

IMPLEMENTATION STRATEGY OF KNOWLEDGE MANAGEMENT

- Case Study of Daehan Investment Trust Co., Ltd. -

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Overview

Lately, Korean companies are paying more attention to knowledge management (KM). In light of this trend, many companies are introducing KM in their business process, declaring 1999 as 'The Year of KM'.

KM is a management activity which focuses on accumulating, sharing, utilizing and recreating knowledge systematically as new business resources. In other words, KM is a series of company restructuring processes which utilize knowledge effectively in improving corporate productivity and enhancing the company value. In advanced countries, KM is

emerging as a new business paradigm which regards knowledge as a core competition factor in a knowledge-based society.

To regain competence for Korean companies KM is regarded as the right solution for their survival strategy

One of the reasons that Korea had to suffer a serious economic crisis was that Korean companies lacked the ability to cope with the emerging KM environment. For Korean companies to regain competence with a slim organization and reduced manpower, KM is regarded as the right solution for their survival strategy in a competitive business environment.

Current Status of KM in Korea

In spite of the growing need for KM, only a handful of Korean companies have introduced KM up until now, mainly

because others did not fully grasp the exact concept or definition of KM, and thus knew little about how to incorporate KM in their organization.

Nevertheless, some leading companies began to introduce the KM system from last year. Examples are Daelim Industrial, Janssen Korea, SK Computer & Communication and Daehan Investment Trust co, Ltd. (Daehan). Daehan in particular is one of the most active companies in KM implementation. Some functional and organizational divisions of Daehan have been utilizing KM for two or three years already, but Daehan proclaimed 1999 to be 'The Year of KM' last February to spread KM across all levels in the organization.

Since the beginning of 1999, the number of companies using KM is rapidly increasing. The Hyundai Business Group, which held a 'KM Seminar' for its CEOs last January, encourages its affiliates to introduce KM. Other large enterprises such as Samsung, LG and Daewoo are also striving to diffuse the spirit of KM through their subsidiaries with special concern and support from their top managements.

Case Study: Daehan Investment Trust Co., Ltd.

Daehan Investment Trust Co., Ltd., a 31-year-old investment trust company, is Korea's largest investment trust company in terms of number of clients and the size of trust. With a shortage of manpower and resources after restructuring, like many other

Korean companies, the CEO of Daehan felt the urgent need to utilize the company's intangible resource—knowledge—to supplement the insufficient tangible resources. Daehan introduced KM for the purpose of improving corporate productivity, maximizing customer satisfaction and forming the company's KM culture.

Daehan first classified its existing intellectual capital into three categories ("employee capital", "organization capital" and "customer capital") to easily identify and accumulate corporate knowledge and appointed the chief manager as a CKO (Chief Knowledge Officer). Daehan established a KM task force team in charge of drawing up a general plan for directing the company's KM project. Daehan also upgraded the function of the existing 'customer satisfaction team' by changing it into 'KM Center.'

Daehan selected Strategy, People, Process and Technology as "Four Key Success Factors" of successful implementation of KM. Strategy sets the direction of KM, People and Process are reform targets and Technology creates the KM infrastructure. Among these factors, Daehan pointed out the change of people as the most important factor for the successful implementation of KM. Therefore, the company has introduced 'Daehan Intellectual System', which classifies the employees into three grades according to their contribution to creating, sharing, transferring knowledge.¹⁾ This system is closely related to the company's reward system.

Daehan divided its KM progress into six stages. Out of these six stages, three stages reached near completion last March. Hereafter, the company will formulate the KM system more concretely with continuous revision of emerging issues.

The "Success Factors"

Including Daehan, the common feature of Korean companies which introduced KM is that the CEOs have initiated the KM drives. This means that KM was introduced not out of the employees' needs but by the strong will of CEOs. Against this backdrop, the key points to successful KM for Korean companies are the continuous attention and support from CEOs and the voluntary participation of employees. CEOs must understand the concept of KM systematically and have confidence and vision of KM being helpful to their companies in the long run.

Employees should not participate in the KM process only in pursuit of rewards or benefits. After all, the most important goal is how well they could establish 'KM culture' in which all members of a company willingly and actively take the lead in creating, sharing and utilizing knowledge. **VIP**

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Table 1. Six Stages of KM

| Stage | Program | Period |
|---------|--|-------------|
| Stage 1 | launching KM throughout the company | Feb. 1999 |
| Stage 2 | introduction of KM mindset | Feb. ~ Mar. |
| Stage 3 | active knowledge creation & accumulation | Mar. ~ |
| Stage 4 | expansion of information system capacity | Mar. ~ Aug. |
| Stage 5 | systematic formulation of KM process | Mar. ~ Aug. |
| Stage 6 | evaluation and continuous revision of KM | 2000 ~ |

1) Of roughly 1,300 employees, 6 employees received "Grade 1" certification, 7 "Grade 2" certification and 1,128 "Grade 3" certification in January 1999.