structured form (Nonaka, 1994).

McDermott (1999) provides a slightly different perspective identifying six characteristics of knowledge that distinguish it from information:

• knowing is a human act

• knowledge is a residue of thinking

• knowledge is created in the present moment

• knowledge belongs to communities

• knowledge circulates through communities in many ways

• new knowledge is created at the boundaries of old.

3. WHAT IS KNOWLEDGE MANAGEMENT?

Knowledge management (KM) is an umbrella term which encompasses all the tasks associated with creating, storing, transferring and applying knowledge to meet the specific needs for learning and action in an organisation. Davidson and Voss (2002) state that KM is about 'creating systems that enable organisations to tap into the knowledge, experiences, and creativity of their staff to improve their performance' (p.11).

3.1 Factors that lead to the successful management of knowledge

Views on knowledge management are by no means unified. Those involved in the IT industry would claim to lead the field in knowledge management. However technology deals only with information and data. Those approaching the subject from a 'human' perspective would argue that it is knowledge creation and sharing within a 'community' culture that is most conducive to successful KM. Best practice would appear to utilise the best aspects of both perspectives in an optimal combination.

Davidson and Voss identify three factors critical to successful knowledge management.

The first is **knowledge** - the right knowledge streams and sources feeding into an organisation.

Second is **technology** - the right technology to store and communicate that knowledge and third is **culture** - a workplace culture that ensures employees are motivated to make use of that knowledge.

In their exploratory research, involving 31 knowledge management projects in 24 companies, Davenport, De Long and Beers(1998) expanded on these and found the following to be critical to success:

• A connection between KM and economic performance or industry value i.e. demonstrating the economic benefits of KM e.g. greater profitability, increased market share, superior strategic competitive advantage, better workplace morale, improved customer satisfaction and retention;

• Technical and organisational infrastructure i.e. linking technical support (word processing and presentation software) and 'human' resources (Chief Knowledge Officers, mentors or coaches) in an optimal combination;

• A standard flexible knowledge structure e.g. creating and constantly updating an extensive Thesaurus of technical terms that allows the user to browse and search the expert network using terms they understand;• A knowledge-friendly culture providing an environment in which em-

ployees are encouraged to explore, create and share knowledge. This point is emphasised by almost all authors;

• Clear purpose and language e.g. terms such as 'knowledge', 'information' and organisational learning' must be clearly defined. The way people think about knowledge and the language used to define it may need to be modified. This issue should be addressed in a way that best fits the culture of the organisation;

• Change in motivational practices e.g. it is crucial to nurture a culture in which there is a strong motivation to create share and use knowledge. In the long term this should be linked to the organisation's evaluation and compensation structure;

• Multiple channels for transfer of knowledge e.g. recognising the importance of transferring knowledge through a variety of channels that complement each other;

• Support of senior management e.g. clarifying what types of knowledge are important to the organisation, sending messages that KM and learning are critical to the company's success and providing necessary funding and resources.

In order to examine whether the success factors deemed by Davenport *et al*. (1998) to be critical to success were present in a KM project recently completed by a major New Zealand bank (BankInc), I conducted a brief exploratory study.

4. QUESTIONNAIRE

Successful KM involves a number of factors. How would you describe BankInc's policies and/or performance in the following areas:

• demonstrating to staff the benefits of KM i.e. making a connection between KM and economic performance?

• linking technical resources with human resources?

• the flexibility of the knowledge structure i.e. the ease with which it can be modified or updated?

• the creation of a knowledge friendly culture i.e. are staff encouraged to explore, create and share knowledge?_

• motivational factors. What motivation is there for staff to create and share knowledge?

• the support of senior management?

• a common language. Is the language used to communicate knowledge understood by all staff?

5. FINDINGS

BankInc creates a knowledge friendly culture in a number of ways. It utilises project teams whose function it is to manage a variety of KM projects. One such team, 'The Computer Solutions Group', collate all the relevant information and make it available to the wider organisation. This team recently completed Stage One of a Knowledge Access Project, 'The Information Station'. Initially focus groups, consisting of one person per branch, were held. These people reported ideas from staff at their branch to The Computer Solutions Group' and then reported progress back to their branches. This process also provides a linking of the technical resources with the 'human' resources involved in the project.

Sharing knowledge is a source of competitive advantage only in a 'learning' organisation that enables employees to learn how to do their jobs better and then ensures this is put into practice.

At BankInc each staff member has a personal computer with access to the intranet and 'The Information Station'. The 'Station' is a learning tool which has replaced the traditional manuals and brochures e.g. if a staff member has a query about the 'Bonus Saver' account 'The Information Station' will provide all they need to know about the processes, pricing, procedures, pro's and cons. If the answer to a query cannot be found a 'Staff Ask Once' function is provided. If the information is available in the system the enquirer is directed to it. If not, the system is updated. This is not a 'one size fits all' solution to knowledge management. The baseline knowledge is in a simple common language. However more specialised areas do use their own language. This does appear to be an example of the sort of 'standard flexible knowledge structure' that

Davenport *et al*. (1998) suggests is a factor in successful KM.

There appears to be high level of acceptance of the system because the "Station' is readily accessible and accurate. Staff are able to deal with customers' enquiries quickly and efficiently. They are able to meet and/or exceed their sales targets, which brings economic benefits at both a personal and company level.

The challenge of creating a KM system is to make a cultural shift within an organisation from hoarding to sharing, to motivate employees to actually document their ideas and knowledge and make them available to others. Organisations need to focus not on what they have but on what they do with what they have. BankInc has policies in place to recognise, reward and retain those who actively contribute to the creation and transfer of knowledge.

Knowledge Management is about organisational learning and thinking. Unlike tangible assets, intangible assets seldom create value by themselves e.g. staff training programmes have little value unless combined with the correct technological tools and conversely, the latest, greatest technology will not reach its potential unless combined with training programmes and incentives (Kaplan & Norton, 2004). BankInc demonstrates this with their 'Information Station' and the policies associated with it. The project is a good example of an optimal investment in both IT ($50 million) and human capital. It continues to evolve.

A further project is currently underway investigating setting up a Trans-Tasman link so that the banking arms in both New Zealand and Australia are able to communicate. The need for this was identified by customers travelling between Australia and New Zealand who wanted access to their accounts in both countries.

I am continuing my Study of KM practices at BankInc this year in a pilot study that will in turn lead to a Thesis, hopefully in 2006. This year my focus is to determine the history of the Information Station and other KM projects at BankInc. I will be examining the evolution of the Information Station project, examining issues such as: what set it in motion, where did it start, how has it evolved, how will it continue to evolve?

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