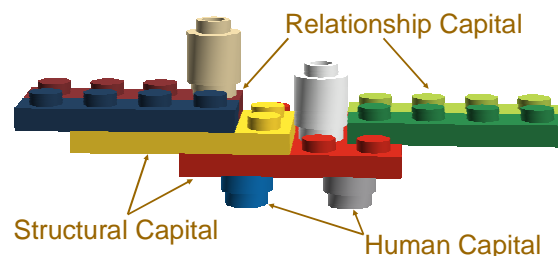


Want to Grow Like Google? ...Build A Knowledge Factory

Companion paper to YouTube video, *You Can Grow Like Google* at <http://www.youtube.com/watch?v=brBwWqiSg8g>

The shift to a knowledge-based economy means that the new terms of competition in every industry revolve around knowledge. Today, **what you know** is more important than what you own.

But knowledge is invisible in your financial and management information systems.



So the best first step to fueling growth based on knowledge is to **identify and visualize** your knowledge factory. In our examination of the Google growth model at <http://www.youtube.com/watch?v=brBwWqiSg8g> we created a model of Google's search business using LEGO™'s. We have used this approach to model all kinds of businesses and here we share how you can use it to model your own. This paper presents an exercise that you can use to build your own model of a scalable knowledge factory.

Growth Through Knowledge

As you go through this exercise, please keep in mind the Five Laws of Knowledge Growth:

1. Focus on the problem

Google did not create a \$22 billion business line by looking for the money. They did it by solving a tough problem. And continuing to work at it day after day. Today, their quest has expanded from "better search" to "indexing the world's knowledge."

In your own business, your ability to grow, innovate and create value will depend on the problems you can solve. This is where value is created and explosive growth occurs.

2. Structural capital is key to scaling and growth

Google's search business was able to grow from nothing to \$22 billion in less than ten years because it is highly scalable. Computers and software are much easier to scale than factories.

In your own business, ability to scale will be determined by the degree to which you create structural capital. This includes processes, educational materials, work flow---anything that captures shared knowledge and turns it into a repeatable, reusable form. The more structural capital you have, the lower your cost of growth and the easier it will be to meet the demand of your customers.

By the way, the power of structural capital also applies to manufacturers. The future of these businesses is in moving to sustainable, low waste production—doing more with less—which will be done through leveraging structural capital to innovate and work smarter every day.

3. The only limit to growth is demand for your solution

Google is a great demonstration of the value of knowledge. Its knowledge of search is not diminished by helping each individual searcher. In fact, the more people that use the internet, the greater the database available to Google, and the more its collective knowledge grows.

In your own business, how many people have the problem you solve? How many more have a related problem? Are there alternative solutions that also solve the problem? These are the only real limits to the value of your knowledge.

4. You will have to give away some of your value

Google would be nothing without its search engine. Yet they give it away for free. Of course, they do get paid for a related advertising program. That has been good enough to get them to \$22 billion in revenue in 2008.

Credibility on the internet and in today's markets is determined, to a great extent, by what you share, the value you create. The dilemma of free versus paid will continue to be a challenge for many industries. To find the right formula for your organization, answer these two questions separately: "How can we maximize value for our customers?" and "How can we get paid for the value we create?"

5. Every organization needs all three kinds of knowledge...working in sync

Google's intellectual capital factory is an integrated whole. Although its core value is in its search engine, the search engine would be worthless without searchers and advertisers. And it would quickly lose its power if Google's talented workforce stopped coming to work.





In your own business, do not compartmentalize the elements of your intellectual capital—your human, relationship and structural capital. Understand it as a system. Measure and manage it

as a system. This intellectual capital forms the growth factory that will fuel your organization's future. The following steps will help you to build a model for your own organization.

Build a Model of Your Knowledge Factory¹

Step 1: How do you get paid?

The first step is to identify how you get paid by your customers. Does your revenue come from products, services, labor or relationships? Write the name of the revenue source next to all of the applicable categories below:

	Revenue Sources
	Products:
	Services:
	Labor:
	Relationships:

Step 2: What competencies (human capital) support this value creation?







Next, think about the collective knowledge that supports your revenue generation. What does your organization know how to do? There are probably a handful of core competencies shared

¹ **A note about methodology.** We build these models using actual LEGO™ blocks. At the end of this document, you will find a list of Lego part numbers if you want to order your own set. You will also find a link to LEGO Digital Designer™, a free software program that we used to prepare our YouTube video. We use different shapes to represent the various kinds of knowledge or intellectual capital. The only color that has meaning in these models is the color gold, which indicates that your organization derives direct revenue from that asset.

Of course, there is nothing wrong with using a white board or the back of a napkin to get your thinking going. The important thing is to create a shared vision with your colleagues about how the knowledge side of your organization really works.





In fact, while this model can certainly be built by one person, it will be more powerful as a group exercise with your team. Building a model is a great kick-off for an off-site where you then assess your knowledge capacity and develop strategies for the future.

by your employees that enable your organization to create value for your customers. List your core competencies below.

	Core Competencies
	
	
	
	
	
	

Step 3: What processes and/or captured knowledge (structural capital) support this value creation?







Now, think about the processes that support your revenue generation. Processes may range from software-enabled solutions to standardized procedures or customary work patterns. At this point, please just model processes related to customer value creation. Support processes such as finance, human resources and marketing can be added later. List your core value creation processes below:

	Core Processes
	
	
	
	

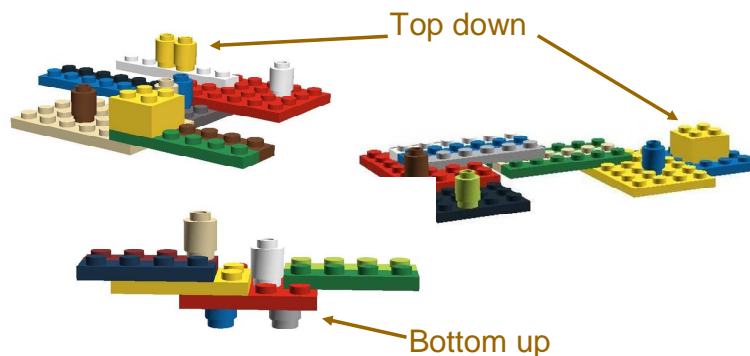
	
	

Step 4: What relationships (relationship capital) are integral to this value creation?

Then, think about the relationships that help you create and deliver value. Every business has customers of some kind—the group that your organization is designed to serve. There may also be partners and/or suppliers. Remember that, while they create value, not all relationships involve the exchange of money; a great example of this is Google's relationship with internet searchers—they do not pay for the service but their searches are the core of Google's value proposition. List your core relationship types below:

	Core Relationships
	
	
	
	
	
	

Step 5: How does it all fit together?



Now, take your pieces and fit them together to create a knowledge factory. There are a couple ways to approach this:

From the bottom up: Start with competencies (as we did in the Google video). Build the model from there, attaching processes to related competencies then adding relationships.

From the top down: Start with your revenue (gold) blocks. Link the processes, competencies and relationships together in a way that illustrates how work gets done.

As you work, make sure to link related assets directly together. For example, if you have unionized workers (human capital), they should be connected to the union (relationship capital) as well as the processes that they support (structural capital). Or if you sell a product, it needs to be linked with the processes to produce and distribute it.

There is no one right way to do this. In fact, the very nature of business today defies a standard model. ***Each company in the knowledge era creates competitive advantage through a unique combination of knowledge assets.*** Identifying and visualizing these key knowledge assets is the key first step to getting the maximum return on your knowledge.

What's Next?

Once you have this model, use it to improve your strategy, management and reporting. We suggest the following sequence:

→ Assess

- How does this knowledge factory work right now?
- Where are we at risk?
- Is this model as scalable as it could be?

→ Strategize

- What should we do about the assessment (from previous section)?
- What are we missing from today's model?
- How can we build innovation into this model?

→ Manage and Measure

- Who has the responsibility for each of these pieces?
- Who has the responsibility for the combined whole?
- How is this strategy going to be monitored and measured?

Keep this model on your desk. Use it as a reminder of what's important in your business. And if it helps you, please pass it on...

Pass It On

We are going through a difficult economic period and live in a time of great change. The answer to the dilemmas that face our country and the global community is in learning to leverage our knowledge for innovation and new kinds of growth. If you know a colleague or a company that would benefit from these ideas, please pass this information on to them.

Want to learn more?

This approach has been developed by Intellectual Capital Advisors based on our principals' experience of helping companies grow and deal with change in their market. Call us to learn how to jumpstart explosive growth in your company.

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Resources:

To buy blocks like those used here, go to the Pick a Brick section on the LEGO™ website (<http://shop.lego.com/pab/>) and search for:

Round brick 1x1	(Competencies/Human Capital)
Plate 4x6	(Processes/Structural Capital)
Plate 1x6	(Relationships/Relationship Capital)
Brick 2x2	(Products)

We recommend purchasing a variety of colors of the first three pieces and at least one of each piece in the color "bright yellow" (OK, it's almost gold...)

Models can also be designed using the free software, LEGO Digital Designer that LEGO™ offers for download at <http://factory.lego.com/>.