

Breakthrough Thoughts
by Chuck Lucier and Jan Dyer Torsilieri

Steal This Idea!

Knowledge remains the strongest force for business-building — if you're willing to link it to the bottom line and to borrow inspiration from everywhere.

Dear Chief Knowledge Officer, Congratulations on your decision to launch a knowledge initiative for your company! You're embracing an awesome promise: the creation of competitive advantage and the formation of an open, creative culture where people share their ideas, collaborate with colleagues, and — dare we say it? — have fun.

But knowledge is at a crossroads; either it's going to fade away into jargon land (and take your career with it), or it will start giving real power to the people. Sure, there have been some big successes (including, we humbly submit, our own restructuring of Booz-Allen & Hamilton around knowledge back in 1994), but IT providers and consultants have so misconstrued the opportunity, bungled the execution, and overhyped the promise that few people believe in it any more. Worse still, such pioneering companies as Coca-Cola have canceled their programs.

Maybe you can't blame them. Our research confirms a disturbing trend: Across 108 companies we

studied, we found no correlation between bottom-line results and the scope of the knowledge initiative.

But we still believe. In fact, our work with clients has convinced us that the promise of knowledge is, in the New Economy, greater than ever. It not only is the principal source of competitive advantage, but also determines the shape of newly reconfigured value chains.

So passionate are we that we're even back leading our firm's knowledge activities — building on (and even dismantling parts of) what we developed six years ago. We've learned from our successes and our mistakes (yes, we've made some big ones); we've built on lessons from our clients and our research. We think we know what it takes to achieve the dual promise of a great company culture and competitive advantage.

This letter shares the lessons we've learned about how to do it. We hope it will help you realize the promise — and move toward becoming a true zealot for knowledge.

The Road Map for Results

“Knowledge” takes many forms. It can be embedded in better equipment and tools, in better processes,

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and in the heads of smarter people. The form doesn't matter. And the challenges and lessons learned about how to use knowledge are the same, irrespective of its form. Luddites resist best practices and new software tools just as they resist new equipment.

Whatever knowledge's shape, the guidelines for success are simple. You have to engage in two activities:

- A broad effort to share best thinking, stimulate dialogues among practitioners, and equip people throughout the organization with the knowledge they need to do their jobs. This is what people in the knowledge community generally refer to as "knowledge management" or "KM." It's much easier said than done.

- Focused initiatives to find and use knowledge that enables step-function improvements in a company's ability to serve its customers. This can be as broad as GE's use of methodologies like demand-flow manufacturing and Six Sigma quality to drive performance across business units, or as narrow as BP's partnership with Schlumberger to develop new horizontal drilling techniques. Few people associate such functional changes with knowledge — but it's all of a piece.

Don't think you can get away

with only one of these activities. If you skip one, your company will fail to achieve either the bottom-line improvements or the cultural change it expects. You need conventional KM to drive broad cultural change. And you need the more focused initiatives to deliver the big results that ensure lasting change — since ultimately, only results can drive real change. Without demonstrated results, the organization falls back to the old way of doing things.

KM's Unnatural Demands

The theory behind KM is simple: If you give people access to each other — and to the core content and information they need to do their work — everyone will make better decisions, make contributions to the health of the enterprise, and be happier.

Of course, it doesn't work quite that simply. KM requires people to do things that are, well, unnatural. It demands that they share their best ideas freely, giving up a piece of their personal competitive advantage, often without getting credit. It also obliges them to use other people's knowledge, which means admitting that somebody knows more than they do. Finally, it requires that they keep looking for ways to improve —

what's good enough today will never be good enough tomorrow. KM calls on us to steal boldly and let others pilfer freely from us, day after day. Needless to say, the change program associated with knowledge management can be really hard.

KM requires processes and supporting infrastructure (both people and information technology) to enable delivery of the right information and knowledge to the right place at the right time. It also requires an extensive change program to stimulate sharing and collaboration among a community of practitioners. Typically, leaders of these types of programs identify the knowledge that can help people do their jobs better; find experts inside and outside the company; establish communities of practice where these experts can share their best thinking and improve it; motivate people to contribute to explicit knowledge bases; establish processes to capture, synthesize, disseminate, and ultimately purge content; design appropriate measures to track the progress of individual learning and, in some cases, the impact on operational measures like cycle time, quality, or cost reduction; and ensure top management support and involvement. Because it has been

made possible for people throughout the organization to contribute content and to have access to content from their colleagues, ideas “bubble up” and can be captured for reuse, raising performance across the organization. The culture of the organization will change, as people are empowered and valued for their knowledge and creativity, and as horizontal knowledge networks begin to flatten the organization.

Focused initiatives to drive step-function performance improvements look very different from traditional KM. These are top-down efforts to introduce a new, better way of doing something. Perhaps you’ve led one or two of these things during your career — TQM, maybe, or a sales-force restructuring. Although they look purely functional, such results-focused efforts are and always have been about knowledge. Six Sigma is nothing more than knowledge about how to improve quality. Sales-force restructuring is simply implementing better understanding about how to sell.

While these initiatives are different, underneath they have basic similarities. They require a company to upgrade people’s skills or replace the people, invest in IT, develop new processes, and adapt measurement systems. The sharing of knowledge is the most important component of each. Indeed, as you learn to drive these initiatives around knowledge and leverage the networks created by your KM program, you’ll learn how to deliver step-function improvements over and over again. By linking knowledge management and step-function improvement programs, a company creates a virtuous circle of operational, financial, and cultural progress.

You can target big improvements

in one area. A global building-products company with which we worked used pricing algorithms and sales methodologies, both forms of explicit knowledge, to improve price realization dramatically. Alternatively, the improvements can include multiple activities, even cutting across the entire enterprise, like GE’s methodologies or Andersen Consulting’s striking introduction of “Method 1” back in the 1980s. Improvements can even focus on an entire business system, like the fast-food businesses modeled after McDonald’s or the power retailers that emulated Toys “R” Us.

Don’t waste your time trying to create the knowledge you need for step-function improvement. Companies err when they do that. We sure

did. A big mistake in Booz-Allen’s first-generation knowledge program was insufficient exploration outside our firm. Although we asked our innovation teams to include academic experts, almost three-quarters refused, believing they knew more than any academic or successful business leader.

You’re better off following Jack Welch’s advice: Plagiarize. In business, the winner is the person who uses all the algorithms and methodologies, not necessarily the one who invents them. Besides, the vast majority of the best knowledge in the world is, by definition, found outside your own company. There’s a big probability that some firm in some industry somewhere has developed a better way to do virtually everything. GE’s

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managers are always looking at customers, suppliers, and partners for new and better ways to do business.

It's a counterintuitive set of lessons. But by focusing your organization on acquiring the best available knowledge, you redirect creative energy toward tailoring the best ideas in the world to serve your customers.

The Three Passions

Establishing and evangelizing these programs — and proving their worth — requires a special brand of zealotry, especially now, with KM having suffered a fall from grace. What are the critical personal characteristics of a successful knowledge zealot? The starting point is a passion for knowledge. You have to model the behavior you're trying to stimulate. Search for new knowledge. Acknowledge the expertise of others and help them to share. In your own activities, build on the experiences of others, ask for feedback, and change your behavior.

A second passion — for people — helps you become a world-class motivator. While this might seem a quality more fitting for a sales manager than a knowledge manager, in fact it's central to KM's success. You have to motivate your colleagues to use knowledge, especially when it's very

different from current practices. And you have to communicate excitement and stimulate them to make their own contribution, to discover their own creativity, and to chart their own path. There's no better way to do that than touching people at their most vulnerable places — the source of their personal competitive advantage, their personal development needs, and their most human tendencies.

All the successful knowledge zealots we've known have had the passion for knowledge and the passion for people. The best zealots also have a passion for results. As we noted above, significant business improvements are a principal objective of knowledge activities and a critical enabler of the culture change that ensures continued improvement. Unless people find that their participation helps them succeed, other urgent demands on their time will crowd out knowledge sharing. Unless top management sees bottom-line benefits, knowledge won't remain a top priority.

Without the passion for results, the passions for knowledge and people can become a mere quest for knowledge, an activity more appropriate in a university than a business. The knowledge zealots at a vehicle

manufacturer we studied claimed several hundred million dollars in savings from their efforts. Yet very few of these "savings" reached the bottom line, because the zealots, in their passion for people, promised that no one would lose a job by participating in knowledge sharing. In a slow-growth industry like automobiles, where significant productivity improvements were at the time impossible without the elimination of jobs, the zealots' disregard for measurable benefits doomed their program to irrelevancy. Truly successful zealots understand that knowledge and people are enablers. Businesses have to deliver results for their customers and for their owners.

In fact, you might define knowledge by its results. For a few months, there are other ways to improve performance, such as making people work harder or postponing expenditures. But to improve performance year after year, there is only knowledge. That's true both for the economy as a whole — economists agree that long-term productivity growth is driven by knowledge — and for individual businesses.

Regards,
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