Chapter XXII

Knowledge Management at Arthur Andersen (Denmark): Building Assets in Real Time and in Virtual Space

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INTRODUCTION

“K = (P + I)S. This simple equation is the basis of our efforts to manage knowledge effectively and be competitive in the information age”, explained Jesper Jarlbaek, the Managing Partner of the Business Consulting Practice at Arthur Andersen Denmark. He continued:

“We see knowledge (K) as being captured by people’s (P) ability to exchange information (I) by utilizing technology (+), exponentially enhanced by the power of sharing (S). The power of this simple equation is tremendous. It is clear and it has universal appeal. When you explain it to someone, everything makes sense, everything falls in place!”

Andersen Worldwide S.C. is one of the world’s largest professional services organization with member firms operating from over 360 locations in 76 countries and comprising over 80,000 employees. Arthur Andersen (AA) is the business unit of Andersen Worldwide S.C. that provides audit, business and tax advisory and specialty consulting services.

An ability to organize and communicate knowledge seamlessly on a worldwide basis is viewed as the critical competitive factor in the auditing and consultancy tasks performed by AA (see Exhibit 1). Compounding the challenge is the realization that the global volume of knowledge is doubling every fifth year and is predicted to double every seventy-second day by the year 2020 (see Exhibit 2). AA, more than many other organizations, has long realized the importance of managing organizational knowledge effectively to be competitive in an ever-changing, intensely

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competitive information age. An internal document described the issues thus:
“Our objective is to develop and maintain our knowledge capital so that, as a company, we will command the greatest, best structured and most valuable knowledge capital in the knowledge society...Our unique strength lies in the fact that we have always worked with intensive knowledge sharing. Since Arthur Andersen’s origins in 1913, we have had centralized knowledge databases, to which employees all over the world have contributed Best Practices examples...Arthur Andersen was applying the science of the knowledge society long before the notions of information and knowledge societies were invented.”

The Danish offices of Arthur Andersen has developed a distinct competence in knowledge management which has been widely quoted and has been copied as an example of best practice in knowledge management within the larger AA organization. However, despite extended experience in knowledge sharing, the intricacies of managing knowledge in the information age were only starting to be understood. Jesper Jarlbaek continued:
“We thought we understood the equation, K = (P+I)S, but as we go forward we continually discover new issues, interpretations and problems inside the equation. We are finding that knowledge management is not simply a task of building technological systems or collecting information. Questions are raised about our entire organization and about how people relate to each other. Our journey has only begun!”

**A TECHNOLOGY PLATFORM FOR KNOWLEDGE SHARING**

AA Denmark (AADk) has always been a pioneer in the use of information technology (IT). Close links with AA technology groups in the USA and trusted partnerships with local suppliers in the Danish market have been key factors in AADk’s technology leadership. AADk has often been ahead of its suppliers, as Carsten Sorensen, the previous manager of IT for AADk, described it:
“Our permanent global PC network was created years ahead of other firms in Denmark. We set up our first stationary IBM PC in Denmark one year before they were being retailed by IBM Denmark. We put the first portable Compaq PCs into service two years before Company Denmark was started. When we began using CD ROM systems in Denmark, it was so new that we had to import CD ROM drives in order to be able to start using the new technology!”

The Business Systems Consulting (BSC) practice stream (comprising three consultants) was started within AADk in 1991. Initially, the focus of this stream was divided equally between consultancy services in computer risk management and PC-based applications. However, the focus soon shifted to groupware with the acquisition in early 1992 of a small company comprising five experts in networking and a fortuitous demonstration of Lotus Notes to Jesper Jarlbaek by another partner who was passing through Denmark. Jesper Jarlbaek elaborated:
“I was very impressed by Lotus Notes and recognized the tremendous impact it could have on both our business and those of our clients. Though