

Knowledge management is in danger of being branded the next management catch-all and could be doomed to failure. By putting KM on a pedestal and hoping for the best, it cannot help but fall the same way as TQM, BPR and other management “big ideas.” Here, Prabhu Guptara assesses the reasons why knowledge management fails and offers some advice for successful implementation.

WHY KNOWLEDGE MANAGEMENT FAILS

How to avoid the common pitfalls

by Professor Prabhu Guptara

Knowledge management is often offered as a panacea for improving the profitability of modern institutions. Unfortunately, it's only one ingredient within the successful creation and implementation of business strategy. Nothing will make up for poor products, poor strategic planning, poor systems or poor quality. Products and services have to wholly meet the needs of today's increasingly demanding customer.

The theoretical benefits of knowledge management are clear: in order to maximize internal efficiency, internal co-ordination, service to clients, and overall profitability, one needs to make tacit knowledge explicit and keep it updated and accessible. Simple, you might think. But read on for just some of the reasons why organizations fail to make KM work.

1. Time

Many organizations are simply too busy to make KM work. Leanness has become so common that the result has been corporate anorexia. This has had a short-term beneficial effect on the bottom line, but it hasn't established a sound foundation for sustainable success. Leanness leads to employees burning out, leaving, and taking their knowledge with them.

2. Power

The way in which power is accumulated and

exercised in an organization can prove to be the single greatest obstacle to establishing KM. In most companies, power is used to lord over others. Knowledge management, however, requires power to be used to serve others; requiring the institutionalization of unselfishness and a customer-friendly attitude – both internally and externally.

Personal power is usually accumulated by means of “doing well” at narrowly defined jobs, usually within a division, function or region. More important, power is accumulated at least partly by gaining access to information, and by withholding it from others. This is sometimes called “the strategic use of information.” KM requires free flow of information across individual, divisional, regional and hierarchical boundaries.

3. Organizational structure

The formal structure of most companies prevents KM from operating. Most companies are organized by function, region, division or business unit, each complete with its own recruitment, induction, and reward systems based on its “own” bottom line. Take for example the following structures:

- *Company A – matrix structure.* A company organized by matrix which has equally strong regions and functional divisions, very strong

KEYPOINTS

A number of things can prompt the demise of KM.

The main causes are as follows:

1. *Time.* Being to busy to share knowledge is a common complaint from knowledge workers whose workloads are greater than ever before.
2. *Power.* Knowledge-hoarding is often rewarded with success, promoting the “knowledge is power” notion.
3. *Structure.* Rigid hierarchies work against the free-flow of knowledge through the organization.
4. *Measurement systems.* Measurement can only be of use if the right things are assessed.
5. *Culture.* A collaborative culture must be nurtured, if it is not the KM initiative will never get off the ground.

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global business units and corporate center. This type of company concentrates so heavily on internal co-ordination issues, that it becomes slow to respond to market (even though it's very strong when it does move), and often does not know what it made or lost by region or industry let alone by customer.

- *Company B – Functional division structure.* In this type of organization there are strong functional divisions, so much so that each division could be a separate company. An example of poor service at a functional division structured company is this: a customer in Italy, already a customer of one of the divisions, was approached by another division. There was not only lack of co-ordination within the company from the customer's point of view, but the second division actually rubbished the first division, prompting the customer to quit both divisions and go to a competitor.
- *Company C – Business unit structure.* This company is so strongly localized that the business unit managers are responsible for their own recruitment, pay and bonus decisions, IT decisions, and bottom line results. Each of the business unit managers tries to “own” customers, without realizing that the reality is that customers will not be owned

All organizations try at least once to create a structure which suits the marketplace (Company A thought that there was an integrated market across financial services worldwide, Company B saw a strong functional market specialization in worldwide niches, and Company C perceived the existence of a strongly localized market). None of these structures necessarily enables KM to work.

But almost any structure could enable KM to work if there was enough altruism in the company to allow for knowledge-sharing. In the real world, with individuals concerned about building their own empires, free information-flow across such boundaries is a rarity – only when individuals trust

each other does knowledge-sharing happen.

4. Measurement systems

Does your company measure the gap between how receptive to ideas from employees senior management says it is, and what those on the frontline think? If you don't, then I suggest you do if you want objectively to measure the progress you are making towards making internal relationships work across the hierarchy.

Measurement systems militate against KM because they measure the wrong things. Usually, they measure bottom line results, though some enlightened companies have introduced a balanced scorecard to measure “key performance indicators” and “360-degree assessment.” But of course if the assessment questions do not include measures related to KM, then it's clear that what will get rewarded, will be what gets measured, not what necessarily the most deserving of the reward.

So what should get measured? For knowledge management to benefit from the metrics companies should evaluate contribution to and utilization of company knowledge in pursuit of profitability versus that of the competitors.

5. Organizational culture

Organizational culture vitiates the possibility of success with KM in contemporary organizations. There are many things which create an organization's unspoken rules and ways of doing things. First, the gossip and the informal communication among employees about “How things get done around here.”

Culture weakens KM for various reasons, firstly, if an organizational structure is hierarchical, then the culture will also be layered. The nature of hierarchies is to militate against communication and internal relationships. If KM is to be implemented in a company, constant dialogue is required especially with employees lower down in the hierarchy. Often, it is they who know why KM is not working, and how KM can be improved. Senior management may think that there is considerable openness to new ideas in the

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company, but whether the company is genuinely open to radical new ideas is something which only a frontline employee can tell you.

Finding the solutions

So we have established that time, power, structure, measurement systems and organizational culture are all responsible for the failure of knowledge management. At least one of these mitigators will probably be causing a problem in your organization. By focusing on

“IN TODAY’S WORLD OF OVER SUPPLY, RELATIONSHIPS ARE UP FOR GRABS – PARTICULARLY RELATIONSHIPS WITH CUSTOMERS”

both internal and an external solutions to the problems, we can find an overall solution to breathe life back into a flagging KM initiative.

External focus solution:

Customer-facing KM

An external approach to knowledge management aims to build trusting relationships with customers to use their knowledge to regenerate products and services. In today’s world of over-supply relationships are up for grabs – particularly relationships with customers. Take for example the financial services industry. In the past, divorcing yourself from your bank was as rare as divorce in marriage. Banking relationships were often the longest-standing relationship a person ever had. Today not even banking relationships have this power.

Creating a customer-facing organization addresses the issues of power, time and structure in knowledge management. Few companies today are organized by customers because traditionally the focus has been on products, regions or business units, and not on customers.

Let me clarify this with a financial services example: like tied agents of an insurance company or tied pubs in a chain owned by a particular brewery, most financial services people are only able to sell only the their own products. By contrast, a “free” agent or a “free house” is able to sell the products of any company to its customers. Until such a revolution takes place in financial services, customers will continue to suffer from a fundamental lack of trust in the people with whom they deal. Trust is the cornerstone of KM and only genuinely relationship-oriented companies will survive. A customer-facing organizational structure strengthens the

commitment to KM because it concentrates on relationship building and flows customer knowledge back into the development of products and services.

Internal focus solution one:

Building a collaborative culture from the start

Addressing the elements of KM failure from within the organization is also essential. The induction process plays an important role in the institution of a knowledge-sharing culture. Take how new employees are inducted into Arthur Andersen as an example of a company that has got it right. A new employee on joining the company anywhere in the world is brought to the St Charles Center in the USA and introduced to key personalities, the company history and philosophy and the key products, in addition to the normal gruelling schedule of professional preparation. Not only is this done for new employees, but all employees annually visit the St Charles Center to promote the intensive networking which is at the heart of the company’s success.

Arthur Andersen is consciously building a culture in which knowledge-sharing rather than knowledge-hoarding is the priority. It believes that relationship-building rather than power-building requires systematic effort and expense. Few companies get beyond rhetoric on this.

Internal focus solution two:

Recognition and reward

Another internal focus solution addresses the issues of poor internal measurement systems and the cultural barriers to KM can be found in recognition and rewards. Let us focus on one small but powerful lever: the bonus system. PricewaterhouseCoopers and Arthur Andersen have a single bonus pool for everyone in the company. They have different pay structures in different countries, but one bonus pool. What a powerful incentive to maximize the overall profits of a company! If you want to know why cross-selling does not work in your company, look at the bonus structure!

What sorts of things are companies doing in the area of recognition and reward to create a culture of knowledge-sharing? Some companies are focusing on getting KM to help unit-management on the basis that if it does not work even in such narrow areas it is certainly not going to work in the wider arena of the company as a whole! And that, if it does work in a narrower area, then perhaps there may be interest in expanding the role of KM.

The problem with unit-oriented KM is that it adds exponentially to cost as each product, business or regional unit reinvents the wheel and buys separately the components necessary to build the wheel. As we all know, all that is necessary is one wheel for the whole organization.

It's the result of a fundamental lack of understanding at senior level of KM and indeed what organizational synergy and organizational effectiveness are all about, that few frontline employees pay great attention to KM either. An executive from one organization rolling out a new customer information management system, developed over several years at a cost of several million, confessed to me recently that only 20 people out of the 800 employees who received the system several weeks ago are actually using it.

What can you do to increase usage? Well, there are expensive but low-profile ways, such as "floor-level helpers" who can work at badgering individuals. But this is, in my view, similar to paying attention to each individual pimple on your face when your problem is not the pimples themselves but the unhealthy lifestyle of which the pimples are an expression.

Another way which is being tried is that of ensuring that people do not get their expenses, salary or bonus till they are up to date with their records of client meetings, for example. This ensures some sort of data entry into the knowledge repository, but doesn't ensure the quality of the information entered. In an age when all of us are drowning in information, quality is the life-and-death issue.

Some organizations award prizes every month for the best-quality knowledge entered. But we can query what constitutes quality. A more significant move, could be to take a "top slice" off the overall bonus pool available to a division and insist that it be awarded for the "best" cross-product contributions.

Rewarding employees with training is growing in popularity, with such renowned knowledge organizations as Buckman Laboratories investing in the education of its most collaborative employees. In some cases this is not suitable, for example, investment bankers tend to dislike training. But on the whole most people are glad of the opportunity to receive training. It's therefore worth using training as a reward.

It is crucial that we as knowledge managers use all available internal resources to make the greatest possible impact on the culture of your company. Rewards may incentivize knowledge-sharing, but it is important to also cultivate an altruistic culture that shares knowledge willingly. Building a

The best barrier busters!

Getting buy-in to a KM program from the entire organization can be hard. The most important thing to do is get a dialogue going to find out what people are thinking and dispell any myths. The best barrier busters follow this simple formula:

1. Get employees talking about their last three successful projects/initiatives. Brainstorm what made them work.
2. Analyze honestly the reasons for these successes and pinpoint what type of knowledge was necessary to achieve this success.
3. Ask how dangerous it would be to share that knowledge externally and discuss why.
4. If disseminating this knowledge externally is perceived to be dangerous, then it's likely to be of great value to the company and should be shared internally.

collaborative culture requires an open dialogue with employees. Asking them to talk about their successes and share those insights with the rest of the organization is the secret of instilling a volunteer culture.

Conclusion

Most barriers to success with knowledge management are ingrained within the culture and structure of the organization. Those organizations which aim to make a success of KM must pay more than just lip service to these issues by promoting a collaborative culture right from the induction phase of employment and opening up a dialogue with employees to address the deeply entrenched "knowledge is power" culture.

I have painted a somewhat dark picture of what causes KM to fail. May I assure you that my purpose is not to depress you, not to cause you to lose hope. It's precisely because I believe that all these issues can be addressed, that I have chosen to delineate these problems. If the barriers are internal to our organizations, it means that we can change them if we want to.

Knowledge management needs to be accepted as a key success factor of the overall business strategy, and it must therefore be institutionally recognized. Formal and informal measures must be put in place, if KM is to have any chance of success.



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