

Enterprise Intelligence World Summit: Annual Knowledge Conference and Exposition, Orlando, Florida, December 4-6, 1999

By Jay Chatzkel, Progressive Practices (jchatzkel@progressivepractices.com)

Many threads of current knowledge management practice were brought together at the Enterprise Intelligence World Summit, sponsored by the Knowledge Management Consortium International (KMCI). Numerous thought leaders involved with knowledge management and intellectual capital gave their views on strategic themes facing practitioners and their organizations. Some of these pivotal themes were: How knowledge management is, at root, people minded; paying attention to attention; linking knowledge to the context of work; incorporating trust, innovation and intangible assets as elements of strategy; recognizing both the enemies and enablers of the knowledge movement; and the emergence of transaction-based knowledge enterprises. Conversations focusing on these approaches and perspectives gave attendees a set of reference points to move forward in the knowledge-based economy.

Ring in a New Knowledge Millennium

Ed Swanstrom, President of KMCI (www.km.org), told delegates that knowledge management is the art of seeing, growing and harvesting minds. He emphasized a core premise of the conference that, "in the end, knowledge management is people minded." Swanstrom sees the 21st century as one where wealth will be in knowledge networks, and there will be a shifting of ways to grow and harvest that knowledge. The landscape will be changing considerably with people becoming knowledge nomads, operating out of intellectual capital marketplaces and through digital libraries. The emphasis will be on knowledge production and harvesting. Innovation labs will become commonplace, with growing valuation of innovation and innovation management.

Conversation Is the Organization

David Isaacs, President of Clearinghouse Communications, and **Verna Allee**, President of Integral Performance Group, gave a sample of the emerging innovative lifestyle, leading a demonstration of the Knowledge Café, where "a group of people come together, collective consciousness emerges." Isaacs and colleagues created the "Knowledge Café" serendipitously in the early 1990's. Isaacs portrays it as an uncovering, a process by which humans can create collective knowledge. The most important learning and knowledge sharing

happens as the conversation takes place in the informal relationships and personal networks formed in the Café environment.

The Knowledge Café proposition attendees engaged in was: "In the new economy, conversations are the most important form of work, and 'the conversation is the organization.'" Attendees carried out a round-robin process during which they created a knowledge network while exploring key facets of a conversation-based organization, including: the role of leadership, the kinds of structure needed, the kinds of supporting tools and technology, the physical environment, and incentives. To learn more about Knowledge Cafés, visit: www.theworldcafe.com.

Managing Attention: The Next Frontier

Tom Davenport, Director of Strategic Change at Andersen Consulting, focused on something we all have long experienced but will soon take much more seriously: Managing Attention. Davenport said that in the Knowledge Age we build systems to bring information of every type to everyone. This ubiquity has had the unintended effect of creating a dilemma of how to use our scarce attention wisely. As the ads and messages that demand our time increase and the pace of exposure speeds up, our ability for attention decreases. In the end, our attention is a finite resource. Davenport asks: "How do we allocate attention and how do we create information and knowledge that demands attention?"

Davenport said attention is "focused mental engagement" - a space between awareness and action - where there is enough meaning to create an action decision. The dilemma is how does one get attention, hold attention and give attention to the right things.

Davenport sees significant implications for organizations, the first of which is the need to grasp and organize in relationship to attention. The ante is being raised so that "increasingly, if we want somebody's attention, we may have to **pay** for that attention." Davenport emphasized that organizations need to key into what the different people who populate its universe are paying attention to. He suggested using an Attention Index, which rates the "source" on trustworthiness, the recipient's emotion, the conciseness of the content, and the personalization of the message. According to Davenport, "if you blow any one of the links in the attention chain, your thing won't work."

How to Get People to Perform - Integrating Knowledge Management and Learning

Gloria Gery, Principal of Gery Associates (www.epssinfosite.com), raised the question of "What does it take to get large numbers of people who are ill-

prepared to carry out what they need to?" Her response is to have performance built into the situation, rather than building competence into the individual.

Gery sees that we are just at the beginning of a twenty-year period of reconsidering knowledge in organizations. At issue is that most knowledge exists independent of the work context. "When we move the content too far out of context, the more difficult it is to synthesize. The result is junk performance."

Gery maintains that most knowledge management is actually automating old mental models. She sees the goal as getting thinking embodied in everyone and everyone taking responsibility. The power of knowledge management is the power to change the slope of the learning/acting curve by creating enabling environments. The next wave of knowledge management will be creating integrated performance knowledge systems in terms of both work and people's performance.

In the current computer mediated environment, integration is left up to the performer. In this new approach we will walk people through the process they need to participate in, matching the knowledge people need to master within the time of the need. The focus is on communicating the process and what people need in order to operate. While enabling technologies and the cast of people change, Gery emphasizes concentrating on the work processes, which tend to stay more or less the same. The goal is getting the right information, as well as process approach, to the right people, in the right ways for the right outcome.

Linking Strategy to Knowledge Management to Work

Karl Eric Svieby, Principal of Svieby Knowledge Management (www.svieby.com.au), raised the question: "Are your intangibles in your strategy?" He cautioned on the dependency on knowledge databases. He said that roughly 90-95% of people's is lost as things go into a knowledge database. Further, databases are static repositories, not dynamically renewing resources.

Svieby has developed his Intangible Asset Monitor through which people can recognize each intangible as a discrete asset. He maps out three domains of assets: Human Competence, External Relations, and Internal Structures. Value is created where the three spheres overlap.

Using his asset model, Svieby took attendees through an exercise where they had to achieve a significant increase in organizational value by reconsidering customers (External Structure), processes and tools (Internal Structure), and staffing (Human Competence). The challenge was to rethink the organization and its strategies in terms of its intangibles. Rather than manage processes, his approach is trying to manage systems relationships.

According to Sveiby, companies like Royal Dutch Shell, Dow Chemical and even national governments are beginning to use Intellectual Asset Indices to understand and foster value creation. The indices allow for both reality-based measures as well as strategic decision-making. In some cases, these entities are extending Sveiby's model to include factors uniquely relevant to them. Shell is incorporating environmental and social success measures. Dow is integrating financial, social and environmental indices. This growing realization of the value of intangibles is also causing virtually every accounting standards group to reconsider their standards to allow for incorporating valuation of intangibles. "Have you valued your intangibles today?"

Increasing Rates of Innovation to Achieve Success

Mark McElroy, Principal at IBM Global Knowledge Management Network Practice, said that the most important issue today is how do organizations create knowledge. His premise is that when key knowledge changes, the product changes. "We should not be talking about knowledge management but about knowledge process management." At present, most knowledge management is done on the managerial level, providing knowledge to the "children" who need it, not on a meta-level where innovation could be infused into an organization on a continual basis.

McElroy asserted that extreme innovation could occur when organizations embrace a clearly defined target knowledge process model. Doing so would allow them to willfully increase their rates of innovation and knowledge production by improving organizational learning processes.

Communities and the Importance of Trust for Building the Appropriate Culture

Robert Buckman, Chairman and CEO of Bulab Holdings, Inc. (www.knowledgenurture.com and www.akgroup.com), focused on the significance of trust in carrying out a successful knowledge initiative. Buckman emphasized that there is only so much that can be cut out of any organization. Instead, organizations need to be more market-driven, looking for segments in which to specialize, being global to become the dominant player, and ready to take over part of their customer's operations. To achieve that "we have to mobilize the knowledge base of the organization, which is changing every minute of every day, and sharing with individuals we never met."

Allison Tucker, a Buckman associate, encapsulated the transition that Buckman has been making: "Communications is human nature; knowledge sharing is human nurture." Buckman is structuring and nourishing the environment, and

fostering an orientation and practices that support the development of a trusting, knowledge sharing cultures.

A key element in that architecture is creating a statement of values, or code of ethics, in which people can believe. Robert Buckman looks at his company's code of ethics as if it were a waterline of a ship. Above the waterline is where it is safe to operate. "You can be as innovative as possible above the code of ethics 'water line.' ... it is assumed that you will use information in an appropriate manner." Creating this code was an essential precondition for proactive knowledge sharing.

A corollary principle in moving Buckman towards a knowledge sharing community was giving access to the information base to all company associates. Buckman has made a technological, as well as cultural shift, to the point where at Buckman and its associates are "wired." The PC is now "the desk" and the network is "the organization." Everyone has equal right and feels comfortable about influencing anyone else in the organization. Part of the agreement with associates is that the Buckman organization pays the cost of the network, with another part being that it will not consider anyone for promotion unless they are productively sharing.

Buckman is expanding the climate of continuity and trust to its customers. Buckman associates are in the driver's seat to create solutions for customers. Their goal is to solve its customers' unique problems using its knowledge advantage.

Buckman has developed an acronym, EEFL, Effective Engagement with the Front Line, which captures much of the thrust of its efforts. "The greater the number that are EEFL, the greater the momentum of the organization. The higher the quality of those that are EEFL, the higher the quality of the knowledge that can be brought to the customer."

Buckman recognizes that the knowledge assets that exist within the heads of associates will depreciate just like physical plant and equipment depreciates unless it is continually replenished. As a result, Buckman has worked and honed its continuous learning process for all employees worldwide, making it more extensive, yet finding ways to drop its activity learning costs appreciably, a trait that is reflective of how it has come to operate as a self-renewing knowledge-based company.

The desired outcome is to satisfy the immediate operational needs of the customer. At Buckman this can happen only through moving knowledge around the organization with ever-greater acceleration. If everyone focuses on meeting customer needs faster and faster, with the goal of "instantaneity," customer satisfaction is achieved. This innovation capability grows through the efforts of building communities of trusting associates.

Enemies and Enablers of Knowledge Management

Larry Prusak, Executive Director of IBM Institute for Knowledge Management, said about half of the 220 knowledge management projects he has seen over the last ten years have failed. He views the knowledge movement at a crossroads where it can either be hijacked by opportunists or add value as the Quality movement did, over time.

Prusak discussed five "Enemies" and five "Enablers" of Knowledge Management. The five "Enemies" were:

1. Viewing the organization as a machine, which just needs energy, but not reflection. Prusak feels we cannot engineer or reengineer anything, because there are too many variables for the industrial engineering model to resolve.
2. Managing documents and systems but thinking you are managing knowledge. Knowledge is what people know (groups and individuals). We can only represent and encourage knowledge.
3. Making knowledge management peripheral to the firm. In most cases, an initiative that starts as a peripheral effort ends that way. A knowledge initiative needs to be part of how you are doing business.
4. Knowledge is a thing out there to be managed.
5. Not being able to talk about knowledge, or use the name. If it's not part of your vocabulary, you cannot do anything about it. Nor surprisingly, those who did not use the word, did not do anything about it.

On the positive side are the "Enablers":

1. Making an attempt at a unit of analysis. Prusak thinks the best unit of analysis of knowledge is the network, community or group, somewhere between 40 to 500 people. These groups are characterized by passion, stories, and shared love of subject, and are sort of like a family.
2. Being comfortable with ambiguity and pluralism.
3. Developing the requisite variety of responses: Knowledge takes on different forms and shapes. Think of the requisite variety of forms of knowledge and how you are provide for them.
4. Having leaders who support a Knowledge Initiative: If you do not have leaders who actively support the effort, nothing much is going to happen.
5. Appreciating social capital issues: Explore what is it in your policies and practices that allows collaboration.

Since all knowledge is local, sticky and contextual, technology can be an enabler but is not the answer. More important is changing the social norms of the organization, which will then allow for networking and collaboration. "If people are individualistic, even if you have all the technology in the world, you will fail."

Prusak thinks it is worthwhile for knowledge management practitioners to reflect on the lessons from the Quality movement. He keyed in on such things as: embedding what you think about knowledge in the routines of the organization, being honest, establishing metrics and milestones that show direction, putting a tremendous emphasis on customers and saying in advance what you are trying to do.

Valuing Knowledge in the Knowledge Economy

Tom Stewart, Board of Editors of *Fortune*, said that although we have known forever that ideas have economic value, in the Knowledge Economy, knowledge is the single most important factor in production. It is an imperative for business reasons.

Stewart referred to six shifts that characterize a knowledge company:

- The knowledge content of goods and services increases.
- Knowledge substitutes for capital assets and inventory. By working smarter, companies are able to produce more with less inputs.
- Capital spending on information handling machinery grows while spending on machines that handle material things decreases.
- Information is the most important raw material. The knowledge content of work increases.
- Profits are moving to knowledge intensive goods and services.
- Capital markets are rewarding knowledge intensive companies.

To have an effective knowledge management model, Stewart sees we must get beyond two crippling misconceptions. The first he characterizes as the "Sentimental Model," which says that the company is its people. The fallacy here is that managing companies is not about having assets, but on having a return on investment on its assets. His view is that people, in themselves, are not assets, but must be seen as investors in the organization.

The second false model is the "Mechanistic Model." Much of the emphasis on the mechanistic model comes out of our attempts to codify knowledge. Stewart's view is that we cannot codify knowledge since it is changing too rapidly. Further, "knowledge management is not about collection - It's about connection and connectivity." According to Stewart, most technological applications do a lousy job of transferring tacit knowledge. For example, one type of knowledge that is hard to transfer is business judgement.

The result of being caught in these two models is that the knowledge management leader has become a "cross between a systems manager, a librarian and a social worker."

Stewart introduced his "Third Way" business model, a four step process which is targeted to satisfying the only person who is always right, the customer:

1. Identify the role of knowledge in your industry. Ask questions such as "What knowledge do you buy, what are you paying for it, what does it do for you?"
2. Identify the assets associated with knowledge. Ask: "What are the key assets of value to you (both tangible and intangible assets)?"
3. Set a strategy for doing something with those knowledge assets. Ask: "How are we going to sell knowledge, what are we actually selling, and what is our strategy for managing knowledge assets?" and
4. Improve the productivity of knowledge work software and other tools to improve the productivity of knowledge in the contexts above.

Stewart advised, "The Knowledge Economy is not a slogan." His advice is to "Base knowledge management on transactions. Then strategize."

Values Alignment: Keys to Achieving Integration of Human, Customer and Structural Capital

Don Tyler, Managing Partner of Values Alignment.com (www.valuesalignment.com), discussed the significance of aligning the values in an organization's policies and practices, its people and customers with the goal of delivering sustainable customer value. In intellectual capital terms, this means aligning the values that are part of Human Capital, Structural Capital, and Customer Capital.

Tyler sees knowledge is a social construct, emerging through interaction. Values and culture become the keys to relationships and knowledge transfer. Further, the value choices of people in the organization enable or disable knowledge transfer.

Tyler has found that we so identify with our cultures, values and behaviors that after a time we have no critical perception of them. He noted that organizations often undertake major initiatives that seek outcomes such as high achievement and customer intimacy without understanding their own values, the values required to achieve its goals, the values its workforce currently holds and or its customers' values. If the people of the organization are mostly concerned with their personal survival and carrying out specific tasks, a major initiative to build customer intimacy will most likely fail.

The first step in the values alignment process is to define the values of relevant participants. Mapping these values allows an organization to grasp the readiness for initiatives and becomes the basis of a corrective or adaptive strategy. At that point the organization can know what it is capable of in the near term and be in position to start a process to transform its policies, structures and

practices to support its desired goals. Nurturing the necessary shared values is essential for anticipating customer expectations and rapidly co-creating integrated solutions with customers. These shared values are also the touchstones for generating new visions, connections and communities of practice.

Conclusion: The Knowledge Movement at the Crossroads

An often-repeated statement at the conference was that the knowledge movement is at a crossroads. Although we live in a Knowledge Economy, strong efforts continue to promote retreaded mechanistic or sentimental solutions to the much more challenging issues of human knowledge creation, its capture and sharing. The conference was an arena to both state this as a problem and at the same time explore the new generation of approaches and tools available to nourish actionable knowledge in organizations and use it to achieve customer-centered outcomes. A critical value of the conference was that it staked out pathways beyond the crossroads.

A second theme found throughout the conference was that for organizations to transform themselves into Knowledge Organizations they must align strategies, policies, practices, technologies and people's values (both executive and frontline) to support innovation, while simultaneously increasing rapid knowledge diffusion.

As seen in the presentations, organizations are moving their practices beyond the experimentation stage and are making knowledge management and intellectual capital principals the heart of how they are doing their business.