

# inlecom



## **Strategic Knowledge Management Solutions**

**A strategic knowledge management capability enables an organisation to combine its knowledge on markets and products with change adaptation knowledge to gain sustainable competitive advantage.**

INLECOM's Strategic Knowledge Management Solutions consist of leading edge consultancy services coupled with the kBOS methodology and support technology aimed to provide clients unique capabilities and long-term value.



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## Background

In recent years, information and knowledge are replacing capital and energy as the primary wealth-creating assets, just as the latter two replaced land and labour 200 years ago. The increased prominence of knowledge related economics from the beginning of the 1990's have co-existed with the development of a new view on business strategy that emphasise **resource efficiency** rather than the generally accepted competitive forces.

The Resource Based Perspective of corporate strategy<sup>1</sup> advocates the leveraging of resources and capabilities in many products for different markets rather than focusing on specific products targeting specific market segments. Competitive advantage can then be attained primarily through **knowledge driven dynamic capabilities**, which possess barriers to both imitation and mobility.

The term 'dynamic' refers to strategic responses required when time-to-market and timing is critical, the pace of innovation is accelerating and the nature of future competition and markets is uncertain. **Knowledge oriented dynamic capabilities** support adaptation to the changing environment through knowledge driven reconfiguration, integration and innovation of organisational competencies. Consequently, knowledge oriented dynamic capabilities provide the basis for **strategic knowledge management** enabling companies to combine their knowledge on markets and products with **change adaptation knowledge** to gain sustainable competitive advantage.

Knowledge oriented management theory as concentrated in two streams, the 'learning' stream and the 'intellectual capital' stream. In the former knowledge is considered as information with an applied interpretation process that guides action and the focus is on the different features of knowledge that could help managers to introduce knowledge oriented strategies and processes. The 'intellectual capital' stream of research defines knowledge assets as a major part of an organisation's value and focus on classifying, measuring and managing intellectual capital (IC) to help performance improvements.

Despite the increased understanding of the importance of dynamic knowledge capabilities in strategy, and advances in knowledge management technologies, one area still seriously underdeveloped is the ability to link KM with strategy and competitive advantage.

Strategic Knowledge Management has many interpretations and meanings which often lead to a confused picture of how it relates to business strategy, why is important and how one goes about to develop knowledge management solutions.

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<sup>1</sup> Wernerfelt B. 1984. A Resource-Based View of the Firm. Strategic Management Journal 5: 171-180;

Wernerfelt B. 1995. The Resource-Based View of the Firm - 10 Years After. Strategic Management Journal 16(3): 171-174.

## The business challenge

The key challenge is what a company can do to succeed in a highly uncertain and dynamic market place.

A commonly accepted answer is increased speed of understanding of customer perceptions and trends and increased ability to respond faster than the competition to competitive challenges. In this case, strategic knowledge should help the company to act faster. The question is **what is the strategic knowledge that will enable the company to better formulate and execute its 'fast adaptation' competitive strategy?**

Would a company be more competitive if it increased its knowledge about its customers? The answer is there would probably be some performance improvement, but clearly, it is not the solution. Apart from good customer knowledge, the company needs a capability to generate new knowledge to explain changes in customer patterns and to create successful responses. **It needs dynamic capabilities for "adapting, integrating, and re-configuring internal and external organizational skills, resources and functional competencies towards a changing environment"**.

A strategic knowledge management capability enables an organisation to combine its knowledge on markets and products with change adaptation knowledge to gain sustainable competitive advantage.

## The INLECOM Strategic Knowledge Management approach

### Rational

A strategic knowledge management capability enables an organisation to combine its knowledge on markets and products with change adaptation knowledge to gain sustainable competitive advantage.

A strategic knowledge management capability should facilitate early recognition of change patterns of from which possible explanations and therefore possible expected change trajectories can be made and then monitored. The key is to understand the change reasons in order to design appropriate responses taking into account the organisational constraints and optimising time and cost.

We need therefore to understand better the change patterns to define **context** that activates knowledge and knowledge development.

We need increased automation of knowledge extraction based on such **change context**. In most cases, the change context should also initiate **learning cycles** aimed at the creation of **adaptation knowledge** that will support the development of the response. At this stage, the use of learning ontologies will provide a crucial tool in this area.

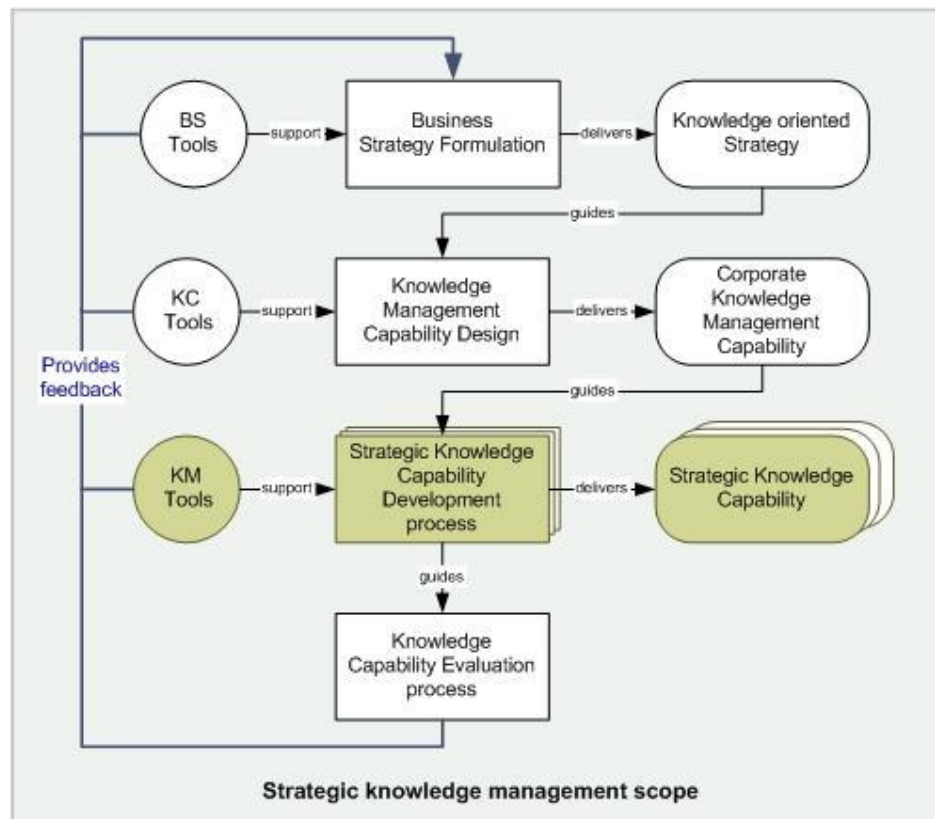
## Strategic knowledge management scope

To link Knowledge Management with business strategy it is first necessary to establish an understanding of the advantage that comes from knowledge as a strategic resource enabling the company to better formulate and execute its competitive strategy.

For this, a knowledge view of the organisation must be created and used to define its knowledge oriented competitive positioning in the specific sector in which it operates. Next, an evaluation of current knowledge capabilities together with performance optimisation techniques will determine what needs to be done.

### The main elements in the overall strategic knowledge management process

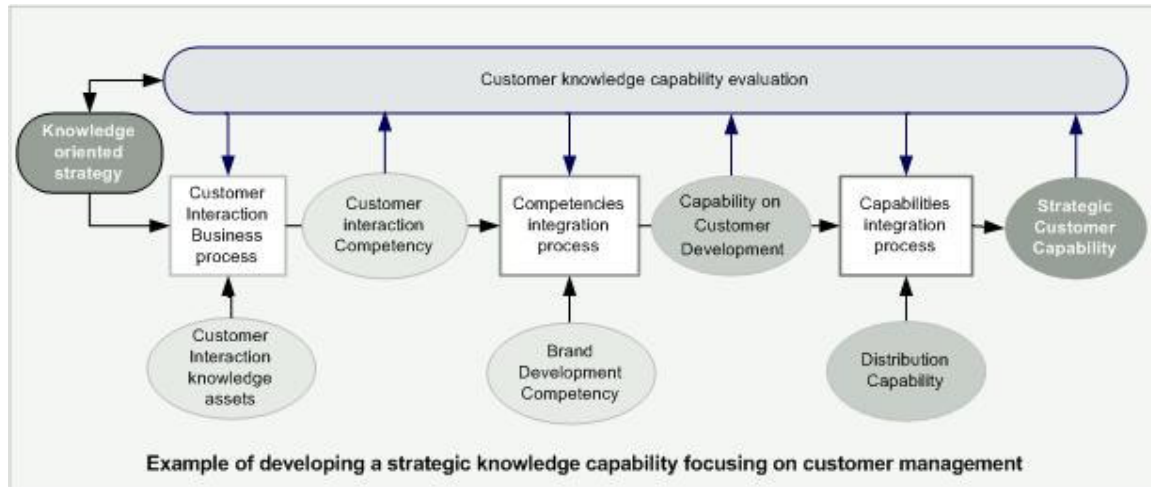
The overall scope of an INLECOM Strategic Knowledge management solution is described in the following diagram.



The basic process is to develop a knowledge oriented business strategy, which identifies the crucial areas where the company will build strategic knowledge capabilities (i.e. knowledge on products and associated adaptation reconfiguration). A knowledge management capability must then be developed to support the development and management of the chosen strategic knowledge capabilities. The continuous improvement of all the elements in strategic knowledge management through appropriate feedback handling mechanisms is highlighted.

## An example of building a strategic knowledge capability on customer management

An example of building a strategic knowledge capability on customer management is shown in the following diagram to illustrate various aspects the process described earlier.



With reference to the above diagram, it is first useful to differentiate between knowledge assets, competencies and capabilities.

**Knowledge assets** are the intangible corporate resources a company can draw upon to support the achievement its objectives/strategies.

**Competence** is the state of sufficiency of company-specific knowledge assets to achieve its objectives. The level of competence required is dependent on the environment and can be highly dynamic.

**Capabilities** represent company ability to integrate appropriate competences to achieve the organizational objectives.

**Strategic Capabilities** represent company ability to integrate appropriate capabilities to achieve the organizational objectives associated with competitive advantage.

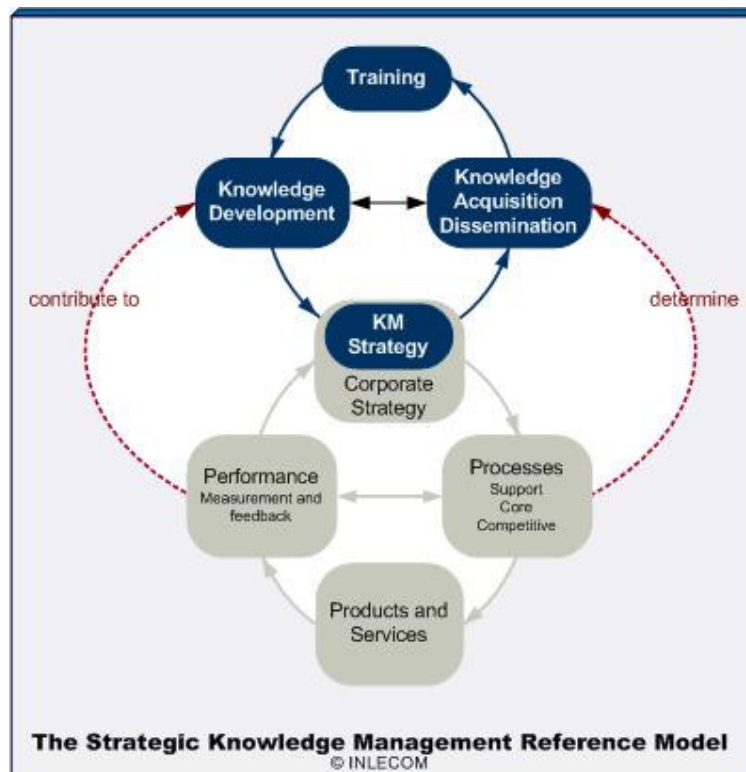
The basic building blocks are company-specific knowledge assets, which combine to form competences in turn used by organizational processes to provide capabilities suited to achieving corporate strategies. Each stage consists of recursive steps that keep upgrading and modifying the building blocks to finally achieve the necessary competence or capabilities.

Building strategic knowledge capabilities would normally require a long period. However, in most successful companies the majority of required knowledge assets and competences exist even though it may be dispersed or not managed.

From the point of view of the required knowledge management capability, it is important to point out the crucial issue is support for integration type processes the difficulty being the degree of automation offered.

## The Strategic Knowledge Management Reference Model

The Strategic Knowledge Management Reference Model consists of a **knowledge management process** linked to the **overall business model** of strategy-process-product and performance control as shown in the following diagram.



The **business model** is represented by the following four interconnected elements:

- Corporate strategy including the knowledge management strategy;
- Business processes grouped under support, core and competitive categories;
- Products/services and other value outputs;
- Performance (emphasising both measurement and feedback handling).

The knowledge management process model is integrated in the business model in three key components:

- The corporate strategy
- The business processes
- The performance management

The strategy link represents process integration; in other words, knowledge management strategy is treated as an integral part of the corporate strategy management process. The other two links at process and performance management represent feedback loops emphasising the dynamic aspects of business management.



## **Strategic Knowledge Management Solutions**

INLECOM's Strategic Knowledge Management Solutions consist of leading edge consultancy services coupled with the kBOS methodology and support technology aimed to provide clients unique capabilities and long-term value.

### **Strategic Knowledge Management Consultancy**

Our consultancy services follow the approach defined earlier with the following distinct packages:

- Knowledge oriented Strategy Formulation
  - Definition of knowledge view of the company
  - Knowledge oriented competitive positioning
  - Maturity assessment
  - Optimisation with respect to knowledge criteria
- Development of Knowledge Management capabilities
  - Architectural framework
  - Technological infrastructure specification
- Development of strategic knowledge capabilities for sustainable competitive advantage
  - Definition / customisation of the development process for specific knowledge capabilities;
  - Identification of required information sources.

### **Strategic Knowledge Management Capabilities – kBOS Platform**

Strategic Knowledge Management infrastructure based on the kBOS platform and specialist tools. Typical facilities include:

- ontologies automation tools;
- Intelligent Information agents;
- Process reconfiguration and integration tools;
- Specialist knowledge development support;
- Web services management for integration purposes.

### **Development of custom built Knowledge Capabilities**

- Development of ontologies for specific subject areas;
- Customisation according specifications produced in the strategic analysis phase ;
- Measurement and reporting applications;
- Integration adaptors.