

## CREATING ORGANIZATIONAL EXCELLENCE—PART FOUR

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*Knowledge management takes us from chance to choice.*

*This article is the fourth in a five-part series on organizational excellence, which comprises five elements. The first three, discussed in previous columns, include process management, project management and change management.*

We live in a knowledge-based economy. Most organizations' value is defined by their intellectual capital rather than their physical assets. "The fundamental building material of a modern corporation is knowledge," says Hewlett-Packard's Valery Kanavsky. All organizations have it, but most don't know what they know, don't use what they do know and don't reuse the knowledge they have. In today's economy, knowledge is power, and power brings success. Failure, survival or success depends upon the way an organization uses its knowledge.

Knowledge management isn't new. During the 20th century, knowledge importance expanded exponentially. Sixty years ago, Winston Churchill stated, "The empires of the future are empires of the mind." Forty years ago, Peter Drucker talked about the "knowledge worker."

Today, the news published in a single issue of *The New York Times* represents more information than the average person accumulated during a lifetime in the 17<sup>th</sup> century. During the 1950s, organizations were searching for information; today they and their employees are drowning in it. The little 15-inch screen on my desk can display a thousand times the information found in the books lining the dozen bookcases in my library. The amount of information available to us doubles every five years. We don't have time to absorb what's relevant to our interests—let alone sort through the mountains of existing data to find what's actually relevant. It's no wonder that successful organizations have made learning and applying knowledge a core competency.

Knowledge isn't like merchandise. Unlike a tangible product, you can sell information, give it away or trade it, but you'll still retain the knowledge. In fact, knowledge becomes more valuable the more you use it. However, it's also perishable; if it isn't renewed and replenished, it becomes worthless. Yes, knowledge has a shelf life. It's always changing, and this means that every organization must either become a learning organization or become obsolete.

Knowledge comes in two forms: explicit and tacit. Explicit knowledge includes information that's stored in semistructured content such as documents, e-mail, voice mail or video media. I call this "hard" or "tangible" knowledge. It's conveyed from one person to another in a systematic way. Tacit knowledge is information that's formed around intangible factors resulting from an individual's experience. It's personal and content-specific.

A knowledge management system is a proactive, systematic process by which value is generated from intellectual or knowledge-based assets and disseminated to stakeholders. KM methodology was developed so that intellectual capital could be managed as an organizational asset. It's designed to capture and flow an organization's data, information and knowledge and deliver them to the knowledge worker who uses them on a day-to-day basis.

Paul A. Strassmann recently provided in *Knowledge Management* magazine an insight into how knowledge capital per employee translates into dollars:

Company	Employees	Knowledge Capital per Employee
Merck & Co.	57,300	\$1,423,916
Glaxo Wellcome	54,350	784,215
Abbot Laboratories	56,236	702,468
Johnson & Johnson	93,100	582,568
Warner-Lambert	41,000	261,847

During the past 50 years, the world economy has transitioned from a production-based value system to being knowledge-based. Our technological ability to capture data far outstrips our ability to absorb it. A KMS helps an organization prepare for constantly shifting demographics and customers' needs by sorting through masses of data and providing the specific information needed to solve and take advantage of business opportunities.

Most of the problems facing organizations today can be avoided if the company's innate knowledge is made available to decision makers. As quality professionals, we must focus our efforts on ensuring that everyone has the information and skills to do his or her job error-free. Developing an excellent KMS is the best way to accomplish this.

I recommend a six-phase approach made up of 61 activities.

- Phase I—Requirements definition (seven activities)
- Phase II—Infrastructure evaluation (16 activities)
- Phase III—KMS design and development (12 activities)
- Phase IV—Pilot program (15 activities)
- Phase V—Deployment (10 activities)
- Phase VI—Continuous improvement (one activity)

Keep in mind that a successful KMS's most critical component is the culture of the enterprise that's implementing it. Without a culture dedicated to being the best, most business-focused, employee-centric and customer-aware, any advantages provided by a KMS will be largely wasted.

Knowledge management is about people, communication, networking, and a knowledge-sharing and -creating culture. It's not a prescriptive technological process.

One challenge to implementing a KMS lies in transforming knowledge—including process and behavioral information—into a consistent technological format that can be easily shared with the organization's stakeholders. But the biggest obstacle is changing the organization's culture from knowledge-hoarding to knowledge-sharing.

Jerry Ash, a Forbes Group counselor, envisions the future workplace as "an environment without cultural, political, professional or structural boundaries, where workers and managers at all levels can think together, drawing on the rich and diverse backgrounds, training and work experience previously confined to information silos and narrowly defined jobs of the former Industrial Age."

**About the author**

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