

IS KNOWLEDGE THE ULTIMATE COMPETITIVE ADVANTAGE?

BMA TALKS TO DR YOGESH MALHOTRA ABOUT WHY, SOMETIMES, MERELY POSSESSING KNOWLEDGE ISN'T ENOUGH; APPLICATION, HE ARGUES, IS EVERYTHING.



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business technology innovation. He currently serves on the faculty of the School of Management at Syracuse University, prior to which he taught at the Kellogg School of Management at Northwestern University and the Graduate School of Industrial Administration at the Carnegie Mellon University.

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.

BMA. What are the key ideas influencing the current global business scenario?

YM. The key ideas that influence the current global business scenario 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 the past few years. However, in the post-1990s era, the rapidity and radical nature of change has assumed unprecedented proportions that defy the past 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.

Many of the 'key ideas' relevant to the above issues have been propagated through the BRINT Institute portals and its global community network – recognised as being among the key drivers for worldwide dissemination of research and practices on these ideas. Among the key ideas that have been disseminated through these portals and applied worldwide are organisational learning, knowledge management, virtual corporations, business process reengineering, business process innovation, business technology management, knowledge management, radical discontinuous change, complex systems applications for business, self-adaptive systems, e-business and e-commerce, electronic markets, internet strategy, intellectual property rights, technology outsourcing, intranets, enterprise information portals and philosophy of science and technology.

BMA. 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.

BMA. 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.

BMA. 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.

BMA. 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.

BMA. To what extent has the knowledge management approach been adopted by Asian businesses? How does this compare to companies in other regions of the world?

YM. We have found various models of KM adoption across the world, with different levels of involvement by national and regional governments, as well as private and public sectors. We have been seeing quite a bit of variance in adoption of knowledge management strategy and its execution in Asian businesses.

For example, in countries such as South Korea and China, we have seen concerted private sector as well as government-initiated efforts in envisioning a national knowledge economy. The most prominent newspaper and business TV network in South Korea has been instrumental in developing the national knowledge management vision for enterprises. When I visited South Korea a couple of years ago, knowledge management appeared to be evolving separately from the IT and e-business movement. I recommended to the national champions there at that time to find common ground, as both are related in my view. From dozens of communications received from South Korean managers, there appears to be sustained interest in knowledge management in the private and public sectors too. China has been very active at governmental level in developing national awareness, as evident from its work with institutions such as World Bank.

There has also been substantial interest in knowledge management in countries such as Singapore and Malaysia, as well as India. Whilst Singapore had taken a primary focus on IT and e-business earlier, it has now emerged as a strong proponent of knowledge management. In recent years, Malaysia has emerged as a strong proponent of knowledge management at the various levels, while clearly realising that it requires a much broader focus than IT. The private sector in India appears to have taken a keen interest in KM, although this interest seems to have been mainly restricted to the ICT sector. This is encouraging, however, given the lack of government involvement in facilitating the adoption of ICT technologies a few years ago.

BMA. 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 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.

BMA. 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 reengineering (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 (various alternative perspectives of KM strategies and their execution are discussed on our web portals www.kmnetwork.com and www.kmbook.com). 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.

BMA. What, in your opinion, will drive growth in knowledge management in the Asia Pacific region over the coming 18 months?

YM. In my earlier response about trends in Asia, I have tried to draw some comparisons in the evolution of KM in various countries in the Asia Pacific region. The key drivers that are expected to drive growth of KM in Asia Pacific are related to increasingly interconnected global markets, speedy innovation and less expensive execution. The transition of worldwide economies to information-based and knowledge-based economies is resulting in the fundamental transformation of business models and the way work gets done. Asia Pacific is home to a large percentage of highly educated and industrious knowledge workers and professionals who are recognised for innovation. As the focus of business performance shifts from the land, labour and capital-oriented industrial economy to a knowledge-based economy, we expect to see strong growth in Asia Pacific compared with other countries. However, for most countries in this region, what will most critically drive growth in KM and its performance is the alignment of government, the public sector and the private sector in policy-making and execution.

As the economies of the developed world demonstrate, in increasingly greater growth based on knowledge-based goods and services, Asia Pacific can play a vital role as a collaborator as well as a leader in its own right. One may expect diverse trends of growth as evident from current fragmentation and variances in KM practices in the South East Asian region, the South Asian region and the Middle-East region. Key challenges in terms of education, literacy, poverty and political stability would affect the future growth trajectories of KM and economic progress. As ICT-enabled work gets done everywhere and the world's largest reservoir of brainpower overcomes the limitations of financial capital, one may expect to see tremendous growth in this region. ■

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