MIND BANKERS OF THE CORPORATION

by Sugato Lahiry

Is knowledge management poised to emerge as a business basic or will it fizzle out like yet another passing fad? The HR imperative looms large.

Situation One : Ajit Nathak is only on his third scotch and the familiar benevolent smile has already appeared on his round, ageless face. Those who know him closely - and the number is quite large - know that he is thoroughly enjoying the party. It would be a trifle puzzling to anybody who did not know him well, for it is Nathak"s farewell party. But that is Ajit Nathak. He has had a long and loyal innings and is happy to call it a day. That is why he politely but firmly turned down proposals, requests and finally fervent appeals of the MD to accept an extension. And Ravi Gupta, the MD, had every reason to try and tempt Nathak into an extension. The man was a walking encyclopedia on the pharmaceutical industry. His incredible product knowledge was only matched by his equally unbelievable grasp of the market trends and an uncanny skill of thought-reading competitors" strategies. Naturally, Gupta is very upset about Nathak"s decision to hang his boots and grudges this tremendous loss.

Situation two : It is "Paddy" Pathak"s last day too, and he is yet to come to terms with the fact that he is leaving. He loved his job and hadn"t thought of leaving until his daughter, settled in Melbourne, talked him into migrating to Australia.

The motely gathering of senior executives attending the send-off party are also feeling a strange kind of resourcelessness. The CEO too finds it difficult to accept this sudden and unexpected loss. Paddy was a negotiator par excellence. He was an unassuming person and his appearance almost always misled his adversaries. Behind the inarticulate facade lay a lightning quick mind and an ability to take the other party by surprise when they expected it least. His apparently soft exterior never gave away the incredible toughness that he was capable of.

Nathak and Pathak are not unique. Every organization has its share of people who possess knowledge and expertise that are extremely valuable to the organization. But unfortunately people are a perishable commodity and with their departure they often take away with them, particular knowledge and skills that are extremely difficult to replace and regenerate. It"s a pity that knowledge is not a concrete substance like raw materials which can be inventoried and stored in a godown to be retrieved and used whenever the need arises. Nor can it be deposited at the administrative office by the departing employees before they walk out on the final day.

But all that is changing. There is a new breed of corporate kids on the block who are making possible just that. Their titles are as unusual as their business is. If you suddenly come across titles such as Chief Knowledge Officer, Chief Learning Officer, Director of Intellectual Capital or Director of Intellectual Assets, don''t discard them as an absurd spoof. These senior management functionaries are managing a very serious, albeit unusual, business in many organizations across the globe. The business of knowledge management. They are tasked with the job of capturing, cataloging, storing, and facilitating the use of the organizations'' collective knowledge.

Das Capital

Old man **Marx** perhaps got it slightly wrong when he posited on where profits come from, in his magnum opus "Das Capital". He never gave pre-eminence to the new capital of the intellectual variety. But then he lived and wrote in times that were witnessing the advent of the industrial age and had no reason to dream of the post-industrial, knowledge-based society. But that''s another story.

Organizations fighting a mean battle today at the global market place are gradually waking up to the fact that competitive edge comes not so much from technology or deep pockets but from how well they can manage and deploy their intellectual capital. Individual knowledge and skills have always been valued. But in the past it was never considered possible or even necessary to try and raise this amorphous capital. The merciless market place and its relentless competitive pressures are now forcing corporates to leverage the intellectual capital for forking it out to all parts of the organization.

Many of us first took notice of this megatrend when Tom Peter''s spoke about it at length. He said that the need for leveraging the collective brain power of the organization had been felt for some time but, until recently, mostly the process has been "catch-as-catch-can".

The first, attempts to move beyond the "catch-as-catch-can" approach were predictably made by a section of business that depended very heavily on intellectual capital - the consulting firms. More than twenty years ago Mckinsey & Company set up workgroups to systematically capture the firm''s collective knowledge in two major areas of its practice, strategy and organization. Among the first few candidates hired in the organization area was a young Ph.D. named Tom Peters. Today, capturing and sharing of institutional knowledge skimmed from nearly 1,500 projects completed every year is routine business at McKinsey. So central is the process that even the performance evaluation of consultants demands that they make measurable contributions to the firm''s Knowledge Bank.

McKinsey is not alone. Coopers & Lybrand, Arthur Andersen, Ernst & Young et al are all heavily engaged in raising and managing the new capital. And the search for the new capital is not limited to consulting firms only. Manufacturing organizations too have started banking on the intellectual asset for competitive success.

Tom Peters told us how it started at Buckman Labs, a Memphis based speciality Chemicals Company. The company found out that its hard assets accounted for only $75 million of its market value pegged (by investment bankers) at $250 million. The rest, $175 million was the value of the firm''s knowledge. Startled by this amazing discovery, Buckman Labs quickly created a "Knowledge Transfer" department to manage the $175 million worth of knowledge asset.

Buckman Labs is not an aberration. Monsanto''s Bipin Junnarkar (Director of Knowledge Management), Amoco''s Dave Ledet (Director of Shared Knowledge), GE''s Steve Kerr (Chief Learning Officer), Motorola''s Bill Wiggenhorn (President-Motorola University) and many others like them are living testimony to the quest for the new capital which is gathering momentum, cutting across industry sectors. An estimate cited in a recent "Training" magazine article holds that about 20 percent of the Fortune 500 companies have a Chief Knowledge Officer.

The domain of a CKO or CLO or a Director of Intellectual Capital is quite large. It includes any "knowledge" that is of value to the organization, product knowledge, market information, employee information, successful practices, case information on specific problems solved - the list is endless.

How does a CKO go about managing this messy asset that lie in peoples'' heads?

Obviously, the first step is to create an infrastructure and a system for "appropriating", codifying, and storing knowledge. The next step is the creation of a forum and a network for sharing the knowledge with the employees - whoever needs it. In many companies, there is a physical place which acts as the nerve centre for this operation - for instance the Motorola University at Illinois or GE''s Leadership Education Centre at New York. In other companies a knowledge management centre does not entail a designated physical place. An electronic knowledge repository and a virtual centre serves the purpose.

Whatever may be the nature of a knowledge management centre, one thing is essential, a strong IT base without which creating and maintaining useful knowledge banks become a daunting task. Lotus Notes, intranets and customized groupwares are familiar landscape to the new breed of intellectual capitalists. But the business of knowledge management is much more than mere IT. Making people contribute to the knowledge bank and encouraging them to access it when needed are more fundamental. User friendliness is a vital issue. To achieve this Cooper & Lybrand created Cable TV based knowledge network with channels devoted to various industry sectors (banking, energy etc.), functional specialities (tax law, finance etc.), and geographic regions. The channels use familiar cable TV formats like talk shows and are subjected to weekly viewership ratings.

Obviously, the business of knowledge management has spawned many best practices. Database Content Managers who are subject matter experts and are responsible for the quality of the knowledge content deposited, Knowledge distributors (C&L''s Andy Zimmeramn called them "Knowbodies") and "Knowledge Network Coordinators".

Culture power

Companies that are quick on the uptake are realizing that managing intellectual capital can''t be a part time job. The formalization of the new roles as much serve the functional purposes of the roles as they communicate the new reality to the organization''s members - that it is legitimate to spend time on sharing knowledge and learning.

As a matter of fact this is the most vital process in the business of knowledge management. Conventionally powered organizations do not support sharing of knowledge or expertise. Possessing exclusive knowledge ensures exclusive performance, which in a competitive framework means exclusive reward. Even withholding information that is meant to be genuinely shared or distributed gives one power over those who are denied the information. So, separate divisions, units or parts of the organization have to solve a problem from the scratch even if another division of unit has already solved a similar problem.

Resistance to give is complemented by resistance to take. The all too familiar "not invented here" syndrome generates a scornful attitude towards any practice which is not homegrown. The most common refrain is "it looks good but it"s not going to work here".

Getting people to share knowledge and expertise in a traditional-mode organization needs nothing short of a cultural rewriting. And that does not happen without top management support. GE"s CEO Jack Welch is known to get livid when he hears that a good idea hasn"t been shared. McKinsey"s MD, Rajat Gupta started Practice Olympics, an event in which different teams compete and present ideas they have gained from working on various client projects. Such corporate folklores (Jack Welch"s anger) and organizational practices (Practice Olympics) spread the gospel within the organization that hoarding knowledge will not be tolerated and lend real bite to the idea of sharing. Reinforcing the value of sharing and rewarding it appropriately is the most basic condition for the success of a knowledge management initiative. Without this cultural overhaul, raising intellectual capital is a non starter.

The future

Is knowledge management the latest corporate fad? Given the amazingly short half life of management trends, from quality of worklife programs to reengineering, it is difficult to escape this question.

Many people think the new glitzy titles like "Chief Knowledge Officer" and "Director of Intellectual Assets" are fad-like and highly inappropriate. But even if there are problems with these unusual designations, there does not seem to be much doubt about the need to leverage intellectual capital in the post modern, knowledge based societies. When you find that your firm"s collective knowledge is worth more than twice the worth of its hard assets (remember the Buckman Labs example? There are others too), it seems pretty dumb not to try and get a handle on something so valuable.
And if the job needs to be done you need people to do it. Whether you chose to call them CKO or not is another matter. Even the titles may not appear very outlandish if you consider that titles always reflect the business realities of their times. The idea of a Human Resource Development Manager surely would have appeared equally outlandish forty years ago.

However, whether the business of knowledge management emerges as a business basic in the next century or becomes just another passing fad will depend primarily on two issues. If we treat this as yet another panacea to cure all management ills, it will quickly reduce into fad. For, organizations are complex entities and a grand unified solution to all their problems will always remain an elusive hunt. The second is an IT versus HR issue. It is just that IT specialists will dominate the knowledge management field because of its dependance on effective hardware and software platforms. If that happens the business of knowledge management is sure to die an untimely death. For, it is much more than just bits and bytes. The contributors and end users of a knowledge network program are human beings who give rise to such issues as adult learning, collaboration, sharing, organizational culture and so on, that fall squarely in the domain of Human Resource professionals.

How are Indian organizations faring in the intellectual capital market?

The market mirror does not lie. A recent Business India cover story revealed that Tata Consultancy services (TCS) command a market value ranging between Rs. 7,500-12,000 crore. TCS is only a division of Tata Sons - the principal holding company of the Tata Group - and its hard assets would hardly go beyond the value of a few office buildings and a few IBM main frames. But according to current market valuation, TCS is the most valuable Tata company, today. Its market capitalization exceeds that of the two largest Tata companies put together - Telco, valued at Rs. 3,582 crore, and TISCO, valued at Rs. 3,629 crore, both of which boast of staggeringly valuable hard assets.

Where does this extraordinary market worth of **TCS** come from ? Even a B-School freshman can figure that out. TCS'' bigwigs are obviously aware of this intellectual gold mine they are sitting on. Yet surprisingly, the Business India cover story quotes TCS Deputy Chairman, FC Kohli saying that he doesn''t lay too much stress on valuations because their intellectual capital - could evaporate overnight if a large number of people decide to leave the organization. Even the team of business journalists that wrote the story suggested a strategy of acquisitions and international branding for TCS but did not say a word on what the firm could do to conserve and deploy its intellectual assets.
Here is perhaps the basic difference between Indian companies and the likes of Buckman Labs. In a scenario where HRD is nothing more than an expendable overhead, the quest for intellectual capital seems a farcry.

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