Deloitte Touche Tohmatsu

Knowledge Management Case Study

Knowledge Networks

Cris Townley, October 2002

THE PROJECT AND PURPOSE

This project explored the social capital at a senior level in the Australian Firm of Deloitte Touche Tohmatsu. The purpose was to enable partners and directors to conceptualise their internal relationships as sales channels, and work with their networks to achieve more sales. Visual imagery of certain people networks were developed. The act of data collection itself raised awareness of the importance of these networks, and the images gave people a tool to plan the development of their networks.

The exploration of social capital was a knowledge management project. Our view of knowledge is that it is 'the capacity to act' (Sveiby 1997). Since we often get things done through the people that we know (Cohen & Prusak 2001), our people networks form part of our knowledge asset, at an individual or organisational level. I have used the terms 'social network' and 'knowledge network'; interchangeably to refer to the network of people we work within and have a personal connection with.

Strategic Justification

Justification for the projects we undertake has to be based in strategy, or the underlying business model of the organisation we are working within. At Deloitte, our central business model is that whatever business need our client has, there is a part of our Firm that can work with them to solve the problem they have, or add the value they are looking for.

For this model to work well, our people, especially at a more senior level, need to know broadly what expertise resides in each part of the organisation, and have a personal network that is both trust based and wide reaching enough that they are able to reach the expertise their client needs within a small number of links. Trust in another partner's expertise and behaviour is necessary for a partner to be comfortable with inviting a second partner to work with their client. For a fuller discussion of this see Townley (2002).

Structure of the Organisation

The Australian Firm is divided into service lines, or major business units. These service lines are clusters of like expertise, eg, the tax service line. Overlaid across these service lines are the industry groups. They are clusters of professionals, each with a formal leader, that focus on clients in a particular industry. Partners are the most senior level in a professional services firm.

Leads for the sales that a service line or industry group is able to generate come both directly from clients, and from the referrals by fellow partners in other service lines. So, an individual or group of partners need to consider the sales channels they want to cultivate, and these are often their fellow partners.

From consulting with the service lines and industry groups, it emerged that leaders were interested in looking at the internal sales channels of particular service lines. They hoped to increase the amount of work referred to or won by their service line.

HOW IT WAS DONE

Social Network Analysis

The discipline of Social Network Analysis (SNA) has shown that the more of a network we are aware of, the more power we have (Krackhardt 1990) to use the network to achieve what we want to achieve. It also suggests that we have a network horizon of about two, that is, we cannot see further than the people who know those we know (Friedkin 1983).

SNA expertise was drawn on heavily in carrying out this case study. Access to this expertise was gained from libraries, Valdis Krebs (the consultant who supplied the software and associated coaching) and lurking on an SNA community listserv. Key considerations in undertaking SNA are outlined below in methodology design.

Pilot study

A pilot study was conducted on a group of new partners. This group was chosen as they had been a study group for a previous knowledge management initiative. From this, they had built up a rapport with the researcher (me), and associated both me and knowledge management with questions of strategy, people and client work.

Lessons learned in the pilot study were applied to subsequent studies. These lessons led to refinement of the questions, a search for a better software tool, and a structured report to give the results back to participants.

Methodology Design

Throughout, a balance had to be achieved between theoretical rigour, and creating business value through simple messages and minimal investment of people's time. The following emerged as key considerations in methodology design and implementation:

1. Population included
2. Questions asked
3. Method of asking the questions
4. Confidentiality
5. Choice of visualization software
6. Format of report
7. How people get value from the data

1.1 Population included

A snowball approach was used. For each study an initial population was asked the two questions, and then the people that they named in their answers were also asked the two questions. The people that were named could be from any service line. Seven studies were conducted.

The reports were provided back to only to the initial populations, and only the responses from the secondary populations that related to the initial population were shown. The purpose of this secondary set of data was to show participants whether those that were top of mind for them regarding sales and generosity/advice also saw the participant as top of mind in this arena.

1.2 Questions asked

The questions used reflected the purpose of examining sales channels, and the understanding that trust based networks are key to professional services firms. Two questions were distilled. The questions consisted of one that was safer and easier to determine, and one that asked for information that was harder to disclose, and more indicative of trust relationships:

- *Name up to five Deloitte partners you have worked with in the last 12 months to try to win work from a client or target.*
- *Name up to five Deloitte partners who are generous about sharing their ideas, time and contacts with you (including people you go to when you need a sounding board).*

The wording of the questions is crucial. Although information was being sought about trust networks, the word trust was not used. Instead, participants were asked to name others that they consider to be generous. The meaning of trust in this context is that a partner trusts a fellow partner to work towards a beneficial outcome if they are invited to share in the relationship with the client. They trust that the second partner will do good work for the client, strengthen the relationship,. In addition, they trust that there is enough work to go around, they won't lose out by 'giving away' work to another partner, and in fact are more likely to have extra work referred to them at a later date.. The word *generosity* has been chosen to describe this, since if one partner trusts another the likely behaviour is that they will be generous with their client leads, and in investing time to follow the leads.

Through the process of consultation with the leaders of these groups, a rider was added that this may be someone that you would use as a sounding board. This may have made the question more ambiguous or wide ranging. However, the addition was made in order to find a balance between rigorous sociological method, relevance to the business, and sponsorship to proceed.

1.3 Method of asking the questions

The questions were asked through a combination of telephone conversation and e mail. Experience with the pilot group showed that partners were somewhat willing to answer by e mail, provided that they understood the reason for the request. A telephone call (usually leaving a message) was made to follow up the initial e mail. Often this led to a telephone (and sometimes face to face) discussion about the purpose of the project, the meaning of the questions, or the culture or strategy of the firm.

This led to a response rate of over 90%.

1.4 Confidentiality

Some people were more likely to answer truthfully if the answers were treated in confidence. However, the results of the visualisation are valuable only if you can see the answers of others. This creates a challenge of maximising the value obtained whilst protecting confidentiality. This tension was navigated by providing the report on each group only to the leader of that group and the participants in the group concerned.

1.5 Choice of visualization software

A review was undertaken of available software that would take this data and create visualisations and analysis of the networks. The software used was Inflow, developed by Valdis Krebs. More information on this software can be found at http://www.orgnet.com/inflow3.html . This software was chosen for good visuals, ease of data entry and manipulation, and since it was designed for an appropriate population size.

1.6 Reporting the results

The ideal way to give back the results of the study to the participants is through a workshop that establishes a safe environment, takes people through the purpose, introduces the results, and teaches people ways to get benefit from the data.

The results of the pilot study were shown in network maps that were discussed informally over lunch.

However, in a time poor environment where the participant group is often spread over a wide geography, it is not possible to do this. Because of this, for the larger studies a comprehensive structured report was developed. The report was designed in such a way as to encourage a participant to choose to take some time to read the report, and this would give them the experience described in the paragraph above.

The main limitation with this approach is that participants may not take the time to focus on the report and understand it, and thus not use the insights that can be gleaned from the report to change their behaviour and generate more sales. Where possible this engagement with the report was encouraged by:

- *producing the report in Powerpoint form, printing it out and mailing or hand delivering to participants*
- *discussions with the service line leader to clarify their insights from the report and plan subsequent actions*
- *discussing the report at a partner meeting*
- *having the leader e mail the report to the partners to encourage them to read it*

The report covered the following:

1.6.1 A page discussing why the exercise was carried out

The purpose stated was to:

- *Improve the sales flow*
- *See where knowledge is passed around easily*
- *See which groups of people work together to win work*
- *Identify where expertise is not reaching as far as it should*
- *Use this information to establish which linkages can be made to facilitate better knowledge sharing*
- *Apply this to* [group concerned]

1.6.2 A page of brief overall findings.

These included statements like

- *People had a great willingness to participate. Thank you. This is strong indicator that we work in a climate of knowledge sharing, collaboration and trust.*
- *There are no parts of this group cut off from other parts*
- *There are some strong links between office A and office B*
- *There are strong links within office F*
- *No reach into* [service line 1] *or* [service line 2]

1.6.3 A page stating how the diagrams were built, ie the questions and population

1.6.4 Diagrams of the results by service line and by office

The following visualisations of the networks were shown:

- *Answers to both questions shown with the nodes as offices*
- *Answers to both questions shown with the nodes as service lines.*

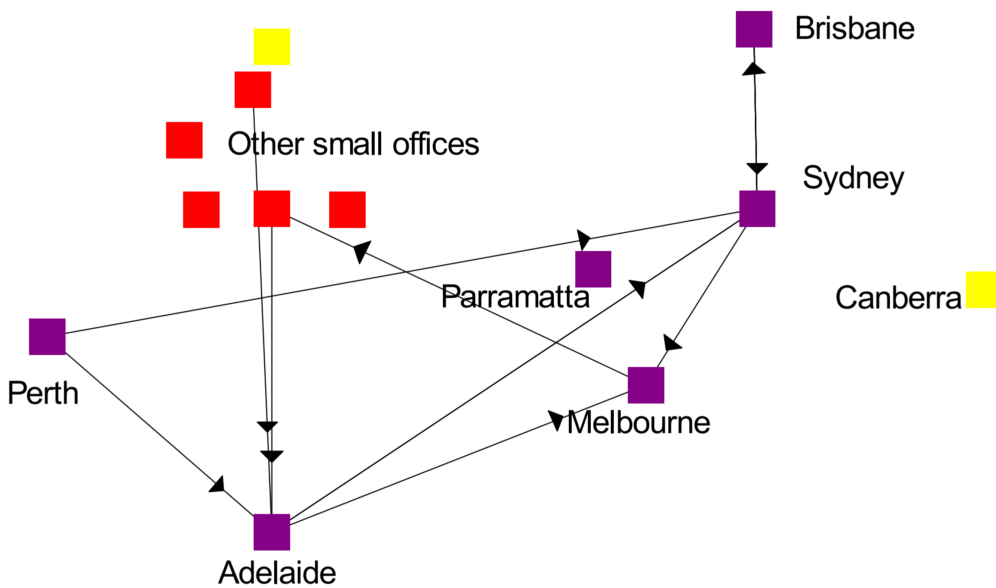

Fig 1: Links for one group between offices, answers to both questions included. All individuals in eg Melbourne are aggregated into the Melbourne node. The arrows show the direction of the links - the arrow points from the namer to the person they named.

1.6.5 Considerations to bear in mind when interpreting the results

- *There is no right and wrong about your place in the network. What is important is the strategy of the group concerned and Deloitte, and your place in that. Does your place in the network allow you to achieve your goals and the goals of your group?*
- *Research suggests that having information about the whole network will increase your ability to use the networks to get things done*

- *The two questions you answered to draw the diagrams are open to individual interpretation. What you meant by generosity may not be what others meant –* ***don't take this exercise too seriously***
- *On the other hand, at a big picture level, this gives us some useful information about group concerned – try to get some value from this for yourself and for group concerned*
- *You were restricted to five names per question. Many people found this to be hard. Think of these diagrams as the top of mind links, but of course not the only links*
- *If the people you named did not name you, this does not mean that they do not think they work with you or do not think you are generous. What it does mean is that there were other people that were more top of mind for them.*
- *This is a snapshot in time – these networks will change over time*
- *This work has been done to support other initiatives you are involved with around knowledge sharing*

1.6.6 Visualisation of the networks

The following visualisations were shown, with individual partners or directors as the nodes:

- *both networks together*
- *the win work network (question 1)*
- *generosity network (question 2)*
- *for some groups, the ego network of the individual (the ego network was the people an individual had links to, and the links between these people)*

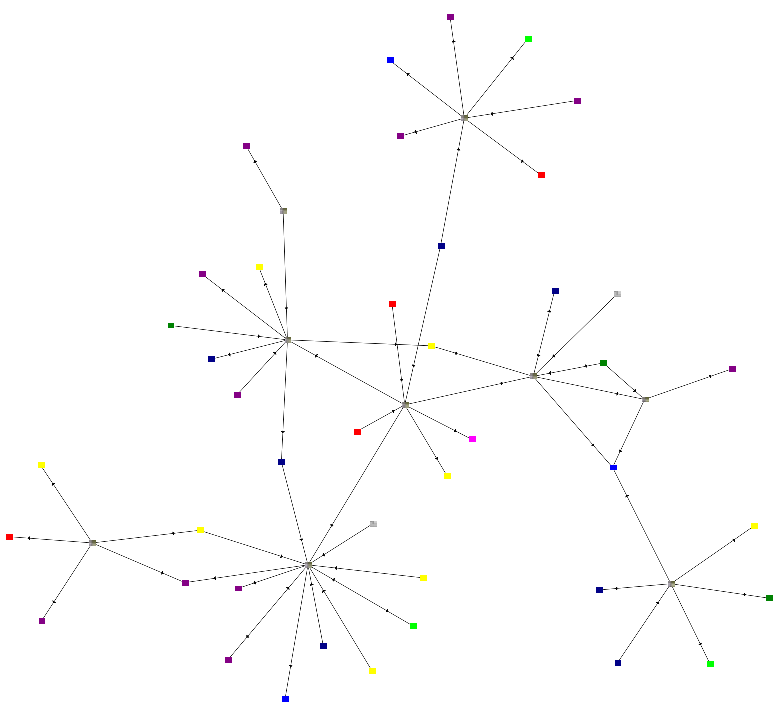

Fig 2: The win work network of a group showing individual participants. The report would show the names by the nodes, and whether the links were reciprocal (both parties named each other, in red), or

one way (black). The service lines of each node were shown through colour coding, eg red nodes were in the tax practice.

1.6.7 Questions to ask yourself when looking at your personal network

Questions to ask yourself and your colleagues

- *It is easiest to see how many links you have. Do you have so many you are spread too thin? Do you have too few?*
- *How far can you see? Research suggests that we know who we know, have a fair idea of who they know, but cannot see any further.*
- *It is said that indirect links monitor the environment, direct links mine the environment. How many service lines do you have reach into? Does this support strategy? Are you missing out on what may be happening in another service line. How many offices are you close to? Are you restricted by geography? Is your office isolated? Are you getting the best expertise to your clients?*
- *What red links are there around you? Do you have a balance between a group you are close to and collaborate with, and information flowing in from other areas? Or are you talking to the same few people who all talk to each other, so may miss out on developments elsewhere in the network?*
- *Are you top of mind for the people you need to be top of mind for?*
- *Are you acting as a bridge between people or groups? Is this positive, where you are bringing people or groups together who would otherwise have no contact? Or is this negative, where you are acting as a gatekeeper and keeping people apart and dependent on you. This can happen inadvertently, and be a drain on your time. Are there introductions between people you can make to make a more effective network?*

1.7 How people get value from the data

A discussed above, value comes from the reflection and subsequent action that is generated in people. This may be generated at several stages, through

1. the asking of the initial questions;
2. receiving a response;
3. reading the report; and
4. discussing the report.

The methodology enabled rich conversations to take place between the researcher and the participants at stages one and two, and invited this at stage 4. The research was a process of organic culture change to build a knowledge sharing culture and a sales culture. The researcher was not neutral, but acting as a driver of change, through generating conversations about trust based networks. As with all culture change, the driver of change must give up control at a certain point. I took the decision that as a minimum requirement I would report back to individuals in the initial population, and to offer to discuss the exercise or the results further with them. Further conversations and changes generated by the exercise were usually not visible to the researcher.

OUTCOMES

The nature of the discussions raised by the process can be seen in the descriptions of the content of the report. I will not go further into the findings that emerged for individual groups.

Often, the results did not show much that was new, but allowed people to surface concerns and situations that were previously difficult to conceptualise or address. These issues could be the clusters that exist from historical mergers or alliances, or the impact of a new leader.

Some people found it hard to name as many as five names in answer to the questions, some found it hard to limit their answers to five. Some could name their mentors but not their peers, or vice versa.

Some asked whether they should only name names outside of their service line, some could only name names within their service line. This led to many discussions about the nature of people's roles, forward planning, how to generate sales, and the strategy of the firm.

The most important outcome of the project was that it began these conversations with senior people in the firm in our Australian offices. Other initiatives, processes, groups and individuals will build on this beginning.

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