Editorial Preface

Consultants and Knowledge Management

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Viewing the consulting process through a knowledge management lens shows explanatory promise. The discussion following seeks to instantiate various knowledge-related concepts through reference to the consulting ERP-support-practice. First, the global character, dynamism and importance of the consulting sector are demonstrated.

THE INCREASINGLY GLOBAL NATURE OF MANAGEMENT CONSULTING

Hoeksema and de Jong (2001) observe that “In the field of consulting there is a tendency towards bigger international assignments where information technology plays an important role. This combination of an increase in scale and the need for e-business solutions worldwide makes the issue of international coordination particularly important” (p.151). A major challenge Hoeksema and de Jong (2001) identify from their case study of PricewaterhouseCoopers (prior to their merger with IBM) is how to achieve the required level of international coordination of the efforts of 160,000 people worldwide without compromising responsiveness on a local scale in over 150 countries. Human resource management in general and management development in particular play an important role. “A major investment is made in the development of the consultants, despite the acknowledged fact that most will leave the organization after only a few years. PwC uses a global framework of core competences as the key instrument in its development plan and every consultant is profiled according to it” (Hoeksema & de Jong, 2001:145). “Investing in management development policy is not just a means to achieve international coordination, but also part of the psychological contract with the talented individuals” (p.151).

PwC aims to be an Employer of Choice. The only way to achieve this aim is to be able to recruit, develop and retain top talent. This requires that such talented individuals be provided with development opportunities that amount to something and with the resources to shape their own careers. For this purpose, the PwC Global Capability Framework (GCF) was developed as a key instrument. On the one hand, the objective of GCF is to achieve international coordination by means of a (standardized) instrument to describe the competencies (knowledge, skills and experience) of the consultants. On the other hand, GCF aims to provide a tool with which individual persons can shape and direct their careers. Clients can be served internationally by the appropriate consultants, while the consultants do exactly the kind of work that fits in with their preferred career strategy and development path, in line, as described above, with their personal ambitions” (p.152). IBM will now be obliged to coordinate the activities of this large international force of management consultants and to build on the processes established by PwC to support globalised services while retaining local responsiveness.

In the face of dramatic recent disruptions and shifts (e.g., Enron, S11, post-Y2K-peak), management consulting firms face complex and important issues in managing their knowledge resources. Mergers create problems of combining and reconciling knowledge resources. Downsizing can result in dramatic knowledge drains. Talented knowledge workers demand continual development and stimulation. New technologies demand new implementation approaches and tools. With clients increasingly
focussing on their own knowledge strategies, it is necessary for consultants to accommodate this by placing greater emphasis on the consultant role as knowledge sourcer or mediator. An increasingly competitive marketplace and more discriminating clients require of consulting firms the capacity to improve leverage of knowledge assets.

The discussion following explores the role of knowledge management in consulting firms. Various knowledge-related concepts are instantiated through reference to the consulting ERP-support-practice. Regardless of this emphasis, it is believed that notions explored herein have broad relevance to any consulting practice area.

KNOWLEDGE MANAGEMENT IN CONSULTING FIRMS

Knowledge can be un-codified/tacit or codified/explicit (Polyani, 1958; Nonaka & Takeuchi, 1995). Codified knowledge can be transmitted in formal systematic language. Uncodified knowledge is more personal, difficult to communicate, rooted in action and experience, and resides within the minds of people (Polyani, 1958; Nonaka, 1994). Codified knowledge is faster to transfer, thereby providing economic benefits from re-use. Uncodified knowledge is slower to transfer and requires face-to-face or other rich communication mediums. Consulting firms codify as much computer system implementation experience as possible to provide more efficient implementations for their clients and to improve the retention effectiveness and recall efficiency of their knowledge base.

The consulting sector, and in particular the larger firms, are among the most knowledge intensive. Being “knowledge organisations,” not surprisingly several of these firms are already highly active in knowledge management, going to great lengths and expense to capture and codify ERP knowledge in order to achieve a comparative advantage and to leverage their costly people. In the early ’90s, Ernst & Young initiated a knowledge strategy whereby it captures and leverages knowledge from consulting engagements. E&Y’s strategy was to use knowledge to speed up the process of providing consulting solutions to clients. Centres were established to explicate consultants’ knowledge into standard methodologies, and to record and refine experiences from consulting assignments (Davenport, 1997).

Coopers and Lybrand, Price Waterhouse (now PriceWaterhouseCoopers) and KPMG also adopted similar strategies, creating methodologies, recording engagement experiences and making this knowledge accessible to their practice worldwide using technologies such as Lotus Notes. In addition, un-codified knowledge transfer is facilitated through telephone and e-mail access to experienced consultants, and the rise of specialised internal practice networks, i.e., a community of common interest, consisting of professionals or other shared interest groups from across lines of business who come together to informally address business issues. This ability to source knowledge quickly within the firm is a basis for the consultants’ competitive advantage. Dash (1997 in Im & Hars, 1998) defined knowledge management as “an attempt to put processes in place that capture and reuse an organisation’s knowledge so it can be applied to generate revenue.” The generation, codification, transfer and use of ERP implementation knowledge by large consulting firms conforms to this particular definition.

Clients pay, not only for access to codified knowledge, but also for access to the un-codified knowledge tacitly held by the consultant’s staff. Consulting firms can attract good people with ERP knowledge away from client firms by offering them more money and more diverse or challenging experiences that make them increasingly marketable. This valuable and scarce ERP knowledge can be leveraged across multiple implementations. In a marketplace where demand outstrips supply, thereby forcing the price of ERP knowledge higher, it can be uneconomic for a client to retain this knowledge in-house to support a single ERP implementation.

HOW CONSULTANTS STORE ERP KNOWLEDGE

Consultants have sought means of leveraging their knowledge by storing it in ‘reposito-
ries’ or ‘reservoirs’ that can be drawn from in the future. By storing knowledge, consulting firms can leverage their limited people resources, expedite projects and reduce the negative effects of ‘knowledge drain.’

Four key means by which consultants have sought to store knowledge relating to ERP are: software templates, methodologies, configurable electronic knowledge repositories, and education and training materials. Note that the term ‘knowledge reservoir’ is used very loosely here to refer to virtually all forms of codified knowledge not encompassed by the other three types of knowledge store. For example, knowledge reservoir as used herein refers to such things as a consulting firm’s Lotus Notes case-base, client system documentation, past client files, consultants’ notes, and other research and knowledge sourced externally. It is further noted that the four categories of knowledge reservoirs may not be entirely mutually exclusive. The knowledge repository may overlap with education and training materials, and other useful linkages and integration between knowledge types are becoming increasingly possible. Though in this section we have focused on codified knowledge, we recognise that people, i.e., the consulting staff, are important stores of un-captured, un-codified ERP knowledge.

Consultants use several techniques to guide client knowledge sourcing during an ERP implementation. It is important to note that the consulting team ‘source’ the various types of knowledge from their knowledge base of software templates, methodologies, configurable electronic knowledge repositories, and education and training materials. The consultants combine these codified knowledge stores with their tacitly held experience reserves to guide the client’s knowledge sourcing strategy.

KNOWLEDGE SOURCING AND CONSULTANTS

Consulting firms can also be facilitators of clients’ ERP knowledge creation and discovery. Their ability to help a firm implement an ERP stems not only from their technical expertise in the ERP system but also their ability to ‘facilitate’ the client’s knowledge sourcing strategy. Consulting firms use techniques such as guided learning, formal training and knowledge creation activities to direct clients to the necessary knowledge required for a successful implementation. This guidance saves the client considerable time and effort in knowledge search costs.

Consulting firms, therefore, must themselves develop a sophisticated knowledge sourcing strategy to support their efforts in facilitating their clients’ knowledge sourcing activities in achieving an effective implementation outcome. Not only do they require sophisticated implementation knowledge repositories but they also require the expertise in applying these repositories to meet their clients’ business objectives. To provide perceived value to the client, their knowledge sourcing capability in the ERP implementation knowledge domain must be superior to the client’s capability. Consulting organisations combine their knowledge reservoirs with sophisticated internal knowledge management and staff expertise and know-how to achieve this superiority.

SUMMARY

This editorial has argued the continuing importance of the international management consulting sector, even in the face of major disruptions and shifts. It was suggested that this dynamism demands closer attention to the management of knowledge resources by consultants, both for themselves and for their clients. The knowledge-intensity of management consulting and systems integration services was highlighted, suggesting value in a knowledge-management perspective. This view on IT services and the IT services marketplace shows strong promise in explaining the adaptive positioning of management consulting firms in the current dynamic environment. Broad questions implicit in the above discussion include:

Q: How can management consulting firms employ knowledge-management (KM) principles to position themselves to succeed in the current difficult environment?

Q: What KM-related benefits might derive from strategic alliances between ERP clients and
their implementation partners [consultants]? How might such alliances be characterised, e.g., quasi-virtual organisations? How might such alliances be facilitated?

Q: What insights can be gained from viewing the consulting and IT services processes and marketplace through a KM lens? What KM theory can be usefully brought to bear in this effort?

Q: What techniques are most effective in the transfer of appropriate knowledge and skills from external consultants to internal staff charged with long-term maximisation of benefits from ERP implementation?

Q: To what extent and in what ways should clients be involved in consultant engagements in order to ensure appropriate knowledge transfer? What mechanisms can consultants employ to effectively involve clients in engagements? What mechanisms might diffident consultants (consultants lacking confidence in themselves or their approach—sometimes with good reason) employ to preclude client involvement?

Q: What contingencies should influence client and consultant strategy for both client-to-consultant and consultant-to-client knowledge transfer?

Q: How might consultants package their KM capabilities and resources for sale to clients? What kinds of knowledge resources (e.g., knowledge of system, knowledge of culture, knowledge of political climate) should a consultant be acquiring and managing? How can these be usefully categorized?

Q: Does viewing the consulting practice through a KM lens provide an alternative framework for understanding the insourcing/outsourcing phenomenon currently observed in ERP management and maintenance?

Q: Is recognition and management of knowledge a practice widely adopted by many consulting firms or just large firms? What barriers hinder such practices (or what catalysts are encouraging such practices)?

ENDNOTES

1 Many of the ideas presented herein relate to several sub-studies being progressed under the umbrella project ‘Cooperative ERP Lifecycle Knowledge Management,’ an Australian Research Council-funded collaborative grant with SAP Australia (see Gable, Scott and Davenport, 1998), and were first broached by Gable (SAP 10-year Anniversary—Asia Pacific Senior Management Learning Day, theme: “ERP Knowledge Management,” hosted by: Les Hayman, President and CEO SAP Asia Pacific, 5 June 1999). Some of these ideas subsequently appeared in Timbrell and Gable (2001).

2 Though not an issue at the level of discussion in this paper, more are reading Polyani and finding Nonaka’s use of the terms ‘tacit’ and ‘explicit’ somewhat conflicting with Polyani’s original ‘un-codified’ and ‘codified.’

REFERENCES


