Organization Design for KM

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With support from Korn/Ferry International
Study Method

- 10 leading technology-intensive companies across range of sectors in North America, Europe and Asia
- Survey of over 4,500 knowledge workers (scientists, engineers, managers)
- Focus groups and interviews with over 500 business and technical leaders
- Documentation of knowledge management practices, HR programs, performance of 10 companies
The Knowledge Imperative

- Leveraging knowledge can drive competitive advantage
  - Texas Instruments, BP Amoco, US Army
- Failure to manage knowledge can be costly
  - Xerox, DEC, Kodak
But What We Found

- Only 28 percent of respondents report that knowledge is reused across the company.
- Just over 10 percent have access to lessons learned elsewhere in the firm.
- For most scientists and engineers, sharing knowledge outside immediate unit is not defined as part of job.
Key Tensions Facing Companies Today

- Value of people vs. Mobility of employees
- Knowledge leverage vs. Complexity of the challenge
- Information explosion vs. Speed of decision-making
- Protecting knowledge vs. Sharing to gain competitive advantage
What is Good Knowledge Management?

- Generating and applying knowledge
- Importing knowledge
- Leveraging knowledge
- Connecting knowledge workers
- Encouraging knowledge-sharing
How Well Are Companies Doing?

- **Generating and applying knowledge**
  - Generating new ideas: 39% favorable
  - Incorporating new knowledge: 35%

- **Leveraging knowledge**
  - Having knowledge available so not “reinventing the wheel”: 31%
  - Finding out lessons learned elsewhere in company: 13%
How Well Are Companies Doing?

- Connecting knowledge workers
  - Taking advantage of capabilities of system: 36%
  - Electronic access to company know-how: 32%

- Importing knowledge
  - Information about competitor approaches: 21%

- Encouraging knowledge contribution
  - Share in the success of the organization: 31%
  - Pay that reflects value created: 30%
The Knowledge Management Pay-off

Knowledge Management Practices

Improving Work Processes

Incorporating and Generating Knowledge

Business Effectiveness

Technical Effectiveness

Performance Improvement

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Building a Good Knowledge System

- Requires new behaviors from leaders and employees
- Not about special programs or new chief learning officer
- Not driven by technology systems
Leading the Knowledge Enterprise

The Fabric of the Organization Must Support Knowledge Focus

- Strategy
- Structure
- Processes
- People
- Rewards
Key finding
- A clear strategy facilitates knowledge-sharing - but only 36% of respondents feel their company has a clear strategy

Action
- Communicate clear business direction and the future competencies required
- Use strategy to guide investments and partnering
Structure

■ Key finding
  - Team-based organizations can inhibit knowledge-sharing

■ Action
  - Build collaborative, interpersonal learning networks
  - Create new roles to share knowledge across boundaries
  - Create electronic networks that support connections
# Processes

## Impact of Different Types of Communication on Knowledge Activities

<table>
<thead>
<tr>
<th>Communication About:</th>
<th>% Favorable</th>
<th>Knowledge Sharing</th>
<th>Knowledge Generation and Incorporation</th>
<th>Work Process Improvement</th>
<th>Business Effectiveness</th>
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</thead>
<tbody>
<tr>
<td>Project/local business unit goals and performance</td>
<td>63%</td>
<td></td>
<td></td>
<td></td>
<td>x</td>
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<tr>
<td>Company plans, goals and performance</td>
<td>46%</td>
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<td>x</td>
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<tr>
<td>Customer information</td>
<td>19%</td>
<td>x</td>
<td>x</td>
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<td>x</td>
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<tr>
<td>Competitor information</td>
<td>11%</td>
<td>x</td>
<td>x</td>
<td>x</td>
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</tbody>
</table>

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Processes

Action

- Include knowledge objectives in company and unit goals
- Link knowledge objectives to company strategy
- Provide customer and competitor information
People

Key Findings
- Willingness to share depends on mutual expectations of company and employees (psychological contract)
- Old sources of employee commitment have been undermined
- Ongoing skill development provides potential basis for new bargain

Action
- Create new employment contract
- Build knowledge-sharing into job responsibilities at all levels
- Adopt broad view of development
Rewards

- **Key Findings**
  - Pay-for-organizational performance helps improve commitment and overall effectiveness
  - Pay-for-individual performance improves retention but has negative impact on knowledge-sharing and organizational improvement

- **Action**
  - Create explicit rewards for knowledge-sharing
  - Give employees stake in company’s success
  - Avoid over-emphasis on pay-for-individual performance
Don’ts For Leaders

- Don’t adopt one-size-fits-all strategy
- Don’t delegate knowledge management
- Don’t create the 95 percent solution
- Don’t talk about learning but reward only performance
- Don’t shift all responsibility for career management to the individual
Do’s For Leaders

- Do make a business case
- Do establish vision and values for knowledge organization
- Do define the required competencies
- Do create metrics that measure long-term capabilities
Do’s For Leaders

- Do participate regularly in high-profile development programs
- Do have leaders publicly share instances where they have made a mistake and the lessons learned
- Do recognize individuals who took carefully calculated risk that didn’t succeed
- Do promote leaders who actively share knowledge