

Lessons for liberating knowledge

Don't reinvent the wheel. A lot can be learnt from existing business models, such as franchising

Three particular threads of enquiry are interwoven in this consideration of how to liberate knowledge:

1. Why bother creating or claiming 'new' approaches and tools for 'knowledge management' when we may simply be able to borrow from proven systems?
2. Could individual self-interest and self-governance, nudged into situations where collaborative behaviour is attractive, create 'knowledge management' fit to support (and lead) necessary and emerging organisational forms?
3. Can we harness the tensions between accounting approaches and learning-based or community-related approaches to value without compromising either? Since these (among other) viewpoints exist, they are intrinsic to the knowledge process, and the challenge is to negotiate them as part of a multilayered market dynamic.

New organisational structures

Increasingly, formal and informal drives to create effective knowledge structures (both stocks and flows) are moving away from traditional views of boundaries

and structures as impermeable and/or fixed. Evolution of products with clients ('co-evolution') requires a degree of transparency, decentralisation of responsibility, and a coupling of action to direction and focus that has not previously existed. At online bookstore Amazon.com, clients co-create the content that attracts new clients, and so act more like members than users of a service (Hagel and Armstrong, 1997). The same is true of many new and reinventing enterprises.

This instant feedback loop, and embedding of what is exchanged in the way of information or insight into what is offered as a product or service, can partly be generated with heavy investment in technology. But the ability to anticipate, or the creation of quirky, serendipitous or unexpected connections – both important for new growth – are for the most part achieved through the actions of individual people as they relate to each other (perhaps mediated through technology).

A borrower be...

Using successful business and investment models as a starting point is a worthwhile exploration: it is probable that their knowledge dynamic works well, and is deeply embedded in (or emergent from) the traditions and ways of the enterprise, combining the necessary ingredients of financial success with cultural effectiveness. And we can hardly claim that this is a radical approach, since the overall context of knowledge management exploration has drawn lessons from social systems and approaches, including medieval guilds, hunter-gatherers and the cartography of the middle ages. The role of history, and the ways of interaction that may be seen as successful in a variety of community contexts (business or otherwise), therefore form an important frame for this enquiry, inviting consideration of connectivity, complexity and learning.

Franchising

One business model worth investigating for what it may teach is franchising. Certain attributes, in particular the transparent management of stocks and flows, may be combined with other tools and methods to create a rather pragmatic knowledge management approach fit to support new business purposes. It may also be easier to communicate than some conceptual models, since it rests on business ideas with an existing and documented history.

The trick is not to borrow wholesale, but to identify in the experience and approach of real franchises some backbone of an approach that may inform knowledge management. The value is in deriving from an approach to managing stocks and flows of knowledge (probably not called knowledge management) where the knowledge management has direct alignment with, and is in fact fundamental to, achievement of business purpose and sustainable profits.

Table 1 Leadership in co-evolutionary structures

Then	Now	Action
Hierarchy	Who are the leaders?	Redefine leadership
Push/pull	Co-evolution with clients	Understand evolution, create transparency
Process	Purpose	Change process through purposeful action
Failure = bad (negative accountability)	Failure as an asset/opportunity	Share stories of failure
Client focus	Content focus	Manage content to extract value
Proactive	Quick reactions	Stop leading and start watching
Corporate = good	Different is encouraged	Encourage unauthorised behaviour
Controlling	Directing (as in directing the cast of a play)	Stay off stage, create a vision, choose a cast
Value driven	Values driven	Let value emerge from clear values
Business first	Business knowledge/balance	Understand parallel knowledge universe
Teams	Communities of practice	Map communities, build new ones
Team leaders	Organisational entrepreneurs	Give entrepreneurs space to operate in
Managing for efficiency	Managing for knowledge formation/growth	Use breakthrough performance to extract productivity, not cost-cutting programmes
Executive dining	Café society	Design spaces for knowledge sharing and serendipitous discovery

Franchiser/franchisee relationship

How does the relationship between franchiser and franchisee work?(see Table 2)
 Aspects of this approach that seem to us to offer particular value include:

- Partnership and interdependence in a network: ‘close interdependence is unique to franchising and is the major factor which makes the system different from other business opportunities’ (NatWest, 1997).

- High ratio of information to infrastructure: if the ratio goes the wrong way, the franchise will eventually cease to exist.

Table 2 The give and get of franchising

Franchiser gets:	Franchisee gets:
Business expansion by using the capital of the franchisee. Can also draw on local marketing knowledge and contacts of franchisee, and rely on the fact that franchisees with their own money invested in their businesses will be more strongly motivated.	A lower risk start-up, using a proven and successful business system and drawing on training, advertising, marketing and purchasing power of the franchiser. Ongoing support from the franchiser and shared experience with other franchisees. Some measure of security in the knowledge that the franchiser has a moral commitment to your well-being.
Franchiser gives:	Franchisee gives:
Central ideas and principles Models Rules Collective experience and expertise	Local infrastructure Execution Feedback Challenge

Two illustrations from real franchise stories are illuminating. If you look at the KallKwik literature, what jumps out at you apart from the role of the central team (proven systems with strong on-going support and a sharply honed marketing department) is the relationship between the 200 or so outlets nationwide: centre owners find each other a rich source of help and information, learning from their experiences.

Or take the illustration of a fast-food franchise. The central team has the skills, experience and partnering arrangements in place to open a new outlet from scratch in two to three weeks. This is because of the central repository of knowledge in building regulations, the strength of the long-term relationships with suppliers of materials and labour and the longer-term relationships in the building sector and with regulators etc.

Used as a backbone for knowledge management

Applied to knowledge management, the relationship might be described as in Table 3.

This, of course, is not to suggest that a franchisee cannot, for example, be a generator or collector of knowledge assets; each is in a reciprocal and co-evolutionary relationship. However, as a static snapshot of a moving process, these columns offer a useful starting point for navigation.

Table 3 The knowledge franchising give and get

Knowledge (franchiser)	Business (franchisee)
Proponents of fundamental ideas, values, policy, skills, models, tools, techniques, strategic intelligence Generator or collector of knowledge models, assets Filters, nurtures quality and relevance of collection Agent in brokering networks and nudging opportunities and links	Entrepreneurial commitment Provider of implementation, infrastructure, feedback and real evidence Positioned to exploit (political, intellectual and actual) capital, networks, contacts etc Providers of direct experience, stories, evidence, feedback, learning and challenge Agents to catalyse and provide other business areas with expertise and experience

Connectivity

Literature and experience around organisational development (even innovation) contain a consistent call to attend to the importance of connectivity. This appears in many guises, including ‘coupling’ (Spender and Grinyer, 1995), the creation of actionable knowledge (Argyris, 1996), organisational learning (e.g. Dixon, 1994; Levinthal and March, 1993; Lessem, 1991; Seely Brown and Duguid, 1991), knowledge stocks and flows (Boisot, 1998), communities of practice (Wenger, 1998), and complexity (Mitleton-Kelly, 1998).

We suggest that our notion of ‘knowledge franchising’ may address the need for connectivity and be used to counter the dislocation between activity, knowledge and expertise that has been noted in fast-moving environments. It could offer a systematic, even systemic, approach with pragmatism determining short-term activity (appropriate to local conditions) in relationship with an effective, connected structure for a knowledge team.

Franchising is interdependence: interdependence generates evolution

Such networked approaches are rooted in complexity and a (w)holistic view, which requires consideration of the role of co-evolution. Rather than simply reacting or adapting to an external pressure, the focus is on continually co-evolving, both influencing and being influenced. In such circumstances, a simple cause-effect link is not apparent and the entity is not seen as being separate from its surroundings. Every successful franchise system continues to evolve with decentralised controls, despite the structural safeguards designed to stop this happening.

Co-evolution

There is co-evolution between the concept, the contributors (franchisers, franchisees) and the business conditions, for it is through this process that the franchise remains ‘fit’ to trade, suited to its purpose through changing conditions. As part of this process, each franchisee operates in their own interest and the interest of the larger franchise community, to optimise their position in the continually evolving local ‘fitness landscape’.

The franchiser transforms this experience through manuals, models, systems, behaviours and so forth, acting as a broker, coach and supplier, and feeds back to the franchisees. And the explicit understanding is that franchisees will take these ideas and translate them into infrastructure as locally appropriate (including feeding back what is/is not suitable for them and why).

Emergence

The notion is one of emergence, rather than of centralised control. As David Smith from Unilever put it to one of this chapter’s authors recently:

“I almost forget sometimes that we arrived at knowledge management from strategy and look to biological and complex adaptive system forms as new organisational structures – because that is what organisations are ... they have self-acting agents (humans) acting within a set of design principles and the result is emergent and unpredictable.”

The bottom-line utility of this was conveyed to another of the authors by a government colleague, who explained that through an emergent, participative process, priorities had become clear and were worked on in a coherent way that completely avoided the previous competition for, and costly splitting of, resources. The result was greater efficiency and effectiveness.

This example, and notional franchising of knowledges generally, reflects and can be informed by Wenger’s seminal work on communities of practice (1998). Wenger (pp 49–50) talks of practice as having six attributes:

- 1 Practice as meaning.
- 2 Practice as community.
- 3 Practice as learning.
- 4 Practice as boundary.
- 5 Practice as locality.
- 6 Knowing in practice.

In doing so, he defines learning as 'an interplay of experience and competence'. This is precisely the essence of the mutuality of a franchise.

The changed nature of boundaries

In a franchise operation, there is a community of inter-related businesses that may benefit from mutual transparency. They may also benefit from some transparency towards competitors if each learns and benefits without losing their unique proposition. Boundaries, instead of defining what is inside and what is outside the enterprise, become something to do with management of content and with behaviours, as with Wenger's communities, in which the interactions differentiate the group (and one group may be all local businesses, including competitors). At the same time, being part of a recognisable franchise group may arguably provide some area of relative stability that helps learning to occur, including the embedding of useful behaviours, and attends to the tensions between standardisation and innovation, risk taking and risk mitigation. (There is more to be said in another space about the different approaches to risk taking and risk mitigation.)

Many-layered market dynamic

One main criticism of knowledge management programmes is that they can seem somewhat soft, squashy and far too cultural for their own good. Where are the measurable benefits? The cause-effect chains to justify the investment?

In fact, critical to the flow of knowledge, and to the distilling and nurturing of the stocks that will generate growth and value, is an understanding of the nature of markets, trading and investment instruments and transactions, both at the level of the way individuals instinctively manage their own transactions and investment in knowledge, and at the level of a networked market dynamic.

A franchising model acknowledges the many layers of market dynamic. It has to be financially successful to survive, but it also has to nurture the internal market, effective networks and mutuality as a cultural necessity, both between the centre and the local businesses and among franchisees.

Enlightened self-interest

The knowledge economy rests on the inclination of individuals to volunteer. Any system must make it attractive for individuals to put their careers and existing cultures at risk for an unknown reward. A franchise approach can create a coherent narrative within which individuals can locate and negotiate or influence their own position and role in relation to others. (This view is consistent with the body of work drawing on anthropology, social psychology and related

disciplines connecting the function of narrative and/or storytelling with organisational development in general.)

Business sponsors of knowledge projects act as entrepreneurs with backing from the knowledge team; and as voluntary franchisees they also have a framework of experience and committed support to work with. The social and intellectual capital generated by them as individual entrepreneurs feeds into, and draws from, the knowledge franchise, evolving a substantial and sustainable process.

Individuals who engage (in the business, in the knowledge team) are collaborating to further their own careers, abilities and opportunities. They can consciously grow their intellectual capital through measured risk taking, and use their political capital in the organisation, converting it into new social capital and economic value for themselves and for the enterprise. They are much more likely, as a consequence of the mutual commitments emerging from such a framework, to contribute ideas and experiences that would otherwise remain as individual tacit knowledge.

Critical quirks

Explicitly building collections of knowledge and experience around a small set of governing principles or rules creates transparency and emergent effective governance. This can, over time, replace the central authority that typically governs an organisation with a kind of decentralised informed argument combined with individual access to jointly developed resources. It is this, individual-centred approach, where the systems, processes and infrastructure support the direct ability of individuals to act and anticipate, which will retain (and energise) the critical quirks and unexpected insights from which new growth will emerge.

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Knowledge and customer relationships

Putting the 'R' back into CRM

Customer or client relationship management: do you have it in your strategic direction statement? Few of you will have said 'no'. Most established organisations are now clear that they need to smarten up their act in attracting and managing their customer bases and developing products and propositions that people want to buy – this is just common sense!

The question is, just how do you achieve it? How many organisations have really managed to implement something of value in this arena?

Experience as a consumer provides us with a bleak response to this question. However, there are some organisations making real progress. In most cases it has not been as a result of focusing on a grand design, nor buying the array of CRM tools, databases or consultancy processes now available on the marketplace. There is a combination of factors, which without fail include a marriage between clear direction, effective programme management and rigour, and real understanding and involvement of people and customers.

This is, essentially, a powerful interaction or relationship between 'explicit' and 'tacit' knowledge.

Getting this right is not easy. And once you have done so, knowing what it is that is right is equally difficult. Therefore building and maintaining a

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