

IBM's challenge

Kylie Summerhayes and Steven Luo explore knowledge management in consulting firms, and comparatively analyse and evaluate the knowledge management efforts of IBM and its new Business Consulting Services.

IBM Consulting has employed Intellectual Capital Management since 1994 to formalise knowledge management aimed at effective collaboration of people with unique expertise. IBM's top priority is to enable its global group of consultants to rapidly share and integrate their knowledge for the benefit of clients, and establish a program to drive community participation, with informal networks that create a sense of fraternity and bonding. These networks have become institutionalised into IBM culture as a way of maximising internal team freedom and minimising external management interference.

Previous research has highlighted the importance of communities and pointed out that the truly significant knowledge that a company possesses – the make-or-buy savoir faire of competitive advantage – has little to do with formal policies and procedures and everything to do with the ingrained awareness people build up over a career. This 'tacit' knowledge is too diffuse and intuitive to write down or codify in any mass-consumable way. Knowledge that has not been codified – and probably couldn't be – is transferred in brainstorming sessions and one-on-one conversations. Consultants collectively arrive at deeper insights by going back and forth on problems they need to solve.

'Lunch and Learn' provides a good example of such a concept in practice. This is a series of conference calls which provide Business Consulting Services (BCS) consultants with updates and interactive discussions on emerging business issues and new solution capabilities relevant to clients. Furthermore, BCS consultants are organised into strong social networks which share knowledge globally. BCS then

fosters networks' inter-office transfers by supporting a culture in which consultants are expected to return colleagues phone calls promptly. It also has created directories of experts and uses 'consulting directors' within the company to assist project teams.

KEY STRENGTHS IN THE STRATEGY

IBM's knowledge management has been based on a social network that leveraged off the best of top-down and bottom-up knowledge management. Informal networks within communities are supported by technical infrastructure, such as Lotus Notes, providing a virtual marketplace for knowledge trading. However, what really sets it apart is its Social Network Analysis (SNA) tool, which constantly evaluates the organisation's sociology, anthropology, social psychology and effectiveness. It identified key resources and pockets of knowledge, broke down barriers and revealed significant issues to ensure the merger of IBM and its new Business Consulting Services was a success.

IBM recognises that informal employees' relationships are often more reflective of the way work happens and that the really valuable knowledge resides in the heads of its most talented employees. However, employees will not give up worthwhile knowledge without a fair return for the time and energy they put into gathering it. The community practice motivates the authors to 'trade' knowledge and content produced by consultants, whether short internal memos or documents packed with charts. This is backed up with oral discussion to give readers more insightful, relevant and accessible knowledge.

DEFICIENCIES IN THE STRATEGY

The knowledge community depends on trust and human relationships. 'Virtualness' can decrease this sense of community. Team members in separate locations are deprived of clues to their colleagues' opinions, attitudes, and emotions. Even video conferencing, the best tool currently available to teams that cannot meet face-to-face, has limitations.

CULTURES COLLIDE

IBM acquired PricewaterhouseCooper Consulting in October 2002 for \$3.5 billion – the largest acquisition

In the professional service industry, knowledge and people are the company's best assets.

in IBM's history. The merger, which involved 60,000 employees in more than 160 countries, was an aggressive move by IBM to augment its position in the technology-services industry and become one of the world's leading professional-services companies.

The convergence of PwC Consulting and IBM Business Consulting brought together different competencies, with management consultants placing emphasis on organisational knowledge and technology consultants utilising specialist knowledge rather than passing it on. Trust was needed to establish a knowledge-exchange framework.

The annual turnover rate among IBM's client service staff is 20 to 25 per cent, a large knowledge loss by any measure. The merger resulted in a higher than usual attrition rate which exacerbated the issue, so a systematic approach was required to capture this lost knowledge.

RECOMMENDATIONS

IBM is still evolving from a niche IT consulting business to a full-services organisation but it is in a sound position. However, the transition process

challenges it to rethink its knowledge management strategy to best merge the top-down centralised approach with the bottom-up decentralised approach. A good knowledge management strategy is essential in establishing a reputable brand and retaining knowledge and experience within the organisation.

There are two ways to mitigate these deficiencies. First, the author of the knowledge must be awarded through the enhancement of their own personal, internal reputation by providing knowledge that catches the eye of peers and superiors and helps build a heroic reputation. The long-term benefits in terms of building a reputation and accruing trust are immeasurable. Second, the creation of talent exchanges, which work by consultants nominating themselves for consideration for a project and making the managers bid for them. This enables top performers to differentiate their knowledge and experience, finding their ways to the most attractive engagements within the company and earning top dollar.

In the professional service industry, knowledge and people are the company's best assets. The number one challenge for IBM is retaining this knowledge, whether through systematic codification of knowledge or staff retention. While advances in communications open entirely new possibilities for sharing knowledge, it cannot erase tyranny of distance and the subsequent lack of real human contact. The company is the beneficiary of the effort to form and maintain a knowledge marketplace so it is ultimately responsible for rewarding and motivating people to produce valuable knowledge outputs.

Kylie Summerhayes, Product Marketing Manager with Microsoft Australia in Sydney, specialises in marketing strategies and management. She has a Master of Business, Master of Marketing and Bachelor of Business (UTS), and more than seven years' experience in the IT industry.

Steven Luo is a Senior Product Manager at St George Bank in Sydney. He has a Master of Business (UTS) and Bachelor of Economics (USYD). Steven specialises in the development of product growth strategies, especially for the banking and financial services industry. Steven has more than six years' experience in the Australian banking industry.

MBR subscribers: To view full academic paper email mbr@buseco.monash.edu.au

Public access: www.mbr.monash.edu/previous_issues.php (six month embargo applies)