

## *Knowledge Management Methodology*

### **The Issue**

In today's fast-moving, service-oriented environment the value of most organizations is three to ten times greater for their knowledge assets compared to their capital assets. Basic economic theory tells us that most assets are subject to diminishing returns. For example, when you sell one of three apples, you lose the apple. But that is not true of your knowledge management assets. With knowledge, the more you use it, the more valuable it becomes. With knowledge, you can sell it over and over again. This phenomenon is called *The Law of Increased Returns*.

With such a large percentage of an organization's value created by the knowledge that rests within the organization, it is no longer wise management not to manage the knowledge assets as carefully as we do the physical assets.

Peter Drucker points out that no industry or company has a natural advantage or disadvantage. The only advantage it can process is the ability to exploit universally available knowledge.

**Definition of Knowledge** – *Knowledge* is a mix of experience, practice, tradition, value, contextual information, expert insight, and of sound intuition that provides an environment and framework for evaluating and incorporating new experiences and information. It is divided into two categories:

- ◆ Tacit Knowledge – documented, tangible factors embedded in individual experiences
- ◆ Explicit Knowledge – documented and qualified knowledge

Although explicit knowledge is often available in quantity, most organizations have not organized it in a format that makes it readily available to the people that need to use it. Forty percent of the US economy is directly attributable to the creation of intellectual capital. Yet, knowledge workers will spend up to forty percent of their time searching for the knowledge they require to further their assignment.

ANSI defines *tacit knowledge* as “knowledge that has not been documented and made explicit by the one who uses and controls it. “ In many organizations the tacit knowledge asset is ten times greater than their explicit knowledge assets. This provides a high risk to the organization because when individuals leave the organization, or even transfer from one job assignment to another job assignment in the organization, they take most of their tacit knowledge with them. One of the primary objectives of a good Knowledge Management System is to convert tacit knowledge into explicit knowledge.

## **Knowledge Management System (KMS)**

A *Knowledge Management System* is a pro-active, structured system by which value is generated from intellectual or knowledge-based assets and disseminating them to stakeholders. Too many organizations think of a KMS as a group of databases - a data warehouse that uses analysis programs to convert data into information that is stored in the information warehouse. The information in the information warehouse is then categorized, analyzed, and selected parts of it go into the knowledge warehouse. This is dangerous thinking as knowledge management is as much culturally change-driven as it is technology driven. Knowledge must be the driver of technology, not the other way around. Knowledge hoarding is a natural trait in all people and unless there is a very strong incentive to share it with other people, individuals are very hesitant to give away all that they know. This means that an effective, organizational change management process must be part of the KMS implementation project. A KMS is not just an IT strategy, but also a well-balanced mixture of technology, cultural change, new reward systems and business plans.

## **The Solution**

To help organizations implement a KMS, the Harrington Institute has developed a five-phase methodology that is customized to each client's unique environment and services. The phases are:

- ◆ Phase 0 Requirement Definitions
- ◆ Phase I Infrastructure Evaluations
- ◆ Phase II KMS – Design and Development
- ◆ Phase III Deployment
- ◆ Phase IV Evaluation and Improvement

These five phases are divided into fourteen activities, each of which has one or more deliverables related to the activity.



The Harrington Institute has consultants and technology engineers that can help guide an organization through the treacherous waters related to implementing a KMS. Key members of our staff are members of the Global Knowledge Economic Council and have extensive organizational change management experience to their credit. For more information on our approach to implementing KMS, contact us at:

**(800) 698-4270**