



SOCIETY OF ACTUARIES

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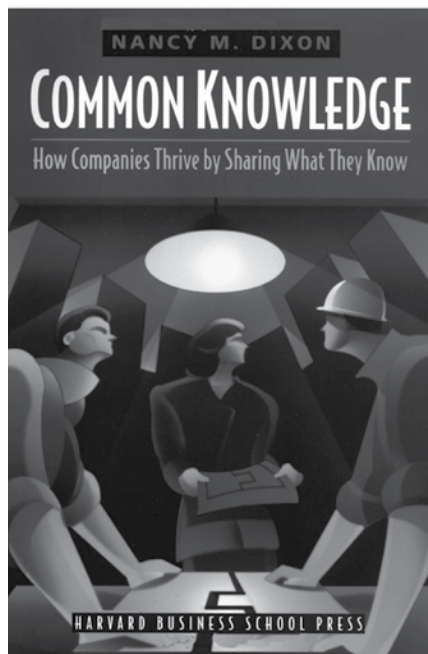
# The Stepping Stone

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## BOOK REVIEW:

# Common Knowledge, by Nancy Dixon<sup>1</sup>

Review by Tim Cardinal



“Bo Knows” was a series of Nike ads in 1989 to 1990 featuring professional baseball and football player Bo Jackson. Pairing up with celebrities, Bo knows football, baseball, basketball, tennis, ice hockey and running, but when it comes to the guitar, bluesman Bo Diddley says, “Bo, you don’t know diddley!” Consider if Bo paired up with an actuary.

What is the core of actuarial work? Last year’s cash flow tester left the company. The last dividend scale change was five years ago. The life product area is developing an index product a year after the annuity area launched an indexed annuity. A second captive is being formed and is supported

by the issuance of a surplus note. The schedule for a quarter-end business close and forecast needs to be accelerated. The reinsurance administration system is undergoing a conversion or upgrading to the newest release.

What do these all have in common? Knowledge. Actuaries are in the knowledge business. We can be subject matter experts, or we can be generalists. We know numbers, financials, products, investments, risks, business drivers, what’s, how’s and why’s. Does Bo know knowledge?

Actuaries are sometimes perceived as being notoriously poor at documentation. Having been involved in dozens of conversions, GAAPing and acquisitions and hearing stories from other actuaries, procedure documents, if they exist at all, are seldom complete. They are usually missing a few what’s, quite a few how’s, and many why’s. Enterprise risk management, Sarbanes-Oxley, risk-focused regulatory exams, Own Risk Solvency Assessment, principle-based reserves, Solvency II and the Accounting

Standards Board Insurance Contracts Project all stress aspects of documenting assumptions, models, processes, policies, communications and decisions. Yet in the context of creating and transferring knowledge, documentation is a small component. Does Bo know knowledge management?

In her book, *Common Knowledge*, Nancy Dixon uses nine chapters to explore how institutional knowledge is created and how it can be effectively shared. All knowledge is not the same, so it should not be created or transferred by a one-size-fits-all method. A successful knowledge transfer system fits the knowledge being transferred by considering the type of knowledge to be transferred, the nature of the task and the receiver of that knowledge.

Dixon uses insightful studies of existing corporate knowledge systems to demonstrate general principles in managing knowledge. The stories illustrate system frameworks to achieve business objectives for different knowledge. She observes, “These organizations know a great deal about how ... but much less about why.”

Common knowledge is the “know how” rather than the “know what.” *How* provides a competitive advantage; *what* is replicable. A distinction is made between information and knowledge. Knowledge is a link between information and its application in action in specific settings. Common knowledge is always linked to action. Chapter 1 also dispels knowledge-sharing myths.

Chapter 2 explores how to create and leverage knowledge. Creating translates ongoing experiences into knowledge and includes exploring the relationship between action and outcome. Leveraging transfers knowledge across time and space and includes selecting a transfer system and translating knowledge into usable forms to be adapted by future users. Dixon presents criteria and questions to select and determine knowledge transfer systems. Five types of knowledge transfer are outlined:

1. Serial: The same team repeats a task in a new context.
2. Near: The receiving team does a similar task in a similar context but in a different location.
3. Far: Similar to Near with tacit knowledge about a non-routine task.
4. Strategic: Complex knowledge with transfer teams separated by time/location; differs from Far in scope.
5. Expert: Explicit knowledge about an infrequent task; transfer does not involve interpretation—it only involves clear statements.

Chapters 3 through 7 look at each type of knowledge transfer with each chapter ending with sections devoted to a) Effective Guidelines for Transfer, b) Barriers and Problems, and c) Design Guidelines for Transfer. Each chapter narrates the experiences of existing systems.

Serial transfer considers transferring member knowledge to team knowledge. Studies include Army's Guidelines for After Action Reviews, British Petroleum's Peer Assist, and Bechtel. Next Dixon explores Near transfer by reviewing Ford's Best Practice Replication, E&Y KnowledgeWeb and TI's Alert Notification System. The differences between pull and push systems are considered.

Chapter 5 ("Far Transfer") highlights the differences between Far and Near, which include non-routine vs. routine tasks and tacit vs. explicit knowledge. For Far, source knowledge must be translated or considerably modified to be applicable to the receiving team and is less easy to replicate a transfer system. Studies include Chevron's Product Development & Execution Process, Lockheed Martin and the World Bank.

Strategic transfer focuses on the future rather than the past. Studies include BP's Restructuring Change Team, U.S. Army Center for Army Lessons Learned, a 4-Step Model and Steps in a Learning History Project. Expert transfer facilitates sharing of explicit

and technical knowledge. Studies include Buckman Labs' TechForums and Chevron's Best Practices Resource Map.

Chapter 8 asserts there are many very different ways to transfer knowledge and that knowledge is transferred most effectively when the transfer process fits the knowledge being transferred. Dixon develops a decision tree for selecting transfer types. She concludes that it is critical to develop multiple transfer approaches rather than relying on a single approach. Organizations need ways to transfer knowledge in all five types. It is important to design conduits of knowledge to enhance its flow, not warehouses for its storage. The concluding chapter, "Building an Integrated System for Knowledge Transfer," presents a) Important Elements, b) Framework Principles and c) A Guide to Getting Started.

Read the book. Then you can say, "Bo knows knowledge." ●

#### END NOTES

- <sup>1</sup> Harvard Business School Press, March 2000, 188 pages.



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