Knowledge Management Overview
# Knowledge Management Overview

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About Knowledge Management

Knowledge Management (KM) has been around since business began, but has only recently been labelled.\(^1\) Based on a dictionary definition (Oxford Concise Dictionary) knowledge is “familiarity gained by experience”. It can be viewed as know-how and as Collison and Parcell (2004, 23) point out,

“It’s more than know-how – it’s know-why, know-what, know-who, know-where and know-when.”\(^2\)

The traditional definition of knowledge as ‘justified true belief’ is based on traditional Western epistemology (the theory of knowledge) where truthfulness is an essential attribute of knowledge. However this fails to address the relative, dynamic and humanistic dimensions of knowledge.\(^3\) Knowledge is dynamic as it is created in social interactions amongst individuals and organisations and it is context-specific as it depends on a particular time and space.\(^4\)

Information becomes knowledge when it is interpreted by individuals and placed in context based on their beliefs and commitments. It is relational since it is in the eye of the beholder. If this is true, then one definition of KM might be that: knowledge is a dynamic, human process of justifying personal belief toward the ‘truth’.\(^5\)

It is over a decade since Tofler (1990) wrote that we are now living in a ‘knowledge-based society’, where knowledge is the source of the highest quality power.\(^6\) In a world of rapid change (to markets, products and technologies) knowledge feeds continuous innovation and as such is a source of sustainable competitive advantage.\(^7\) This implies that an organisation must continuously create knowledge and therefore it must have a means to do this in a manageable way.

Organisations need to be more than ‘information processing machines’ and therefore it is important to distinguish between information management and knowledge management. The latter implies doing more than using information to solve problems and achieve objectives. It suggests the organisation must be able to create and define problems, develop and apply new knowledge to solve problems and then further develop new knowledge through the action of problem solving (Cyert and March, 1963).

There are numerous definitions of KM and these include:-

“Knowledge Management is the process of applying a systematic approach to the capture, structure, management and dissemination of knowledge throughout an

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\(^1\) Jerry Ash  
organisation in order to work faster, reuse best practices, and reduce costly rework from project to project.”  

“It is the deliberate and systematic coordination of an organization’s people, technology, processes and organizational structure in order to add value through reuse and innovation. This coordination is achieved through creating, sharing and applying knowledge as well as through feeding the valuable lessons learned and best practices into corporate memory in order to foster continued organizational learning.”

“Knowledge Management is identifying, organising, transferring and using the information and knowledge, both personal and institutional, within the organisation to support strategic objectives.”

Collison and Parcell go on to explain that,

“Despite the term being something of an oxymoron, we used the term knowledge management to describe the area in which we are working. Some people have taken issue with us over the term and somehow feel threatened by our control of their knowledge.”

They conclude that this is important because, ‘the wrong words can get in the way’. In Learning to Fly the authors make reference to knowledge management being like herding cats. This metaphor was used by Bennis to illustrate that cats won’t be herded. He goes on to say that the most successful organisations in the 21st century won’t be managed—they’ll be led. When thinking about KM, Collison and Parcell’s conclusion was the same, “You can’t manage knowledge – nobody can.” They settle for the idea that,

“what you can do is to manage the environment in which knowledge can be created, discovered, captured, shared, distilled, validated, transferred, adopted, adapted and applied”.

Despite a great deal of writing about the value of KM and its contribution to competitive advantage, there is as yet no strong evidence that organisations realise the true power of this process. Many organisations, appear to have grown comfortable with other management concepts such as ‘quality’ and what this means in practice. They quite readily embrace popularised tools and models like Investors in People and Business Excellence (EFQM) with a degree of common understanding. However, there still appears to be uncertainty and vagueness about KM.

In some ways this is to be expected because whereas strategic management of marketing, production, finance and human resources is readily accepted, KM is a relatively new concept and a horizontal process that runs across and through all other management functions. This does not take away from knowledge being seen as a strategic resource.

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8 Nonaka & Takeuchi, 1995; Pasternack and Viscio, 1998; Pfeiffer & Sutton, 1999; Ruggels and Holtshouse, 1999
9 Dalkir, Kimiz (2005) Knowledge Management in Theory and Practice
10 Swiss Re Group
12 Bennis, W. (1999) Managing People is Like Herding Cats, Executive Excellence
Knowledge is arguably an indispensable strategic resource for any organisation or any human activity in that, knowledge is a prerequisite for utilising any other resource; there is not another resource in existence that does not require some form of knowledge for its use.\textsuperscript{13} KM is not so much the glue that holds everything together as it is the essential oil that helps an organisation to function cohesively (see Figure 1). Figure 1 Knowledge Management as Essential Oil

\begin{figure}[h]
\centering
\includegraphics[width=0.5\textwidth]{knowledge_management_diagram.png}
\caption{Knowledge Management as Essential Oil}
\end{figure}

\section*{Explicit and Tacit Knowledge}

KM offers information in what is considered or termed ‘explicit knowledge’. This can be expressed in formal and systematic language and shared in the form of data, specifications, and manuals and so on. It can be processed, transmitted and stored relatively easily. It is ‘in the hand’.

Another type of knowledge is tacit knowledge. It can be said to be ‘in the head’. It is highly personal and hard to formalise. It includes subjective insights and intuition based on experience and expertise. It is deeply rooted in procedures, routines, commitment, values and emotions.\textsuperscript{14} Whilst many organisations may be well off in explicit knowledge, they may be vastly more wealthy in tacit knowledge that is held in ‘secure vaults’ and is underutilised as an asset.

Both these types of knowledge are complementary and both are essential to knowledge creation. Explicit knowledge without tacit insight quickly loses its meaning. This implies that human interaction is needed between members of an organisation and the environment if knowledge is to be created, distilled, shared, understood and utilised as an asset. This is one of the key KM challenges for many organisations.

\begin{figure}[h]
\centering
\includegraphics[width=0.5\textwidth]{explicit_tacit_knowledge_diagram.png}
\caption{Explicit and Tacit Knowledge}
\end{figure}

\textsuperscript{13} Comment taken from University of Ulster course notes distributed in Feb 06
The concept of ‘knowledge assets’ is a powerful one since it gives tangible effect to the value of knowledge. Knowledge assets are the inputs, outputs and moderating factors of the knowledge-creating process. In practical terms they might be categorised as illustrated in Figure 2 below.

**Figure 2 Categories of Knowledge Assets**

<table>
<thead>
<tr>
<th>Categories of Knowledge Assets</th>
<th>Examples</th>
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<tbody>
<tr>
<td>Experiential</td>
<td>Tacit knowledge such as skills and know-how</td>
</tr>
<tr>
<td>Conceptual</td>
<td>Product concepts and design</td>
</tr>
<tr>
<td>Routine</td>
<td>Organisational routines and practices</td>
</tr>
<tr>
<td>Systematic</td>
<td>Documents, databases and patents</td>
</tr>
</tbody>
</table>

In Learning to Fly, Collison and Parcell have produced an interesting model, ‘ten steps for creating a knowledge asset’ (p 237), which they say has been tried and tested in some of BPs most critical knowledge areas.

In an interesting critique of Nonaka and Takeuchi’s interpretation of tacit knowledge (as knowledge-not-yet-articulated) Tsoukas argues that explicit and tacit knowledge are not two ends of a continuum, rather, they are two sides of the same coin in that even the most explicit type of knowledge is always underlain by tacit knowledge. Using this approach, new knowledge comes about not when the tacit becomes explicit, but when our skilled performance is punctuated in new ways through social interaction (Tsoukas, 2001).

**Importance of Knowledge Management**

Pressure to follow the KM fashion has an important influence on information technology expenditure and has given rise to new job titles such as ‘Chief Knowledge Officer (CKO)’. The recent increase in academic literature seeking to make sense of KM terrain and its messages for practitioners has matured into practical ‘how to’ books and CDs (Collison and Parcell, 2004) and handbooks (Choo and Bontis, 2002; Easterby-Smith and Lyles, 2003; Holsapple, 2003).

Even with the body of literature beginning to emerge, there is much more to be learned about how to implement KM initiatives. Initiatives often fail and John Storey and Elizabeth Barnett who won the Journal of Knowledge Management’s ‘Best Paper of the Year Award’ claim,

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“A significant proportion of such initiatives will fail. Charles Lucifer, the first chief knowledge officer Booz-Allen and Hamilton, suggests that 84 per cent of all KM programmes will fail to have any real impact”\(^{16}\)

It does not help then that at least one respected journal (the Economist) sees KM as just another ‘lightweight management fad’ and indeed this is echoed by Brown and Duguid,

“Certainly much about knowledge’s recent rise to prominence has the appearance of faddishness and evangelism. Look in much of the literature of the late 1990s and you could easily believe that faltering business plans need only embrace knowledge to be saved. While it is often hard to tell what this embracing involves, buying more information technology seems a key indulgence”\(^{17}\)

Based on the idea that KM is an essential oil (see Figure 1, above) then it follows that KM is a helpful addition to and not a substitute for all of the core management competencies required to make the organisation successful.

In the fast changing world of management fashion, the symbolism of fads such as business process reengineering, quality circles and management by objectives seems to have become associated with past eras. In contrast the knowledge fashion is double edged: it combines the capacity to integrate thoroughly positive connotations associated with the word ‘knowledge’ (the fashion element of its brand image).

The range of initiatives on offer can be driven by management fads made popular by the media but these may not necessarily be appropriate to a given circumstance. Birkin points out that the effects of adopting management fads can be negative in that they might\(^{18}\):

- distract from that which is important
- provide false hope
- misdirect efforts
- cause failure to improve real management competencies.

There is a question mark over the enduring nature of KM as a mainstream source of competitive advantage although as Kluge et al point out,

“After eras dominated by land, labour and capital, a fourth era, the era of knowledge, is dawning…Knowledge Management may be difficult for hardened business professionals to approach. But successful and ambitious executives must wrestle with it in order to conquer the new world.”\(^{19}\)


\(^{18}\) Birkin, M A., Building the Integrated Company, 2000

Knowledge management and the emerging technology that supports it allows a group of people, scattered around the globe, who have never met to create a product or service which is to be sold to people they never see. Indeed, most people, in the most advanced economies, produce nothing that can be weighed: communications, software, advertising, financial services. They trade, write, design, talk, spin and create: rarely do they make anything. The assets they work with are just as ephemeral as their output.\(^{20}\)

“KM should become part of everything an organisation does, and be part of everyone’s job. If companies are successful in managing knowledge they may even forget they are doing it.”\(^{21}\)

This reinforces the view that KM is the essential oil that aids the flow of the component and interrelated parts of the organisation as they work seamlessly together. It is such a powerful latent resource that it prompted Lew Platt (Hewlett-Packard) to claim:

“If Hewlett-Packard knew what Hewlett-Packard knows, we would be three times as profitable”\(^{22}\)

**Implementing Knowledge Management**

Part of being clear about the right KM initiative, for the right circumstances and at the right time, is about having the right leadership. Indeed one of the critical success factors for driving management initiatives, identified by Porter and Tanner (2004) in regard to quality initiatives, is strong leadership and manager involvement.

This is also true of KM initiatives and to paraphrase Deming (1982) in his assessment of the essential ingredients of a successful quality initiative, “Knowledge management is everyone’s responsibility”.

One of the key building blocks or pillars\(^{23}\) of a successful knowledge management initiative is leadership from the top. If it is not taken seriously at that level then it is likely to be in the 84% category (of failed KM initiatives) referred to above.

“Acting as a CKO, the Chief Executive Officer must install and implement rules that enable the application, distribution, and cultivation of knowledge. And by setting the example, the chief executive officer makes it difficult for anyone in the company to shirk their part of the KM initiative.”\(^{24}\)

The involvement of people in the continuous improvement and innovation process is, according to Porter and Tanner (2004), a fundamental theme that runs through all quality improvement, process improvement and excellence approaches. This is no less important for KM. Indeed a key finding from Storey and Barnett’s study is that KM must be ‘people-driven’.

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\(^{22}\) Lew Platt, former CEO, Hewlett-Packard

\(^{23}\) Knowledge Management Competencies and the Pillars of Knowledge Management are the copyright of ELWa and are reproduced here for illustration in Appendix 1 and 2)

Although the focus of this paper is on the discipline of knowledge management it is important to recognise that it must be placed in the context of a well-defined and balanced strategy. Indeed as David Norton puts it, “Managing strategy is, in essence, managing change”. This can be interpreted as needing to have competence in both the hard side (strategy maps, technology, systems, data bases and measures) and the soft side (leadership, culture, sharing knowledge and team working) of strategic management.

KM must be made manageable and tangible if it is to be seen as a useful and relevant strategic resource with practical application, delivering real benefits for organisations. The best way to do this is to continue to develop useful tools that bridge the gap between theory and practice. There is good evidence that this is happening and awareness of tools such as networking, knowledge directories, CRM, communities of practice, peer assists and so on is growing. This is fuelled by investment in KM in larger companies (e.g. BP and the World Bank) and the dissemination of their experience through publications and guided practice.

What is critical in regard to gaining acceptance for KM is to incorporate measures that demonstrate the value added through knowledge management. The ultimate aim of a performance management system is to improve the performance of the organisation – and there is evidence to show that it works. Research has shown that measure-managed businesses are considered industry leaders, gain higher financial returns and are more adept at managing change.

There are many different measures of performance in organisations. Businesses might use: profitability; turnover; return on investment; net worth; cash flow; customer satisfaction; employee retention; sales or transactions per employee etc. Hudson (2002, p180) refers to these as a ‘basket of measures’ that give an indication of performance on all the dimensions that are critical to the organisation’s future. Critically and especially in regard to public and third sector organisations, he states that indicators have to be chosen to suit each organisation.

However, measuring the performance of an organisation-wide knowledge sharing programme is difficult and ambiguous. We need a set of measures (or metrics) for measuring progress against a knowledge sharing programme and the return on investment it generates. Measures will enable the programme to be evaluated. Some examples of measures are suggested in Figure 3 below.

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25 Norton, David P., Jan-Feb 2002 Managing Strategy is Managing Change, Balanced Scorecard, Harvard business School Publishing/Balanced Scorecard Collaborative Vol 4, Number 1,
## Figure 3 Examples of Measures for Knowledge Management

<table>
<thead>
<tr>
<th>Source of Measures</th>
<th>Examples of Measures to be Used</th>
</tr>
</thead>
</table>
| **Inputs**         | - Budget deployment for KM  
                     | - Recruitment of KM staff  
                     | - Activities – e.g. the number of help desks, communities of practice, on-line collections available. |
| **Outputs**        | - No. of questions satisfactorily answered by helpdesks  
                     | - No. of page equivalents downloaded from web  
                     | - No. of knowledge databases  
                     | - Usage of electronic tools  
                     | - No. Communities of Practice (CoP)  
                     | - No. people involved in CoP  
                     | - Lending cycle times  
                     | - Quality of service |
| **Outcomes**       | - Lower cost of problem solving  
                     | - Reduced costs  
                     | - Increased profit  
                     | - Staff and client perceptions/satisfaction  
                     | - Improved decision making  
                     | - Cross departmental working  
                     | - Continuous innovation |
| **Impact**         | - New innovations to market  
                     | - Added profit or social return on investment  
                     | - Customer retention/referrals  
                     | - Stakeholder satisfaction and investment |
In the world of KM the causal relationships between inputs, outputs, outcomes and impact remain, at best, unclear. As Einstein famously stated,

“Everything that counts cannot necessarily be counted and everything that can be counted does not necessarily count”.  

A McKinsey survey on KM concluded that quantifying the benefits of knowledge was problematic and unresolved. The report stated that,

“Everyone recognizes that knowledge is not readily quantifiable. It has no line on a balance sheet, and we even lack the vocabulary to describe a quantity of knowledge, reverting to nuggets, chunks, pieces, and more generically still, amounts.”

The big question still remains. Knowledge may be important but in what sense can it really be managed? This raises issues about what type of interventions are appropriate and how can they be implemented effectively. A key finding from research is that KM must be people-driven and not rooted in IT systems. This again implies the need for inspired leadership rather than systematic processing.

“The mere presence of technology won’t create a learning organisation, a meritocracy or a knowledge-creating company (Davenport and Prusal, 1998).

• If an organisation is to avoid failure in its KM initiative it will have to avoid or at least be mindful of four main problems identified from the literature (Lucier and Torillera, 1997; Ruggles, 1998; Scarbrough et al., 1998; Scarborough and Swan, 1999):

  • An insufficiently specific business objective. Instead companies launching KM initiatives tend towards more general aspirations such as ‘sharing best practice’

  • Incomplete programme architecture that fails to build on the linked dynamics of organisational change and learning

  • An insufficient focus on one or two strategic business priorities

  • Top management sponsorship without active ongoing involvement.

This realisation of the causes of failure leads Storey and Barnett to list six concrete lessons to be learned if the risk of failure is to be minimised:-

  ❖ Listen carefully to the expectations, wants and agendas of all stakeholder groups

  ❖ Check continuously that top management is supporting and actively engaged in a very obvious way

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27 Impact is defined here as the difference between the outcomes achieved and what would have happened anyway without the intervention
28 Albert Einstein, Nobel Prize for Physics in 1921
- Be alert to the potential of differences in approach and a power struggle between knowledge management and IT-driven information management
- Ensure that the purpose, reason and benefits of the initiative are understood by all those who will be expected to behave differently and do new things
- Ensure clear understanding and commitment to change so that when things go wrong, people do not revert to old and comfortable ways
- People must be open to innovation both in how they share knowledge and how this new knowledge will impact on service delivery.

Based on work undertaken at the World Bank, there are eight pillars of knowledge sharing\textsuperscript{31} that organisations might take into account to optimise the chances of success:-

- Define a clear strategy
- Keep the central KM unit small
- Provide a budget to allow communities to function
- Support the development of communities of practice
- Keep IT user-friendly and responsive
- Communicate the values of knowledge sharing
- Introduce new incentives to accelerate the required culture shift
- Develop a set of metrics to measure progress.

Traditional financial statements do not normally show the loss of intellectual capital and knowledge value. However, research undertaken by KPMG indicates that after losing employees (and their tacit knowledge) 43\% of organisations experienced damage to main customer relationships, 50\% had lost knowledge of best practices information, and 10\% had lost significant income (Warren, 1999).\textsuperscript{32}

The central paradox in doing this is that people learn best by doing and yet it implies some element of constantly reinventing the wheel, which is inefficient. In research undertaken by Leonard and Swap (2004)\textsuperscript{33} they have discovered that this is best approached using knowledge coaches who are experts willing to share their experience-based expertise. Their conclusion that active learning should incorporate guided experimentation ties in with the idea of continuous innovation mentioned earlier.

\textsuperscript{31} Pommier, M.J.L. Senior Advisor, Network Operations & Knowledge Sharing Programme, the World Bank.
Knowledge Transfer

There are a range of ways to transfer knowledge within an organisation and because tacit knowledge is associated with largely uncoded know-how and know-who we know it can be difficult to achieve the learning needed to enable and empower others. The real trick is to get the ‘deep smarts’ (those people with an extensive experience repertoire) to transfer knowledge and according to Leonard and Swap this requires practice, observation, problem solving and experimentation to be effective.

It will require a variety of approaches as illustrated in Figure 4 overleaf with learning by doing or active learning being the most effective transfer technique for acquiring tacit knowledge from a ‘deep smart’.

Figure 4 Moving Towards Transferred Tacit Knowledge

This transfer of knowledge is linked to the notion of ‘institutional or organisational memory’. We need to ensure that knowledge is not lost as people move and as organisations get restructured. More broadly, we need to plan how successive employee generations access and contribute to organisational culture, heritage, capabilities and organisational identity. A common misconception is that this is primarily records, database or archive-based. It is not. It is more concerned with people, processes, organisational ecology, structures and achievements, as well as archives. Story telling and organisational folklore play a significant role in organisational memory. This latter technique is one well suited to the culture of many modern enterprises but it is still low on the active learning scale (see Figure 4, above) and therefore new ways are needed to enhance knowledge transfer.

Knowledge Audit

One of the starting points for the strategy will be to undertake a knowledge audit. This will be to define the core information and knowledge needs in the organisation. It is also intended to identify gaps, duplications and flows and how these contribute to objectives (Dalkir, 2005, 253). This will identify owners, users, uses and key attributes of core knowledge assets. Willard (1993) points to five key activities associated with a knowledge audit based on the principles of information resources management:-

- Identification of information
- Ownership
- Cost and value (of purchase and use of information)
- Development (to increase value and use)
- Exploitation (potential value creation).
Knowledge management auditing is the first step in a KM initiative because it serves to list knowledge resources and can lead to quick wins in the areas of reuse and innovation. The danger of not doing this is that,

“Organisational amnesia is a risk when no systematic approach has been applied in creating organisational memory systems”

The model in Figure 5 below summarises an approach to a knowledge audit. It is a knowledge loop which has the added dimension of measurement and communication which will integrate KM into the mainstream performance management system of an organisation and allow for review and reflection at key stages.

Figure 5 Approach to Knowledge Audit

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34 Dalkir, Kimiz (2005) “Knowledge Management in Theory and Practice” Butterworth Heinemann
Knowledge Management Action Plan: Making it Happen

Changing the culture, practices and behaviours of an organisation is not easy and continuous innovation as part of a KM initiative means change.

Across sectors, as in private enterprise where most studies have focused, the success of transitional and transformational change is highly dependent on following a series of core stages (Hudson 2002) These are based on Kotter’s\textsuperscript{35} eight-stage approach and include the following elements:-

- Clarify the scope and scale of the proposed change initiative
- Establish a change team
- Prepare a diagnosis of the problem
- Build a strong commitment to the need for change and listen to concerns
- Develop a motivating vision
- Plan and communicate extensively
- Implement by empowering people to take actions
- Incorporate change into the culture of the organisation.

All of the literature on change emphasises the need to account for the needs of people in the change process.

“Change, whether in products, services, market strategies, technological processes or work practices, are designed and implemented not by machines, but by people.” (Kanter 1984)

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<table>
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<tr>
<th>Knowledge Management Competencies</th>
<th>Description</th>
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<tr>
<td>Knowledge Incorporation</td>
<td>Absorption and integration of knowledge from inside and outside the organisation including; published materials, use of consultants, incorporating knowledge and value from the formal training and education of existing staff and the incorporation of knowledge from recruited/new staff, partners and stakeholders. Incorporation covers the operationalisation and formalisation of knowledge as practices and routines. This competency ensures knowledge supply and partially underpins the capability to meet new challenges.</td>
</tr>
<tr>
<td>Knowledge Creation</td>
<td>The creation of new knowledge and improvement of existing knowledge through learning that involves critical reflection, questioning assumptions, testing applicability and the development of good and best practices. Knowledge creation implies a transformative process where positive change and improved performance are the result. This competency underpins the capability to meet new challenges and improve existing ways of doing things.</td>
</tr>
<tr>
<td>Knowledge Sharing</td>
<td>This is the ability of the organisation to disseminate useful knowledge through knowledge promotion, pre-packaging knowledge for ease of (re)use, making available learning devices and enabling social learning between peers. This competency relies heavily on communication and underpins the ability of the organisation to cooperate, reduce duplication, operate efficiently and organise its activities.</td>
</tr>
<tr>
<td>Knowledge Exploitation</td>
<td>At a basic level this is the ability of the organisation to use and reuse knowledge across functions and business boundaries. This implies the transformation of knowledge into value for the individual and organisation, which can lead to best practice, new, or improved processes, more effective delivery of business objectives, improved relationships with partners, stakeholders and the public. This competency underpins all other organisational competencies and capabilities in that, in order for an individual or organisation to achieve anything, it must exploit knowledge.</td>
</tr>
<tr>
<td>Knowledge Retention</td>
<td>Encompasses the ability to prevent knowledge leakage in routine activities, which is normally a result of not making lessons learned explicit and sharing them beyond immediate context which produced the knowledge. It also addresses the capture and harnessing of important knowledge prior to employees leaving or changing roles and the ability of an organisation to retain valuable knowledge and expertise in the form of people and talent retention.</td>
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Appendix 2  Five KM Disciplines

Key: OD: Organisational Development  HRM: Human Resources Management

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