When a firm needs to draw on its collective brainpower to best serve a large client base, setting up a KM program is a logical place to start. But Deloitte Touche Tohmatsu in Australia has gone further than that and merged its KM and HR departments to better meet organizational goals and foster knowledge sharing. Here, Cris Townley discusses how the two groups work together and the kind of results they've seen.

PEOPLE PLUS KNOWLEDGE AT DELOITTE TOUCHE TOHMATSU

How HR and KM collaborate to bring strategy to life

By Cris Townley, Deloitte Touche Tohmatsu, Australia

Our starting point in conceptualizing knowledge management is that "knowledge is the capacity to act."[1] So how do we foster that knowledge at Deloitte Touche Tohmatsu (DTT) in Australia? Our KM group's goal is to enhance the capacity of our knowledge workers to act. And since this is similar to the work that HR does – to create and support a group of people who can achieve organizational goals – we've brought together the KM, HR and Leadership & Learning functions under the umbrella of a group we named People and Knowledge.

One way we view this overlap is through Nonaka's knowledge spiral, or SECI model.[2] See Figure 1 on page 23. In this framework, socialization is the face-to-face brainstorming space where tacit knowledge is shared. In externalization, tacit knowledge is made explicit, ordered into concepts, written in a paper or embedded in a process. The combination area moves and collects different groups of explicit knowledge, often electronically. And internalization is the part where we learn how to actually do something in all its richness, rather than be able to read or explain how something is done. In other words, the explicit becomes tacit. If we can build on what we know tacitly by going around the SECI cycle again, it becomes a creation cycle.

Deloitte Touche Tohmatsu (DTT)
provides audit and fiscal oversight to clients from about 700 offices and 130 countries. This article focuses on the activities of DTTAustralia.

Staying in tune with knowledge workers

Motivating and managing knowledge workers is about supporting their journey around the knowledge spiral. Our people will learn things that are new to them and then create and use new knowledge from which the organization can derive benefit. And that's why it's crucial for KM to work closely with HR.

Figure 1 on page 23 shows how many of the activities of the People & Knowledge group fit onto Nonaka's SECI model. At DTT, KM and HR collaborate to achieve four major goals:

1. build social capital;
2. improve partner reward structures;
3. develop effective learning programs;
4. encourage mentoring relationships.

Organizing networking lunches

A major way that we accomplish things at our firm is through the people that we know and can call on to help.[3] It's crucial that we nurture strong social-capital networks in our organization, so we're working to create opportunities for employees to spend informal time together. This builds rapport that leads to fruitful working relationships and increases the social capital of the firm.

We carry these goals out by inviting managers to lunch. It's an old practice that had fallen by the wayside as we became bigger and more efficient. As the organization grew and specialist areas formed stronger identities within it to cope with the size, it became harder for managers to know their peers in different areas. Yet it's crucial to our business model that our employees know what one another can do and be willing to call on that expertise when it's valuable to a client. Creating an informal lunch gives them opportunities to build friendships and working relationships whose potential would otherwise go unnoticed.

Although the lunch must feel informal, only a well-thought-out approach allows the firm to derive benefit from it. The HR practitioners give crucial information about their parts of the business in terms of whom to invite. And they work with the KM group to identify which individual managers understand the strategic intent of the lunch and can act as informal facilitators. They also ensure that their table of six managers from different parts of the organization talk, build rapport and spend some of the time talking about work. This is a socialization space, which sows the seeds of numerous creation cycles.

Feedback from the attendees has been positive. It's difficult to quantify how much new work is won as a result of building or strengthening the networks in this way, but some managers are now involved in collaborating with people that they met at the lunches, on projects ranging from AU$10,000 to AU$100,000.

Partnering for success

Bob Buckman talks about the purpose of knowledge sharing being to close the gap between the organization and the customer.[4] So, a valuable point to focus on in enhancing our capacity to act is at the partner level, where the partner has the relationship with the client. For us, closing that gap occurs through the client service team interacting with the client; the partner is a leader in that team. Partners need to know what knowledge is available in our firm, be able to see opportunities at the client level where the knowledge will be valuable, and have the internal relationships to access it. Much of our KM work has focused on that relationship.

We also worked to illuminate what it is that our best client service partners do. This process examined their behaviors and the key knowledge flows that must be synthesized by the client service team. The team asked questions, such as "Who are the good client service partners?" and "What makes them good client service partners?" The answers led to conversations about:

KEYPOINTS

- KM and HR at Deloitte Touche Tohmatsu, Australia, collaborate to meet business goals by building social capital, improving partner reward structures, developing learning programs and encouraging mentoring relationships.
- Organizing knowledge-sharing lunches has improved the social capital of the firm, while improving relationships that can be leveraged for clients.
- By redesigning the remuneration packages of firm partners, KM and HR reduced competitiveness and opened the door to more knowledge sharing.
- In working with Leadership & Learning, KM and HR have co-developed learning programs and mentoring programs to increase the level of knowledge exchange in the firm.
- As strategic allies in the business, KM and HR are able to influence the direction of senior leadership – their tools, rewards, processes and actions.

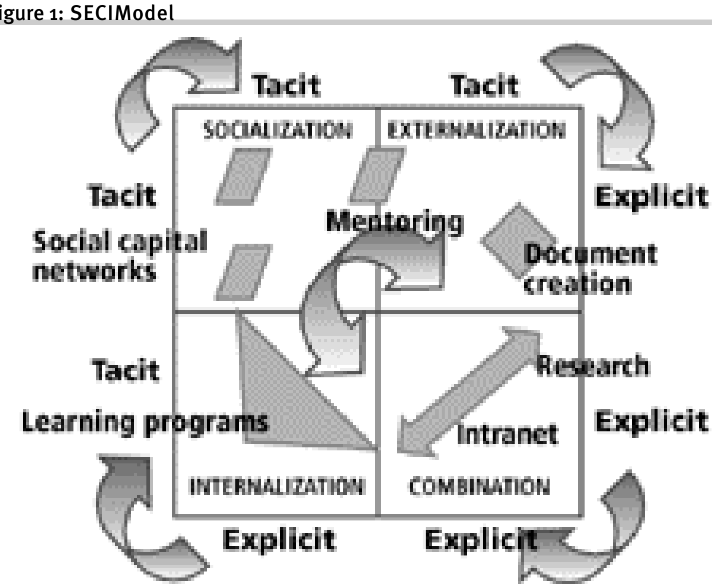
- the behaviors of the best partners;
- the way a best partner structures the relationships between DTT and the client;
- how client service teams best communicate (informally and frequently);
- the expectations partners have of each other.

Through intensive conversations with each of our newest partners, models of best practice were built.

KM was then able to use these models, together with the picture of the firm that had been built, and reflect back to the business what was and should be happening. This, in turn, informed strategic thought. For a knowledge organization, this is a powerful form of a knowledge audit. That's one of the most important roles that the KM group has taken – to act as a mirror to show where we are and to stimulate organizational conversation about where we go from here. This role has led to involvement in some effective strategic projects. See sidebox on page 24 for an example of a cross-functional strategic exercise.

Cris Townley is part of People & Knowledge at Deloitte Touche Tohmatsu in Australia. She works on projects ranging from setting KM strategy to redesigning the intranet development process for greater consultation and involvement of local knowledge communities.

Figure 1: SECIModel



Aligning rewards with sharing

In a simple partnership structure, a high incentive to share knowledge and collaborate exists because the parties want to increase overall revenue / profit – and their individual share of it. However, many partnerships have become so big (especially if they're global) that partners are often more worried about the fraction of profit share they will get in comparison to their peers. This is a disincentive to collaboration, as people focus on fighting for their share of what they perceive as a finite pool. How can we change that?

The old model of sharing profit based on the amount of chargeable work that an individual partner has undertaken (their ledger) no longer works. This has probably not been the only basis for partner profit share in any sizeable partnership for years. For example, a senior partner in an internal leadership role has less time, if any, to work directly with clients. These partners are unlikely to sacrifice personal income to do this. However, old myths die hard, and a strong perception still exists that the size of the ledger is the primary, if not the only, measure. It's perception that drives behavior, not truth.

Partners who can increase the client spend with their firm by bringing in a colleague to work with one of their clients, may decrease the amount of work that they directly perform for the client, and so decrease their ledger. If they perceive that this will decrease their personal revenue, they are faced with a tough choice and knowledge sharing and collaboration may not win out. A better system is one that reassures partners that they will directly benefit from collaborating with their colleagues.

The contribution of KM to this work has been to raise the level of conversation about this issue in the organization, and feed back the concerns and beliefs of individual partners. This is the beginning of a cultural shift that will include the design of a better system by HR experts, informed by KM principles and experience. The work around strategy and partner planning will run parallel to the introduction of the new profit sharing model. In this way the actual model, and the perception of it as aligned with strategy, will improve the situation.

We'll ensure that partners understand and choose a role that fits their talents and motivation. Their performance against these expectations will determine their profit share. If their role is to create work for other partners but keep their own ledgers minimal, that's what they'll do, and be rewarded for it. If their role is to ensure that others have the capacity to act in terms of technical competence to provide high-quality advice, but they don't have their own client relationships to nurture, the reward will be tied to upholding quality.

These are not new concepts for HR. The increasing awareness of KM at senior levels, combined with HR expertise in performance management, is enabling significant behavior change for the better by impacting the hip pocket at senior levels.

A strategic TANGO[5]

TANGO, a business simulation game, has been used at the partner level to determine a knowledge-based strategy for the company. About 240 partners and directors have embarked on this conversation about the strategic direction of the business, the nature of a knowledge organization and what this means for their own personal business plans.

In collaboration with senior leadership, a group from Training, KM and HR are building a common language for these senior people to tackle this and to share the strategic thinking to date. Each director and partner will take part in TANGO, through which they run a knowledge organization for several "years". This is set in the context of the overall strategy and gives strong insights into the market conditions facing the business.

At the end of the process, each partner and director will have developed a personal business plan that's linked to the business unit and wider organization's strategy, both at an explicit level, and at a gut tacit level.

Fostering learning

Making explicit knowledge tacit, or internalization in the SECI cycle, requires that individuals learn how to do something. One of the places that this happens in an organization is in learning programs. So, in the same way that mentoring is a form of knowledge sharing, so are learning programs.

KM works closely with the Leadership & Learning group in several ways. The first is in using TANGO, a business simulation game (see sidebox, left), as part of the suite of development centers spread along our people's career paths. Learning programs can be a place where conversations about the nature of a knowledge organization take place. The models and findings that come from strategic work can be woven into learning programs where appropriate. Those programs that involve groups of people coming together face-to-face are also important ways for social capital to be built and nurtured.

We will continue to partner with training and learning professionals as we capture more learnings from processes and projects with clients; this will help us find innovative ways to increase the organization's capacity to act. Together we'll find and build ways of nurturing learning in the firm that are not in traditional classroom sessions.

Strong mentoring relationships

We know that care and trust are fundamental to knowledge sharing.[6] An organization with a network of strong mentoring relationships will have a culture where people trust each other. The Leadership & Learning group at Deloitte has an active program that encourages informal mentoring relationships within the business. This is a difficult balance to get right, where a formal approach to matching mentors with mentees can easily backfire. See sidebox, right, about why.

What KM is able to do is to show that mentoring is a form of knowledge sharing. It builds a caring, trusting culture. In terms of the knowledge-creation cycle, it creates a space for people where they can internalize explicit knowledge through reflection on their experiences, throw ideas around in a safe socialization space, and work to verbally express what they know (to externalize). This applies for the mentor and the mentee.

KM's work with the new partner group was a way of encouraging partners to enter into some mentoring relationships. Also, some rudimentary social network mapping has unearthed some specific information on potential mentoring relationships that will build skills where needed and facilitate useful knowledge flows. These relationships can be gently encouraged to form.

The mentoring program also builds the necessary skills for people to be successful mentees and mentors. It takes storytelling, a powerful KM technique, one stage further by using professional actors to perform situations where mentoring relationships and skills can be put to good use. The role playing offers ideas on how to tackle problems such as negotiating work / life balance with one's manager or family members, approaching people in other parts of the business to introduce them to a client or developing a business plan to fill a niche in the market.

Why do we work with HR?

At the most basic level, a good strategic HR practitioner is close to the business and has the respect of the business. For this reason alone, they can be valuable sponsors of KM initiatives. However, the relationship goes much further than that. We have many initiatives that sit easily within KM or HR and are fruitful places for collaboration. Our main goals in collaborating are to:

- find the best route into the business;
- nurture social capital networks;
- enable strategic culture change;
- recognize and reinforce knowledge sharing through remuneration packaging;
- build knowledge-focused learning programs;
- encourage trusting mentoring relationships.

Why formal mentoring programs can backfire

Deloitte has found that effective mentoring relationships are informal and driven by the mentee. If the firm is too prescriptive about when meetings will happen, what will be discussed, and how long they should be, meetings will become a chore. Worse, taking a list of mentors and mentees, matching them in pairs, then telling them with whom they've been matched will destroy value right at the start. Cynicism about being the latest in a series of management impositions will grow quickly. People need to make their own choices about who they can trust, with whom they have rapport and who may have good questions or insights about the challenges they are facing. KM and HR at DTT are working to create an environment that encourages voluntary formation of mentoring relationships.

But we won't stop here. The knowledge assets of the organization are made up of its people, its tools and processes and its relationships with the outside world – primarily clients. HR is our clearest collaborator on the people asset. Business development practitioners are the obvious collaborators when we work on the client side of the knowledge asset. And that's the next challenge. With the lessons from this partnership, we're looking forward to more progress in improving our firm and our relationship with customers.

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3. Cohen, Don and Prusak, Laurence. *In Good Company; How Social Capital makes Organizations Work*. Boston: HBS Press, 2001.
4. Buckman, Robert H. "Lions and Tigers and Bears; Following the Road from Command and Control to knowledge Sharing" Buckman Laboratories White Paper, 1997. See www.knowledge-nurture.com
5. TANGO is a business simulation game where players have the experience of managing intangible assets to generate profit and value. The game is one of a number of tools designed and used by Celemi to consult to knowledge organizations. See www.celemi.com
6. von Krogh, Georg. "Care in Knowledge Creation", *California Management Review*, 40(3) Spring 1998 and Sveiby, ibid.

Contact

Cris Townley

Deloitte Touche Tohmatsu, Australia

E-mail: ctownley@deloitte.com.au