

Knowledge Management Concept :

Intellectual Capital Accounts:

- Balanced Scorecard
- Knowledge Accounting

Human Capital:

- Personnel
- Administration
- Employee Development
- Education/Training
- Satisfaction Surveys

Strategic Capital:

- Strategic Planning
- Evaluation

Customer Capital:

- Networks
- Customers and Prospect
- Control
- Satisfaction Surveys

Process Capital:

- Archiving
- Quality Control

Knowledge Management for the Competitive Edge

Every organization contains valuable intellectual capital, and the number of knowledge-intensive jobs is steadily increasing. The percentage of knowledge workers in the U.S. work force alone is expected to increase from 20% in 1999 to 40% in 2003¹.

“The most important contribution of management in the 20th century was the fifty-fold increase in productivity of the manual worker in manufacturing. The most important contribution [they] need to make in the 21st century is similarly to increase the productivity of knowledge work and knowledge workers. The most valuable asset of a 20th century company was its production equipment. The most valuable asset of a 21st century institution will be its knowledge workers and their productivity².”

” On the cutting edge of this awareness, Robert S. Kaplan (a Harvard Business School Professor of Accounting) teamed up seven years ago with David Norton (an IT consultant) to publish their observation that “traditional financial accounting measures like return-on-investment and earnings-per-share can give misleading signals for continuous improvement and innovation. The traditional financial performance measures worked well for the industrial era, but they

¹ International Data Corporation (IDC)

² Peter F. Drucker, California Management Review Vol. 41 No 2 winter 1999

are out of step with the skills and competencies companies are trying to master today.” In the same issue of the Harvard Business Review of that year, they introduced their creation of the Balanced Scorecard: “- a set of measures that gives top managers a fast but comprehensive view of the business. [It] includes financial measures that tell the results of actions already taken and it complements the financial measures with operational measures on customer satisfaction, internal processes, and the organization’s innovation and improvement activities – operational measures that are the drivers of future financial performance.” Since then, this concept has grown to encompass the widening sphere of a company’s organization, moving out into the virtual networks available today through the Internet and intranets, and is now embodied in total Knowledge Management.

The Information Economy

“Organizations competing in an information economy must overcome many very real challenges. One of the fundamental challenges of knowledge management is making tacit knowledge explicit. Innovations occur in pockets within organizations and are often known only to a few local experts. Knowledge that resides only in the minds of a few is not a captured or shareable asset. While the obvious problem is having the people with the knowledge leave the organization, it is also not uncommon to have several teams unknowingly working to solve the same problem or to solve a

problem, which already has been, solved somewhere else in the organization.

Perhaps the most challenging aspect of knowledge management is creating a consistent strategic focus and then creating a balanced technological and human infrastructure supported by metrics that reflect progress in turning ideas into customer success. Clear strategies are needed for acquiring knowledge externally, developing it internally, and for collaborating with other organizations and consortia to leverage the development of needed competencies³.”

Knowledge Management is Not just for Big Companies

“In small and medium enterprises [SMEs], as in big global corporations, staff needs appropriate and up-to-date knowledge. They need to know what their colleagues know and to be connected with them to share knowledge. And like large corporations, SMEs need ways of remembering what they know.

In effect, with the Internet, knowledge management has broken out of the high-cost, hard-to-use paradigm. Given the tools, SMEs find themselves at an advantage over large companies in implementing knowledge management, because they do not have to overcome existing hierarchical structures that foster

³ Issue 32 of ABC Technologies and Business Finance Magazine contained this quote from Tom Freeman and Barbara Simonetti

secrecy rather than openness. Knowledge management is the key to allowing SMEs to operate internationally without giving up the advantages of their smaller size⁴.”

With Knowledge Management tools and integration with the Internet, the virtual network of an organization can now be leveraged by SMEs to increase their resources and competitiveness. It can mean the difference of survival and future success

Knowledge Management – A new Dimension

Knowledge Management is a new dimension in a company's control mechanisms. In the transition from an industrial society to a knowledge society, we now understand that it is no longer enough only to assess financial assets. A company's intellectual capital, structural capital and customer capital have taken on more weight in their worth. Global competition increases constantly, so strategic capital becomes the determination of whether a company has a true competitive advantage.

A company's intellectual values, leadership tools, employee satisfaction, customer satisfaction, distribution of information, and action-oriented efforts are now known to be meaningful contributions to future competitive parameters. Reckoning and control of knowledge capital is becoming a determinant for

competitive advantage when it is time to create infra-structural processes and a transparent knowledge accounting of a company's intellectual capital accounts.

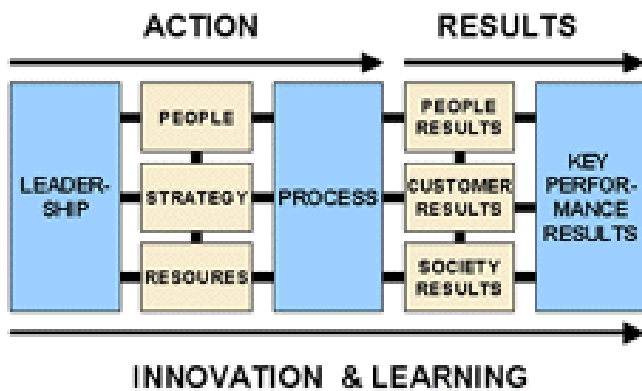
What is in focus is the ability to ensure a good economy and profit – now and in the future. It is important to attract and hold onto customers, proficient and valuable employees, make visible and control a company's vision, undertake structured follow-up, and make contributions pro-active. This also ensures that a company has a positive image and good recommendations.

Systems Tools for Knowledge Management

In its 1999 Outlook for Enterprise Applications, AMR Research states: “Companies will embrace goal-driven applications as part of the ERP backbone. [They] will adopt strategic planning applications that drive day-to-day executions, as in balanced scorecard analysis and revenue optimization. The marriage between business intelligence and operation execution will close the loop on decision-making.” The Navision Axapta Knowledge Management Series from Navision is a solution that puts a company in the position to work in an effective, structured manner with enterprise values. Within it are a number of modules that provide the ability to accomplish the following:

⁴ A special section devoted to Knowledge Management in the *Financial Times* of 5 November 1999 included the article “Internet can open the door to contacts worldwide” by Nuala Moran, from which these quotes were taken.

NAVISION[®]
The Way to Grow



- Measure, manage and appreciate intellectual capital
- Distribute information between employees
- Undertake satisfaction surveys among employees and customers
- Plan and manage a company's strategy and vision
- "Action Manage" behavior and responsibilities of staff
- Support better and faster decisions on all levels of management

Distribution of information and knowledge then becomes a natural part of the business day. Simultaneously, the right people handle tasks at the right time, with the right information.

Content of the Knowledge Management Series

The Navision Axapta Knowledge Management Series includes the following main modules:

- Balanced Scorecard / Intellectual Capital Account
- Strategic Planning

- Action Management
- Questionnaires
- Archiving.

These modules are fully integrated with the core Navision Axapta series: Financial, Trade, Production, Logistics, Project and Human Resources.

Balanced Scorecard/Intellectual Capital

(Strategy, Management and Distribution of Responsibility)

Balanced Scorecard, or balanced reporting, can be described as a measurement system that measures the progress of a company's strategy implementation. It is a method that brings together the business strategy and the employee's workday, with a direct connection to economic results.

Navision Axapta Knowledge Management includes functions for measuring and managing a company's vision, values and strategies. It is a strong management tool that makes it possible to react very quickly to results, achieve greater efficiency, and attain more focus on innovation. The series contains functions for showing and measuring customer and employee satisfaction, internal processes, and economic data, for example. The system is developed to model a company's future intellectual capital.

NAVISION[®]
The Way to Grow

Balanced Scorecard offers the following:

- Knowledge Account Plan, Focus Groups, Organizational Units, and Key Performance Indicators to support all kinds of measurements
- Knowledge Accounting (Intellectual Capital Accounts) is transaction-based, which strengthens the overview and the historical perspective, ensuring credibility of measurements
- Unlimited options for automatic measurements
- Manual measurement of data not found in electronic form occurs through traditional accounting drafts (spreadsheets)
- Calculation algorithms translate measurements as required and by desired application
- Periodic division of measurement frequency creates flexibility in measuring
- Budgeting
- Graphic analog meter exhibits measurement numbers together with expectations to show the actual situation on all levels
- Statistics for budgets, actual numbers and budget rejections
- Statistics for comparison, summation, averages, and more ..
- Reporting, transaction lists, balances, account statements, and diverse queries for tracking, circumstantial explanations, and verification of measurements

Effective Planning and action-oriented planning

Strategic Planning, Action Management and Archiving are optimal modules for planning, managing and monitoring a company's strategy and initiative. The need to plan and manage strategic and business-related decisions increases at the same rate that a company wishes to delegate responsibilities and distribute information to its employees. Simultaneously, the response to planned actions is an important contribution to management information that is decisive for making proper decisions.

Strategic Planning includes the following:

- Support for the principles behind "The Learning Organization"
- Identification of Current Reality and end results, as well as ongoing documentation of conditions with the most recent news
- SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis to support the Current Reality
- Breakdown of visions with intermediate-goals and milestones
- Planning and follow-up with actions on initiatives
- Risk analysis
- Best practice for advice on building up strategic plans
- Templates as models, for example: project or quality control, production flow and other process implementation or as a tool for employee discussions on personal goal setting

NAVISION®
The Way to Grow

It is a great advantage of the Action Management that it is process related. This makes it simple to link relevant information so the person to take responsibility for a task has the necessary information available. This strengthens the quality and speed of responses and feedback, while making follow-up and decision-making more effective.

Action Management offers the following:

- Action Planning with advanced employee assignments (this can be used for marketing campaigns, customer satisfaction surveys, employee discussions, recruitment tasks, and much more)
- Easy administration
- Effective follow-up on initiatives and results
- User-friendly action and response functions
- Traditional information on responsibilities, time, priorities and status, as well as other relevant detailed information
- Structured response with notes for feedback
- Tracking and dependencies
- Effective generation of diverted actions
- Generic auto-action system for structuring user-friendly operation
- Process integration
- Statistics

The Archiving module offers a strong and effective way to link relevant external electronic information to a specific process or identification in the system. For example, there could be a company profile for a

customer, price list for a supplier, budget costs for machine resources, a detailed plan for a project, or a letter and a Curriculum Vita/résumé from an applicant.

Archiving offers the following:

- All file formats can be archived
- Implementation of archived information, for example, opening a document, spreadsheet or graphic, playing sounds or film, or forwarding to a home page on the Internet
- Easy administration and structured overview
- Generic auto-archiving system that can be set up according to requirements

Electronic Questionnaires

The Questionnaire module is a unique tool for electronic data collection. It can be used for marketing, satisfaction surveys, ethical and environmental measurements, customer and vendor surveys, manager and employee or recruitment tests, or in connection with training courses. Questionnaires can be answered by employees, contacts outside the enterprise, or applicants for jobs.

The Questionnaire module includes the following:

- User-friendly processing of questionnaires
- Designer function to construct questions, survey frameworks, result groups, answer collection, and point allocation.
- Setup of instructions for questionnaires

- Setup of your own background pictures for developing the design to specific types of questionnaire frameworks
- Planning function to prepare questionnaires for individuals, organizational units or other groups of people
- Series of questionnaires
- Answer report and result report with textual description of results based on achieved points
- Questionnaire statistics, totals and graphs with excellent comparison options

A perfect Starting Point

Navision Axapta is technologically the perfect platform for data collection and distribution of knowledge and information, as a contribution to the processes and functions found in the Knowledge Management series.

Balanced Scorecard and Intellectual Capital Accounts are good examples of the advantages to implementing the solutions in a standard enterprise management system. Balanced Scorecard is goal-setting and budgeting held accountable to the achieved results. A company defines itself what is important to measure and follow up on. Of most interest is that reaction time and follow-up are made considerably more effective via automatic measurements with immediate effect. The strength of it is to be able to perceive values from well-established financial data put together with more soft values like human resource contributions and satisfaction surveys, which the modules in the

Knowledge Management series also offer in electronic form.

Action Management is another good example. Action-oriented information to the right people or group of people is particularly meaningful when it happens in relation to a specific process that has relevance for taking action. Action Management in the Navision Axapta Knowledge Management series is a generic solution, integrated with all the modules and types of data in Navision Axapta, which make up an individual company's requirement profile.

Who reaps from Knowledge Management?

Stakeholders and Top Management

With focus on serving the stockholders' best possible interests by ensuring the company's earning potential and competitiveness, optimal knowledge management is an indispensable leadership tool for the future.

Today's market demands that top management in every enterprise focus on the intellectual capital's meaning for their competitive ability. A company's intellectual capital accounts statement is fundamentally important for decision-making capability and speed. Overall strategy easily can be made visible and operational for the rest of the organization. Fast result statements along with collection of feedback at the right time and place, all make sure

NAVISION®
The Way to Grow

that top management is in a position to effectively adapt the company to the demands of a competitive marketplace.

Middle Management

Daily responsibilities are distributed and small cross-functional project groups win with the effect of better quality, increased performance and a higher level of intellectual utilization. Middle management is the connection between top-level managers and the individual employees, with responsibility for resource planning, reporting, detailed knowledge collection and daily tending of employees. Navision Axapta Knowledge Management supports it all.

Employees

Responsibility, insight, planning and structured behavior all add up to support each employee's demands for their daily tasks and work processes. The individual employee's contribution to a company's intellectual capital can be structured and promoted with tools that are intuitive, user-friendly, and a real support for any task or process. Increased distribution of information and responsibility results in higher performance and satisfaction. Every employee is interested in fulfilling duties in the best way possible. This is best achieved when the company's visions are visible for all, work is carried out proactively, and reporting, feedback, evaluations and information

dissemination in general are optimal and simple to accomplish.

Network

Customers, suppliers, partners and a company's virtual network gain improved insight into the company's strategy, planning, progress and evaluations. Cooperative relationships are strengthened through visibility and follow-up. A company can use the tools to show its behavior and to structure its experiences, results and agreements, which increases service and quality in the network.

Benefits of Knowledge Management

The International Data Corporation estimates that U.S. Fortune 500 companies alone will lose \$12 billion in 1999 due to inefficiencies resulting from intellectual rework, substandard performance and an inability to find knowledge resources. This problem will only become more acute. By 2003, IDC forecasts that these companies will waste a phenomenal \$31.5 billion.

The Cambridge Information Network, a professional online network of 3,500 senior IT executives, has released its latest Think Tank research report entitled *The Knowledge Paradox*, which discloses that 85% of chief information officers assert that managing knowledge can create a competitive advantage.

NAVISION[®]
The Way to Grow

Germany's Fraunhofer Institute, Production Systems and Design Technology in Berlin conducted a survey of the top 1,000 German and top 200 European organizations, which cited productivity improvement as the main benefit of pursuing a Knowledge Management strategy.

The line between failure and success in a competitive environment will depend on how well a company manages and leverages its knowledge in the marketplace. It can mean the difference in improved competitive response, increased innovation, improved organizational efficiencies and reduced costs. By bringing the right information to the right people at the right time, effective knowledge management optimizes decision-making processes and fosters creation of more knowledge – the heart of innovation.

Disclaimer: This document is intended for general information purposes only, and we have taken due care in its preparation. Any risk arising from the use of this information rests with the recipient and nothing herein should be construed as constituting any kind of warranty. The company reserves the right to make adjustments without prior notification.

Copyright © 2001 Navision a/s (NavisionDamgaard a/s), CBR No. 76 24 72 18. The trademarks referenced herein and marked with either ™ or ® belong to Navision a/s (NavisionDamgaard a/s) or Navision Development a/s. The names of actual companies and products mentioned herein may be the trademarks of their respective owners. No part of this document may be reproduced or transmitted in any form or by any means, whole or in part, without the prior written permission of Navision a/s. Information in this document is based on Navision Axapta version 2.5 and subject to change without notice. All rights reserved

Address:

Navision a/s

www.navision.com

NAVISION®
The Way to Grow