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Strategic Knowledge Management for Competitive Business

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Abstract

The paper brings the significance of strategic knowledge management for having a competitive business. A broad overview of knowledge management (KM) is provided with its impact on competitive advantage. The paper highlights the development of balanced and flexible metrics for KM on the total lifecycle. The main component of the paper is to illustrate the strategic planning of KM and its impact through a case study of an auto-component manufacturing organization. The strategic planning of the KM initiative has been done through a design workshop. An assessment of KM on fronts of people, process, and technology has been done through a survey in the case organization, before and after implementing the KM initiative.

Keywords: Strategic Knowledge Management; Competitive Advantage; Case Study Design Workshop; Survey

Introduction

Knowledge understands the cognitive system processes. Nonaka & Takeuchi [1] explain that tacit knowledge is deeply embedded in people and is hard to imitate. It is developed through a continuous process of socialization and action learning. Knowledge is collective and individual experience, ground truth, complexity, and beliefs, which add value to the business. Management of these soft issues is a real challenge for maximizing the knowledge for the organization's long-term growth [2]. It is also the collective body of understanding an organization's processes for managing planned and unplanned situations [3]. The predictors of strategic knowledge management and flexibility have been identified as environmental uncertainty, leadership, and culture [4].

Jack Welch of GE has observed, "We soon discovered how essential it is for a multi-business company to become an open, learning organization. The ultimate competitive advantage lies in an organization's ability to learn and to rapidly transform that learning into action. In GE's boundary-less learning culture, the operative assumption is that someone, somewhere, has a better idea; and the operative compulsion is to find out who has that better idea, learn it, and put it into action fast."

The paper is aimed to highlight the impact of KM on competitive advantage and corporate success. It takes the holistic view of KM and empathizes the need for developing balanced and flexible metrics using the life cycle approach. The paper presents a case study of an auto-component manufacturing firm to bring out the strategic planning of the KM initiative through a design workshop and assessment through a survey.

KM for Competitive Advantage

Inkpen [5] says that creating new organizational knowledge is becoming a managerial priority. New knowledge provides the basis for corporate renewal and sustainable competitive advantage. It has been realized by most organizations that self-sufficiency demands strategic focus, flexibility, and innovation. The key driver for corporate success today is innovation, which is driven by the fountain of collective knowledge and wisdom of the organization. A successful knowledge management exercise within a corporation is a prerequisite for better information management covering external and internal sources. The capability of the organization to develop a shared vision by working in collaborative teams not only of employees but of different stakeholders like customers, vendors, etc., is central to KM. The culture of sharing and informating, reward and recognition systems for acquiring new skills, diffusing the same company-wide, and applying new computer-assisted tools, technologies, and models to gain better insights and learning will go a long way in improving its competitive

advantage. The new computer-assisted tools are non-destructive in nature. They can be used to simulate the environment, and different strategies could be tested in this simulated environment to develop better insights. Life-long learning and constantly renewing the corporation are critical elements for managing knowledge. So far, the discipline of knowledge management has not been institutionalized within organizations. However, some companies have created board-level positions to manage the intellectual resources of the organizations. Strategic knowledge management is systematic and needs to be done continuously. As with any other resource, knowledge resource needs to be managed very carefully in the organization's interest. In SAP-LAP framework [6], new knowledge has a destabilizing effect resulting in a change in the situation. Actors react or pre-empt by making changes in the process to gain control and stability. Knowledge is both a destabilizing and stabilizing agent.

Knowledge creates complexity, and knowledge is used to manage complexity; hence it has a dual character of stability and chaos. Companies will have to learn to take advantage of it in their favor. The subject of knowledge management has gained a lot of prominence both within academics and industry, as is evident from the past literature. According to Lew Platt, CEO of HP, "If HP knew what HP knows, we'd be three times more profitable."

Development of Balanced Metrics for Total Life Cycle

For a successful KM initiative, the right metrics need to be developed at three levels: project identification with a high payoff, the progress of project implementation, deployment, and measurement of critical results. These should be continuously reviewed and reassessed for desired results. Measure, manage and grow is the central theme of KM initiative. Figure 1 shows the holistic knowledge management system involving three phases and critical variables.

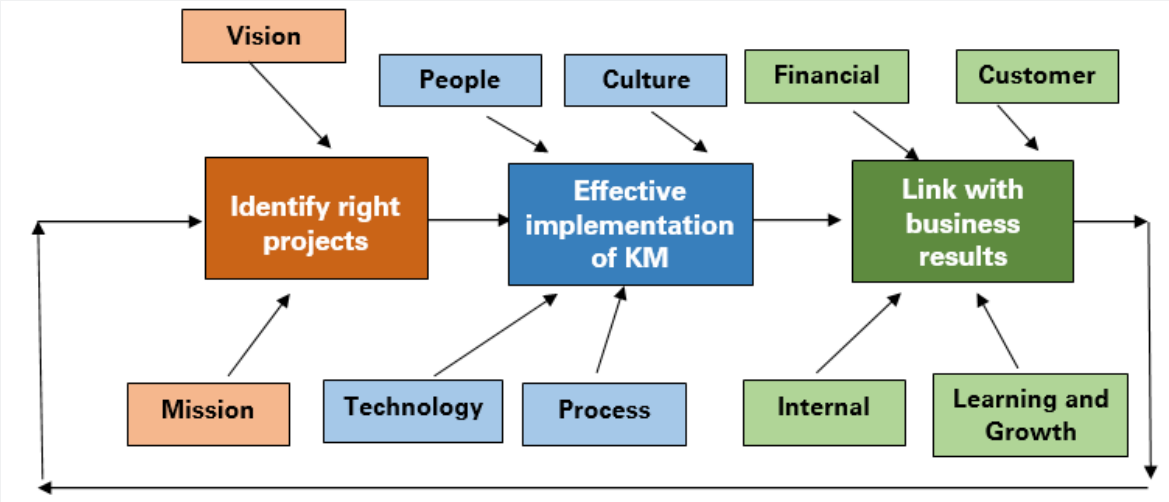

Figure 1: Holistic Approach for Knowledge Management.

For KM projects and initiatives, a particular concern is an ability to (a) evaluate where a company is going with KM, and (b) measure the defined strategic and operational benefits that are being achieved. Figure 1: Holistic Approach for Strategic Knowledge Management

Dimensions are the chief entities that need tracking and are vital to the survival of an organization. For an organization to achieve its strategic objectives of KM, dimensions like people, process, technology, and performance are critical. The measurement issues become very important when it comes to business where every resource spent must be justified in terms of benefits. In an environment of uncertainness caused by change initiated, the issue of what can be measured can be changed, hold true.

The measurement program must be flexible to evolve and enhance. A measurement program fails due to rigid designs as they cannot be enhanced with new metrics for new needs. Business of business measurement should be collectively arrived at using basic principles of participation, empowerment, and cross-functional development. KM should be integrated with business strategy and measured as part of business processes. Most organizations have financial dimensions included in their performance measure; however, it requires a balanced approach covering the entire life cycle of KM by including quantitative and qualitative measures, operational and strategic, and financial and non-financial measures.

Case Study of an Automotive Component Manufacturing Organization

Background of the Company

A leading automotive component manufacturing company case study is taken to gain insight into the KM initiative. The company is known for quality, dynamism, and multi-faceted

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growth in the automotive component industry. The group is committed to rapidly expanding its product range and clientele by continuously investing in contemporary and environment-friendly technology. The case is presented anonymously for the sake of the confidentiality of the organization's data.

Launch of KM Initiative

The KM initiatives broadly rest on three strategic initiatives, namely 'people', 'process' and 'technology', which are steered by top management commitment and vision. The study covered these areas separately; however, some of the issues may have overlapping characteristics. As part of the study HR policies covering training and development, performance management, and promotion policies were studied in detail.

Technology Centric Approach to Implementation of KM Initiative

It has been attempted to synergize organizational learning that links the islands of knowledge in central repositories and provide knowledge maps and effective communication and sharing mechanisms through virtual communities to provide economies of knowledge. To this effect, a KM workshop was held by the professors of IIT Delhi for a cross-section of executives to chalk out the plan to formalize the KM process in the case organization. Best practices in KM implementation, as reported in various published cases in management journals and the Internet, were studied to develop the most suitable model for the case organization. The brainstorming technique also identified key value propositions and deliverables during the workshop. The workshop broadly touched upon the roadmap preparation, including objectives for KM implementation at the maturity level.

Strategic Planning for KM Initiatives

The strategic planning of the KM initiative was carried out in terms of its objective, mission, value proposition, and important drivers.

Objective of KM:

To develop a methodology and process for managing the company's knowledge resources.

Mission of KM

i. Reduce time to market

ii. Cost and quality

iii. Service to the customer/quick response to the customer.

Value Proposition

i. Increasing profits

ii. Reduction in overall defect rate

Drivers for KM Initiative

i. Inter unit sharing of the experiences and best practices between group companies and different plants. This will help in the reusability of knowledge and obviate the need to reinvent again and again thereby improving the efficiency of operations and waste reduction.

ii. Intra department sharing of improvements, experiences and best practices. This horizontal deployment of best practices will help in continuous improvement and knowledge up-gradation.

iii. To arm district marketing offices with sufficient technical support to serve customers better and faster. It will also prevent the need to refer every problem to headquarters.

iv. To avoid repetitive mistakes again and again.

v. To make available the right information anytime, anywhere, knowledge about core business manufacturing processes and knowledge maps to employees and partners. It will help in bridging the gap between knowledge providers and knowledge seekers.

vi. Acquire new knowledge of technology related to products, business processes, and materials and disseminate the same across wider employee cross-sections.

vii. Need for continuous learning and testing the experience and learning from the same on a continuous basis.

viii. Competitive pressure on main customer to reduce price, delivery and introduce new models to retain its market leadership position.

Design Workshop for KM

A two-day design workshop was held to review the progress made so far, identify the issues through a brainstorming session, and suggest further actions for KM initiatives in the company. A team consisting of four senior officials of the company deliberated on the people architecture and identified motivation of employees, promotion of KM as a facilitator of other ongoing initiatives like TQM, TPM and identification and preparation of employees to undertake specific roles like knowledge champion as key issues. Creation of focused groups for imparting training in the area of KM to junior and senior management grade, identification of trainers for KM training, identification of best learning practices in line with the company objectives, creation of communities or knowledge clubs for shared learning, and identification of a group like Quality System Department for taking the overall ownership of KM initiatives in the company were the actions identified by this group.

Survey of KM Level

As part of the implementation strategy, a pilot survey was carried out to assess the KM level of the organization in terms of people, process, and technology at different phases of the program. A questionnaire (Knowledge Management Assessment

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Tool-KMAT) and interview sessions were used to capture the actual status. The score on the people dimension was 3.1 on a 5-point scale, whereas it was 2.75 on the process dimension. The highest score on the people dimensions maybe because its practices are influenced by the Japanese way of managing people as its technical collaborator, and the primary customer follows the Japanese management style. The KM level was again measured using the same questionnaire and interview session after one year of the start of the formal KM initiative. There was an improvement reported on all the dimensions, as shown in Figure 2.

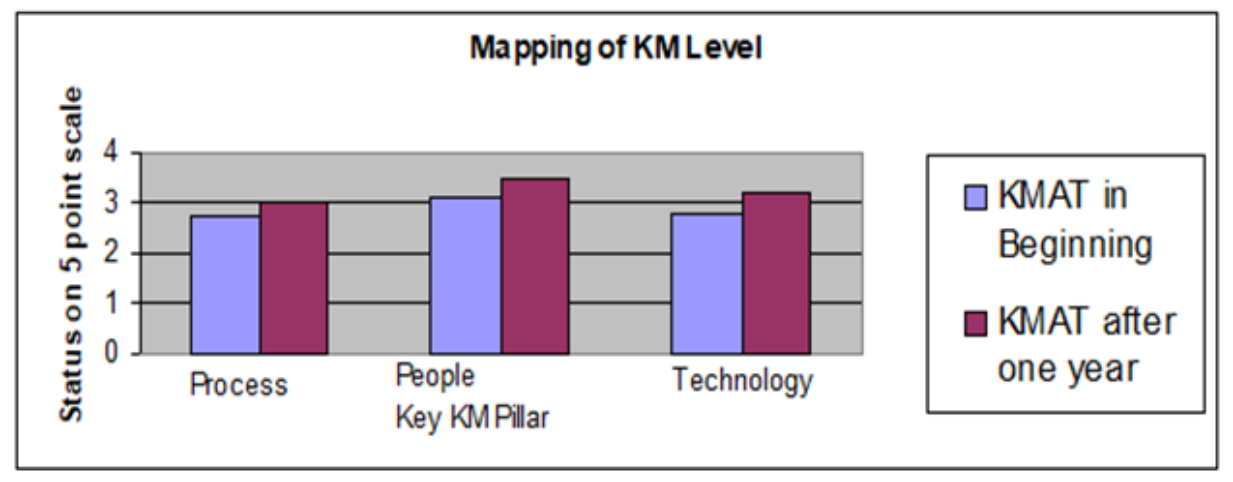

Figure 2: KM Level at Beginning and after One Year of Launch of KM Initiative.

The overall average score of 2.75 on a 5-point scale implies that the process of capturing (documentation and recording) the knowledge acquired in the workplace needs to be improved. Under the process part, the objective was to understand the existing methods and processes of acquiring, creating, storing, sharing, retrieving, and utilizing the knowledge. Also, it is essential to find various documentation methods, the flow of knowledge, assessment of knowledge gap, and mapping of the processes that help partners share knowledge formally and informally. The documentation process needs to be referenced appropriately, cataloged, and summarized for easy access. The records kept in different departments need to be integrated. Knowledge is documented and shared during training and problem-solving sessions of Quality Control Problem Solving using 7 QC Tools, TQM meetings, Daily Work Management, Safety awareness, TPM, and other structured meetings. Other sources of knowledge are reading magazines and papers, friends in rival companies, or similar discrete manufacturing organizations. Other processes of knowledge capture and dissemination are formal meetings like management committee meetings, informal chats during lunchtime and teatime, group kaizen meetings held every week, and Internet surfing by some employees. It is carried out by interacting and regular contact with the customers, suppliers, vendors, and dealers and also through direct contacts with end-user customers, learning by workplace experience, bulleting broads, newsletters, mailboxes, by attending seminars, workshops, and association with various educational institutes, and clipboards.

At the senior level, though there is awareness for the need to manage knowledge, in actual practice, the organization is busy in routine tasks; formal means of training is the preferred method of learning. An organization's knowledge is fragmented in isolated pockets and stays in people's heads. However, it gets diffused organization-wide through various initiatives and formal structured processes.

Conclusion

Strategic Knowledge Management can act as a significant initiative in a company to develop competitive business. It is required to establish clear strategic intent and planning for the KM initiative and to develop metrics for assessing its performance. A Balanced Scorecard approach can be used to evaluate the generation of competitiveness through effective knowledge management.

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