

What are the ingredients for delivering successful Knowledge Management strategies?

A survey on good practices in Knowledge Management in European companies

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1. Introduction

In 1997 the European Foundation for Quality Management (EFQM), in partnership with CIBIT and the American Productivity & Quality Center (APQC), undertook a Benchmarking Study Project searching for Good Practice in the area of Knowledge Management. At the time this was probably the first Benchmarking Project on Knowledge Management driven from a Pan-European perspective.

In the subsequent five years many more organizations have come to recognize the importance of Knowledge Management as a key enabler for their future success, realising it is here to stay as a legitimate management discipline rather than being the latest, here today, gone tomorrow, “flavor of the month” fad.

EFQM therefore judged that the time was right to undertake another search for good practice in this challenging area and so, in late 2001, working in partnership once again with CIBIT Consultants| Educators, the EFQM undertook further research. This article is based on the key findings to emerge from that research. Readers should note that because the benchmarking activity was carried out based on the European Benchmarking Code of Conduct, the article does not name specific organisations, thus respecting the confidentiality that was promised at the time of the research

The research was based on a Screening Survey created by CIBIT & EFQM, which was then sent to a number of organisations across Europe in the period between November 2001 and January 2002. It was sent with two purposes in mind:

- To identify the current state of Knowledge Management practice across Europe
- To identify a short list of potential good practice organisations in the Knowledge Management field.

The individuals who received and responded to the Screening Survey were all actively involved in working with KM in their organisation so we really did get to the heart of the KM engine room for our responses.

Once the analysis of the Screening Survey responses had been completed each respondent received a complimentary copy of the final report, thus CIBIT and EFQM:

- Delivered what was promised to Screening Survey respondents, enabling them to both learn how other organisations manage their Knowledge Management activities and also to compare their own position in relation to these same organisations
- Furthered their respective missions to spread information on good practice across Europe.

2. What do we mean by Knowledge Management?

Common sense says that learning from successes and failures, sharing knowledge with others and smart application of lessons learned from the past will lead to better results now and in the future. Excellent companies know that by heart and apply this common sense everyday, preferably in a natural way. However for many reasons these learning processes might not function properly anymore and need attention and support. Competing instead of collaborating divisions, differences in culture, pressure of the daily challenges, lack of communication tools and places to meet, stubbornness of people or lousy discipline within the company might get in the way. Dealing with these barriers and organizing practical tools to improve the required learning processes is considered to be the scope of knowledge management.

In the context of this study, we described 'Knowledge Management' as follows:

All the necessary activities to orchestrate an environment in which people are invited and facilitated to apply, develop, share, combine and consolidate relevant knowledge in order to achieve their individual and collective ambitions.

Based upon the experiences in our first best practice study and the client work of CIBIT knowledge Management is seen as one aspect of the total focus of management in organisations and not as a goal in itself. The ultimate goal of knowledge management is to improve an organisation's effectiveness by leveraging three core-learning processes in a smart and lasting way:

- Learning from success and failures, on individual, team or company level
- Learning from each other, both from co-located colleagues as well as colleagues which might be located at a further distance (geographical as well as disciplinary-wise)
- Learning from ‘outside-in’, from partners, suppliers, customers and even competitors.

Knowledge management should empower employees to integrate these learning processes within their ways of working and to apply the outcomes of these processes on a daily basis. But learning should take place in a focused way because learning is not a goal in itself but a tool to improve the company’s capabilities. In order to be able to learn in a focused way, a company should understand how these learning processes could fit in the business strategy and which knowledge areas are most important to focus on. Depending on the type of business and strategy, important knowledge can range from the professional knowledge that underlies products and services, knowledge about customers, markets and common practices and knowledge about processes and the internal organization.

The benefits of knowledge management should ultimately be demonstrated in the Key Performance Indicators of the company or organization, where else? Any ROI of knowledge management initiatives should be connected with the model that is used to measure corporate performance. In this context we strongly believe there should be a strong connection with models for business excellence including indicators for areas such as customer satisfaction, employee satisfaction, financial results and impact on society.

3. What were the issues addressed in the study?

Based upon our core principles of knowledge management as explained in the previous paragraph we structured the screening survey. In addition to requesting the normal general information on the respondent’s organization, i.e. industry sector, number of employees and turnover, the screening survey sought answers to a mixture of qualitative and quantitative questions within each of the issue areas:

- Knowledge management in organizations; what is the general approach?
- Strategies for knowledge; how is knowledge management aligned with the business strategy and which objectives are pursued?
- Enablers for knowledge management; which tools are applied?
- Cultural and motivational Issues; how is employee and management morale addressed?

- Leadership and Involvement of management; are senior and middle managers involved?
- Competency building in knowledge management; are employees trained in knowledge management principles, processes and tools?
- Communication about knowledge management; how do companies communicate about their activities?
- Results and metrics; how do companies measure the outcomes of their initiatives?
- Best Efforts; what are there most successful practices?

We were overwhelmed by the output of the screening survey and the lessons learned which the respondents were so kind to provide us with. For the purposes of this article we have decided to give just a flavour of the overall analysis and focus primarily on the key learning points provided by the respondents.

4. General Information on respondents

27 companies responded to the screening survey, originating from a wide cross section of industry and with a relatively strong contribution from telecommunications, software / IT-services, fast moving consumer goods, consulting and automotive sectors.

Most companies deployed their KM activities either on a global level (63 %) or within Western Europe (26 %) and respondents were a good mixture of large through middle-scale and on to the smaller companies with 22 % employing more than 40.000 staff, 19 % employing between 10,000 & 40,000 and 33% employing less than 10.000 staff.

5. Knowledge management in respondent organisations

This section searched for data, information and knowledge on the general KM environment and maturity level of the organisations.

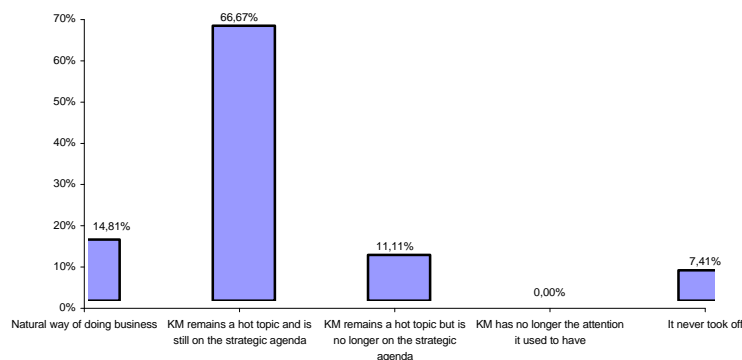
A majority of the respondents had a formal KM-initiative (77 %) while 55.5% of the companies reported that they had a Chief Knowledge Officer (CKO) and 53.3% of these reported that this CKO-role had been in place between 2-4 years.

Reasons for not having a CKO were listed as:

- The board thinks that there is no added value
- The company is too small for such a function
- KM-activities are performed at the local level

63% of respondents reported that Knowledge Management was still hot on the strategic agenda and 15 % of companies' reported that it had now become a natural way of doing business. 15 % stated that they were still building pilots. Only 7 % of organisations reported that KM never took off (see also figure 2).

Figure 2: In your organisation, how hot as a topic has KM become in recent years?



Respondents reported a relative high level of maturity according to the APQC-framework¹ for knowledge management initiatives. The phases in the APQC framework are: (1) getting started, (2) develop a strategy , (3) design and launch a KM initiative, (4) expand and support , (5) institutionalize.

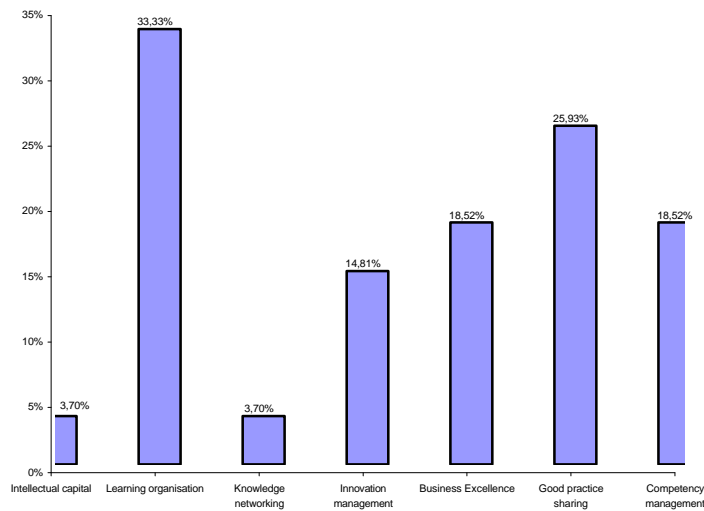
55 % of companies score themselves beyond phase 3 and of these 44 % are involved in expanding their KM-activities. Only 3 companies claimed that they were at phase 5.

Most KM initiatives were started by a small team of pioneers acting as catalysts, creating awareness, starting pilots and convincing management. Successful pilots were used to communicate the “business case” and potential benefits. Companies who are now expanding their KM activities work with core teams that are multi-disciplinary, networked within the company and strongly business oriented. They facilitate local champions, share their insights within the network of ‘knowledge managers’, and act as internal consultant and change agents. Most KM-teams are guided by a steering committee in which representatives of the business are placed. Reporting lines vary from directly to the CEO, the CIO or executives who are responsible for business development, R & D, internal communications, TQM and IT.

¹ For more information see: www.apqc.org

The majority of the companies use the term Knowledge Management but several companies prefer other labels especially the term 'learning organisation', 'Good practice sharing', 'Business Excellence' and 'competency management' as depicted in figure 2.

Figure 2: What descriptions/definitions are used?



Common lessons learned by respondents about Knowledge Management initiatives were:

- Leadership from the top is a pre-requisite
- All KM activities should fit in the strategy and the value impact should be clear from the start
- Starting with pilots and building on success works better than the “big bang’ approach.
- Learn by doing.
- Be aware of overselling Knowledge Management and deliver first
- Communication is an important factor. Keep the message simple and consistent.
- Address the ‘soft factors’; they are real!

- It is especially difficult to organise Knowledge Management in a decentralised company though the potential benefits of sharing knowledge across operations may be the highest in these companies.
- KM-activities should be focused top-down but also emerge bottom-up. To find a balance between these two strategies is a major key to success.
- There is no blueprint and one-size-fits-all within companies. Allow for flexibility in your corporation.
- Communities are key to success
- Knowledge Management is mainly change management and people oriented. Tools are very important but not decisive. At the same time a majority of the best efforts are based upon ICT-tools!
- Create 'Quick wins' from the beginning but do not forget to create a sustainable environment.
- In the end Knowledge Management should be integrated in daily operations and processes.

6. Strategies for Knowledge

This section addresses the way companies formulate focus for their knowledge management initiatives and align them with their business strategy.

The survey showed that a vast majority (88%) identified crucial knowledge areas, strengths and gaps and formulated actions to deal with these as part of the business strategy (see also van der Spek, Kingma and Hofer-Alfeis 2002). Leaders involve several stakeholders (including senior executives) during workshops in order to create knowledge portfolios and Knowledge Management roadmaps. Integration of these approaches within existing business planning and strategy formulation processes is considered to be key to sustainable success.

The most important objectives for KM-activities were identified as: -

- Facilitation of re-use and consolidation of knowledge across operations
- Development of new knowledge to innovate products and services in the future
- Learning from customers to innovate products and services

Companies reported clearly that they operate both codification (focused on creating tangible information resources based upon knowledge in the heads of employees) and communication strategies (focused on exchange of experiences via collaboration and communication between employees). Which strategy they use depends on the situation

Common lessons learned by respondents about Knowledge Management strategies were:

- One needs a corporate strategy to align to and it is necessary to have explicit goals! When the business strategy is unclear or implicit, knowledge management initiatives will suffer because there is no clear focus possible.
- Different knowledge strategies, focused on codification and / or communication, can live next to each other in companies.
- Communities are the major platforms for knowledge exchange and transfer and also for the codification of experiences and re-use of this information. They emphasise the fact that knowledge must be shared before it can be managed! Networks of people should ensure that the relevant experiences are codified in shared databases, web-sites or any other tool which they think is useful. Information without ownership is useless. Re-use of information relies heavily on teamwork, trust in others and shared passion.
- Codification costs money, energy and time. Before undertaking it an organisation must think about the added value and decide whether it is worth it.

7. Enablers for Knowledge Management

In this section we addressed the enablers companies to use within their knowledge management initiatives. In order to give direction to the survey we investigated whether the most common used instruments within the KM context were considered to be of high impact and implemented at a satisfying level. We will highlight two core issues in the context of enablers: IT-support and communities of practice.

IT as an Enabler:

Though many respondents argued that IT is not the most important enabler for KM, all but one respondent reported that they use IT as an enabler. When respondents "best efforts" were taken into account it showed that the majority of these best efforts made strong usage of IT. This seems to be one of the most interesting paradoxes in the knowledge management community. An often formulated statement was: 'IT is not the most important enabler but at the same time we cannot live without it'. We assume that most pioneers have learned the hard way that good IT-tools are no less than expected but not enough. Commitment and culture determine whether good IT-tools will provide optimal

results, but it is much easier to deliver good results with passionate and committed people and sub-optimal IT-tools than the other way around.

According to the survey most used IT-tools are:

- Intranet with email & discussion forms
- Intranet with document management functionalities
- Intranet with people finding functionalities
- Video- conferencing
- Tools for communities and project teams
- E- learning

Least used IT-tools in the context of KM are:

- Gaming and simulations
- Decision support tools
- Data or text mining tools
- Customer relationship management (CRM)

Common lessons learned with regard to IT-enablers are:

- People must be involved and motivated to use IT-tools. It must make life easier for them.
- IT-enablers should be integrated in daily operations. When the gap between work and IT-tools is too large, people will not spend the required additional efforts.
- People should be trained to use the IT-tools. You cannot expect that all employees can use them in the best way.
- Yellow pages or personal home pages only work when people provide content, keep them updated and when they have clear benefits from profiling themselves via these media.

Communities of Practice as an Enabler

It was clear that Communities of Practice are a major tool for companies to create knowledge sharing platforms between people. 74 % of all respondents use Communities of Practice in order to:

- Sharing of knowledge and good practices (all)
- Solve problems (75% of those using CoPs)

- Create knowledge (65% of those using CoPs)

It seems that communities are less used for the development of tools, methods and frameworks (45% of those using CoPs).

Communities of Practice emerge mainly both from individual needs as well as from corporate needs (70% of those using CoPs).

The benefits of COP's are measured by most respondents (75% of those using CoPs), support to COP's is provided by several companies (70% of those using CoPs) and supporting technology is offered (70% of those using CoPs).

Common lessons learned by respondents about Communities of Practice as an Enabler were:

- It was important to demonstrate the power of communities both to the members as well as involved managers
- The role of the community facilitator / content editor is key to success
- Thriving communities will take their own responsibilities for their knowledge processes and the proficiency of its members
- Communities require a marketplace that enables its members to collaborate, co-learn and to share their resources.
- Communities should be empowered to create their 'own identity', shared language and products.
- You need social behaviors in order to design good virtual spaces. It is necessary to lead the intranet by people not only from IT-departments. It is a cultural change working with intranets. We are at the beginning of this new way of behavior and we need to develop new spaces for the people working at the shop floor"

Specific learning tools

Respondents were asked to score the impact and satisfaction of the use of several typical KM-instruments such as after-action reviews, peer assists, story telling. It became clear that they were most positive about the use and outcomes of after-action reviews, peer assists, and coaching. They were least satisfied with the way their company had organized yellow pages, master-apprenticeships and story telling

8. Cultural and Motivational Issues

In this section we addressed the cultural and motivational issues that companies encounter related to knowledge management initiatives.

According to a majority of the respondents common aspects of the organisational culture which supported Knowledge Management initiatives were:

- Interpersonal exchanges, respect and trust
- Lack of hierarchy
- Perceived urgency to change because of market environment
- Focus on quality and customers

The main cultural and motivational barriers were:

- Not enough time to think about the future and pressure on billability
- Decentralized and federative structure which emphasises focus on local results instead of company-wide benefits
- KM perceived as additional to the workload of employees
- Turn-over of employees which generates knowledge erosion
- Not-invented-here syndrome
- Internal competition
- 'Knowledge is power'

Respondents reported several tactics to deal with these barriers including the demonstration of practical results, good tools and clear added value, repeated communication what the company would like to achieve and involvement of employees.

63% of respondents reported that the culture has changed because of KM-initiatives in favor of a better understanding of how business operations can be improved by explicit attention for knowledge related issues.

50 % of the respondents had KM connected to their recognition and rewarding systems while 40% rewarded employees in addition to their salary for their contribution to KM-activities. Most companies rewarded employees who contributed to KM-activities on a personal 1-1 basis. Some companies have introduced awards for innovation, Best-practice sharing or for excellent teamwork. One company with extensive experience in KM (> 4 years) introduced an incentive system where users of a knowledge-sharing intranet earn points for their contributions and for feedback from other users. These points can be transformed into gifts in the form of additional educational budget, computers, PDAs or budget for conferences.

Common lessons learned by respondents with regard to motivational and cultural issues were:

- Change takes time; it is necessary to be patient and to invest in creation of the required pre-conditions.
- Leaders are necessary to initiate, support and guide.
- It is not possible to force people to share knowledge. It can only happen voluntarily.
- Money is not the only way to reward people for their contribution. Recognition and providing more challenges were seen as important ways to stimulate these employees.

9. Leadership and Involvement of Management

This section focuses on the role, involvement and support of senior and middle managers.

Respondents reported that leaders were involved in KM-initiatives in several ways. Most common were:

- They fund and support KM-activities
- They recognize and appreciate people efforts and achievements in the area of KM
- They are active and personally involved in KM-activities

Leaders were less involved with regard to the following issues:

- Acting as role models when it came to optimal creation, sharing and use of knowledge
- Formulating a knowledge strategy for their activities
- Defining priorities for KM-activities

The support of middle management was surprisingly high with 51.9% of respondents claiming that middle management in general supported KM-activities within their company nowadays. However in a significant minority of organisations, respondents reported that middle management considered KM a buzzword and doubted whether it would add value to their daily business.

Common lessons learned by respondents with regard to leadership and middle management were:

- Managers seem to be resistant to the term knowledge management. Language is important here. Managers do not like jargon and creating a

shared language about KM is an important step towards understanding and thus support.

- It is necessary to have support at all levels of the organisation
- In order to convince managers, a business case is crucial. However, evidence that KM activities deliver better results is very difficult to provide because many factors can influence corporate performance.
- KM should be aligned with the strategy and demonstrate how it fits.
- Do not sell cheap! Real KM activities, which create sustainable benefits, require investments that should not be hidden from management upfront. Be clear on what you would like to achieve, how it fits in the strategy and what it will cost.
- Start from strategy: 1) must be directly and visibly linked to the delivery of the strategy; 2) look for hooks; 3) specify clear purpose, vision and mission for KM in terms of strategy
- Balance sustainability versus quick wins: 1) If quick win achieved, then “so this is KM”, if not achieved “so this was KM”; 2) Think big, act small; 3) Show a tangible and sustainable impact on business performance; 4) Be comprehensive in terms of approach and business coverage; 5) Clarify that this doesn’t come for free!

10. Competency building in Knowledge Management

This section focuses on the way companies build competencies within their employees focused on knowledge management principles.

50 % of the respondents organised stand-alone programmes about KM. Most KM teams/task-forces ran short training programmes to create awareness and to educate in the usage of tools and instruments. They considered these training programmes as crucial in their campaigns. These programmes focussed on project- or line managers, senior executives and specialists. Reasons for not organising specific training programs were:

- Lack of time, staff and budget
- No interest or support from management

37% of respondents address KM-issues in general training programmes for managers, executives and employees.

63% of respondents use a Community of Practice to connect people who are involved in KM-initiatives. These communities are perceived as a powerful platform to share experiences and to multiply KM-activities across companies.

11. Communication about Knowledge Management

This section focuses on the way companies communicate about their KM – initiatives.

The survey shows that companies use a broad set of communication channels to communicate about KM in their organisation(s). Repetitive and consistent communications via different channels was perceived as crucial for the success of KM-activities. In this communication, theories about KM should be limited; focus should be on the success stories, anecdotes and personal impressions of managers and employees.

Some companies communicate on purpose via external media because they believe it adds value to their corporate image.

Main lessons learned by respondents with regard to Communications about KM

- Keep the messages simple and consistent over time. Use few but clear models to explain concepts. Always link to real issues that the audience can relate to. Think carefully about developing awareness programmes. Persist! Build a marketing plan and implementation. Don't oversell. Undersell but outperform.
- Be concrete; give examples rather than theories. Show people where they and their business can benefit. It is a good opportunity to get some people into the limelight.”
- Know your audience and know their interests
- The more you talk about it, the more people will understand it and want to get involved.
- Use the complete spectrum, communication is a major part of change management!
- Communication is the main element of success. You must be willing to repeat, repeat and repeat
- We would rather communicate after there is a deliverable rather than making promises and setting up expectations that might not be fulfilled

12. Results and Metrics

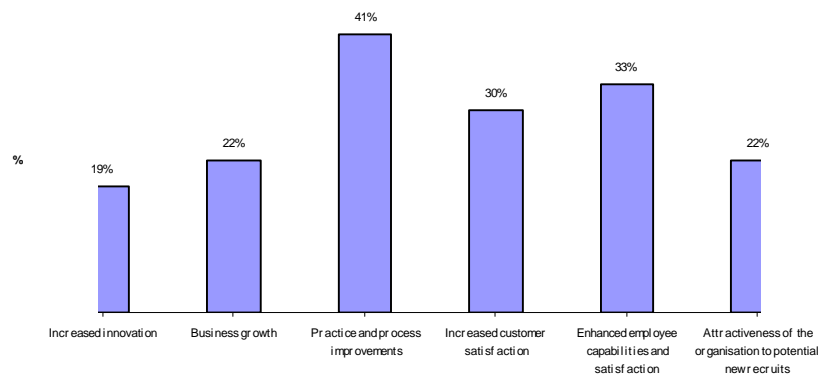
One of the main issues to emerge during the 1997 benchmarking project was the difficulty in measuring success that could be attributed to a specific KM initiative. During this research project, although progress would appear to have been made, it remains one of the biggest challenges.

A minority of respondents measured the impact of their KM-initiatives. Of those who did not measure, 50 % were planning to do so in the future. However a vast majority reviewed their KM-initiatives in terms of progress and output. These reviews involved internal clients, stakeholders, steering committee members and relevant disciplines.

Those companies who did measure the impact of their KM-initiatives reported outcomes in the following result areas or enablers (see also figure 3):

- Practice and process improvements
- Enhanced employee capabilities and satisfaction
- Increased customer satisfaction

Figure 3: Which of the possible outcomes are most relevant?



40.7% of respondents connected their KM-initiatives to their performance measurement system. A relationship between KM-activities and the Balanced Scorecard is reported most often.

Only 7.4% of respondents' measured their intellectual capital and only a limited group of companies plan to do that in the future.

Main lessons learned by respondents with regard to Results and Metrics were:

- Be careful with trying to prove that KM has a significant impact on business performance. It might bring more costs in terms of measurement than it will bring benefits
- Be aware of too simplistic and one-dimensional metrics.
- Start from result areas that are well known in the company such as market share, employee satisfaction, financial results and customer satisfaction. That's why the Balanced Scorecard and the EFQM Excellence Model form a good starting point.

13. Conclusions

It is the opinion of the authors that KM was alive and well within European companies in the beginning of 2002 but it is not clear how the current economic situation is affecting the management attention and budgets of KM-activities in 2003-2004. Actual communication with the leaders in the field points to 'rough weather' in many corporations especially in terms of employee morale and middle management support. This situation makes it even more important to learn from good practices and adopt the lessons learned in a smart way that fits the company culture, situation and environment.

Regardless of where you are on the "maturity spectrum" there are key points to remember and carry with you as a KM mantra.

- Always start by keeping the organisation's strategy in mind.
- Keep the messages about knowledge management simple and consistent and prevent using jargon
- One can read all the KM textbooks in the world, theorise and plan forever but at the end of the day there is no substitute for practical experience. Learn by doing.
- Balance sustainability versus quick wins and avoid single-leader dependency
- Technology is a significant and necessary enabler but it is not sufficient. The "people dimension" is crucial.

14. References

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