

While communities of practice have been the darling of the knowledge

management movement, the promise of radically improving the productivity of knowledge is even more exciting. There are two elements to this promise; improving the productivity of knowledge workers and improving the productivity of the knowledge assets that reside in the firm.



Knowledge Strategies

Most of the literature on knowledge assets has focused on calculating the value of the firm's knowledge. But what really matters is not the measure of knowledge. It is how to most effectively put knowledge to use. A knowledge strategy is the specific way a company optimizes the transformation of knowledge into a distinct competitive advantage. It is tied directly to the company's business and competitive strategy. Knowledge, particularly technical knowledge, plays an important role in most companies and many companies, such as research and professional service firms, have always had knowledge at their core. But companies frequently don't think through the specific logic – and subsequent organizational structures – of how to optimize that knowledge for competitive advantage. There are numerous knowledge strategies a company could follow. A few are listed here.

Exploit economies of knowledge

Economies of knowledge occur when a company can amass a large enough body of knowledge about a topic that it can do things with that knowledge that other companies simply cannot do. A large pharmaceutical company, for example, has created networks that compile and compare datasets from many different drug development programs. Using those datasets, the networks can see weak patterns of compound effects, too weak to see in smaller datasets. As a result, they can identify subtle potential development opportunities and safety problems. This gives them an economy of scale in knowledge. Smaller companies can only do this by joining consortia of competitors to collaboratively share those datasets. While

those consortia improve the quality of scientific analysis, they do not give any one company a competitive advantage.

To exploit economies of knowledge, a company needs specific organizational structures, including a strong set of cross-business unit networks to collect data from different operating units. These networks need enough legitimacy to influence organization. It also needs some processes for creating common data formats, common analytic methods, and sharing data among operating units.

Concentrate rare expertise

Companies concentrate expertise when they link experts tightly enough to deepens the company's overall understanding of their area of expertise. Generally this involves collocating experts so they can have extensive, spontaneous and rich face-to-face discussions, collaborate on projects, and use each other as sounding boards for their own thinking. An oil company, for example, created a center of expertise on a certain kind of legal agreements. By allowing the lawyers and contracts specialists the freedom to informally share their experience from around the globe and collaborate on developing these agreements, they were able to draw on a wide range of lessons learned, giving the company a competitive advantage with this type of agreement. Of course, concentrating expertise is only a competitive advantage if the expertise is genuinely rare. In today's world of hyper-connectivity, average expertise can easily be accessed by any knowledgeable professional. Concentrating expertise on common knowledge may save some staff costs, but it is not likely to contribute to a true competitive distinction.

As with creating economies of knowledge, concentrating expertise requires organizational structures and processes. Experts need to do more than share data and learning. Concentrating expertise generally involves forming an operating group that provides knowledge, analysis or services to the rest of the organization or directly to customers. While the concept of a "virtual center of expertise" is appealing, it is difficult to have the level of spontaneous and constant interaction virtually that is needed to truly deepen complex, cutting-edge knowledge. True competitively distinct centers of expertise are colocated. Designing centers of expertise includes developing the processes for determining what work is done at the center and what is done locally, how the center interacts with local business units, the relationship between center experts and local experts, allocation of staff time, and the governance structure of the center.

Commodify knowledge

Companies commodify knowledge when they take a body of knowledge they use as a resource and turn it into a product. An engineering firm had a set of software, skill and tools it used to manage large engineering /construction programs. As the market developed and their customers became more sophisticated, they simplified and packaged their program management software and know-how into a product they could sell independently of their engineering consulting service. Of course, this was a painful decision. Their program management product cannibalized their own engineering program management consulting services. But international cost pressures had already considerably eroded the profitability of engineering program management and commodifying that knowledge was one of the few options available to them. Commodifying knowledge is fundamentally “game changing” in the niche in which it is introduced. Once knowledge is embedded in a product, it becomes much more easily replicable and changes to basis of competition from exclusivity to price.

Commodifying knowledge also involves organizational change since it shifts the role of knowledge providers from customer-facing to back-room idea and material producers, a fundamental shift of identity and job. So commodified knowledge requires an organizational structure organized for production, much like a white-collar information processing center.

Create a knowledge monopoly /set the industry standard

Companies create knowledge monopolies when they organize, commodify, and distribute knowledge in a way that they become the primary or sole source of knowledge on the topic. An oilfield consulting company, for example, developed a website that gives easy, uniform access to geological data from datasets around the world. Similarly, telecommunications companies race to establish their infrastructure as the industry standard upon which others write applications. To sustain a knowledge monopoly requires constant innovation on the original platform that cannibalizes former versions and resets the standard for the industry.

Like companies that commodify existing knowledge, companies that aim to sustain knowledge monopolies need knowledge production units, focused on routine knowledge generation and customer satisfaction. But they also need groups closely tied to production units that focus on innovation. Combining routine work and innovation requires organizational structures that simultaneously provide rigorous process precision and sufficient looseness to encourage creating thinking.

Knowledge and Organization

Since knowledge is the residue of thinking and resides in people and collaborative relationships, organization structure is the primary ways a knowledge strategy is executed. See [Articles. How Information Technology Inspired but Cannot Deliver Knowledge Management.](#)

Structures are relationships

Organizational structures are explicitly acknowledged intentional relationships, traditionally authority relationships. But in knowledge companies, organizational structure typically includes influence relationships as well as authority relationships. For example, a strategy consulting company competes on two dimensions: strong client relationships and a reputation for cutting edge knowledge. So the company has two, sometimes competing, elements of core structure: local offices and practice centers. While the tide of influence shifts over time, the offices traditionally have primary authority and the practice centers have strong influence over them. Rising consultants find projects not just by doing good client work, but by building a reputation for expertise within the firm, typically by contributing to a practice center. While the offices coordinate the selection of consultants and delivery of advice to clients, the practice centers build the firm's reputation in the market and are the vehicle through which consultants build their reputation in the firm. Without the reputation-building and promotion focus of the practice centers, it is unlikely that the practice centers would be strong enough to wield influence over the client-focused local offices.

Organizational structure is much more than a set of reporting relationships. It is a combination of roles, relationships, processes, authority and influence. When well designed, it is an expression of the organizations strategy and core values.

Network structures

Many companies are evolving to more highly networked and connected structures. Networks are natural parts of any organization. They are simply the way people connect to get help, find others, get information, learn and share their thinking. Even though networks arise spontaneously in any organization – and between them - networks can be intentionally designed. Of course any network, however intentional, will continue to evolve in its own way. However, intentional networks can be focused and build momentum toward achieving a purpose. Networks, even intentional ones, are different from other organizational structures. Networks are essentially groups of peers, rather than superior and

subordinates, who have influence, but no authority over each other, and typically over the other organizational units with which they interact. As influence structures, networks complement other structures, rather than compete with them. See [Articles. Learning across teams.](#)

There are several different types of networks. Some are devoted to helping members with everyday work problems. Others develop best practices; steward large bodies of knowledge; or even coordinate work between sites, sharing workload. Others still focus on innovation. The organizational structure and processes of each are different, so it is helpful for a network to know its intent early in its life.

As they evolve networks, like other organizational forums, need support and governance to assure their health and alignment with the organization as a whole. See [Articles. Community support structures.](#) In fact, as networks mature, they frequently want more influence over operating units and more integration with the organization. They typically evolve from the margin to the mainstream of the organization. See [Articles. How to avoid a mid life crisis in your communities.](#)