

# divine write

## **The Knowledge Organisation – Does it really exist?**

Few industries can match the IT sector for buzzwords and catch-phrases. The current crop of neologisms deal with knowledge, such as 'knowledge economy', 'knowledge organisation', and 'knowledge management'. But what do these terms actually mean (if anything)? And are they relevant to conducting your business today?

### ***The Knowledge Economy***

Media, researchers, and politicians tell us that we are living in a 'knowledge economy', but few take the time to explain what this term means. What is a knowledge economy?

Basically – or so the theory goes – the knowledge economy is an economy where success depends on knowledge rather than physical resources. It's about brains not brawn.

When we get down to nuts and bolts, in a knowledge-based economy, wealth creation relies mainly on the generation, distribution, and exploitation of knowledge. The OECD definition of a knowledge economy includes only industries that have a knowledge-based output. This includes all high-technology industries, such as computing and telecoms, and also sectors with a highly skilled workforce, such as finance and education. In the OECD as a whole, knowledge-based industries accounted for over half of rich-country business output in the mid-1990s, up from around 45% in 1985.

In advanced economies such as the US, more than 60% of workers are "knowledge workers". The Australian Bureau of Statistics estimates that 39% of the Australian work force today are knowledge workers, compared to 33% in 1989. Clearly the knowledge economy is alive and thriving in Australia.

### ***The Knowledge Organisation***

Research by the OECD and APEC concludes that the key to success in the face of global competition is working smarter and making better use of skills and knowledge.

When the term 'knowledge organisation' first appeared in the early 90's, it was coined to describe particular kinds of adaptive companies in the service industry. Specifically, companies whose business logic focussed on matching creative effort and capacity to customer problems. Knowledge organisations were characterised as being small, creative, 'adhocratic', knowledge intensive, and highly educated (Sveiby, 1994).

Due to the profusion of information technology, the term has taken on a broader meaning and is now readily applied to organisations across all industries. The knowledge organisation of today may be better defined as: *An organisation that recognises the primary value of both explicit and tacit knowledge within its workforce, and implements strategies to enhance and leverage that knowledge.*

How are knowledge organisations different from what has come before? The one thing that both old and new definitions share is a focus on business agility. In the past, as companies grew, they departmentalised and specialised. But in the new economy, companies that have inflexible practices and structures respond too slowly and eventually die. Cases in point would be the decline of Kodak and the success of Apple. Can any modern company afford not to be a knowledge organisation? The bulk of the management literature says, "No!"

## **Knowledge Management**

Knowledge management (KM) first appeared in common practice about 5 years ago. However, because many KM implementation projects failed, the theory was all but dismissed as a fad. Now, after recognition that those failures were due to poor implementation, the theory has been revived and adopted world-wide with renewed vigour.

Knowledge management is now one of the defining management strategies of the current era. It is embedded in the policy, strategy, and implementation processes of worldwide corporations, governments, and institutions. Doubling in size from 2001, the global KM market is projected to reach US\$8.8 billion in 2004. Likewise, the market for KM business application capabilities such as CRM is expected to grow to \$148 billion by 2005 (Malhotra, Y., 2005).

What is knowledge management? The truth is, there is no common definition of knowledge management. Dr. Yogesh Malhotra, an expert in the field, says,

“KM caters to the critical issues of organizational adaption, survival and competence in face of increasingly discontinuous environmental change... Essentially, it embodies organizational processes that seek synergistic combination of data and information processing capacity of information technologies, and the creative and innovative capacity of human beings.”

If that sounds a bit theoretical, consider the Gartner definition:

“Knowledge Management promotes an integrated approach to identifying, capturing, retrieving, sharing, and evaluating an enterprise’s information assets. These information assets may include databases, documents, policies, procedures, as well as the un-captured tacit expertise and experience stored in individual’s heads.”

(cf: Oracle Magazine, 1998)

The implication is that organisations contain or possess under-considered assets which may be strategically important. But clearly the management of ‘information’ is nothing new. Much of today’s KM is simply systems analysis, human resource management, or organisation development, updated and re-labelled. The distinction lies in recognition of the difference between, tacit and explicit knowledge: *‘Explicit knowledge’ is knowledge that is static, easy to duplicate, easy to broadcast, and is often synonymous with ‘information’.* *‘Tacit knowledge’ is knowledge gained from experience and is usually passed on face-to-face, rather than instilled by formal education and training.*

Karl Erik Sveiby, another KM thought-leader, believes that the confusion between ‘knowledge’ and ‘information’ has caused the waste of billions of dollars in technology ‘solutions’ that have yielded marginal results. Knowledge is embedded in people and knowledge creation occurs in the process of social interaction.

## **Knowledge Management Processes and Technologies**

All this sounds good, but how do you implement KM? Dr Malhotra suggests the following implementation measures for facilitating knowledge management.

1. View the organisation as a human community capable of providing diverse meanings to information outputs generated by the technological systems.
2. De-emphasise the adherence to the company view of ‘how things are done here’ and ‘best practices’.
3. Invest in multiple and diverse interpretations to enable constructive conflict mode of inquiry.
4. Encourage greater proactive involvement of human imagination and creativity to facilitate greater internal diversity.
5. Give more explicit recognition to tacit knowledge and related human aspects, such as ideals, values, or emotions.
6. Implement new, flexible technologies and systems that support and enable communities of practice (informal and semi-informal networks of internal employees and external individuals based on shared concerns and interests).
7. Make the organisational information base accessible to organisation members who are closer to the action while simultaneously ensuring that they have the skills and authority to execute decisive responses to changing conditions.

From this list it should be clear that KM is not an IT practice. However, they do go hand-in-hand, and IT certainly helps to implement specific parts of a KM strategy. The aim is to use technologies that enable

interaction and sharing of knowledge. Clearly an organisational intranet should be at the heart of any modern business of reasonable size.

Successful organisations distinguish themselves according to *how they use technology* – **not which technologies they use**. Past failures of KM implementations can be attributed largely to technology-led (push) approaches, where the tendency has to implement pervasive systems that gather and hoard information – often leading to ‘death by data’. Invariably, the most important factor for a successful KM implementation is not the technology choice, but the need for business ‘pull’.

KM is a practice that requires deep-rooted behavioural and strategic change. It requires top management involvement, and is a fundamental shift in strategic perspective. Getting “the right information to the right people at the right time” is invaluable in any organisation – as long as you know what information you want in the first place...