From:

Practical Knowledge Management Guide for SME Owners and Managers

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Practical KM Guide for SME small and medium enterprise Owners/Managers

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Owners/Managers

knowledge management

Asian
Productivity
Organization

Asian Productivity Organization

Practical Knowledge Management
Guide for
SME Owners and Managers

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Foreword

When we use the term "Knowledge Management" (KM), some readers may have the impression that it is a very difficult topic to understand. I believe, however, that the principle is not difficult but rather a simple one that anyone can easily understand.

The principle of KM can be likened to applying the Japanese proverb "Sannin yoreba monju no chie" (a gathering of three people will result in wisdom equivalent to that of Monju Bodhisattva) to business management. Monju Bodhisattva is the well-known Buddhist deity of wisdom. The proverb indicates that if three ordinary people come together, great ideas will be created which could not be conceived by a single individual alone. As I understand it, the essence of KM is applying this proverb to business management today.

However, the simplicity of the principle does not necessarily mean that it is easy to utilize KM fully. Similar to 5S and kaizen (continuous improvement), understanding the principle is easy but putting them into practice on the job is not.

When applying the principle of KM, we collectively gather ideas first, and the level of the success depends upon the degree of communication inside the organization. In this regard, small and medium-sized enterprises have an advantage over major corporations with several thousand employees. However, many small and medium-sized enterprises experience difficulties in communication between the top management and employees, so-called poorly ventilated space. In such cases, communication must be improved first, which often requires organizational change or reallocations of work space.

The power of IT to smooth internal communication is overwhelming. Due to the rapid evolution of IT, even a tiny company today would find it difficult to function without relying on IT. However, IT is not omnipotent and is not the equivalent of KM. Much more information can be communicated face-to-face than by sending e-mail. Opportunities to create new ideas also increase through face-to-face communication. However, no one should think that KM is not suitable for his or her organization due to a fact that a huge budget is not available to invest in IT.

The applications of IT for accumulating information and knowledge continue to increase. However, I believe that a small organization can document information in the absence of sophisticated IT hardware without diminishing its value. The APO, an international organization of which I am the Secretary-General, is currently sharing publications to member countries. This Practical KM Guide for SME Owners and Managers is a concrete example of gathering knowledge without using IT and sharing it with all who are interested.

Finally, there is no absolute formula to ensure "wisdom," i.e., processes that create new ideas and innovation, unlike the communication and accumulation of information.

The only thing we can do is to foster an environment conducive to the development of such ideas. While this may not appear sufficient, in the long run, the percentage of innovative ideas created will be much greater in organizations that continue such KM efforts. This will in turn result in an increased number of companies that incorporate incentive systems for appropriate proposals or that develop a culture that accepts and learns from failure.

Owners and managers of small and medium-sized enterprises can learn a lot and derive many benefits from KM. The examples included in these cases are not abstract theories, but rather introduce practical guide for KM application. The "wisdom of Monju" is hidden in each example. I hope that these cases will be used for further KM improvement.

Shigeo Takenaka
Secretary-General
Asian Productivity Organization
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Acknowledgments

This book has been the result of the collaboration, cooperation and support from many people.

The authors would like to first acknowledge the inspiration and support of APO Secretary-General Shigeo Takenaka, who conceived of a practical, useful book on Knowledge Management (KM) for owners and managers of small and medium enterprises in Asia. The idea of this book began when Mr. Takenaka and one of the authors discussed and agreed that the abstrusity of KM made it difficult for SME managers to have respect for it, although the essence of KM is quite simple. He convinced the authors that the APO and the authors had to try to create a practical, easy-to-understand guide for SME owners on KM so that many more SMEs could benefit from its applications. Thus, this book is undoubtedly the product of his passion to spread KM to SMEs in Asia.

We also wish to thank Mr. Masaya Amau of the APO, who gave us guidance and support throughout this project, participated in our on-line meetings, and ensured that the book was moving toward the intended APO objectives. During the planning stages of the book project, Mr. Kamlesh Prakash of the APO was also present to provide assistance. We appreciate his efforts in this as well as in past APO KM projects. We similarly appreciate the efforts of the APO Research and Planning Department for promoting KM in Asia, including many previous APO publications in KM which the authors of this book referred to and made use of.

The eight stories that we adopted for the book are based on actual cases. Although their names, events, and context had been changed in the interest of respecting company confidentiality as well as to simplify the stories, the authors acknowledge with gratitude the provision of their experiences and lessons learned for the larger benefit of other SME owners and managers in Asia. We hope the book encourages as many SME owners and managers (and of course employees) as possible to implement Knowledge Management in their real context.

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Chapter 1: Introduction

Small and Medium Enterprises Rely On...

Our lives rely hugely on small and medium enterprises (SMEs). If the bread you ate this morning was bought at a small bakery in your neighborhood, you relied on SMEs. If you picked up your pressed shirt at a family-owned cleaner in the evening, or dined on Friday night at a nice Italian restaurant run by a managing chef, you relied on SMEs. Do you always shop at a big supermarket? So many food products sold there are farmed, processed, and/or packed by small and medium enterprises!

Drive to your office? Your car must contain hundreds of parts that are manufactured, or at least processed, by many different SMEs, who are sub-sub contractors of the auto company. Literally speaking, we can't live our daily lives without SMEs.

Here's a quiz: if our lives rely so much on SME activities, what then do SMEs rely on to conduct their businesses?

Capital? Definitely. Owners' hard work? Perhaps, in most cases. Loyal customers? Talented employees? What about quality products and services? Surely.

Okay, let's clarify the question: What is the single key resource for SMEs that makes a big difference?

The authors believe that this is knowledge.

We understand that this might sound strange to most readers. You may say, "We are in the restaurant/cleaner/sub-sub contractor manufacturing (or whatever) business. We don't need 'knowledge' taught at university." Totally understandable. But what we are trying to describe by using

Scene of daily life in Chonburi, Thailand, by Nanuch Nijnananant

the term 'knowledge' is much more than what you may have learned at university or college. It's something that serves as the basis of the strength of your small business, such as:

Know-how:
how to bake delicious bread every day, how to remove sweat stains from white shirts, or how to manufacture extremely tiny, metal-polished screws used for precision equipments, and so forth.

Relationship with customers:
remembering the favorite foods of regular customers, or holding monthly events to continue to attract new customers, etc.

Motivated, talented employees:
an industry worker who can recognize the gap of a few hundredths of an inch, or a server who can look at the facial expression of a customer and sense his or her smallest dissatisfaction and deal with it in a natural way, etc.

Whatever business your small-size (or medium-size) company is in, we believe

APO study mission participants tour an SME in Kawasaki, Japan.

that your company is competing on the basis of such key knowledge. In other words, if you are doing your business well, we believe that means you are good at identifying, creating, sharing, and applying your key knowledge, or your company's core strength.

It also means that your company has good procedures in place that serve to develop that strength in a sustainable way. Sometimes, such processes are designed intentionally, and sometimes they're designed by accident. Unlike other business resources such as capital and materials, knowledge has a unique nature: it is closely related to people's behavior and mindset. Though knowledge is very important, it is often invisible. You cannot see the good (or bad) relationships with your key customers, but you know that it exists, and that it's very precious. You cannot touch a craftworker's time-served skills that have been nurtured over time, but you can tell whose techniques are more valuable than those of others. Since the nature of knowledge is very different from the nature of any other business

resource, we feel that SME owners and managers need to be familiar in dealing with knowledge to manage their SMEs.

This book is aimed to support owners and managers (and any other stakeholders) of SMEs to solve their key issues, by focusing on what we call 'knowledge', or 'Knowledge Management'. As written in the forward by Mr. Takenaka, Secretary General of the Asian Productivity Organization (APO), this book is hoped to be a guide for SMEs in applying the principles of the old proverb, *a gathering of three (or a few more) people will create great ideas and results that could not have been conceived by a single individual alone.*

As an example of this, the four authors of this book have worked together as a team, even though they are spread across the globe. "They have reviewed, commented, shared opinions and suggestions, and met regularly through web videoconferencing as each chapter was being written. They are convinced of this collaborative principle and are confident that the results achieved by working together are far greater than what could possibly have been conceived by any individual contribution.

In the world today, small and medium enterprises are facing big challenges. You need to continuously satisfy your current customers, and at the same time, attract potential new customers. Otherwise, they simply go to your competitors. To stay competitive, you need to continue to improve your productivity and quality of products and services. You may also need to innovate your products and services if they are losing their competitive edge.

These days, the world is not so friendly for SME owners and managers. It's a big challenge to attract and retain talented people, and to maintain their motivation, as losing such key talent often triggers a crisis for SMEs. There are a lot of challenges up ahead.

We firmly believe that when small and medium enterprises understand and manage key 'knowledge' well, it will greatly contribute to solve the issues noted above. The four authors and the APO have observed many successful cases where SMEs have applied Knowledge Management (KM) to solve key issues such as improving customer satisfaction, attracting new customers, improving quality and productivity, employee development,

and accelerating innovation. The purpose of this book is to encourage SME owners and managers to understand and apply KM within their own, unique context.

Not convinced? That's fair. Then let us share a true story. The APO, the Development Academy of Philippines, and some experts conducted a "KM Demonstration Project" with a medium-size snack manufacturing company that had been facing issues which are typical among SMEs. Starting from scratch and effectively applying KM for theduration of a year, they were able to solve their key problems and gain significant results.

Sound like a fairy tale in business? Then let's see what happened at this company.

Moonbake Story

Moonbake Inc. is a food manufacturer which specializes in the production of snacks, like biscuits and cookies. The company's name might further weigh down on any doubts you might have on this being a fairy tale, but it's a real company that exists in the Philippines. The company was established in 1991 and currently employs 80 people, including factory workers. The size of the company's plant area is approximately 600m²,

and its product capacity is 855 cases per day, including both local markets and exports.

Like most other SMEs, there were many issues at Moonbake. They included:

Productivity/Quality Problem:
Needless to say, the stable operation of production machines is key for productivity and product quality in snack manufacturing. However, before the implementation of Knowledge Management, there had been only a few employees who could do any of the repair work when a machine malfunctioned.

An absence of the key individual who could fix the production machine inevitably meant there would be no production that day.

Lack of Employee Skills:
There were only a few administrative staff members confident in preparing production and sales reports. Because of this, the CEO was often frustrated by delayed and/or incomplete reports. It meant the CEO often had to make decisions without having access to precise business results.

Lack of Market/ Customer Information:
No effective methods had been established to collect customer feedback that could be used to improve the current product lineup or develop new products.

Low Morale of Employees:
Due to difficulties in procuring workers during the summer period, which was mainly on account of the low level of motivation among employees, the company could only operate their factory lines two or three days a week.

Familiar with some of these problems? A lot of them? All of them?

Yes, Moonbake definitely faced problems that are typical among SMEs. The turning point came in early 2008. Mr. Rufino R. Manrique Jr., President and CEO of the company, participated in an international KM conference in New Delhi that had been held by the APO, seeking hints to solve his company's problems. At the conference, he learned about the KM concept and some case studies, and thought it would be a fantastic approach for his company. Fortunately enough, the APO had also been looking for a small or medium enterprise that was willing to serve as a "guinea pig" for a KM demonstration project to create a good showcase of KM in SMEs. Both parties agreed enthusiastically to do this, and the KM project was launched soon after the conference.

First, through facilitated workshops, gaps in key knowledge were analyzed. These were the key strengths that the company needed to possess but in fact did not. This key knowledge is what lay behind the critical issues mentioned above. They then settled on four areas as the main scope of Knowledge Management. These included:

Market Research:
To gain customer feedback and confirm implicit needs, to improve and innovate the company's food products.

Enhancement of Customer Services and Relationships:
To improve satisfaction among customers and to retain them.

Development of Standard Operating Procedures:
To improve productivity and quality of production processes.

Development of Competency Profiles of Employees and Competency-based Training:
To develop employee skills and drive motivation.

Based on this scope, Moonbake got started on the following KM initiatives. They:

- *Created work instructions, standard operating procedures, and process flow charts by capturing and codifying the knowledge held by key employees who were involved in the production process. One of the main issues in production was that there were only a few employees who possessed rich experience. These people knew everything - but others didn't. Thus, when something happened in the production process and these key people weren't there, the problems could not be fixed. To capture and codify the 'tacit' knowledge held by such key people, workshops and meetings were held repeatedly to review what they were doing and to share the best practices and lessons learned.*

  Such knowledge was codified and shared through work instructions, standard operating procedures, and process flowcharts. Based on ideas from employees, an "ongoing board" was created to monitor current performance, which also served to contribute to raise employee motivation through the visualization of results, and also a "knowledge sharing board" to share any tips and findings that were made during the production work.

  Through these activities, Moonbake was able to improve its quality. Rejection rates were lowered from 1.0% to 0.8%, and in terms of number of batches per month, productivity improved by 27%.

- *The company held many sessions with their customers and conducted customer surveys to understand what they wanted and how they felt about the company's conventional products. At a customer session held with children, Moonbake sensed new needs. This resulted in the launch of a new product, CHOCO DOTS, which contributed to significant growth in sales.*

- *Moonbake created a competency profile and competency-based training to develop the employee skills needed for various different roles. This helped to raise the level of employee awareness on what was expected of them and encouraged them to learn, as well as boost their motivation.*

- *Through these KM activities, along with many internal communication sessions to share their value, the company was able to build a more collaborative culture. As a result, Moonbake achieved significant business results which included:*

  - 28% increase in sales

  - 27% increase in productivity, in terms of number of batches per month

  - 20% decrease in rejections, down from 1.0% to 0.8%

  - strong customer satisfaction, especially on quality

  - more well-developed, motivated employees: most administrative staff were now able to prepare reports, many production workers could handle machine trouble. Production work during the summer is now 6.5 days per week, a significant improvement from the previous two to three days a week

- new product (CHOCO DOTS) launched through use of customer (children's!) knowledge

This is what happened at Moonbake Inc., one year after the Knowledge Management approach was put into effect. We, the four authors and the APO, are eager to duplicate this story for as many other SMEs as possible.

How to Utilize this Book

This book is meant to be a "practical guide", rather than a theoretical thesis that won't be read by SME owners and managers who are always busy. You do not have to know any technical terms of Knowledge Management to actually implement it, as long as you grasp the essence. To directly meet the business needs of our readers, we settled on four key business areas, based on the main issues that SMEs have to tackle:

Chapter 2
To Satisfy Existing Customers and to Attract More Customers

Chapter 3
To Improve Productivity and Quality of Products, Services, and Processes

Chapter 4
To Develop New Products and Services (Accelerate Innovation)

Chapter 5
To Develop Skills, Motivate, and Improve Teamwork Among Employees

You can start reading any chapter that interests you the most, or the one that is closest to your most pressing issue. If your company is struggling with a loss of customers and sales or you urgently need to maintain and expand your customer base, you may first want to read Chapter 2.

If your main concern is that you are losing competitiveness with your products and services and you're looking for ways to improve productivity and/or the quality of existing products, you might want to begin at Chapter 3.

If you are thinking about innovating your products, services, or business models but don't know where to start, you can start at Chapter 4.

Likewise, if your company has recently experienced departures of key persons, faced deteriorating motivation among

employees, or struggled with gaps in skill levels among the workers, you can go directly to Chapter 5.

Each chapter contains stories of SMEs that have been successful in solving their key business issues through the application of Knowledge Management (KM).

All stories are fictitious but are based on real cases. We hope that by reading the stories under each theme, you will be able to grasp the essence of how KM would work for the key issues faced by your own company.

You can read any of the topics (Chapters 2-5) or the Takeaway Learning (Chapter 6) that describe the key concepts and the next steps for you to take in your KM implementation.

Chapter 2: To Satisfy Existing Customers and Attract More Customers

This chapter contains two stories that will hopefully provide some insight on how to satisfy existing customers and/or attract more customers by effectively applying Knowledge Management at small and medium enterprises.

The first story, *Ishima Manufacturing*, provide some hints on how to collaboratively create new businesses with existing customers, and to change relationships with customers from supplier and sub-contractor to business partner by creatively utlizing your workspace. Normally, SMEs do not invite their customers to their sites unless you sell items directly at your shop. This story gives you an idea how your workspace could become a strong weapon to sustain your current business and also co-create new businesses.

The second story about *Kitchen Equipment Distributors Inc*, on the other hand, will indicate how knowledge sharing among sales staff can help to gain better customer satisfaction and, eventually, better sales. The methodology of knowledge sharing is quite simple: group reflection on what has worked and what has not worked, and reapplying the knowledge that doesn't require significant investment.

Ishima Manufacturing: Customer Collaboration for New Business Creation

Prologue

"Hmm, we need to reflect on why things have gone so well… Just two months ago, they came here to negotiate the prices of our regular products. They asked -- or rather, almost tried to force us to cut our prices. But now, we are discussing with them how to develop sample parts for a new cell phone. This could become our new big business… Are we just lucky, or can we reverse-engineer what has happened? Yes, we definitely have to reflect on that," Mr. Takashi Ishima, Marketing Director at Ishima Manufacturing, pondered to himself.

It was a hot summer day in 2007 in Ota-ku, Tokyo, where his company headquarters and factory were located.

Background

Ishima Manufacturing was founded in 1978 by Takashi's father, Mr. Kozo Ishima, who had been CEO of the company since its establishment. The company's strengths are in metalware manufacturing, particularly metalwork with laser material processing. Kozo, a very good metalwork craftsman, started his own company with his friend, Mr. Yuji Ochiai, also a good craft worker, who was now Factory Director.

Since its inception, Ishima Manufacturing's main customers have been subcontractors of large Japanese consumer electronics makers.

Thus, Ishima is a sub-subcontractor for consumer electronics manufacturers. The company delivers metalware parts for electronic appliances. The founder has valued product quality before anything and everything else, and the company has maintained a good reputation and customer base.

The two-man company has since grown, and there are now 13 employees: two salespeople who report to Takashi Ishima, Marketing Director, and eight industrial workers, including two leaders under Yuji Ochiai, Factory Director.

Recently, the company has been under significant pressure in price negotiations with its customers. Japanese consumer electronics manufacturers have been struggling to compete with their global competitors, and their cost pressures have become more and more intensive. The CEO and his son have repeatedly discussed how to go about overcoming these difficulties, but they haven't been able to come up with any good ideas. The only thing they were certain of was that they had to do something. The situation seemed to be the toughest ever faced in the history of the company.

Fortuitous Visit

It started by coincidence; things hadn't look so lucky at the outset. One day in May 2007, one of Ishima's clients dropped by the company office without notice, saying he was in the neighborhood for another business engagement. Takashi wasn't very comfortable with the unexpected visit. He had been in the middle of negotiations with Mr. Kobayashi, the surprise guest from NEA (Nippon Electronic Appliance), over the prices of Ishima's

regular products.

Mr. Kobayashi was in charge of both manufacturing and purchasing at a subcontractor of a large consumer electronics company. Like most other sub-subcontractors and small manufacturers, Ishima staff usually went to their customers' sites for most business meetings. It was very rare to see customers at their own facility, and as such, the company didn't have the appropriate meeting space for interaction with their clients. They stood in the noisy factory area and talked, while metalwork production was carried on."Sorry for the messy, noisy space, Kobayashi-san. It is embarrassing to say that we don't have any space for a customer meeting," said Takashi.

"No, no. I happened to be passing by, and just thought I'd drop in," replied Kobayashi.

It was obvious that he had come to visit Ishima Manufacturing hoping to continue negotiation on the price of their products. It was, after all, the only key topic for both sides at the time. The client's eyes were fixed on a laser beam machine and two industrial workers who were handling the equipment.

"Is this the process to manufacture the products you provide us?" Kobayashi asked.

"Yes, we use that laser beam machine for metalworking. It takes almost ten years to become a full-fledged industrial worker who can handle it."

"Wow, that's why the quality of your products is always better than what other suppliers offer. Can you process very thin,

intricately-shaped iron parts, around this size?" Kobayashi pointed his fingers to make a small triangular shape. He seemed excited. "We've been asked by Tokyo Electronics to deliver samples for new cell phone architecture, but have been struggling to meet their requirements. It would be great if you could give us your support, to make the sample product with us. I didn't know that your company had such artisanal skills. I feel so lucky that I dropped in on you today and found that out!"

And that was that. The client suggested putting the price negotiations on hold until the sample project could be completed. From the beginning, the joint production of a cell phone sample had gone well. The problem was in the manufacturing of the extremely thin and complicated iron part, which would be used to cover the folding connections of the handset. The problem was something that could be solved with Ishima's strength: its fine metalworking using laser processing. In two weeks, the first prototype was created, and very well-received by Tokyo Electronics. Takashi was invited to a meeting with Tokyo Electronics and got positive feedback, with several requirements for further improvement. The collaboration between Ishima Manufacturing and NEA continued for four more weeks, and the prototype was close to being accepted as a part for the new cell phone architecture. It meant a certain volume of new business for Ishima Manufacturing, in joint production with NEA.

Creating Strategy to Duplicate the Fortune

After the new business was successfully launched, Takashi and his father Kozo

reflected on what had since happened to them to find ways to continue creating such new businesses.

"Dad, since you started our company based on your great craftsman career, we thought the quality of our products was at the center of our core values. I am sure this is still true. But when I think about Kobayashi-san's reaction to our laser processing and the new business creation processes we've been through, I think perhaps there's more to our strength than that."

CEO Kozo Ishima replied; "I was thinking the same thing. The new business was started because Kobayashi-san was attracted by our metalworking capabilities. They are a mixture of our long experience in metalworking, laser processing skills, and skillful workers trained for more than a decade." The father continued. "Okay, let's say such laser material processing capabilities are our core assets. How can we sell such invisible assets? Nobody would understand if we said we were selling material processing skills and know-how."

"Hmm, you are right…but hey, what if we duplicated exactly what happened?"

"What you mean?"

"It started with Kobayashi-san's unexpected visit. He saw and was attracted to our processes, skills, and our know-how of metal-processing. Why don't we invite other customers to visit us so they too can get a feel of our metalworking capabilities?"

"Yes, I see what you mean. Our salespeople wouldn't have to explain all the details. What they would need to do is to invite customers here. We would need to

renovate our office, so we could have better collaboration with the customers, wouldn't we?"

"Ha-ha, certainly. We might want to create presentation panels to use to explain our processing capabilities, and display our technologies, too."

Based on these conversations between father and son, Ishima Manufacturing created the following collaboration strategy:

◆ **Objective:**
  To continuously generate new businesses

◆ **Strategy:**
  To increase customer collaboration, to gain their understanding on our metalworking capabilities, and to find new application areas

◆ **Key tools:**
  Workspace change for better customer collaboration

◆ **Key roles:**
  Salespeople bring customers to our facility; industrial workers explain and demonstrate the processes

◆ **Measures:**
  Figures for customer collaboration and numbers of new businesses generated

At that moment, neither father nor son realized that they were forming and implementing a Knowledge Management strategy. However, it was certainly KM for new business creation through customer collaboration, leveraging their key knowledge - metalworking capabilities.

Customer Collaboration at their Workplace

After the discussion, Takashi led the workplace renovation to create space for collaboration with customers. It didn't require significant investment; it was basically some changes in layout to secure space to meet with customers, next to the production area with a small display to showcase the company's products and technology. Because the space was so small, Takashi put up presentation panels in the production area explaining metalworking processes and laser beam machining. That meant all customers who were invited would be walking around the production area.

He then explained the concept to two salespeople, encouraging them to bring their customers to the site. The salespeople agreed that they would give it a try, though they didn't look very confident. Takashi also explained the concept to Production Director Mr. Ochiai and their industrial workers, seeking their cooperation to demonstrate and explain the metalworking process. Surprisingly to Takashi, they were supportive from the very beginning. The industrial workers seemed to feel that they were starting to receive the spotlight.

Upon completion of all the preparation, they started trying to bring in customers into their workplace. It was not so easy at the beginning. They could not entice customers to come. Takashi and the salespeople gradually learned that the most effective way to bring in customers was to talk about the story with Kobayashi-san that had led to a new business for both NEA and Ishima. It was convincing enough to prompt most customers to come and visit their site.

In two months, five different customers had visited their workplace. They were all impressed by the production process and the skill level of the workers. It became clear that knowing their products did not mean the same thing as knowing their capabilities. Though the company could not find any new opportunities with these five customers, it was obvious that they could improve their client relationships in this way. The customers now understood Ishima's capabilities, much better than they had before.

The sixth customer visited Ishima and asked them to create samples of three different parts. They told Takashi that they were looking for better quality, and thought that Ishima would be able to provide them. Ishima began work on the samples, and two parts were accepted and became additional businesses for Ishima.

Salespeople realized that talking with their customers at the Ishima workplace provided great opportunities to understand each customer more deeply. Once they were impressed by Ishima's skills and know-how, they became more open to talk about the issues they were facing, or their product development plans. Customer collaboration at their own workplace has now become one of the key sales and marketing procedures for Ishima. Some customers have repeatedly visited the company with new issues, looking for solutions through collaboration with the company.

Key Results:

Through customer collaboration, the company gained the following key results:

◆ They created new businesses and

contracts that contributed to a 20% increase in sales.

◆ Relationships with customers improved significantly, as customers were enabled to better trust Ishima's capabilities and skills.

◆ Motivation was also raised among both sales and industrial workers. To note in particular, industrial workers were highly encouraged, as their artisanal skills and know-how became treated as the core capabilities of the company.

Key Success Factors:

①Ishima's unintended Knowledge Management, the leveraging of their metalworking skills to create new businesses, had clearly started by lucky coincidence. However, they learned from the case and **understood their critical business issues**. They focused on new business creation.

②Next, they **created a clear KM strategy** and utilized customer collaboration and collaborative workspace for its implementation. The key was a **deep understanding of their core knowledge**: the metalworking process and the artisanal know-how of their skilled workers. They redefined their core assets and leveraged them through collaboration with customers:

Ⓐ focusing on key issues

Ⓑ understanding core knowledge, skills, know-how, and

Ⓒ defining ways to leverage their core knowledge to solve the key issues - always important factors at the planning stage of KM.

③In addition, Ishima **started the initiative with a very small investment** to change their workplace layout and to make presentation panels. Starting KM at small and medium enterprises does not usually require much investment. Instead, SMEs need to find creative approaches that will make a big difference.

④The great part of the KM process by Ishima was to **let their customers become naturally involved** in the collaboration and **think about how to apply Ishima's capabilities to their businesses**. Ishima does not need to know everything about customer business. This is a great lesson learned; as long as you design a good collaboration, customers will naturally provide their knowledge, and the fusion of you and your customers' knowledge can create new opportunities for both parties.

⑤Ishima was **realistic about the capabilities** of both their salespeople and their industrial workers. It would have been very difficult for the salespeople to explain laser material processing in detail. Thus, the company asked salespeople to bring in customers to their factory by telling them true stories of customer collaboration. It was a viable task for salespeople. The company also knew that most industrial workers did not have very good communication skills, being more of the artisan-type. So salespeople always attended collaborations with customers, asking industrial workers for technical advice and suggestions so that they could assist. These roles worked quite well, making things comfortable for both sides. We need to always be realistic about employee strengths and limitations, and try to leverage them in order to implement good KM initiatives.

Ishima Manufacturing's story shows us how knowledge creation through customer collaboration can benefit SMEs, and how physical workspace can be a great tool to encourage such Knowledge Management initiatives.

Kitchen Equipment Distributors Inc.: Eliciting and Reusing Knowledge from High-performing Sales Representatives

Introduction

Adnan Tien, the owner-manager of Kitchen Equipment Distributors Inc., or KEDI[1], is a believer and practitioner in the pursuit of customer satisfaction. According to Adnan,

"Every decision made by a customer to buy my product results in the creation of value for my customer and for my company. My salespeople, who excel in sensing what the customer wants or does not want, and in making successful sales - they are the people who possess the knowledge that is crucial for the growth of my company. That is the reason why we practice eliciting and re-using this critical knowledge."

Adnan started his company practice of knowledge sharing among his sales representatives (which they call "sales reps" or "reps" in short) in late 2007. He is proud of the greatly improved sales growth of KEDI after that year, which he attributes to this Knowledge Management (KM) practice:

Year	Sales Growth
2007	8%
2008	18%
2009	31%

Adnan admits that he has made mistakes, but adds that he tries to learn from these mistakes . He has inculcated the same attitude among his employees. He says;

"Mistakes should be avoided but if they happen, we should learn from them. I tolerate mistakes but I do not tolerate repeating the same mistake, because that means we never learned anything the first time."

The key ideas behind the company practice he developed are: **group reflection** on what worked, what did not work, and why in a common activity, sales or purchase order or contract; then **reusing** of this knowledge to enhance success in future activities for all sales reps. Adnan definitely recommends this practice to other SME owners or SME managers.

Company Profile

Name of company
    Kitchen Equipment Distributors, Inc.

Chief executive officer
    Mr. Adnan Tien

Product or service
  * distributor of kitchen equipment and supplies
  * repair services

Number of employees
  * 75 (55 sales reps, 12 repair technicians, eight administrative staff)

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[1] KEDI is actually a composite of the circumstances and experiences of three real-world companies in the Philippines. Because the intent of this chapter is to show the KM lessons learned by these three companies, "KEDI" has been adopted as the fictitious name of a fictitious company to protect the identities and respect the confidentiality of company information from all three companies. For the same reason the name "Adnan Tien" is a fictitious name. The managerial style and decisions ascribed in this chapter to Mr. Tien are also a composite of those of the three real-world organizations.

Problems or issues
- knowledge transfer from experienced to new sales reps
- incentive systems

KM solution
  periodic LLS (Lessons Learned Sessions) to elicit and re-use high-value knowledge and insight from sales reps

Results of KM implementation
- dramatic improvement in revenue
- innovations in business model

How It Started: SME Owner Had Doubts About KM

One of the authors of this publication teaches a graduate-level KM class at the Technology Management Center of the University of the Philippines. Since 2001, he has been teaching about 20 students every semester. The main course requirement is a two-month KM practicum that a student must undertake at his workplace, with the permission and advice of his superior. The first steps of the practicum are (a) explaining KM to convince the superior to approve his KM practicum, and (b) doing a Basic KM Assessment to identify a cost-effective KM tool that addresses a workplace problem or need.

In 2007, one of the students, Mr. Rolando Magat [2], was working as an Area Sales manager at KEDO. There were five sales personnel reporting to him. By the time Rolando took the KM course, he had been working for KEDI for four years. He was one of their high-performing sales reps, promoted to sales manager the year before.

KEDI imports or buys and distributes kitchen equipment and supplies to a network of over 750 retail stores, department stores, and specialist shops in the Philippines. It provides warranty and post-warranty repair services for the equipment it carries, and has built an international network of kitchen equipment manufacturers, many which authorize KEDI as their sole distributor and warranty service provider in the Philippines.

KEDI is basically a well-managed company, and attained an 8% sales growth in 2007. That year, the company faced no urgent or major problems. Company owner-manager Mr. Adnan Tien, trained as an engineer himself, treats his 75 employees well. Adnan likes to hire bright young engineers whom he has personally coached, to ensure that they have a good understanding of the technical specifications, the unique advantages, and the use of KEDI products, and are able to efficiently perform repairs and maintenance for the various kitchen equipment distributed and sold by the company.

However, turnover is quite high, particularly in the sales department, averaging at about 32% per year. After about three years of experience and training, many of the young engineers leave for higher salaries or more challenging jobs abroad.

When Rolando first talked to Mr. Tien about KM, the company owner-manager was not convinced. Rolando claimed that the result of good KM would be higher productivity. Mr. Tien had many questions about KM, but Rolando felt he hadn't been able to provide satisfactory answers.

[2] The student's name is similarly fictitious.

He was discouraged. But because Rolando was one of his more trusted employees and perhaps also due to his own personal curiosity, Mr. Tien gave Rolando permission to try the Basic KM Assessment.

KM Assessment: Locating "High-Pain" Points and "High-Gain" Opportunities

The Basic KM Assessment, developed by CCLFI, or the Center for Conscious Living Foundation, was used. CCLFI is a nonprofit organization dedicated to KM and knowledge-based development. Its basic KM Assessment consists of three questionnaires:

- A Capability Checklist and a Knowledge & Tangible Assets Assessment, both to be filled out by employees who perform the two questionnaires: and

- A third short questionnaire, Basic Customer Survey, to be completed by internal or external customers of the business process or organization unit

The three questionnaires are included in blue in the CCLFI suite of assessments in the figure below. The assessments follow the KM framework:
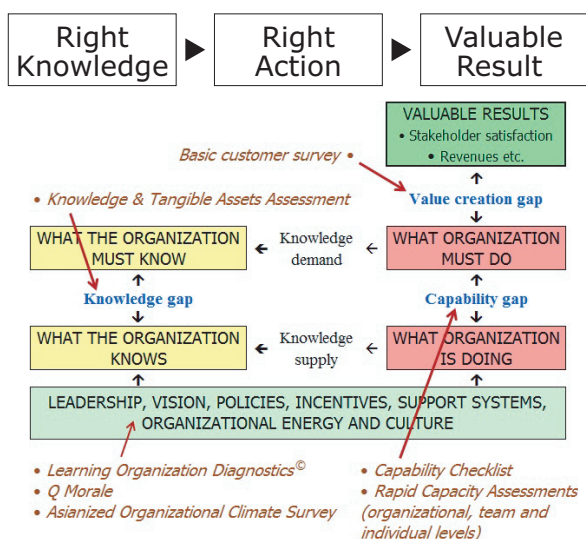
The advice that Rolando received was:

(a) to use the assessment results and his own tacit knowledge of the company to look for "high-gain" or "low-gain" points;

(b) to look for the right KM tools that can be used to address these points, and

(c) to clearly show to Mr. Tien how the selected KM tool was expected to make an impact on company revenue.

The last piece of advice meant that Rolando had to be clear about the business value of whatever KM tool he proposed to Mr. Tien as his KM practicum.

The customers of KEDI are the retail stores. Through the Basic Customer Survey, satisfaction ratings ranged from 75% to 100%. Some of the feedback that Rolando obtained from customers who gave lower ratings were as follows:

"Sales reps should visit stores regularly"

"There should be incentives and rewards provided"

"When there's a new sales rep., they should visit outlets on a regular basis"

"Enticing promos and programs should be created for products"

"Sales reps should make an effort to pay regular visits"

"We should get extra rewards in compensation for the small revenue earned by selling your products"

"There should be flexible credit terms".

From the Capability Checklist, the comments most frequently received from sales reps were those such as:

"High performers should be rewarded with appropriate incentives"

"Clearer directions and expectations need to be communicated from upper management"

"Knowledge of success factors and what really works should be transferred across division and projects"

From the answers that sales reps gave for the Knowledge & Tangible Assets Assessment questionnaires, the various gaps found with the highest scores were:

"Parking [3]"

"Policy and procedures for junior employees who are either learning from or taking over for department senior employees"

"Procedures to align business processes with organizational goals and strategies"

"Procedures to regularly assess customer satisfaction"

"Clear directions for work and expectations of output"

He noted two highly painful, problematic issues:

1. There were questions on existing **incentive system** for sales reps for retail stores. Every year, KEDI presents top-performing sales reps and area managers with awards, and these top performers are mentioned each month in the company newsletter. Yet it is puzzling for Rolando that many sales reps are still asking for "appropriate incentives" to "reward high performers". The "extra rewards" being asked was something new and unexpected for Rolando.

2. **Procedures** followed by sales reps vary greatly among the salespeople. There is no method to regularly assess whether and how these procedures affect customer satisfaction and sales performance. The 55 sales reps of KEDI work in different geographic locations and rarely meet face-to-face and talk, except with the few other colleagues in their Area Team, at monthly meetings. When a sales rep resigns, the new sales rep starts to learn from zero. There is no method of knowledge transfer from predecessor. This need is related to feedback from a customer who said; "When there's a new sales rep, they should visit outlets on a regular basis".

From the above results, Rolando identified the following high-gain opportunity: **Elicit knowledge of what works from experienced, high-performing sales reps, and share the knowledge with other sales reps to increase sales volume and company revenue.**

When he pointed this out to Mr. Adnan Tien, the latter could readily see the opportunity. However, his doubts then shifted elsewhere – to how the knowledge elicitation and transfer could be done.

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[3] "Parking" got the highest scores most likely because each sales rep drives a car or van to and from the retail stores assigned to them and the problem of lack of parking is very common among them.

Will it be effective?
Rolando proposed that his own Area Team conduct a Lessons Learned Session (LLS) at their next monthly Area Team meeting, documenting "what worked", "what did not work and why", and "insight and lessons learned" for the rest of the Area Team to apply.

Being a high-performing sales rep himself, Rolando began trying to recall his own sales tactics. He reflected on what had been successful and what had guided him as an Area Sales Manager, and also the knowledge that he could share with his Area Team at the LSS.

Mr. Tien was not yet fully convinced. But since the LSS would not cost too much except take up an additional hour of meeting time of Rolando's Area Team, he told Rolando to go ahead with his proposal. Mr. Tien is not averse to experimentation, and wants to convey encouragement to Rolando for his initiative, whether or not his KM practicum may succeed.

Initial Results: Discouraging

The one-hour LLS focused on a few trigger questions that were supplied. The figure below is the PowerPoint slide showing the logic behind the trigger questions.
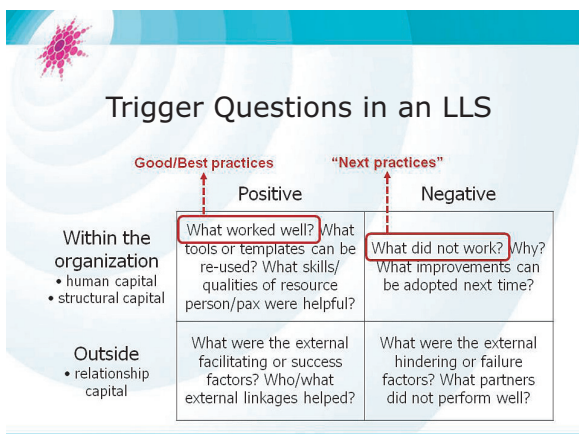
The results were discouraging to Rolando. His team members seemed unable to understand the significance of the LSS, and were either unprepared or uninterested in sharing what they knew. Most of the ideas chad come from him.

Discouraged again, Rolando consulted his KM graduate course professor. Rolando showed him the results that had been documented by one of his sales reps. The professor asked him several questions: What happened? What did not happen, and why? Are they less willing to share in front of their boss? Are they unable or are they more unwilling to share? Could it be that they have nothing to share? Are they unable to grasp the purpose and importance of an LLS, and if so, why? Did you notice anything unusual or unexpected?

A Breakthrough

A piece of information that caught Rolando's attention was a "hindering factor". A sales rep complained that the annual awards for top performing sales reps often went to the same people each year. Every year, Mr. Tien gave cash awards to the three top performers. Since there were 55 sales reps in 2007, this could indicate that the annual award probably does not serve to motivate most of the remaining 52 sales reps. The award system may in fact be counterproductive!

Furthermore, the professor pointed out to Rolando that the award system results in **individual competition**. Under this award system, why would a high-performing sales rep share his successful sales secrets with other sales reps?

Rolando also saw that as Area Manager, he was not competing with his Area Team

members. The annual Area Manager award does in fact motivate him to help and share his own experience and knowledge with his subordinate sales reps.

Rolando could now see that the incentive system had to be revised, and he was confident that he could convince Mr. Tien to act. But what alternative system should he propose to Mr. Tien? After further discussion and reflection, Rolando came up with the following alternative incentive system:

- *A monthly and yearly sales quota per sales rep will be established, based on the annual (2006 to 2007) sales growth of 8% as a baseline.*

- *A sales rep who surpasses his quota receives a prorated bonus based on his incremental sales performance above the quota. Under this proposed rule revision, sales reps will no longer be competing with each other. It is now possible for all 55 sales reps to getting monthly and yearly sales bonuses, instead of only three sales reps receiving a cash award every December. Everyone can be motivated.*

- *The annual awards will continue, but they will be presented to the sales reps who make the most contributions to a KEDI pool of useful "sales tips" to be collected during LLS. Every sales rep can thereafter adopt any sales tip that he thinks will enable him to surpass his quota.*

Go for Two Months of Testing

When Rolando presented his proposal in October, 2007, Mr. Tien was very enthusiastic. "I think this could work," he said. "We will continue with our annual awards for 2007, but I will give monthly sales bonuses for those who are above the quota, on an experimental basis in November and December. Let us bring all Area Managers to Manila next week so that we can talk about this LLS and plan the experimental period. I will ask our Comptroller to calculate what the monthly sales quota and prorated sales bonuses should be."

"Good work, Rolando, but gear up for more work ahead!"

Promising Results and an Organizational Awakening to Learning

In the annual planning workshop in January 2008, Mr. Tien was happy to announce that in November and December 2007, sales had grown significantly in comparison to the previous months, well over the baseline 8% from the figures in November and December 2006. He was most enthused not only by the good quality and quantity of sales tips that had been submitted but also the interesting, useful learning, the ideas and suggestions that had been collected.. "*All of you surprise me with so many ideas, I am seeing an organization that is just awakening in learning and experience sharing for greater productivity.*"

He announced that starting in 2008,

(a) area team LLS's will be standard procedure during the monthly area team meetings,

(b) the collection of KEDI sales tips will be a function of the HR group, and

(c) adoption of the new sales bonus system and awards for contributing the most sales tips.

To encourage his people, he gave cash awards to the three sales reps who contributed the most sales tips during the November and December testing period.

Rolando was tasked to give a briefing during the Planning Workshop, summarizing what was learned during the two-month testing period, what issues had emerged, and what recommendations had been made for action. Some of the issues and learning were as follows.

- A performance incentive system based on competition between sales reps can be counterproductive to motivating the sharing of experience and knowledge among them. An incentive system that is more appropriate for knowledge sharing is needed.

- KEDI must adopt a standard procedure to get customer feedback as input for the improvement of its processes.

- Market conditions and the number of retail stores and their performances vary among geographical areas in the country. Some area managers are questioning the policy of setting equal sales quota among all sales reps. Should we not adjust sales quota to reflect past sales in different areas?

- Not all sales tips are technical. Engineers have not been trained in people skills, but to be productive sales reps, engineers not only have be technically knowledgeable, they also need people skills or acquire these skills. What can KEDI do for them?

- Some other non-sales rep employees, including repair technicians, were starting to ask for a similar incentive

system. "*Why should only sales reps be rewarded*?"

- Simply counting contributions do not reflect the fact that some contributions are more important than others. How do we account for the *quality* of a sales tip?

- There was a suggestion that not only sales tips of "what worked" but also "what could work even better" be collected. For example, one of the "surprising ideas" that Mr. Tien referred to was a suggestion from a sales rep who had academic training in architecture. He said KEDI could approach architects who designed condominiums and try selling pre-built kitchen equipment to condominium developers on a wholesale basis. This was very interesting to Mr. Tien. It could become a *new business model*. He and KEDI managers were beginning to realize that LLS was not only useful to improve productivity, it was also good for enhancing *the company's innovation*.

LLS and knowledge sharing opened a door to a second generation of issues that needed to be addressed. But it appeared that as an organization, KEDI has started to open itself. In the words of its CEO, it was "beginning to awaken to learning" and a promise of greater growth.

Epilogue

In 2008, KEDI briefly engaged the earlier mentioned professor to identify precisely what non-technical skills high-performing sales reps had in common. This is what he said; "*At an LLS, I assembled sample*

*KEDI customers who are served by high-performing sales reps, and asked a trigger question: "**What talents and attitudes (or those not reflected in an ordinary CV or resumé) are commonly possessed by high-performing KEDI sales reps?** I submitted my report on the results, with some recommendations for improving their recruitment and for additional training."*

"In mid-2010, I visited KEDI and had a talk with Adnan. My former student, Mr. Rolando Magat, had resigned to work for a company in Hong Kong Adnan was very happy with the system and the outcomes of Rolando's KM practicum, and he was grateful for having made his initiatives and also appreciated my advice. Some two years have passed, and he is proud to claim that his company's growth spurt can be largely attributed to the learning and knowledge sharing practices among his employees. He filled me in on what had happened since 2008."

- How to recruit engineers with people skills remains problematic. Adnan has doubts about the effectiveness of standard psychological tests like MBTI. He says it seems to work better, during interviews of fresh engineering graduates, to ask applicants the simple question; "Have you ever been elected as an officer in a student organization? If so, please tell us about each case." He claims that having been elected by his student peers indicates a personality that can relate well and convince or influence his peers.

- The new sales approach (rather than calling it a new business model) that was finally adopted by KEDI was to design various kitchen modules or configurations integrating their kitchen equipment and distributing brochures to their retail outlets for local use. He said the idea,

first suggested in 2007, meant that KEDI would be competing with its retail outlets, and was thought unwise for a distributor. He has lately made it a policy to give bonuses to both the sales rep and the retail outlet whenever a purchase order is received from a condominium developer who has decided to adopt or adapt a KEDI kitchen module.

- How to measure the quality of a sales tip remained a problem. The professor suggested asking all sales reps to submit yearly lists of sales tips that they actually used repeatedly, and to rate their individual effectiveness toward the successful close of sales. He said he would try this approach.

- To prevent the incentive system for sales reps from demotivating other employees, Adnan decided to adopt a common bonus rate based on overall sales growth. He told other employees that their role was to support the sales reps and their sales outlets and that therefore total sales figures would determine their bonuses at the end of the year.

- To address unequal sales opportunities among different geographical areas, Adnan first tried to adjust sales quotas, but that had led to endless questions and dissatisfaction among the sales reps. He went back to equal sales quotas and rotated sales rep assignments among high-growth areas. However, Adnan is still unhappy about this solution. For one thing, married sales reps are less willing to relocate.

- New problems and issues have emerged. Keeping updated in new technical developments and looking for new kitchen equipment suppliers are continuous challenges. Some local

manufacturers have decided to be their own distributors. Some foreign suppliers are not transparent about the release of their new models, which results in or slow-moving stocks of old models in his warehouse or those that are consigned to small retail shops. He has opened depots in selected cities for faster-moving equipment and supplies, but trying to efficiently manage the supply and distribution chain of a variety of products becomes too complex, and he has been pressed to look for appropriate but inexpensive software for this purpose.

Summary of Lessons Learned

The wrong incentive system can discourage knowledge sharing.

• The trust and support from the manager is important to start the KM initiative.

• Success in a KM initiative can create problems that must be recognized and solved (e.g. incentives for sales reps can create dissatisfaction among administrative employees).

• When properly encouraged by positive results, employees can generate useful or even surprising ideas to improve revenue and revenue growth at an SME. Convening LLS will be appreciated by many employees, and can become a habit or trigger an "awakening to learning" within the organization.

When the professor asked Adnan to summarize the lessons he had learned from this KM project, he said; "Before, I did not realize we were losing so much valuable knowledge when experienced sales reps left the company. Now our sales reps reflect and capture that knowledge for everybody to reuse, and create value."

Chapter 3: To Improve Productivity and Quality of Products, Services, Processes

Chapter 3 contains two stories that will guide you to understand how Knowledge Management can support efforts to improve your productivity and the quality of products, services, and processes at SMEs.

The story of *Evergreen Fresh Foods* demonstrates how an organization can effectively improve product quality and reduce costs through the creation of a supportive work climate that enhances sharing. It shows how the knowledge residing both inside and outside the organization can be assembled together and used.

The second story, *Sawasdee Restaurant*, will demonstrate how a small, growing organization can respond successfully to changing needs and expectations of customers through continuous learning: capturing, building upon and using customer knowledge to retain loyal customers and to acquire new customers; improving the quality of service and adding value to the services, as well as developing new business.

*I came across an interesting headline in the newspaper: "**Eyjfjallajokull Holds Up Fruit Exports**". It described the delay in fresh fruit and vegetable export to Europe due to the disruption of airline traffic caused by the Icelandic volcano eruption.*

This was a major concern. "Evergreen Fresh Foods" is an exporter of fresh produce to Europe. They have put in a lot of effort to improve their productiviy.

Evergreen Fresh Foods is an excellent example of organizations that have successfully reduced production costs and waste by encouraging employees and contract farmers to better share, create and use their knowledge.

Evergreen Fresh Foods: Knowledge Sharing for Dramatic Quality Improvement and Cost Reduction

Prologue

One hot summer day, while eating sweet, juicy watermelon to cool myself down from the burning temperature outside,

Company Profile:

Established in 1990 by Mr. Chai Boonmark, *Evergreen Fresh Foods* is an exporter of freshly packed vegetables and fruits, such as asparagus, baby corn, peanuts, chilies, mangoes, pineapples, and oranges, sold directly to high-end customers in Europe and Asia (70%) and in Thailand (30%).

The *Evergreen Fresh Foods* niche is the safety, cleanliness and freshness of its produce. The company has been EurepGAP[1]-certified, and has achieved many internationally recognized food standards including GMP (Good Manufacturing Practice) and HACCP (Hazard Analysis Critical Control Points) as well as quality management standards such as ISO 9001.

As to freshness, produce is delivered to local customers within 24 hours from harvest, and overseas customers in Asia and Europe are reached within 48-60 hours via daily air shipment.

Challenges:

Sales had continued to increase due to the company's product positioning and good track record in quality and freshness. Between 2002 and 2006, sales jumped from USD2 million to USD5.8 million, largely through contract farming. More than 70 tons of produce per month were exported to Europe and Asia. To keep up with the production expansion, the number of employees grew from 35 to 90 employees, with more than 300 contract farmers.

In spite of such success, Chai invited a consultant, through one of my friends, to help him to solve the company's problems with costs for quality, which had been bothering him for some time.

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[1] EurepGAP is the Good Agricultural Practices standard for vegetable and fruit production safety developed by the Euro-Retailer Produce Working Group (EUREP) and is recognized by leading food retailers worldwide (www.globalgap.org).

"We have put so many systems in place, and they have been quite successful, as reflected in our customer feedback on our product quality and safety. However, our costs have been increasing continuously, and I believe they are relatively high compared to our competitors. Our operation must be leaner if we want to expand business and yet still be competitive", Chai stressed.

"More importantly, I would like our employees to be more proactive on these issues. In other words, they don't have to wait for orders for improvement; they should be looking for problems themselves, and searching for ways to resolve or prevent them."

"Your job is to find solutions to these issues, and if possible, to correct them. Mr. Nakorn Meemai, the Factory Manager and I will be there if you need any help", Chai said to the consultant.

Sharing and Improving Farming Practices:

Based on interviews with a few key persons, the consulant discovered that more than 70% of the company's raw materials were from selected contract farms, and the rest came from Evergreen farms.

After harvest, produce were transported to the factory, checked for quality, then washed, trimmed, packed and stored in the cold rooms before being transported to their destinations.

"Have you noticed that the defect rates of raw materials from contract farms were almost two times higher than those from Evergreen farms?" The consulant asked Thani, the Farm Manager, after taking a look at the quality records.

"Yes, but we set our prices based on the quality of the raw materials, and higher prices for less defective produce. The quality of produce from contract farms varies among the different farms - even from the same farm," Thani replied.

Thani said farmers were trained regularly on EurepGAP standards and practices, through lectures and demonstrations conducted by him or by experts from the Agriculture Promotion Department. Monthly meetings were held for contract farmers to share their problems.

After weeks of observing practices of a few Evergreen employees and a number of contract farms, the consultant asked Thani to invite a few contract farmers to an informal dinner. Each was asked to share what they were good at. It was not until the third occasion of sharing that they felt comfortable enough to speak up. Surprisingly, many in-depth practices that not even Thani had been aware of, including the do's and don'ts, were shared.

The group was then encouraged to consolidate the practices shared, and together create a simple guideline for growing each type of produce. These were documented and analyzed by Thani to identify the key steps and their related common defects.

The farmers were then asked to try the consolidated practices at their farms for a certain period of time. While doing this, their successes and failures were shared regularly. The farm owners took into account the lessons learned from each other and made adjustments. One of Thani's team members was also coached to take notes on the lessons learned from the group so that they could later share with others.

Impressive Results:

After monitoring the quality records for several months, Thani reported with a smiling face. "The defect rates observed at at least seven farms, including ours, showed obviously decreasing trends".

Thani was then advised to ask those seven farms to share their success with other farmers at their monthly meetings. To make it easy for them, Dang, an *Evergreen Farm* Supervisor, volunteered to share her story first. Actually, she had attended a course on storytelling just for this purpose.

The first sharing meeting was a success based on very positive feedback from participating contract farmers. Some even requested to visit the successful farms.

"It was a very rewarding experience, and I am now more confident to talk in public. More important to note, I never thought my practices would be of interest to others," said one of the contract farmers who shared his success story.

Improvement through Networking:

Since then, many farm visits have been organized to see these role model farms, where the owners have demonstrated and shared their in-depth practices with visitors. Thani encouraged visiting farmers to adopt those practices to their own farms, and organized regular informal meetings to give them a chance to share their successes and failures. In two years, almost 150 contract farmers have participated in the farm visit activities.

"The farm visits have really helped to build relationships among contract farmers,

and standardized farming practices. They are now more open to each other. More importantly, the frequency of defects has been continuously decreasing, even at our own farms," Thani proudly reported to the management team.

To ensure that other employees and new contract farmers could learn from the experience, all documented lessons learned were continuously updated by Thani's team and kept in organized files at the Farm Department, so that everyone in the department could access the information.

Improvement of Employee Efficiency in Packing Lines

While working with the farm team, the consultant also collected and analyzed data on the production line for packed stir-fried vegetables, one of the SME's key products, to identify fundamental areas for improvement.

One key area for improvement was the low rate of employee efficiency in the packing line. This had been due to the use of the Line System, which had caused unbalanced workloads at different work stations. Some employees were overloaded with work, whereas others were idle, waiting for materials to come from others.

"*Although the implementation of ISO 9001, GMP and HACCP ensured the product quality and safety, they did not really help very much on productivity improvement,*" Nakorn said about the company's improvement initiatives.

"*We have been trying to improve through a team effort, but have not been very successful because our employees, although*

willing to participate, are good followers and listeners, but they do not want to express their opinions. This is due to some reasons such as lack of confidence, fear of making others lose face, or hurting other people's feelings,*" Nakorn added.

This actually confirmed the consultant's observation that although the experienced (older and less educated) employees had excellent skills to perform their own duties, they did not have the supervisory skills to coach the less experienced.

The young or new employees with less cross-functional skills, on the other hand, seemed more open to change and willing to try new things. Daily morning meetings between supervisors and employees dealt mostly with reports on production output versus plans and the various problems they encountered.

Remarkable Results from Rearranging Packing Line:

The first thing the company did was to rearrange the packing line, from the "Line System" to a "Cell System" (Figure1). The feedback was very positive, as one of the employees commented during a sharing session right after implementation.
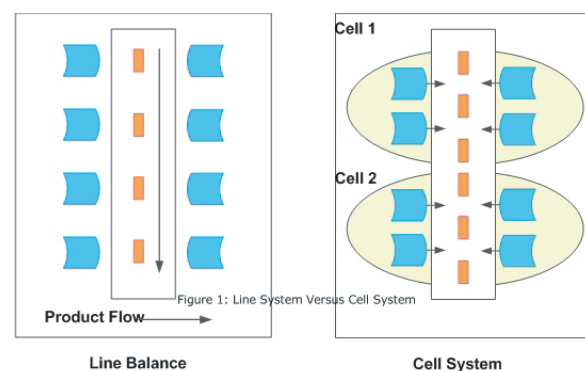

Figure 1: Line System Versus Cell System

"I really like the new system, as I can finish packing by myself instead of waiting to get materials from others. However, one of my team members had some difficulties in weighing the vegetables, as she hasn't been trained to do this."

The change to the Cell System resulted in an almost threefold improvement in employee efficiency, as indicated by the increase in the average number of packs per employee per hour, up from 14 to 40. This was equivalent to cost savings of around USD5,000 each month per packing line.

Despite the noticeable productivity improvement, the key challenge faced then was the lack of multi-skilling in new and less experienced employees.

Skill Gaps Identified through Skill Map:

The lack of multi-skills was not unexpected, since by design in the Line System, each employee had been assigned only one or two tasks. With the help of the HR Manager, a simple Skill Map of some of the employees in the packing lines was created (Figure 2).

As expected, the experienced employees possessed all five skills that were required, whereas the less experienced had a maximum of two or three skills. Among the experienced employees too, different levels of skills could be observed. There were also variations in practices among the skillful employees, some of which were not documented in the work instructions.

Step / Employee	Weighing	Sampling	Labeling	Recording	Writing Transfer Slip
A	○	●	○	◐	○
B	●	●	●	●	●
C	○	●	○	◐	○
D	○	●	●	●	○
E	○	●	○	◐	○

● Skillful/Expert   ◐ Moderate Skill   ○ No Skill

Figure 2: Skill Map for Employees at Packing Line

Sharing Practices to Close Skill Gaps:

Realizing the problem, Nakorn asked; "How can our skilled employees learn from each other and come up with even better practices that others can follow? I'm a bit concerned, as they are quite confident in what they have been doing. Besides, they are not so good in coaching new employees."

In response to his question, an informal meeting of skilled employees was called, where each person was asked to voluntarily share his or her practices. They were then asked to share their thoughts on how they could perhaps adopt the practices of others to improve their own methods in a trial.

With regular reviews during the trial period, the group gradually came up with practices as a result of their learning. The practices were, of course, later updated as relevant work instructions, and also videotaped. The supervisors felt more confident using the revised work instructions and videos to train or coach new employees, because they'd been directly involved inthe development of the training material. More importantly, there was less variation among the supervisors in terms of training content and delivery method. Asked to develop training plans for each employee based on the Skill Map, the HR Manager was able to ensure that employees had the required multi skills to do their jobs before the Cell System became fully implemented.

Buy-in for Change through Storytelling:

To expand the Cell System to other product lines, Thani volunteered to help

facilitate volunteers from the packing lines to share their success stories with target employees. The implementation in other lines was a lot easier, as most employees were already quite aware of its benefits. As expected, the Cell System enhanced employee productivity in other lines almost twofold."

"*I think sharing success stories is very effective in opening up our employees' minds to change,*" Nakorn said as he wrapped up his presentation during a monthly management meeting.

Discovery of Hidden Treasures:

To encourage all employees to be more proactive for improvement, Nakorn started a program called "*Treasure Hunt*", in which all employees could submit ideas for improvement on any processes and the number of their accumulated points, employees could exchange these points for various rewards. If an idea later turned out to be practical for other employees, both the person who first came up with the idea and those who applied it would each receive USD100.

It was a surprise for Chai that almost 180 ideas were submitted in less than six months, though those that resulted in real improvement was less than 10% of the batch.

"*Our employees do have hidden treasures that we are neither aware of nor have worked hard enough to dig out,*" Chai said before leaving for "Discovery Day", an annual Idea Sharing Day organized by the Quality Department.

The assignment from Chai took the consultant almost three years to complete. It was one of her most memorable and enjoyable consulting work in years, mainly due to Evergreen's impressive success in enhancing their productivity through the promotion of a supportive climate for sharing, creating and using knowledge that resided in their employees and contract farmers.

Chai was left with a few key issues to carry on with including:

- his continuous support for all improvement and sharing activities

- sharing in small groups expanded to other production processes and supporting functions

- establishment of a simple information management system to retain key information and knowledge, such as lists of contract farms, proposed ideas that really worked, etc.

- continuous updating of work instructions and lessons learned captured from the various sharing sessions

Key Success Factors:

1. The company **valued, captured and stimulated a sharing of knowledge that resided in employees and contract farmers**. For example, the farming practices were standardized and improved through farm visits and codified into instructions. These standardized practices would certainly ensure consistency and a continuous improvement of the quality of materials that came from contract farms, and thus sustain Evergreen's competitiveness in raw materials.

As to good practices for employees, which is vital to sustain and improve the production process, knowledge was transferred through informal sharing and then captured and codified into work instructions. Improvements in standardized practices were made continuously through the sharing of lessons learned by implementers.

2. The company was successful in **creating a sharing attitude and atmosphere** by building relationships and adjusting the sharing and learning approaches to fit in with the nature of the target groups.

For example, contract farmers were normally busy during the day and not too good in formal communication. So the company created an informal atmosphere by inviting them to dinner and allowing them to talk voluntarily and share topics which they felt comfortable in. The farm visits were a very goodpractical sharing approach, as the hosts became more confident in using their own farms to demonstrate their practices.

As for employees in production lines, integrating the concept of sharing into their daily morning meetings made them feel that knowledge sharing was a part of their routine. The company had effectively used storytelling to get buy-in from employees first, before they made any changes.

3. The company **had put into place many systems** such as GMP, HACCP, EurepGAP and ISO 9001, which are critical foundation systems to ensure the quality and safety of produce, from farms to customers.

From improvement perspectives, although the improvement process

is usually part of the requirements of such systems, its deployment varies from company to company. The effectiveness of improvement depends on employee awareness and their capabilities in productivity. The degree of the spread of improvement depends on how well the improvement is shared and implemented by employees across work units.

The company had made the right move by first closing gaps in the awareness and capabilities among employees and subsequently encouraging sharing for improvement across work units. Thus, the undertaken improvement efforts were effective, and embraced by employees across work units.

4. The improvement thus achieved, or the success stories, were continuously communicated to all employees through either existing channels, e.g. daily meetings and monthly meetings etc., or through special events organized to **create excitement using a participatory approach** (stories told by employees, not by management). This was effective to create awareness for change.

Implications:

It is important that organizations first understand the level of understanding there exists among their employees and also look at their awareness and passion for productivity improvement. Otherwise, knowledge sharing will not usually result in improvement. If the awareness does not already exist, then the first step to take is to build this awareness on the importance of productivity.

The focus of this awareness will depend on the problems encountered and/or the strategic direction of the organization.

For Evergreen Fresh Foods, the main focus was on quality and cost. In fact, one of the KM tools; storytelling, was used effectively by the company to create excitement and buy-in for change among the employees.

If the awareness is already in place, the organization should then check and see if their existing improvement mechanism (or mechanisms) work or not. In other words, they should ensure that the PDCA cycle (Plan-Do-Check-Act Cycle) has been continuously implemented and has resulted in improvement.

Based on the context and needs of organizations, appropriate KM tools should be selected to create the knowledge process, which is identifying, creating, storing, sharing and applying knowledge. The critical part is how to effectively integrate the selected KM tools into the existing improvement mechanisms so that they are embedded into the work and/or improvement processes.

Sawasdee Restaurant: Leveraging Customer Knowledge to Improve Service Quality and to Provide Value-added Services

Prologue:

"*Mr. and Mrs. Meechai, to show our appreciation for your being our valuable customers for 25 years, it is my honor to present to you a lifetime VIP Membership Card and a set of golden forks and spoons. We hope to serve you and your family with better food and services for many years to come,*" Mr. Sawas Sooksan said while posing for a picture with the couple at a special dinner organized for the Meechai family.

This was just part of the various initiatives the restaurant was taking to recognize and retain their loyal customers, most of whom had become a part of the *Sawasdee Restaurant* family. The restaurant has effectively managed customer knowledge to build positive customer relations, retain existing customers, acquire new customers, and to continue to improve their quality of service.

Company Profile:

Sawasdee Restaurant is a small family-owned restaurant in Bangkok that was established by Mr. Sawas and Mrs. Jaidee Sooksan in 1963. It is well known for its Thai food, particularly the Pad Thai (fried noodles with shrimps) and Tom Yam Koong (spicy shrimp soup). Due to its success, the restaurant has been through two business expansions, the first one in 1972 to expand its capacity to 120, and the second in 2005 to move to a new location, with a seating capacity of 250. It employs 40 employees comprising one manager, one

captain, 24 severs, 12 kitchen staff, and two purchasing and administration staff. The new facility is in a prime location in Bangkok, close to government offices and large business centers. It has 35 tables and two lounges, each seating 20 people, and there is plenty of parking space and a recreation area for children. Its services include lunch and dinner, both dine-in and take-out, seven days a week.

In 2008, Mr. and Mrs. Sooksan decided to retire. They asked their daughter, Ms. Benja Sooksan, who has a background in Hotel Management, to take charge of the business as Restaurant Manager.

Challenges:

After its second expansion, the restaurant enjoyed impressive revenue growth of 8% in the first two years. However, in 2007 and 2008, the revenue growth showed

decreasing trends and was stagnant at 3%. This coincided with the increase in verbal complaints from customers on waiting time, inconsistent food taste, and inaccuracy with orders. Even worse, some regular customers stopped using the services all together.

These alarming signals had already existed when Benja first took charge of the restaurant. She was convinced that the threats were real, and that she had to do something before it became too late.

What Went Wrong?

Aware of the family-like relationship that had existed between her parents and the employees, Benja quietly reviewed all available data before making any move. Besides the financial data, such as revenue and raw material costs, there was to her surprise very little customer-related data collected, except for records of food orders and table reservations with customer names and phone numbers.

Benja's parents and the captain did not see a need to keep a record of customer information, since they remembered most of the regular customers who have been dining at the restaurant for many years.

"*I remember not only their names but also their favorite dishes,*" said the captain who further added with worry, "*Until recently, until some of these regular customers stopped coming by for dinner. We could not figure out why. Fortunately, there are more new customers from companies in the vicinity who come for lunch.*"

Benja's parents and most employees had perceived that the customers had been satisfied with their food and services. The occupancy rates usually exceeded 90% and reached 100% on weekends and public holidays. Therefore, there had been no efforts made to date to measure customer needs or satisfaction, or to plan promotional programs.

All verbal customer complaints were handled on the spot by her father or the captain on an individual basis, and never recorded or shared with other employees who hadn't been involved as a part of the complaints, as long as the customers were satisfied with the actions taken. There were times when complaints were raised repeatedly, but the captain usually managed to work it out with the customers.

Benja also found out that there was no documentation on service standards detailing how to greet customers, what to do if customers complained, the standard waiting time for food after ordering, etc.

"*I usually brief new servers on how to serve our customers, and point out some critical issues to the experienced servers before they start work each day. Normally, the customers would get their food within 15-20 minutes after placing their orders. We always try our best to get the food out as soon as possible, so we have never specified the exact waiting time to the chefs and servers,*" said the captain, who was quite confident with what he'd been doing.

Fortunately, one legacy left by Benja's parents was the high morale of the employees. They had been very well taken care of. For example, there were housing facilities for the captain, chefs and senior employees at the back of the

restaurant. Moreover, the employees' older children attending high school or university were usually taken on as trainees during the holidays. This is perhaps why the employee turnover rates were far lower than the industry average.

What They Did: Knowing and Responding to Customer Needs and Expectations

It was clear to Benja that her parents and senior employees had very good knowledge about customers through personal observations, interaction and long-term relationships. However, they did not see a need to share this with each other or to jot it down. The restaurant had, after all, usually been full of customers – until recently.

Benja started to collect all the existing information about customers from records of table reservations. As for walk-in customers, a good source of information was the restaurant captain, who remembered most of the regulars by

name and their favorite orders because he had been working at the restaurant for almost 30 years.

Following a few informal sharing sessions with the captain and servers, Benja found out that 70% of those making reservations were from companies and government offices located nearby.

"*Most of the complaints on wait time were from these customers, became they had to rush back to work after lunch. They reserved their tables, but didn't order in advance. On the other hand, our regular customers, who were mostly families, were more meticulous about the quality of the food and service than the wait time,*" said the captain.

Indeed, his observation proved to be correct. Based on Benja's on-the-spot follow-ups with customers and a mini survey using a simple questionnaire, the key customer groups were found to have different priorities in making their purchasing decisions (Figure1):

Priority	Business/Government Offices	Family/Single	
		Regular	One Time
1	Wait Time	Quality of Food	Quality of Food
2	Service	Service	Wait Time
3	Quality of Food	Order Accuracy	Service
4	Facility	Facility	Facility
5	Price	Wait Time	Price
6	Order Accuracy	Price	Order Accuracy

Figure 1: Purchasing decisions of different customer groups

"*No wonder our regular customers rarely complained about the wait time but got extremely upset when the quality of food was not up to their expectation. I guess that's why some have stopped using our services,*" one senior server said during an informal morning meeting.

"*So we need to ensure that we meet or exceed specific requirements of each customer group,*" the captain told them and asked Benja with a curious look; "*How would we be able to tell whether they are satisfied or not satisfied?*"

"*We can see by observing their body language, asking the right questions, and doing some active listening,*" Benja replied as she gave each server a small, pocket-sized notepad to jot down customer behavior, preferences, and comments or complaints about the food or the service.

"*Servers should be able to recognize customer complaints in real time and resolve them on the spot, or before the customer leaves. This minimizes customer dissatisfaction and actually promotes repeat business,*" Benja said.

To build a repository of customer profiles, the hostess started collecting and keeping records of all customers categorized based on their type of organizations (business, government officers, etc.), family status (single, family with or without children) and the services that they had used (lunch or dinner).

At the end of each day, Benja asked all servers to briefly share their notes with each other, particularly on the solutions that had been used to solve customer complaints. Each person was asked to come up with key improvement issues

for themselves and for the work process.

The hostess volunteered to write down key learning points each week and post them on the board for all employees to see. The captain also highlighted key learning points with servers and kitchen staff each week.

"*Honestly, at first I didn't think it was going to work. However, I soon found out that I had learned a lot about our customers through observations and interaction. More importantly, the daily sharing of our observations collectively expanded our understanding of their needs and expectations, enabling us to provide better service,*" one of the senior servers said.

As a result, several initiatives were undertaken, including:

- new lunch menu sets were created for ease of preparation and shortened waiting time

- lunch delivery service provided for nearby offices

- customer suggestion forms placed at each table

- customers were encouraged to place food orders at the time they made reservations

- right upon ordering, customers were informed of approximate food delivery time

- promotional programs were set up, such as membership cards, a Happy Family Program, Two for One program, etc.

- training programs held for servers on

Body Language, Active Listening Skills and Service Excellence

Learning from the Master:

As servers started getting used to the daily information sharing and acquired skills on observation techniques, Benja invited the captain and a few senior servers who had been active in the daily sharing sessions to join her for dinner at a five-star hotel that was famous for its food and services.

"*This is to show my appreciation to you for your dedication and efforts and, at the same, for you to learn what excellent service is like. Please enjoy your dinner. We can share our experience afterward,*" Benja said.

In terms of learning, the outcomes exceeded Benja's expectations!

"*I really liked the way the server treated me. It was very personalized, they were responsive, caring and polite. I noticed that the manager, the captain, and the chefs came to visit some tables to inquire about the food and the service. In fact, their service actually made the food taste better. We can really add value to our food with better service,*" said the captain during a sharing session on their learning from the hotel dinner experience.

The captain and his team soon came up with simple service standards. They combined the practices that were already in place together with the key learning gainded through observing the hotel services. The service standards were then shared, discussed and agreed upon by all servers, and used for training.

"*We received very positive comments from business and government groups. Needless to say, some of our regular customers just showed their satisfaction with their big smiles,*" said one of the senior servers a few weeks after the service standards were put to effect.

Servers were also asked to write down their comments and suggestions on notepads about the menu, service improvement, their training needs and so forth. These were gathered and correlated with customer input whenever possible, in order to provide additional information on customer satisfaction and requirements.

Use of Knowledge from Customers:

Based on the analysis of suggestions received from customers, there were increasing demands for healthy dishes, such as fish, vegetarian food and organic vegetables. These customers were mainly from the Ministry of Public Health, which was located close to the restaurant. Benja thought she could perhaps get new ideas and different perspectives from these customers who were experts in health and food.

She decided to invite some of these customers to dinner. She asked them to share their expectations and suggestions on food safety and health food dishes.

It was a fruitful and interactive sharing session which subsequently resulted in many initiatives, including new vegetarian dishes for the menu, the use of organic vegetables in some dishes, the introduction of dishes free of monosodium glutamate (MSG), etc.

"Our introduction of *health food has attracted new groups of customers mostly over 50 years of age, people who are on restricted diets, and religious groups, as well as health-conscious customers. Now I understand how we can use knowledge from customers to acquire new customers,*" said the captain, who was very keen to analyze the customer data.

Benja also set up a restaurant website to provide information about her restaurant's food services, the menu and the facilities, as well as maps.

Through this new website, customers were able to make comments and reservations. The website also provided information on new trends and news on food-related issues that were written by an invited food expert and a food critic who happened to be one of the restaurant's regulars.

A virtual community for health food lovers was voluntarily formed by several health-conscious customers. Interesting pieces of information that have come from this community have been posted on the board in the restaurant, to help educate restaurant employees.

Remarkable Results:

Thus, servers became more aware and skillful in observing and obtaining knowledge about their customers. The daily sharing of their observations was incorporated as part of the service process, and became a main mechanism for service quality improvement.

Within six months, restaurant occupancy rates exceeded 90%, resulting in revenue growth of 10%. The revenue increase

had come mainly from new customers, who had increased by 30%, and also from returning regulars. There were less customer complaints, which coincided with the jump in customer satisfaction to almost 85%.

Key Success Factors:

Sawasdee Restaurant has successfully used customer knowledge and employee knowledge to improve and develop their services, thus becoming better able to acquire and retain customer satisfaction as follows:

1. The restaurant **realized the importance of knowledge about their customers.** They therefore integrated the process of capturing, sharing and organizing such knowledge into the servicing process.

   For example, as part of her job, the hostess had to build up a repository of customer profiles by recording all walk-in customers by group or segment, while servers were to observe and note down customer behavior, preferences, and feelings. The information obtained was shared daily, and summaries of key learning points were posted on a board, each week.

   This collectively helped to build knowledge about customers, both explicit knowledge (customer profiles such as names, organizations, age etc.) and tacit knowledge (customer sentiments, behaviors, preferences etc.), both of which were critical for business success.

2. The restaurant **determined factors that influenced purchasing decisions made by customers** in each group or segment,

using **both formal and informal approaches**. In fact, the informal approach was usually more effective in getting intangible information that sometimes could not be obtained through a formal approach. Understanding these factors, which could sometimes vary among the different customer groups, certainly helped to customize restaurant services for each key customer group or segment.

3. The **outside-in learning approach by visiting a best practice organization** was very effective in convincing servers of their service performance gaps as compared to others. More importantly, the involvement of servers in developing service standards created ownership, enthusiasm and commitment toward implementation.

   Using the service standards helped to standardize the servicing process and ensure the consistency of service quality. In addition, the service standards incorporated the mandatory steps for servers to consistently observe and capture customer characteristics, behavior, feelings, and preferences, as well as to take timely, appropriate action when customers showed any signs of dissatisfaction. This of course supported the restaurant in building good relationships with their customers, and thus helped to retain their patrons.

4. The proverb "If only we knew what our customers knew" was proven to be true for *Sawasdee Restaurant*. Due to the increasing demand for health food among their clientelle, the restaurant was keen to **use knowledge acquired from their customers who were in health care or were themselves food professionals**. Health food had not,

until then, been a core competency of the restaurant. Many good suggestions and ideas were shared by these customers and used to improve and develop the new health food services.

In addition, the restaurant also used the **expertise of their customers to educate their employees and the public on the latest trends and news** on food-related issues through their website.

Implications:

Organizations should **build the process of acquiring, capturing, sharing, organizing, and using customer knowledge** into their work process as much as possible, so that it will become a part of the **responsibilities of the employees**.

It is important for organizations to **regularly analyze the information and knowledge obtained in a timely fashion**, taking into account other external information like local and global economic trends, social and behavioral changes in consumers, current environmental and health issues impacting the food industry, and so on. This will give all a better understanding of the rapid changes in their customers' needs and expectations, enabling organizations to make sound strategic decisions.

For organizations with high turnover rates, they should ensure that the new front line employees-in this case the servers - have the **sufficient knowledge** and skills to do their jobs. **Training** on body language, active listening, communication skills should be provided.

Setting service standards can be very helpful in this regard. However, **good mentoring and monitoring systems** should also be in place.

Organizations also have to decide how to **organize the explicit knowledge about their customers** which may seem unnecessary when the organizations are small. For example, appropriate IT systems should be used to store customer profiles such as names, organizations, professions, and age for easy retrieval, particularly when dealing with a large number of customers.

On the other hand, **tacit knowledge** (embedded in employee experience and memory) about customers such as their behavior, personality and preferences **should be transferred through regular face-to-face sharing, mentoring, and if possible, codified for future use**.

In conclusion, *Sawasdee Restaurant* has successfully managed customer and employee knowledge to improve its service quality, as well as to raise the level of customer satisfaction and engagement. This has resulted in the retention of existing patrons and increases in new clientelle.

Chapter 4: To Develop New Products and Services (Accelerate Innovation)

This chapter will show you how KM can help to develop new products and services (sometimes even totally new business models!) at SMEs.

The first story, *Guild of Plating*, will give you some insight on how to create new businesses through collaboration among small companies that are in the same industry. The story illustrates how even tiny manufacturers in a declining industry can be revived by applying their key knowledge to different areas.

The second story on *Cool Installations*, demonstrates how you can achieve significantly increased knowledge creation and innovation through more collaborative work teams using simple, costless, IT tools.

Guild of Plating: Small Manufacturers' Consortium to Create New Businesses

Prologue: Argument Among Craftspeople

"We all know that we are going to die, but we've tried nothing. I don't like such loser mentality."

"Okay, then tell us your brilliant idea. How can you rev up our accessories industry, which you say you think is dying?"

"Hey, you two! Calm down. We're all in the same boat. Stop fighting."

It was the usual argument when these owners of small accessories manufacturers in Asakusa, downtown Tokyo, had drinks together after work. Although it was their regular topic of conversation over drinks, the heared argument wasn't just due to their intoxication. The small, traditional manufacturers had been suffering from chronic declines in sales. It was true that they needed to do something to sustain their traditional businesses.

Background: Decline of Traditional Industry

Kaminarimon gate outside Sensoji Temple in Asakusa, Tokyo is crowded with tourists

Asakusa is an old town of Tokyo, and with its historical architecture and streets, a popular site for tourists. The town is also well known as the center of traditional handicraft industries such as the manufacturing of shoes and accessories. There are hundreds of tiny family-owned manufacturing companies whose owners themselves are mostly craftspeople.

Since the middle of the Edo period in the 18th century when Japanese feudality flourished, the area had enjoyed its unique position as the center for manufacturing traditional accessories, such as the guard

in the hilt of a Japanese sword, furnace tubes for Samurai, and traditional hair sticks for women. These accessories were symbols of luxury and adorned with gold or metal decoration. These handiworks were crafted with plating technology, and many craftspeople and artisans, along with merchants and wholesalers, gathered and enjoyed prosperity in the old town.

Even after the modernization of Japan, Asakusa still remains the center for such handicraft industries and craftspeople. However, they have been struggling with both a shrinking market, mainly due to cultural change, and price competition, because of the rise of rivals in developing countries, especially in China. Tiny, family-owned accessories manufacturers have faced serious difficulties, and many have closed their businesses. These were literally the darkest days before the dawn of the handicraft accessory industry in 2000.

Trigger: Facilitated Discussions Among SME Owners

One hot summer day in 2001, the argument introduced in the earlier prologue took place. Although a familiar situation for the SME owners, it was definitely a reflection of their fears for the future.

"If we all are so anxious about our future and willing to do something about it, why don't we work on it seriously?" one of the owners said.

"Okay, but how?" answered another owner, in a slightly sarcastic tone.

"I don't have any specific ideas. But I heard that the Asakusa Chamber of Commerce and Industry was willing to help out with discussions that had to do with any kind

of industrial promotion."

"Humph, do you really think that such an outside institution could help us get out of this serious situation, Simple Simon?" It was about to become the usual, unfruitful drunken quarrel. However, this time, one of the senior owners who was a respected figure in the community cut short; "If we can't see any other ways to break out of the current situation, why don't we ask the Chamber for their advice and try to figure out what we can do? We're all desperate for any kind of help, aren't we?"

He was speaking not just for himself but for other craftspeople and owners as well. One month later, at the end of the summer in 2001, more than 20 owners of tiny accessories manufacturers and a representative of the Asakusa Chamber of Commerce and Industry (ACCI) got together at the old public hall to discuss how to revive the structurally depressed industry.

The Chamber of Commerce and Industry staff played the role of facilitator. He repeatedly asked owners, most of whom were craftspeople, what they thought their strengths were. At the first meeting, it seemed that nothing had been achieved, except for a sharing of their common concerns. No one could generate any ideas to enable them to sell more accessories. The only thing that they agreed on was that they wanted and needed to continue discussions for a while, a couple of times a month. The situation seemed like such a heavy storm that they wanted to take refuge at any safe harbor that they could find.

Turning Point: Discovering Plating as Their Strength

When the SME owners were again looking for their core strengths at their third meeting, one of them, who happened to be the youngest among them, gingerly said: "I am not sure if this is our core strength, but I believe we have been developing plating technologies."

"Huh? So what? We all know how to plate to create accessories. It's our business; we were taught plating from our parents since childhood."

"Yes, that's my point. We are really good at plating: gold plating, silver plating, chrome plating, rhodium, palladium, platinum, zinc..."

"Okay, okay, you don't have to tell us the kinds of plating that we do, we all know that. What are you getting at?" asked another owner.

"We are really good at plating. We know which method to use for what and when. I think that might be our core strength. We've been bumping our heads together on how to sell more accessories. But what if we try to consider how to sell the plating technology?" said the youngest owner.

"Good. That could be your core strength," the facilitator from ACCI remarked. "Your industry has developed a high standard of plating technology for traditional accessories. But you have probably utilized the skills only for the accessories. What if you were to apply your plating skills to other areas?" asked the facilitator.

"You mean we manufacture other products by plating?" asked one of the other owners.

"Not necessarily. We may want to think about plating for others."

"Plating for others? Sounds interesting. Every time I walk outside, I see something that I want to plate better. A gate of a house, the glass used at a shop, IT gadgets at a PC store... I often think that I would have done them differently, with much better plating," another owner jumped in.

"But how could we market it?"

"Maybe through a website?"

"Who would build the website? I can only plate!" Intensive discussion continued. This time, the owners got caught up in the excitement as the idea started to look somewhat promising. Their continuous discussion had finally led them to discover their core strength that would be leveraged: plating technology. They weren't at all sure whether or not they could really sell the technology, but it seemed like it might be worth a try. Based on this shared understanding, their discussion moved on to the next stage.

Guild of Plating: Consortium for New Businesses

After defining plating as their core strength, the SME owners came up with a rough plan for a possible consortium that would collaboratively market and operate their plating business. More than 20 tiny companies joined the initiative, and they named it "Mekki Shokunin-kan", or Guild of Plating. According to the plan, they would begin applying their core knowledge and skills and the various methods of plating to suit the needs of other industries - to plate anything that customers wanted.

They were going to market primarily through the Internet. They asked the Asakusa Chamber of Commerce and Industry for help in creating a simple website. None of the owners were sure if the plan would work. But they continued to hold intensive discussion with excitement, and found the following three key difficulties that had to be overcome:

1. **Marketing**: How do they market? Would a website be enough? Will anyone order their plating services through the Internet?

2. **Processes of Order Intake**: Who decides which companies to receive orders, and how?

3. **Production and Quality Management**: Who is in charge of the quality, cost and delivery of products and services?

The owners divided themselves up into three sub-teams, and each team held intensive discussions to solve the three issues mentioned above. Based on the discussions, the owners agreed on the following schemes for their collaboration:

Scheme (1) Model
Before Guild of Plating was launched, every accessories manufacturer simply did business on their own. There was literally no network among the tiny manufacturers. Guild of Plating drastically changed these relationships. The consortium launched its website and began taking orders from various sectors such as medical, automobile, and high-tech. Initially, more than 20 companies joined Guild of Plating. Most of them were family-run manufacturing operations with just one to three craftspeople. This structure allowed them great flexibility to respond to high-mix, low-volume

production. For high-volume production, orders were shared among multiple enterprises.

Scheme (2) Marketing
Guild of Plating had a very limited budget, so they exercised their ingenuity to generate effective marketing. For the website, SEO (Search Engine Optimization) played an important role at the first stage. Their use of keyword targeting to generate a high hit rate on Internet searches attracted some very large customer orders for prototype polishing. The consortium's voluntary PR team also sent artful news releases to generate attention from newspapers, magazines, and television. They wisely used the Asakusa brand to evoke Japanese tradition, and successfully gained attention from the media. This created significant free advertising – and motivated the craftspeople of Asakusa.

Scheme (3) Order Intake
Before its launch, Guild of Plating created a manual for the collective order intake that became the basis of its business. The intensive discussions held to address the three obstacles played a significant role in creating and sharing the manual among participating companies.

According to the manual, the core team, consisting of three owners, plays the role of customer contact and acts as the head office, while the other five companies become administrative agents for credit management, production and quality management. All participating plating companies receive a fax from the head office when the consortium receives an inquiry from a potential customer. Each company can provide an estimate and

product sample, and the potential customer can meet with all candidate companies to decide the plating company they'd like to order from. If a repeat order is received, the head office forwards it directly to the same plating company.

Scheme (4) Technology Sharing

The intensive discussions also helped to identify the key plating technologies and methods that were owned by different companies. Before their discussions, nobody had known which company was good at what plating method. After the launch of the Guild, each of the owners came to know of each other's strengths, so they could easily collaborate by bringing the different plating methods together. Such collaboration also became great learning opportunities. There was mutual learning of new plating technologies that led to an improvement in the craftspeople's plating skills.

Results: Gain of New Businesses

The collaborative effort made by the among tiny accessory manufacturers to market and apply their plating techniques gained, contrary to their expectations, business results immediately after the launch of Guild of Plating in 2002. A consumer electronics manufacturer ordered plating of parts for digital cameras and cases for hard discs. The company found that the consortium offered better plating technology to coat their key parts than their current supplier.

Soon after that, a subcontractor of an auto manufacturer ordered the plating of partsparts for motorbikes. The consortium also received orders from the construction industry, and then went on to expand their business with novelties such as a

metallic tumbler for a beer company and a metallic shoehorn for a shoe company.

As a result, their revenue in the first year reached 15 million yen, which increased to 25 million yen the following year, and then 90 million yen in four years. The once declining industry achieved its revitalization through sharing and improving their core knowledge and skills: plating.

Guild of Plating also gained an invaluable asset through its business activities: a significant heightening of motivation among its craftspeople. Before setting up the consortium, most owners and craftspeople had not been motivated, mostly because their businesses were on a consistent decline and they could not see a bright future ahead. However, by marketing and applying plating technologies to other industries, they realized that they could gain new business opportunities and also contribute for others. This change greatly impacted the atmosphere among member companies and attracted more tiny manufacturers. After four years, there were more than 40 member companies in the consortium.

Key Success Factors:

(1) Although they had no solution at the outset, the owners had shared an urgent issue: declines in their current businesses. **This understanding of their critical business issues** led the intensive discussion. We always start at the critical issues, since Knowledge Management is just a means to solve the key issues.

(2) One of the key turning points in the *Guild of Plating* story was a **redefinition**

of their core strength (knowledge and skills), from manufacturing accessories to plating. Intensive discussions led them to realize what their key knowledge assets were.

(3) Then they **created a clear KM strategy** to leverage the plating technologies and skills to organize a new business. This clear KM strategy was what had led the simple schemes of the *Guild*.

(4) The owners were able to **build a relationship of trust** among themselves through discussion, and that was the fundamental infrastructure of the consortium. Craftspeople are lone hands who don't typically share their skills with other people. However, they realized that by bringing their specialties together, every small company could boost its capability and build up an aggregation for a much larger business. *Guild of Plating* shows us the possibilities of collective knowledge creation by small companies that can lead to big, new business opportunities.

Cool Installations: Knowledge Creation and Innovation Through Collaborative Work

The Company

Cool Installations Pte. is an SME with a head office and base in Singapore. It employs 48 people, and its primary activity is the installation and maintenance of air conditioning systems used in offices and homes. The systems are purchased from several manufacturers, and most come from come from the Republic of Korea and the Republic of China. *Cool Installations Pte.* has 18 people working in the Singapore office in finance and administration who make sales proposals from enquiries and handle order processing. There are 30 consultants working across Singapore, Malaysia and Thailand who install new systems, upgrade older systems, and repair existing systems.

Problems, Challenges, Issues

Cool Installations is a successful company. It has grown in sales and has produced continuous profits since its inception in 2003. But primarily as a result of its growth and success, it is now starting to experience significant competition. What is worse, its main competitor, *SuperFast Installations*, responds much more quickly to requests for quotations and offers a more innovative maintenance and service contract. They are slowly but surely taking this important after-sales service income away from *Cool Installations*. For the first time this year, the volume and value of the company's maintenance and service contracts fell by 12%.

The Managing Director, Mr. K C Hong, became very concerned indeed. He held a meeting of his 18 office-based staff to discuss the situation.

With regard to getting out new quotations as quickly as possible, the sales team and the order processing team told Mr. Hong they were working as hard and as fast as they possibly could. But the problem was that every time a request for a new system quotation was received, they had to scramble to get their quotation out on time. Although they received some good new ideas from installation consultants to improve the product, their installation, and the maintenance and service agreements, everyone in the office was so busy that no one had the time to take these ideas a step further for improvement. Mr. Hong also felt that product improvement was the responsibility of the manufacturers, and not *Cool Installations.*

What They Did

At the office staff meeting, the Managing Director became even more alarmed by the response he got from his office staff on company problems. He decided that something had to be done fast. As a first step, he agreed with a suggestion from his sales office managers to extend the length of the annual company meeting, due to take place in a months, by an additional half day, so that a workshop could be held for all internal and external staff to discuss the problems more deeply and to try to find possible solutions. He also agreed to engage an external facilitator to run this workshop more objectively and more effectively than would a staff member.

At the workshop one month later, following the annual company meeting, the facilitator divided the 48 employees into

eight groups. Each group had six members seated around their own roundtable. Each group was equipped with their own flip charts and colored pens. The facilitator also ensured that office staff and external installation consultants were all equally spread out across the groups. She wanted to ensure that wherever possible, people would not stick together in the same teams, so that new thinking, new ideas, and new relationships could be encouraged.

After explaining the problem-solving process, the facilitator put the eight groups to work on company problems for an hour. After a coffee break, each group presented their findings and proposed solutions. The facilitator then summed up the morning's work and went on to formulate action plans.

In essence, all groups had discovered the same root causes to the problems. For all quotations, most of the time, the sales and order processing teams started over each time from scratch. Furthermore, there was no way to tell if the quotations were likely to succeed or fail. The company had not captured from their previous quotations the reasons why they had or had not been successful. They had no effective way of knowing the answers to the questions of who, what, why, where, or when on most things.

Because everyone in the office had been under pressure to secure sales and process orders, there was no time for any reflection or learning after the event. There was no system in place for continuous improvement.

Once a quotation job was finished, the teams then rushed on to the next quotation. They thought that after all,

that was the way they could earn the most sales and profits for the company.

What they hadn't fully realized was that they were forever '***reinventing the wheel***'. And, because of the lack of time and the high pressure, they were often ***repeating the same mistakes***, at enormous cost!

The time to respond to existing customers and prospective new customers had just been taking too long! The amount of time it took to find the right information in paper files, or even to find out who might have the information was far too time-consuming. As installation consultants were located across Asia, they had no access to any central office documentation. The quality of work could and should have been much, much higher! There was no real innovation in either the products or the services.

But the other key finding for all the groups was that each team had been working in isolation. Installers kept to themselves with a minimum of office communication. The sales team hardly talked to the order processing team and/or finance and administration. The communication between teams was at a minimum level, and there was hardly any collaboration between these teams at all.

To be positive, everybody agreed that they had to find a way to improve things. Everyone said they needed better systems, but nobody knew exactly what systems might actually be possible.

That is, most of the people there.

Fortunately, there was one person in the order processing team, Cindy Cheuk, who immediately had the solution and

the most appropriate systems. Her husband, Arnold Cheuk, worked for a small legal firm which had offices in four locations. Two years ago, they had installed a system that had helped the company to respond more quickly to their client requests, become more innovative and, most importantly, helped all the teams at different offices to better collaborate, to better work together as one company. They knew that there was a lot of knowledge inside the heads of their people, and they wanted to find a way to better harness that knowledge collectively and avoid reinventing the wheel and repeating the same mistakes.

In simple terms, Cindy's husband's law firm went onto the Internet and started using three very simple, free web tools from Google. They are called Google Mail (or Gmail, an email system), Google Sites, and Google Documents. They are designed to help people to communicate and work together more effectively by sending, storing and editing documents centrally in one workplace so anyone can read them anywhere, as long as they have a connection to the Internet, a Gmail account, and a simple web browser.

As these web tools are free and immediately available on the worldwide web, *Cool Installations* decided to try this as a simple test to improve their company systems. But not everyone had a personal computer or access to the Internet at the office. So a decision was made that the system would be tested with just those who already had a personal computer and Internet access. The understanding was that if the system worked and the results were positive for company business, the Managing Director would consider the benefits of allocating more people with computers and Internet access.

Of the thirty external installation consultants, five already had their own mobile laptop computers. In the office, there were three desktop computers, and two had Internet connections.

The Central Work System (COMWISE)

Cindy Cheuk went home from the company meeting enthused. She could see that the Managing Director was keen to improve company productivity, quality, innovation, performance and competitiveness.

Her husband, Arnold Cheuk, agreed to spend a day of his weekend to initially set up and start a central work space for the people at *Cool Installations Pte.* that would have Internet access for sharing documents as well as new learning and ideas as they occurred, to enable better communication and collaboration.

Within a couple of days, a central space was created in Google Sites and Google Documents. Access was only granted over the Internet, with user email (Google Mail) and password protection. *Cool Installations* started simple.

People began to refer to the central workspace more and more, and decided that they should give it an easy name to call. They named it *COMWISE*, an abbreviation for 'Communicating together wisely'.

How Did COMWISE Work?

First, it was agreed that *COMWISE* would have two main sections:

1. Quotations for new installations, and **2. Maintenance Contracts**.

Within the Quotations for new installations, separate sections were set up for:

a) new requests for quotations, sorted by date

b) suggestions and ideas to improve the quotations prepared

c) accepted quotations, including a note explaining "why the quotation was accepted", sorted by date and by country

d) quotations that had not been accepted, including a note explaining "why the quotation was not accepted", sorted by date and country

e) a space to note things down: "what we can learn from quotations that are either accepted or rejected, for improvement the next time"

Within the maintenance contracts, sections were set up for:

a) new requests for maintenance contracts, sorted by date

b) suggestions and ideas to make improvements for maintenance contract contract ands terms

c) maintenance contracts that are accepted, including a note on why the contract had been accepted

d) maintenance contracts that are rejected, with a note explaining why the contract had been rejected

e) a space to note "What can we learn from maintenance contracts that are accepted or rejected, for improvement next time"

The following responsibilities were allocated for the operation of COMWISE as a trial for six months.

It was agreed that the team leaders for new quotations and for maintenance contracts would make sure that all documents were loaded onto the system.

It was agreed that "anyone in the company with an Internet connection", regardless of their work responsibility, could submit suggestions and ideas to improve quotations and/or maintenance contracts.

It was agreed that the teams could make minor changes, based on the ideas and suggestions that had been received.

It was agreed that the Managing Director would be consulted, and would make the decisions concerning suggestions received for major changes.

Key Results

The results were amazing!

People could immediately see the benefits of these efforts in their daily communications, and in the way in which they helped them with their work. People felt much more empowered. People felt far more "in the know" than they had before. People started feeling more confident, more competent. Suggestions and ideas began to flow across the organization.

Most importantly, there were signs of success with the new, improved rates of quotations and the increasing numbers of acceptances and renewals of maintenance contracts. And this had just been a trial.

Just six months later, the Managing Director was so impressed with the new way of working and the "quick wins" they had achieved that he decided to call a special company meeting for all staff to examine what was happening and how it could be encouraged and developed further. The same external facilitator was engaged for the day, to assist objectively in capturing and sharing the new learning, ideas, and comments that had been made.

**Why it worked
(Key Success Factors)
and Principles to easy action,
practical application**

On the day of the meeting, the facilitator collected comments, learning, and ideas, and summed these up as follows:

1. The system on the Internet worked well because it was **very simple and practical to use**. It required no extensive or costly training, just two hours per person so they could become familiarized in using Google documents, Google Sites and Google email. Actually, some of the people had already been using Google mail for their own personal emails, so it was even easier for them.

2. Google tools are free on the Internet. **No costly investment was needed in software tools. There were no financial investment risks involved**.

3. The system worked because all **the new quotations and maintenance contracts were there for everyone to see.** With this, they started to become more knowledgeable.

4. By making entries of new suggestions, new learning and ideas for improvement, people became recognized by the system, which in turn showed their names. This gave **increased recognition** to those who contributed, and they started to build reputations as people who were "willing to share" and then went on to become "thought leaders" to help the company to improve.

5. By **reviewing the suggestions, new learning and ideas, the team leaders were able to improve** their quotations and maintenance contracts very quickly.

6. During the six-month trial, with only seven computers connected to the Internet, the Managing Director received 13 excellent suggestions to significantly change the maintenance contract terms and conditions. What surprised him completely was that with the exception of two suggestions, they had all come from people in the company who were not directly involved in maintenance contracts. He then realized the value of different perceptions and the power of diverse thinking. He acted fully on seven of the suggestions, which resulted in a new innovative maintenance service contract to be offered.

7. During the same six-month trial, the Managing Director learned from the system why several quotations were consistently being rejected in Thailand. He had not realized, this before as an emerging pattern. As a result, he changed the installation terms in Thailand to comply fully, instead of just partially, with the country's legislation. He then began seeing increases in successful quotations.

8. Through the use of *COMWISE*, *Cool Installations* became a "**learning organization**". It had demonstrated the principle of capturing learning and ideas from all the people connected to the Internet AS THEY OCCURRED, as well as the principle of continuously turning these into improved products and services.

9. Through the use of *COMWISE*, *Cool Installations* was able to **dramatically improve their response time** after receiving a request for a quotation. This was because the company was able to create and use standard templates, and reuse examples and references from existing quotations. *Cool Installations* had learned the principles of "not reinventing the wheel" and not "repeating the same mistakes".

10. Without realizing it, the trial demonstrated that **people from all parts of the organization could easily, openly communicate and share** to work together as one company. The *COMWISE* system enabled installation consultants, who were spread across countries, and the Head Office in Singapore, to collaborate. This increased collaboration had a major benefit. Through collaboration, people were not only exchanging information and ideas, but were actually expanding their ideas together, which was far greater than any individual could do on their own.

11. Without realizing it, the trial also demonstrated that *Cool Installations* was "**accelerating its innovation**" by turning good ideas and suggestions into better services, and much faster.

12. Finally, without realizing it, the trial

demonstrated that if you can **open and improve communications** by giving people access to simple tools to work with in shared spaces on the Internet, many of the organizational problems that had previously existed would simply disappear.

Risk Factors

There were a few obstacles and risks identified in the trial of *COMWISE*.

First, the people who were not using the Internet, and also those who were not IT-literate, were starting to complain that if the trial was successful, then they too would have to participate. Some even feared losing their jobs. The Managing Director reassured them by stating that he would not insist that everybody use the system. They could do so only if they wanted to. However, he did offer everyone free training, on company time, to use the Internet. For people who were new to IT, an "IT buddy" would be allocated. This was a person within the company who was happy to use the system and IT to teach, coach, mentor and support others.

Secondly, as quotations and maintenance agreements are confidential, there was concern about the risk of competitors gaining access to *COMWISE*. The Managing Director enquired further about this. He discovered that passwords needed for entering the system could be changed regularly, and set up a system to do this on a monthly basis. He acknowledged that confidentiality is a risk on the Internet - but then, so is confidentiality in manual systems.

He generally felt that the rewards reaped from the *COMWISE* system for the company and all of its people to better communicate,

collaborate, learn and share knowledge and innovate greatly exceeded the risks.

The Next Step

As promised, the Managing Director enthusiastically agreed to the next step, to provide everyone in the company who was interested in participating in *COMWISE* with access to a personal computer and the Internet. He said; "This is not an extra expenditure, because I believe it would be an even higher cost for the company to not have such a system."

At the next annual company meeting, the Managing Director asked; "Apart from the rapidly increasing new installation sales and maintenance contracts we are now experiencing, what else have you noticed through your use of *COMWISE*?"

Praba Chuen, the oldest employee at *Cool Installations Pte.* replied from the back of the room with a smile. "Sir, we used to be a company made up of different teams all working as hard as we could in our own ways to install and maintain air conditioning systems. Now, *Cool Installations* is a 'team of teams' that works as hard as it can. What's more we are now developing new and better ways of installing and maintaining these systems, too."

"Thank you, Praba," the Managing Director said. "That goes to show that the power of these systems can enable people to effectively collaborate as a team and accelerate innovation."

At the end of the meeting, the facilitator said to the Managing Director; "When I first came to *Cool Installations*, it was quite difficult to get people to talk and to share. Their attitude was: "knowledge is power". Now I see a great difference in the culture of the company. People have realized that "knowledge sharing and innovation is power".

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Chapter 5: To Develop Skills/Motivation/ Teamwork Among Employees

This chapter will show you how good KM initiatives can support the development of skills, motivation, and teamwork among employees (sometimes even suppliers, partners, and customers!) at SMEs.

The first story, *Productive Training and Education Consultants*, demonstrates how the implementation of a "simple" competencies-based system at any organization can dramatically prompt the development of its people and grow the organization, change attitudes completely, and significantly raise motivation. It brings positive results in the form of increased productivity, improved relationships, better product and service quality, and profitability and growth.

The second story, which is actually a column compiled of multiple stories, will give you insight as to why knowledge and willingness, or motivation, should be tied together and how they can work together for successful KM at SMEs. This is the golden rule for any kind of knowledge-related work. If you fail to bring out people's willingness, there is no chance to succeed in leveraging the power of knowledge (workers).

Productive Training and Education Consultants: Simple Competency System to Accelerate Learning Among Employees

The Company

Productive Training and Education Consultants (PTEC) is an Indian Training Company that specializes in management and staff training through the effective use of information management and information technology tools. It has 40 trainers and administrators. The company's head office was established in New Delhi, India in 1996, and there are now franchised offices in Mumbai, Bangalore, Pune, Chennai and Hyderabad.

Problems, Challenges, Issues

PTEC is growing very fast as an organization, through the franchising of its knowledge and skills training. But along with rapid growth has come a deterioration of the high standards of knowledge and delivery that it had initially produced, and existing clients are beginning to complain more regularly about the quality of their training courses that are held across different regions.

Furthermore, the Director of Training Services, Mr. Nikhil Kumar, has been increasingly concerned about the motivation of his trainers. Maintaining and sustaining their personal motivation, particularly for those in the franchised operations, has been becoming very difficult. The trainers were suffering from low morale and a critical feeling of "what's in it for me?"

The initial vigor and enthusiasm had been missing.

Of greatest concern was the increasing loss of key trainers to competitors, or trainers setting themselves up as individual training companies, which meant new competition for *PTEC*.

Something had to be done urgently to stop the high turnover of key staff and the costly training of their replacements.

Something also had to be done urgently to improve the quality of the courses.

What they did

Mr. Kumar decided that for the first time in the history of *PTEC*, he would arrange a trainers' retreat for three days at the coastal resort of Goa. He felt that a complete change of environment from the frantic hustle and bustle of a large city to a calm beach resort would help people to reflect and think differently about some of *PTEC*'s key problems and issues.

The prime objective would be to explore with all the trainers, both in-company and franchised, the current issues of quality, personal motivation, and high staff turnover. He also wanted to bring the company together and try to build a cooperative training team, rather than continue to have a variety of competitive teams. The Managing Director, Mr. Varsheydeva, agreed completely to this initiative and offered to be present throughout the meeting.

Mr. Kumar was delighted with the Managing Director's total support, but was concerned that the trainers might also feel reluctant to frankly share their views. The Managing Director was a man of strong opinion, and

he was known throughout the company for the way he told people what to do, rather than listen to their ideas and feedback.

So the Managing Director agreed to three conditions for the retreat:

1. He would appear at the beginning, to wish everybody a productive and fruitful retreat and express his support.

2. He would allow a neutral facilitator to work with the trainers during the three days.

3. At the end of the retreat, the Managing Director would appear for the final two hours. The facilitator would summarize and present back to the entire group the results of their retreat work.

It was tough for the Managing Director, as he was the one who had successfully started the company and been instrumental in its rapid growth. He was a man who was passionate about his company, or "his baby". He was very proud of its achievements. But he knew intuitively that it was time to let go a bit and allow the company to move into its next stage of team-managed growth. And he wisely realized that his skills were in "creating" new business operations, which were not the same as "managing" growing business operations.

**The Trainers Retreat Day 1
- a peaceful start**

Day 1 started very well. People felt consulted and more informed. People were excited to be able to relax and forget the stresses and deadlines of their normal working day. Many trainers remarked in

the evening that the retreat should have been held years ago. For many trainers, it was the first time that they had gotten a chance to meet with many other trainers within the organization. People immediately began to change their perceptions of what the organization was, and what it could become.

Furthermore, several trainers had remarked during the day that although the original core training programs developed by the Managing Director, Mr. Varsheydeva, were still quite good, the company really needed some new, updated course content, and that had not been happening fast enough. But everybody managed to sleep well that night. The rich sea air, the food, the traveling, and the general excitement of meeting together probably had much to do with it.

**The Trainers Retreat Day 2
- an explosion**

But Day 2 was a complete surprise.

Whereas Day 1 has been calm, positive, and friendly, Day 2 started with several people in the franchise operations complaining very strongly that they felt inferior, and that they were not being recognized by the head office in the same way as in-company trainers. The best training sales leads, apparently, always went to the in-company trainers first. The facilitator had given everyone the opportunity to express their issues and concerns. There was no shortage of active discussion and debate. The atmosphere on Day 2 was very strained.

By the end of Day 2, there was a noticeable division between the in-company trainers and the franchise trainers.

The facilitator called an urgent review meeting with the Director of Training Services, Mr. Nikhil Kumar that evening at the retreat hotel. He said; "Today was an explosion of pent-up feelings that have never been given the opportunity to be expressed. Today, the lid came off the company. Today, people started to communicate in deeper ways for the first time. Today could be the turning point for *PTEC*."

"But what can we do to resolve these deep and bitter feelings between our trainers? How can we ensure that everyone is recognized fairly, whether they are in-company or in-franchise? How can we ensure fair distribution of sales leads? And how can we now resolve the key issues we came together for in the first place? Quality, personal motivation, staff retentionand rapid losses of knowledge?" asked Mr. Kumar. "Furthermore, what will Mr. Varshaydeva say when he arrives tomorrow?"

The facilitator replied; "All these problems on the surface seem to have the same root causes. People need to be able to communicate openly, build more trust, start to collaborate where needed, and share their knowledge to develop better products and services.

People need to be rewarded and recognized for their contributions. This may sound simple to say and hard to achieve, but I can assure you that I have seen this same situation many times before, as both a facilitator and as a management consultant."

The facilitator continued; "This is not just a problem for training organizations and their trainers. This is a problem for all people who work at an organization who need to either create new knowledge or

store existing knowledge or learning, or to share or apply knowledge. Most people today work with one, several, or all of these steps to better manage learning and knowledge. This is a problem that all types of organizations often experience."

"As I have experienced this in all types and sizes of organizations, I know how we can solve these same problems at *PTEC*. Would you like me to explain how this can be made to happen, now?" the facilitator asked.

Mr. Kumar immediately sat on the edge of his chair and agreed excitedly. They then chatted non-stop until two o'clock the next morning. They both went to bed very tired, but enthusiastic and confident that the next day would be the first step in solving these problems, and a key turning point for *PTEC*.

**Trainers Retreat Day 3
- confidence and competence**

"I would like to start today by explaining a system we think will address your key issues and concerns, and also, help the company to develop and grow." said the facilitator.

"To succeed, every organization, whatever its size or purpose, needs to learn and develop its knowledge and ideas so that it can perform at its best and improve, as fast as it can."

"How fast?" said a cynical trainer.

"Well, at least as fast as your competitors," the facilitator calmly replied.

"This is more likely to be achieved if there is good trust between your people, and if

they are communicating well. These are the prerequisites of learning, sharing and applying our knowledge faster. So there are four key terms I would like you to consider:

Trust, Communications, Learning, Sharing and Applying Knowledge

But you cannot just make people trust one another. You cannot teach people to trust one another. Trust has to be earned, not learned.

Furthermore, you cannot make people communicate with one another, especially if there is little or no trust that exists between them. You cannot just give people the latest communications technology and then expect them to communicate naturally on their own. The tools give you the potential to communicate – but people must want to communicate.

But what you *can* do immediately is to **invest in developing the competencies of people as individuals and teams**. This is the starting point. As a key principle, we have discovered that when people become more competent they feel more confident, and want to teach and share with others. This naturally leads to better, more open communication, and to building better trust.

What I am describing here is called a "virtuous circle". This means that the improvement of any one element immediately improves all the others simultaneously. The opposite to this is a "vicious circle", where the decline of any one element immediately reduces all the other elements at the same time.

To bring this virtuous circle, this upward spiral of *trust - communications - learning - and sharing knowledge* about in the fastest possible way, we must first focus on developing the learning and the competence of people. We need to implement a simple system that will improve the competences of individuals and teams in their knowledge work."

Virtuous Circle

Communicate — Learn — Share — Trust
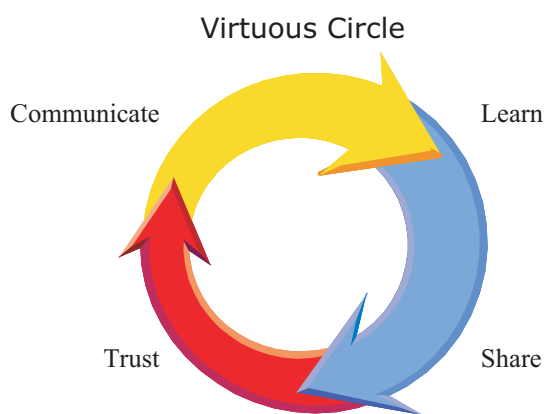
The facilitator continued; "I am going to propose that all trainers in at *PTEC*, in-company and franchised, be given the opportunity to participate in a *PTEC* competency development system. Let me explain this simple system to you and how it works."

By morning coffee break at eleven o'clock, the system had been fully described. The facilitator then extended the coffee break to 60 minutes to ensure that a good, informal reflection and discussion time was shared by all the trainers until noon, to enable people to go over the solution thoroughly.

In essence, what the facilitator realized on Day 1 was that there was no system or mechanism in the company and its franchises to properly reward and recognize the knowledge and competencies of its individual trainers who worked with knowledge. For the trainers, there was no obvious benefit, there had been no "what's in it for me?".

The facilitator outlined a simple personal knowledge and competency system that could be implemented immediately and quickly to solve the problem.

For each training course, the individual trainer would be personally assessed by the Director of Training Services every six months for levels of competence as follows:

Level 1 meant that trainer was **"aware" of the competence targets to be achieved and understood them, but was not competent** yet to deliver.

Level 2 meant the trainer **"understood" his or her knowledge work (in the case of** *PTEC* **this meant the training course to be taught, the structure, the key messages, the key examples, and the deeper knowledge behind the new concepts and topics) but as yet, had no experience in delivering and performing** the work.

Level 3 meant the trainer **"understood and delivered" the knowledge work (training course) but was not yet consistent in his other performance and delivery and needed some more training experience** (levels 1, 2 and 3 are assessed by the Director of Training Services).

Level 4 meant the trainer was **fully "competent" and consistent** in delivering high quality knowledge work and conducting the training course (this level is measured by the satisfaction and feedback forms collected from course participants).

Level 5 meant the trainer was not only **competent** but **could develop the knowledge (training course) further and make changes, and also teach other trainer**s as a recognized Master Trainer.

The Director of Training Services agreed that an updated "Directory of Trainer Competencies" would be compiled and distributed following each sixth-month review, and that financial and non-financial rewards for trainers would be linked directly to the levels of competence achieved. He also agreed that at that point, "Phase 2" of the system would be started by rewarding and recognizing the different levels of knowledge work done by teams once the first phase of personal knowledge work and personal knowledge competencies had been implemented.

The Director of Training further agreed to conduct an annual Trainers' Excellence Award Ceremony each year at the Annual Company Meeting.

Key Results

There was unanimous applause and great enthusiasm from all trainers.

The increased motivation in the room was very clear for all to see. At last, they were to be individually developed and rewarded and recognized, regardless of their standing, whether in-company or franchise, position or region, purely on the basis of individual merit. At last, those trainers who had demonstrated competence in teaching other trainers could now also contribute to the development of new course material. Eventually, they would also be rewarded and recognized for better knowledge team work, too.

By the end of lunchtime on Day 3, the trainers had clearly approved the implementation of the new system, Phase 1, subject to the Managing Director's final ratification.

At 2:30 in the afternoon, Mr. Varshaydeva, the Managing Director, arrived. There was initially some tension following his arrival, but not as much as there had been before. Instead, there was now more confidence and optimism.

The facilitator started to prepare himself for the summary presentation and recommendations to the Managing Director. But just as he was about to start the presentation, a voice called out from the group of trainers:

"Would you mind if, rather than having you make the presentation to Mr. Varshayveda, we could do it ourselves instead? We have been discussing this as a group while you were preparing, and we would like to make a team effort to give feedback on what we think we have learned and what we wish to implement, directly to Mr. Varshayveda."

The facilitator was absolutely delighted to see such enthusiasm and confidence. *"Of course, what a great idea. I will pick up if you miss any vital points, or if there are any questions or further clarification needed at the end."*

The Managing Director and the Director of Training Services were both clearly very surprised and impressed by this initiative.

The trainers agreed that the presentation team would consist of three people: one from the head office, one from among the in-company trainers, and one from

the franchise trainers, all working and presenting together as a team.

The presentation was a total success.

The Managing Director summed up the meeting by saying; "I am so grateful for the work you have all achieved these last three days at this retreat. I sense today that this is a major turning point for PTEC. Let's all start developing and growing this new system, this new way of learning and knowledge working, together as one."

Epilogue - One Year Later

Kumar Pandichira was packing his bag. Goa had been selected again by the Director of Training as the ideal venue for the second three-day annual Trainers' Retreat. Kumar was very excited because he had been nominated for the "Excellence Award" due to the rapid increase in his Trainer competence levels. He was also looking forward to a complete change of work environment and a chance to reflect on how Trainers could do things even better.

His fellow trainer Gotama, who had accompanied him on the flight to Goa, was new to the organization, but also pleasantly excited about the forthcoming retreat, based on the positive stories he had heard in the Bangalore training centre coffee shop.

"You know what I really liked about PTEC today, compared to just over a year ago?" Kumar asked Gotama. "There is no longer any tension or competition, or a real difference between being a trainer who's franchised, or one within the organization, anywhere in India. The politics have almost completely disappeared. All that matters

now is how you can personally develop your competencies. The competence measurements and the reward system are now totally fair and objective. Even more so, the Managing Director and the Director of Training have become respected mentors and coaches who encourage you to further your development. We really have moved on within the last twelve months, from being a rigid autocracy to a flexible meritocracy. And that's seen to be fair for all."

"Yes, I have heard that too," said Gotama. "I have even heard that Patanji, who left PTEC two years ago to set up his own training company as a competitor, has asked to come back and become a part of the PTEC trainer community again."

"That's simply great, I have missed Patanji. Let's hope our second retreat will also help us to increase our productivity, develop our relationships, and improve our quality and profitability, as did the first".

Why It Worked (Key Success Factors)

First of all, the facilitator knew the root cause of the initial problems at *PTEC*, had seen it many times before, and knew that there was one key reason why this would work successfully.

It would work successfully because it was a system that "directly rewarded and recognized people for learning and managing their knowledge better". Fundamentally, every individual would benefit. There was nothing to lose and absolutely everything to gain for each trainer, both personally with the improved competencies, and for the organization too, with the dramatically improved quality of training. The facilitator had seen these successful results at all types of

organizations, and with his proven track record, he knew that it would work.

Secondly, the risk and financial investment in the system was minimal, especially compared to the benefits that were to be gained.

Principles to Easy Action, Practical Application

When you invest in developing people's competencies, it can become a "win-win" situation for both the individual and the organization.

Whatever they do, people who are learning and developing their knowledge faster become **more confident and competent, and this leads to more trust and more open communication**, naturally, as a virtuous circle.

People who are properly recognized and rewarded for their knowledge and competence are **happier, more motivated, and less likely to want to leave** the organization.

A system that rewards and recognizes the ability to teach others creates a natural "culture of teachers". **Teaching is knowledge sharing**.

A system that rewards and recognizes the ability to change and develop new products and services creates a **natural culture of innovation**.

An organizational system based on "**meritocracy**" rather than "autocracy" results in **greater fairness and empowerment**.

An organization that invests in and effectively harnesses and shares the **collective learning and knowledge of its people as one will be far more competitive and attractive** than an organization of competitive individuals.

Trust is the lifeblood of a successful knowledge-driven organization. People will work together far more effectively when they trust one another.

Risk Factors

The periodical assessment of competencies must be based on "objective" measurement criteria that everyone understands, and not the personal, subjective views of any one manager.

Some people feel that they have completed their learning at school and in higher education. They need to understand that in today's rapidly changing world, lifelong learning at work is a prerequisite for survival, development and growth.

Lessons Learned in Motivating Workers: Both Knowledge and Willingness Must Be Present

Unlike the other seven stories in Chapter 2-5, this story is based on a number of true stories at SMEs, large companies, and even some public organizations. This story shows you the importance of tying worker motivation to KM activities for successful Knowledge Management, and you will find that this principle never changes, whether KM is implemented in small companies or at large institutions.

Wiki 'Personal Knowledge Competency system'

Executive Summary

Motivating workers is a common concern among SME owners and managers.

An SME manager observed,

"A worker may know how to do a job well, but if he is not fully willing and interested in doing it, then the job will not be done well. What is important is not only knowledge; it is also **willingness**.*"*

KM is about *sharing knowledge of what works* so that others elsewhere can reuse or apply it for their benefit. This chapter is about the personal learning journey of one of the authors. Here he shares two actual stories of what works to motivate workers in the Philippines, which are supported by similar observations from other Asian countries (in text boxes). The aim is to provide SME owners and managers with various approaches to motivate their workers that have been tried successfully elsewhere. The ultimate aim is to realize the benefits which arise from well-motivated workers or employees.

From 22 cases of successful or good practices in Knowledge Management (KM) in nine Asian countries and 21 cases in the Philippines, the observation made was that good practices of KM are often accompanied by effective means to motivate or energize workers, to gain appreciation and support for KM throughout the organization and to sustain those gains long after the KM initiative was first started.

The summary lesson from this chapter is simple: a worker may know how to do a job well, but if he is not willing or motivated to do it, then the job will be done poorly, or it may not be done at all.

Motivation is distinct from knowledge; it is not a part of KM. KM pertains to the "head" while motivation pertains to the "heart."

Effective action is the product of **both knowledge and motivation**, or **energy**, where the "head" and the "heart" are working together.

Initial Experiences that Triggered My Interest in Motivation

In July 2006, one of the modules in a KM workshop at CCLFI, the Philippines-based nonprofit organization dedicated to organizational learning and KM, was designed and facilitated for top executives of a company in Mongolia on "Mining Tacit Knowledge." Workshop participants consisted of the two senior vice presidents, vice presidents, and senior directors.

Three managers known as excellent motivators in the company were invited to take part. One of them was the CEO. An informal setting was arranged where the three, seated comfortably in sofas facing participants, were asked to tell their stories; "How I motivate my workers." A Mongolian lady served as an interpreter for the course.

As their stories unfolded, it was clear that all the participants were very interested and engaged. The stories showed vignettes of the difficulties and victories in motivating subordinates. From the facial expressions of the participants and their responses as interpreted from Mongolian to English, the process was obviously a moving experience for everyone who attended.

At one point, the author asked his interpreter to stop translating. He just

sat back and listened and allowed the interaction to proceed without the interruptions of the interpretation. It was a deep, almost solemn group experience. The CEO later asked; "*Has my management team changed so much after one workshop?"*

This is one of the many experiences that has convinced the author that the motivationof workers is an important concern for managers.

In 2006-2007, the Asian Productivity Organization conducted a survey of good KM practices in nine Asian countries.[1] It was surprising to see that good KM practices are often accompanied by one or more means of motivating workers. This is one of the important conclusions that were derived from that APO survey.

In 2009, the author was part of a team deployed by the APO to evaluate the impact of various types of projects it supported in several Asian countries. There were visits and talks with owners and managers of five SMEs: two in Sri Lanka, and one each in India, Indonesia, and the Philippines. The motivation of workers was discovered to be one of the most important concerns among the SME owners and managers interviewed.

Every semester, this author teaches a graduate class in KM of about 20-25 junior managers, mostly in big and small private corporations based in the Philippines. Over several years, he has collected

over 900 answers to the question: "What helps you to do your job well?" 73% of the answers pertain to knowledge, but it is very interesting to see that 50% pertain to motivation.

The two illustrative vignettes below are based on real-world companies in the Philippines. In the author's KM consulting practice, the story of the owner-manager of a small SME, RV Publisher,[2] stands out as an example of a manager who knows how to motivate her workers.

**First Story:
the Cheerleader-Manager**

Rosemarie Victoria is the owner-manager of a publishing micro-enterprise called RV Publisher. She employs two full-time and four part-time "on call" writer-editors, one salesperson who also acts as secretary-clerk, one driver-messenger, one part-time accountant, and one part-time lawyer. The company's market niche is personal development, or self-help books targeted especially for mothers, and practical do-it-yourself or DIY books for fathers.

Rosemarie looks after her employees and their families like they were her own. She immediately recognizes good performance (see Box #1). She is generous with her compliments for good initiative and performance, and quick in correcting misjudgments. She loves to teach and

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[1] Talisayon, S. Organisational energy and other meta-learning: case studies of knowledge management implementation in nine Asian countries. KM for Development Journal 5:1 (May 2009), pp. 21-28.

[2] The name and nature of business of the SME have been changed upon the request of the SME to observe business confidentiality.

enjoys watching her employees learn and grow. She derives great fulfillment and joy in helping people to take their own initiative "to be better, and to do better". She is relentless in driving her employees to constantly improve their performance. Excellent suggestions are immediately acknowledged and announced to everyone. Like Rosemarie, her driver did not finish college, but she encouraged him to take a correspondence course in Automotive Mechanics, offering to pay 50% of the tuition fees. She is like a mother to all of them. In fact, when the previous driver had a very serious and lingering illness, he called for Rosemarie from his deathbed before he died the following day.

Box #1: Giving Recognition and Awards

Airtel in India instituted the Joint Presidents and CEOs Knowledge Management Award. In Indonesia, **Wika** instituted ten different awards, such as an Innovation Award, a Knowledge Award for knowledge sharing, an Inspirator Award for making a breakthrough and inspiring others to excellence, and an Engineering Award for contributions that increased the added value in products. A Learning Award for knowledge transfer and an Enterprise Award for entrepreneurship were established by **Unilever** Indonesia. The Learning Award resulted in "new enthusiasm for learning, confidence in trainers to conduct sessions, new standards of module development… and preservation of knowledge not captured before."

At **SCG Paper** in Thailand, the honor of being a mentor or coach is seen as a motivating element in tacit knowledge transfer processes such as the buddy system, job rotation and cross-functional group activity. Designating functional heads as the knowledge champions and setting up a community of experts were instrumental in gaining buy-in for KM at **Airtel**.

At **Siriraj Hospital** in Thailand, the CKO (Chief Knowledge Officer) was selected on the basis of commitment, leadership ability and recognition among staff. **Goldsun** in Vietnam presents an award to individuals and units which have excelled in their "I have a new idea" movement.

These Asian experiences are corroborated by a 2009 global survey of more than one thousand executives conducted by **McKinsey**. The survey showed that the two most effective motivators were "praise and commendation from immediate managers" and "attention from leaders." These non-financial incentives were found out to be more effective than financial incentives, including "performance-based cash bonuses" and "increase in base pay."

Rosemarie's micro-enterprise is too small for her to afford a full-time accountant. Thus, RV Publisher hires an accountant, Wenny, who comes only on Saturday mornings because she works full-time elsewhere. Wenny has been with RV Publishers for more than 10 years now. During that time, she has rise to the post of Vice President of a big company. Yet she continues to work for small pay at RV Publishers because of her loyalty to Rosemarie. One reason why Wenny loves to work for Rosemarie is the way Rosemarie treats her like a daughter, giving her advice even in or personal, non-work-related matters. Wenny has excellent skills in designing accounting-reporting systems using MS Excel. Another reason for Wenny's loyalty is that she loves to meet Rosemarie's challenges to continue to develop and innovate the accounting system, for which Rosemarie is always very appreciative.

Rosemarie cheers her on the same way she does her other employees who try their best. Perhaps a third reason is that Rosemarie is also eager to learn bits and pieces of accounting skills from Wenny, who in turn loves to act as teacher to Rosemarie.

Many of the writer-editors had been sent for training courses (see Box #2) by Rosemarie. She sponsored one writer-editor to attend an important course in Singapore. This writer-editor had since resigned to work abroad, but she continues to email Rosemarie to update her former boss about all her setbacks and victories. Another writer-editor who had earlier transferred to another company had decided to come back. She says; "I feel more acknowledged and appreciated at RV Publisher."

Second Story:
When Personal and
Organizational Goals Converge

The Wendell School for Women was first established by American Catholic nuns in the 1920s. It operates a primary and a secondary level school, and a tertiary-level teachers college. After the Philippines had gained independence from the United States, Filipino administrators and teachers clamored for the School to be turned over to Filipinos. At the height of the political turmoil in the country in 1973, the American founders gladly turned the school over to a group of Filipinos who registered the School as a non-stock, nonprofit foundation.

Box #1: Giving Recognition and Awards

Training and learning are win-win activities for both the employees and the company.

Unilever Indonesia created a Learning Department distinct from the HR Department, which continues to perform traditional personnel functions. They have set up a learning facility for employees, namely the Mega Mendung Learning Center where, among others, employees can access Harvard Business School e-learning courses. CAPCO in Taiwan has set up its own Cyber Media College, which offers employees many opportunities: self-paced online learning packages, certification exams, operational information and manufacturing knowledge, etc. **CAPCO** had developed over a hundred multimedia courses suited to the needs of their factory workers. It has motivated its employees by including on-line training and certification as part of the employee evaluation and promotion process.

Learning from peers (through communities of practice or CoP) and learning from experts (through coaching and mentoring programs) have motivational value. CoPs are employed by **Siriraj Hospital** and **SCG Paper**, both in Thailand; **SK Energy** and **Samsung Advanced Institute of Technology** in the Republic of Korea; **Bank Indonesia** and **Unilever Indonesia**; **Department of Health** in the Philippines; and **Qian Hu** in Singapore. In many cases, the CoPs are organized along thematic areas. Knowledge generated from face-to-face meetings is stored in knowledge repositories established by these organizations for this purpose. **SK Energy** in the Republic of Korea organized cross-functional study groups and Closed User Groups (CUGs), supported by groupware software. Bank Negara Malaysia initiated cross-functional teams, benchmarking projects and study visits or attachments.

To capture the tacit knowledge of experienced senior staff before they leave or retire, **Wika** launched a publication project called "Menuju Bintang", or "Toward the Stars". Senior managers and even retirees were interviewed to explore strategies to expand the market for **Wika**. Under the buddy system of **Unilever Indonesia**, mentors were assigned to mid-career level recruits for tacit-to-tacit knowledge sharing, and to shorten the learning curves of the latter. A Trainee Journal (explicit knowledge) complements the tacit process.

In 1999, the school approached the author to assist in knowledge management. They were intrigued as well as challenged by his statement, adapted from Peter Senge, the guru of Learning Organizations (LO), that "schools are teaching organizations, but rarely are they learning organizations."

One of the steps implemented toward becoming a learning organization was to set up a cross-functional and cross-disciplinal Knowledge Management Team. The first aim was for the KM Team to learn; "what exactly are KM and LO?" The other, the more important aim was for every KM Team member to be "fired up" about KM and LO, and thus become advocates or champions for the rest of the school. They need to be both knowledgeable and motivated.

At the first workshop of the KM Team, one of the modules called "Peak Work Experience", or PWE, sought to converge personal and organizational goals. The workshop module proved to be very successful.

Each participant was asked to recall an actual work experience in the context of the organization she was working in, that was accompanied by or resulted in the highest personal sense of fulfillment. She was then to tell her story to a trusted colleague. PWE is the result of an occasion of a "best fit" between personal goals, preferences, and styles on one hand, and organizational goals, job requirements and relational context on the other (see Box #3).

After the storytelling phase, each participant was asked to reflect and 'mine' what the PWE could tell her about what had happened in this 'best fit' situation – the factors and circumstances that had led to a fulfilling work experience.

This exercise sometimes triggers emotionally powerful storytelling from some participants. But for most participants, especially those who may be losing interest in their jobs, the exercise is a reminder that there had been actual situations when their interests and talents had fit well within what the organization had wanted from them. If it has happened before, it can be made to again, if the PWE is understood well: how and why it happened, what were the contributory factors, etc. Reaffirmation and new energy or motivation can thus come from reliving and studying that kind of actual experience.

Box #3: Engaging the Personal Dimension

The Philippine **Department of Health** convened a workshop where each member of the KM Team wrote down their personal talents (including non-technical skills), passions and life goals. These were posted so that other members could read them and make comments and suggestions, such as "You forgot to say that you are a good guitar player," "So you can speak Spanish!" "Wow! A medical doctor who knows how to lay bathroom tiles!" The talent discovery process is mutually reaffirming and boosts self-esteem. Knowing better what talents each KM Team member may have is a KM objective. In fact, the product of this workshop module is also for

Box #3: Engaging the Personal Dimension

input to a future Internal Experts Directory for the Department.

"Praise Ground" is another process for peer-to-peer mutual affirmation. It is an innovative motivation process at **Samsung Advanced Institute of Technology** in the Republic of Korea. This practice can be described as follows:

> *"A member identifies another employee who has done something worthy of praise, and writes a short but entertaining note about it on the website. That member then identifies another employee to praise, and the process is repeated over and over… The Praise Ground is one of the most popular and most frequently visited websites at SAIT. Most, if not all, members at SAIT consider it a great personal honor to be mentioned on the Praise Ground."*

Management of **Qian Hu** in Singapore appreciated the importance of the "personal touch" and designed a mix of informal and formal communication modes to strengthen buy-in from employees and customers. This includes "floor walks", tea sessions, and informal gatherings, in addition to the more formal modes such as seminars and focus group discussions.

At **SCG Paper** in Thailand, a balance of virtual interaction and physical or face-to-face meetings is employed. Physical space, designed for interaction, is provided so as to foster openness and trust among the employees. Similarly, **Bank Negara Malaysia** redesigned its library environment to make it more reader-friendly, using ergonomics furniture and encouraging a more cheerful mood, using paintings and appropriate color schemes for the walls and the furniture.

Unilever Indonesia has adopted a wide variety of face-to-face knowledge sharing and collaborative learning processes. They use Knowledge Club talk shows, group learning sessions, Book Club sharing, video cafe sessions, and even a Cinemania. **JTC** in Singapore partly subsidizes courses for employees such as one on interpersonal skills management. At Siriraj Hospital in Thailand, nurses prefer face-to-face meetings over virtual discussions to exchange their experience and the lessons learned through their CoPs.

Here are two examples of the PWEs and the lessons the experiences convey:

Employee #15:

"Two years ago, the school director gave me a special assignment: to take care of a problematic student. The school director also gave me the authority to take any steps that, in my judgment, might be necessary. I was worried at first, but felt that the school director had trusted me for the job. I was not sure how to start until I decided to talk to the parents of the student. After a few sessions with the parents, I got their cooperation, and together we conceived of a plan that all three of us would try out. It was eight long months of work. There were times when I felt the assignment had been unfair, as it was using up all my time including personal time outside office hours, but when I saw signs of progress on the part of the student and when the parents gratefully treated me to lunch while we studied and planned our next steps, I slowly came to realize that I was doing the right thing. My commitment became stronger.

After seeing the expression on the face of my school director as he read my second quarterly progress report, I could see just how happy he was. It was a moment when I felt that the school director could better see what I was capable of. I got not only praise and encouragement, but also advice from the school director.

The special assignment ended when the student successfully graduated. The parents were very happy and thanked me. I felt fulfilled. But my highest fulfillment came a few months ago, when I received a

letter from the student. She wrote me a letter of thanks and appreciation for what I had done for her two years ago. I felt very good about myself and about my work as a teacher."

Analysis by Employee #15:

"I feel fulfilled in my work when:

• My boss shows trust and support for me.

• I am given authority and leeway to decide and implement what I judge to be the best steps to take.

• I achieve positive results.

• I get acknowledged for a good thing that I have done, particularly from the student I helped and from other people who are also concerned about the student.

Employee #6:

"Danger signals alerted everyone at the Wendell School for Women: enrollment has been declining slowly but steadily over the previous two to four years. When the global financial crisis came in early 2009, many teachers were worried that the school may eventually have to close down. The board decided to invite all teachers to a general meeting to discuss the situation. Many concerns surfaced at the general meeting. The board chairperson felt that increasing enrollment was a crucial, urgent task. She asked for ideas, and many were offered. At that general meeting, I suggested that we identify

the *"feeder"[3] schools within five kilometers and ask for teachers to volunteer to contact these schools and present "sales talk" to parents during their regular PTA (Parents and Teachers Association) meetings. Of all the ideas presented, the chairperson identified my idea as the best that was worth trying. Well, everyone knew what happened next: several teacher-volunteers, including myself, spent time making presentations at PTA meetings at eight feeder schools.*

During one of these PTA meetings, a parent of a kindergarten student suggested that if the school could arrange for private school vans to transport their children to and from the school, then enrollment would become even more attractive to them. Many parents liked the idea. They also liked the prospect of their children studying and being taken by bus together with their former classmates and friends. In the Philippines, there are many privately-operated, for-profit school vans that offer this sort of service. As a result, enrollment at the last school opening had increased by 28%, which more than made up for the drops in enrollment over the last few years.

The School Board was very happy - and, surprisingly, decided to present me with an award: "Innovator Teacher of the Year" at a special ceremony (apparently, they want to make this as a yearly award from now on). Everybody congratulated me,

and I felt like I was flying in the clouds. I was so fulfilled!"

Analysis by Employee #6:

"I feel fulfilled in my work when:

- *My idea contributed to save the school from possible closure; achieving something meaningful gave me a deep sense of self-satisfaction.*

- *My contribution is recognized by the board and I was publicly presented with the honor. The title of "Innovator Teacher of the Year" was so thrilling!*

- *I discover that I have other talents besides teaching: giving "sales talk" to potential customers.*

For many on the KM Team of the Wendell School for Women, the PWE module triggered renewed interest and enthusiasm, because they could better see how close their "personal drivers" were to the "school's drivers."

Concluding Observations and Lessons

In conclusion, the lessons we have learned from the various Asian organizations are that (a) providing and managing knowledge

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[3] A "feeder school" is one which produces graduates who are potentially able to enrol at the Wendell School for Women: nursery and kindergartens that can 'feed' enrollees for its Grade One level of primary school, primary schools whose Grade Six or Seven students can proceed to the school's secondary school, and secondary schools whose senior year students can proceed to the schools' Teachers College.

must be complemented by creating conditions that motivate workers; and (b) motivating workers does not have to be an expensive proposition. It can be as simple as sincere recognition from the SME owner or manager for a job well done, a sincerity that stems from personal commitment on the part of the owner or manager to support his employees in performing to the best of their potential.

We can see that KM, which addresses the "head," is more effective if it is accompanied by motivational factors or conditions that address the "heart". In short, knowledge and energy must be managed together for better performance and productivity of the organization.

Chapter 6. Takeaway Learning

As we come to this chapter, we are assuming that you have read at least some of the Knowledge Management (KM) stories of SMEs in the previous chapters. In this final chapter, we would like to invite you to reflect upon what you have learned through the stories and to consider how you can apply the learning to the real world in which you live.

Key Message 1:
KM can help <u>increase revenues of SMEs</u>

Sawasdee Restaurant was able to increase its revenue by using a variety of methods to get a **better sense of customer knowledge** and thereby increase occupancy rates. These were providing training for servers to: read body language; develope active listening skills and to raise its service standards of excellence; surveying of preferences of various customer segments; taking note of customer preferences and complaints; leaving customer suggestion forms at every table; interactive sessions with customers; and suggestions from a virtual community of health food lovers. The first key learning was that KM can be a great method to help increase the revenue of your company.

The approach of KM for increasing revenue varies a great deal. High-performing sales representatives are the best practitioners in sensing customer needs and in making successful sales. They perform well because of the skills and know-how they have developed. *Kitchen Equipment Distributors Inc (KEDI)* was able to motivate high-performing sales representatives to share their knowledge so that other sales representatives could **reuse the knowledge to increase sales volume** and revenue. Through periodic Lessons Learned Sessions, *KEDI* was able to develop a habit, or culture of learning and knowledge sharing. New ideas also emerged, which dramatically improved how *KEDI* sold its products.

Innovating business models via KM is another approach to dramatically increase revenue. *Ishima Manufacturing* created a procedure whereby customers visited their factory and personally observed the metalworking, especially the laser processing skills of their craftsmen. This interactive and collaborative procedure between customers and *Ishima* managers resulted in new ideas for how Ishima's core capabilities could be applied to specific client needs. The results awere **new businesses and higher revenue** for *Ishima*.

Guild of Plating, a stable of small accessory manufacturers in Asakusa, Tokyo, was able to reverse the decline in their revenue by **redefining their business**: from individual manufacturing of small accessories to selling specialist plating services through an organized association, or guild, of plating. From individual SMEs competing with each other in a market vulnerable to competition from countries like China, the redefined business model allowed SMEs to cooperate and collaborate to serve a larger market.

Cool Installations was suffering from stiff competition and declining sales. It couldn't submit quotations to customers in a timely manner. The main reason for this had been poor communication and work

collaboration among their geographically separated disparate staff and consultants. The KM solution turned *Cool Installations* around.

A collaborative web-based work space enabled them to work together 24/7 to overcome their geographical distance. They were able to draft and edit quotations and contracts, store and share commonly-needed documents, such as notes on what had been learned (ie. why a quotation had been accepted or rejected), etc. The new system was inexpensive; it uses applications available free of charge on the Internet. The new system, called COMWISE ("Communicating together wisely"), enabled the company to reverse the decline in sales in less than one year.

While implementing KM initiatives and increasing their revenue, the workers and employees at each of the five SMEs described above experienced a positive change in their work ethics and work habits A new, greater **orientation toward learning and continuous improvement**. The experience of being confronted by a serious business problem and the subsequent experience of successfully solving the problem together also resulted in greater **worker engagement** in the growth process of the company.

Key Message 2:
KM can help <u>reduce business costs of SMEs</u>

Evergreen Fresh Foods is a successful SME that exports food products to Europe. To adhere to the safety, cleanliness and freshness standards required by its customers, *Evergreen* follows EurepGAP1, HACCP, GMP and ISO 9001 standards. However, their problems were the high costs, the low efficiency of packing lines, and the inconsistent quality of raw materials coming in from their contract farmers. *Evergreen* was able to elicit knowledge of the "do's" and "don'ts" from various contract farmers, which were then consolidated into practical guidelines for all. **Storytelling** by the more successful contract farmers was used to spread the practice to other farms. The discovery and the **sharing of knowledge** generated beneficial results. Converting from a "line system" to a "cell system" increased packing efficiency by almost three times, but the latter required multiple skills. Skill mapping, together with skill sharing, videotaped instruction and coaching were employed to address the skills gaps. With cash ewards as motivation, *Evergreen* employees were also able to generate **new ideas for process improvement**. The second key learning was that KM can support the reduction of business costs for your company.

Losing talent or human capital to competitors is costly for any business, particularly for SMEs. *Productive Training and Education Consultants (PTEC)* suffered from this consequence when its franchised trainers felt that they were being unfairly treated, compared to the in-company trainers. The problem was successfully addressed when *PTEC* adopted a strategy to invest in the **development of the competencies** of their people and to measure the competency levels, where the highest competency level was that of a **Master Trainer who could teach others**. The success was explained in the observation that higher competencies resulted in better confidence, capability, and willingness to share knowledge. In turn, knowledge sharing generates more trust and hence better communication among knowledge workers, thereby initiating a "virtuous

circle" or positive feedback loop: *learning – sharing knowledge – trust – communication – learning, etc. – motivation is increased*. Even trainers who had previously left the company wanted to come back.

The experience of RV Publisher is similar: training or other forms of **learning in the workplace** can motivate workers and retain them longer in the company. Facilitating workplace learning is indeed a win-win process: it benefits both the workers and the company, realize reduce business costs, as well as serve to support the development of emplyees simultaneously at SMEs.

Key Message 3:
Successful KM can help to <u>motivate workers at SMEs</u>

The third key learning that we would like to raise is that **appropriate KM can motivate employees at SMEs**. The previous case of *PTEC* also illustrated the importance of motivating workers. *Evergreen Fresh Foods* used cash incentives to motivate its workers to contribute workable ideas for process improvement through its "Treasure Hunt" program. The experience of *KEDI* showed that their former incentive system encouraging individual competition among its sales representatives had also discouraged them from sharing their knowledge with others. The lesson they learned was that the right incentive system is the one that rewards a sharing of good practices.

The experiences of *RV Publisher* and the *Wendell School for Women*, as well as others in many Asian countries, show that the likelihood of the success of a KM project or initiative is enhanced in various ways – including many non-financial incentives – of motivating workers or employees:

- **Acknowledgement, support or encourage-ment, and personal attention or caring from the president or manager to the worker,**

- **Awards, recognition and honorific titles for excellent performance,**

- **Engaging a worker in a manner that also serves his or her personal goals and interests,**

- **Trust or confidence from the superior, such as giving the worker the authority and leeway to use his or her best judgment to find ways to get a job done well,**

- **Giving a worker a challenge or work assignment that is within his or her talents to successfully achieve and thereby gain personal self-esteem, and**

- **Training, learning, knowledge sharing and other opportunities for professional and career growth.**

If you have read the story of *Ishima Manufacturing*, you may remember that the motivation of their industrial workers increased significantly as their artisanal skills and know-how, which had not been treated as remarkable talents, suddenly became the core capabilities of the company. They were valued by both the company and their customers. The story of *Guild of Plating* also supports this learning. The motivation of craftspeople in the once declined industry increased significantly when they discovered that they could contribute their skills. This win-win relationship between the workers and the company was one of the most important key success factors of KM.

If in your KM initiative you cannot answer the question; "what's in it for me?" asked by workers, there is little chance for success.

Key Message 4:
Successful KM can help accelerate innovation of SMEs

Guild of Plating successfully created new business by forming a **Knowledge Cluster** among tiny accessories manufacturers. They realized that their strength was in their plating technology, and collaborated to apply the strength to different fields to create new businesses. The fourth key learning was that KM can also help to accelerate innovation, creating new products and services, or even innovating business models for SMEs. We can learn from *Guild of Plating* that SMEs can often find opportunities for new business by redefining and applying their key strengths from the knowledge perspective. Forming a Knowledge Cluster among tiny companies is often a powerful approach to create new business. Although each tiny, individual company has only limited resources, they can gather together the strengths of the various SMEs to innovate new business models.

The *Cool Installations* story tells us that sharing key knowledge among employees can give them leverage in their existing businesses. The company shared each worker's experience on both installation and maintenance contracts to innovate the way they worked. As a result, they improved their rates of new installation orders and acceptances of maintenance contracts.

It is not just the knowledge of the employees that can trigger innovation for existing businesses. *Sawasdee Restaurant* was able to develop new services, such as health dishes and lunch delivery services, by acquiring and making good use of customer knowledge. If you handle it correctly, customer knowledge is usually the wellspring of new services and products. Although their approach was very different, *Ishima Manufacturing* also utilized their customer knowledge to innovate their business. They built new processes to bring together that knowledge with their own, and thus created new business.

For KM Implementation
in Your Small Company

As mentioned above, you can apply KM initiatives to many kinds of critical business issues that you may currently face. Of course, KM is not an all-purpose cure. KM is one means that focuses on knowledge to solve your critical business issues. You don't have to, and should not, try to solve many issues all at once. The first step of successful KM is always to set your focus on the particular issue that you want to solve. By setting the scope, you can then move on to the next step to plan KM initiatives. Let's look into the next steps a little more deeply in the next section.

The Next Step

We now know that by better managing the knowledge within an organization, significant improvements can be made in several areas, especially in four key business areas that are "evergreens". That is to say, we will always be interested in new ways to achieve:

1. **Customer growth and customer satisfaction**

2. **Improved quality and productivity**

3. **Increased employee motivation, knowledge and skills**

4. **Acceleration in new product and service innovation**

So what should you consider as the next key steps and actions to better manage the knowledge and start to bring about these business improvements?

We suggest that the **next steps** could be to:

1. **Allocate someone (or some people) in the organization with the responsibility to take this further. This could be the owner or a senior manager or a small management team.**

2. **Discuss and agree, from this book, on the 'key' problem/challenge/opportunity areas that you think you need to start with.**

3. **Consider and agree on your responses to the key questions (described below) to launch knowledge management in your organization.**

4. **Arrange with your National Productivity Organization (NPO) for some basic KM**

education for the management team (from a two-hour executive briefing to one or two days at a seminar or workshop, depending on your organizations's time availability). The address of your NPO is contained on the APO website at www.apo-tokyo.org.

5. **Ask the NPO to do a more detailed KM Assessment survey to determine your current status and readiness from a KM perspective.**

6. **The APO consultant will consider your proposed "key" priority business area and, together, you can approve and/or determine the best business area to start/pilot, that will yield the greatest benefit and measurement over, say, a six-month period.**

7. **If you do not have an NPO that can visit you, consider attending a public seminar and/or even visiting other organizations that work with KM. This will help you to better understand how KM works.**

8. **There are also several free APO publications available for further study on the APO website, as contained in the "References" section of this book.**

Key Questions for Your KM Launch

The following are questions for Step 3. Answer the following questions to check if Knowledge Management will be an appropriate approach to help you to improve your key problem/challenge/opportunity areas identified in Step 2.

1. **Do you know what key knowledge/ know-how you need to improve upon the above issue(s)?**

2. Do you know where the needed knowledge is, or how to find such knowledge? Is it available within your organization, or is it something that you need to acquire from outside your company? If it's available in your company, then who holds such important knowledge?

3. Do you agree that if your company can better manage such knowledge (capturing, organizing, sharing or reusing the knowledge), you can solve the above issues?

If you answers to the third questions are "yes", then Knowledge Management can help you. The most important thing then is to commit yourself to take further action along these suggested lines, or even better, suggested lines, if you can.

Effective knowledge management for significant business improvement is also a "business evergreen". Some say it's the key business evergreen for the 21st Century. Knowledge Management is a journey, and we hope you now feel ready and better-equipped to take the next steps.

APO REFERENCES

The Asian Productivity Organization has developed a wide range of publications, many of which are free downloads from the website for your personal use at:

http://www.apo-tokyo.org/00e-books/00list_iss.htm

In particular, the following book makes special references to APO Knowledge Management publications for further reading at:
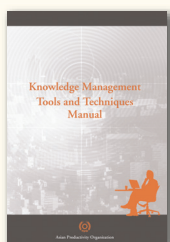
### 1. Knowledge Management: Tools and Techniques Manual
©APO 2010, ISBN: 92-833-7093-7
This latest APO publication seeks to provide KM consultants, practitioners, and organizations, regardless of their size, with a framework and practical tools for their successful implementation of KM. It contains descriptions of 20 essential KM tools and techniques and an additional six highly recommended tools and techniques.
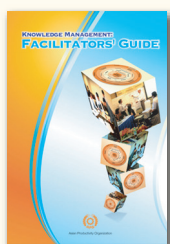
2. Knowledge Management: Facilitators' Guide
©APO 2009, ISBN: 92-833-7087-2
This book provides easy-to-follow instructions on delivering knowledge management training in the APO KM framework, including detailed notes on the key messages of each slide and trainer's notes.
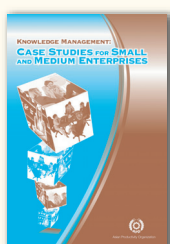
3. Knowledge Management:
Case Studies for Small and Medium Enterprises
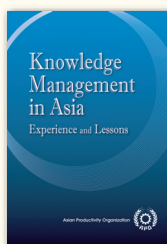©APO 2009, ISBN: 92-833-7088-0
This casebook is an accompaniment to the Facilitators' Guide. It describes real-time experiences of SMEs that have successfully implemented KM to provide guidance and inspiration to SME owners and managers and stimulate them to follow these exemplary cases.
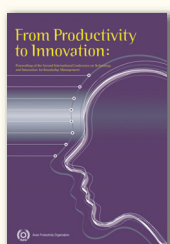
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Proceedings of the Second International Conference on "Technology and Innovation for Knowledge Management, "India, 12–14 February 2008.

**5. Knowledge Management in Asia:
Experience and Lessons**
©APO 2008, ISBN: 92-833-7065-1
Report of the APO Survey on the Status of Knowledge
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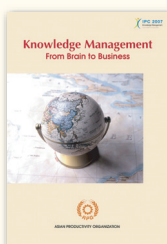
6. Knowledge Management: From Brain to Business
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Proceedings of the International Productivity Conference 2007,
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Productivity Organization and the Foundation for Thailand
Productivity Institute

**7. Productivity Methodologies, Tools, and Techniques. Benchmarking:
Capturing best practices and breakthrough improvements**
Asian Productivity Organization (APO) website
(http://www.apo-tokyo.org/productivity/pmtt_007.htm)

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