



# APO *news*

## Knowledge Management— From Brain to Business

*True to its name and mission, the APO started 2007 productively by organizing the International Productivity Conference 2007 (IPC 2007) in Bangkok, Thailand, 18–19 January. The Thailand Productivity Institute (FTPI) served as implementing organization and conference cohost. The IPC is a public event organized in conjunction with important milestones, generally once every five years. The IPC 2007 was a double commemorative event celebrating the 45th anniversary of the APO and 12th of the FTPI.*

**T**he event was attended by over 300 participants from 19 member countries, with more than 120 from overseas sponsored by the APO. One self-financed participant came from South Africa. The theme of the IPC 2007 was Knowledge Management—From Brain to Business, reflecting the APO's recognition of the importance of knowledge management (KM) as a driver-cum-determinant of productivity. This was explained by APO Secretary-General Shigeo Takekura, who noted in his opening address the increasing importance of innovation as a means to achieve sustained economic growth. Under such circumstances, he stressed that: "For achieving innovation, the most relevant tool is no longer quality management, but knowledge management in its broadest sense, which includes value creation or knowledge creation."

Deputy Minister of Industry Piyabutr Cholvijarn inaugurated the conference on behalf of the Deputy Prime Minister of Thailand. He stated Thailand was on a journey to become an intelligent, knowledge-based society and that KM "must be integrated in government, business, and academic institutions because it is the leading engine to sustainable growth and the health of our economy."

The keynote speaker was Prof. emeritus Ikujiro Nonaka, Hitotsubashi University Graduate School of International Corporate Strategy, Japan, whose research on knowledge-creating processes and their applications have had a worldwide impact. Prof. Nonaka spoke on the concept of *phronesis* as the basis for leadership in knowledge-creating companies. *Phronesis* may be translated as "practical wisdom," "prudence," or "practical reasoning." The idea of *phronesis* is rooted in Aristotle's typology of knowledge, as differentiated from *episteme* (scientific knowledge) and *techné* (skills and craft knowledge). Prof. Nonaka classifies *phronesis* as high-quality tacit knowledge that can only be acquired through direct experience. He explained that six abilities constitute phronetic leadership, i.e., the ability to: 1) make a judgment on goodness/what is good; 2) share contexts with others to create *ba* (workplaces); 3) grasp the essence of a specific situation; 4) reconstruct particulars into universals using language/concepts/narratives; 5) use any necessary means well to actualize concepts for the common good; and 6) foster *phronesis* in others to build resilient organizations. For enterprises to be resilient in the knowledge-based economy, Prof. Nonaka stressed the need to make *phronesis* a distributed phenomenon and to share phronetic capability collectively across the organization. He added that the creation of *ba* would contribute effectively to distributing *phronesis*.

The other speakers were selected for the exemplary KM practices in their organizations, which had won the prestigious Most Admired Knowledge Enterprises (MAKE) award. Knowledge Transfer Manager Martha Seng, Buckman Laboratories (Asia) Pte. Ltd., Singapore, spoke on collaborative knowledge sharing and how establishing trust is essential for knowledge

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Deputy Minister of Industry Piyabutr Cholvijarn

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**"Knowledge management is not a tool to make money, but a way of life, because it shares individual visions, dreams, and what we believe for the future."**

**Ikujiro Nonaka**

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sharing that creates value. She stressed that the focus must be on individuals because it is they who hoard knowledge or share it. She also emphasized that creating value ultimately means closing the gap between individuals within an organization and its customers. Head, RFID Solutions, and Principal Consultant T.S. Rangarajan, Tata Consultancy Services, India, highlighted connecting strategy and operations through KM in Tata Group companies. First initiated in 1999 in Tata Steel, KM has found strategic support in the groupwide Tata Business Excellence Model. He explained that KM had enabled business transformation within the group as it leveraged people, processes, and technology, thereby creating a fertile environment for innovation. IT tools provide the “muscle and vigor” to initiate and sustain Tata’s KM initiatives.

Managing Director Rory L. Chase of Teleos, which administers the MAKE award, reported how Asian corporations in India, Japan, and the Republic of Korea had caught up with European counterparts in the Global MAKE awards, especially in innovation. He pointed out that the average total return to stakeholders from 1995 to 2005 by Global MAKE-winning enterprises was more than double that of the median of all Fortune 500 companies. Senior Managing Director Atsushi Niimi, Toyota Motor Corporation, Japan, described the famed Toyota Production System, which is driven by kaizen, elimination of waste, and visualization of abnormalities. Globalization and rapid increases in the number of personnel in overseas plants led Toyota to innovate the system by reducing training time through standardization, visualization of the best methodology through manuals, and digitizing knowledge. Vice President Operations Dirk Ramhorst, Siemens IT Services and Solutions, Germany, explained how to elicit and reuse knowledge, make KM part of business strategy, and facilitate the sharing of knowledge throughout various internal communities of practice. Mr. Chaovalit Ekabut, President, Siam



*Prof. emeritus Nonaka and SG Takenaka*

Pulp & Paper Public Co. Ltd., Thailand, detailed the company’s journey in adopting KM. He said that the company had managed organizational culture to lead to innovation by organizing teams and awards for innovation, setting up an intellectual property management center, and encouraging managers and supervisors to broaden their horizons.

The IPC 2007 featured a knowledge-sharing session at the end of each day structured like an informal television talk show. With the guidance of skillful moderators, lively exchanges among the presenters and audience yielded insights into the tacit knowledge of speakers beyond their prepared presentations. The IPC 2007 thus represented another milestone in the APO’s journey to become an innovative learning organization representing Asia and the Pacific. 