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Final version - November 2, 2006

Coltec: Strategy – 2007/2008

In search of excellence and breakthrough thinking

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The science of stories

"Stories are central to human intelligence and memory. Cognitive scientist William Calvin describes how we gradually acquire the ability to formulate plans through the stories we hear in childhood. From stories, a child learns to "imagine a course of action, imagine its effects on others, and decide whether or not to do it" (Scientific American, October 1994). In a very fundamental way, then, storytelling and planning are related.

Stories also play an important role in learning. Language researchers studying how high school students learn found that the story-based style of Time and Newsweek was the best way to learn and remember. When the researchers translated American history textbooks into this format, they found that students recalled up to three times more than they did after reading traditional textbooks.

Cognitive psychologists have established that lists, in contrast, are remarkably hard to remember because of what is referred to as the recency and primacy effects: people mainly remember the first and last items on a list but not the rest of it, and – more dangerous yet – their memory is guided by their interest. They remember what they like or find interesting; they do not recall the whole.

A good story (and a good strategic plan) defines relationships, a sequence of events, cause and effect, and a priority among items – and those elements are likely to be remembered as a complex whole. That likelihood, supported by a substantial amount of cognitive science, argues strongly for strategic planning through story telling."

Source: HBR 1998 – *Strategic Stories*

Forethought

Afore reading the strategy there are a number of forethoughts one should be aware of.

First, it was my intention to create a strategy report for internal use, hence, it was not written for investors or publication outside the company. I have decided upon this because a strategy for internal use serves to persuade employees and management to overcome any challenges they will be faced with and to increase commitment to their company. Second, the many articles I read set ground for the hereafter presented strategy, ensuing, the most interesting and refreshing dissertations are listed within the "Exploring Further" pages. Third, the strategy will read as a story (See the insert "The science of stories"), and it holds an exhibit that maps the strategy visually (See the insert "Why strategy maps matter"). Fourth, any knowledge strategy should be aligned with its competitive strategy (Hansen et al, 1999), however, due to the lack of one I based the knowledge strategy on the theory of "blue ocean strategies" as proposed by Kim and Mauborgne in 2005.

Last, despite Coltec being a fictitious company, I tempted to formulate a sound and complete strategy - enjoy the story.

Introduction: in pursuit of innovativeness and business intelligence

Coltec operates globally, with business activities and customers in over 23 countries across Europe and the Middle East. In 1981 Coltec became part of the leading USA-based consortium in the chemical industry named "The Namco Group". We operate as an *independent* company and have exploration and production interests in twelve different countries which we realize with over five thousand employees. Our total operating expenses are about three billion Euros, respectively, we hold an average market share of about 27% and we offer 250 different products. We were founded in Utrecht, the Netherlands, still home to our headquarters - over time we grew into the market of *formulated* adhesives and coatings while developing a *unique* competence in the development and manufacturing of coatings and adhesives for extreme temperatures. Until now, we mainly emphasized on our R&D department and have been proud to be running independently¹. However, by thinking we do best and need not to learn from others we would be foolish and arrogant. Subsequently, our competitive advantage will not last forever.

Our uncertain future made us realize that the world was evolving, it became strangely complicated and unpredictable, and we discovered that conventional approaches did no longer work. Today we are confronted with rapidly changing markets and economies, but we need to stay on top if we want to survive. Our customers demand excellence, that is, **excellent service** and (near) **perfect** and highly **innovative products**. In order to stay ahead of competition we need not only to **individualize our organization**, apply a **semi-structured approach** to fulfill **customer demands** and **resolve complex problems**, moreover, we need to **create a strong infrastructure for collaboration and communication** among our **highly skilled and knowledgeable people** (Wong and Tiainen, 2004). New excellent and innovative products are developed by our competitors and they might get ahead of us - if we let them; ergo, it became time to focus on **innovativeness** – our capability to come up with new approaches to problem solving or enhancing value adding – **and business intelligence** – our capability and capacity to learn (Wong and Tiainen, 2004); consider it to be the **tremendous opportunity** we all are facing.

¹ Information on Coltec was retrieved from "The KITS project – final project report" available at: <http://kits.edte.utwente.nl/documents/d19.pdf> last visited at: 4 October 2006

This opportunity will have a great effect on Coltec's culture and organizational environment, additionally, a new infrastructure and environment that facilitates the share and exchange of ideas and knowledge (Wong and Tiainen, 2004) will be the result.

Within our competitive strategy, which is based on *the blue ocean strategy* theory - see the insert "Entering Blue Water", we introduced the focus on enabling and inventing "blue oceans". Respectively, our knowledge strategy² focuses on "personalization" as introduced by Hansen et al. in 1999. Personalizing knowledge

Entering Blue Water

"Differentiating between red and blue oceans; red oceans are to be considered all existing industries today; industry boundaries are defined and accepted, and the competitive rules of the game are known. Here, companies try to outperform their rivals to grasp a greater share of existing demand. As the market space gets crowded, prospects and profits and growth are reduced. Blue oceans, in contrast, denote all the industries not in existence today and they define the untapped market space, demand creation, and the opportunity for highly profitable growth. Note that although some blue oceans are created well beyond existing industry boundaries, most are created from within red oceans by expanding industry boundaries, the latter applies to Coltec (Kim and Mauborgne, 2005)."

Blue ocean driven companies are redefining the problem itself - they are "code breaking". Their overall mission is clear, however, their strategy allows for intentional vagueness as that provides flexibility possibilities and prevents limiting their potential acts.

means that experts share their knowledge through face-to-face contact and is opposed to codifying knowledge. That is, the storing of knowledge in databases where employees can access and frequently reuse it (Hansen et al., 1999). It is an obvious thought, is it not? Except that it was not. We needed to understand what we consider ourselves to be. That is, we needed to consider our priorities concerning innovativeness and standardization; whether we deal with unique or similar problems and how we can apply our knowledge on them; and finally, whether we use merely explicit or implicit (tacit) knowledge (Hansen et al., 1999). Hence, we are a **highly innovative, tacit knowledge dependent** organization that strives to fulfill **unique customer needs** - now and in the foreseeable future.

Our knowledge strategy will guide us, not bolt us down. Afore we introduce

our proposals it should be noted that knowledge management is **not** about information technologies. Its purpose is to create an environment, where it is the

² The term knowledge strategy refers to the identification of valuable knowledge assets and to the implementation of the business initiatives that leverage and develop these assets with a view to improving organizational performance (Callahan, 2002).

habit to **routinely learn, share and exchange knowledge** in support of all corporate activities so that **it becomes part of our daily work**. Therefore, we considered our focus on the different knowledge areas respectively, that means that we do not aim to focus much on knowledge **development** – the internal creation of new knowledge – or on knowledge **retention** – preventing the lose of knowledge. However, we mainly focus on knowledge **gaining** – the acquisition of knowledge from outside the company, knowledge **utilization** – the application of the actual used knowledge – and, knowledge **transfer** – the exchange and share of knowledge between the three domains of marketing, research and development, and production as they are well suited for our the chosen “personalization” approach. Note that we will highlight the concerning knowledge focuses explicitly throughout our proposed strategic steps.

In short, we are losing our competitive advantage and at the same time we face strong competition and new customer demands; if we don't act and radically change our approach, we will not be profitable in the near future and consequently we can expect rapid price erosion once all competitors bring very similar products to market (Shaw et al. 1998).

Sailing against the wind

Most of you will be shocked by these dramatic statements, however, there is a solution based on our fairly simple vision: we believe that knowledgeable people should **guide** passionate **colleagues, share and exchange** their **stories** with others, and together they can **come to new insights**; realizing **innovativeness** and **business intelligence**. We plan to transform our company into an **individualized learning environment** and will provide the **needed infrastructure**.

Respectively, we realize that our strategy should remain flexible to cope with the emergent properties that characterize the complex and dynamic environments of our business (Challan, 2002). Therefore, we allow for the constant fine-tuning of our strategy based on the external forces, competitor behavior, and internal forces we have to cope with (Jashapara, 2004).

In alignment with the theory on “personalization” based strategies we propose a virtual team network, enabling face-to-face meetings and more diversity in teams – supported by the visions of Zack (1999) and Jones (2000). In addition, we will need to use information technologies to a broader extend (Protesch, 1997). That means that

we will focus on knowledge transfer, utilization and retention within all our departments.

Rather than digitalizing our inside knowledge we decided to focus on an environment that enables dialogues between individuals. Our infrastructure will enable e-discussions, provide an intranet with databases that store knowledge on past projects, including detailed contact information on whom were involved and can be contacted to request further information. Indeed, this 'technological soup' provides a means for personalized just-in-time knowledge that adapts to change instantly with minimal demand of your time (Levy, 2003). However, we should not underestimate the dramatic impact these changes will have on our organizational culture. Until now we have been a well structured and managed hierarchical organization, the steps introduced above require a flat organization; proposed for later.

Additionally, we require you to change as well – you will need to become a “knowledge warrior”. As a knowledge warrior you will not learn through courses, you will not be graded but you will learn in new intentional ways with new technologies (Levy, 2004). Subsequently, we will send our researchers off to professional conferences where they not only can participate in face-to-face meetings with follow experts, but also, learn about the latest technologies and insides of our business.

The share and exchange of knowledge on personal levels allow for breakthrough thinking, increases our capacity to resolve complex problems, and enables us to deal with rapid market changes world wide.

Although the Gartner Group shows knowledge management as typically focused on common areas of process improvement, productivity, and cost reductions, the areas of innovation and market leverages have much higher turns over the long run according to Zack (1999) and Jones (2000). Therefore we support the development of a new product along with a partner company; additionally, we allow for experimentation, guided learning, and the share and exchange of knowledge will be rewarded, which indicates that we will focus on knowledge gaining, utilization and transfer, especially within the departments of R&D and production.

Our pursuit for innovativeness does not mean that we will focus on hiring expensive deep smart experts, neither will we hire anthropologists or sociologists, nor will we rely on elements of serendipity. We reckon that the partnership will have an effect that takes us far beyond that of 'secondary expertise'. Here we propose for an opportunity to learn from others and learn others; working together as one force enables us not only to beat competition more easily, moreover, it enables us to gain understanding of new and different dimensions. Besides, within our own organization we will focus on guided learning and experimentation; that means that you will be given 'play-time' to express your creativity.

We realize that one of the biggest mistakes that managers can make is to staff and manage all projects – especially innovation projects. Radical innovation requires a very different team from incremental innovation (Rabe 2006). *Imagine, the immense amount of possibilities when you just could do what you always wanted to do; and from now on you not only get paid but also rewarded for that. Within this phase we want you to spread the word, because our organization is currently a ship within a red ocean and we need to find blue water, you can set sail; you can be the one that find us blue water!*

This drastic change of thinking requires a knowledge environment that supports this, respectively; we will enable job rotation allowing our people to be exposed to many different environments and learning opportunities which stimulates creative thinking. When we keep our employees caught in narrowly defined roles, they do not have a chance to stretch their minds. Gifted people leave because they cannot move to a position that gives them a fresh perspective (Rabe 2006). Hence, we expect to see new teams being shaped using the technologies made available to them.

The proposed partnership will allow us to increase our knowledge on visions, production and distribution processes, and marketing. Subsequently it enables us to launch a new excellent product and to further establish our brand. Respectively, our

Guided Learning?

Guided practice – *better* means *mindful*, reflective practice, in which outcomes are assessed and the method adjusted appropriately guided by the experienced.

Guided observation – to recreate *deep smarts* and to challenge ossified assumptions that may be based on outdated experience, afterwards discussing what had occurred.

Guided problem solving – knowledge coaches and protégés work on problems jointly, so protégés learn how to approach problems.

(Leonard and Swap, 2004)

new approach for guided learning and the allowance for experimentation will drastically increase the willingness of our employees to become better "knowledge worriers".

However, in order to keep up with these rapid changes our organization should be flexible. Here we introduce our third and last proposal: to flatten our organization' hierarchy. That is, our company will be more about the individuals and much less about top management and, ergo, we not only focus on knowledge utilization and transfer within all our departments; moreover, here we focus greatly on our employees' satisfaction rates.

We will need to put substantial effort into enabling a knowledge environment; this, as previously mentioned, will be accompanied by heavily organizational and cultural changes. The third proposal might be last but certainly is the hardest to accomplish. If top management does not accept the required changes, because they fear "lose of power", our knowledge strategy will fail. As a matter of fact, we foresee little resistance from our employees as they will be rewarded for all their efforts in a great variety of ways, however, top management will not, or will they? Imagine the reality of the situation, if we do not apply our knowledge strategy we will become unprofitable in the near future and that will put us in an in-depth position, decreasing Coltec' value, subsequently, decreasing your salary and bonuses. If you, however, give in a little power - you get back so much more. That includes not only bigger bonuses and a better salary but also more spare time, less stress, and moreover, satisfied team members.

Furthermore, we need to guarantee our people that their safety comes first, therefore, we will need to make sure that we provide an ergonomic environment; consequently, they will be supporting us in their training for better attitudes and motivation. Additionally, improving our people's attitude and motivation toward change and learning will allow us to focus more on our targets and less on 'change related behavioral issues'. They need to understand that it is all about 'fair process'³, because if they do not understand that - resistance will be a fact.

³ Fair process is not decision by consensus or democracy in the workplace. Its goal is to pursue the best ideas, not create harmony. Fair process consists of three principles: (i) engagement - involving individuals in decisions by inviting their input and encouraging them to challenge one another's ideas; (ii) explanation - clarifying the thinking behind final decisions; and (iii) expectation clarity - stating the new rules for the game, including performance standards, penalties for failure, and new responsibilities (Kim and Mauborgne, 2003).

Top management can break or make the knowledge strategy. Coltec is in pursuit of blue oceans and a flat organization allows us to react on the rapid changes of water efficiently and effectively. A flat organization can learn the insides of gained new competitive advantages quickly, especially as it is fully supported by strongly committed employees, ergo it will be feared by competition for its rapid actions.

When we take off

After presenting the changes and challenges we will have to face, we now continue by introducing the expected benefits of our knowledge strategy on the main business indicators (profit, market share, and customer satisfaction).

Top management reckons in their competitive strategy that it should be possible to – increase our market share with about 50%, profits should go up to 10 million euro and our customer satisfaction index should reach a level of 7.5 – in the coming five years.

Despite, that there is no proven correlation between knowledge management and its effect on the overall result on the business indicators; we dare to argue that we can have an influence based on the articles by Anderson et al. (1994) and McKeen et al. (2005). Thenceforth we explain the expected correlation between the indicators' targeted values and our knowledge related actions, which we will apply over the next two years.

We reckon that we should be able to establish an increase of 25% on our market share. The partnership-program not only results in a new product – subsequently attracting a new market – moreover, it introduces us to the market and market approach of our partner, providing us of valuable new insights and possibilities. Furthermore, our attempt to address innovation will expand the number of offered products and increases product quality which results in new markets and expands our market share.

We need to realize an annual profit of 8.5 million Euros. As we think of innovation in its broadest sense – the application of an idea that results in a valuable improvement (Rabe, 2006). Hence, we reckon that by offering unprecedented utility and eliminating many of the costly elements; we reduce cost and differentiate ourselves (Kim and Mauborgne, 2005). The implementation of a job rotation system

supports employees to create multiple new perspectives; the new knowledge infrastructure that supports more personal share and exchange of knowledge allows for a simplified flow of knowledge and criticism; and last, the flattened organization enables rapid reactions on rapid changes. All taken together they reduce costs and increase (short-term and long-term) profits.

Finally, we strive to increase our customer satisfaction index up to 7 on a scale of 1 to 10. In fact, we hope to do better by undertaking frequent research on customer demands, moreover, we will resolve their demands quicker and better than our competition – our new infrastructure will allow for quicker responses and our imagination will be driven by our customers’ demands. Besides, as our employees explore their minds and stretch their minds new perspectives will enable better solutions that fit within our current setting – indirectly but certainly increasing our customer satisfaction index.

The remainder of this document provides a blueprint on the initiatives we planned and introduces the room we left for unforeseen events, as we should always expect the unexpected.

The Blueprint

In Search of Excellence – 2007

In 2007 we will be building a basis for 2008’s interventions. The first quarter gets off to a flying start as we contract marketing agencies on a regular basis to learn about our customers’ needs and gain understanding on our competitors’ advantages. That means that we are enabled to gain understanding onto which innovation areas to focus in order to fulfill customers’ needs [19]. Additionally, we implement an information system which supports intranet and forums to conduct e-discussions and make news available about ongoing research projects and product developments, enabling the Virtual Team Network [144]. Respectively, we need to get a broader understanding of each others specific roles within the organization; hence, we will launch a job rotation and enrichment system which allows for new visions and perspectives on challenges and opportunities [137]. Lastly, since we reckon that many changes are about to happen and we need our employees’ full support we conduct a training program that aims at improving the attitude and motivation of our

employees [I47]. Designate that the last two interventions will take effect during the second quarter, discussed next.

In the second quarter we continue pursuing knowledge acquisition by installing a connection to external non-public computer networks and databases to gain professional information on a great variety of topics related to our business [I18]. Moreover, we officially start to cooperate with a partner to design the brand new product we proposed for [I32]. Additionally, we need to make sure the new knowledge and experiences can be traced back to its owners and we therefore create a database with information about current and past research projects and a marketing database [I38/I39]; they both will include information on who were involved in these projects for further investigation purposes. We are au courant of the fact that we have implemented many information technologies, they not only establish the needed infrastructure, moreover, they enable us to flatten our organization (Prokesch, 1997); therefore, we will change our organizational policy into self-managing teams [I54].

It should be noted that the last three interventions will all take effect during the third quarter of this year. As we enter the third quarter we should note that the many changes we had to cope with by now will have an impact on our employees and top management, it is for that reason that we decided to implement only three more interventions during this and the fourth quarter.

The previously introduced self-managing teams will take effect in this quarter and therefore we need to focus on training our people to understand and appreciate team-building efforts [I48].

The fourth quarter will proceed with the newly designed product. We are about to take it into production enabling us to launch it next year [I33]. Furthermore, by now our employees will have spent nearly a year in hectic circumstances but still have seen little reward in return of their efforts. Ergo, it seems to be the right moment to reward our people for their extensive share and exchange of knowledge [I46] encouraging them to continue and switch into a higher gear.

Noteworthy is the fact that we saved a budget of about hundred and fifty thousand Euros to act upon unforeseen events that might happen during any of the quarters. We will have to react immediately when one occurs. Ergo, first we need to check

with our strategy whether we already planned the concern or not. Second if we did not we will have to act upon it and search for the right and best suited solution to resolve the concern.

A fascinating year will have past by now; we slowed down the ride a bit during the last quarter, as much has changed over the first three ones. Now we enter a new year, with more exciting challenges and demands we need to face.

In Search of Breakthrough Thinking – 2008

Last year, we started by conducting an investigation into our customers' needs and took a look at the advantages of our competition, respectively, as we changed they might have changed as well, subsequently; we conduct this investigation once more [I19]. Thereafter, we proceed with 'the learning from others' as we organize an apprenticeship system that supports guided learning [I28]. To better prepare our employees for the challenges they will be faced with during this year we once more setup a training program to further improve their attitude and motivation – considered the fact that they need to make it all happen [I47] – the effect of this intervention will be visible in the next quarter. Finally we will establish a comfortable and secure environment for our employees. In order to achieve such an environment we need to invest in safety and ergonomics [I53]. Note that our pursuit for innovational excellence and sustained growth will not make us violate certain values. These values concern ethics: health, safety, and the environment; and, the way we treat employees and external relations (Prokesch, 1997).

During the second quarter we will further establish face-to-face interaction. For us to achieve this we need to set up a cross-departmental work-group that consists of marketing, research, and production employees to hold knowledge exchange meetings [I40]. We do this now, so we can go for a final push toward breakthrough problem solving and value adding in the remainder of this year. Additionally, we need our researchers to become more knowledgeable and creative to foresee in the new customer needs. Therefore, we send our researchers to professional conferences [I16] where they can learn from others, gain new insights, and find inspiration for innovation. Moreover, the most exciting event of this quarter is the launch of our new product. We launch it in a manner that we - together with our alliance - can address new markets and customer groups [I34]. By involving our

partner we can learn incredibly much from their marketing approaches and they from ours; besides, it makes us become a stronger brand and consequently increases our reliability (Cerny, 2000).

The third quarter will only hold one more intervention. We now use information technologies to a broad extend, our employees are more skilled and gained much more knowledge on a great variety of subjects, however, self-managing teams is only a fantastic solution as long as they are indeed self-managing; all the changes in our employees' environments may have caused team-instability and therefore it is important to create team-stability by – once more – launching the team building program [148].

Finally, the last quarter of our strategy is preserved along with the third quarter for additional actions we might need to take to face any challenges or act upon unforeseen events/opportunities, a budget of about hundred and fifty thousand Euros has been made available to serve this purpose.

Why strategy maps matter

“Strategy maps are essential in the information age, when intangible assets – customer relationships, employee skills, and the ability to innovate – are competitive advantages. But these assets have value only within the context of a strategy.

Strategy maps put into focus the often blurry line of sight between corporate strategy and what [the] employees do every day – significantly enhancing collaboration and coordination.”

Source: HBR 2000 – *Having Trouble with Your Strategy? Then Map It*

When we exit

We did not decide to implement all changes within only the first year as it is human nature to resist against changes that interfere with their comfort-zone; we heavily focused on a smooth structure of changes that appear in a logic order, however, due to unforeseen events we might need to reconsider several constructions, we allow for this as long as the overall strategy can be lived after (Eisenhardt and Sull, 2001). That means that the changes can interfere with several interventions but not with our theory behind our strategy – pursuing innovativeness and business intelligence.

However, we need to know when to pull out of yesterday's opportunities. Whist we await the results for 2007 we do not exit. However, we will be actively monitoring our business indicators and the knowledge map during 2007 and 2008.

If in 2008, within our knowledge map, there remain areas to be heavily orange or worse, they need to be resolved quickly and a strategic review may be required. Furthermore, if the business indicators show negative results in 2008 we have to carefully analyze the cause in order to be able to control possible damages and to resolve the issue.

Nevertheless, to determine whether or not a strategic review is required, whatever the concern, we need to ask ourselves quarterly: **"are we in danger to not meet our goals?"** If the answer is 'yes' we need to **review our strategy, else** (if the answer is 'no' or 'maybe') **we go-a-head**. A strategic review means that we will exit our current strategy.

Afterthought

After reading our the blueprint you might not see the big picture yet, hence, in exhibit 1.0 we provide a visual representation of the strategy – a strategy map – that will help you see the big picture. Respectively, if you are in need of a more numeral approach you can take a look at exhibit 2.0 which holds a tabularized financial prognosis for 2007 and 2008.

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Exploring further

Article: Making Local Knowledge Global

By Keith Cerny – Harvard Business Review May-June 1996

Lexington Labs, a fictitious global pharmaceutical company, needs to adapt to a radically changing health-care marketplace. There has been a steady decline in sales and earnings over the past 18 months. The company's different divisions are dealing with new decision makers (government and hospital administrators) who, in turn, are now deciding which drugs can be prescribed. The COO, David Martin, knows that the company's different divisions are dealing with many of the same issues yet not sharing information and ideas. He has tried some team-building exercises and installed an e-mail system to help foster more knowledge sharing. But it isn't working. The division heads are still focusing on their own business. Martin knows that he needs a knowledge management system. But what kind?

Article: Unleashing the Power of Learning:

An Interview with British Petroleum's John Browne by Steven E. Prokesch – Harvard Business Review September-October 1997

Using knowledge more powerfully than its competitors do is what has enabled British Petroleum to transfer itself – radically. Once an unfocused, mediocre performer, BP is now the most profitable major oil company. Once mired in processes, it is now enlivened with processes that foster learning. Before, isolated fiefdoms; now, teams and information communities in which people eagerly share knowledge.

Article: Deep Smarts

By Dorothy Leonard and Walter Swap – Harvard Business Review September 2004

It takes years for your company's best people to acquire their expertise – but only seconds for them to walk out the door when opportunity beckons. And when they go, they take their deep smarts with them. Deeply smart people make intuitive decisions fast and spot problems and possibilities others miss. Informed by almost preternaturally sound judgment and a gut sense for interrelationships, they see the big picture – rather than getting bogged down in details. Their wisdom is crucial to your company's survival.

How to capture the deep smarts residing in your organization? Turn your experts into knowledge coaches; Knowledge coaches use learn-by-doing techniques – guided practices, observation, problem solving, and experimentation – to help novices absorb long-acquired business wisdom.

Knowledge coaching not only spurs transfer and retention of vital wisdom, it yields breakthrough product ideas and more efficient business processes. Can your company afford *not* to invest in it?

Article: Having Trouble with Your Strategy? Then Map It

By Dorothy Robert S. Kaplan and David P. Norton – Harvard Business Review September-October 2000

How does Mobil make sure that every gas station owner understands the company's strategy – and implements it each time a customer drives up to his pumps? How did Mobile become the industry's profit leader and boost its cash flow by \$1 billion+ per year? By using a strategy map – a powerful new tool built on the balanced scorecard.

The balanced scorecard measures your company's performance from four perspectives – financial, customer, internal processes, and learning and growth. A strategy map is a visual framework for the corporate objectives within those four areas. The authors created strategy map templates for various industries, including retail, telecommunications and e-commerce.

Strategy maps put into focus the often blurry line of sight between your corporate strategy and what your employees do every day – significantly enhancing collaboration and coordination.

Book: Blue Ocean Strategy

By W. Chan Kim and Renée Mauborgne – Harvard Business School Press 2005

Companies have long engaged in head-to-head competition in search of sustained, profitable growth. They have fought for competitive advantage, battled over market share, and struggled for differentiation.

Yet in today's overcrowded industries, competing head-on results in nothing but a bloody "red ocean" of rivals fighting over a shirking profit pool. In a book that challenges everything you thought you knew about the requirements for strategic success, the authors contend that while most companies compete within such red oceans, this strategy is increasingly unlikely to create profitable growth in the future.

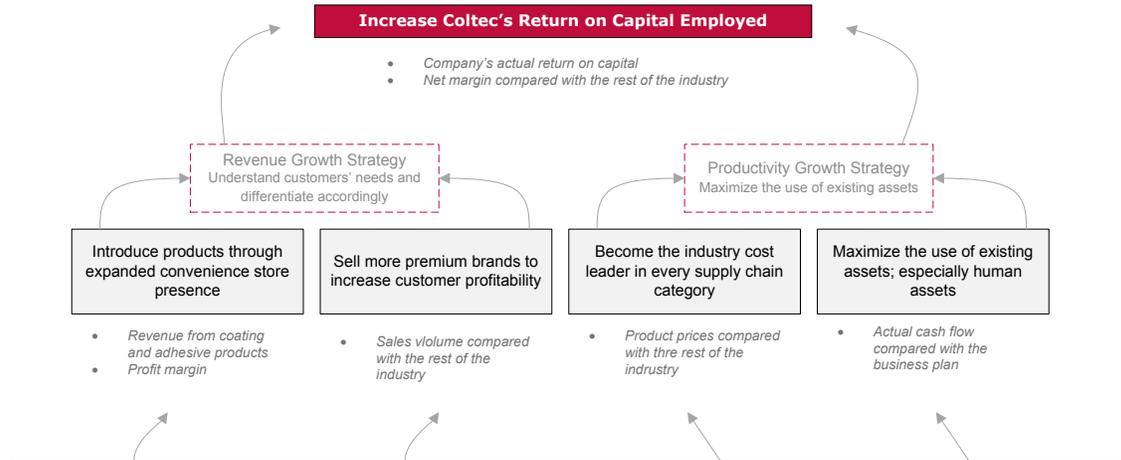
Based on a study of 150 strategic moves spanning more than a hundred years and thirty industries they argue that tomorrow's leading companies will succeed not by battling competitors, but by creating "blue oceans" of uncontested market space ripe for growth. Such strategic moves – termed "value innovation" – create powerful leaps in value for both the firm and its buyers, rendering rivals obsolete and unleashing new demand.

Blue Ocean Strategy proves a systematic approach to making the competition irrelevant. In this frame-changing book the authors present a proven analytical framework and the tools for successfully creating and capturing blue oceans. Examining a wide range of strategic moves across a host of industries, the book highlights the six principles that every company can use to successfully formulate and execute blue ocean strategies. The six principles show how to reconstruct market boundaries, focus on the big picture, reach beyond existing demand, get the strategic sequence right, overcome organizational hurdles, and build execution into strategy.

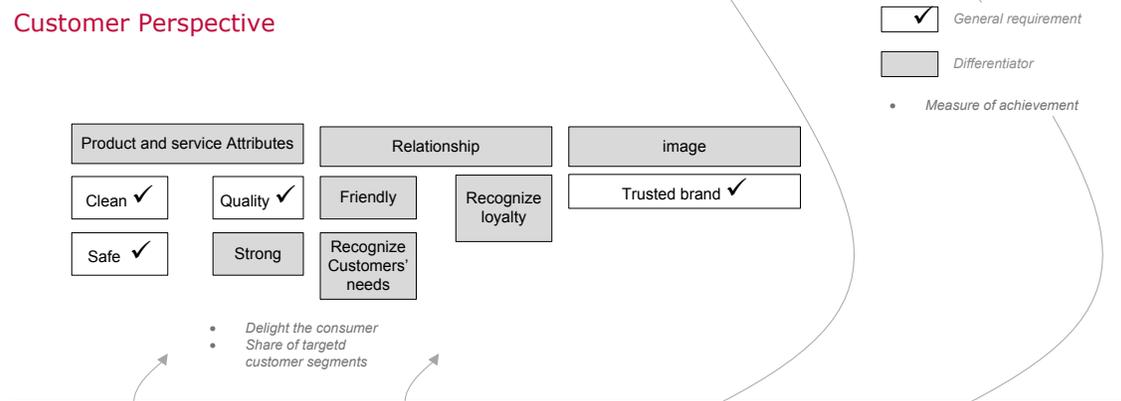
Upending traditional thinking about strategy, this landmark book charts "a bold new path to winning the future."

Exhibit 1.0 – Strategy Map

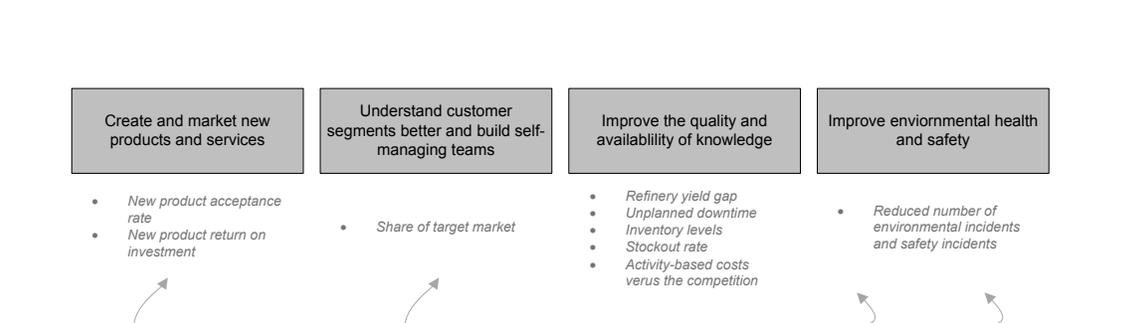
Financial Perspective



Customer Perspective



Internal Process Perspective



Learning and Growth Perspective

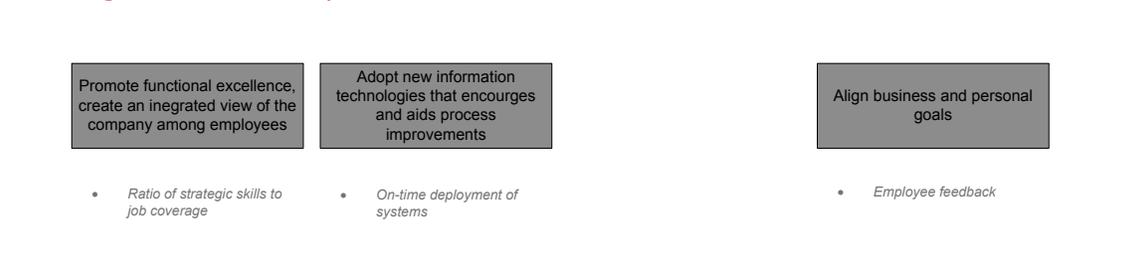


Exhibit 2.0 – Financial Prognosis

Intervention Indicator	Occurrences	Costs	Year	Quarter	Effect quarter
	9	1 €	60 000,00	2007	1 q1 2007
	44	1 €	140 000,00	2007	1 q1 2007
	37	1 €	140 000,00	2007	1 q2 2007
	47	1 €	30 000,00	2007	1 q2 2007
	18	1 €	60 000,00	2007	2 q2 2007
	32	1 €	120 000,00	2007	2 q2 2007
	38	1 €	70 000,00	2007	2 q3 2007
	39	1 €	70 000,00	2007	2 q3 2007
	54	1 €	130 000,00	2007	2 q3 2007
	48	1 €	20 000,00	2007	3 q4 2007
	33	1 €	100 000,00	2007	4 q4 2007
	46	1 €	100 000,00	2007	4 q4 2007
	47	1 €	30 000,00	2008	1 q2 2008
	28	1 €	120 000,00	2008	1 q1 2008
	53	1 €	150 000,00	2008	1 q1 2008
	9	1 €	60 000,00	2008	1 q1 2008
	40	1 €	40 000,00	2008	2 q2 2008
	16	1 €	40 000,00	2008	2 q2 2008
	34	1 €	130 000,00	2008	2 q2 2008
	48	1 €	20 000,00	2008	3 q4 2008
	<i>Sub Total</i>	€	<i>1 630 000,00</i>		
Knowledge Map		€	35 000,00	2007/2008	[1-8]
Job Satisfaction Index		€	7 000,00	2007/2008	[1-8]
Company product quality index		€	7 000,00	2007/2008	[1-8]
Average time for new product to market		€	7 000,00	2007/2008	[1-8]
	<i>Sub Total</i>	€	<i>56 000,00</i>		
The unforeseen	Budget	€	2 000 000,00	€	314 000,00
Total expenditure			1686000		