

Knowledge Management Strategy Planning: Methodology for a Life-Insurance Company

Adeline du Toit, Carina De Villiers

University of Johannesburg
SOUTH AFRICA
adutoit@uj.ac.za

ABSTRACT

The strategic management of knowledge assets for competitive advantage in enterprises is important. This paper presents a systematic approach that can be followed to formulate a knowledge management (KM) strategy. The management of knowledge should not be done in an ad hoc or isolated manner. It should be integrated into the other management activities in the enterprise and linked to the strategic plan. The paper presents the results of an empirical survey to investigate the current situation with regard to KM activities in a life-insurance company and to determine the relationship between the KM activities and the business strategy of the enterprise. The results of the empirical survey indicated that there is a clear understanding of the importance of KM and acknowledgement that it could be a source for sustainable competitive advantage in the enterprise.

Keywords

Knowledge Management Strategy, Business Strategy, Insurance Companies

1.0 INTRODUCTION

Throughout the world the value of knowledge for the modern enterprise is increasingly being recognized and to be successful in the management of knowledge as an asset, it is of fundamental importance to recognize that knowledge assets, just as any other asset of the enterprise, should be managed in the context of the overall business. The focus is therefore not on knowledge per se, but rather on managing the business to include a knowledge perspective. This is achieved by recognizing that knowledge is a valuable asset that should be managed explicitly in an enterprise.

As every business has to operate in a competitive environment, management should base all decisions on the competitiveness of their knowledge competencies. The ability of a company to mobilise and exploit its intangible and invisible assets has become far more important than investing and managing physical, tangible assets.

In this paper, the management of knowledge for competitive advantage in a life-insurance company, whose core product is knowledge itself, is discussed. The research examines how KM affects the competitive nature of the enterprise and how the enterprise can use KM to build long-term competitive advantages and to develop an effective KM strategy for the enterprise.

2.0 KNOWLEDGE MANAGEMENT (KM)

KM is the process of identifying, organising and managing knowledge resources, including information, learning capacity and other resources (Al-Hawamdeh, 2004:15). Bateman and Snell (2007:9) define KM as practices to discover and harness the intellectual resources of an enterprise embodied by the individuals employed by the enterprise. The aim of such a KM definition is to find, unlock, share and capitalise on the expertise and skills of employees. The creative and innovative use of knowledge workers are also emphasised by BRINT.com through the definition of KM as a set of organisational processes that strive to achieve synergy between information systems and the nature of workers to innovate. The synergy between systems and individuals requires KM to be a means of creating an environment rich in knowledge in order to provide knowledge sharing interactions (Baker and Badamshina, 2005). Gilchrist (2008:5) expands on the notion of synergy, defining KM as “the end-to-end continuous process that describes the systematic creation, acquisition, integration, distribution, application and archiving of knowledge to drive behavior (sic) and actions which support organizational objectives and mission accomplishment”. KM is thus seen as a process or strategy to manage knowledge in enterprises.

3.0 FACTORS THAT INFLUENCE KM

This paper specifically looks at three major factors, organisational culture, information and technology, and administration and management that can be significantly related to KM in the enterprise. The objective is to find which factors and their internal elements affect KM at the life-insurance company. Moreover, the authors have attempted to make staff

opinions known in order to provide evidence-based information to improve the development of a KM strategy in the future.

- Organizational culture refers to any element which could affect the culture of the enterprise and reflect the enterprise's approach to KM work.
- Information and technology (IT) refers to infrastructure, IT management, accessibility of data, information and knowledge within the enterprise.
- Administration and management refers to the policy on KM or plan to implement or create a KM position at the enterprise, information on the evaluation of KM activities and staff evaluations with regard to knowledge sharing.

These major factors have been previously formulated and mentioned in a few studies. For Ardichvili, Maurer, Li, Wentling & Stuedemann (2006:98), organizational culture is the most important factor affecting how KM will proceed. Kulkarni, Ravindran, & Freeze (2007:342) determined that the organizational support structure was also a contributing factor to the success of KM. Since there are many elements affecting organisational culture that impact KM in enterprises, only the above mentioned elements were included in the survey questionnaire.

4.0 BUSINESS STRATEGY AND KM

The linking between KM and strategy is viewed by many as the crux for successful management in any enterprise. Thus Nonaka and Takeuchi (1995:74) state that "The most crucial element of corporate strategy is to conceptualize a vision about what kind of knowledge should be developed and to operationalize it into a management system for implementation". This is then further synthesised to the level of "organizational intention" according to Nonaka & Takeuchi (1995:74), employing the intention as a norm for evaluating the value of knowledge in terms of the enterprise's requirements.

The role of KM in the strategy formulation process appears to have evolved over time to its present status rather than being the result of a direct and conscious effort by management to integrate it as a functional input into the process (Truch & Bridger, 2002:907). A similar view is that of Zack (1999:125) who reflects that during his research amongst 25 firms the most important element for guiding KM in the enterprise is the latter's strategic orientation, planning and formulation. He postulates that an enterprise's strategy assist in identifying the KM issues which assist and supports the enterprise's competitive position and thus shareholder value. Yet, according to Zack, this link between KM and strategy is widely ignored in practice (Zack, 1999:126). This in itself plays a

major role in the acceptance of the role of KM at strategic level by senior management.

Davenport and Prusak (1998:ix) state that for most knowledge enterprises it is of critical importance to establish a link between KM and the business strategy. They propose two approaches to this requirement:

- Make knowledge the product of the enterprise by redefining existing products and services on the basis of knowledge assets or augmenting their application with knowledge, and or
- Implement a business strategy with an integrated KM programme ensuring that the key business drivers are supported.

Davenport and Prusak (1998:ix) do, however, express their concern that whilst the linking of strategy and KM is critical, business in general, have not really achieved this. The enterprises that implement this approach are those that are in the business of selling knowledge, e.g. consulting houses, software developers and similar undertakings. In other business sectors there is a dearth of examples – they do acknowledge that there are KM initiatives that does bring about a measure of efficiencies, but the real long term sustainable quantum improvement results are just not there yet.

It needs to be accepted that the senior management of an enterprise exerts wide influence on its strategic behaviour and thus the performance of the enterprise. This influence is exerted via senior management's view of the enterprise environment and their perception of the capacities and capabilities of the enterprise. Before formulating a KM strategy, it is important to establish the importance of KM in the overall objective of the enterprise. One should establish how strongly it features in the enterprise's mission statement and business plan (Ndlela & Du Toit, 2001: 156). Depending on the outcome of the analysis of the enterprise's current position with regard to KM orientation, a strategy should be formulated to address opportunities and threats. The KM strategy is essentially a matrix that depicts KM as a set of processes, which are defined through the application of the management functions to each of the organisational knowledge processes. In addition to defining a complete set of KM processes, the strategy also addresses the link between KM practice and business strategy.

5.0 STEPS TO FORMULATE A KM STRATEGY

It is necessary first of all to gain conceptual understanding of what KM is, its relationship with other management activities of the enterprise and its importance to the enterprise. Actions should be

taken to create new knowledge assets, improve the value of the existing knowledge assets and maximise the value derived from utilisation. The links between the knowledge assets and the process for managing these assets are the actions taken by management and their effect on the status of the assets. Knowledge plays a crucial role in the competitive nature of enterprises and hence constitutes a critical component of enterprise strategy. This then implies that the enterprise needs to ensure that it applies all that it knows and considers relevant to its strategic planning process culminating in an internal and external gap analysis. In this process cognisance need to be taken of what the enterprise knows, need to know, what does it competitors know and what are the learning capabilities of the enterprise and that of its competitors (Zack, 1999:143).

There are many KM frameworks available, for example the Skandia-Navigator and Wiig's framework. However, it is the opinion of the authors that it is difficult to sell these frameworks to senior management. This opinion is confirmed by Mostert (2006:8) who stated that formal KM is still in a process of evolution and that frameworks are of little benefit unless they are usable by people in enterprises. Senior management understand commonly accepted management theory and a KM strategy based on theory relating to a SWOT analysis has proved itself as a good starting point therefore, and other efforts can be leveraged from its success. The formulation of a KM strategy involves the following four steps:

5.1 External analysis

External analysis involves an examination of the relevant external elements of the enterprise. The analysis should focus on the identification of threats, opportunities, strategic questions and strategic choices. A strategic question stimulated by any external analysis component can generate a knowledge need area, a strategically important area for which there is likely to be a continuing need for information. A knowledge asset is a key success factor that is needed to compete successfully.

Opportunities present in the external environment that can be exploited using a KM approach should be identified, as well as threats (in terms of knowledge acquisition) present in the strategies of competitors that could affect the competitive position of the enterprise. Ways to counter these threats should be developed.

When analysing the external environment, the following questions can be asked:

- What opportunities are present in our current strategy that can be exploited using a KM approach?

- What KM opportunities are present in the external environment that we can exploit in our enterprise?
- How can we help the enterprise through KM with its opportunities (time to market, improved design, differentiation)?
- Are our competitors exploiting a specific KM strategy? If not, can we use KM to gain a specific strategic advantage?
- What threats are present in our competitors' strategies in terms of knowledge acquisition?
- Are there any general KM threats that could affect our competitive position?
- How can we counter these threats?
- Can knowledge-based actions negate a business threat by:
 - Acquiring a knowledge asset?
 - Sharing knowledge?
 - Changing strategic posture?
 - Negating a competitor's strength?

5.2 Self-analysis

Self-analysis aims to provide a detailed understanding of strategically important knowledge assets and areas of the enterprise. It is important to determine what the strengths and weaknesses of the enterprise are in terms of:

- Knowledge assets
- Enablers (processes, infrastructure, people, technology)

Employees in enterprises have specific knowledge that enables them to pursue options that achieve competitive advantages for both the enterprise and employees and the know-how and experience inherent in the enterprise's memory bank. Intangibles, such as sustained innovation and the strategic utilisation of an enterprise's intellectual capital, are critical. Core business processes should be designed to support the strategic direction of KM. The objectives of the enterprise should direct all the KM activities of the enterprise.

Questions that managers might consider as they identify an enterprise's key internal factors as strengths or weaknesses and as a bases for the enterprise's KM strategy are the following:

- What are the enterprise's strengths and weaknesses in terms of:
 - Knowledge assets?
 - Enablers?
- How can the enterprise exploit the strengths and negate the weaknesses (knowledge the market needs, what other know-how and skills should be developed)?
- How can the enterprise strengthen strengths and counteract weaknesses through KM (new assets, improved asset utilisation)?

- How can KM support the strengths?
- How can KM strengths help develop business strategy?

5.3 Strategy formulation

The next step is to formulate a KM strategy. A KM strategy results from the managers' awareness of and responses to virtually imperceptible trends in the marketplace (Sasikala, 2009: 86). As stated in a previous section, the KM strategy should be aligned to the business strategy, and support core business processes and key strategic decisions (Snyman & Kruger, 2004:17).

In formulating a KM strategy, the following questions can be asked (Ndlela & Du Toit, 2001: 156):

- How can KM contribute to the attainment of the functional and eventually strategic goals of the enterprise?
- Is knowledge on par with other enterprise resources such as capital, natural resources, labour and entrepreneurship?

5.4 Implementation and evaluation

When implementing a KM strategy, the prioritisation of activities, as well as their integration with other business processes, should be an important management focus area. An evaluation of the KM strategy compares performance with objectives and measures the overall efficiency and effectiveness of the enterprise's attempts to attain its stated aims and objectives. The evaluation process is used as a feedback mechanism for refining the strategy. Without an ongoing evaluation process, KM will not become institutionalised, but become a random exercise, which does not correspond to principles of good management.

6.0 EMPIRICAL SURVEY ON KM ACTIVITIES AT THE LIFE-INSURANCE COMPANY

The purpose of the empirical survey was to investigate the current situation with regard to KM activities in a life-insurance company in South Africa and to determine the relationship between the KM activities and the business strategy of the enterprise. A case study of the company was conducted to determine the extent by which the enterprise utilises KM practices, particularly knowledge sharing and collaboration.

6.1 Methodology

Leonard-Baron in Voss, Tsikrikis and Frohlich (2002: 197) regard a case study as "...a history of a

past or current phenomenon, drawn from multiple sources of evidence".

Data analysis in a case study consists of examining, categorising, tabulating, or otherwise recombining the evidence to address the initial propositions of a study (Yin, 1994:36). The survey methodology consisted of questionnaires, which were distributed to the sample group. A sample of 847 employees was randomly drawn by computer from the enterprise's employee database. The questionnaire was developed in a URL format by the Statistical Consultation Services (Statcon) at the University of Johannesburg. The questionnaire was sent out via e-mail, including the URL link and accompanied by a covering letter to the 847 employees. The respondents had to submit the completed questionnaire directly via the URL link to Statcon for statistical analysis of the data. Of the sample of 847 employees, 346 respondents (40.85%) returned completed questionnaires.

6.2 Findings

6.2.1 Biographical data

The majority of respondents (39.4%) are older than 30 years and younger than 39 years. More than 50% of the employees are for more than five years employed at the enterprise. Most respondents (46.3%) hold a degree with 27.2% of the respondents in possession of a post-graduate degree. The above results support the findings of Wagner (2006:1) and Steward (1997:46-47) that employees in the knowledge economy should be highly qualified. With regard to job levels employed, 3.5% of the respondents were in the top structure of the enterprise, whereas 13% were on senior management level and 26.5% on middle management level.

6.2.2 Defining KM

Since KM is a fairly new concept in the enterprise, respondents were asked whether they agree with two KM definitions considering their present work situation:

- KM encompasses all activities required to benefit from the enterprise's knowledge assets in support of the enterprise's business and operations.
- KM is bringing the right knowledge in the right quantity, to the right place at the right time.

Only 11.5% of the respondents did not agree with the above mentioned definitions. Respondents understood the importance of KM to the business and believed that the managing of knowledge is very important to the success of the enterprise. According to Call (2005:19) disagreement on what KM entails leads to the unsuccessful KM projects

and Ndlela and Du Toit (2001:158) emphasised that people are the key to the implementation of a KM strategy. From a KM strategy initiative the overall high acceptance of the two definitions should facilitate the process of developing and establishing such a strategy in the enterprise.

6.2.3 Knowledge culture

Top management can maintain an organisational culture in order to help facilitate knowledge transfer in an enterprise and respondents were asked whether they are encouraged to share knowledge, to implement their own ideas and whether they are open to change (See Figure 1). Singh (2008:12) found that certain leadership styles had a significant relationship to KM of an enterprise. Bryant (2003:40) and Crawford (2005:13) also stated there was an apparent relationship among transformational leadership and KM.

According to Figure 1 the ability to utilise KM practices is evident of a strong KM culture which includes the elements that make a learning enterprise. KM practices are applied in the enterprise and 62.3% of the respondents agreed that the enterprise has a KM culture. This finding supports the findings of Mostert and Snyman (2007) and Kok (2004) that top management has an impact on KM practices in an enterprise. According to Figure 1 top management support KM activities in terms of encouraging employees to be open to change and to implement their own ideas in the enterprise.

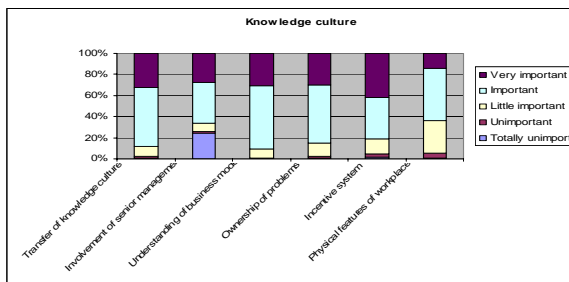


Figure 1: Knowledge culture

6.2.4 Knowledge sharing

It is clear from Figure 2 that knowledge sharing is the most visible KM practice and special notice should be taken of the employee's positive attitude towards knowledge sharing. Respondents indicated that they share knowledge mainly via on-the-job observations and brainstorming. A concern is knowledge sharing via Communities of Practice. It could be because employees are unfamiliar with the concept, use or benefits of a Community of Practice. This is an aspect which needs attention when developing a KM strategy.

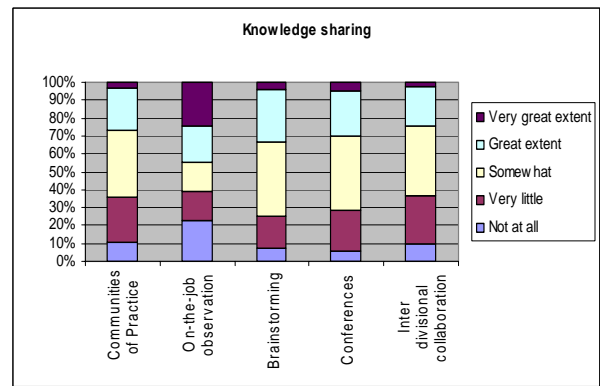


Figure 2: Knowledge sharing

Respondents were also asked whether they use IT to share knowledge. With regard to the current use of IT to share knowledge in the company, 71.2% of the respondents use e-mail to a very great extent. Only 57.1% of respondents indicated that they use intranets to share knowledge to a great extent. This could indicate a lack of expertise databases available of company expertise or unawareness or lack of knowledge with regard to what expertise databases are. The relatively high percentage (19.4%) of respondents indicating that they use document management systems 'very little' might indicate a lack of knowledge or awareness with regard to these systems, or it could be an indication that some of these systems were not used in the company. Information systems are enablers to managing knowledge and it is important that the enterprise sees information systems from a KM perspective in order to realise its full potential (Ndlela & Du Toit, 2001: 159).

The overall analysis of the formal and informal channels of knowledge sharing indicates that the enterprise is doing well in knowledge sharing. The cross-tabulation of knowledge sharing at management level indicates a disproportionate response value in respect of knowledge sharing at executive and senior management level and knowledge sharing at middle management and junior management. This is a cause of concern. Middle managers are the future leaders in the enterprise and the transfer of their tacit knowledge is essential for a KM culture in the enterprise. Specific interventions will need to be established to encourage knowledge sharing at middle and junior management levels. Creating a knowledge sharing culture in the enterprise requires strong leadership and the attitude of the executive and senior management to share their knowledge is encouraging.

7.0 RECOMMENDATIONS

From the findings of the empirical survey it can be concluded that the respondents had different interpretations of what KM entails. There was also

a clear understanding of the importance of KM and acknowledgement that it could be a source for sustainable competitive advantage. The findings indicate that people are the key to the implementation of the KM strategy.

Employees and business leaders of the life-insurance company are aware of the importance of KM. The empirical results show that without formal implementation of a KM strategy, knowledge-sharing processes are not practised to their full potential (especially on middle management and junior management levels), even in an existing learning culture. Executive management should be ambassadors of KM and should encourage all employees to share their knowledge. To serve the rapid changes occurring in the financial industry and assist the enterprise in becoming a true learning organisation, the enterprise should provide in-depth understanding of KM to its staff to help facilitate managing knowledge in practice and document any best possible practice. The company could follow the following steps to implement the KM strategy:

- Appoint a senior manager with overall responsibility for KM.
- Conduct a knowledge audit.
- Communicate the strategy and its importance to all members of the enterprise and obtain their support.
- Train staff in effective KM and systems operations.
- Encourage knowledge sharing.
- Allow employees to experiment in order to learn from failure.
- Encourage employees to share the lessons learned from mistakes in order to curb repetition of the same mistakes.

8.0 CONCLUSION

KM offers a new perspective to observe an enterprise and its managerial process. The scope of a KM strategy can be vast and complex as it spans all organisational functions. When implementing a KM strategy, the prioritization of activities, as well as their integration with other business processes, should therefore be an important management focus area. The empirical results showed that currently knowledge-sharing processes are not practised to their full potential in the enterprise, although a learning culture exists. KM cannot be separated from normal business management, and any attempt to do so will inevitably fail. There is no such thing as KM *per se*. Enterprises that really want to excel in the future should be managed explicitly, systematically and comprehensively from a knowledge perspective. Good KM will harness the collective and individual knowledge within the enterprise to optimum effect.

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