

Knowledge Chain Optimization Approach



White Paper



Introduction

In 1876, the English littérateur, George Eliot, wrote that, “Of a truth, knowledge is power.” Now over a century later, the tenet still holds true. Knowledge gives us the power to grow, to enrich ourselves, and to succeed in our chosen endeavors. In the world of commerce, knowledge is power as well. As with individuals, knowledge is what enables organizations to grow and prosper. While lack of data was a problem in years past, excess of data is the problem now. We have been a data-rich and knowledge-poor society.

Contained within every business is a treasure of knowledge about its policies, processes, and about the market that it serves. An enterprise uses this knowledge to develop, sell and support the products and services that it offers.

However, knowledge is not retained within a business itself, but rather by the skilled and experienced employees (Knowers) that populate the organization. Without the knowledge held by the people within it, a business can not compete and hope to succeed. To a business, therefore, knowledge can be considered a strategic corporate asset, perhaps the most important asset that it has.

The primary concern, then that must be addressed if a business is to grow and prosper, is how knowledge can best be captured, harnessed and exploited. In summary, how can a company preserve and expand their knowledge assets and encourage the dissemination and sharing of that knowledge to improve its strategic and operational decision-making?

A New Paradigm

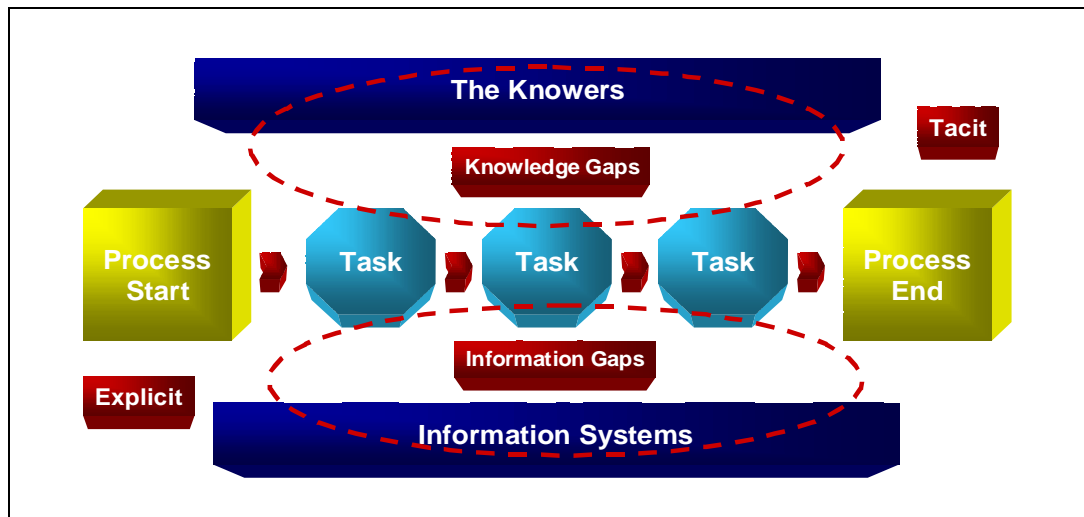
Successful companies are in pursuit of new solutions that mimic the exponential productivity and output gains that were realized through Supply Chain Management (SCM) and Customer Relationship Management (CRM) and similar efforts. To achieve the next level of market preeminence, they have now turned to additional streamlining and outsourcing of key systems and processes. These efforts however, will not furnish organizations the serious level of improvement needed to compete in today’s fast paced and dynamic competitive environment.

The next meteoric acceleration will not come from incremental optimization or additional automation of processes, but by optimizing the delivery of decision-explicit knowledge and information from anywhere in the enterprise to workers directing mission-critical processes and projects.

The new paradigm for business excellence lies in exploiting knowledge for competitive advantage through increasing good decision-making. This can be implemented with the support of the Knowledge Chain Optimization Approach (KCOA)™.

KCOA is defined by the following characteristics:

- Manages the flows of knowledge and information inside core processes that enable employees to take effective decisions, moves the process forward, and delivers value to customers.
- Integrates all enterprise processes, business applications, and information systems to facilitate rapid collaboration, coordination, and relationship formation across traditional and non-traditional organizational boundaries.



Knowledge Chain Optimization Approach – KCOA - TM

Knowledge Chain Management and Processes

The challenge is to manage and optimize knowledge chains to improve the strength of the overall business process. To do so, employees should look upon the packets of knowledge and information that travel along the enterprise's knowledge chains in the same fashion as raw materials. For example, if a manufacturer fails to receive the required supplies at the plant, the entire production line grinds to a halt.

The same is true with knowledge chains: if the plant does not receive the required knowledge, production tasks will not be completed and as a result the process will not produce its planned output.

Where SCM enabled “just-in-time” supply management to improve the bottom line through efficient logistics, knowledge chain management enables “just-enough” knowledge to improve business success through improved “time-to-decision.”

Decision-Making: The Problem Environment

Winning in business depends on good individual decisions dominating bad ones over time. The most critical thing that organization’s can do to ensure success is to empower people throughout the enterprise to make more effective decisions. To some extent, this is a question of simply granting the authority for decision-making and establishing the accountability for decisions made. But much more importantly, it’s a question of furnishing employees with the knowledge and resources required to make decisions judiciously and in a timely fashion.

Organizations are recognizing the implications that they must manage their corporate knowledge in a much more deliberate, explicit manner. When bad decisions are made, after all, it is rarely because the knowledge did not exist in the organization where it could not be found in time – or because it was never sought in the first place. Applying the wholeness of an organization’s knowledge to its decisions means working hard to represent it, transfer it, make it accessible, and bolster its use. None of this occurs automatically.

KCOA Scope

Knowledge management, by definition, entails the systematic leveraging of both information and expertise to address important strategic business goals. KCOA applies these goals to an organization’s mission-critical processes as outlined below:

- **Responsiveness** – the ability to react more quickly than competitors to unanticipated events has never been more important than today. This approach will enhance responsiveness by organizing and directing internal and external information to those who can best interpret and use it. It will also identify “who, what, where, and when” so an organization can better coordinate its responses to customers and competitors.
- **Innovation** – a primary source of competitive advantage. This approach will bring the “knowers” together across temporal and geographic boundaries to collaboratively co-create new ideas, products and services.
- **Competency** – perhaps an organization’s greatest asset. Employees and new hires need training and mentoring, as well as personal connections to vital corporate resources. This approach supports multiple forms of distributed learning and embedding learning objects within core processes.
- **Speed of Execution** – without receiving relevant and timely knowledge to solve their problems, employees are forced to expend unnecessary time searching for information, seek out the “knowers” who can help, or sift through large amounts of documented information to find the answer to their problem. The underlying process, in the meanwhile, is either stopped or slowed down, awaiting the necessary information.
- **Efficiency** – a function of how well knowledge can be captured, shared, used and reused. Otherwise, employees are frequently “re-inventing the wheel” and failing to leverage best practices and expertise in their decision-making. This approach provides employees with the tools to discover and leverage these assets.

Key KCOA Components

The key KCOA components are as follows:

- Identify “knowers” and provide easy access to their expertise
- Find, map, gather, and filter information in a consistent and predictable manner
- Convert tacit knowledge into explicit knowledge
- Convert personal knowledge into shared collective knowledge
- Facilitate new learning via process cycles
- Deliver relative knowledge automatically to process decision-points
- Access knowledge in a variety of formats and devices
- Facilitate process/group work through improved knowledge and information flow.

Benefits of KCOA

KCOA accelerates the value chain of an organization by optimizing the individual knowledge and information flows that create decision gaps. Depending on the parent process of the optimized knowledge chains, the bottom line effect of accelerating value chains manifests itself in different ways. They include:

- More effective and timely decision-making
- Increased capacity
- Shortened cycle time
- Collapse time-to-market
- Shorter sales cycles
- Enriched organizational memory
- Reduced market and financial risk.

Comparison – BPR, TQM and KCOA

Because of the relationship between knowledge chains and business processes, the benefits of KCOA have elements of both BPR and TQM. As a result, KCOA may at first seem similar to or a subset of one or the other.

However, KCOA is fundamentally different from either of these two management science disciplines.

- BPR supports discrete initiatives that are intended to achieve radically redesigned and improved business processes in a bounded time frame.
- TQM supports programs and initiatives that emphasize incremental improvement in business processes and outputs over an open-ended timeframe.
- KCOA supports programs and initiatives that emphasize radical improvements of information and knowledge flows in business processes over an open-ended timeframe.

Where BPR and TQM concentrate on process improvements or changes, KCOA focuses on improving the efficiency and effectiveness of knowledge flows in business processes that may or may not have been affected by reengineering or quality policies and initiatives.

Implementation Factors

As companies become increasingly dependent on knowledge workers, and as the operations of organizations become geographically dispersed, the need for KCOA becomes more evident. IDC estimates that by 2003, Fortune 500 companies will have a \$31.5 billion dollar knowledge deficit from reinvention and rework.

To be successful a KCOA project needs to:

- Understand current knowledge sharing , learning, and decision-making culture and policies
- Identify corporate “Knowers” and their unique skills and expertise
- Identify and understand core business processes and practices
- Identify critical work activities associated with the core processes
- Map key decision points and their information, knowledge and resource requirements and gaps
- Analyze current information systems and their strengths and weaknesses
- Identify and prioritize the most inefficient and ineffective knowledge interactions
- Quantify financial impact of eliminating the inefficient and ineffective knowledge interactions
- Develop a conceptual model of a knowledge-centric solution
- Prepare a Value Proposition and ROI for a KCOA solution project with clear milestones.

Next Steps

The next step is to engage The Knowledge Company, Inc. (TKCI) to conduct a Knowledge Vision & Innovation Workshop. This workshop is designed to analyze business goals, infrastructure, culture and business processes. The primary objectives of the workshop include:

- Map decision knowledge chains; identify decision information, knowledge and resource requirements
- Identify and quantify process-based mission-critical knowledge inefficiencies and ineffectiveness
- Describe characteristics of a knowledge-centric solution that aligns with your business and technology strategies and is sensitive to your organizational culture and values.

The workshop is an intensive strategic diagnostic that engages experienced and skilled TKCI senior consultants with a cross-section of an organization’s business and support leadership.

In summary, the workshop enables our clients to:

- Assess their knowledge readiness and competitiveness
- Identify and access the skills and expertise of corporate “Knowers”
- Understand their corporate decision-making policy and process; identify decision information, knowledge and resource gaps
- Identify specific corporate activities in which effective knowledge-centric changes will produce significant and immediate impact within their core business processes
- Outline a knowledge-centric vision, strategy and development / implementation plan.

Is KCOA Right for Our Organization?

If you are asking yourself if KCOA is a practice your organization could use, ask yourself the following question.

How many times a day / week /month does someone in my company start a sentence with the words: "If only I had known..."

Simply put KCOA addresses the "pain" of not knowing, or of knowing too late.

For additional information on the KCOA and the Knowledge Vision & Innovation Workshop please contact Kevin M. O'Sullivan, President, The Knowledge Compass, Inc. at ko@knowledgecompass.com