

MASTER

Balancing freedom and control : 'co-ordination via three levels' in Unilever's Knowledge Management Group, for strategic portfolio management and professional operation

Messemaker, Martijn

Award date:
2001

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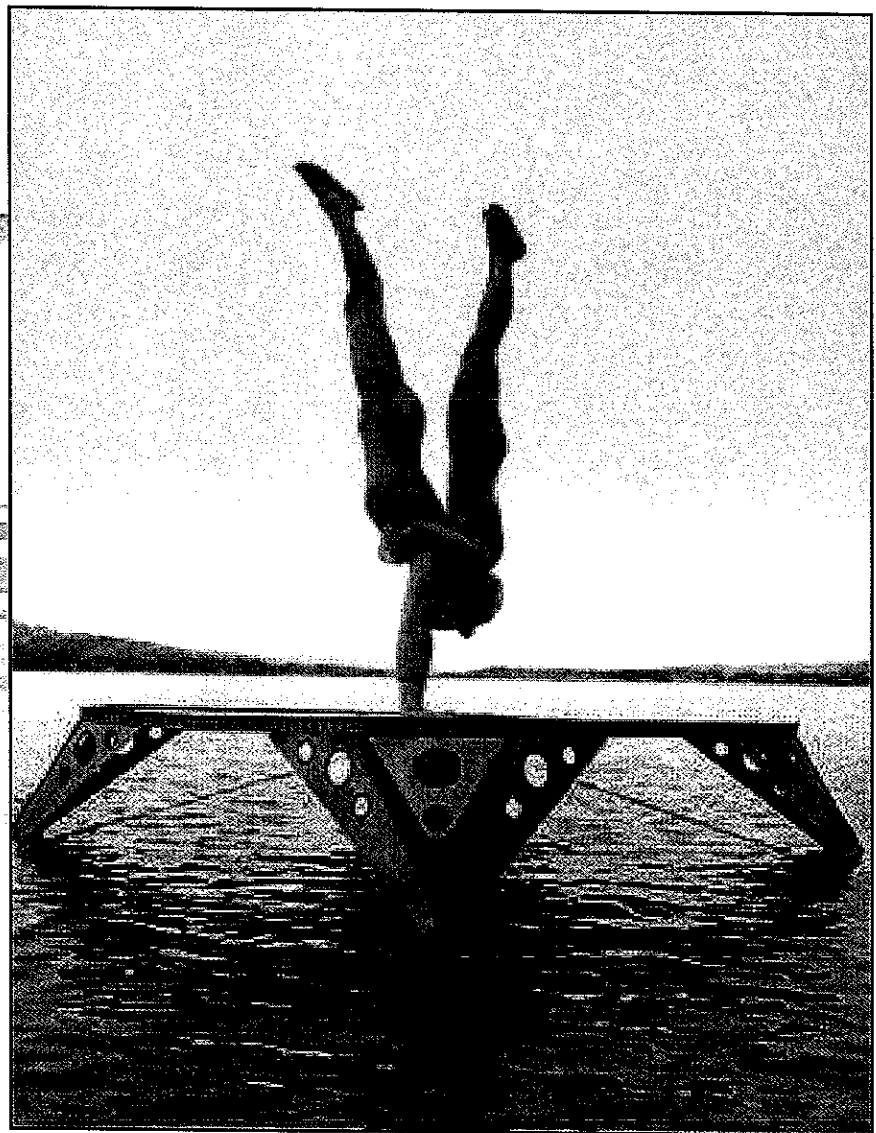
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Balancing freedom and control

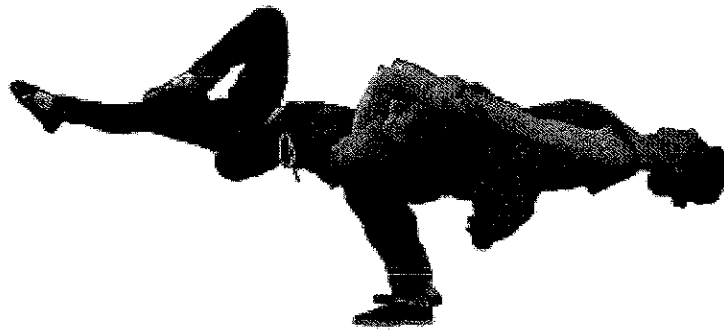
*'Co-ordination via three levels' in Unilever's Knowledge Management Group,
for strategic portfolio management and professional operation*



Martijn Messemaker
June 2001

Unilever, Knowledge Mapping & Structuring Unit (KMSU)
Eindhoven University of Technology (TU/e), Technology Management

“Dergelijke programma’s en wetten geven een goede afspiegeling van jullie samenleving. Maar bij het voorzien in de noden van de mensen moet je er wel voor zorgen hen niet van hun grootste waardigheid te beroven: de uitoefening van persoonlijke macht, individuele creativiteit, en de doelbewuste vernuftigheid die het mensen laat inzien dat ze ook voor zichzelf kunnen zorgen. Het is een delicaat evenwicht dat gevonden moet worden. Jullie mensen lijken alleen te weten hoe je van het ene extreem in het andere kunt belanden. Ofwel jullie willen dat de overheid ‘alles’ op zich neemt, ofwel jullie willen alle regeringsprogramma’s en alle wetten liefst nog voor morgen afschaffen.”
(‘Een nieuw gesprek met God’, N.D. Walsch, 2000)



Duo Scacciapensieri

Martijn Messemaker
Vlaardingen, June 2001

Graduation project

Eindhoven University of Technology, Faculty of Technology Management;
Industrial Engineering and Management Science

First Supervisor: dr. A. Kastelein (Organisation Science)

Second Supervisor: drs. P.M. Janssen (Technology and Work)

Third Supervisor: prof. dr. ir. M.C.D.P. Weggeman (Organisation Science)

TU/e

Unilever, Unilever Research Vlaardingen, Corporate MAST Group; KMSU
(Knowledge Mapping & Structuring Unit) / KMG (Knowledge Management Group)

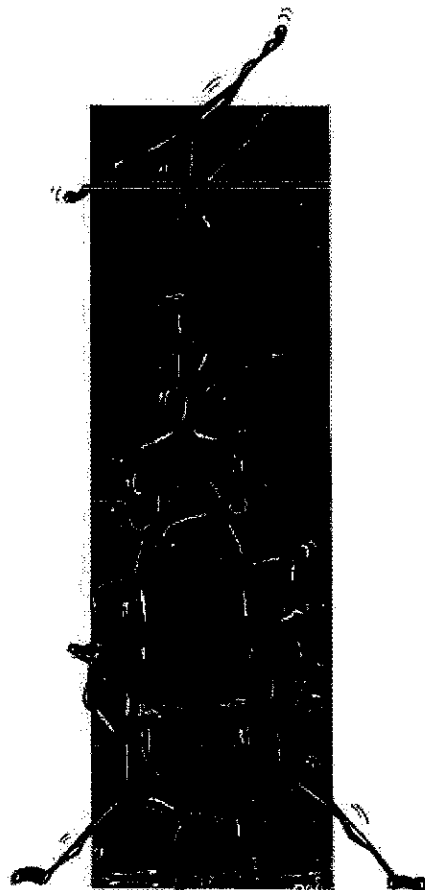
First Supervisor: ir. W. de Vries

Second Supervisor: ir. C.E.F. de Nerée tot Babberich

U
Unilever

Abstract

The concept 'co-ordination via three levels' describes an effective co-ordination mechanism for service organisations working with professionals in projects. Through three-level co-ordination, a good balance can be struck between many degrees of freedom for self-management and a few tightly controlled procedures for portfolio management, keeping an organisation on the strategical track. This report presents this co-ordination mechanism, which is designed on the basis of an analysis of the organisation of the product development and service delivery processes in the Knowledge Mapping and Structuring Unit (KMSU) of Unilever and a literature- and benchmark study. The design is applied to the Knowledge Management Group (KMG) of Unilever, KMSU's successor, in which it is implemented.



Summary

This graduation project was done for the Knowledge Mapping and Structuring Unit (KMSU), the Knowledge Management support unit of Unilever. First the organisation of its Development and Application processes was analysed. From this an effective co-ordination mechanism was designed.

In its two-year existence, the KMSU showed good results with Knowledge Management in Unilever. However, it was confronted with a barrier in increasing its impact on Unilever's business. At the beginning of this project (September 2000), it was known that the KMSU would be reorganised in the 2001 Unilever reorganisation (into the Knowledge Management Group, the KMG). This created the ideal momentum for a thorough investigation of improvement opportunities.

Knowledge Management (KM) is defined by the KMSU as: "an enabling framework for improving the capturing and locating, sharing, and creation of knowledge, in support of superior value creation". Via the process of learning, knowledge is created and through KM this knowledge is managed and distributed. Learning and KM are popular concepts nowadays, since organisations deal with constantly changing environments and complex goals and norms. Unilever acknowledges the importance of KM for its business. In August 2000, KMSU did market research within Unilever's Business Groups and Categories, from which was concluded that many of them would like to pick up KM more intensively and they are also interested in the help of the KMSU.

Two main barriers for an increase in impact of the KMSU were identified. First, there were situational restrictions, causing a lack of proper resources. This issue would be addressed during the reorganisation. Second, the KMSU experienced some difficulties with setting clear priorities between developing and applying KM. The latter was set as the scope for this project.

Priorities in Development and Application

In KMSU, two main processes can be identified:

- the development of KM products & services;
- the delivery of services to Unilever's business to apply KM.

This project will focus on the relation between the product development and service delivery (application) process.

In short these are referred to as 'Development' and 'Application' (D&A). Practically all KMSU's activities are done within customer projects, thereby competing for the same scarce resources: people, time and money. In a project, the customer is an important stakeholder, who demands speed and tailored applicability. On the other hand, effective development calls for thoroughness and general applicability, thus creating 'a field of tension' between D&A. This resulted in the assignment: *to recommend an improved organisational design of the D&A processes, for the successor of KMSU.*

From the analysis of D&A in KMSU, based on interviews with the unit members, internal documents etc., it was concluded that there were feelings of discontent and tension among the members. Three causes were identified: a dissatisfactory impact of KM within Unilever, discontent with the KMSU working method and uncertainties regarding the reorganisation. The third issue was set outside the scope of this project. The first two causes indicated improvement opportunities with regard to the effectiveness and the efficiency of KMSU. It was concluded that KMSU had high ambitions, but insufficient strategic focus and a lack of proper resources. Further, the

process design was concluded to be not utilised completely by the unit members, caused by a combination of its many and rigid rules and the loose control.

From a literature study on product development in service and project organisations, a theoretical framework was built. It identifies three cornerstones of performance for effective service organisations with project work and professionals: strategy, resources and process (see Figure 1). For each cornerstone, some key issues are discussed.

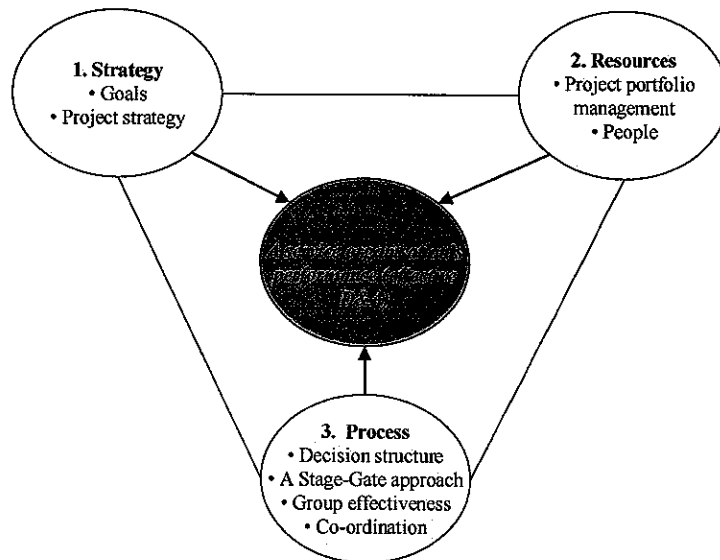


Figure 1. Three cornerstones of performance for service organisations (see 5.2)

By comparing the results of the analysis of KMSU and the theoretical framework, some conclusions were drawn on the organisation of D&A in KMSU. The field of tension between D&A was concluded to exist on both the strategic and the process level. First, the mission should be re-balanced, in line with KMSU's ambitions, and more concrete goals, phased in time, should be derived and monitored. Second, a simple Stage-Gate process (Cooper, 1999), providing critical 'go/ no-go' decision moments, should be designed and implemented. It should integrate project portfolio management and product development management. All processes should be well co-ordinated by a tight control mechanism, leaving the unit members enough degrees of freedom for self-management.

Effective co-ordination

While the reorganisation caused many insecurities on the strategic level, it was decided to proceed with a focus on the process level. It was concluded that co-ordination was the most relevant issue on this level. Therefore the design objective was formulated as: *to design an effective co-ordination mechanism for the new Knowledge Management Group, providing a proper balance between strict control and freedom for self-management.*

An effective co-ordination mechanism should be designed, striking a good balance between control and freedom.

From the theoretical framework and the conclusions, some requirements for effective co-ordination were listed. These led to three cornerstones for effective co-ordination of professionals in service organisations: strategy, process and self-management (see Figure 2). From this, the concept 'co-ordination via three levels' was designed. It was concluded that the strategy was an essential element in effective co-ordination, therefore the strategic level was included in the concept. It is the first level and includes and reinforces many shared values. The second level, process, provides a few clear and tightly controlled rules, to safeguard the strategic direction. Many degrees of freedom are left for self-management, the third co-ordination level. For all this to succeed, it is critical for the co-ordination mechanism to be in accordance with the organisation culture.

This concept was applied to the Knowledge Management Group (KMG), KMSU's successor. The design of the strategy level includes a clear and supported mission statement, clear and measurable goals, an indication of the balance between the levels 'process' and 'self-management', and a code of conduct, providing 'emotional intelligent' norms. The design of the process level includes project milestones with specific and agreed preconditions, to make go/ no-go decisions. Furthermore, a obligatory training program and a regular contact structure are included. The design of the first two levels enables successful self-management on the third level. An implementation plan was drawn up for this co-ordination design for KMG. The concept's success depends heavily on KMG's success in creating an open culture, which demands for much involvement of all unit members as prescribed.

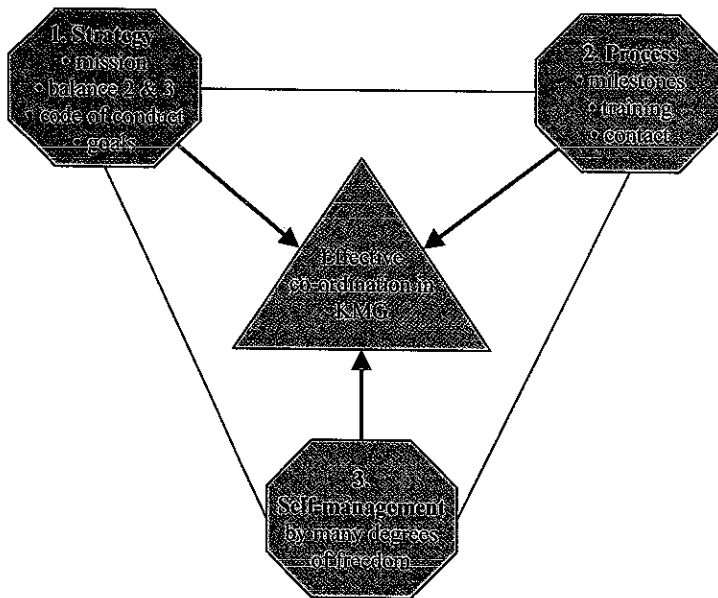


Figure 2. Three cornerstones for co-ordination in KMG (see 7 and 8.1)

The concept of co-ordination via three levels was included in KMG's business plan and is currently being implemented. The co-ordination mechanism simplifies the organisation of the D&A processes, clarifies priorities and provides more freedom for the people, thereby helping to increase efficiency, effectiveness and work satisfaction in KMG, compared to KMSU. In addition, 'co-ordination via three levels' provides a useful framework for KMG to analyse problems with co-ordination, priorities and motivation in the future.

Recommendations

Finally, a set of recommendations for KMG was summarised, based on the co-ordination design and the conclusions on D&A in KMSU:

1. Rebalance the mission statement: mention Development as a requirement for Application, preventing an equal importance suggestion.
2. Make a strategic plan: define some phases with goals for the coming years, which will allow KMG to fulfil its mission.
3. Ensure the proper resources, budget and people, are available to reach the goals.
4. Design a project portfolio management system, which allocates resources to projects on the basis of their strategic value.
5. Design a Stage-Gate process (Cooper, 1999) for effective new service development, integrating portfolio management.
6. Implement the proposed design 'co-ordination via three levels in KMG' completely.