

The TW Powell Company assists global companies to develop knowledge management programs, which includes assessing their knowledge infrastructures and leveraging intelligence into profitable results.

# Know

## WHAT YOU KNOW

“Companies manage their office supplies better than their information,” says Tim Powell, managing director of the New York-based TW Powell Company.

According to US investment bank Veronis Suhler, \$32 billion is spent annually on business information in the United States. On a global basis, the estimate exceeds \$100 billion—spent on databases, books, magazines, consulting reports, CDs, on-line providers, and other business resources. “The average company is in possession of more information than it knows what to do with,” Powell says. “But most of it is wasted.” Various studies estimate that 80-90% of purchased information is not used at all.

“Lou Platt, the chairman of Hewlett-Packard, is quoted as saying, ‘If we knew what we know, we’d be three times more profitable,’” notes Powell. Focused on the process of how companies analyze and utilize the information they have, Powell aims to use the information to drive profitable business decision-making. “People are not using the information that they have—it’s not being leveraged,” he says. “It’s not funneled to appropriate people in a timely way.” The key to utilizing information effectively is knowledge management. “It’s less a matter of buying more information than using what you have more effectively.”

Dow Chemical is a real-life example of how knowledge management works successfully. Reviewing the expense of maintaining its extensive number of patents, Dow Chemical saw an opportunity to leverage them more aggressively. A group of Dow executives, drawn from research and development, marketing, sales, finance, and other key departments, sorted the company’s patents into three simple categories: productive core technolo-



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gies with high value to the company, unproductive with little value to the company, and unproductive with potential value to the company. Those unproductive patents with little value were relinquished, saving Dow the expense of maintaining them. Dow then increased R&D, marketing, and licensing budgets and developed the patents with commercial potential. The decreased costs and increased revenues that resulted from the initiative netted a \$60 million first-year gain.

“A company’s information—or knowledge—encompasses the spectrum of intangible assets,” says Powell. “It is separate from land, equipment, and other hard assets.” Among the top industrial companies intangible assets make up an average of 62% of a company’s market capitalization, he says. It is high-



er at some companies. Microsoft's intangible assets, for example, represent nearly 80% of the company. Managing them becomes very important.

And just what constitutes knowledge? "There are four knowledge asset classes," says Powell. They include protected assets, such as trademarks, copyrights, and patents; purchased assets, such as databases, books, directories, and reports; process assets, such as transaction and operating data, customer lists, and proprietary software; and people, through their training, experience, contacts, and their gate-keeping role for other assets.

Although technology is a component of managing a company's knowledge, it is not the answer to it. "The technology now exists to cross time, space, and cultures," says Powell. "But often in the real world, technology doesn't even cross a company's divisions." Global companies often duplicate their efforts in different locations and divisions. However, by hiring chief knowledge officers, a variety of companies are beginning to implement knowledge management processes.

"The adoption of knowledge management requires a cultural shift in most companies," he says. People have an unconscious impulse to hoard information as a way of increasing their own value. "They need to have an incentive to contribute to the company's reservoir of knowledge. Microsoft has prospered by creating a culture of knowledge-sharing." Ironically, at Microsoft it is social business processes and practices, not technology, that play the key role.

\* Knowledge management begins with creating a network of people who look out for the information a company owns, realize its value, and pay attention to it," says Powell. Central information repositories are obvious solutions, but they generally don't work.

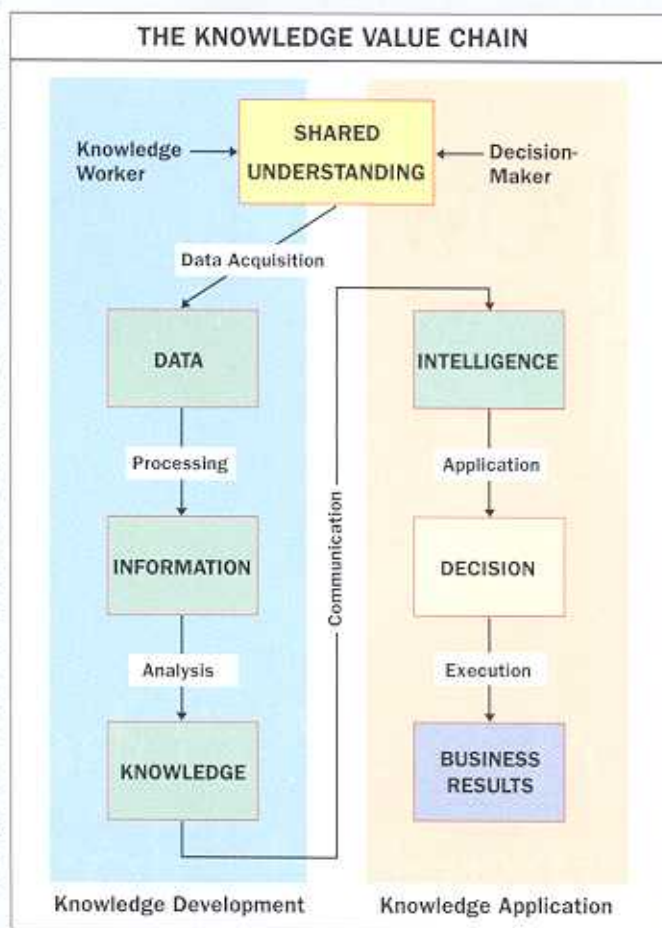
"People have a 'build it and they will come' attitude toward technology. But I've seen systems where either no one enters the necessary data, or data are not quality-controlled." Then there's the opposite problem: Good databases often get overloaded, and that slows performance and erodes their value. "What works best is a map or model index, rather than a master database," Powell says.

#### THE KNOWLEDGE VALUE CHAIN

Like manufacturing, information moves through stages to an ultimate business decision and result. "At each stage there is a mandate to add value to get to the next stage," says Powell. You start with a shared understanding between the analyst, researcher, or other knowledge worker, and the decision-maker, and through acquisition, you have data. Data are processed into information, which is analyzed, and becomes knowledge. After this point, knowledge

becomes applied: When the knowledge is communicated, it becomes intelligence. Intelligence applied to a business situation leads to a decision. The execution of the decision becomes a business result. This phase is managed by a decision-maker. Ideally, a chief knowledge officer oversees the entire process.

Powell works with global companies in a variety of industries to diagnose a company's knowledge process and infrastructure. Using a proprietary series of templates, the TW Powell Company builds a model of a company's knowledge processes. It also offers workshops and seminars in knowledge management. ■



**The knowledge value chain: How shared knowledge management turns data into business results.**

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