Everything starts with an e

Knowledge management focuses on future value rather than the quick buck of the dotcom stock frenzy, says David Green

In the 1980s 'E' was for additives. Today 'E' is for business. Denoting the application of internet technologies to business processes, the 'E' prefix is ubiquitous and indicative of the current ascendancy of technology.

When the IT bandwagon rolled into town, everyone decided to play along to the same tune. Like Laura in *The Glass Menagerie*, everyone from CEOs to government officials chanted the technology mantra to soothe their jangled nerves in today's hyper-competitive environment. Like the fragile glass creatures of Laura's collection, the arguments used to promote and defend the primacy of technology will eventually be shattered by the sobering hammer blow of experience.

It's often argued that technology is more than just an enabler. I agree. What I disagree with is today's technological taboo – that it mustn't be spoken about in anything other than hushed, reverential tones. In today's business world technology is seen as a panacea, and one that will also act as a boost to profitability and efficiency. This viewpoint is perhaps understandable when one considers the in-built short-term perspective of today's turbo-capitalism. Understandable, but incorrect.

Take the current internet stock frenzy. The recipe for success is quite straightforward: place your latest business idea in the oven until it's half-baked, remove and garnish with those all-important techno dotcom credentials, leave to cool until the first Tuesday of the month and you too could be playing 'Who wants to be an Internet millionaire?' Investors are rewarding entrepreneurs on the basis of increasing returns to scale – or so they think. In the networked society the greatest rewards will supposedly go to those who establish an early and strong control of information and economic hub points.

Yet these internet stocks flout some very basic economic fundamentals. While they have low start-up costs they have exponential marginal costs for growing the business. Despite costing millions to build, internet brands are proving fickle, supplanted by the latest brand on the block. Oh – and you know that its perfectly OK to rake up huge losses. Not so much new economy as new economics. 'ROI' could soon be an abbreviation for investors demanding to 'recoup our investment'.

So what has any of this got to do with knowledge management? Quite a lot. Fundamentally, the desired organisational outcome of KM is to be profitable and successful. Financial markets and private investors share the same desired outcome for the stocks they invest in. However, what they fail to realise is that, by fuelling the internet IPO tsunami, investors are cannibalising the ability of the internet stocks that they have invested in to be profitable. Combined with the crazy new economics, the current stock market looks like a pyramid scheme waiting to crash.

KM is different in that it focuses on future value, rather than short-term profit. Creating a successful knowledge environment takes time. Of the three dimensions in the KM matrix (people, processes and technology) the people factor is the most important. It is people who generate, interpret and apply knowledge: processes and technology are invalidated by the absence of people willing to use them.

Unless organisations psychologically reward the knowledge-sharing behaviours they are seeking to encourage, they will have succeeded only in wasting their technology investments. While structured data, well-designed web interfaces and intelligent agents can help an organisation 'know what it knows', they cannot prepare it for the flux that is the future. To be competitive, organisations need adaptability and agility and knowledge needs to be mobilised, not managed.

People interpret information and apply it to circumstances; people deliver ideas and innovation. Organisations need knowledge environments, not systems.

While the internet has fostered information awareness, the drive to the knowledge society will cultivate information literacy. Governments are investing in, and promoting, life-long education and learning among their populations. Organisations are training staff in knowledge-sharing and information-retrieval skills. However, these skills don't suddenly stop when the individual leaves their place of work or study.

David Green

In her address to the 1999 Annual Conference, the president of the Library Information Association of Australia & New Zealand described a broader knowledge-led society, preferring it to a more narrow knowledge economy. Quite right. She defined the knowledge-led society as 'each member of society having the right to access information in an equal way to facilitate informed decision making'.

While some may challenge the assertion to an 'information right', the driving mega-trends of the new economy (industry deregulation and convergence, information and communication technologies, globalisation and changing social attitudes) will make information and knowledge sharing skills *a priori* for success in the new economy, and information literate consumers will reshape business-to-consumer relationships.

While processes and technology can provide enabling frameworks, improve operational efficiency and enhance communication, they do not deliver the critical requirement for business success in today's environment: flexibility to adapt and generate new solutions to internal and external pressures.

If one follows the direction of this dialectic to its conclusion, it is clear that organisations need to adopt a longer-term viewpoint with people at the centre. They will need to develop and retain information literate staff. They must not be afraid of greater openness – to resist will result in confrontations with staff and loss of customers.

So don't be afraid to ignore the prevailing technological zeitgeist. In the future, I predict, everything will begin with a 'P' – for people.

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