

## Kimberly-Clark Australia

### The Organisation and its Business Environment

Kimberly-Clark Australia (KCA) is one of Australia's leading manufacturers, marketers and sellers of personal care, family care, health care and related products. KCA is entirely owned by the global Kimberly-Clark Corporation (KCC). KCA employs approximately 1850 employees across Australia and New Zealand.

KCA is structured into a series of business divisions – personal care, family care, professional, health care, New Zealand – and a series of functions – consumer sales, supply chain, finance, corporate services, management information services and human resources.

Being involved primarily in the manufacturing, marketing and selling of high volume consumer products into the retail market, KCA is in a highly competitive business environment. KCA has high market share for most of its products, a very established set of brand names, high levels of customer loyalty and markets several products that tend to be positioned as high quality rather than low cost products. This means that KCA is always vulnerable to the entry of new competitors or the new product offerings of established competitors. This in turn drives the business imperative that KCA must continually strive for product and process improvement and innovation, and must work hard to protect its status and levels of consumer loyalty.

KCA faces competitors that are constantly improving and upgrading their own technologies, processes and products as well. In the view of one manager at KCA the intensity of the threat posed by the competition has increased rather than diminished over recent years as the pace of technological change and innovation has increased. The imperative for KCA is clearly to 'stay ahead of the competition'.

### The 'What' of Knowledge: creating, harnessing and sharing knowledge

As a major company that manufactures, markets and sells products, KCA's knowledge needs are very diverse. Key forms of knowledge for KCA include:

- Manufacturing knowledge: patents and licences over products, processes and technologies; product and process innovation; supply chain data and information;
- Marketing knowledge: information and knowledge on competitors, markets, consumers and their preferences; knowledge on environmental, social and community issues;
- Sales knowledge: CRM and related data and knowledge including sales data, market share, knowledge about customer preferences and trends;
- Corporate knowledge: financial data and information; management information; HR information, data and knowledge.

## Creating Knowledge

### *Global links vital for R&D knowledge*

KCA creates, imports and acquires knowledge in a variety of ways. R&D is particularly important for both product and process innovation and improvement and KCA can draw on the resources of KCC as well as their own local R&D activities. KCC's R&D activities are primarily run out of a major research facility located in Neenah, Wisconsin. This facility concentrates on the research and development of new product offerings as well as production processes and manufacturing techniques and undertakes R&D related to everything from chemistry, to infrastructure to the use of new production technologies.

### Local market knowledge and intelligence

Market research is undertaken globally as well as locally. Local market knowledge is particularly important for KCA as consumer preferences and attitudes, especially toward personal, family and health care products are often shaped and determined by the culture of the local community and society. Critical local market knowledge also includes information and intelligence on competitor activities and market trends for which KCA retains full-time dedicated consultants to analyse market and competitor trends. KCA also needs to access and acquire research on a very wide range of environmental, social and community issues. KCA sees its status in the community and society as vitally important to its profile and presence as a market leader and exemplary corporate citizen. KCA therefore needs accurate, timely and reliable information, data and research on issues such as resource sustainability, waste management and land care.

## Harnessing and Sharing Knowledge

### *Imperative of increasing integration across divisions driving knowledge sharing*

Knowledge sharing practices are vitally important for KCA in terms of the facilitation of both internal knowledge sharing amongst divisions and external knowledge sharing between the organisation and its customers, typically retailers. Whereas the traditional business and operational model might have been based on divisions focussing on their own responsibilities, the new business environment, as comprehended by KCA, means that divisions need to be more in touch with each other and with their customers.

For example, whereas the sales division might once have been able to concentrate on its sales figures and maintaining and developing its customer relationships, and whereas the marketing division might have been able to focus principally on its marketing concepts and strategies, both divisions now need to increasingly integrate their strategies, knowledge and intelligence and work more closely with the organisation's customers. This shift has been driven by a number of forces;

- as a response to increasing competition;
- as a means of ensuring the more efficient and effective use of information and intelligence;

- as a means of improving the efficiency and inter-divisional compatibility of business processes; and,
- in response to changing customer expectations and demands.

### *Customers demanding more information, data and knowledge*

KCA's improved responsiveness to customer expectations is particularly significant. The marketing division, for example, might previously have determined the appropriate time to launch or intensively market products according to their own market research data and then informed customers. Now, however, KCA increasingly recognises that its customers will often want access to that market data, and will want to know the reasons behind the preferred timing for the product launch or advertising campaign and will want to know how that strategy contributes to their performance and profits as well as the performance and profits of KCA. This has necessitated the development of much closer relationships and knowledge sharing arrangements and practices between KCA's divisions and between KCA and its customers. Increasingly these are relationships based on partnership and joint responsibility rather than on more traditional provider-customer or inter-divisional relationships.

### *Cross-divisional teams*

The development of new, increasingly integrated relationships between the divisions of KCA itself has been consolidated through the introduction of cross-divisional learning communities in the form of Category Management Teams. These teams include representatives drawn from divisions such as marketing, sales, operations, finance and human resources and meet regularly to develop strategies around specific product areas or 'categories'. The Category Development Teams:

- develop Category Development Plans which set out goals, strategies and timelines;
- are charged with the responsibility of ensuring that their plans reflect the interests of a wide range of internal and external stakeholders;
- create the foundations for learning communities that facilitate the sharing of knowledge and information from the perspectives of the different divisions which have an interest in the particular product category.

The introduction of more cross-divisional communication and knowledge sharing was associated with a strategic change process that commenced with the work of a senior level steering committee that included three General Managers and senior managers from the key functional areas of the business. The steering committee worked to define what customers needed and led to the development of a major change process which saw a comprehensive review of job descriptions, pay ranges, recruitment strategies, business processes and knowledge and information requirements. Learning and Organisational Development had a key role working with the steering committee in ensuring that divisions and functions were equipped with the training, skills and resources to enable them to work together with other functions and divisions.

### *Benchmarking facilitating production process improvements*

Knowledge harnessing and sharing strategies have also been critical to the success and continuous improvement in performance of KCA's manufacturing

plants. By benchmarking their performance against other KCC mills across the world, KCA mills have been able to significantly improve their production efficiency. The benchmarking of KCA's tissue converting plants (which manufacture facial tissues, paper towel and toilet paper) commenced in 1997. A KCA plant is able to benchmark its performance against 180 corresponding KCC plants around the world. The benchmarking and associated knowledge management process involves a number of elements:

- All KCC plants have access to a consolidated database which details all the equipment operated by each of the plants around the world. In this way, KCA plants can ensure that they are benchmarked against comparable plants and identify those plants which use similar or identical equipment and production processes.
- "Common performance measures" were initially developed by KCC central office to ensure standardised data collection and reporting procedures for each plant. The focus is on three key measures of the efficiency and performance of the production process: waste, delay (downtime) and speed. The methods for collecting data at each plant were checked and certified by a visiting team from KCC central office.
- Each plant routinely enters performance data on each of the measures and receives a monthly report on the plant's comparative performance. The reports are reviewed at monthly meetings attended by the Operations Manager and the Asset Team leaders (asset teams are organised around each of the plant's major product types). The reports serve to identify where potential improvements need to be achieved by highlighting superior performance on particular measures at particular plants.
- Knowledge about sources of performance improvement is then acquired through the operation of the global working groups. These global working groups, constituted by operations managers from plants all around the world, have been designed by KCC as ongoing bodies for sharing often very detailed information on production processes and techniques.
- The KCC working groups meet face-to-face periodically, and members maintain regular contact in between meetings via email correspondence and email discussion and distribution lists. Specific questions about production methods and processes are asked and answered; information about equipment modifications is shared; arrangements for plants to run trials for other plants are organised; details about safety incidents and fixes are shared. Details about the implementation of SMED have also been a regular focus for information and knowledge sharing. Single Minute Exchange Dies is a production methodology designed to reduce machinery and equipment changeover times so as to minimise production line downtime. The logic of the system is to review all the steps that must be taken for changeover and identify those that can be completed while the line is still running as means of reducing downtime.
- Ideas about improvements and changes to production methods and processes gleaned from the knowledge shared within the working groups is then communicated by the Operations Managers through the asset team leaders to the asset teams on the shopfloor. Information and knowledge exchange, and direct feedback from the shopfloor, is facilitated by crew meetings involving the Operations Manager, the asset team leader and the

entire crew. The meetings feature a data show from the Operations Manager, a discussion about proposed process changes and feedback from the shopfloor workers.

In addition to facilitating knowledge sharing about best practice methods and specific solutions, the benchmarking initiative has also led to a number of cultural changes. One Operations Manager noted that prior to the program commencement in 1997 there was a general belief that plant performance was pretty good. The benchmarking highlighted the extent to which it was possible to improve efficiency. He also noted that the process had led to a new level of transparency in production data and information: standardised performance data was now available to plants across the world and to all employees as well.

KCA mills are aiming to build on the success of the benchmarking initiatives by further extending their knowledge harnessing to improve the gathering and utilisation of shopfloor production and process knowledge. It was noted that KCC's benchmark mills overseas are distinguished by management spending significant amounts of time on the shopfloor. This is seen to facilitate improved communication on the shopfloor and to improve regular feedback from workers on the effectiveness of process innovations.

## **The 'Why' of Knowledge: purposes and outcomes**

### ***Knowledge to sustain company reputation as a leading corporate citizen***

Like its parent KCC, KCA is driven by a strong determination to present a positive and progressive corporate image to its staff, the market and the community more generally. KCA expends significant resources ensuring that it plays a positive role in the communities where it operates and ensuring, in particular, that it is equipped with the latest research and information on issues associated with the environment and the company's role in responsible environmental management.

KCA also works hard to develop and maintain strong constructive and enduring relationships with its staff. In addition to progressive and proactive HR practices and employment conditions (which has seen KCA rated as an employer of choice in 2000), KCA appears committed to effective communication with its staff and with its stakeholders – its customers, its supply chain partners, its ultimate consumers and the community more generally.

Knowledge and information about the environment, society and community and about KCA's role in environmental management, and its impact on the communities where it operates, is seen as important for KCA for a number of reasons. First, senior management at KCA (and KCC) has always placed great stock in the company being a strong and respected corporate citizen. The company funds significant programs of social and community development around the world. Second, it is recognised that being an informed environmental manager and corporate citizen makes good business sense. KCA acknowledges that consumers are becoming more concerned with corporate ethics, appropriate environmental standards and practices, and the social responsibility of major corporations. Good practice on these criteria helps sustain KCA's leadership position in the market. Third, KCA's attempts to integrate the firm's divisions, clarify its corporate and business message to its staff, and promote progressive practices and initiatives across the community, help build the 'family and

community' feel that KCA sees as distinctive to its organisational culture and characteristic of its relationships with staff.

### ***Knowledge as the basis of strong customer relationships***

Knowledge is also used within KCA to build and strengthen all-important customer relationships. Market knowledge, including the results of market research and the 'softer' knowledge about the preferences and perspectives of KCA's retailer customers is critical for retaining existing customers and for maintaining the high profile of KCA products with those customers.

### ***Knowledge to continue manufacturing process improvement***

KCA's manufacturing division also depends on manufacturing process knowledge in order to ensure that production processes, methods and technologies are efficient and leading edge. As detailed above, process and production knowledge is acquired through the benchmarking of plant performance against comparable overseas KCC plants and the operation of the working groups that share ideas and strategies for improving production performance.

### **The 'How' of Knowledge: practices and processes**

As a large, successful, customer-focused organisation with an enormous amount of diverse information and knowledge to manage, KCA uses the full range of methods of knowledge harnessing and communication. Meetings and email are commonly used. One example of the cross-divisional team, the Category Management Teams, meet regularly to share knowledge. Email is also used heavily throughout the organisation.

### **ERP facilitating faster and more effective communication flows**

KCA has had IT systems for some time that have permitted the storage of data, information and analyses on all aspects of the business – operations, supply chain data, customer records, financials, management information, etc. Recognising the need for best practice communication flows and information access, KCA has worked to develop IT systems that improve the visibility and transparency of key information and data and enhance the response times for queries for information, data and reports. In 2001 KCA implemented SAP/R3 as a means of integrating the legacy systems into a single uniform system that would ensure the improved integration of processes and procedures and facilitate faster, more accurate information flows and greater accessibility across the organisation.

The introduction of the new ERP was accompanied by a major training investment on the part of KCA. For many workers in particular functional areas, such as manufacturing, this was the first time that they were required to use computer based systems to record and access data.

Facilitating improved integration of divisions and improved knowledge sharing and information flows was not, of course, simply a matter of installing SAP/R3. Staff practices, behaviours and the culture around knowledge and information had to change as well. Networking within and across divisions of the business has always been important and continues to be strongly encouraged by KCA. However, KCA has also introduced other systems designed to facilitate the

capture of key tacit knowledge held by employees. For example, sales staff are required to routinely record all meetings and communications with customers so that KCA is always able to access complete and comprehensive customer records and data.

### **Performance management system used to reinforce knowledge sharing**

KCA has been able to capture this critical tacit knowledge through the technology at hand and through the operation of the performance management and development system. Sales management teams, for example, are formally responsible for ensuring that all their employees maintain accurate records of all contacts and related data. More generally, though, KCA has sought to use the performance management and development system to more strongly integrate individual employees into the whole company by clarifying objectives, upgrading job descriptions, sharpening performance measures, developing detailed competencies and providing clarity as to how the individual employee fits within the larger organisation. It is apparent that this has been a key way of clearly communicating the company's business vision and encouraging employees to take a 'whole of company approach' to their own role.

### **Communication of strategic company information**

Internal communication of news and information about the business generally is facilitated in a number of ways. The Managing Director conducts bi-annual communication sessions where information about new products and developments, market intelligence, financial information and recent success stories is provided. This is also supplemented by the release of a quarterly video from the MD, which is made available to all sites.

Particular worksites also conduct a wide range of information sessions including, for example, training days that are regularly held at the mill sites to discuss various topics associated with production, product or the market.

The KCC staff intranet is also widely used for the communication of information and news on a global scale. The intranet also has a number of active features. For example, the intranet's "Ask Tom a Question" feature enables Kimberly-Clark's staff from around the world to direct questions to the CEO, Tom Falk.

### **Mentoring to ensure the transfer of tacit knowledge**

As an employer of choice KCA has an enviable record of high staff retention rates. However, KCA's own analysis suggests that a relatively large proportion of staff are due for retirement over the next five to ten years. A significant number of these staff, with long work histories at KCA, possess critical tacit knowledge that the company can ill afford to lose when they retire. As a result KCA is investigating mentoring as a method of knowledge sharing which would place new or more junior staff in positions working alongside experienced employees who are looking to expand their skill sets and should facilitate the transfer of knowledge from those that may retire in the medium term future. In this way KCA plans to ensure the timely transfer of tacit knowledge from experienced to less experienced staff in key parts of the organisation.

### **Knowledge management development a key part of company management development programs**

KCA's extensive learning and development programs also make a contribution to supporting and improving better communication and knowledge sharing amongst key personnel. In 2002 KCA launched its Mt Eliza In-house Management Development Program developed by KCA in conjunction with the Mt Eliza Business School. The program provides a structured business administration education and training course covering all levels of qualifications from Graduate Certificate through to MBA. In 2001 KCA called for nominees to participate in the program from across all parts of the organisation in Australia. For the first intake in 2002 23 employees were selected. One of the key ways in which the Management Development Program is making a contribution to the knowledge development and sharing practices in KCA is through the work of the course's syndicate teams. All participants in the program work in a syndicate team which is made up of employees drawn from various divisions and sites of the organisation. Each syndicate team is set a specific work problem that relates specifically to KCA. The teams work on their problems as a team and develop a solution which has a direct practical application to KCA. This syndicate team approach has a number of major benefits:

- Real KCA problems are addressed and solved by the syndicate teams; the ROI is measured by estimating the value of the solution against the investment in the training;
- The program enables KCA to directly capture all the immediate benefits of the training; whereas KCA had previously found that its staff undertaking MBAs or management training would share their experiences and knowledge with students from other organisations, knowledge is now retained and used within KCA.
- The work of the syndicates is based on knowledge sharing practices;
- The functioning of the syndicate teams makes a major contribution to the development of knowledge flows and networks that can then be relied on by employees when future problems, issues and tasks arise.
- Participation in team problem-solving tasks helps employees understand the impact of their decisions and their work on other parts of the business thereby contributing to a better understanding of the 'big picture' of KCA.

The program itself is also seen by KCA to assist in retaining valuable employees and thus assist in retaining knowledge.

Training and skills development has also been important to the improvement of performance in KCA's manufacturing division. Over the past two years KCA has introduced a number of significant organisational changes in its production plants. Some maintenance functions have been outsourced while production and process workers have been trained in maintenance to enable them to undertake routine and minor maintenance thereby minimising disruption to the production process. This Maintainer Program has necessitated a significant investment in the training of operations workers. The training provided over the past two years has involved a mix of on-the-job and off-the-job components toward the achievement of nationally recognised competencies and qualifications.

With a large and diverse employment profile, KCA needs to carefully manage its developmental knowledge relating to the skills, competencies and training of its staff. KCA's career development system includes a program of annual development meetings for all employees, career development teams for each of

its functional areas and databases that contain information on skills, competencies, qualifications and development goals of all employees.

### **Evaluation of KM**

KM at KCA is not formalised in any single overarching KM program. Nevertheless the multiple practices and processes for effectively managing KCA's extensive knowledge demands have clearly made a major contribution to the company's success.

KCA's systems for improving the knowledge and information available to sales representatives, as well as the company's use of marketing knowledge, has helped maintain KCA's strong sales growth. KCA consistently breaks its monthly sales records and this strong performance is attributed in part to the company's capacity to handle and use sales and marketing knowledge.

KCA also commissions an annual Best Employers Survey administered to all its employees. The survey taps employee ratings of the company's performance as an employer and measures the extent of employee 'engagement' with the company. According to the consultants who administer the survey, levels of employee engagement are positively correlated with business performance. The surveys, which measure employee perspectives across a wide range of HR and organisational variables, and benchmarks that data against the annual performance of a wide range of other companies, have consistently identified KCA as an employer of choice. In 2000, for example, KCA was voted one of the top 25 companies in Australia to work for.

### **Knowledge management practices contributing to high retention**

Consistent with its reputation as an employer of choice, KCA has high levels of staff retention. The average length of service across the company is approximately 9 years; very high by industry standards. Along with remuneration, working conditions and the quality of the work experience, KCA's knowledge management practices play a role in retaining staff. High levels of employee satisfaction at KCA appear to be related to the quality of the work experience, and in particular, to the development, knowledge and skills acquisition that employees report receiving. KCA employees appreciate the skills development, cutting edge technology and leading brands that are characteristic of the company.

### **Knowledge management practices contributing to the bottom line**

KCA's knowledge acquisition and sharing initiatives introduced across its manufacturing division have made a major contribution to the bottom line through the realisation of considerable improvements to production performance and efficiency. It is apparent that the benchmarking program initiated in 1997 has had a major stimulus effect – highlighting potential areas for production process improvement, providing a clear focus on the key dimensions of waste, delay and speed, and providing access through the working groups to the successful innovations employed by similar plants elsewhere in the world. As a result of the benchmarking, for example, one of the company's tissue converting plants reported a significant performance jump across 12 different converting lines in the period 1998-2000. As a result of the introduction of teamwork and the re-organisation of the maintenance function in that plant, a further performance jump is expected to be realised in the next two to three years.