Harvard Business Review on Knowledge Management

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Chapters 1-3

• The Coming of the New Organization
  – Peter F. Drucker, 1988

• The Knowledge Creating Company
  – Ikujiro Nonaka, 1991

• Building a Learning Organization
  – David A. Garvin, 1993
The Coming of the New Organization

Peter F. Drucker, 1988
Major Evolutions in Organizational Structure

- **1\(^{st}\) Evolution (1895-1905):**
  - Management vs. Ownership

- **2\(^{nd}\) Evolution (20 years later):**
  - Command & Control Organization
  - Focus on Decentralization and Personnel Management

- **3\(^{rd}\) Evolution:**
  - Shift to “Information-based Organization”
  - “The managerial challenge of the future” (p. 19)
What is the Information-based Organization?

• Knowledge-based
• Composed of specialists -- “knowledge workers”
• Self-Discipline (i.e. self-management)
  – Based on feedback from colleagues, customers, and headquarters.
Information-based Organization Structure

- Flat Structure
- Central Operation has few specialists
  - Legal council, PR, Labor Relations
- Knowledge is at bottom of organization
  - “in the minds of the specialists who do work and direct themselves.” (p.6)
- Task-focused teams
- Departments guard standards, train, and assign specialists
Ex: Hospitals and Symphony Orchestra

- **Hospital**:
  - Several hundred physicians and 60 medical experts
  - Head of each specialty = expert
  - Work done in ad-hoc teams

- **Symphony Orchestra**
  - Few hundred musicians = “specialists”
  - Conductor = CEO
  - Musicians report directly to conductor
Why do they work?

- Information-based Organizations need “clear, simple, common objectives that translate into particular actions”
  - Conductor and musicians have same “score”
  - Specialists in hospital share same mission

- Knowledge workers cannot be told how to do their work
  - Their abilities need to be focused by leadership
Management Problems

1. Developing rewards, recognition, and career opportunities for specialists
2. Creating unified vision in an organization of specialists
3. Devising the management structure for an organization of task forces
4. Ensuring the supply, preparation, and testing of top management people
Opportunities for Specialists

- Limited advancement options
  - Movement within specialty
  - Few middle-management positions

- Current compensation structures favor management titles and positions
Common Vision

- Need “view of the whole” among specialists
- Foster the pride and professionalism of specialists
Management Structure and Task Forces

• Who are the managers?
• Specialist structure vs. Administrative structure
• Role of task force leader risky and controversial
Supply and Preparation of Top Management

- No longer have large pool of middle-managers to choose from.
- Hiring away top management from smaller companies
- Top management as a separate career
  - Conductors and hospital administrators
The Knowledge Creating Company

Ikujiro Nonaka, 1991
What is a Knowledge-Creating Company?

- Knowledge is the only sure source of competitive advantage
- Successful companies are able to:
  - Consistently create new knowledge
  - Spread it throughout organization
  - Manifest it into new technologies and products
Cultural Differences

- **Western View:**
  - Organization is “a machine for information processing”
  - Useful knowledge is:
    - Formal and systematic
    - Quantifiable (“hard”)
    - Easily measurable

- **Japanese View:**
  - Use of slogans
  - Tacit insights, intuitions, and hunches of employees
  - Company is not a machine but a living organism
  - “Everyone is a knowledge worker”
Spiral of Knowledge

- New knowledge begins with individuals
  - Personal knowledge $\rightarrow$ organizational knowledge

- Ex: Matsushita Electric Company (1985)
  - Developing new home bread-making machine
    - Trouble with kneading process
    - Software Developer apprenticed herself with Osaka International Hotel
  - Developed product specs to reproduce kneading technique
Patterns for Creating Knowledge

- **Tacit to Tacit (Socialization)**
  - Cannot be leveraged by organization as a whole
- **Explicit to Explicit (Combination)**
  - Does not extend company’s existing knowledge base
- **Tacit to Explicit (Articulation)**
- **Explicit to Tacit (Internalization)**
Use of Figurative Language

- Figurative language and symbolism help articulate intuitions and insights
- Japanese companies use figurative language at all levels of the organization and in all stages of product development
Ex: Honda (1978)

- “Let’s Gamble” slogan
- New product team of young engineers and designers
- Team leader developed “Theory of Automobile Evolution” slogan
- Led to another slogan “Man-maximum, machine-minimum”
  - Led to the design of the Honda City
  - Revolutionary new design
Types of Figurative Language

• Metaphor:
  – Fosters commitment to creative process early
  – Multiple meanings
  – Appear logically contradictory

• Analogy:
  – Clarifies how two ideas in one phrase are similar / dissimilar
  – Harmonization of contradictions

• Model Creation:
  – Creation of actual model
  – Contradictions resolved and concepts become transferable
Organizational Structure

• Redundancy
  – Shared responsibilities
  – Spreads new explicit knowledge throughout org
  – Encourages communication
  – Ex: Canon

• Strategic Rotation
  – Employees understand business from multiple perspectives
Organizational Roles

- **Front-line Employees:**
  - Day-to-day details ("What is")
  - Get caught up in own narrow perspective

- **Senior Executives:**
  - Organizational ideal ("What ought to be")
  - Give business a sense of direction ("conceptual umbrella")

- **Middle Management:**
  - Bridge between visionary ideals of the top and chaotic reality of front line
  - "Knowledge Engineers"
Building a Learning Organization

David A. Garvin, 1993
Three Ms

- Meaning
  - Clear definition
- Management
  - Operational advice
- Measurement
  - Tools for assessing rate and level of organizational learning
What is a Learning Organization?

• “A learning organization is an organization skilled at creating, acquiring, and transferring knowledge, and at modifying its behavior to reflect new knowledge and insights” (p. 51)
Building Blocks

- Learning organizations need to be skilled in five main activities:

1. Systematic Problem Solving
2. Experimentation with new approaches
3. Learning from own experiences and history
4. Learning from others
5. Transferring knowledge quickly and efficiently
Systematic Problem Solving

- Reliance on scientific method
- Data vs. Gut feelings
- Statistical Tools
Experimentation

• Systematic searching for and testing of new knowledge
  – Ongoing Programs:
    • Continuous experiments w/ incremental gains
    • Require incentive system encouraging risk-taking
  – Demonstration Projects:
    • Larger and more complex
    • Develop new organizational capabilities
    • Knowing why things occur, not just how
Learning from Past Experience

- Review successes and failures
  - Knowledge from failures often leads to future successes
- Make lessons learned available to employees
- Case studies and post-project reviews are cheap
Learning from Others

- **Benchmarking**
  - Analysis and implementation of best-practices
  - Disciplined process (Not “industrial tourism”)

- **Customers**
  - Up-to-date product information
  - Competitive comparisons
  - Immediate feedback about service

- **Receptiveness to criticism**
Transferring Knowledge

- Knowledge must spread quickly and efficiently throughout organization
  - Written, oral, and visual reports
  - Site visits and tours
  - Personnel rotation programs
  - Education and training programs
  - Standardization programs
Measuring Learning

• “If you can’t measure it, you can’t manage it”
• Tools:
  – “Half-life” curves (p.73)
  – Surveys, questionnaires, and interviews
  – Direct Observation
    • Ex: Domino’s Pizza
First Steps

• Learning organizations take time to build
• First step to foster environment conducive to learning
  – Free up employee time
  – Training in brainstorming, problem solving, etc.
  – Removal of organizational boundaries (conferences, meetings, and project teams)
• Focus on the “three Ms”
Observations and Analysis
Common Theme

- Knowledge management is about people not technology
  - Drucker:
    - Specialists are “knowledge workers”
  - Nonaka:
    - Individuals create new knowledge
  - Garvin:
    - People need right tools to foster knowledge creation and management
Dissemination of Knowledge throughout Organization

- Drucker
  - Each specialist is concerned with their own knowledge and expertise
- Nonaka
  - Personal knowledge needs to be transferred into organizational knowledge
  - Redundancy and Strategic Rotation
- Garvin
  - Transfer of knowledge in organization needs to be fast and efficient (Personnel Rotation)
Role of Middle Management

- Drucker
  - Few, if any, middle managers are needed
  - Serve merely as “relays” of information
- Nonaka
  - Middle managers = “Knowledge Engineers”
  - Bridge between vision of top and reality of bottom
- Garvin
  - Five activities
  - Measuring learning
Paper Critiques

- Drucker and Nonaka
  - Philosophical and high-level
  - Idyllic
  - Do not address certain issues

- Garvin
  - Presents different approaches and tools that can be implemented
  - Does not claim to know all the answers
Alternative Resources

• Counter-Opinion to Drucker on Middle Management:
  - Middle Managers are Back -- Carolyn R. Farquhar, 1998

• Article about KM and the “Learning Organization”
  - Knowledge Management and the Learning Organization Converge – Charles H. Bixler, 2002