



# ACCENTURE

## THE CASE ON KNOWLEDGE MANAGEMENT

**Carrie Marie Hill  
James Meng Cha  
Owen Hunter Wagenhals**

**WESTERN WASHINGTON UNIVERSITY  
MGMT 474: Knowledge Management in MNCs**

**December 6, 2005**



**“High performers step  
outside well-worn  
organizational pathways.”**

**—Outlook Journal**

Accenture is a global management consulting firm that specializes in technology services, outsourcing and business consulting. With over 120,000 consultants and supporting staff and operations in forty-eight countries, Accenture has developed over time a vast treasure chest of valuable knowledge that it leverages globally in order to provide clients with the right skills and technologies to make their businesses high-performance.

Accenture prides itself on its ability to bring your business to the pinnacle of perfection. This case attempts to define strategies, structures, processes and people relative to knowledge management that have guided Accenture down the path to its own pinnacle of perfection.

We hereby certify that we are authors of this paper and that any assistance that we have received in its preparation is fully acknowledged and disclosed in the paper. We have also cited any sources from which we used data, ideas or words, wither quoted directly or paraphrased. We also certify that this paper was prepared by us specifically for this course. We certify that this paper conforms to Western Washington University standards concerning academic honesty as presented in the current University Bulletin, 2000-2001 edition.

December 6, 2005

**Carrie Marie Hill**

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**James Meng Cha**

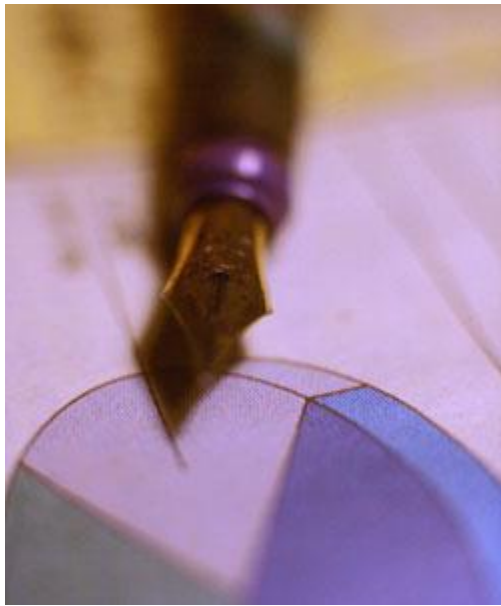
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**Owen Hunter Wagenhals**

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## **Executive Summary**

In this case study of Accenture, we are focusing on knowledge management; more specifically we would like to illustrate the knowledge environment in which Accenture operates and the strategies and structures that Accenture uses in knowledge management.

Accenture is a multinational consulting firm that operates in forty-eight countries with over 120,000 consultants and supporting staff. Although based in Hamilton, Bermuda, Accenture is an American company (the by-product of Arthur Anderson). Accenture is a service-based company with extensive knowledge assets. These knowledge assets have become increasingly important in today's knowledge economy. Accenture is fortunate enough to have a corporate culture that ensures the success of knowledge sharing. Despite this corporate culture, Accenture has implemented several strategies for managing knowledge, to ensure the success of its operations in this highly dynamic knowledge economy.

Accenture is most definitely a multinational company. More exactly, it serves as a multinational as a knowledge network, due to its complacent strategies and operations. Most notable of this characteristic is the ability to network with all aspects of the value chain. Accenture does this by incorporating every aspect of the value chain into its knowledge management system—from suppliers to clients.

Accenture uses a knowledge management framework that consists of two continuums and four models. Each work model contains strategies that pertain to that model in terms of knowledge management. The four models are: integration, collaboration, transaction and expert. Along with this framework, Accenture has developed a method to create, maintain creation of and reuse organizational knowledge. This method is very similar to Ikujiro Nonaka's spiral of organizational knowledge creation.

Accenture uses IT heavily and has created—for internal use—a structure known as the Knowledge Xchange (KX). The KX the core of Accenture's corporate knowledge

management strategy and has a primary base as a central repository for storing knowledge. The KX has several downfalls; solutions are posed in the case.

A dilemma for all companies implementing knowledge management initiatives, the measurement of knowledge capital and intellectual capital is very important to Accenture. The case discusses several methods as well as advantages and disadvantages of those methods.

The final part of the case illustrates several roadblocks that Accenture could have for knowledge management—primarily knowledge hoarding. This section describes knowledge hoarding at Accenture and briefly discusses the future ramifications therein.

In order to put many of these initiatives into perspective, we have provided insight into Accenture's operations in Nigeria by focusing on the energy and financial services industries. To illustrate Accenture's operations in these industries and to show how Accenture exchanges knowledge globally, we have chosen to do brief summaries of Accenture's work with London-based British Petroleum and Bangalore-based InfoSys.



## **Introduction**

For the most part of the 20<sup>th</sup> century economics has recognized only two factors of production: labor and capital. As global markets continue to expand rapidly, the world has seen a transition towards a knowledge-based economy. In the United States and many developed nations, energy-based economies are becoming less significant as many economies move towards a knowledge-based economy. Knowledge-based economies are those that are directly based on the production, distribution, and use of knowledge and information in the design, production, and distribution of products and services.

Information and knowledge are now replacing capital and energy as the primary driver of growth, wealth, and value creation. Additionally, technological developments have also played major role of transforming wealth creating work from physically-based to knowledge-based. As information becomes increasingly easier to move with the help of advanced technology such as the internet and network system, knowledge can now be easily transported instantaneously around the world regardless of geographic location.

As defined by the authors of *Measuring and Managing knowledge*, Housel and Bell, “knowledge is an ideational construct generated through the agency of the human mind.” Today’s industries are up against a new competitive environment as the switch from “doing” to “knowing” in business is becoming increasingly significant. (Housel, et al., 2001) Knowing what knowledge to manage is also becoming considerable important and difficult. Knowledge management, however, is not easy. It is complex and multifaceted. Knowledge management encompasses everything that any organization does to make knowledge available to the business, create new knowledge and innovate. The fact that knowledge can be created, stored, and even owned in order to sustain a competitive advantage is why managing knowledge is important to so many contemporary businesses.

Thus, this case attempts to provide insight into knowledge management as it relates to Accenture, the global consulting firm. The initial element of this case guides a foray into the company and its knowledge related environment; however, as noted in the latter chapters the overarching aim of this study is to analyze current knowledge management strategy and structure at Accenture.

# **Part One**

## **Accenture and The Knowledge Environment**

The consulting industry is one of the fastest growing industries in the world today. As the global marketplace continues to grow in size and diversity year after year, the competition between firms is increasing at an even faster rate. As many companies realize the vitality of their core competencies, they're simultaneously recognizing the need to leverage their best practices strategically. In doing so, these firms are forced to sacrifice other aspects of their company's operations in order to better allocate time and resources to leverage those key best practices. Enter the consultant, the individual or group of individuals who offer and sell their service capabilities to those who can't afford to have them themselves.

## **Accenture**

Often referred to as the Big 5, Accenture joins the likes of Deloitte Consulting, Ernst & Young, KPMG, and PriceWaterHouseCooper in currently dominating the consulting industry. The most in demand consultation services in recent years include Information Technology Services, Outsourcing and Management Consulting; Accenture has proven successful in all three arenas. Though still a relatively new company, Accenture's annual profits suggest anything but a lack of experience in their strategic operations. The company bases its services on "offering a new breed of business integration solutions to clients – solutions that align organizations' technologies, processes and people with their strategies."

By first offering such services as enterprise resource planning, customer relationship management, and electronic services, Accenture has now gained the expertise necessary to offer its customers its services in entering new markets, increasing revenues in existing markets, improving operational performance and lastly, improving the effectiveness and efficiency of product and service deliveries. Through these processes, Accenture has managed to firmly secure a position at the top of the consulting industry throughout the global market.

As the world's leading consulting firm, Accenture is one of the companies that has gained strategic advantages in the knowledge-based economy. Accenture's success is due to the company's expert management and deployment of information technology professionals, and innovative use of their knowledge workers. Accenture's knowledge products and assets are its people and their knowledge. The consulting firm recruits only top students from universities across the globe. They train and mentor each student's growth and careers to ensure they have the best people on the job. Along with their information technology system Accenture's recognizes that their people are the key to generating economic growth and value.

Accenture is primarily a service company. They recognize that the ability to identify and leverage knowledge assets is crucial for competing in the knowledge economy. Although the main branch of service is consulting, Accenture also participates in different markets as well. The company also uses knowledge management to branch into the outsourcing and venture capital markets. Leveraging their knowledge to enter into new markets has allowed them to increase their revenues and attain new market opportunities.

Formerly known as Anderson Consulting, Accenture provides management consulting, technology and outsourcing services. The company operates in five sectors of the management service industry: communications and high tech, financial services, products and services, resources, and government (see appendix 1 for percentage by sector). Accenture was initially created in 1989 by the restructuring of Anderson Worldwide into two business division Anderson Consulting and Arthur Anderson, the consulting firm widely known for its role in the Enron scandal. Accenture broke away from Arthur Anderson in 2000 with both firms becoming fully independent companies and adopted the new name Accenture a year after in 2001. (Accenture, 2005)

Based in Hamilton, Bermuda, Accenture operates in 48 different countries and has 110 offices worldwide. Currently, Accenture employs up to 123,000 full employees across six continents. The company is a leader in the global management consulting industry and works with over three-fourth of fortune 500 companies. Their revenue, which

exceeds ten billion dollars, is primary due to their low debt to equity (shares) ratio. Today, Accenture remains one of the largest and most trusted consulting firms in the world. Their success comes from their reputation for quality and value. As Microsoft's Chief Executive Officer, Steven A. Ballmer, has said, "Nobody... can do consulting like Accenture." (Freehan, 2001)

## **Corporate Culture of Knowledge Sharing**

"The theory of organization has long been dominated by a paradigm that conceptualizes the organization as a system that 'processes' information or 'solves' problems... a critical problem with this paradigm follows from its passive and static view of the organization." (Nonaka, 2004) This quote from Nonaka plays on the most important element of an organization like Accenture that, although its earnings do come from the actual selling of a product, the product is in fact a service, it's valued unlike a regular retail item. This element to which Nonaka is referring is the human impact on the product, without which the product wouldn't be a service at all. Because the service is produced at the same time that the customer uses it, in essence the service is created by the interaction between the service provider and the customer. For that reason the corporate culture that surrounds the consultants and employees at Accenture must be regarded just as highly as any other operational aspect of their business.

The corporate culture at Accenture revolves around teamwork. All individuals who work as consultants at Accenture are assigned to work within groups. These groups each work within the three different consulting services offered at Accenture. Nathan Cope, an employee at Accenture in San Francisco, claims that of all the time he spent working on his various projects, either at the office or off-site, he was with one of three partners from his work group SITE (Strategic IT Effectiveness) at least 75% of the time. From virtual seminars, brown bag lunches and various meetings, team cohesion was a highly encouraged, and it was consequently a key indicator in the quality of the services rendered to their various customers.

The management structure at Accenture also encourages teamwork to a high degree. Positions are established such that each person at some point or another must rely on another for assistance or support. For example, though all consultants are expected to enter their findings and any relevant project information into the Knowledge eXchange, the knowledge experts on staff had the sole responsibility of getting the right information into consultants' hands to facilitate engagement sales and delivery. (Cope Interview) Similarly, there are researchers (typically by industry) and assistants who are especially trained and skilled in finding information in the Knowledge eXchange, and aiding the consultants so that they're able to manage their time more productively.

At the turn of the century—especially during the knowledge management *hype*—many companies had launched knowledge management initiatives in order to sustain the highly competitive environment within their industry. (Voelpel, 2005) Unlike many of these companies Accenture has used some form of knowledge management for many years. Before restructuring into two business segments in 1989, resident experts at Anderson Worldwide maintained libraries of best practices and for circulating innovative proposals and ideas. Although this type of knowledge management is primitive by today's high tech standards it did establish a foundation for knowledge sharing in Accenture early on.

## **Knowledge Management at Accenture**

Knowledge Management is extremely important to Accenture, as it is necessary for that firm to manage knowledge in order to sustain competitive advantage. In an industry where knowledge is extremely important knowledge management is the single item that gives Accenture their greatest strategic advantage. Accenture defines knowledge management as “a collaborative and systematic process for acquiring, creating, and synthesizing information, insights, and experiences to achieve organizational goals.” (Accenture, 2005) They believe that knowledge management is the engine that allows ideas to be transformed into real business values.

Accenture has come a long ways with regards to knowledge management. Not only have they established a strong corporate culture of sharing information but has also changed the way knowledge is shared within the company. The consulting firm currently utilizes a network-based knowledge management system known as the Knowledge Xchange (KX)—which will be elaborated more through the duration of this report—to help foster the sharing of information and knowledge throughout the company as well as help leverage the best internal and external knowledge to maximize performance and deliver innovation.

According to Accenture, knowledge can be divided into two broad categories: explicit or rule-based and tacit. (DeLong, Mann, 2003) Explicit knowledge is the knowledge type that Accenture categorizes as being easily documented. Tacit knowledge, on the other hand, is the type that is not. Knowledge retention initiatives will always depend on the type of knowledge being transferred which is why it is important to divide the two types of knowledge. According to David De Long at Accenture Institute for High Performance Business, Accenture believes that tacit or cultural knowledge needs to be transferred through face-to face interaction such as through the mentoring programs or after-action reviews the company provides its people. As for the transfer of explicit knowledge some of the knowledge transfer Accenture uses is its training programs such online learning programs and step by step procedure capture in videotapes. (DeLong, Mann, 2003)

Accenture takes knowledge management seriously and therefore treats it as a profession rather than just another task at hand. Currently the company has over 500 full-time knowledge management professionals. Knowledge management professionals are always the first on site to help set up and establish a network connection. Accenture's knowledge professionals are divided into three knowledge function: basic researcher, content managers, and client team outfitters. Even though knowledge professional are divided into three different functions they work together and assist one another. Basic researchers identify engagement, best practices, and common challenges. They are responsible for packaging the information for consulting practices. Content Management is responsible for directing research and assisting the researchers. They are accountable

for the content of the information that is being attained. Client team outfitters evaluate incoming request and ensure that the right information is available to consultants when it is needed. They are responsible for the quality of the information making sure that the information is easy to use for all consultants working on difference projects. Their function is one of the most important of the three because it directly impacts Accenture's bottom line.

# **Part Two**

## **Strategy**

## **Knowledge Management Strategic Positioning**

With operations in forty-eight countries worldwide, Accenture, in all forms of the definition is a multinational corporation. As defined by Bartlett and Ghoshal, a multinational corporation is characterized by substantial direct investments in foreign [host] countries, engagement in active management of offshore assets and the creation of internal organizations for the conduct of cross-border transactions. In addition, in today's highly dynamic economic environment, knowledge is becoming of increasing importance to multinational corporations. In this *knowledge economy*, knowledge is becoming—in many businesses—the key asset in retaining competitive advantage over the competition. For this reason, Nielsen and Michailova have created a typology of multinational corporations that attempts to re-categorize the nature of various multinational corporations with respect to knowledge management. Nielsen, et al, has isolated three forms of multinational corporations in terms of knowledge integration through variables such as key assets, characteristics, IT facilitation and organizational structures. These multinationals have been described most specifically as Traditional MNCs, MNCs as knowledge networks and e-companies—each with a higher level of knowledge integration.

Through extensive analysis, it appears as if Accenture relates most closely to a multinational corporation as a knowledge network. Unlike in a traditional MNC, where the key asset is information (processed data), Accenture exhibits a higher degree of knowledge integration as its key asset is knowledge. Knowledge networks are noted by their streamlined value chain and integration of aspects of the value chain into their knowledge management system. Accenture, through various forms of internal and external collaboration, incorporates suppliers, customers, intermediaries and other external sources into the facilitation of knowledge management. This focus on the creation of synergies through collaboration among knowledge bases is key for the creation of a multinational to become a knowledge network.

IT application is described by Nielsen and Michailova as having great impact on the typology of multinational corporations. In a traditional model, IT is most generally used

as an instrument for the collection and storage of processed data and information. At a higher level of integration—that is in a knowledge network—IT is most commonly exploited for the codification and categorization of knowledge for multiple use throughout the organization. An e-company, which uses the highest level of knowledge integration, utilizes IT for continuous dynamic innovative collaboration; generally global value chain activities are networked electronically through the application of web-based technologies. (Nielsen, Michailova) Accenture, through the use of its Knowledge Xchange (KX), uses IT to capture, store, codify and categorize knowledge for use throughout the organization in all subsidiaries worldwide. The KX is also responsible for incorporating members of the value chain (e.g. suppliers, vendors, intermediaries, alliance members and customers) into its electronic system. These features point towards the fact that Accenture uses IT as a knowledge network would.

A second determinant variable in the typology as described by Nielson and Michailova embraces the level of integration of organizational structure and communication patterns in relation to organizational knowledge utilization, creation and innovation. Whereas in a more traditional model of MNC, where headquarters serves as a hub for the capturing, storing and redistribution of knowledge globally and in an e-company model, where organizational boundaries are broken through the organization of boundary-less communities of practice, Accenture exhibits organizational structures and communication patterns that seem to fall somewhere in between. Accenture primarily displays traits as a knowledge network. In a more traditional MNC, subsidiaries are described as having little or no autonomy as corporate headquarters generally serve as hubs for collecting and distributing knowledge globally. Accenture, despite its centralized knowledge management system, grants a heightened level of autonomy to foreign subsidiaries. This can be seen by the lack of restrictions put on subsidiaries for localization. (This ability to localize is exhibited by most organizational structures except the Knowledge Xchange, which is a primarily static creation. As mentioned previously in this paper, the creation of the KX has not allowed for localized control in aspects such as language and the culture of use.) Accenture has also recently unveiled the program of identifying centers

of excellence worldwide, which is an organizational structure noted primarily by MNCs as knowledge networks.

Although Accenture is not in a negative position as a knowledge network, the company may want to move towards a more integrated MNC model, such as the e-company model. As the company has already developed centers of excellence, it may behoove Accenture to begin focusing on the creation of organizational processes that are centered around virtual communities of practice that span space and time. The act of becoming boundary-less and breaking down traditional barriers might also aid Accenture in gaining a more competitive edge. As the company has subsidiaries in forty-eight nations worldwide, the implementation of cutting-edge communication-based technology or the expansion of the KX would greatly benefit the company through efficient and effective knowledge transfer and the streamlining of best practices around virtual teams. With processes and structures such as these in place, Accenture would be able to focus on innovation and dynamic innovative collaboration in order to seek out new markets. In the rapidly growing knowledge economy, Accenture would be at the top of the game.

### **Knowledge Management Framework**

The difference between Accenture and many corporations within the knowledge economy is that as a consulting firm, knowledge management is what Accenture does. The company has set up institutions (primarily the Institute for High Performance Business) to help it develop strategies not just for itself but to help it help other companies and organizations build competitive strategies. For this reason, Accenture has developed a knowledge management framework designed specifically for their business. Accenture has evaluated strategies for knowledge management along two continuums including the level of interdependence and the complexity of work. The level of independence continuum involves the degree in which individuals need to collaborate and interact. The complexity of work continuum involves the degree in which employees need to apply their judgment and interpret a variety of information. From these two continuums, the company was able to develop a framework of four models of work—

each model consisting of specific strategies—for knowledge management. The four models are: Integration, Collaboration, Expert and Transaction. (Donoghue, et al, 1999)

The framework was developed to associate specific knowledge management with specific challenges. Accenture also uses this model to help their consultants assist other companies. The Knowledge management framework allows Accenture consultants to map any companies' core process into one of the four categories. A single core processes such as sales or supply-chain management is usually comprise of many different processes and may start in different a model. Each model is different and presents its own knowledge management challenges.

In the transaction model—illustrated by a low degree of both interdependence and complexity—tasks are defined as being routine, highly reliant on formal rules. For these reasons, Accenture has noted the necessity of a focus on the need to codify knowledge and ensure consistent performance. Knowledge management initiatives involving this model include automization (the act of embedding knowledge into systems) and routinization (the act of building knowledge into policies and procedures).

The integration model is defined by its high degree of interdependence and low degree of complexity. In this model, work is classified as being systematic and repeatable with heavy reliance on established methodologies. Accenture's integration model focuses on what it refers to as creating a *common big picture*. This involves creating standardized measures based on best practices. Knowledge management initiatives associated with this model include the creation of integrated processes and teams and the location and use of best practice benchmarking.

The expert model is noted by a heavy reliance on *star performers* or experts. In this model, there is a low level of interdependence and a high level of work complexity. Accenture's goals associated with this model are the attraction of experts (either through application or attracting competitors' experts) and the diffusion of experts' knowledge throughout the organization. In order to achieve added value from experts' knowledge,

Accenture focuses on initiatives that include experienced hiring and staff development by means of apprenticeships.

The last model described in Accenture's knowledge management framework is the collaboration model in which there is a high degree of both interdependence and work complexity. The work associated with this model is noted by improvisation and *learning through doing* with high reliance on cross-functional and flexible teams. The key challenge in the collaboration model is the achievement of breakthrough innovations. Accenture has developed three primary initiatives to ensure the development of new innovative processes. These include strategic framing, knowledge linking ('combination,' according to Nonaka) and action learning. Please see appendix two for a graphical representation of Accenture's knowledge management strategy framework.

### **Organizational Knowledge Creation**

Ikujiro Nonaka is most widely known in the world of knowledge management for his spiral of knowledge conversion matrix. Nonaka models organizational knowledge creation and transfer as a spiral process in which existing knowledge (tacit or explicit) can be conveyed into either tacit or explicit knowledge. As discussed earlier, Accenture does transfer tacit and explicit knowledge through its own means which are very similar to the way Nonaka states how knowledge should be transferred. (Paladino, 2002) Based on Nonaka's spiral of knowledge Accenture was able to create a framework by assessing and categorizing the way work is done at Accenture. Accenture's model is somewhat different from Nonaka's model as it also involves a narrower approach to organizational knowledge creation and utilization.

Accenture has developed a series of knowledge management initiatives that directly reflect Ikujiro Nonaka's spiral of organizational knowledge creation. As determined by Accenture's Institute for High Performance Business, there is a series of steps in which consultants must partake in order to bring added knowledge capital to the organization. In the tacit-to-tacit step, all consultants are required to take part in *face-to-face* interaction with partner consultants and supervisors, when necessary. This directly reflects

Nonaka's socialization step. The next step required by Accenture in order to develop knowledge capital is the formulation of an *after-action* review. In this review, consultants must document all findings and summarize methodologies and client reports. This represents the transfer of tacit knowledge to explicit knowledge—otherwise known as externalization. The next step is the incorporation of knowledge into the Knowledge Xchange (KX). In this step, where explicit knowledge is coalesced with existing knowledge is known as externalization. Knowledge incorporated into the KX is assessed by editors—similar to Siemens' global editors—who are responsible for the synthesis, repackaging and organization of knowledge as well as the categorization of knowledge. From this compiled and repackaged knowledge, Accenture formulates eLearning training programs for the expressed purpose of transferring this explicit knowledge to tacit knowledge. Nonaka describes this as internalization. Consultants, therefore, benefit from added knowledge and can then bring this newly internalized knowledge into fruition while working with new clients. Thus the cycle (spiral) of organizational knowledge creation continues. Please see appendix three for a graphical representation of Accenture's spiral of organizational knowledge creation.

### **IT Strategy: the Knowledge Xchange**

Employing nearly 125,000 employees in forty-eight countries worldwide, Accenture recognized early the need for a global knowledge management system. From the time of its initial construction in the 1990s, the company has spent roughly \$US 500 million on the creation and continued development of its global knowledge management system. (Park, Choi) For this reason, Accenture has been known to some as a pioneer in global knowledge management. At the core of Accenture's knowledge management efforts is what the company calls the Knowledge Xchange (KX).

The KX is a global IT system that is essentially a repository-based electronic system that is vital in the facilitation of knowledge flows worldwide among all business units of the company. The KX is multidimensional collection of over seven thousand individual databases that are grouped according to industry and topic. The primary purpose of the KX is to store generated knowledge and to facilitate the reuse of existing knowledge.

Accenture requires the input of its employees work with clients, methodologies and best practices. According to Breakthrough Usability, a company that has worked closely with Accenture in the development of the KX, the system also facilitates knowledge flows among external sources as well, including supplier-provided information and client feedback. The Knowledge Xchange is managed by roughly five hundred knowledge management staff and support workers. This figure incorporates nearly 150 editors, similar to what Siemens would consider a *global editor* for that company's colossal knowledge management system. The function of these editors is to synthesize, repackage and organize the content and knowledge that has been input by employees. This process is a key function as the editors are responsible for organizing knowledge in a manner that allows employees and consultants easy access to desired knowledge worldwide. The company expects that all client projects begin with a preliminary search on the KX. According to Accenture, consultants access knowledge on the Xchange an average of ten times each day.

There are several shortfalls—that is barriers that stop entirely free-flows of knowledge worldwide—associated with the functionality of Accenture's Knowledge Xchange. Researching professors Park and Choi of Loyola Marymount University have identified three major shortcomings of Accenture's global knowledge management system. These shortcomings include: 1) lack of appreciation for regional knowledge, 2) inadequate support for challenges at local offices and 3) insufficient allowances for local control.

The first deficiency with the Knowledge Xchange is that consultants and employees in various regions worldwide considered that there was a lack of appreciation for regionally-supplied knowledge entries into the system. This attitude was explicitly related with consultants working in East Asia. When polled, it appeared as if East Asian consultants were under the impression that as knowledge management practices and policies came from the headquarters—in the West—that the West was not interested in the entries provided in the East. This left the East Asian colleagues with a feeling of isolation.

In order to eliminate this feeling of cultural and knowledge-related isolation, it seems imperative that Accenture provide feedback to not only East Asian consultants and employees, but to all users of the KX and other aspects of the company's global knowledge management system. However, with over 100,000 consultants and supporting staff, it is entirely inefficient to provide all employees with feedback for all entries. An operation such as this would be an immense task that would require the raising of levels of editors and support staff of the KX from five hundred to a much higher figure. This would increase overhead on a company level to a point that the provision of feedback would actually be of detriment to the company thus negating the efficiency and effectiveness of the feedback. Despite this grim outlook, it is not entirely unfeasible to employ a small staff dedicated to feedback. A staff such as this could devote time and energy to the provision of feedback for the best—that is the most useful—entries. This small amount of feedback would not use nearly as many company resources as the above listed possibility. A KX feedback staff could also isolate the regions where a feeling prevails that individual entries are not valued on a company level, such as in East Asia, and provide these regions with more feedback to encourage more utilization of the system.

A second shortfall isolated by Park and Choi involves poor support for challenges at local offices. The Knowledge Xchange, as a program, is entirely Anglophonic. Consultants worldwide, no matter in which country subsidiaries are located, are required to translate all entries into the KX into English. Conversely, as all entries are in English, consultants and support staff are required to translate all entries into their own language in order to understand them. Cultural barriers are another implication that was not completely taken into account in the construction of Accenture's global knowledge management system, let alone in the KX itself. In some countries in which Accenture operates, knowledge-sharing is more voluntary than in other countries or cultural regions. A lack of adequate incentives perpetuated this cultural barrier.

The discomfort portrayed by East Asian consultants in the entry of knowledge into the KX can be eliminated in a number of ways. Siemens, in the development of their €1

billion global IT system, the ShareNet, encountered a very similar problem when encouraging Chinese employees to use the ShareNet. Voelpel, Dous and Davenport, researching professors at notable American and European schools, have isolated this problem in a case study concerning the construction of Siemens' ShareNet. According to Voelpel, et al, Chinese employees were uncomfortable using the ShareNet due to language barriers—that is they were afraid that their translations into English (for the Siemens' Anglophonic system) would appear garbled or nonsensical to Western readers. Siemens approached this problem by allowing Chinese employees the ability to write their entries in their language and use English only as a process to identify categorical topics. Thus, international staff could identify themes and only request full translation of an article if needed. Accenture, as it has a similar problem, could approach this shortfall with a similar solution. If this type of process were enacted, Accenture would most likely see an increase of entries by East Asians.

In response to cultural barriers, it appears as if the primary inadequacy lies with the incentive system. It is imperative that Accenture provide its employees worldwide with individualized incentive systems for using the KX or other aspects of the global knowledge management system. For example, an incentive plan that is thought to be *amazing* by American consultants and employees may not at all be deemed the same by employees in other parts of the world and visa-versa. For this reason, if Accenture were to implement individualized or regionalized incentive plans, the cultural barrier involved with openness to knowledge sharing may be diminished.

A third shortfall identified by Park and Choi is that Accenture did not sufficiently allow local control over the operations in the global knowledge management system or in the Knowledge Xchange. This was noted by a uniform global knowledge management policy in that subsidiaries were not allowed to customize their systems. This ties into the application of IT and the KX similarly to the language and cultural barriers previously discussed. If Accenture had allowed for customization of knowledge management structures and policies, Asian consultants may have been able to design their part of the

KX in a manner that allowed them better control over the system, thus relieving hardships and making the system more amicable for local use.

Other shortcomings may include the fact that Accenture's KX was constructed on the basis of providing employees with a central repository-style database. Ikujiro Nonaka describes in his landmark case, "The Dynamic Theory of Organizational Knowledge Creation," two dimensions of knowledge: the epistemological and the ontological. The epistemological dimension is associated with the study of the source of knowledge; thus, the epistemological definition of knowledge is *a justified true belief*. Nonaka brings a new dimension to knowledge—the ontological dimension. This dimension integrates a level of social interaction in knowledge—that is social interactions of exchanging and integrating knowledge.

A repository-based system for the storing and transferring of knowledge is most closely associated with the epistemological dimension of knowledge—that is the storing and retrieving of processed data (information). As Accenture's KX was built as a repository-based electronic system for storing and transferring knowledge, it does not fully facilitate the ontological dimension of knowledge. Although Accenture does take part in many ontological activities in its greater knowledge management practices (such as eTeamspaces, eConferences, Mentoring, Peer 2 Peer and Discussion Forums), it does not integrate such activities into its Knowledge Xchange.

It is possible to see the use of these types of ontological activities in IT systems in a company such as Eoscene. Eoscene—a company that specializes in the production of IT products for railway and roadway transportation, healthcare and manufacturing—uses many processes associated with the socialization and combination of knowledge in their daily use of IT for the purpose of knowledge management. According to Geof Griebel, a knowledge expert at Eoscene, "[Eoscene] uses several collaboration tools such as message boards, faq's, wikis, IM, search utilities, etc. to bridge the gap of sharing and recording the knowledge inside people's heads." If Accenture were to incorporate ontological tools such as the above listed into their IT system—the KX—the company

may benefit from a heightened degree of organizational knowledge creation and utilization levels.

Despite these shortcomings, Accenture has a fairly adequate IT system for capturing, storing and transferring knowledge. With average continued research and development of expenditures of roughly \$US 250 million, Accenture is well on its way to perfecting its global knowledge management system.

### **KM in Perspective Accenture in Nigeria**

Miklos Sarvary, in his article on knowledge management in the consulting industry, creates a dialogue concerning a topic of great importance to Accenture. Sarvary describes consultants as technology brokers, with the ability of transferring business knowledge across industries. Accenture exhibits traits of the technology broker in that it transfers knowledge among not only industries but also business units and national boundaries. This can be seen in Nigeria, where knowledge from the global pool is brought into the country for use in the chemical, financial services, energy and utility industries.

Accenture has been operating in Nigeria since 1985, when it opened its office in Lagos, the country's largest city. The office has since grown to employ over 120 consultants and supporting staff members. All employees are deemed experts in providing business and IT solutions. The Lagos approach to creating competitive advantage in Nigeria incorporates the creation of value for customers through Accenture's global network of businesses and through the leveraging of the company's vast industry knowledge.

Accenture Nigeria works in four industries in that country including Chemicals, Financial Services, Energy (including Oil and Gas operations/exploration) and Utilities. According to Omobola Johnson, the Nigeria Country Director, the goal of Accenture Nigeria in respect to these industries is to "combine local competencies with global resources in order to enable the company to bring together the right mix of skills to help clients realize value rapidly."

## **KM in Perspective Accenture in Nigeria, Continued**

In order to put this into the knowledge management perspective, it is important to look at Accenture's operations with Nigeria's chemical industry services.

Accenture Nigeria provides, for companies in the chemical industry—primarily in oil and gas operations and exploration—applications outsourcing, business process outsourcing, manufacturing excellence, SAP and supply chain optimization. Not only does Accenture offer consulting for the chemical industry twenty-two nations, but the company offers the above listed services in as many as forty-eight nations worldwide and twenty primary industries. With all of the industry insights captured by Accenture through working with hundreds of operations worldwide, Accenture definitely has the capability of leveraging industry knowledge to create value for customers in Nigeria. For example, Accenture has worked closely with London-based British Petroleum (BP) on various projects including applications outsourcing and business process outsourcing. BP operates in one hundred countries worldwide, including many developing countries with economic, political and social environments similar to those in Nigeria. For this reason, it was necessary for Accenture to develop its services for BP to facilitate outsourcing in these countries. Accenture was then able to compile client presentations and research into its knowledge management system for use elsewhere. Much of the knowledge gained through working with BP abroad can be reused in the Nigerian operations.

This method of knowledge capturing, storing and reuse can also be seen in Accenture's Nigerian operations in the financial services industry. Accenture works closely with a Bangalore-based company, Infosys Technologies. When Infosys wanted to launch new banking services, including a newly developed banking ePlatform, in the Economic Community of West African States (ECOWAS), the company turned to Accenture Nigeria for help. As Nigeria is a member of ECOWAS, Accenture's Nigerian subsidiary was able to aid in the introduction of Infosys into this new market.



one of the most relevant characteristics of intellectual capital, in accordance to this particular industry, is that it is indeed intangible, the individuals who work as consultants, as well as those who seek those individuals' services, must possess the ability that allows them to view things appropriately.

“Because a person’s paradigm in essence represents all the bits and pieces she has taken away from life’s many experiences, and then formed into beliefs and feelings, it will always represent her biases, her source of judgment in determining what is right versus wrong in the world, the one thing she can always trust to be true.”<sup>1</sup> This excerpt from the Online Platform shows the importance of having a dynamic paradigm, one that isn’t afraid to accept new and innovational concepts, isn’t afraid to change as reality changes with it.

The nineties proved to harness two major shifts in paradigms in the consulting arena. During this time, the realization was being made cross-industry that, oftentimes, corporations’ balance sheets were not properly reflecting the true value of available corporate assets. This inaccuracy was found to be due in large part to the lack of a valid method for measuring a firm’s intangible assets, such as knowledge.

This epiphany drove many companies to action; the Swedish company, Skandia, in 1991 set out on a mission to invent a manner of evaluating the worth of its intangible assets, in other words an “effort to capture and define the value of intellectual capital as a complement to the balance sheet.” (Housel, Bell, 2001) This had a huge impact on the paradigm of the average man because, for the first time in history, firms were trying to actually quantify knowledge, a seemingly impossible task prior to that time period.

Later in the decade, with the concept of intellectual capital’s potential to be made tangible already established, there came a paradigm shift that finally established knowledge management as a real and necessary competence in the business world (in any

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[http://bonielson.pageout.net/page.dyn/discussion/view\\_message?forum\\_id=11113&course\\_id=132381&p=2&message\\_id=878636&people\\_id=1572503](http://bonielson.pageout.net/page.dyn/discussion/view_message?forum_id=11113&course_id=132381&p=2&message_id=878636&people_id=1572503)

industry really, but business-people were the first movers.) This is evidenced in the large number of class reading and analysis examining the business journal articles written in this time period. Examples are “The State of the Notion” by Ruggles, “Developing a Knowledge Strategy” by Zack, and “What’s your strategy for managing knowledge” by Hansen et al. All of these articles were written in either 1998 or 1999. With an additional four or five covered in class, roughly half of our reading material was taken from either of these two years. With this established it’s safe to say that, at that period of time, intellectuals were first realizing the value of managing knowledge and paradigms were sufficiently shifting.

As a company whose competencies all relate to intellectual capital, the measurement method that Accenture utilizes to quantify their knowledge and intellectual capital is highly important. Because traditional accounting methods don’t work to measure Accenture’s intangible assets, as they are not simple numbers but rather dynamic and complex experiences and knowledge ingrained in the consultants of Accenture, a number of methods were identified and explored.

The initial quantifying methods proved to be inconsistent: With Accenture’s financial documents from 2004 stating a net worth of \$24 billion, using two different sources, Forbes.com and YahooFinance.com, the hidden value of Accenture’s intangibles for the year 2004 came out to be \$15.1 billion according to Forbes’ calculations, and \$6.3 billion using Yahoo Finance figures. These figures are both based on accounting measures—that is a valuation of the past. As these two numbers are very different, alternative measuring methods were evaluated.

The Balanced Scorecard would be a very useful tool for Accenture to use in quantifying its intellectual capital. Because the Balanced Scorecard does measure the company’s knowledge assets by using the four perspectives of Learning and Growth Perspective, Internal Perspective, Customer Perspective, and well as Financial Perspective, this model is well rounded without being too generic. Also, because the manager employing the Balanced Scorecard may assess her own relationships among the indicators, it is one of

the more versatile measurement modes. Also, because the Balanced Scorecard does focus on the long-term performance goals and objectives of a firm, it is adaptable especially to the consulting industry and Accenture because of the nature of knowledge: dynamic, always mutating and changing. The Balanced Scorecard leaves room for change as time goes on.

Though the Skandia Model is highly praised all over the world, the high number of performance measurements may result in an over-kill on the part of its administrators. With Accenture's many locations and employees across the world, the numerous indicators may result in ambiguity and confusion in the minds of consultants. For all practical purposes, the Balanced Scorecard would be better suited to serve Accenture intellectual capital measurement needs.

### **Dilemmas in Knowledge Management**

Though a consultant's market value worth is generally viewed as how much information or knowledge he has regarding a certain field or project, the problem of knowledge hoarding is relatively minor. "Most people are way too busy to try and be the sole expert across a firm of 100,000 plus." (Cope Interview) This is unexpected, especially due to the fact that consulting firms are traditionally among the largest employers of top MBA and college graduates, and the general attitude of these new graduates is of a dog eat dog nature. So why are things at Accenture different?

Simple. It's their incentive system. "Groups include contribution of knowledge capital as a criteria in promotions, which is a really powerful motivator," says Mr. Cope. Though there are no specific Knowledge positions within the management at Accenture, the company as a whole is encouraged to share what they know. "Partners in a group are expected to contribute to building the practices' knowledge capital and distributing that through a series of events," (like brown bag lunches, virtual seminars, meeting presentations, to name a few).

As previously discussed, there are informal incentive systems currently in action at Accenture. An alternative strategy that the firm could assume would be to make that knowledge sharing incentive system part of the *formal* structure of the company. Because the Knowledge eXchange does sound large and, at times, oppressive, consultants at Accenture could be administered surveys two or three times a year, with questions allowing for positive and negative feedback detailing each consultant's knowledge sharing habits.

Unlike the Siemens' ShareNet case, where such prizes like cell phones and trips to New York City proved as unsuccessful incentive offerings, in an industry like consulting, where personal image and knowledge leveraging capabilities are everything, a system that rewards consultants through promotions would be a sure fire way to induce people to share what they know.

Conversely, much of the new knowledge that's created at Accenture is a result of project engagements, so at the end of every project, consultants are expected to submit any information that should be shared into the Knowledge eXchange for others to benefit from. So are there any knowledge sharing problems at Accenture?

"The biggest issue from my perspective is the complications that arise from client non-disclosure agreements and the obligations to guard sensitive client materials," claims Mr. Cope. Consultants basically have the option of a) agitating their colleagues by not sharing certain information with them, or b) sacrificing the integrity of the client/consultant relationship, thereby possibly harming potential project opportunities in the future.

## Conclusion

As the paradigm shifts, those that do not shift with it may be left behind. Accenture, however, will not. With the change to the twenty-first century, came the change to the knowledge-based economy. The paradigm shifted from importance so heavily placed on what a firm *does* to what a firm *knows*. This shift has worldwide managers scrambling to find the key to success in this new world.

Accenture—albeit with a good start to knowledge management—was able to shift with this paradigm. In all aspects of the organization, knowledge management is fostered in Accenture’s corporate culture. A culture of sharing knowledge has brought the company into this new knowledge-based economy and fostered strategies and organizational structures that brought into fruition the current success that Accenture enjoys.

With these policies and structures for organizational knowledge creation and utilization and with little friction of knowledge hoarding, Accenture is prepared to take on the world with a new stance: that of knowledge management.

Steven Ballmer stated, “Nobody...can do business like Accenture.” As this case so dutifully provides insight upon, it appears as if that statement is inadvertently erroneous. Although anyone may be able to *do* business like Accenture, it seems that nobody *knows* business like Accenture.



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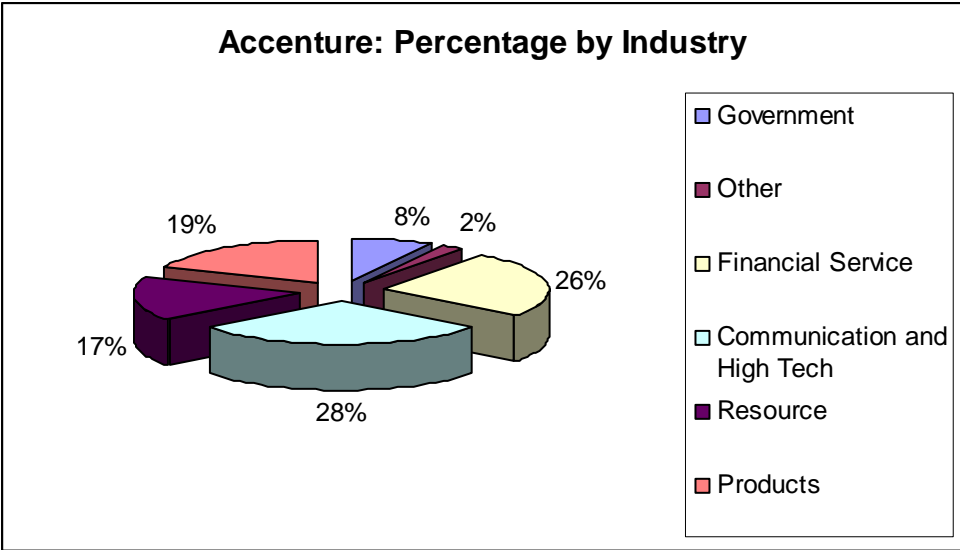
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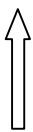
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# Appendix One Sectors Served by Accenture

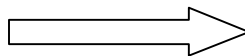


## Appendix Two KM Framework

Level of independence	Collaborative groups	<b>Integration</b> Integrated Processes Integrated Teams Best Practice Benchmarking	<b>Collaboration</b> Strategic Framing Knowledge Linking Action Learning
	Individual Actors	<b>Transaction</b> Routinization Automization Productization	<b>Expert</b> Experienced Hiring Apprenticeships Capability Protection
		Routine	Interpretation/judgment
Complexity of Work			



Accenture's Knowledge Management Framework: Work Model  
As developed by Accenture's Institute for High-Performance Business



## Appendix Three Organizational Knowledge Creation Spiral

