



"Creating the Future": Strategic Alignment of Knowledge Management

Newsletter No. 7: November 2002

Welcome to our November 2002 newsletter. It contains several perspectives on *knowledge management*, and its value to organisations' market positioning, growth, productivity and development.

Xerox and Corporate Knowledge Initiatives

The Xerox corporation witnessed some interesting phenomena in the late 1990s and early part of the 21st century - its knowledge management (KM) initiatives were regarded as outstanding, and its share price dropped 60% in a 6-month period from July 1999 to January 2000.

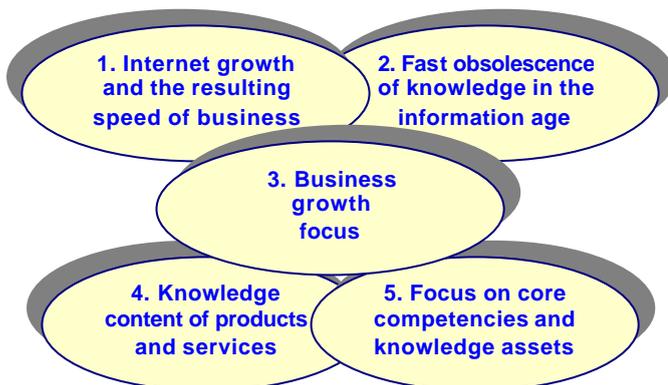
Knowledge sharing, seen as strategic by the Xerox company, was not pervasive. To address this, Xerox implemented a global initiative known as "Knowledge Sharing @ Work".

For Xerox, the KM initiative required cultural change, as well as lessons learned from the Xerox Quality experiences of the late 20th century. In 1983, Xerox launched its *Leadership through Quality (LTQ)* program - KM is seen by Xerox as a build-on to those quality initiatives. The LTQ program was based on process improvement, whereas knowledge sharing was considered to be unleashing and leveraging the knowledge trapped in work practices and communities.

Businesses estimated that:

- 42% of an organisation's knowledge lies in people's heads
- 46% of knowledge is found in organisation documents, and
- 12% of knowledge resides in electronic databases.

This meant that 88% of corporate knowledge was shared in ways not much different from the way it was in the industrial age. A sense of urgency for effective knowledge management by Xerox and other organisations was felt due to the intersection of **five trends** that has made managing knowledge critical to business success:

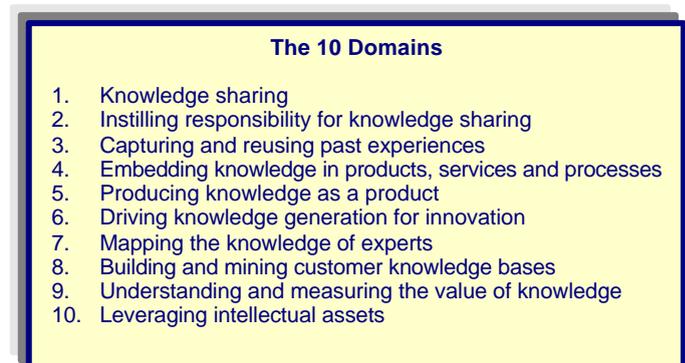


Key Success Factors in building Xerox Knowledge Management

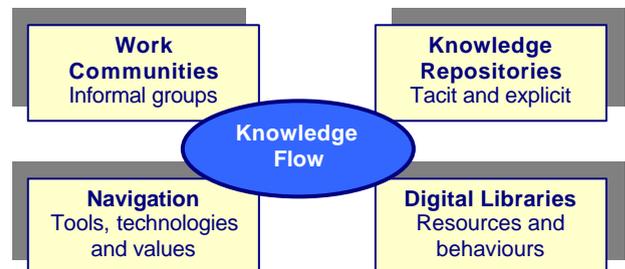
Support from senior management in Xerox and the appointment of a Director of Corporate Strategy and Knowledge Initiatives were seen as critical achievements for the organisation.

KM became part of the marketing identity of the company - anchored to the business strategically.

One of the strategies implemented by Xerox was the **Knowledge Work Initiative** that framed KM in 10 domains.



The Xerox KM initiative had four key interrelated building blocks:



Functionally Specific KM Strategies

The Xerox approach encompassed grass roots initiatives arising from business needs, while running corporate-wide KM initiatives. One such business initiative was a community-based-knowledge sharing solution developed for the Xerox customer service engineers.

Implemented in the late 1990s, an intranet communication system linked to a corporate database enabled customer service engineers globally to share their technical work experiences.

The laptop based initiative provided engineers access to the central database: to store information and to deposit or research technical advice. The strategy was built around four principles, one of which was **"to never solve the same problem twice"**.

The major benefits to Xerox and its customer base of this business initiative included:

- The creation of "virtual global work groups"
- A 5% cost saving in engineer's time
- A 5% reduction in repair times.



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Knowledge Management and Marketing

In a recent (November 2002) *Business Review Weekly* article by David Rymer, **knowledge management and marketing are considered as "soul mates"**. Excerpts from that article are presented below:

"Much to its own surprise, **knowledge management (KM) has a role in protecting brands**. Marketers are obsessive control freaks with an apparently inexhaustible fascination with visual identity standards and logos. KM, by contrast, is a people and relationship centric discipline. Normally, putting these two disciplines in one room would be guaranteed to generate much hissing and spitting. So why do marketing and KM need to work together?"

For the last twenty-five years of the 20th century, brands strode the world stage. Nike, Apple, Coca-Cola and McDonald's surfed a wave of surging share prices. Brand was king! Then One.Tel, Ansett, HIH and Enron showed just how fragile brands can be.

Was this the end of marketing as we know it? Or was it simply a structural adjustment in response to years of inflated profit forecasts and self-serving spin? And does it matter? As it turns out, it matters a lot. Now more than ever, brands provide a competitive advantage.

So how does KM link with brand marketing? Marketing and KM share a common connection in supporting the integrity of the brand's positioning. Brand architectures are built around a deep knowledge of client or consumer preferences, motivations and need states.

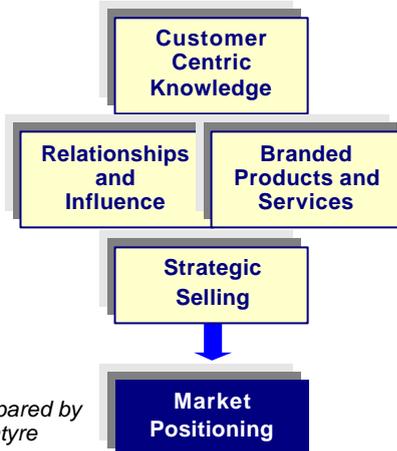


Diagram prepared by Robert McEntyre

Marketing and KM have similar preoccupations including a customer-centric focus, responsibility for shaping attitudes and driving desired behaviours, and the need to successfully pitch ideas together with the challenge of translating concepts into branded products and services.

Similarly, both marketing and KM draw upon many of the same skills, such as strategic selling, influencing and negotiation.

Organisations are harnessing KM to protect their brands, to leverage knowledge at an organisational level to deliver a disciplined and consistent client service experience.

Typically, this relies on a **supply-oriented knowledge model** built around a codified approach to explicit knowledge. This approach has the virtue of unlocking basic productivity gains, reducing complexity and eliminating duplication. It is often favoured by change-resistant organisations looking to consolidate a market position.

A path less travelled but growing in importance is when organisations draw on knowledge to fundamentally reinvent themselves.

They deliberately target transformational change outcomes and are sufficiently self-confident to build the organisation from the workgroup up.

This culture places emphasis on leadership over management - out go rule-based regimes in exchange for commonly agreed objectives, collective and individual accountability, shared skills, experiences and team-based expertise.

These are organisations looking to be great rather than settling for good - facilitated through a demand-based knowledge model.

Priority is given to **liberating the difficult-to-document tacit knowledge** behind the know-how grunt in order to change the way workgroups operate.

Knowledge is happier being facilitated than managed, and is a ceaseless process of creation, conversation, transfer, modification and destruction. Its nature doesn't always lend itself to being structured.

Knowledge management is proving critical for the successful facilitation of learning-based organisations and the ongoing **"productisation"** of knowledge by leveraging intellectual property - the basis of any durable brand."

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