

## **Is Knowledge Management Losing Sight of the Bigger Picture?**

At an exhibition at the Art Sonje Centre in Seoul on the reciprocal exchange between individuals and the built environment in cities and urban spaces, one of the exhibits is about a controversial construction project, the Pan Korean Great Waterway, a government promoted mega project on turning natural rivers and eco-systems into a system of concrete channels and dams across the country. The project was disapproved by many as disastrous to the natural environment and sustainable future of the country, and had to be scaled down after massive protests by experts and citizens who described the mega construction project as useless in economic terms, destroying environmental conditions, and producing unprecedented man-made risks.

An organization at the centre of this re-engineering project of the environment is K-Water (Korean Water Resources Corporation), a government-owned company with a long experience in dam construction. Just a week earlier I listened to K-Water knowledge managers presenting their KM strategy at the KM Asia in Singapore.

K-Water is also one of this year's MAKE awards winners. MAKE is a marketing campaign by a UK consulting company to benchmark achievements of "most admired knowledge enterprises".

What is K-Water admired for, I was wondering after seeing the exhibition. Is K-Water seeking an active exchange with stakeholders whose lives are affected by this construction project? Is the organization developing leading edge know-how on sustainable water management? Is K-Water developing knowledge strategies to mitigate long term and unknown risks of their projects?

Knowledge management practices are often narrowly focusing on internal operations and not addressing larger questions about the nature and sustainability of the knowledge driving the organization. There seems to be a separation of KM from the overall business strategy, a general neglect of addressing the larger questions about an organization's knowledge and how such knowledge may create societal value beyond a company's financial gains.

At KM conferences we can talk about internal processes and efficiency gains and largely ignore the outer world in which an organization is operating; other than represented through customers or shareholders, the environment does not exist or is not relevant to knowledge managers.

One of the main reasons for knowledge management is creating an environment for innovation, and innovation means actively tapping into external knowledge, seeking exchanges with customers, suppliers, partners, citizens and competitors, exploring the space between the known and the unknown.

The renewal capital of an organization is largely built on external know-how, insights and ideas and the capacity to absorb such knowledge.

If knowledge management ignores this external perspective, it is reduced to a rather shallow operational effort to increase sales, support information sharing within the organization, built internal KM systems or community of practices to support exchanges within very specific, often inward focused domains of expertise.

Mars Incorporated, the 30 billion USD multinational junk food giant, for example, created communities of practice around several of their big brands products, and considers KM as fundamental to their sales performance.

One of the products, Skittles, contains the following ingredients: sugar, corn syrup, hydrogenated palm kernel oil, apple juice from concentrate, less than 2 percent citric acid, Dextrin, modified corn starch, natural and artificial flavors, coloring (includes Yellow 6 Lake, Red 40 Lake, Yellow 5 Lake, Blue 2 Lake, Yellow 5, Red 40, Yellow 6, Blue 1 Lake, Blue 1), ascorbic acid (Vitamin C).

Few of these ingredients have anything to do with real food, and one might argue that the industrial food industry contributes to decreasing knowledge about nutrition and food in society rather than contributing to informed decision-making on food. Could the organization use KM to establish a serious dialogue with customers? Develop ideas and products for a global, sustainable food production?

Ron Young refers to this external knowledge management dimension as “societal capacity of an organization”. Developing this capacity increases the intellectual capital of an organization, reflecting its potential to renew its products and services through an ongoing and critical dialogue with all its stakeholders.

Such an external KM dimension could strengthen Petronas, the Malaysian oil company, in their KM strategy, e.g. through increasing its knowledge on renewable energy, developing strategies on how not to use oil or how to use substantially less in a low carbon economy. Apart from technical expertise sharing on deepwater drilling and pressing out the last drop of oil from sand, they could also build knowledge for the post-fossil energy era; knowledge for the future.

Another example of a lack of external knowledge perspective is the KM system of the IPOS, the Intellectual Property Office of Singapore, which deals with IP law administration, IP awareness and operational efficiency, but does not actively develop or incorporate knowledge about the future of copyright, one of the big discourses going on in the many countries. The innovation of the IP system is not developed within the organization, but in the fluid discourse outside the organization, in the international community of content creators, holders and users. How do knowledge managers scan the environment for emerging ideas and feed it back into the organization?

Too much effort in current KM systems is spent on retaining existing knowledge, not enough on unlearning and developing new knowledge and practices.

Fragomen, a global immigration law firm organization, is building a more dynamic knowledge management function by constantly changing and updating its information base through dialogue with the external world. Due to the nature of its business, the ever changing knowledge about immigration laws and regulation needs to be closely monitored by the knowledge managers, and their KM strategy reflects the need for constant learning.

Why is the external KM function vital to an organization?

If an organization focuses on internal, operational aspects only, the risk of developing tangible and intangible liabilities increases.

Café de Coral, a Hong Kong-based fast food chain had a major organizational crisis in July 2010, after they introduced the minimum wage to comply with a new law. To compensate for the cost, the management stopped paying the break time of their employees, causing resentment among employees and protests in the community and among customers who threatened to boycott the company. The lack of communication with employees demonstrates a lack of understanding the basics of human capital management. The damage to the intellectual capital of the company including image loss was substantial, however, in the same year the company received the MAKE award for *operational efficiency* through their KM system.

The MAKE awards operation itself is an example of focusing on internal KM processes and shareholder value, thus ignoring the bigger picture of an organization.

The MAKE organizers say that 500 senior executives and KM experts are nominating award candidates, but obviously few of them study an organization in the context of knowledge, the customers, the environment, intellectual capital accounting that would include externalities such as cost of damage to environment, health and sustainability.

Satyam Computer Services won the MAKE awards four years in a row for “excellence in KM”, the last one in November 2008. Only two months later the Satyam accounting scandal was announced and the company’s CEO, Ramalingam Raju, had to step down and was jailed.<sup>1</sup>

Siemens was fined for price fixing in 2007 by the European Commission and bribery in 2008, but won the MAKE awards in 2010. Did the judges review whether management practices, mindset and information governance have changed throughout the organization in such a short time?

Skandia received a European MAKE award in 2001, just one year before a major bonus scandal become public which became one of largest scandals in corporate Sweden. According to an independent investigation in 2003, Skandia's senior managers in Stockholm carried out "unsuitable, unethical and in some cases, probably illegal acts".<sup>ii</sup>

Flawed auditing, strong management unchecked, unethical work practices should not occur in knowledge-driven organizations, since the whole management philosophy of such organizations is built on long-term sustainable growth and intangible wealth creation, however, all too often companies that praise themselves for engaging in KM, are not following their own concepts, as the BP (British Petroleum) case illustrates. The final report by the Obama administration about the Deepwater Horizon oil spill states that the "the root causes are systemic and, absent significant reform in both industry practices and government policies, might well recur."<sup>iii</sup>

BP is another MAKE award winner, where internal KM practices were reviewed, but external knowledge capacities, in particular communication and collaboration with other industry partners in oil exploration were not taken into account. Former CEO Hayward is now starting a new career in an oil company in Kurdistan. Asked whether he had learned anything from the gulf episode, he said "Yes, but I am not going to tell you what."<sup>iv</sup>

An interesting statement for a former CEO of a company that was awarded for its knowledge-sharing culture and "Lessons learnt" methods.

How can we, as knowledge management professionals, engage in a deeper conversation and exchange about value creation through knowledge, allow more critical questions about existing practices which only touch the surface of real knowledge challenges, in organizations and society?

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<sup>i</sup> He and other collaborators involved in the fraud were released on bail on 5 Nov 2011

<sup>ii</sup> <http://www.globenewswire.com/newsroom/news.html?d=48979>

<sup>iii</sup> <http://www.telegraph.co.uk/finance/newsbysector/energy/oilandgas/8242557/Obama-oil-spill-commissions-final-report-blames-disaster-on-cost-cutting-by-BP-and-partners.html>

<sup>iv</sup> <http://www.guardian.co.uk/business/2011/nov/16/bp-gulf-spill-tony-hayward?newsfeed=true>