Knowledge management – the hidden gem in firms

By COSMAS KEMBOI

Peter Drucker reported in 1960 that we are entering "the knowledge society" in which "the basic economic resource" is no longer capital, natural resources, or labour, but "is and will be knowledge" and where "knowledge workers" will play a central role.

Management researchers and consultants have argued that knowledge could be the ultimate replacement of other resources. In their book, *Innovation,* Mark Dodgson and David Gann, narrate the view of Political scientist Friedrich List who suggested that national wealth is created by intellectual capital: the power of people with ideas. In 1890, British economist Alfred Marshal noted that knowledge is the most powerful engine of production available to economies. They further argued that "new knowledge is the most important factor in economic growth".

Prof. Ikujiro Nonaka and his former colleague Prof. Hirotaka Takeuchi at the University of California, Berkeley, argue that utilising the collective insights, intuitions, hunches and experience of employees becomes supreme in the 21st century. They are credited for their knowledge creation model (SECI model) in their book *"The knowledge-creating company: How Japanese companies create the dynamics of innovation".*

Intellectual capital management

This strategy of managing and utilising what an organisation knows is commonly referred in the academia and practice as knowledge management (KM), knowledge-based management or knowledge-driven management that focuses on the strategic importance of knowledge and its management. It is closely related to intellectual capital management, innovation management and organisational learning. Titles associated with these disciplines are Knowledge Manager, Knowledge Management Officer, Chief Knowledge Officer, Intellectual Capital Manager, Director Intellectual Asset Management, Knowledge Creation Manager, Knowledge Transfer Manager, Chief Learning Officer, among others.

Knowledge-based management has received attention in the management boardroom of major organisations in the USA, Europe and Asia. It is on its way to the boardroom of organisations

in developing countries such as Kenya, South Africa, Nigeria, Ethiopia, Egypt, among others. The Global Knowledge Research Network (GKRN) study- Mapping future research needs in knowledge management- conducted in over 34 countries (including Kenya) revealed that there is overwhelming evidence that knowledge management is vital in organisational value creation. One other particular result from the expert interviews was that nine out of ten experts in academia and practice indicated that 'systematic education in Knowledge Management' is 'highly important' or 'important'. The study further revealed that most experts (68 per cent) agreed that providing evidence for a positive influence of KM onto business outcome is highly important.

Kenya Institute of Management (KIM) in its annual Company of the Year Awards (COYA) evaluates organisations based on the extent of mainstreaming of knowledge management. Toyota Kenya was the winner in this category in 2013. The 2013 Overall Global MAKE Winner as reported by Teleos, in association with the KNOW Network was Samsung Group of companies.

Tacit and explicit knowledge

Tacit knowledge is personal, context-specific and therefore hard to formalise and communicate. Tacit knowledge (what we know or "know how") resides in the mind of the knower and it is likely to walk out the door at the end of the day when the owner goes home, resigns or retires. It includes insights, intuitions, and hunches that are not verbalised or documented. Explicit knowledge is codified, recorded and documented. It is held in books, journal articles, lecturer notes, databases, in corporate intranets and intellectual property portfolios. Knowledge that can be expressed in words and numbers (explicit) represents only the tip of the iceberg. This model explains the argument that 'much of organisations critical knowledge walks out the door at the end of the day'. Consequently, organisations need to be cognizant with what they know and strategically utilise to create value for their stakeholders before it goes out. Some KM experts such as Cindy O'Dell of American Productivity and Quality Centre (APQC) have argued that if organisations tap what they know, it can "yield huge gains in speed, customer satisfaction and organizational competence."

Questions that knowledge management can help answer:

- Does your organisation know what it knows?
- Does it know what it does not know?
- Does it know who knows what?
- Does the knowledge walk out the door when some employees leave or retire?
- Are you often wasting time and efforts solving problems that have been previously solved (reinventing the wheel)?
- Do people or departments hoard knowledge (silo mentality)?
- Would you like to become a learning organisation?

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New knowledge equation

Knowledge is arguably one of those resources/assets that do not suffer from diminishing rate of return (except the formula for coke). For example, if I have two pieces of diamond stones and I share with you, we end up having one each. If I am knowledgeable on a subject and I share that knowledge with you, we both end up knowledgeable. We can thereafter become experts. The knowledge equation should therefore be 'sharing is power' and not the usual culture of knowledge is power and so hoard it. Knowledge assets increase in value given that both the giver and receiver are enriched as a result of the transaction. In 2001, Verna Allee of American Society for Training and Development (ASTD) suggested a new knowledge equation: Knowledge = power, so share it and it will multiply. The old one was: Knowledge = power, so hoard it. One knowledge management practitioner states: "We used to say knowledge is power. Now we say sharing is power."

It has been argued in strategic management and resource-based theory that there are four critical characteristics for a resource to qualify as a strategic asset. It must be valuable, rare, inimitable and non-substitutable. New knowledge is also considered the raw material and the fuel for innovation. Knowledge is not easily acquired from the market in a ready-to-use form. Context-specific tacit knowledge embedded in intricate organisational processes, culture and developed over time, is unique and not easy to imitate. Acquiring knowledge takes time and for competitors to catch up they have to engage in similar experiences. Sustainability comes from knowing more about some things than your competitors, for example current/ potential customers. The more a firm already knows, the more it can learn. By mainstreaming knowledge-based leadership and management, you can actually use superior knowledge to outperform your competitors or create a blue ocean.

Knowledge-driven culture

Organisations should not only pursue to recruit and retain the best knowledge workers but also to create a knowledge-driven culture where employees can talk and trust each other. This helps knowing who knows what and establishing collaborative relationships that facilitate continuous knowledge identification, creation, sharing, utilisation and leveraging for effective value creation. ■

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