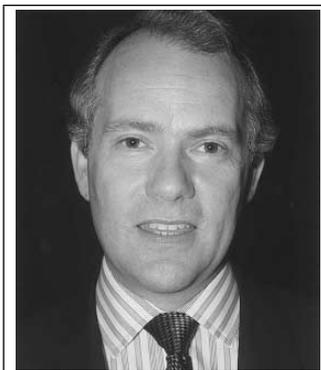


Building Knowledge Management into Strategy: Making Sense of a New Perspective

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Challenges of Knowledge Management

What has knowledge management achieved so far? A recent two-day conference of the Strategic Planning



*Edited by
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Strategy at the Leading Edge features short reports on conferences, new research and experiments by academics, organizations and consultancies for all those involved in strategy and strategic management. Contributions (two hard copies and a disk) should be sent to Martin Whitehill, City University Business School, Frobisher Crescent, Barbican Centre, London EC2Y 8HB E-mail: m.whitehill@city.ac.uk.

Knowledge management is rapidly becoming one of the next big trends. All the signs are apparent in the number of recent conferences, articles and books devoted to the topic. Even the comic strip Dilbert has taken notice and poked fun at it. Our experience of earlier management trends, including BPR, organizational learning and TQM, might cause sceptics to question: so what's new here? The experiences of knowledge management pioneers in North America and Europe show that real and significant results are possible. However, as with older methodologies, good planning and implementation are essential and success is not guaranteed.

This paper explores how managers might build knowledge management into the strategy process in their firms. Much has already been written about the philosophy and concepts of knowledge and intellectual capital. Less attention has been focused on how to combine a knowledge perspective with established strategy tools, or how to develop unique knowledge-based sources of sustainable competitive advantage. Gary Hamel and C.K. Prahalad have observed that managers typically spend too little time thinking seriously about strategy and the future. We need to ensure that in this limited time, the important dimension of knowledge doesn't get overlooked. © 1999 Elsevier Science Ltd. All rights reserved



Society in London provided an opportunity for reflection, learning and presentation of interesting cases. The following are some examples:

1. Unilever PLC has used knowledge to good effect in its Ragu sauces division. The company held a series of workshops around the world to map its knowledge of tomato sauce technology and factors contributing to the taste, texture and quality of the product. In this process, managers identified 50 areas of knowledge they didn't have. Knowledge networks or communities were set up to develop and share new insights. At Birds Eye frozen foods division, managers discovered they possessed an important area of knowledge not being fully exploited by customers: a world class expertise in nutrition. Unilever is also a company that has given a lot of attention to organizational learning and building knowledge capture into key processes.
2. The World Bank has adopted knowledge management as a central strategic thrust. The role of the bank is not limited to lending money but committed to transferring specialist expertise across national boundaries. An example was the rapid response to an urgent request by the Pakistani government for advice about premature road pavement failure. Officials were considering a new technology. Bank staff in field offices around the world were able to provide timely and appropriate advice within days. In the past this would have taken weeks or months. Such experiences are entered into a knowledge-base and communities of practice established. The Bank is making active use of help desks, groupware, surveys and web sites to provide technological support.
3. Enterprise Oil, one of the world's largest independent exploration companies, reported using knowledge communities to encourage dialogue between peers as well as faster problem-solving in an industry troubled by price erosion. These communities have used web sites to publicize tools, guidelines and case studies. Benefits identified so far have been the avoidance of costly duplication of effort and greater awareness of the need to capture knowledge for reuse.
4. A spokesman for IBM attributed that company's spectacular turnaround since the early 1990s to CEO Lou Gerstner's leadership and company efforts to exploit and develop knowledge in its businesses. This has been accompanied by a major cultural change and efforts to redirect the portfolio of competencies into services, consultancy and electronic commerce. A knowledge-driven culture is being created and focused on reengineering, procurement and intellectual capital management. Knowledge has been leveraged to integrate the procurement process, strengthen purchasing power

and achieve \$4.2 bn savings since 1995. Intellectual capital is being managed through 49 competency networks and the world's largest implementation of Notes and Web technologies. An Institute for Knowledge Management is being created to conduct research on knowledge strategy and related topics.

5. BP has used virtual teamwork for over four years as a means of achieving a step change in performance. The term "performance and learning" was used rather than knowledge management. The objective was to tap rare and scarce resources within the company, which was described as possessing a "federal" culture. Extensive use was made of video conferencing technology to communicate and problem solve at a distance using a corporate intranet. An example of successful knowledge-sharing around the globe was BP Japan's adoption of self-service stations. Lessons of how to educate consumers were transferred from Europe and other continents and posted on the intranet. Another interesting example was the successful bid to supply energy to a brewery in Tanzania where expert advice and a blueprint for the proposal was obtained from BP Aberdeen's experience in a similar situation with a Scottish brewery. A site on the intranet has been set up with video clips and a library to educate employees and managers about BP's policies on human rights.

The majority of the ten organizational case studies presented at the Strategic Planning Society conference reported implementing some form of intranet, knowledge network or community of practice. These delivered the greatest value when supporting a clear business challenge or problem, and where speed of knowledge transfer, team-working over large distances and cultural change were key objectives.

It seems that knowledge management is maturing from a novelty to a strategic approach being implemented by many of the most successful corporations and international organizations. Further evidence for this is the widespread diffusion and use of management tools closely related to knowledge management, such as benchmarking and the balanced scorecard. Major international management consultancies also increasingly emphasize development of their own intellectual capital for application in their clients' businesses. McKinsey claims to devote ten percent of revenues to knowledge creation and distribution.

Roots of Knowledge Management

Numerous books, articles and special editions of journals have already been devoted to explaining

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