

# Competitive Knowledge Management: You Can't Re-Engineer What Never Was Engineered in the First Place

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“Around here, competitive knowledge is really everyone’s job. We all do other things, too, though.” “90 percent of the competitive knowledge we need is already within our corporation.”

I hear these kinds of comments often as I talk with BI/CI professionals in major corporations. In many places where Competitive Knowledge Management (or CKM, as I’ll refer to business/competitive intelligence here) is succeeding, it is doing so less as a stand-alone functional discipline, and more as a set of tools, techniques, and outlooks available for use by a range of business and technical disciplines *throughout* the corporation’s business units.

In too many cases, though, the implementation of a CKM process, in US corporations at least, is proceeding as a “grass-roots” movement—rather than as a development initiative coordinated across business units. The typical result is a patchwork effort that functions well in some areas, and not so well in other areas. CKM professionals within such a company are left without benchmarks—or even stable frames of reference. The corporate

culture of CKM—“how we do things around here”—is undefined and unsystematic.

One typical result is that a company’s ability to *acquire* information far outstrips its ability to *use* that information effectively for strategic advantage. Data is left unconverted into knowledge, and knowledge is not brought to bear on strategic decisions. Some estimates put the level of acquired information that is actually used in the average corporation at *less than 10 percent*.

For many of us, the only good news here is that most of our competitors are in the same impaired state—temporarily, at least.

It is not enough to create a BI/CI department. In fact, any CKM initiative that depends for its success on creating yet another corporate bureaucracy is counter-productive and unlikely to succeed. CKM professionals (and the executives who manage them) have a responsibility to exploit the vast reservoirs of competitive knowledge that *already* exist in their organizations. They can do this by envisioning CKM as a *business process* that

overlays and infuses other corporate functions. CKM professionals must play the roles of managers and guardians of this process. They also must take the lead in forging the links in this process, since in many cases these links have not heretofore existed.

## CKM is a Business Process

The Total Quality Management (TQM) and benchmarking movements have given us a whole toolset and vocabulary of business process management. What is a *business process*? I'll define it here as *a set of related, value-creating activities that requires the coordination of several business functions*. Customer Service is a good example, in that it typically involves a phone center (for intake of problems), expeditors (to fix problems short-term), quality assurance and product development people (to fix problems long-term), and MIS and communications professionals (for infrastructure support).

Competitive Knowledge Management is, by that definition, a business process. In many companies, one often hears words like "network" or "community" to describe how it really operates. CKM networks typically include people from many traditional business functions, including:

- Business Planning
- Business Development
- Market Research
- Information Center/Library
- Management Information Systems
- Field Sales
- Brand/Product Management
- Research & Development
- Staffs of Senior Executives

Each of these traditional functions or disciplines plays a key role in the core CKM mission—*bringing information and intelligence to strategic decision-makers*. At the same time, each involves a different set of primary competencies, as shown in Table 1.

BUSINESS FUNCTION	PRIMARY COMPETENCY
Business Planning	Analytical techniques
Business Development	Company knowledge
Market Research	Primary and syndicated research
Information Center/Library	Secondary research
Management Information Systems	Hardware, software and connectivity
Field Sales	In-the-trenches view
Brand/Product Management	Product knowledge
Research & Development	Technical knowledge
Staffs of Senior Executives	Access and credibility

**Table 1: Nine traditional business disciplines form the core of the CKM network.**

The problem is that these disciplines have evolved into organizational fiefdoms that too frequently do not coordinate with each other on issues of Competitive Knowledge Management. This is not the fault of the

people who populate those various disciplines. It is because in most companies the CKM process has simply evolved in patchwork fashion. It has never been

engineered with an overall vision and architecture in mind.

I take issue with those who speak of “re-engineering” the competitive knowledge process, since—strictly speaking—you can’t re-engineer what never was engineered in the first place.

## Managing a Business Process

Business process management requires a fundamentally different set of tools and techniques than traditional top-down, box-on-the-org-chart management methods. While the hierarchical model uses command-and-control and reward-and-recognition as key operating levers, these are not as effective with a process.

What is required to manage a business process effectively? The following elements are typically present:

- *Process champion* - a person or team at the executive level that actively supports the effort
- *Process owner* - a single person to take responsibility for managing the process
- *Process vision/mission* - a clearly articulated view of the scope and value of the process, and in particular how it links to overall business strategies
- *Process architecture* - a set of linkages and coordinating mechanisms
- *Process infrastructure* - the people, technologies, and resources that support the process

In general, what are the costs of a poorly-managed process? The problems usually include some combination of the following:

- *Overlaps.* The lack of coordination results in duplications of effort and/or resource allocations, either in terms of personnel and/or purchases of component materials and services.
- *Gaps.* Conversely, there are gaps in effort and/or resource allocations.
- *Miscommunications.* At their most extreme, these can cause *potential* fail points in the process to become *actual* fail points.
- *Missed opportunities.* The process fails to act quickly enough or effectively enough to fulfill its core mission.

Whatever combination of these symptoms is present, invariably the net result is that too much money is spent to create too little business value.

## The Knowledge Superagency

The afflictions bulleted above can affect *any* business process, not just CKM. When they afflict CKM, the effect is especially pernicious, since the CKM process essentially forms the *central nervous system* of the corporation. Money is wasted—and that’s the good news. The bad news is that opportunities are missed—opportunities of strategic proportions. These may be represent *offensive* or *defensive* opportunities, and their loss may be difficult or impossible to recover from.

The lack of coordination among intelligence-related corporate functions is reminiscent of the situation the US President Roosevelt found himself during World War II. Each of the military services had its own intelligence operation. They frequently competed for the President’s

attention, and there was little coordination among their activities. After the war, to solve this problem, the Central Intelligence Agency was founded to act as an organizing and oversight mechanism to coordinate the military intelligence agencies.

Modern corporations need a mechanism by which to manage the CKM process. Not another organizational box, and not another temporary task force—but rather a permanent “superagency” in the sense that it stands outside the classic hierarchical relationships.

The current BI/CI model could evolve into such a CKM superagency. Staffed minimally, it would:

- *Be user-driven.* The CKM superagency would focus primarily on meeting the needs of its “clients”, business decision-makers. As an internal service provider, it would use all the best-practice tools of a service business, including regular scans of the CKM needs and experiences of users.
- *Serve as a network hub.* The CKM superagency would coordinate other functions—not replace them. It would create and maintain open-channel communications with these other functions (as listed in Table 1.) It would draw on and leverage the unique competencies of these other functions.
- *Serve as a knowledge index.* Having all competitive business knowledge in one place is impossible, and not even desirable. But *knowing where and how to find it* is essential. The CKM team must build and maintain an Competitive Knowledge Index, a cross-referenced set of pointers to other sources of information (both human and

published.) In some companies this takes the form of an electronic database that catalogs contacts, their expertise, and how to reach them.

In short, I am proposing that “business intelligence” will respond better to the principles of business process management than it will to the hierarchical organizational models that have been imposed on it until now.

## The Field Guide to the Superagency

In fact, some variation on the superagency model is evolving in many of the world’s most knowledge-savvy corporations. There are various manifestations that the superagency can take, and there are specific initiatives a company can undertake to move to a succeeding level.

- *Stage One - The informal people network.* This is a self-organized, low-maintenance people network that grows spontaneously. It is inefficient and limited, and often depends on chance factors for its development. It can, however, provide a foundation on which to build more advanced stages.
- *Stage Two - The organized people network.* Here, the informal network is used as the basis for a more systematic knowledge network. AT&T’s “Access to Experts” program is one example of an internal knowledge resource network.

The transition from Stage One to Stage Two can be accelerated. One way this has been done is to hold an organized networking meeting, wherein people are physically brought together for a day or two to get to know each other

and learn more about what each other is doing. A minimum outlay of resources is required.

- *Stage Three - The electronic network.* Modern information technologies are ideally suited for use as the foundations of enterprise-wide competitive knowledge networks. Here, CKM personnel across a wide range of functions, business units, and geographies share information across electronic mail, a shared “groupware” database such as Lotus Notes, and/or an internal Web site (“Intranet”). IBM and Digital Equipment, for example, both converted what used to be internal electronic technical resource networks into business intelligence networks.

To make the transition to Stage Three, it is necessary to have compatible information infrastructures (“infostructures”) in the business units, functions, and geographies among which competitive knowledge will be shared. This may require a substantial outlay of resources, depending on the situation. An initial diagnostic effort, coordinated with the MIS people, can determine what is needed.

- *Stage 4 - The virtual war/situation room.* The physical war/situation room is replicated in cyberspace in such a way that all information anywhere in the corporation about a particular competitive situation or subject is captured, concentrated, and analyzed in (nearly) real time. This happens over enterprise networks such that the participants are physically separated in time and space—but united in business mission.

Again, more resources are required to make this transition. These can include adding one or more electronic news

feeds, adding analysts and software to process the information, adding channel capacity in terms of network bandwidth and client workstations, and boosting server capabilities and capacity.

Each of these manifestations of the superagency concept represents an evolutionary advance over the previous one. Each stage incorporates and supports the advances made in the previous stages. For example, an electronic network is most effective when it builds on and supports a people network.

An organization may proceed stepwise through each of these stages—but, resources permitting, would ideally choose to accelerate its development through a targeted intervention. Such an intervention program will be described at the end of this paper.

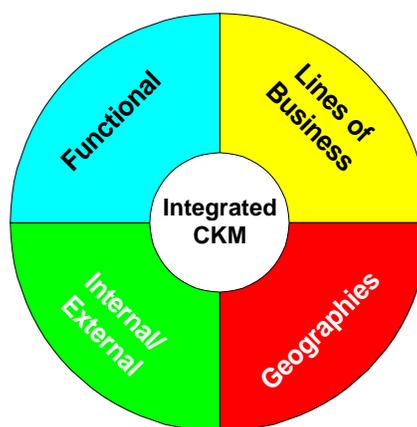
## Integrated CKM

Competitive Knowledge Management is most effective when it is fully integrated across the organization. Before it can be considered truly integrated, there are four levels on which the CKM process must be integrated (Figure 1.)

- *Corporate functions.* The nine functions we looked at earlier—and in some companies there are others—must actively coordinate in developing and sharing competitive knowledge.
- *Business units.* Different lines of business often compete with the same other competitor in these different lines. (This is known in the literature as “multipoint competition”.) A business unit may come into information that has little relevance for its own business, but has great relevance for a sister division.

This is complicated by the fact that in some cases a company may compete with another company in a certain line of business, while being a customer of that company in another line, while being in a joint venture with that same company in a third line of business. In such cases, any sharing of intelligence across business units must be governed both by prudent business practices, and by any applicable confidentiality and non-compete agreements in force.

- *Geographies.* Since most larger companies compete worldwide these days, it is imperative that competitive information be shared across geographical boundaries. Language barriers make this more difficult, as do certain countries' laws against the export of economic intelligence. Coordination of technology infrastructures is often more problematic across geographies than it is domestically.
- *External resources.* As outside suppliers are often involved in the acquisition and processing of business intelligence, the fourth dimension in this coordination matrix ensures that these resources are at once comprehensive and non-duplicative. There are mechanisms available to make this happen. Some companies, for example, hold internal "trade fairs" at which knowledge resource suppliers are introduced.



**Figure 1: Integrated CKM requires coordination along four dimensions.**

This need for coordination along four dimensions is a complex problem, to be sure. Mathematically speaking, the possibilities are staggering. For example, the coordination of nine functional entities across four major divisions and 20 countries would involve simultaneously managing at least  $9 \times 4 \times 20 \times 2$  (for inside/outside) or 1,440 entity relationships—and more if more than one person is involved in any single entity.

### **Vision for the Future: The Chief Knowledge Officer**

To be successful, any business process—including CKM—needs an owner. CKM is too mission-critical to get lost down the lines of the corporate hierarchy. In the companies where CKM has been most successful—Motorola, for example—it has reported directly to the Chief Executive Officer.

For companies to succeed at CKM, they need to match this level of commitment. They can do this by creating a business intelligence "czar", whom I will call the

Chief Knowledge Officer (CKO). This would be an officer-level position reporting directly to the CEO. The CKO's fundamental mission would be to raise the overall level of corporate awareness by keeping the company looking "outward/forward" versus "inward/backward."

The CKO would be more than an MIS director with a fancy new title—though certainly working with internal systems people would be a significant part of his or her responsibilities. The CKO would have corporate responsibility and authority for:

- ensuring that strategic decisions are based on facts
- ensuring that information flows upward and laterally quickly and smoothly
- coordinating CKM along the four dimensions outlined above
- purchasing and deploying strategic information resources
- conducting periodic and ad hoc reviews and audits of the CKM process, and the assets and resources that support it

The CKO would have several roles—on a direct or oversight basis—as components of his or her overall role as CKM process owner:

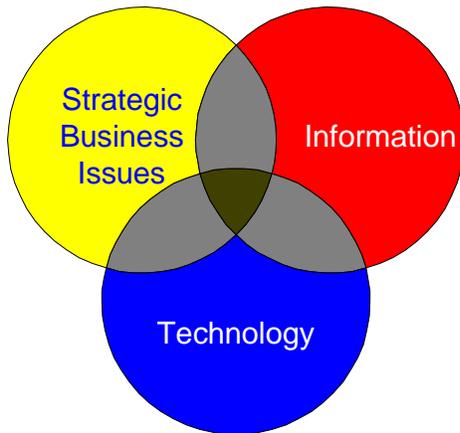
- *Process architect.* The CKM process, in most companies, needs to be designed within each business unit, with linkages at the corporate level. It actually may be an advantage for companies who do not have a CKM process in place, since they can build a process without having to "retrofit" existing capabilities.
- *Process engineer.* Once designed, the system has to be built. This involved bringing in people, information infrastructure, and information content resources.

- *Process agent.* Once built, the system has to be animated, made to run. This involves building processes and practices, a contact base, an incentive system, and so on.
- *Process troubleshooter.* In CKM, as in most other areas of business, a substantial part of being the best is in making a commitment to continuous learning and improvement. Fires must be fought, fail points must be patched, new user needs must be met, and new technical capabilities must be incorporated.

The CKO must have substantial experience and/or credentials in three core technical disciplines (Figure 2):

- *Business strategy.* The situations that drive the need for competitive knowledge. Specific decision support is part of the challenge here, but there is also a broader need for early warning capabilities, a sensitivity to opportunities and threats, and a general awareness of the business and regulatory environment.
- *Information technology.* The "conduit", the hardware and software pipelines through which competitive knowledge flows in the modern organization. Relevant technologies are being developed at a torrential pace, and the ability to rapidly incorporate them into business processes will continue to provide key strategic advantages in the near-term future.
- *Information.* The "content", much—but not all—of which flows through that pipeline. The amount of available business information doubles every four to five years. New print sources

becomes available, existing print sources become available electronically, electronic sources become indexed better, indexes become easier to use.



**Figure 2: The Chief Knowledge Officer is competent in three core technical disciplines.**

In addition to these technical skill sets, the CKO needs to have a well-honed set of political and people skills, and to be sensitive to the culture and power relationships in the company. Finally, the CKO must be comfortable with change and change management, since each of the three core competency areas is in perpetual flux.

## How to Start

Though a few leading companies have already appointed executives with the title Chief Knowledge Officer, it is likely that we will be into the next millennium before the CKO concept as described here begins to be widely implemented. But you can start—now—to improve your organization's Competitive Knowledge Management process.

Three basic steps will get you started toward engineering your organization's CKM process:

1. *Document and assess your current process.* Your first job is to develop knowledge about knowledge (or “meta-knowledge”). A structured assessment will efficiently get you this information. You need to gather information about the competitive knowledge “supply side” (that is, what CKM professionals do), as well as about the “demand side” (that is, what executive decision-makers need in terms of competitive knowledge.) You need also to take particular note of the “information infrastructure”, in terms of e-mail and “groupware” deployment and compatibilities.
2. *Decide where you want to go.* Create the optimal design for your CKM process is, in light of:
  - the level of competitive intensity in your industry
  - the “state of the art” in CKM processes in your industry
  - “best in class” process standards prevailing in the CKM community
  - your organization's culture and behavioral style
  - resource constraints
3. *Close the gap.* Design and implement a program to accelerate your organization's progress into the targeted level of activity. The exact nature of the program will depend on the nature and size of the gap that needs closing.

Note that within a large corporation, business unit typically are at different stages in their development. Once you identify the most advanced business unit or

units, you can use them as benchmark standards to bring the other units up to. This lateral internal technology transfer is an effective way to “ramp up” the CKM process quickly.

## Barriers to Entry

These steps, though easy to outline, can be quite difficult to implement. Specific roadblocks you might encounter—and a possible way to overcome each objection—could include:

- “We’ve always done fine without CKM.” This may be true—but the world is changing. Change is almost never welcomed, especially by those whose power within the organization is closely tied to the status quo.
- “We can’t afford CKM.” The process I am describing can be implemented, in a basic form, using one person, one telephone, and one personal computer.
- “Our systems won’t support CKM.” See the bullet above.
- “Knowledge is power.” In too many organizations, the sub-text here is “knowledge that I have is power you don’t have”. The shift that acknowledges *shared knowledge as empowering the entire organization* is typically a hidden barrier—and the biggest one you will face. See the first bullet in this list.

Your chances of success will be greatly increased if you have:

- A structured development plan with clearly-defined timetables, milestones, responsibility assignments, and deliverables

- Strategic support at the top levels of management at the corporate and/or business unit levels
- Tactical support, in terms of staff and/or outside consultants

Though difficult to implement, the rewards of a focused intervention program will be great. Competitive Knowledge Management is simply too important a business process to let evolve at its own pace.

## Conclusion

We have proposed here that Competitive Knowledge Management (CKM) is less a stand-alone functional discipline, and more a business process that involves the coordination of several existing disciplines. We have offered basic principles for managing business processes, and suggested how these might be effected in the context of CKM. We have proposed the term “superagency” for the CKM process model, and given examples of the forms that this can take. We have hypothesized an evolutionary relationship among these forms. We have noted four dimensions along which CKM must operate to be effective. We have proposed that the CKM process owner be a corporate officer (the Chief Knowledge Officer), and described some of the characteristics of that role. Finally, we have described a general method that can be used to accelerate the development of a Competitive Knowledge process, and some of the barriers that will need to be overcome.