

The value in knowledge

One KM advocate seeks to shift focus from what knowledge is to how we learn and create knowledge, and how this impacts business.

By Kim Sbarcea

For many years, three fundamental questions have occupied the mind of Verna Allee, author of the 1997 book *The Knowledge Evolution: Expanding Organisational Intelligence*: how is valued created; how do people collectively make sense of what they are doing; and how do people arrive at a different way of thinking?

An internationally recognised thought leader and author in the areas of Knowledge Management (KM), intangibles and new business models, and founder and president of consultancy Verna Allee Associates, Ms Allee has consulted in KM and strategic issues with clients such as Motorola, Hewlett-Packard, Seagate Technologies, Sun Microsystems, PeopleSoft, Oracle, Unisys and AT&T, so she is well suited to answering these meta-level questions.

Up to founding her consultancy in 1990, Ms Allee's thinking and work had involved her in questions of change and whether there is such a thing as organisational or collective intelligence, and if so, how this intelligence might work. Her personal belief is that no significant change can happen without first having a shift of mind - by starting to think about things differently. A paradigm shift in thinking results in a person or an organisation reorganising and questioning everything that is known, and new knowledge is created where there are gaps in our understanding. Systems thinking has a profound influence on Ms Allee's work. By looking at an organisation as a living system, relationships within that system can be explored and examined and a better understanding of how people work together can be gained, along with a holistic awareness of organisational behaviour and learning.

It was a focus that was at the time yet to take root: when Ms Allee established her consulting practice with a focus on organisational learning, collective intelligence and knowledge, self described 'idealistic pragmatist' Peter Senge's research on organisational learning had yet to appear and the term 'knowledge management' was a mere whisper. To further her understanding of how businesses evolve and change as ecosystems, Ms Allee completed a degree in the study of human consciousness, specialising in organisational leadership. The Advisory Board of the Californian institution where she studied consisted of Mr Senge, the physicist Fritjof Capra and Willis Harmon, who founded the Institute of Noetic Sciences (from the Greek word for intuitive knowing, noetic sciences study the mind - consciousness, human potential and beliefs). So Ms Allee's questions about whole systems and collective intelligence or consciousness received full support.

Much to her dismay though, on opening her consulting business Ms Allee found clients did not immediately flock to her and she could not convince people that focusing on how we learn and create knowledge together would improve business results. Her consulting work therefore consisted of working with companies involved in massive reengineering projects, which allowed Ms Allee to apply systems thinking and develop methodologies for mapping complex business processes and relationships.

Applying the knowledge

By the mid 1990s when Verna Allee decided to write her book *The Knowledge Evolution*, she had several years of consulting experience on a variety of business issues focusing particularly on how businesses evolve, learn and change. KM was "beginning to heat up" as Ms Allee put it, although at the time less than 100 articles in the popular business press appeared on KM and intellectual capital. When her book hit the shelves in 1997, KM had become one of the hot global management topics.

Ms Allee candidly admits that until the book came out she had not had the opportunity to link up with some of the other thought leaders in the knowledge area and was not entirely sure she wanted to be associated with what people were defining as knowledge management. She felt that many organisational efforts around KM were focused more on information technology and knowledge artifacts (like documents) than on human aspects of knowledge creation. The pioneering work of Karl-Erik Sveiby, Nonaka and Takeuchi, Hubert Saint-Onge, Arian Ward, and Leif Edvinsson helped Ms Allee see that others were exploring similar questions and were starting not with the "what is knowledge?" question, but with the more important question of "how is value really created?". Since Karl-Erik Sveiby's work on intangible balance sheets in the mid-1980s, a new body of thinking emerged around "intellectual capital". Then came the knowledge focus and, if as Sveiby et al were asserting that intellectual capital is the source of value creation, then in order to build those intangible assets a company must focus on its knowledge.

For Ms Allee this focus made perfect sense and was framed in a very simple and powerful way so that business leaders could at last connect performance and results to knowledge and learning. As she explains: "what was even more exciting for me was my conviction that if we take these questions - about intangible assets and how value is really created - as far as they can go, then we might find a way to reshape our business and economic models to incorporate the fabric of human society and the web of life".

KM is, according to Ms Allee, about understanding how intangibles, such as knowledge, really create value and how we need to evolve our organisational systems and behaviours to support value creation in a healthy, systemic way. The challenge for organisations, as Ms Allee sees it, is to look through new lenses. Any significant advance in business theory and management requires new thinking, new tools and new lenses. The Industrial Age used the lenses of the production line and hierarchical bureaucracy; the more democratic work environments of the late 1950s and 1960s learned to focus on teams and management by objectives (MBOs); the 1980s, with its more complex products and services, discovered quality tools and business processes.

Ms Allee explained that we must now start using new lenses and tools that are as radically different for us as the quality tools were. She recalls the time when people would ask, "what in the world is a process?", but now hears people asking "what in the world is knowledge?" and "how can we think about business more systemically?". Although organisations are now trying to move to a more dynamic, interconnected view of business by drawing on insights gleaned from quantum physics, complexity theory, behavioural science and living systems, it is true to say that the Newtonian view of the world still exists. It can be an enormous stretch for people to embrace an interconnected/network model when they have been steeped in the linear "value chain" thinking that still dominates business practice.

Meaning for managers

What does all this mean for managers, for individuals and for teams? Ms Allee talks of the three levels of mastery each manager now needs: they must be able to support knowledge value creation at the strategic, the tactical and the operational levels.

Ms Allee believes that there are three separate questions for each of these levels. The strategic knowledge question is how do we connect knowledge to our business? Value chain thinking must stand aside for an understanding of the business as a web of relationships or value networks. Every function, every business unit, every enterprise serves as a node in complex value networks. This means businesses need to find new systems thinking tools that assist in understanding dynamic relationships. One tool is the intangible scorecard; another is a mapping method Ms Allee has delivered that reveals the key exchanges of both tangible and intangible value.

The tactical level question is how can we better create and share our knowledge? Here the focus is on the social aspects of knowledge and this focus requires a new social lens - that of communities of practice. The unit of production for organisational knowledge is not so much an individual or even a team so much as it is the informal communities of practice.

Ms Allee explained that communities are networks of people working on common issues that spread across the company and extend to customers, suppliers and business partners. Teams are still important but the community of practice focus opens up very different questions about transfer of learning and best practices, knowledge creation and development of competencies. The operational level question is "how can we get the knowledge we need to get our work done?" This is about knowledge enabling specific tasks and processes and embedding knowledge into work practices.

New technologies now support codifying, learning and making just-in-time knowledge available to individual workers. For example, Ms Allee has seen Xerox supporting its technicians' community with technologies and processes for people to submit, validate and share best practices in a common database. The important thing is that knowledge codification, sharing and access are now being embedded into the way people do the work, and in many cases it is the work.

Directions for KM

What does Verna Allee see as the future of knowledge management? Interestingly, her next book is entitled *The Future of Knowledge* and she believes that there is only one question that organisations and management need to ask: "what do I need to pay attention to in order to be successful?" Clearly, one of those important things to pay attention to today is knowledge and Ms Allee does not think this will change despite the hype, and in fact it will only intensify. Organisational boundaries are becoming more permeable, even disappearing. Given this environment, being explicit and deliberate about knowledge sharing is becoming a key competitive capability for any business.

Ms Allee also pointed to the increasing number of academic programs in KM which further illustrates how vital good work processes around knowledge creation, codification and sharing have become.

"The term 'knowledge management' may very well change in the next few years. I hope we won't be stuck with it permanently," Ms Allee commented. "People don't like the term very much as it implies knowledge can be 'managed' in the way we manage physical materials and processes. That

type of management or control is simply not possible in the fuzzy and messy world of knowledge. My hope is that knowledge management will become the way we work."

In this context, Ms Allee uses the example of British Petroleum (BP Amoco) and how KM processes were embedded into the way people do their projects. This is not KM, it is simply managing projects. At BP Amoco, people are expected to demonstrate learning before, during and after projects and to document the work in project histories so that other people can learn. BP Amoco calls this "dual citizenship" in that every person in the company has a business function and community of practice responsibility to manage projects holistically.

Ms Allee has seen many companies adopt a technology-first approach to KM, which relegates the social/human aspects to being a secondary concern. She acknowledges however that digital and communication technologies have permanently changed the business landscape and that technology plays a vital role. It is not just an enabler of knowledge, it is a keydriver. "The more technologies that we develop, the more knowledge we create and share. So technology is a driver of knowledge creation," said Ms Allee. "On the other hand, the more we understand about knowledge creation and sharing, the better we develop supporting technologies. So technology is also an enabler as we demand more. We want more collaborative technologies, faster communication, greater computer memory and speed for multimedia and so forth. So technology both enables us to do the things we want and it also drives innovation by opening up possibilities."

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