STRATEGIC PAUSE

Release Value
Minimise Risk

Pause. Think Thrive

The value of knowledge

This short article is to add a little extra colour to the short video clip that you hopefully just listened to.

The theory

In theory, building a firm's collective knowledge into an accessible, interrogatable system makes a great deal of sense. We achieved exactly this for a firm I co-founded and for better (or in hindsight worse) it was called BORIS. An acronym for "online resource information system" plus the company's first initial, "B"! For teams whose functions are internal, capturing prior experience well codified can save a lot of time, money and external fees. For teams that are client facing, experience and knowledge is what clients are paying for and the more useful, practical knowledge the firm has, the better it can serve its clients. We were capturing not just templates and processes, but real valuable practical experience and difficulties and solutions encountered on real projects.

The practice

So much for the theory, in practice this lead us on an interesting and complex journey of how to capture knowledge well, which impacted our appraisal structure, pricing structure, engagement terms and conduct of internal and external meetings. Of course, this also then affected our accounting, HR, the way we marketed, sold and delivered projects, not only to clients but internally too. It had an impact on our IT systems, including access and back-up, IT security, confidentiality issues and so on. Then, of course, our training was impacted too. You get the picture. Everything is connected.

Is it worth it?

In the clip, I refer to the pricing. This is just one of many possible perceived disincentives. Why spend so much time and effort creating something that reduces the hours you can charge a client! Never mind the difficulty of creating a culture where individuals are happy to share experiences that are valuable to them.

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There is normally a significant time cost to capturing, codifying, indexing, verifying it and keeping the knowledge system up to date. It is not so bad for generic processes and templates etc but bespoke hard-won experiences that have real value for the firm and clients take significant time to capture.

At this point it is worth maybe stopping for a moment and asking, "is it worth it then"? The answer in my experience is yes, very much so.

The value of knowledge, captured

There are huge advantages to firms of captured internal knowledge both on internal operations as well as external client engagements. This is especially true now in the world of Large Language Models and the ability to have great tools to interrogate internally captured knowledge and data.

[A quick aside, knowledge like this must be ringfenced and kept internal as it represents not only the firms IP but also confidential information. Feeding clients specific facts into an AI model is inadvisable to say the least. Having a proper internal knowledge base can reduce the over reliance on questionable external sources, with verifiable knowledge and references and so on.]

There is real value in knowledge from lived experiences, shared and captured. Not least of all, that knowledge doesn't leave when an employee retires, or leaves or is ill, or even for positive events like parental leave. The firm doesn't lose as much knowledge, its easy for individuals to take time our and re-connect with the knowledge, even though it has moved forward.

The sharing process itself creates significant trust, if done correctly. Ultimately most people love learning and learning through sharing and capturing turns out to be fun.

For the business, this process creates real IP and real value in the business itself. The business is worth more; retention of key people is also a factor. For instance, some individuals excel at this stuff and indeed we were able to find career positions, of value, in creation of this knowledge for ourselves and stakeholders.

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Furthermore, we realised that we were capturing value that clients were happy to pay for, so we changed our pricing model, away from hourly rates to a variety of other formats to create aligned engagement arrangements. That is not a euphemism for charging more.

Increased profit, more clients, reduced costs

Indeed, in many cases our fees per project reduced as we were more efficient but our costs per project dropped significantly and our margins rose. We were able to sell more a much higher volume of projects because out teams understood our offerings, they could access them, we had clear pricing policies and therefore the sales process became leveraged and pricing more consistent and fairer to clients too.

As with every aspect of business, this is also complex, interconnected and there are lots of consequences, both intended and unintended. However, we learnt that by learning together, capturing, sharing, brainstorming and so on, we had more fun, and our bottom line benefitted too, all in addition to generating IP which itself increased the value of the business. Contrast this with, where everyone works on their own projects makes similar mistakes, when they leave that piece of experience leaves with them. Clients get frustrated as they in effect pay for the inefficiency and lack of experience too.

Conclusion

Building a knowledge system has significant value, to the team, to clients and to the firm itself. It is surprisingly hard to do because its not just about IT, although these days you would be excused for thinking everything is about IT, but all the other aspects noted above matter and are connected. It changes the way the firm operates. Implementation is hard but the rewards are huge. The firm is worth more, the team and clients are happier. These are big claims but if it is all implemented correctly, it is true.