Chapter 18

Becoming Knowledge-Powered: Planning the Transformation

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In this article, Dave Pollard, Chief Knowledge Officer at Ernst & Young Canada since 1994, relates the award-winning process his firm has used, and which many of the corporations that have visited the Centre for Business Knowledge in Toronto are adapting for their own needs, to transform the company from a knowledge-hoarding to a knowledge-sharing enterprise. The article espouses a five-phase transformation process:

• Developing the Knowledge Future State Vision, Knowledge Strategy and Value Propositions
• Developing the Knowledge Architecture and Determining its Content
• Developing the Knowledge Infrastructure, Service Model and Network Support Mechanisms
• Developing a Knowledge Culture Transformation Program
• Leveraging Knowledge into Innovation

The author identifies possible strategies, leading practices, and pitfalls to avoid in each phase. He also explores the challenges involved in identifying and measuring intellectual capital, encouraging new knowledge creation, capturing human knowledge in structural form, and enabling virtual workgroup collaboration.

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KNOWLEDGE: DEFINITION, TYPES, AND EXAMPLES

Ask most business leaders if knowledge is important to their company’s future and they’ll say “yes” without hesitation. However most of these leaders can’t articulate why it’s so important, or how they plan to optimize their organization’s knowledge to competitive advantage. The purpose of “Planning the Transformation” is to help business leaders and knowledge officers answer these questions and start to implement the answers.

Our working definition of knowledge is any intangible resource of a business that helps its people do something better than they could do without it. Using the models developed by Hubert Saint-Onge\(^1\), Dr. Nonaka\(^2\) and others, we can say that an organization’s knowledge (i.e. its intellectual capital) consists of:

1. Tacit Knowledge (Human Capital)—the skills, competencies, know-how, and contextual knowledge in people’s heads
2. Explicit Knowledge (Structural Capital)—the knowledge that is captured or codified in the company’s knowledge-bases, tools, catalogues, directories, models, processes and systems
3. Customer Knowledge (Customer Capital)—the collective knowledge about, and of, the company’s customers, their people, their needs, buying habits etc.
4. Innovated Knowledge (Innovation Capital)—the collective knowledge about as-yet undeveloped or unexploited markets, technologies, products, and operating processes

As Dr. Nonaka\(^3\) has shown, knowledge creation is largely a result of the process of converting Tacit Knowledge to Explicit Knowledge (or to Cus-

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**Figure 1: Types of Knowledge**

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<thead>
<tr>
<th>Physical Capital</th>
<th>Financial Capital</th>
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<tbody>
<tr>
<td>Inventory &amp; Fixed Assets</td>
<td>Cash, Net Receivables and Investments</td>
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<table>
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<tr>
<th>Intellectual Capital</th>
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<tbody>
<tr>
<td>Human Capital (Tacit Knowledge) Competencies of Individuals and Teams</td>
</tr>
<tr>
<td>Structural Capital (Explicit Knowledge) Intelligence in Databases, Tools, Products &amp; Processes</td>
</tr>
<tr>
<td>Customer Capital Relationships with &amp; Solutions for Customers</td>
</tr>
<tr>
<td>Innovation Capital New Tools, Products, Processes, Solutions &amp; Customers</td>
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</tbody>
</table>

Knowledge Transfer:
-\(\text{Codification & Re-Use}\)
-\(\text{Learning & Sharing}\)
-\(\text{Application of Knowledge}\)
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