CHAPTER 65
The Curious Success of Knowledge Management

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Knowledge management has had a difficult gestation, but now is emerging as an important element of enterprise strategies. It is enabled by technology tools, but encompasses far more than technology. Key tools in the near future will include expertise location, just-in-time knowledge delivery and the portal. But knowledge management faces a number of challenges, and to the extent that it successfully establishes itself, the label itself is likely to fade away. Ultimately, though, a knowledge approach is necessary for the modern business and particularly in today's economy.

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1 Introduction

Knowledge management (KM) is a significant corporate tool, as this volume amply demonstrates. It is, in fact, the most powerful new insight into business strategy that most corporate executives had never heard of until recently.

KM's visibility has been improving of late, though, thanks in large measure to the striking recent speedup in competitive time-to-market cycles and to the lessons being learned during the economic downturn of 2001.

Knowledge management as an approach to business management has had a turbulent history. It was born as a hip buzzword, was shunned as a second cousin to business process reengineering, and was for a time hijacked by software vendors. Despite this circuitous path, knowledge management is now well on the way to becoming a necessary component of every bottom-line-oriented company's long-term business strategy.

Ironically, that also means knowledge management is now in danger of disappearing as a distinct business practice. This is a good thing, and a hallmark of the evolution of business theory that will mark this period as a time of significant advance.
2 Has KM Arrived?

Recent journalistic reports have uncovered increasing numbers of companies exploring or embracing the practice of knowledge management. A number of certification programs in KM are being developed and marketed. At last report, several dozen college and university programs in KM had been established, with reports of additional programs arriving regularly.

Virtually every research report on KM or one of its component processes finds growth and potential in the market. To cite only two of the more recent ones:

According to a 14-year study conducted by the Center for Effective Organizations in the Marshall School of Business at the University of Southern California, there is a growing trend among major American corporations to devote more time and resources to the management of knowledge and to creating incentive systems that tie pay to performance. According to the USC study, companies are using these programs to replace the seniority-based reward practices and loyalty relationships that existed when the study began in 1987.

International Data Corporation reported in June 2001 that knowledge management is gaining momentum. According to IDC, worldwide KM services spending will increase at a compound annual growth rate of 41%, from $2.3 billion in 2000 to $12.7 billion in 2005.

Knowledge Management magazine published a report on “The State of KM” in its May 2001 issue. It was prepared in cooperation with Greg Dyer, senior research analyst for IDC’s Knowledge Management Services program. Survey respondents indicated that their companies do understand the value of deploying KM solutions, and that their knowledge efforts are strategic in nature, with substantial involvement by executive managers.

Among the results was some data that suggests the relevance of KM in times of a weak economy: When asked the reasons for respondents’ companies adopting KM, 51.9% said it was to retain the expertise of personnel – more than 8 percentage points higher than the second-ranking answer, which was to increase customer satisfaction.

When those being surveyed were asked about business uses of the KM initiatives under way, more than three-quarters said it was to capture and share best practices, while five-eighths said it was to provide training and learning.

The Knowledge Management survey results also echoed other analyses of corporate KM deployments with regard to management and leadership: senior corporate management leads almost half of all initiatives, with a cross-functional team being the most common approach.

Finally, the survey revealed that there is no illusion about the major challenges facing executives interested in knowledge-enabling their companies: they’re lack of employee time, the absence of a sharing culture, a lack of understanding of the benefits of KM – and, fourth on the list, that persistent bugaboo, the ROI challenge. Despite the incessant drumbeat in recent years, “Lack of appropriate technology” ranked only 10th on the list.