



## TenStep Supplemental Paper

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### Capturing Knowledge

Despite difficulties, companies have developed and implemented powerful knowledge-based strategies because knowledge is an asset. Investing in knowledge assets is tricky. Nevertheless, companies need to have a knowledge pool to fight competition and win. In many service industries, the ability to identify best practices and spread them across a dispersed network of locations is a key driver of value. Such a strategy can create powerful brands that are continually refreshed by the knowledge of how to serve customers better. In such circumstances, it may be impossible to tell whether the value has been created by the brand or by knowledge. The two are inseparable.

McKinsey defines a four-step method to identify and implement a knowledge strategy:

**Ask diagnostic questions.** To find out where and how knowledge matters in the business, pose questions like:

- Are exciting ideas emerging within the company, but failing to be commercialized?
- If a company has more money than ideas, are there opportunities to form partnerships with companies that may be more "in the flow" of innovative ideas?
- Could our best practices be applied to the activities of competitors or related firms? If so, should we consider acquisitions or joint ventures?

**Understand the implications of knowledge for organizational design.** A traditional organizational design may not work in a knowledge environment. The need to manage tacit knowledge imposes a natural limit on the size of operating units.

**Adjust the company's external posture and conduct.** The fragmentary nature of knowledge and the possibility of increasing returns imply that the value of a knowledge business can be enhanced by action in the right direction. Information creates standards, and its assimilation and dissemination is vital to the growth of an organization.

**Measure and monitor knowledge.** The tacit and "soft" nature of knowledge suggests that knowledge development cannot be measured. Credible measurement systems are a powerful means of driving a knowledge strategy forward. For example: WM-data monitors the utilization of its consulting personnel every week. It tracks the value added per revenue earnings to its staff members. It measures long-term indicators like stability, the average age of personnel, the stability and longevity of the customer base, and the development of competence in its knowledge workers. These act as measures for monitoring knowledge.

Thus, successful knowledge strategies encompass almost every aspect of a company's organizational design and are the lifeline of an organization's survival today.