



IS KNOWLEDGE THE ULTIMATE COMPETITIVE ADVANTAGE?

DR YOGESH MALHOTRA BELIEVES THAT MERELY POSSESSING KNOWLEDGE ISN'T ENOUGH; APPLICATION, HE ARGUES, IS EVERYTHING.

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His recent advisory engagements include United Nations, National Science Foundation, Conference Board, Intel Corporation, Government of Mexico, US Federal Government, Government of Netherlands and Ziff Davis. During the last 20 years of his professional career he has worked in advisory and executive roles with world governments, nations, global corporations and Fortune 100 companies in healthcare, banking and finance, software development, manufacturing and process engineering.

BM. What are the key ideas influencing the current business landscape?

YM. The key ideas can be summed up simply in one phrase: radical discontinuous change. Ideas such as change management, learning and unlearning, adaptation, agility and flexibility have been popular over past few years. However, in the post-1990s era, the rapidity and radical

nature of change has assumed unprecedented proportions that defy logic based on pre-determination and pre-definition. This has put a premium on thinking beyond benchmarking and best practices, and developing innovative business models that self-obsolete marginal value propositions and processes before competition does so.

From a business strategic perspective, knowledge management is about obsolescing what you know before others do, and profiting by creating the challenges and opportunities others haven't even thought about. In the bigger picture, the focus of knowledge management is on the ever-changing environment in which societies, organisations and individuals live, work, learn, adapt and survive.

BM. Could you define knowledge management? How would a company put knowledge management into practice?

YM. Knowledge management (KM) can be best understood in terms of a discipline rather than a 'silver bullet' or a technological solution. KM became popular because 'programmed' and 'automatic' business models – built upon computational logic based on memory of the past – are not adequate any more. More problematic is their emphasis on inputs rather than processes and outcomes. As ICT becomes more of a commodity worldwide, processes and people form a more critical part of the KM-enabled business performance equation. This is all the more important as business processes and people are less and less captive to organisational or geographic boundaries. Accordingly, it is time that enterprises realised that KM caters to the critical issues of organisational adaptation, survival and competence in the face of increasingly radical discontinuous change. To thrive in this environment, businesses need to rely not only on the data processing capacity of IT but also on creativity and innovation of people – both inside and outside the organisation. The key is to constantly assess and reassess routines embedded in business processes to surface and correct assumptions that may inhibit continuous learning and innovation.

BM. In a recent article, you described knowledge management as “doing the right thing” instead of “doing things right.” Could you explain the difference between these two concepts?

YM. While 'doing the right thing' emphasises effectiveness, 'doing things right' emphasises efficiency. Being efficient without being effective certainly leads to business failure – as in the case of the ultra-efficient buggy whip companies that disappeared into oblivion along with horse-drawn carriages. However, companies that can more readily adapt to radical discontinuous change by rethinking their business models, best practices and business value propositions are ahead in the game of 'doing the right thing'. As this is a very critical concept, let me explain in further detail.

Some have defined KM as getting the right information to the right person at the right time. However, in a world of radical discontinuous change, there are no programmable systems that can predict in advance what the right information, right person or the right time will be at any given point in the future. This can also help understand the key distinction between 'doing the right thing' and 'doing things right'. The relatively stable and unchanging environment of the past allowed the luxury of predicting, pre-defining and pre-determining the future based on past data. Businesses could once define their business models, business practices and business value propositions – thereafter, the key challenge remained that of optimisation for increased efficiencies: of 'doing things right'.

However, changing customer trends, competitive products and services and changing societal and governmental pressures make the existing business models, business practices and business value propositions obsolete. Over the past decade, the pace of such changes impacting business enterprises has become more fickle and more rapid than at anytime in the past. Most of us are aware of the bloodbath in the desktop computer industry that eliminated many companies competing for business worldwide. However, some companies realised that the only performance outcomes that matter are the

ones the customers really care about. They have been savvy in tailoring and growing their customer value propositions around what the customers really needed rather than what they wanted to sell to customers. Dell has been an agile player that has been able to refine and play the game of 'doing the right thing' again and again, first in desktops and later in web hosting, printers, PDAs and storage. In the longer run, companies that can figure out the 'next right thing' and prepare well in advance to ride the next wave will be more effective in the longer run. However, it goes without saying that 'doing the thing right' also matters once you have figured out what the next cash cow will be.

BM. Economics and business theorists have alluded to knowledge as the ultimate competitive advantage for the modern firm. How would adopting a knowledge management approach to business benefit a company?

YM. Knowledge is the ultimate competitive advantage only if understood from an action-oriented perspective. All the information technologies and data cannot assure competitive advantage in the long-term, nor do decisions that are made – if made at all – drawing upon insights hidden in information and data. Only translating information and decisions into actionable value propositions can assure competitive advantage. Hence, in this perspective, knowledge lies in action: in effective utilisation of data and information resources for actionable decisions and, most importantly, in execution. As elaborated earlier, business managers need to define and continuously refine their business value propositions to ensure that they are not marginalised by radical discontinuous change. Therefore, this knowledge management strategy and its execution with the aid of information, communication and collaboration technologies can provide a greater chance at being 'great' than is otherwise possible.

BM. Having access to information is one thing; being able to apply that information to gain strategic advantage is another. What is the difference between knowledge and information?

YM. This is a critical distinction. Access to information is irrelevant, particularly in the era of data glut and information overload. It is in being able to focus on patterns of information that matter – on information that offers ‘surprise’ – where the potential for greatness lies. More importantly, execution (application) is everything, regardless of the level of access to the highest quality information.

Knowledge is the potential for action based upon data, information, insights, intuition and experience. It is the critical link that connects all the human, technological and organisational resources available at the disposal of the firm, and represents its ongoing survival, performance and competitive advantage. This key emphasis on intangible assets and knowledge capital defies precise measurement, as it can only be seen in action and performance.

BM. I have recently read that ‘collaboration and knowledge sharing’ is starting to replace the term ‘knowledge management’. Do you think this the case in your experience, and what do you think about these terms?

YM. Although it may not be easy, it is important to avoid getting embroiled in any specific semantics (or ‘labels’) when thinking about KM. Shared understanding of various terms help, but being able to better execute and apply any given concept matters even more. Some may distinguish between the two terms that you have mentioned, while others may find them indistinguishable. Let me explain further.

The broader perspective of KM includes the processes of knowledge use, knowledge creation, knowledge sharing, knowledge transfer and knowledge renewal. However, what is important is to understand how all the input resources and processes contribute to performance. It is not information or decisions alone, but actions that are the most critical pre-requisite for performance. Again, given the popular habit of using past trends and patterns for future decision-making, it is all the more important to be able to generate diverse interpretations of information and consider various future possible courses of action. Hence, collaboration and knowledge sharing – formal and informal – are relevant

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and important, as they help in the speedy discovery of alternative approaches, information and decisions relevant to these approaches, and finally in execution by working in parallel on various activities to execute those decisions after a consensus is achieved. Therefore, collaboration and knowledge sharing are of import – however, groupthink or ‘paralysis by analysis’ is clearly hazardous to the company’s health.

As you may observe, there are clear sociological, cultural and behavioural nuances that would determine how the same data, information and technologies may yield totally different performance outcomes in two different companies. Similarly, the converse is also true – diverse technologies, when applied similarly with little regard for people or processes, would yield the same result: failure.

BM. Do you see a point in the future where knowledge management as a business strategy may become obsolete or superseded by a different strategy more relevant to a new business environment?

YM. As evident from a recent analysis of the knowledge management field, we observe that many of the most significant business, management and technology trends are coalescing under the umbrella of KM. That is one possible reason why it is difficult to find a common understanding of KM across various companies and organisations in the world. However, there seems to be a greater consensus that is emerging around some key themes. Firstly, KM is not the same as ICT or e-business. Secondly, people and processes are critical to KM. Finally, KM is essential for survival and performance in the emerging global economy.

Would KM become obsolete or superseded by a different strategy relevant to a new business environment? One may reflect on this issue by thinking about past strategies such as human resource management (HRM), total quality management (TQM) and business process re-engineering (BPR). Have these become obsolete? The answer is both yes and no. They have become obsolete in the form in which they were proposed and practiced originally. However, there are still critical parts of the KM strategy and its execution that depend upon interesting combinations drawn from these ‘past’ strategies relevant to the ‘old’ business environment.

Another issue is to understand KM as a discipline of practice, as many worldwide governments, organisations and institutions have observed when relating to our worldwide contributions to research, practice and thought leadership. Based on our practice as well as understanding of worldwide KM practices over the past decade, we believe that our perspective may have a greater shelf-life than some other IT-only, HR-only or strategy-only focused perspectives that have been proposed. The endnote is that, finally, any business strategy has to tackle the issue of sustainable business performance in an ever-changing business environment. Any strategy that can deliver this better than ever and better than others, by any name, would be a great strategy. ■

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