

The economic downturn is forcing organizations to cut programs and people that don't add to productivity or profitability. Knowledge managers are increasingly required to justify their value in this new, austere setting. Here, Erick Thompson explains how the St. Paul companies is adapting its KM strategy to focus "with radar-like clarity" on business goals, department by department.

EFFECTIVE KM IN A COST-CUTTING ENVIRONMENT

St. Paul Companies shifts learning 'into the lines' to show value

By Erick Thompson, The St. Paul Companies

From chief executives to the smallest department managers, all are thundering the same message: productivity and profits must go up, and inefficiency must be eliminated. Quality improvement programs touting hard, measurable results are in; soft incentives, such as taking work time for education are out. The mantra is: "Do more with less."

In this new environment, what knowledge management initiatives are effective? Which prosper and grow? And, most importantly, why?

This article describes one effective knowledge management strategy at The St. Paul that recognizes the new environment many corporations are operating in. At The St. Paul, we wanted to be more cost effective with our learning efforts. We needed to shift the learning "into the lines." Instead of being dependent on a centrally organized learning structure, we wanted to shift decisions and funding in the areas where they actually affect the business.

Business people want and must be able to manage their own information and expertise to accomplish their business objectives. By having the capability and flexibility to manage knowledge

themselves, business people can act with unprecedented speed and effectiveness, delivering value to their customers. Today, the time is right for knowledge management strategies that focus with radar-like clarity on facilitating productivity increases and cost reductions.

A gateway to solve business needs

The St. Paul's knowledge management strategy integrates explicit knowledge and intuitive tacit knowledge into an enterprise-wide strategy accessed through its Knowledge Exchange, an online access point structured around business information and expertise needs. It's a gateway to business information, and information about learning, which is aligned and integrated into work processes.

When launched in 2001, the primary objective of the Knowledge Exchange was to focus on helping business people accomplish business objectives more efficiently. Now in its second generation, this business tool's objective remains the same, only accelerated. And, in light of demanding economic times, an emphasis on quantifying hard, measurable results raises the performance bar.

Using the Knowledge Exchange, employees can access "Business Resource Centers," repositories of explicit knowledge. Business Resource Centers are used and managed by the business people who need them; they provide capabilities to business people to quickly update information and reduce expenses as

The St. Paul Companies

is a commercial property-liability insurance and asset management services provider based in Minnesota. It is largest underwriter of surety bonds in the US. In 2001 it reported revenues of US\$8.9bn and total assets of US\$38.3bn.

KEYPOINTS

they do so.

Also accessed via the Knowledge Exchange are intranet-based “business virtual communities,” in which people collaborate to accomplish work goals. Each virtual community has a clear business purpose and is created to carry out a specific type of work.

The leader of a business virtual community initiates the creation of the community and articulates a clear statement of its business purpose. The leader then invites, and in some cases, appoints, members to join the community.

Knowledge Exchange virtual communities provide members with a number of online tools that improve productivity, streamline processes and reduce costs. Two of these are instant messaging, which enables people to find answers to questions in real time; and “People Finder,” a tool for finding experts within the company on a given subject.

Over the past year, the number of virtual communities at The St. Paul has more than doubled, to more than 90, because business areas are seeing the value in customizing the “information set” that facilitates work objectives and reduces the duplication of efforts. Because of this, learning takes place within the business, while accomplishing work at the same time. Following are two in-depth examples of virtual communities in action at The St. Paul. virtual communities now in operation at The St. Paul.

Wired for Better Underwriting

The first is from Underwriting, where effective decision-making manages risk and brings in profitable business. The speed and accuracy of decision-making directly affects incoming premium dollars.

The underwriting team is responsible for writing insurance for large technology companies, an important revenue-generating market. It needs to communicate quickly and effectively with underwriters in four primary locations: the United States, Canada, Ireland and the United Kingdom. But it had no internal resource for creating documents in HTML, or translating them into HTML, for easy delivery on the company intranet. All information had to be created or translated by an outside vendor at US\$80 per hour. Turnaround from the vendor was slow; from days to weeks.

Further complicating knowledge sharing, this widespread audience of underwriters comprised people with varying PC skills. While many preferred electronic communications, others relied on the distribution of hard copy documents in three-ring binders, requiring a slow, time-consuming and costly process to produce and distribute. Also, timely, cost-effective training to bring new hires up

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- ❷ When launched in 2001, the primary objective of the Knowledge Exchange was to focus on helping business people accomplish business objectives more efficiently. Now in its second generation, this business tool’s objective remains the same, only accelerated.
- ❸ A successful virtual community begins with a clear business purpose, and community work is tied in with regular daily work.
- ❹ Asking people to use web-based tools to accomplish work represents a huge cultural change for many people. Yet, at The St. Paul, people are finding that growing pains are quickly overshadowed by the ability to accomplish goals with accelerated speed.

to speed was elusive.

The objective was to dramatically improve the sharing of underwriting guidelines and expertise specific to technology companies among The St. Paul’s underwriting personnel in multiple locations.

The strategy was to create a “Center of Expertise” Knowledge Exchange virtual community. Mark Schultenover, the Director of Internal Operations for Technology assumed the position of the virtual community’s leader. Working with a team of collaborators, he defined preliminary parameters for the community:

- The online site must be easy to access and use.
- It must act as a one-stop information shop.
- It must produce quantifiable productivity gains and cost reductions.

“Wired,” as the Technology Centre of Expertise was named, was launched in November 2001 – but not before detailed planning went into its creation.

For example, recognizing that no two people organize information in exactly the same way, Schultenover and his team developed an easy-to-use index encompassing the breadth and depth of



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Figure 1: “Wired” – A Knowledge Exchange center of expertise



- relevant underwriting information to which the community's users needed access. Main categories include underwriting tools and other categories that are recognizable by people doing the work.

“IN ONE YEAR, ONE DEPARTMENT SAVED AN ESTIMATED US\$60,000 PER TRAINER IN TRAVEL EXPENSES.

This index is displayed alphabetically as the community's home page (See Figure 1). This home page design was implemented as a result of user input, focusing on speed of access to critical information. By clicking on the topics and drilling down as needed, users quickly and easily find virtually any documentation they need. They also can use the system's search function. Additionally, screen tips appear to help inexperienced users navigate within the site.

In August 2002, the team launched a training program using the Wired Center of Expertise. Initial training has focused on improving the skills of underwriters using Microsoft products such as Word, Excel, PowerPoint, to create the reports required to share information consistently with management and other underwriters around the world.

The Live Online feature, a virtual meeting room inside the community, enables trainers and students – all seated at their computers in various locations – to share software programs and screens while working through various exercises together. Simultaneously, verbal communication takes place via conference calls, one-to-one phone conversations, instant messaging, or combinations of all three. Particularly useful is the ability to use the students' own live documents from real business

applications, such as an Excel spreadsheet, as learning examples.

Accessibility skyrockets while costs plummet

The systems technology of the Knowledge Exchange's virtual communities is compatible with and integrated into The St. Paul's legacy information systems. That means that documents stored in other company databases are accessible via the virtual communities. As a result, information accessibility skyrockets, and the costs of translating or uploading documents plummets, a savings multiplied year after year.

The site's graphic displays are Word documents, auto-converted by the community technology tool, into a web page for all to access. The community's leader, not an HTML programmer, can make the changes quickly, without involving time-consuming and expensive programming expertise. Now the leader and community members take ownership of the information because they can work with it directly, not requiring intermediaries to make changes. The business units are in favor because they, the users, not systems experts, are driving the use and evolution of virtual communities.

Delivering training via the Wired site has proved extremely effective. The interactive, hands-on nature of the site helps students learn quickly. The result is that because training takes place on site and within the context of business information, and because it requires no travel by either instructors or students, the St. Paul saves time and travel costs. In one year, an estimated \$60,000 per trainer in travel expenses is saved in addition to vendor cost reductions. Additionally, use of the Live Online feature eliminates the need to purchase outside online meeting and web conferencing vendor services, eliminating costs in one year in this one training area alone of \$113,000.

Members-only communities, with clearly defined membership requirements, operate more efficiently than open-member communities. The structure of the Wired Center of Expertise enables members to talk insider business freely. For example, rooms within the site include: "What's Going On," "From the Field," "Taking on the Competition," and "Financial Analysts," where chatting and threaded conversations take place in a secure environment.

Risk Control builds in-house expertise

The second example is from Risk Control, where cost-effectively controlling risk requires a pool of in-house information-enabled talent. Historically, The St. Paul Risk Control staff conducted risk assessments on large and mid-sized accounts only. Small commercial assessments were sent to an

Virtual communities align with business goals

The St. Paul has categorized Virtual Communities into five types:

1. *Work group*: includes people from the same department who are responsible for a product or service.
2. *Project team*: consists of people, often from different functions, who are responsible for a time-specific deliverable.
3. *Community of practice*: is a group of people coming together voluntarily to further a common business purpose. Project teams can spawn communities of practice (CoPs) and CoPs can spawn project teams.
4. *Centre of expertise*: includes experts that provide specialized knowledge to support fast and effective decisions that will achieve business goals. It's the hub of expertise in a business area, appointed by management to be a resource for the company.
5. *Classroom community*: an online collaborative platform enabling the exchange of ideas around a classroom session. It integrates the explicit knowledge learned in The St Paul University classes with the tacit knowledge gained by discussing ideas with others.

outside resource. This practice presented three critical issues:

- The company spent significant money outsourcing small commercial risk assessments.
- In turn, it received risk assessments with inconsistent quality.
- The company needed to build a talent pool of expertise to ensure future success.

The objective was to address these three issues simultaneously by reducing expenses, improving quality, and building in-house expertise. The strategy was to develop a solution integrating people, tools and processes.

The “Risk Control Advisor Program” was developed to bring new expertise into the Risk Control organization. After being trained, the risk control advisors (RCAs) would perform assessments for small commercial accounts.

However, the 13 new RCAs needed to be profitable, and improve the quality of risk inspection work beyond what the outside resource offered. They needed to average 42 inspections per month just to break even against previous vendor costs. They needed a powerful tool that Risk Control could tailor to their needs. The Knowledge Exchange became the “tools and process” components of the solution.

Seven key results followed:

1. *Information is in one place:* which saves time during new-employee orientation.
2. *Workgroups form quickly.* Once the new RCAs joined The St. Paul, the Risk Control Knowledge Exchange community became their point of contact for information and, equally important, people.
3. *Other functions lend support:* For example, the Knowledge Exchange enables Information Systems people to post the newest version of forms and new applications as they become available.
4. *The community focuses on the business goal:* It quickly ties new and established people to the business objective.
5. *The experts control the information:* The Knowledge Exchange gives the content experts a way to “build it themselves” – creating and updating the information while saving html programming costs previously spent with vendors. Most importantly, the best information is immediately available to Risk Control staff.
6. *The group builds expertise:* The Live Online tool inside the Knowledge Exchange provides a vehicle to deliver scheduled training to the entire group when needed and without travel. Managers also have the freedom to hold impromptu one-

on-one training sessions with their field people (e.g., properly completing Risk Control reports), which was not possible previously. This is building the bench while doing the work.

7. *Training costs drop:* Given the geographical spread, options included bringing people to corporate headquarters routinely for training, incurring travel expenses; sending them to local

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– MARK SCHULTENOVER, OPERATIONS DIRECTOR, UNDERWRITING

seminars, incurring high registration fees; or using one-on-one training with mentors or managers, incurring resource and productivity debts. Today with the Live Online feature of the Knowledge Exchange community, one manager can prepare and deliver a training module to the entire group at a single sitting. Don Leonard, the technical director, for Risk Control recently said the community provides “consistent, just-in-time training” that are tailored business needs.

Business results overcome growing pains

Asking people to use web-based tools to accomplish work represents a huge cultural change for many people. Yet, at The St. Paul, people are finding that growing pains are quickly overshadowed by the ability to accomplish goals with accelerated speed.

Giving the online editing power to business people gives pioneering organizations unprecedented control of their training content, reach and cost. Establishing virtual communities to accomplish specific work goals – whether long- or short-term goals – enables the best and brightest employees within an organization to collaborate for business solutions.

Training experts and human resources professionals have long recognized the “soft,” difficult-to-measure benefits of tools that promote collaboration – increases in employee teaming skills, confidence, interest, business relationships, knowledge sharing, and more. Today, management, from department managers to CEOs are asking for and receiving the “hard,” quantifiable benefits – such as the six-figure cost savings cited by business units within The S. Paul.

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