Managing the knowledge manager

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First agree on what you want to achieve.
Then develop and execute an agenda.

Most top managers recognize the value of managing knowledge. In a 1998 survey of North American senior executives, 77 percent rated "improving the development, sharing, and use of knowledge throughout the business" as very or extremely important. But should companies appoint a chief knowledge officer (CKO) to do the job?

The answer depends on whether the CEO and senior management are prepared to make the position succeed. Certainly, thanks to the groundwork laid by pioneering knowledge managers, CKOs can now create substantial value. First employed in the early 1990s to foster the flow of knowledge throughout increasingly complex organizations, they functioned rather like plumbers, routing bits of information through different pipes to the right people. They then built better pipes, such as company-wide e-mail networks and corporate intranets, and, still later, redesigned work and communications processes to promote collaboration.

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Today, in organizations that already have these technical and social networks, CKOs can take a more strategic perspective, scanning the enterprise to discover how they might improve processes and customer relationship management as well as promote employee learning. Other senior managers might be able to see how knowledge can be better used in their particular units or functions, but the CKO can stand back and manage interventions that cross formal business boundaries, thus helping the enterprise as a whole. In organizations where cross-business and cross-functional interventions aren't likely to happen unless someone from the top team takes express responsibility for them, appointing a CKO would seem to be a good idea.

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Not always, however. Since knowledge pervades every activity of many organizations, some CKOs have been tempted to launch numbers of interventions, which then failed to show clear results. Others have tried to give their role solidity by building a departmental empire, but the innate amorphousness of the position makes it an obvious budget target as soon as it fails to deliver. And if senior managers disagree on the purpose of managing knowledge, they may urge the CKO to focus on conflicting or low-value activities.

What can be done to ensure that the CKO unlocks a company's latent potential? To find out, we asked CKOs[1] at various companies for their views about the make-or-break factors. Although the CKOs had different experiences, all concurred that success depends on two things: first, on the ability of senior management to agree about what it hopes to gain from managing knowledge explicitly and from creating a performance culture (which raises the staff's demand for knowledge) and, second, on how well the CKO develops and executes a knowledge-management agenda.

Knowing what you want

The value that senior managers hope to create from managing knowledge generally lies at one of three levels (exhibit). At the lowest level, the managers aim to help their organization become better at what it already

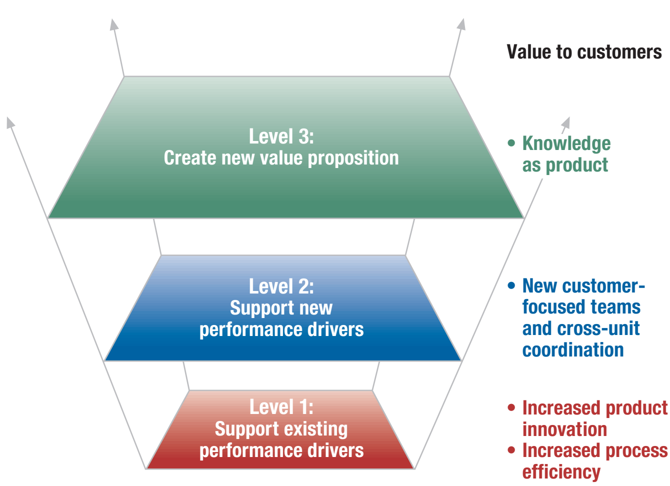
[1]The people we interviewed had varying titles. With or without the explicit title of CKO, each was a senior executive who had specific responsibility for knowledge-related initiatives; several have now moved to other roles or companies. They included Tom Boyce of SRI International; Steve Denning, formerly of the World Bank; Elizabeth Lank of International Computers Limited (ICL); Brook Manville of Saba; David Owens of The St. Paul Companies; Phil Perkins of Bush Brothers; Hubert Saint-Onge of Clarica Life Insurance; David Smith of Unilever; Victoria Ward, formerly of NatWest Markets (a subsidiary of National Westminster Bank, which has been purchased by the Bank of Scotland) and now at Sparknow; and Susan Welsh of Monsanto.

does. International Computers Limited (ICL), the UK information technology service provider, found that several of its business groups wanted to improve the speed and quality of their services to customers. Elizabeth Lank, ICL's program director for mobilizing knowledge, decided that these groups would benefit if the company shared three kinds of information: about projects already completed, skills already developed, and customer concerns the business groups were working to address.

She therefore organized databases to capture that knowledge and created networks permitting those who needed it to communicate with those who had it. Lank appointed the sales and marketing director, for example, to "own" the third piece of knowledge and to work out exactly what had to be shared and how, with a focus on enabling conversations rather than compiling documents. The speed and quality of service to customers subsequently improved: there were fewer cases in which three parts of the organization competed for the same business or customer information couldn't be found quickly.

EXHIBIT

Knowledge management: Value at three levels



At the second level, knowledge can be used to underpin new forms of commercial activity, such as customer-focused teams and cross-unit coordination. Wunderman Cato Johnson, the relationship-management arm[2] of the advertising agency Young & Rubicam, provides an example. In 1996 it was shifting from a service-line business to one organized around key clients throughout the world. Nicholas Rudd, who was then CKO, promoted the transition to "seamless" worldwide service by improving customer relations and pursuing new business. This approach put a premium on knowledge that supported two new forms of behavior: sharing lessons learned from experience and focusing business-development efforts on network success. At this level, knowledge management goes beyond the "basic hygiene" of improving current processes to supporting new ones.

[2]Now renamed Impiric.

Knowledge management can go even further by generating an entirely new value proposition for customers. A business might, for instance, decide to offer previously "internal" knowledge as part of its product. The World Bank, to cite one case, used to provide primarily financial resources to developing countries. Now it also offers direct access to huge reserves of knowledge about what forms of economic development do and don't work. This approach not only benefits clients but also strengthens the commitment of the bank's shareholders, which see the effectiveness of their capital enhanced. Steve Denning, the bank's former director of knowledge management, observed that "internal knowledge sharing improves our efficiency, but sharing it externally has a much larger impact, improving our quality of service and reaching a much wider group of clients."

If a company wishes only to improve its current processes, bringing in the appropriate experts (rather than hiring a CKO) may suffice to achieve the necessary social and technical objectives—creating new teams or new electronic forums, for example. If aspirations run higher, the chief executive officer may need an informed CKO to pinpoint the most valuable links between knowledge and the business and to plan how best to exploit them.

Creating the right performance culture

For knowledge to create value, people must want knowledge and know how to use it. Companies that are good at using their knowledge to boost performance (Goldman Sachs, say, or Hewlett-Packard) stretch employees to perform. This approach obliges them to reach out and pull in better knowledge from every part of the organization and, for that matter, from outside it. It is no accident that Jack Welch spent his first years as CEO of GE—before he started advocating "boundaryless" knowledge sharing and collaboration—driving up performance demands. In the absence of a performance culture, people will feel swamped by information for which they see no need.

Top performers such as Goldman Sachs and GE have been evolving a performance culture over decades; companies that haven't done so must compress that development into a few years. This can be done. During the early 1990s, British Petroleum, for example, was able to transform itself from a centralized organization run by large, functional departments into a collection of focused, high-performance units with extensive mechanisms for sharing knowledge across them.[3]

[3] "Unleashing the power of learning: An interview with British Petroleum's John Browne," *HBR OnPoint Enhanced Edition*, February 1, 2000. For more on how to create a performance culture quickly, *see* Guillermo G. Marmol and R. Michael Murray Jr., "Leading from the front," *The McKinsey Quarterly*, 1995 Number 3, pp. 18–31.

Making the role work

If the preconditions can be fulfilled, success hangs on the ability of the CKO to identify, launch, operate, and evaluate knowledge-related change initiatives that are worthwhile in themselves and can be replicated in various sectors of the organization. Although the tasks sound fairly straightforward, the CKO must succeed in winning support from the wider organization in order to execute any of them. The truth is that CKOs stand or fall by their power to influence.

Win support for initiatives

Managers are more likely to support and participate in initiatives they have identified themselves. To generate a feasible agenda of knowledge projects, the CKO must therefore interact with senior managers to discover which opportunities would have the greatest potential effect and the largest number of supporters.

The CKO must **interact** with other senior managers to discover which opportunities would actually have the most impact and supporters

The more a company wishes to alter the basis of competition by using knowledge, the more that knowledge merits the attention of top managers. They, however, tend to dislike talking about abstract concepts such as knowledge management. As Victoria Ward found when she became CKO at the UK investment bank NatWest Markets, in 1996, even calling herself CKO was a mistake. "It got a lot of attention from the outside, but it created a lot of internal hostility," she warned. "'Chief' is a bad word, and even 'knowledge' is a word to be wary of."

Getting people to think about knowledge management on their own terms is the trick. "Don't explain the theory of KM [knowledge management]—that's deadly," Denning warned. In fact, it is better not to mention knowledge management at all. David Smith, who became head of knowledge development at Unilever in 1996, found that he had to use his colleagues' language rather than his own. "KM was a term without a lot of currency at Unilever," he explained. "It's important to have a dialogue at the top of the organization and to understand perceptions of the subject without using the words 'knowledge management.' Instead you ask how good we are at innovation or at learning from mistakes." By pressing managers in Unilever's Specialty Chemicals Division with questions like these, Smith uncovered three problems that knowledge-management initiatives could solve: the division was spending more than its competitors on R&D but not charging higher prices, it was helping customers with processes free of charge, and it was duplicating work and repeating mistakes across units.

Denning has found that "stories" are better than abstract explanations at persuading people of the value and relevance of knowledge initiatives. At the World Bank, one of his favorite tales concerned a Chilean client that asked the bank's local team if it could supply details of the bank's experience in managing labor relations with schoolteachers. The team got in touch with an internal education network that provided the lessons it had learned about the subject in other countries. Within hours of receiving the request, the bank's team in Chile had synthesized the lessons for the client, which was so pleased that it started collaborating with the team more closely.

'Stories' beat explanations in persuading people that knowledge initiatives are valuable and relevant

Consider the informal organization

Initiatives that affect the formal organization—those intended to make project teams more effective, for example, or to help people in key jobs make better decisions—can more easily win the business sponsors they need if they can be linked clearly to business objectives. Susan Welsh, formerly CKO at Monsanto, started a portfolio of pilot projects with aims such as improving the relationships of the company's drug division, G. D. Searle, with medical-opinion leaders and helping different drug-development projects share technology and eliminate redundant activities. Since each project was linked to the division's business objectives, it wasn't hard for her to justify the investment.

Projects that consciously set out to shape the *informal* organization, including projects that create stronger links among latent networks and encourage them to flourish, can be just as powerful. But informal communities tend to be invisible to senior management. Only someone with a "knowledge lens"—most likely, the CKO—can notice how such communities are linked to performance and then win support for their development.

At ICL, Elizabeth Lank found that, with the right tools, informal communities grow by themselves. Her first tool, an intranet that gave each of the company's 20 business units its own World Wide Web site, was little used at the outset. Then the intranet was modified to support people, across these units, who were working on similar problems. Thereafter it was used—in a single year—by more than 300 "communities of practice," including customer teams, project teams, skill-building communities, and temporary special-interest groups, such as the 35 people, in seven countries, developing digital signatures.

Each community decides when to form, who can join, and what to publish; Lank just provides a facility that makes interaction easy. An electronic "nagging" service, for example, reminds groups when their documents have remained on the server past a predetermined "review-by" date. Communities "don't need a lot of encouragement to form," she said, "because it's natural if they're working on an issue together; you just need to encourage them to use technology to support what they're doing."

Obtain resources

Any knowledge-management project needs to have people from the business unit it affects, not just a core knowledge-management team. The CKO must persuade the business unit's leader to release them, and this may be hard if the project's value has yet to be shown. Welsh found an interesting solution to this problem at Monsanto. She would get business groups to agree on goals and milestones for projects, which she started up with seed capital from a small corporate knowledge-management budget. Then she recruited people directly for the projects, not for the knowledge-management unit, an approach that helped attract top talent, since highflyers would rather join innovative business projects than overhead functions. Although recruits received control over and credit for their projects, they initially reported to Welsh rather than to the business units involved. Only when those businesses had enough confidence in the worth of a project did they fully take over its management and funding. "Not everybody sees the value up front," Welsh explained. "By having seed capital, you can show people that something works, and they don't have to take any risk."

Usually, the most important role a core knowledge-management department undertakes is to be a switchboard that transfers learning from the outside world to projects and from one project to another—not a source of staff. Victoria Ward sees the core team as a sort of franchiser, providing connections, experience, models, and rules to "franchisees," which obtain resources, run projects, and in this way discover what actually works. In exchange for funding part of the development of the tools and processes in any given area, the knowledge-management department gets the right to learn from the franchisees' experience, which it can then go on to apply in other areas.

Measure progress

Tangible results are certainly the most powerful weapon CKOs have for persuading their colleagues to adopt the knowledge-management agenda. But measuring the extent to which knowledge contributes to business outcomes isn't at all easy, because so many other factors are involved. Accounting for the influence of intangible knowledge-management assets thus remains more theory than practice within most organizations. Nonetheless, Brook Manville, the chief learning officer at Saba, a company that specializes in learning and performance-management software, has started to employ measures such as customer retention, employee retention, revenue per account executive, speed to market, time to competence, and time to meet customers' needs. "It's difficult to hold KM solely responsible for these outcomes," he explained, adding that "if you're tracking them, you ought to see a positive impact."

Measuring the extent to which knowledge contributes to business outcomes isn't easy, since so many other factors are involved

Indirect measures like these should help a CKO to identify the pilot knowledge programs with the greatest impact and to win support for their replication. But Tom Boyce, director of knowledge development at the technical-research firm SRI International, has found a more direct metric: cash. Over the past few years, SRI has spun off 26 new companies, and the more mature ones are now going public; the speech recognition company Nuance Communications, for example, has become a $3 billion business. Since SRI is a not-for-profit organization, all proceeds from initial public offerings are plowed back into research on emerging technologies. (SRI's original business was carrying out technical-research projects for clients. Its recent growth came from moving its knowledge-management aspirations up to the third level.)

When hard metrics are not available, knowledge managers can use anecdotes to convey the commercial value of their discipline. Indeed, Hubert Saint-Onge, senior vice president for strategic capabilities at Clarica Life Insurance, feels that stories do a better job of showing people what knowledge management can accomplish than do metrics, which remain crude. "People do what they believe in," he stressed, "not what the metrics say."

To create value, a CKO must be realistic about how much anyone in this role can achieve in a particular organization at a particular time. The limits of the CKO's potential contribution are to some extent set by what the CEO and the senior-management team have done before the position was created; for this reason, even the most gifted candidate should hesitate before accepting an offer from an organization whose top managers don't see the point of managing knowledge and whose employees don't have a thirst for acquiring it. But in organizations whose senior managers and employees have the right attitude, CKOs with the persuasiveness to secure general support should find vast scope for their creativity.

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