Knowledge and Competence Management: Ericsson Business Consulting

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This article describes a new knowledge and competence management initiative at Ericsson Business Consulting (EBC) which uses an intranet as its main means of implementation. Telecoms giant Ericsson has traditionally been decentralized and technology-minded to a degree rare even among technology multinationals, and the author shows how the development of the EBC business unit reflects the company's recognition of the need for more globalization in business processes, culture, and knowledge-sharing. He concludes by discussing the problems faced by EBC in its first year and the learning points for other businesses.

Knowledge Management (KM) is like many buzzwords, a rephrasing of things we have all been doing for a long time. But KM also has particular resonance today, not least because it can be a dream-factory for our companies' futures. With definitions like “the systematic increase of individual and organizational knowhow in the pursuit of business value”, KM promises future success like no other buzzword.

At Ericsson, KM initiatives focus on information sharing, virtual community building and individual competence development. Current web-based KM initiatives include:

- **Image**: currently a pilot scheme at two facilities aimed to create a structured approach for standardizing and controlling intranet operations at Ericsson. Originated at Ericsson Radio.

- **Zopps and the Web Academy**: an internet based competence-boosting network outside the Ericsson firewalls which provides a “playground” for Ericsson employees and families to interact and share knowledge of the company. Originated as a “skunkworks” between Ericsson offices in Sweden and India.

- **Business Intelligence Center**: includes a password-protected “executive corner” for top management to share strategic information and a general intranet portal (15,000 internal subscribers) to external information specially bought in plus other information fed in by staff.

- **Competence Exchange and KNACK (Knowledge And Competence Keys)**: The first of these is an internal web site accessible only from within Ericsson Microwave Systems. KNACK provides materials, templates, information about internal courses/programmes as well as job listings and newsletters for everyone in Ericsson.

- **Stargate**: A new initiative growing out of Ericsson Business Consulting, this is an online tool for...
In Ericsson as a whole, as well as at EBC, the main means of implementing knowledge management is the intranet. But we also have face-to-face initiatives. For example, our Project Management Institute brings managers together on courses which have an explicit purpose of communicating best practices and an implicit purpose of stimulating networking and continuous mutual learning. Another example is the “Experience Engine” where so called Knowledge Brokers ensure/support the knowledge transfer within and between different customer projects at Ericsson Software Technology. The Knowledge Brokers simply walk the corridors of different offices in order to catch problems and connect the right people.

Ericsson’s 100,000+ employees are spread across decentralised business units in 130 countries and KM initiatives have been created and sustained mostly at a local level, though sometimes spanning several business units. Incentive structures are even now largely tied to the performance of the individual unit. These KM initiatives sometimes seem to be in competition with each other. Formalising KM therefore raises issues over the degree of our geographical decentralisation, and the priority we should give to matching the globalisation of our customers.

Ericsson Business Consulting brings together all these themes: information-sharing, virtual community building, competence management, competence-based globalisation cutting across geographical decentralisation, and corporate culture. We formally created EBC on January 1 1999, after a year of discussion and planning. It has 4,000 employees and is part of the Enterprise segment of Ericsson (the other segments being Operators and Consumers). EBC operates in more than 30 countries, offering mobile internet solutions based on the Ericsson product portfolio.

**Our Global Business Platform**

The precursor of Ericsson Business Consulting was a unit mainly handling the mainframe operations of Ericsson internally. It had some system development and operated the group networks of computers and other technology. In 1996, internet consulting was added and the unit also developed a standard Ericsson office environment.

In order to transform this internal supply unit into a business unit for helping Ericsson’s external customers – consulting in the mobile internet solution area – we broke out the pure IT Services part (now a cost center hosted by the business unit) and developed and started rolling out a global business platform. This provided:

- Global practices
- Intellectual capital management
- Culture change
- Leadership
- Common processes
- Competence management
- Knowledge management

Competence management, business processes and leadership development were standard components in the existing Ericsson organizational infrastructure. These were reshaped. The global practice programme, culture change program, KM and intellectual capital management were added as new components. Our global business platform is in no way unique. But there

**The World of the Mobile Internet**

We anticipate that the number of mobile telephone users will triple in five years to a billion. Roughly the same number of people will be using the internet. Many of these will have wireless connection to the internet. With the industries of voice, data and media converging towards open internet standards, we will be using the internet for mail, music, phone conferences, shopping, even watching heart-transplants.

As the technology gets more and more mobile, it becomes easier to do more when we are on the move. It is arguable that companies like Ericsson are contributing to the problems that we need to solve with “Knowledge Management”: as people become more mobile, information also becomes scattered and fragmented.

There is a huge black market out there of knowledge transfer and transactions, of information exchange and of value creation based on information and relations: a black market which we want to know more about and “manage” in order to capitalize better on these intangible assets and relationships. As always, our tools at Ericsson include an excellent technical infrastructure. But organizational infrastructure is also essential: which is where Ericsson Business Consulting comes in.
are of course many things to learn from any systematic change programme, and I summarise our needs, what we did and the results for each of the six in turn.

**Global practice areas**
We needed to unify our services globally and to put more focus on both business and competence development independently of geographical limitations. We defined, staffed and set objectives for global practices/communities. We now have global and local practice managers. The latter could also be referred to as our business managers and/or “subject matter experts”.

The results are that our services and solutions are perceived as being global and also that our business is developed more and more with a global perspective to it. Competence development is global within each practice area. Knowledge transfer (business information as well as professional know-how) is increasingly horizontal instead of vertical within geographical entities. Our next logical step (ongoing) is the adoption of vertical industrial segments.

**Intellectual capital management**
We needed to focus on and visualise the value creation in our knowledge intensive operations. In achieving this, we were much influenced by the way Skandia described their scorecard. We also developed a web application named Cockpit Communicator (figure 1) to support the implementation and the visualisation. The number of software applications supporting intellectual capital management is exploding and having started early we have actually developed competitive consultancy services for external as well as internal users, and a supporting application.

One serious mistake we made was that we simply copied the visible structure, the scorecard, and skipped what should have been the first part of the process: looking at our strategic intent and our business direction/recipe. Another mistake that followed from this was that many of the measurements that were first implemented were “stock” measures – looking at structural capital as such – instead of “flow” measures – looking at the value transformation/creation between the different elements in the navigator/scorecard. Since then we have reworked our intellectual capital management system with help from IMD Professor Göran Roos.

We introduced measurements that showed what our culture looked like and decided on a target culture. We set up a program systematically addressing the gap (figure 2). All managers were supported by coaches, including having their leadership impact measured. Individual employees were supported by local role-models/champions. During recruitment, the criteria for selection of new employees became even more focused on attitude and behaviour. Local improvement teams were set up, business customer complaints and customer satisfaction measurements were reviewed and taken better care of. And finally the management system and common systems were reviewed in terms of their contribution to this new culture.

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**Culture**
We needed to change our culture to one that fits our customers and markets: to a consultancy organization; characterised by being open/communicative, client focused/outward going, creative/driving change, constructive, decisive and so on. In a first version, we adopted the acronym ‘DO IT’ culture: D for decisive – making and accepting responsibility for decisions; O for open – exchanging knowledge, skills and experience with others; I for innovative – developing, using and taking advantage of common resources; and T for trusting – allowing mistakes but taking responsibility for correcting them and learning from them.

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**Figure 1**

The Cockpit Communicator

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Throughout our large organization the importance of understanding and caring for our intellectual capital.

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Business Strategy Review
Each slice in the figure 2 diagram shows a characteristic style in our culture. Take for example, number 6, “Avoidance”: to what extent do we avoid problems? This is clustered with three more styles as “Passive/Defensive”. Our first measurement showed that we rated pretty high on these negative styles and quite low on those clustered as “Constructive styles”. The target was of course to turn this around completely.

This systematic approach has resulted in substantial gap reductions between the target culture and the actual culture. We set targets for reducing the gap between the target and actual organizational culture inventory for various countries. Although the success rate inevitably varied, it was sometimes spectacular: in the UK for example, gap reduction of 36% was achieved. Even though we have moved a long way in the right direction we were still not satisfied. In particular, the culture change program measured internal change but lacked the interaction with the original change driver; the customer. The program has been changed accordingly during the course of 1999.

Leadership
At Ericsson, we believe that success as a manager is a balancing act. You have to balance your own priorities, both of time and energy, between family demands, demands from customers, superiors and employees, profits and reorganization and change. In order to continuously achieve the optimum balance, managers must train and develop their leadership skills, understand the importance of roles in the teams they lead, seek information about their leadership style and spend time with their coach discussing how to achieve the ideal impact. At EBC, we build our leadership training on a leadership core curriculum (a six-module program), we use Belbin team skills for team training, Profilor for feedback on leadership styles and one-to-one coaching for reflection. These four constitute a more extended leadership program than in the rest of the Ericsson Group.

Global business processes
We needed to unify our work processes. And we needed processes for a consultancy business not a manufacturing industry. Defining and implementing global business processes had of course been done for many years all over Ericsson. But this time it had to be redone with the focus on delivering consultancy services rather than telecom equipment. It had to be redone with the perspective of what know-how is being created each time the process is run and what organizational know-how can be reused (figure 3).
In these processes, we focus not only on time, as in “time to customer”, but also on knowledge creation, as in “value creation”. With the wave of “Business Process Re-engineering” in the eighties and early nineties we focused on time, quality and delivery precision in our business (ie manufacturing) processes. We hardly focused at all on knowledge and knowledge creation or re-use – which is what we need to do now that value is created out of “pure” know-how.

**Competence management**

We needed the right competencies, people that would fit our new business strategy. Competence management, or the strategic supply of the right competencies, is well-established within Ericsson. Our problem is that we have lacked a common system to support it. This results in a slow, cumbersome, circumstantial process with low quality.

We developed a web-based application, Talent Tool, which supports the competence management process both at the individual level (figure 4), and at an organizational level (figures 5 and 6). We hope that over time we can get rid of the multitude of such systems within our global organization and begin...
working together. The Polar Chart (figure 7) can be used to show the gap between actual and needed competencies. Here, it shows an employee's actual competence and his/her planned competence development, based on a “personal development (pd) discussion” with his/her manager.

As we increase the number of people with competence profiles and CVs available in the system, we notice several positive reactions and effects:

● From employees: they are more concerned with their personal competence development and push managers harder for support. They see more clearly the opportunities for marketing their know-how, and for unexpected, interesting assignments.

● From line managers: it increases their flexibility, speed and accuracy, when they are able to find out who knows what, in detail, on a global basis.

● From the organization: it increases our potential for supporting a systematic competence development and strategic competence supply.

**Knowledge management**

In 1997, Sir John Browne, CEO of BP, said:

“Anyone on the organization who is not directly accountable for making a profit should be involved in creating and distributing knowledge that the company can use to make a profit”.

Whilst financial capital has a direct impact on today’s profitability, the role of intellectual capital is to build future earnings capabilities. To maximise this impact, basic information about our business, our projects and our customers needed to be accessible on a global basis. This could then be re-used, improving speed and accuracy in the sales process (closure rates up, cycle times down, precision up) and quality and margins in the delivery process.

Using an Andersen Consulting framework, we set up a KM programme (figure 8) with the purpose of “creating a thriving work and learning environment that fosters the continuous creation, aggregation, use and reuse of both organizational and personal knowledge – in the pursuit of new business value” as Xerox puts it. The programme thus extended into the
domains of several other elements in our global business platform: management systems, rewards and incentives, processes, organization and roles, culture, people. We decided to interact with these other programmes, adding perhaps 10-20% to the roll-out of the culture change programme or global processes that were really unique from a KM perspective.

At first, the result was disappointing. This part of the global business platform raised the highest expectations. It took a while to sober up and accept that many of the “changes” in the organizational infrastructure were little different from what had gone before and that the 20% or so that did represent major change would not cause a complete transformation, and certainly not overnight.

The same was true of the technical infrastructure. Different software solutions – according to their advocates – promised to solve all KM problems. They included:

- “collaborative software”: virtual project rooms or different project support tools (with a great variety of scope and level of integration with the web) or mailsystems like Exchange/Outlook with its common calendars, public folders etc
- community tools from simple but fairly structured topic chat boards to conference tools supported by video
- search engines – software where subscribers can tailor-make their own personal interest profiles and get e-mail notifications from the search engine when additions to the knowledge base occur
- document handling systems (with a great variety of scope and level of integration with the web)
- more-or-less boxed web-portals and web-publishing tools
- applications for competence and/or resource management

Currently, many of these technical solutions are being integrated. The “problem” is us – people: we remain the same. It takes a while to learn to use these applications on an individual basis, and takes even longer to get to a stage where you can claim that the
organization is fully exploiting the capabilities these KM technologies offer. And, even though we have a standard office environment and our common intranet, in a big organization we are inevitably moving at different speeds and in different directions in using our technical infrastructure.

Finally, suppose we did all use the same tools and knew how to use them really well, does that automatically imply that we understand, support or even “manage” our knowledge flows? Despite the strength behind the “technology push” we cannot avoid the “why” and “what” before implementing a solution for the “how”.

Furthermore, when implemented, we should be careful about claiming that we have done much more than improve our information management. Knowledge flows, knowledge creation, insights based on information, decisions or actions taken based on information, cannot be managed; it can only be supported. In Bill Gates words: “It’s all about empowering people and extracting more from their thinking”.

Thus, in setting up our Knowledge Management programme we investigated the content to be used, we defined the business processes, we added supporting roles in the organization and redid the reward and incentive system. We provided a simple enhancement of our technical infrastructure to support this. We are now continuously improving the creation and dissemination, the usage and usability, the accessibility and the quality of that content.

The process for achieving the above is similar to that of delivering new business solutions in the world of mobile internet, for instance:

- the subscription of stock exchange data over your w@p-phone
- wireless on-line usage of sales data or mobile service support
- wireless bank transactions over your phone, the phone being your id-card and wallet as well as the access point to providers of content, services and/or goods

The similarity, in our view, lies in the need for understanding the value creation based on specific content and its usage in a business context and providing a technical infrastructure to support it. Or, as we say at Ericsson: It’s all about communication – the rest is technology.

**Nine Learning Points**

For many years, the focus of strategic management has been on change. And right now the emphasis seems to be on the knowledge management aspects of change. This is especially true of organizations dealing with very dynamic environments like the internet and related technologies. Ericsson has always been a major technology player. The creation of Ericsson Business...
Consulting – both before and after it was formally set up – has focused us on a whole set of competencies which were not our prime expertise before. What were the main problems we faced and what lessons from our experience are of most value other organizations?

- **Over-expectation**
  A KM change programme provokes very high expectations and many at Ericsson expected miracles from EBC. We still have a long way to go before the process is fully clarified and everyone is using it.

- **Building trust**
  It is essential that the culture allows you to make mistakes

- **Encouraging sharing**
  If you are encouraged to finish projects fast and get onto the next one, the organization does not benefit from your learning. Each project therefore needs to incorporate time both during and at the end to continuously reflect on experiences. This must be reflected in the way managers themselves talk and act and in measurement techniques. Knowledge sharing does not have to be in written form: there are other mechanisms such as pre-project and post-project workshops.

- **Identify the right people – don’t copy roles**
  There is a lot of talk at present of KM officers and the temptation is to take a template of a role model from other companies and try to fit the organization and the individual occupying the role into the template. But particularly when driving change and changing attitudes, it is usually more important to start by selecting the best person within the organization, and devise a programme which is sensitive to the organization’s own idiosyncrasies.

- **IT can be a driver – but use independent evaluation too**
  Ericsson is a technology company and much innovation is inevitably technology driven. We found we had been too ambitious in the speed with which we expected people to adopt new internet technology. In retrospect we should have used an independent evaluator much earlier than we did – and adopted much simpler web portals and so on. We probably lost about half a year in total by trying to be too ambitious technically.

- **Track actual knowledge usage and build knowledge flows**
  Tracking the available information and what *should* be being used is not enough: “knowledge audits” of what is *actually* being used by local units at the coalface is even more important.

- **Seek help – internally and externally**
  Big consultants can be a great help, particularly in providing templates developed from what goes on in other companies and solving generic problems. But it is also important to seek the sort of help internally or externally which is more sensitive to the details of the specific problem in the specific company.

- **“Walk the Talk”**
  When we were setting up the internet competence profiles for all our staff and stressing that everyone must make a priority of finalising their competence profile, we found to our horror that some of the top management team had not finalised their own profiles.

- **Start now…**
  …or preferably five years ago.

Peter Baladi is KM Programme Manager, Ericsson Business Consulting. The article is based on a presentation at the Strategic Planning Society’s Knowledge Management Conference in October 1999 in London. The author is grateful for being able to draw on a study of KM at Ericsson by Tomas Hellstrom of FENIX conducted in cooperation with Cap Gemini and Professor Bengt Stymne of Stockholm Business School.