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Taking Knowledge Management to the Next Level

Everyone has heard the phrase "knowledge management," but when it comes to defining the term, few can do it. That's because the term does not come with a nicely packaged, precise definition that has the same meaning in every industry. By its nature, the term is complex and evolving.

Assuming that business professionals could agree upon the definition and scope of knowledge management, how would it be used, especially in the financial services industry? The answer comes as bankers review their daily business practices and human resources policies and discover the extent to which knowledge management is their ticket to prospering in the 21st century.

Knowledge Management Defined

Theoretically, knowledge management refers to connecting the intellectual assets within an organization. In practice, this can run the gamut from identifying and mapping these assets all the way to determining which processes will best enable the flow of relevant knowledge throughout an organization.

In the world of banking, knowledge management, in its simplest form, means leveraging an institution's collective wisdom to increase responsiveness and innovation. While this definition sounds simple enough, its application has not caught on easily for many institutions.

The current challenge is to determine how to disseminate and leverage internal knowledge by implementing knowledge management systems. Now that more time and attention can be devoted to the practice, bankers are urged to do so in order to stay competitive. As the first decade of this new millennium begins to unravel, financial forecasters are predicting that it will be remembered as a time when bankers faced a sink-or-swim challenge. Those choosing to swim will have done so with knowledge management as their life jackets.

Create Value from Intangible Assets

It may be hard to believe that a concept like knowledge management can determine the fate of an institution. If you consider the possibilities created by knowledge management, it becomes more convincing. Any company's knowledge base is likely to be its greatest asset. Intellectual expertise is vital to a company's reputation and therefore to its survival. This financial know-how is one of the only competencies that differentiate the products at one company from those at another.

How is value best created from intellectual capital? The answers are found in the practice of knowledge management. Use these suggestions to build knowledge and manage it wisely:

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- **Extract information from customers.** Every personal encounter with a client can be documented from various perspectives. As the data is collected, it is organized into a database. The way it is analyzed depends on the purpose for which it will be used. One company may choose to use it for mass customization of existing products, while another may use it to support call center staff in answering customer calls.
- **Share the knowledge with customers.** Consider any company customer whose financial interests include, for example, money market accounts, investing in stock bonds, retirement funds and community involvement. A company can do a search of all its sources, internal and external, and match these sources to the customer's interests. This approach leads to a more proactive style of banking and managing a customer's portfolio.
- **Use existing knowledge to create new revenue sources.** Knowledge management enables a company to compare successful product lines against those that have failed. This information alone can be used as a foundation for educating bankers as to what works and what does not. Package this data the right way, use clever marketing techniques, and suddenly it becomes a new revenue source.
- **Access employees' unspoken wisdom.** Companies may spend thousands of dollars to train a group of individuals on a particular software program. A few months later, any of those individuals can leave with a meal ticket by rolling their new skills over to another company. Employee turnover is a fact of life. The key is to find ways to leverage the connections employees establish with certain external sources. By capturing the knowledge stored inside the minds of the institution's most experienced employees, bankers develop knowledge databases from which best practices can be defined and used to the company's advantage.

The Knowledge Life Cycle

Leveraging the existing information at every branch of a given company means channeling the data into a centralized repository so that it eventually becomes accessible to all. In turn, the company benefits by avoiding duplication of efforts as well as by eliminating the need for data warehousing. However the process does not end once the data is centralized. Another key step in this colossal effort comes from making sure the combined knowledge is valuable knowledge.

Like everything else, knowledge has a life cycle. Although it varies depending upon the industry in which it is applied, knowledge is perishable. Its shelf life is limited by the development of new technologies, products and services, and the rate at which they crowd the marketplace.

The Foundation of Knowledge Management

Companies react to change the same way as most organizations - reluctantly. This tendency is especially true when the scale of change is as overwhelming as the one that comes from implementing a knowledge management system. Typically, the level of resistance felt throughout an institution helps dictate the ultimate success of the system.



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Once the process of defining a knowledge management system makes its way through the company's board of directors, executive managers and middle managers, it is presented to employees in a form completely different from its genesis. What's important, however, is that the crucial message must not get lost by the time it reaches the bottom line.

The Crystal Ball of Knowledge Management

During the next five years, knowledge management will become the primary focal point of bankers nationwide - call it the Y2K of this decade. Now is the time to capitalize on the investments from the '90s and begin leveraging all of the knowledge specific to their respective institutions.

How else can a company's finance group have access to the same information as the personal banker who actually manages the account? Or how can the insurance professional know what the banking or investment side has done for the customer? Knowledge management is the banking industry's best method for defining the ABCs of any given customer as well as the most reliable foundation for managing that customer accordingly.