



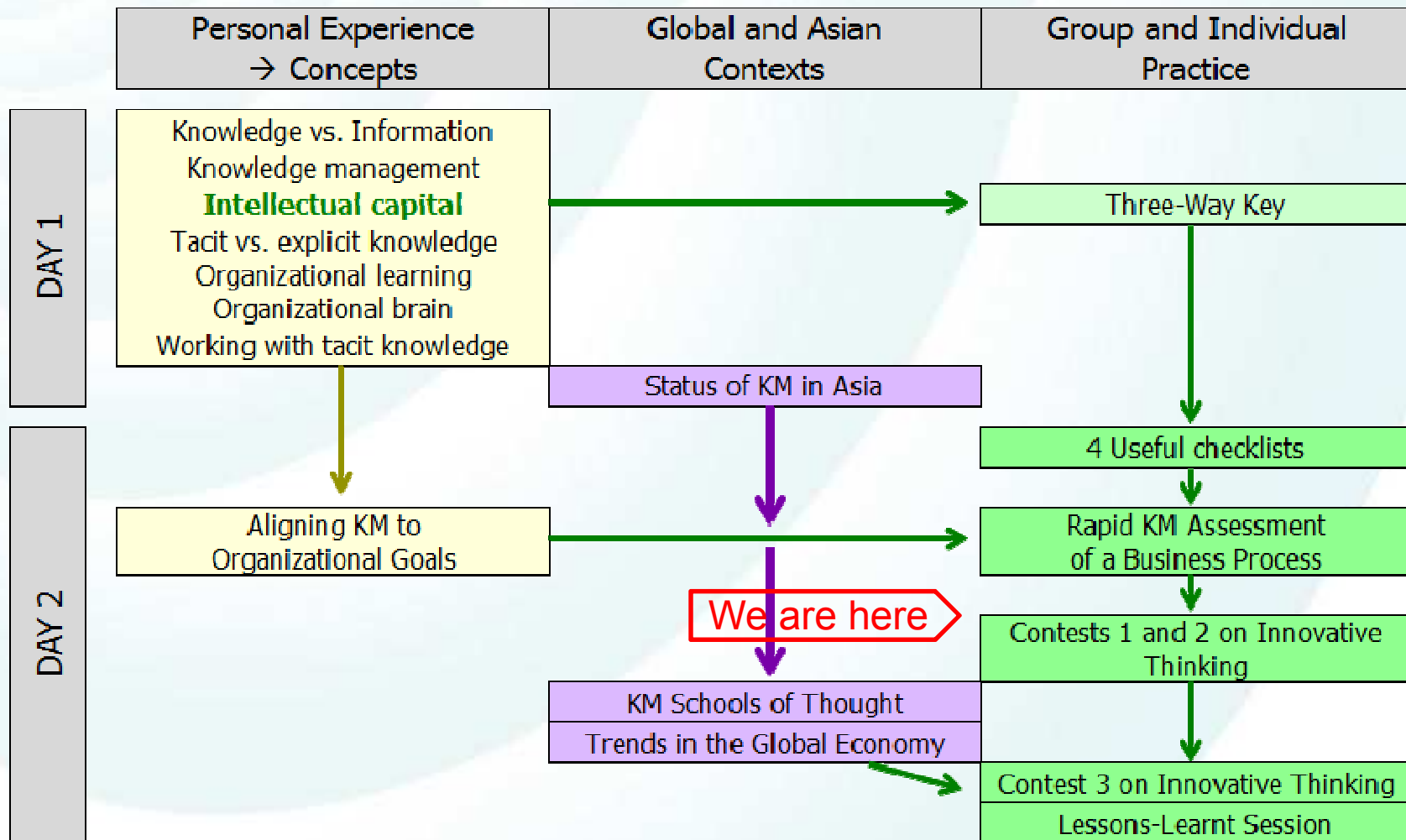
# Workshop on Knowledge Management DAY 2/afternoon

Ambedkar Institute of Productivity  
Chennai, India  
February 18-19, 2008

**Dr. Serafin D. Talisayon**  
Chief Expert, APO KM Survey



# Programme Flow





## Module 8 (Continued)

Contests during lunch  
are exercises in “problem finding”

# Stove Inventors: Good Problem Solvers but Poor Problem Finders

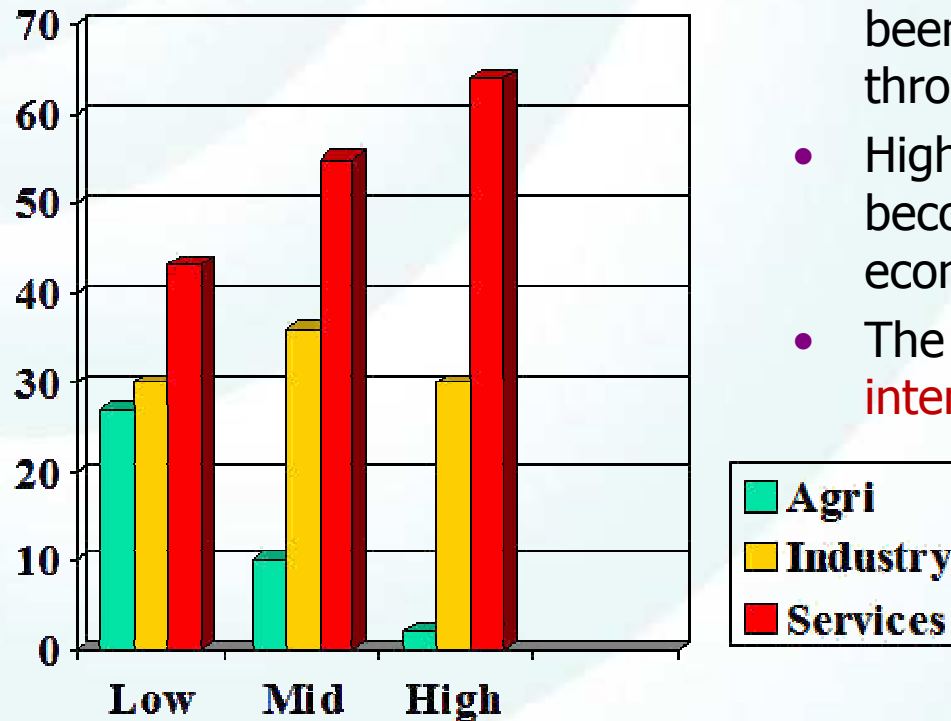




# Module 9a

## Important Global Trends

# Global shift to service economy



- The global economy has (lately) been creating more wealth through **services**.
- High-income countries have become predominantly **service** economies.
- The service sector is **knowledge-intensive**.



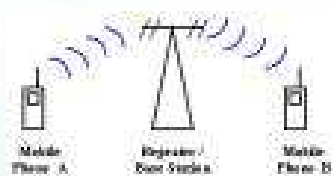
# Global Shift to Service Trade

**Value of international trade: grew 2x faster than world output of goods & services**

- Service trade grew faster than commodity trade
- Financial trading grew faster than trading of goods and services
- Markets for derivative financial instruments (futures, options, securities): grew faster than market for stocks & bonds

***"Information about money has become more valuable than money itself"***

-- Walter Wriston, ex-Chairman, Citicorp



**International financial transactions**

(derivatives > stocks)

**International trade**

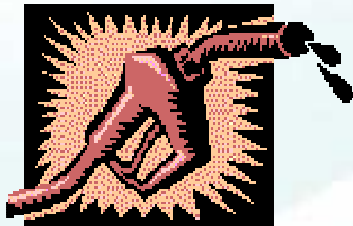
(services > goods)

**Production  
of goods and services**



# Increasing Knowledge Content of Goods

~ 80% of the cost of a Levi Strauss jeans is knowledge.



>50% of the cost of petroleum is knowledge

# Increasing Knowledge Content of Goods

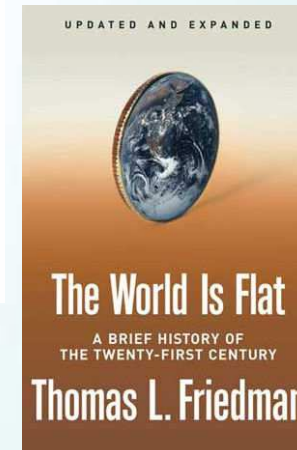
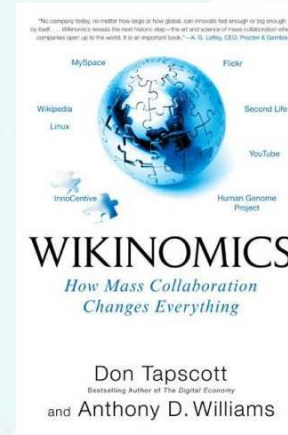
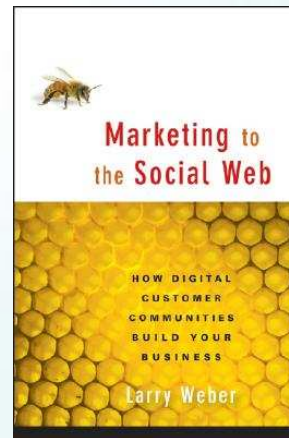
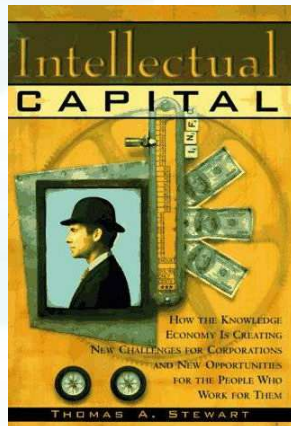


~25% of the cost of the typical aluminum  
beer can is knowledge



Freely downloaded Netscape Navigator 9 is  
100% bits (pure knowledge) and 0% atoms

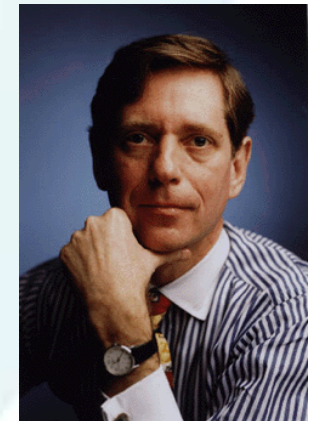
# The Global Economy is Changing





*"Weightless economy"*<sup>1</sup>

– Danny T. Quah, London School of Economics



Production is *"dematerializing"*<sup>2</sup>

– Thomas Stewart, Fortune Magazine

1. [http://www.unesco.org/courier/1998\\_12/uk/dossier/txt11.htm](http://www.unesco.org/courier/1998_12/uk/dossier/txt11.htm)

2. Thomas Stewart: Intellectual Capital. Currency, 1997.



# Market Value > Book Value

- In 1995, market-to-book ratio of 500 firms in Standard & Poor index was **3.83**
- In 1997, market-to-book ratio of companies in the Dow Jones index was **5.3**
- For information and knowledge-based companies, market-to-book ratios often **exceed 10**; for example, Google in November 2006 has a market value of \$156 billion and tangible assets of only \$10 billion (or market-to-book ratio of 15.3)\*

\* <http://www.valuecruncher.com/wordpress/wp-content/uploads/2006/11/valuecruncher-valuation-report-google-221106.pdf>



# Intangible assets >> tangible assets

NYU-Brookings Institute Intangibles Research Project

Findings (among non-financial publicly-traded firms):

In 1978, tangibles: intangibles ratio = 80:20

In 1988, tangibles: intangibles ratio = 45:55

In 1998, tangibles: intangibles ratio = 30:70



# Knowledge assets > Tangible assets

“Increasingly, intangible knowledge assets are dwarfing the value of tangible book assets at many companies.”

— S. L. Mintz, CFO Magazine

February 1, 2000

<http://www.cfo.com/article/1,5309,1086,00.html>

**CFO** Magazine



# Knowledge assets > Tangible assets

“For Internet companies, there is hardly any relationship at all between book value and market value. Accounting may perhaps be the world’s second oldest profession, but its survival may well be at stake, if this trend continues.”

— Claes Fornell, Donald Cook Professor of Business, University of Michigan





# Knowledge assets > Tangible assets

“Traditional financial controls are of limited use in managing, understanding and assessing a knowledge-based company.”

— 1997 Annual Report WM Data  
(biggest Swedish software and consulting firm)



# Knowledge assets > Tangible assets

*"...coming out of the change in our economy from one that is industrial-based to one that is knowledge-based, where intellectual property, soft assets, and other intangibles increasingly make up the bulk of the asset base for wealth production in our society... we must learn to better measure and account for these assets, and reflect that in the financial reports of corporations."*

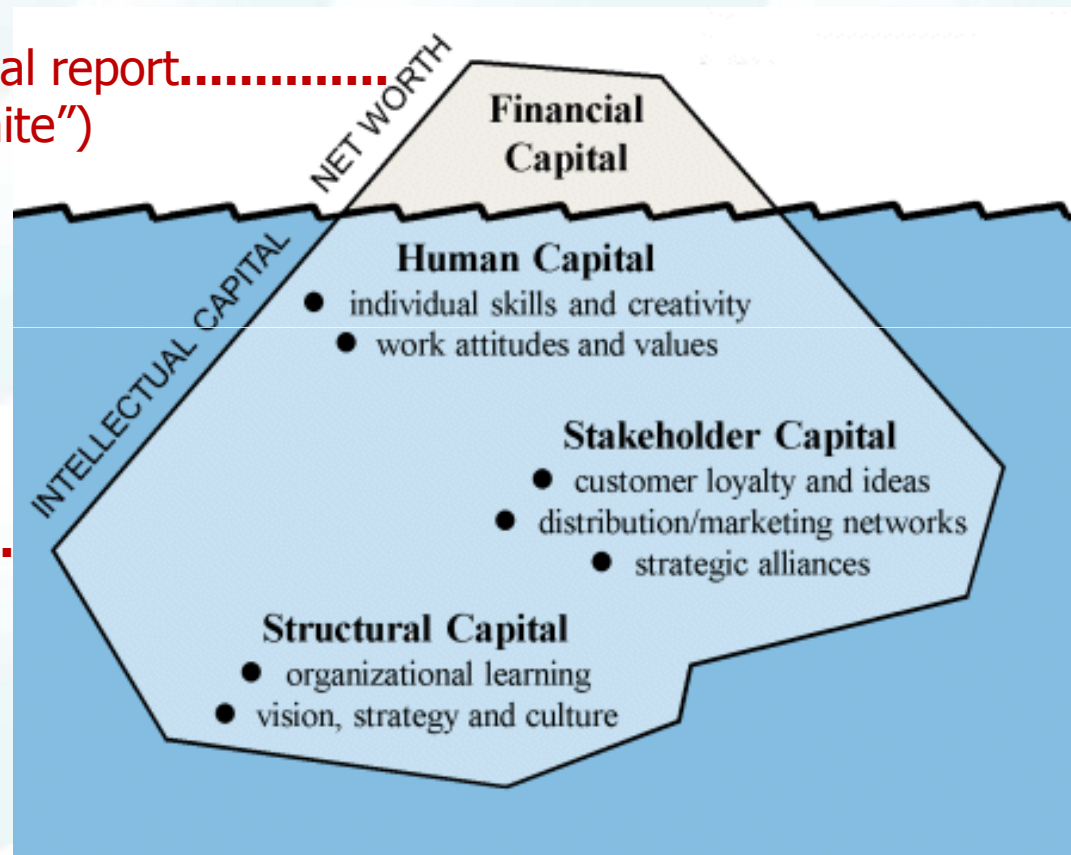
— Commissioner Steven Wallman  
US Securities and Exchange  
Commission



# US SEC Reporting Requirements

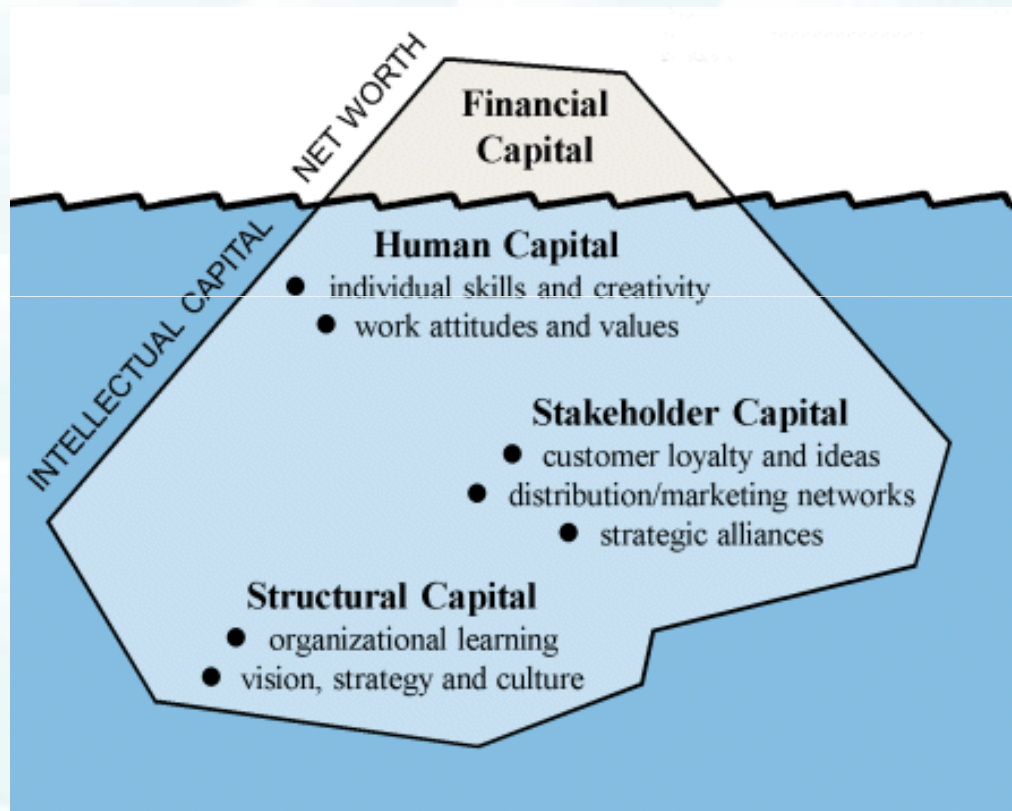
Traditional financial report.....  
(or "black and white")

"Colorized  
report".....





# Intangible Assets > Tangible Assets



*"The accounting system doesn't capture anything, really!"*

—Judy Lewent  
Chief Financial Officer,  
Merck





## Module 9b

**KM is a Response to these Global Trends**

# My View of Emerging Schools



## Intellectual Capital school

- Karl-Erik Sveiby
- Leif Edvinsson
- Thomas Stewart
- Hubert St. Onge
- Patrick Sullivan
- Nick Bontis

## Organizational Learning school

- Peter Senge
- David Garvin
- Chris Argyris
- William Isaacs

## Knowledge Sharing school

- Nancy Dixon
- Carla O'Dell
- Robert Buckman
- Laurence Prusak

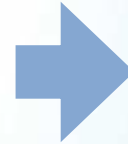
## Knowledge Innovation school

- Ikujiro Nonaka
- Debra Amidon
- Dorothy Leonard
- Leif Edvinsson



# A Shift is Going On in Asia

Productivity  
and quality  
management



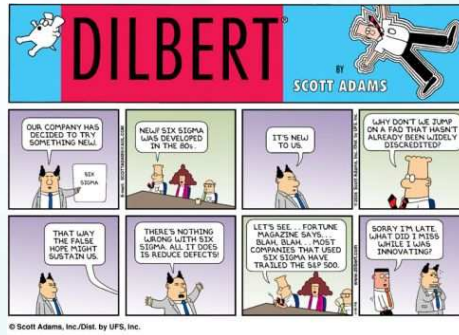
Productivity  
and quality  
management  
+  
Knowledge  
management/  
innovation



 **DILBERT** <sup>®</sup>   
BY **SCOTT ADAMS**



# Productivity vs. Innovation



“Fortune in fact published an article with the statement that ‘of the 58 large companies that have announced Six Sigma programs, 91 percent have trailed the S&P 500 since.’ ...The gist of the article is that Six Sigma is effective at what it is intended to do, but that it is ‘narrowly designed to fix an existing process’ and does **not help in ‘coming up with new products or disruptive technologies.’**”

– Nick Brumleve, The Return on Knowledge  
(<http://www.rokblog.com/>)



*"The days when incremental or continuous improvement preoccupied corporate managers are over. It is to innovation and breakthroughs that those managers have turned their attention. For achieving innovation, the most relevant tool is no longer quality control or quality management. It is KM in its broadest sense, which includes value creation or knowledge creation that is the most relevant."*

*– APO Secretary General Takenaka*



# Module 10

## Innovation Contest #3

### An Exercise in Exposing Hidden Assumptions

- Discover your own (hidden) assumptions
- Revise them (=get out of your mental box)
- Innovation



## Question

List as many ways of getting a guava fruit from a tree as you can think of.





## 34(!) Answers of Grade 4-6 Pupils

- Use a sungkit
- Climb the tree
- Throw a stone or stick at the fruit
- Shoot the fruit's stem with a slingshot or gun
- Shake the tree or branch
- Use a ladder
- Reach and pull down the branch
- Throw a stone tied to the end of a long string to pull down the branch with the fruit
- **Drive a jeep or truck under the tree and step over to reach the fruit**
- **Use a helicopter**
- **Borrow and use a firemen or Meralco truck with extensible ladder**
- **Use a Meralco lineman's pole-climbing shoes (with spikes)**
- **Use a James Bond jet chair**

conventional  
solutions

**high-tech  
solutions**



## 34(!) Answers

- Perform a high jump
- Use tall walking stilts
- Use a pole to jump (ala pole vaulter) up and reach the fruit
- Throw a boomerang at the fruit
- Pile up objects so you can step over them and reach the fruit
- Use an electric fan to blow the fruit
- Pull down a smaller nearby tree and suddenly release it to hit the fruit
- Set up a human pyramid
- Shoot the fruit with water from a hose
- Use an anti-gravity belt
- Call on Superman
- Perform transcendental meditation and levitate upwards to reach the fruit
- Throw a stone at a monkey so the monkey will throw the fruit back at you

**imaginative  
solutions**

**Imaginative  
solutions  
free from  
feasibility  
limits**



## 34(!) Answers

- **Cry so your father will get the fruit for you**
- **Chop the branch or the whole tree**
- **Wait for the fruit to ripen and rot, and then drop by itself**
- **Train a monkey to get the fruit**
- **Pray**
- **Forget the whole thing; you don't like the fruit at all**
- **Just buy a fruit from the store or market**
- **Sleep and dream you are eating the fruit**

**Out-of-the-box solutions**



**Why  
"out-of-the-  
box?"**



# Exposing Hidden Assumptions

- **Cry so your father will get the fruit for you** ..... Who said YOU will do it?
- **Chop the branch or the whole tree** ..... Who said the tree should stay INTACT?
- **Wait for the fruit to ripen and rot, and then drop by itself** ..... Who said the fruit has to be FRESH?
- **Train a monkey to get the fruit** ..... Who said a HUMAN must do it?
- **Pray** ..... Who said THOUGHTS doesn't work?
- **Forget the whole thing; you don't like the fruit at all** ..... Who said YOU LIKE a guava fruit?
- **Just buy a fruit from the store or market** ..... Who said the fruit has to come from THAT tree?
- **Sleep and dream you are eating the fruit** ..... Who said you must solve the problem in the WAKING state?



# What Paradigm-Bound People Say

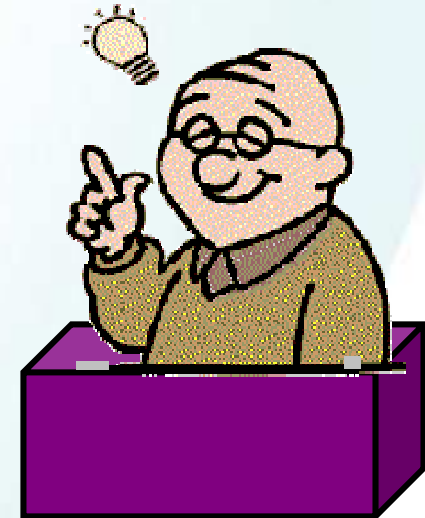
From Joel Arthur Barker: "Paradigms, the Business of Discovering the Future", 1992

- *"That's impossible"*
- *"We don't do things that way around here"*
- *"I wish it were that easy"*
- *"How dare you suggest that what we are doing is wrong?"*
- *"When you've been around a little longer, you'll understand"*
- *"Who gave you permission to change the rules?"*
- *"Its too radical a change for us"*
- *"Let's get real, okay?"*
- *"I wish it were that easy"*



# “Out-of-the-Box” Thinking

- Out-of-the-box thinkers (e.g. inventors) have **freed themselves** of one or another limiting mental boxes.
- An **“aha!” experience** accompanies freeing yourself from one of your limiting assumptions, enabling you to see something new that you could not see before.
- When you hear an idea that seems “crazy”, “wrong” or “weird” abstain from making quick judgments. Do not condemn, ignore, or run away; it may be **an opportunity** for you to discover one of your limiting mental boxes.





Sensing of real  
world problems

+

Awareness of your  
limiting  
assumptions

+

Other factors

→ **Innovation**

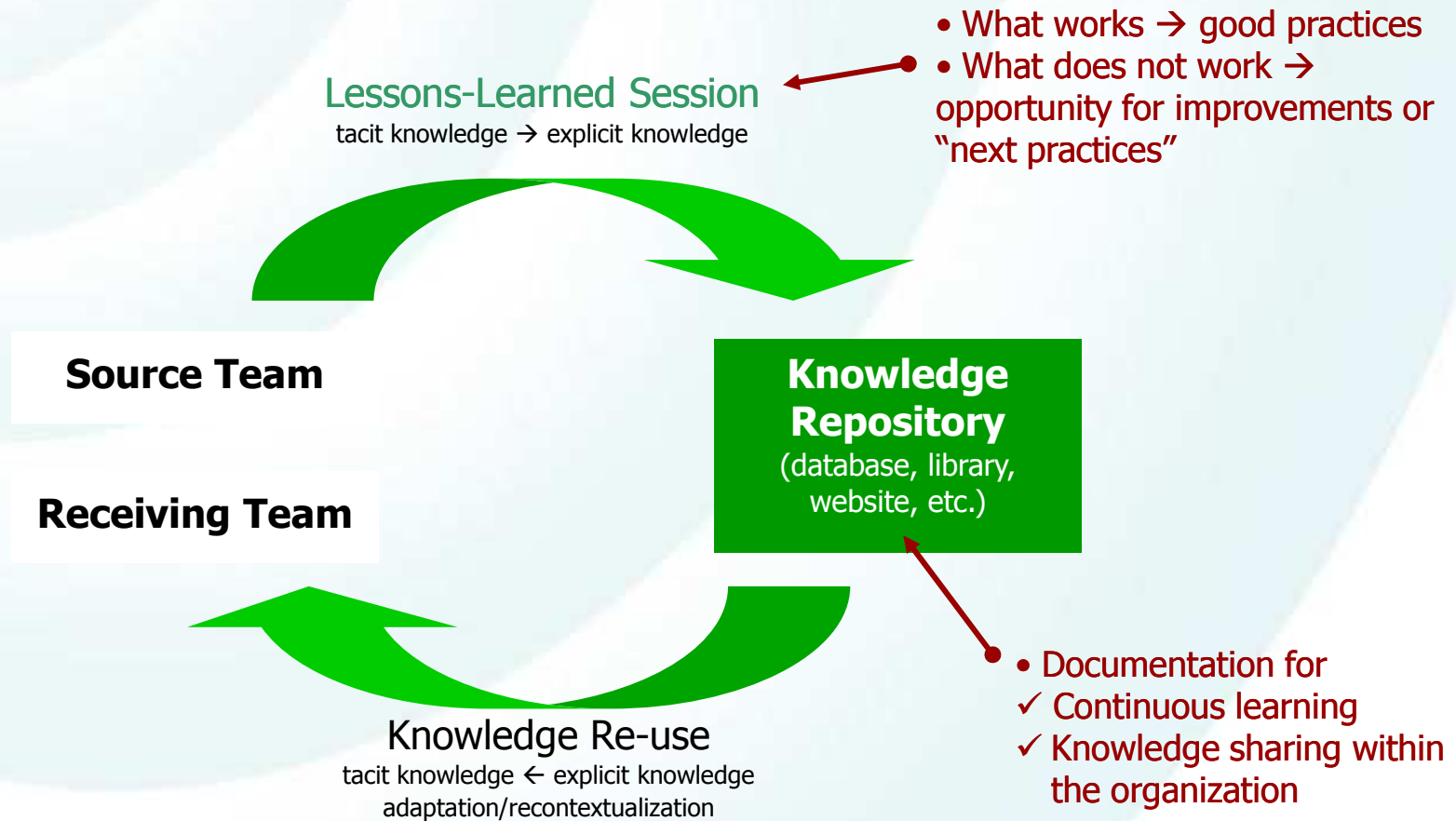


# Evaluation Module

## Lessons-Learned Session



# LLS Inputs to Knowledge Repository





# Difference between LLS and Conventional Evaluation

	Project Evaluation	LLS
Purpose	To assess outputs against objectives	To document learning and know-how gained
User	Project manager/owner, project financier	Practitioners, project staff/implementors
Focus	Outputs, outcomes, impacts	Workable tools, templates, processes
Nature of Learning	Vertical <b>Knowledge</b>	Horizontal
A Tool of –	Project management	Knowledge management

# Trigger Questions in an LLS



**Good/Best practices**

**“Next practices”**

Positive

Negative

Within the organization

- human capital
- structure/process capital

Outside

- stakeholder capital

**What worked well?** What tools or templates can be re-used? What skills/qualities were useful?

**What did not work?** Why? What improvements can be adopted next time?

What were the facilitating or success factors? Who/what external linkages helped?

What were the hindering or failure factors? What partners did not perform well?