

The challenges of working in the Knowledge Economy, 'the more things change the more they stay the same'.

Many commentators and authors are suggesting that the way ahead in the knowledge- based economy be through relationship-centred corporations rather than product or service-centred ones. The strength of that relationship like all others depends on trust, dependability and fulfilment of mutual objectives. But in business relationships are seldom one to one, they are more commonly one to many. Gone are the days when people would know and recognise their local bank manager, butcher or tailor on first name terms. Today's fast moving lifestyle mitigates against constancy of business relationships for many of us so those organisations which recognise the necessity of high quality relationships are having to work even harder just to stand still.

This is really nothing different, in fact one could argue that customers have always wanted to be treated as individuals, it is just that with the increase in 'customer savvy', and enabling technology, customers now have the power to insist on it.

The network of relationships that organizations have built up over many years can be a source of real value, if handled correctly. This 'relational capital' is made up of the millions of connections between customers, suppliers, researchers, shareholders and employees. Expanding and 'managing' this network is the new prospecting, and some organizations have been able to hit rich seams while others are still digging away fruitlessly or, even worse, working old, increasingly sparse seams of value.

Martin Farncombe, co-author of the Atomic Corporation (2001) believes that the successful future corporation will be much smaller than today. They will use their network to determine what it is they do well and focus on doing just that. This is bad news for all those organizations that wish to be 'all things to all men' in whatever industry sector they currently inhabit. The reason Farncombe argues this way is that his research points to the view that customers are demanding more in terms of speed and intimacy, and both these attributes are extremely difficult for large cumbersome corporations to deliver.

Innovation and creativity also play a key role in the knowledge economy, because new ideas and innovative ways of delivering old ideas are good ways to maintain

existing and develop new customer relationships. Many large organizations are also not particularly good at innovation and creativity, being designed to act more 'en masse' rather than in an individualised way.

Again the need to be creative and innovative is really an age-old problem that has been made even more vital by the speed at which existing products and services are rendered obsolete. The organization which feeds on new ideas and difference is the one that will have more chance of finding the successful innovation compared to the one that is focussed on standardisation and increasing the efficiency of existing systems and processes.

So what good examples do we have?

There are a growing number of examples of organizations adapting to the new rules of the knowledge economy. One example of a company that has been successful at recognising the need for different approaches both to its work and structure is Swiss Re. Swiss Re might be relatively unheard of in circles outside of financial services but it is the world's second biggest re-insurer with 70 offices operating in 30 countries. It has developed its own strategy that has been framed as a 'knowledge management (KM) strategy' which is rapidly being considered as 'best of breed' in the industry. The success of the Swiss Re strategy is based on three sound principles –

- An organic and flexible approach
- Buy-in from senior management
- A culture that encourages transfer and sharing of knowledge

Essential Features of the Swiss Re approach

The company's focus on KM began life in 1987, it was originally envisaged as a global information service, in 1997 the company CEO Walter Kielholz gave the project further impetus by instigating an official KM task force. Kielholz saw that competitive advantage was sustainable only by leveraging the knowledge sitting within Swiss Re. The mandate for the task force was simple enough 'find ways of using knowledge more effectively'. The company already had a fertile ground for the

initiative and it always insisted that KM activities were not kept separate from normal business.

The drivers of the Swiss Re initiative were;

- The need to detect, internalise and protect intellectual capital
- The need to use knowledge more effectively
- The need to stop 're-inventing the wheel'

The company has used technology and software enablers to establish knowledge networks of people who are working on similar projects or in similar markets to post and share knowledge as it accrues. In each network there are experts with core knowledge who, as part of their role are committed to respond to queries into the network within 48 hours. In this way the knowledge that is embedded within the organization is now much more accessible to others who need it.

Questions for discussion

1. What does the discussion/case above suggest about the difficulties being faced by large-scale organizations in the knowledge-based economy?
2. What reasons would you suggest for the belief that customer relationships are more difficult to maintain now than in previous eras?
3. What reasons would you suggest for the belief that customer relationships are easier to maintain now than in previous eras?
4. What are the benefits claimed for the knowledge management approach taken by Swiss Re?
5. Why do you think that large organizations find innovation and creativity a more difficult area than smaller organizations?
6. Can you name with evidence, 3 large organizations that are creative and innovative?