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Knowledge Management: Stop Crossing the River by Feeling the Stones Postprint

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Abstract

[Purpose/Significance] This research seeks to encourage more enterprises to transform their traditional thinking patterns and learn to work intelligently. [Method/Process] Summary of practical experience: find the right people, ask the right questions, do the right things. [Results/Conclusion] How far one can go depends on who one travels with.

Full Text

Knowledge Management: Stop Crossing the River by Feeling the Stones

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Abstract

[**Purpose/Significance**] This study aims to encourage enterprises to transform their traditional mindset and learn to work smart rather than simply working hard. [**Method/Process**] The approach is based on practical experience summarized as: find the right experts, ask the right questions, and implement the right solutions. [**Result/Conclusion**] How far an enterprise can go depends on who it travels with.

Keywords: Market Economy 2.0; leveraging external expertise; organizational IQ; standardized processes; intelligent manufacturing in China

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The notion of “crossing the river by feeling the stones,” which was popular in China for the past three decades, has become obsolete. In the coming 10 to 20 years, China’s market will enter a critical period of “Market Economy 2.0,” requiring vast numbers of Chinese enterprises to transform and upgrade to meet the challenges of the new normal.

During the “Market Economy 1.0” era, most Chinese enterprises relied primarily on blue-collar workers who created value with their hands. However, as we enter the “Market Economy 2.0” period, Chinese enterprises face a transition from “Made in China” to “Created in China” and “Intelligent Manufacturing in China.” In this context, the role of knowledge workers becomes increasingly prominent, making knowledge management an unavoidable core issue for many enterprises.

I recall that when I first assumed the role of Chief Knowledge Officer (CKO) in 2001, my first task was to clarify the purpose of knowledge management—specifically, what problems it could help solve. As a CKO, our focus was not on academic research but on enhancing corporate competitiveness. After developing preliminary objectives, I communicated and shared them with the entire executive team, listening carefully to their feedback before taking action. I established three purposes for knowledge management: improving organizational IQ, reducing duplicate work, and avoiding organizational amnesia. These three objectives remain relevant to this day, and I have spent the past decade applying knowledge management methodologies to help Chinese enterprises elevate their management standards.

Improving organizational IQ is achieved through systematic methodologies such as strategic planning, business model design, and product innovation processes. When these highly proceduralized approaches reach consensus and form synergy within executive and implementation teams, they clarify each person’s role and transform individual tasks into actionable “scripts.” This fundamentally prevents people from working at cross purposes. Reducing duplicate work involves standardizing routine actions into standardized processes. For instance, I recently helped two clients develop an “excellent salesperson model” that codifies the practices, philosophies, tools, methods, and processes of top performers into replicable “prescribed actions.” This uses the power of role models to influence others, encouraging the most successful salespeople to share their success strategies so that more people can see hope and understand that following this model can lead them to success as well. Avoiding organizational amnesia focuses on sustainable development by transforming functional departments from control-oriented to service-oriented entities, creating an implicit yet effective management system through quality service that people willingly accept. When implementing sales funnel management in several enterprises, I changed the evaluation approach from assessment to coaching, because I firmly believe that performance is achieved through guidance, not evaluation. This tool not only improves employee performance but also prevents customer loss when sales

personnel leave, achieving two goals at once.

In 2002, during a speech at Peking University’s “Chinese Business Leaders Forum,” I faced skepticism from many MBA students about knowledge management. I told them: I firmly believe that in 15 years, knowledge management will become the hottest management topic in China. At that time, they thought my shift from marketing to knowledge management represented a career decline. I have maintained this view to this day—in other words, knowledge management will surely flourish in China within two years, as it forms the foundation for intelligent manufacturing and creation. The vast majority of Chinese enterprises will face transformation and upgrading, moving from manufacturing to creation, from relying on blue-collar workers to generating value through white-collar employees, from focusing solely on operations to balancing operations with management, and from tactical orientation to strategic orientation.

Chinese culture emphasizes following the trend rather than moving against it. This applies to both life and marketing. Aligning with major trends yields 事半功倍 (multiplied results), which explains the popular saying: “Even pigs can fly when standing at the wind tunnel.” However, any rational person understands that typhoons are low-probability events, and finding a wind tunnel is not easy. Therefore, we must both grasp major trends and make forward-looking predictions while preparing in advance—this is the most critical aspect of leveraging trends. Studying trend directions and their impact on enterprises has become crucial in today’s Chinese market, particularly for entrepreneurs accustomed to focusing on immediate tasks without looking at the bigger picture.

Of course, following or leveraging trends is merely a starting point for a brand’s takeoff—it can make a brand famous overnight, but the path forward determines success or failure. The concept that “even pigs can fly” is popular, but we should not violate common sense. A normal pig might fly with the help of a typhoon, but then what? Why does no one discuss what happens next? Two practical issues must be considered: how to fly higher and how to land safely. After all, a normal pig cannot fly forever unless it evolves during flight and grows wings, achieving species evolution. Otherwise, anyone with common sense knows that a normal pig’s final destination is back on land. If it hasn’t grown wings, whether it experiences a hard or soft landing depends on luck, and the outcome could be disastrous.

Therefore, a normal pig must plan for the future before taking off, engaging in top-level design and thinking through the next five years. Waiting until after takeoff is too late. This is the systematic thinking I have always advocated, though unfortunately, most people are unwilling to think that far ahead, preferring to take off first and become famous first, exacerbated by pseudo-experts who fuel impatience. Many untrained individuals believe that “plans cannot keep up with changes,” dismissing the value of strategic planning and unwilling to study trends and contexts. Consequently, they constantly search for wind tunnels while fighting fires, focusing only on immediate tasks without seeing the bigger picture or understanding how to leverage external resources. Such

enterprises, regardless of size, live in perpetual exhaustion.

Based on this understanding, my interpretation of leveraging external resources is simple: when facing difficulties, find experts. Since reform and opening up, most businesspeople have understood marketing as primarily about communication, with many experts, gurus, and planners focusing on promotional tactics while forgetting that marketing's core is offering customers an irresistible product. For over a decade, I have tirelessly called upon Chinese enterprises that have completed primitive capital accumulation to shed their impatience, return to rationality, focus on fundamentals, and follow market economy and marketing norms. Through continuous effort, they can develop international competitiveness in operations, management, and culture—this is what it means to follow the trend. Unfortunately, recent social trends have moved in the opposite direction.

With the arrival of the internet era, China has entered a true market economy stage—a rare opportunity. The next 30 years will be crucial for creating world-class Chinese enterprises. If Chinese enterprises fall into the trap of impatience again, they will lose discourse power and dominance. The so-called “internet thinking” that has become popular in recent years has made everyone anxious about being left behind, yet nobody can clearly define what “internet thinking” means. For some celebrity figures, “internet thinking” is simply marketing concepts that Western enterprises began implementing 30 years ago and continue to use today—there is nothing new. In my view, those who promote “internet thinking” are the “idea kings” of the new era, focusing on exaggeration, hype, and deception. While their communication methods are more sophisticated than the “CCTV advertising kings” of the past, the essence remains unchanged.

Some experts tell entrepreneurs not to pursue sustainability but to become famous as quickly as possible by any means, similar to entertainment circles where fame equals money. Under the guidance of such “celebrities,” Chinese enterprises become increasingly impatient, unwilling to spend years perfecting products to conquer the world, instead focusing on promotion and hype for overnight success. While this may produce short-term effects, the results are as unsustainable and side-effect-laden as stimulants. What Chinese society needs today is a group of internationally competitive hidden champions and large enterprises with sustainable foundations.

For growing SMEs to achieve qualitative leaps, they must summarize successful business models, systematize effective practices from the entrepreneurial phase, and codify processes, actions, norms, and systems into standardized documents. This transforms local success into comprehensive success, individual success into collective success, and point success into surface success, thereby transitioning from accidental to inevitable success. Only by summarizing successful principles and logic can enterprises replicate management systems, multiply benefits, and reduce management difficulty—all relying on knowledge management methodologies.

Strategic planning represents the breakthrough for medium-sized enterprises to

grow. While simple in concept, implementation is difficult, and excellence is even harder. During the growth phase, strategic planning should be conducted annually, requiring about 10 days each time, not including preparation and follow-up documentation. The first strategic planning session should be led by an experienced “expert,” the second can involve the expert as a consultant who speaks only at critical moments while the marketing director or manager takes charge, and by the third session, the enterprise can essentially conduct it independently. For sustainable development, enterprises must develop their own “blood-making mechanism” rather than outsourcing everything to consulting firms. Only through collective participation and joint planning by the executive team can execution be improved.

Many SMEs mistakenly believe that large enterprises should produce high-end products while small enterprises can only produce low-end products. In reality, large enterprises can rely on economies of scale and are better suited for high-volume “commodity” products, while small enterprises must target niche markets with differentiated products featuring superior quality, special characteristics, and specialization. Without the brand influence of large enterprises, small brands must give target customers compelling reasons to choose them. Only when small brands offer characteristics that large brands cannot provide will target customers have irresistible reasons to buy, achieving the goals I proposed in my book *Winning Without Fighting*. However, many believe that SMEs lacking brand, capital, talent, and technology cannot produce better products than large enterprises. The key lies in mindset—whether entrepreneurs have the courage and awareness to position themselves strategically. Once this awareness exists, resources can be integrated. Only when SMEs produce better, more refined, and more professional products than large enterprises can they attract customers. Unfortunately, most Chinese enterprises do not understand this principle.

Many mistakenly believe that increasing profits requires reducing costs, as if profit and cost were irreconcilable contradictions. This collective misconception arises because most Chinese entrepreneurs and managers do not understand pricing principles or even what marketing truly means, assuming all consumers prefer cheap products. Consequently, they focus intensely on cost reduction, triggering round after round of price wars across industries. Without product differentiation and characteristics, homogeneous products flood the market, and buyers facing indistinguishable commodities naturally select suppliers through “lowest price bidding.” This vicious cycle convinces more people that low price is the only hard truth. Without changing this mindset, SMEs have no future. My conclusion is: to increase profits, first increase value.

A market economy emphasizes division of labor and cooperation, where everyone exchanges their specialized skills to find shortcuts. I recall the day Morgan Stanley invested in Mengniu—I was in Hohhot training Mengniu’s national dealers on marketing strategy. Afterward, I told General Manager Niu Gensheng how impressive Mengniu’s rapid development was. He replied: “Jianhua, I’m

not particularly talented; I just know how to leverage external resources. In China's enterprise management consulting and planning field, there are only about a dozen true experts. For strategy, I can find you; for planning, I can find Lao Ye (Ye Maozhong); for corporate culture, I can find Huixiang (Chen Huixiang). I borrow the brains of you smart people, making me smarter than any of you individually. Isn't that right?" This profound insight has stayed with me for years because Niu truly understood and thought through these matters clearly.

I often say: how far a person can go depends on who they travel with. After all, each person's energy, ability, and expertise are limited, requiring external support to enhance overall strength. Good enterprises understand how to leverage resources and know whom to learn from. When facing work or career challenges, whose advice do you seek? What kind of people do you associate with? Which experts do you trust most? These decisions determine an enterprise's direction and path. Everyone knows the story of Mencius's mother moving three times to find the right environment. The people one befriends determine their circle, vision, and realm. As the Chinese saying goes: reading ten thousand books is 不如 (not as good as) traveling ten thousand miles; traveling ten thousand miles is 不如 (not as good as) receiving guidance from wise people. The "three-character classic" I summarize is: find the right people, ask the right questions, and do the right things. When you achieve this, you can reach the state of "balancing work and life," enjoying both success and life, moving from "becoming wealthy" to "becoming happy."

Leveraging external expertise to solve problems has gained increasing recognition among enterprises, much like how the sports world imports foreign players and coaches. Finding the right external experts yields 事半功倍 (multiplied results), while choosing the wrong ones wastes time and resources. In my consulting work over the years, I have encountered many ambitious enterprise leaders eager to take their companies to the next level. These leaders are willing to invest and recognize the value of external brains, frequently hiring renowned trainers for management training and well-known consulting firms for advice. However, the results are often unsatisfactory, leaving many entrepreneurs puzzled: why do so many famous trainers and consulting firms fail to solve problems, or even make them worse?

Untrained enterprise leaders facing such dilemmas typically attribute failure to internal problems or insufficient management team quality and execution. In reality, many enterprise problems stem from choosing the wrong advisors—like selecting a doctor who not only fails to cure the illness but worsens it. Therefore, managers' ability to discern expertise becomes critical to successfully leveraging external brains. Never seek medical help indiscriminately or go to large hospitals for minor and major ailments alike, only to encounter an intern whose skills are inferior to seasoned experts at smaller hospitals. The Western approach emphasizes "seeing a specific doctor," which is fundamentally different. Based on my years of training and consulting experience, I have identified several

common problems worth sharing:

- (1) **Transplanting large enterprise practices to small enterprises:** Some trainers and consultants have experience with large enterprises, but their bureaucratic and conservative approaches may not suit small enterprises, different industries, or the most advanced practices in a specific sector. After adopting these suggestions, small and medium-sized private enterprises often suffer from indigestion and difficulty in implementation. A typical problem is performance evaluation systems copied from large enterprises without adaptation for SME characteristics. These systems are often inhumane, rigid, and overly complex, making employees uncomfortable and causing widespread dissatisfaction.
- (2) **Transplanting small enterprise practices to large enterprises:** Some trainers and consultants have never worked for successful, excellent enterprises. They merely integrate guerrilla tactics and good ideas from books and classrooms, applying others' approaches mechanically through "Reader's Digest"-style editing. This leads many capable large enterprises into dead ends where they struggle to advance or retreat. A typical problem is chasing fads and focusing on short-term benefits like small enterprises, such as assigning sales targets and collection rates to marketing directors as KPIs. This turns the marketing department into sales assistants, abandoning long-term strategic planning work and leaving the enterprise in perpetual crisis mode without direction.
- (3) **Transplanting past effective practices to the present:** Markets are constantly changing, and enterprises are continuously growing. If trainers and consultants cannot keep pace with the times and rely only on past successes, they cannot provide forward-looking prescriptions or help enterprises look ahead. Many once-popular trainers and consultants are "one-trick ponies" who invent self-consistent theories and use a few successful cases to prove themselves right. A typical example is relying on ideas and schemes to fool clients—an approach that worked in the mass consumption era of moderately prosperous consumers but has become obsolete as China's mainstream consumer group shifts to the middle class, who are increasingly rational and sophisticated.

In summary, choosing the wrong manager affects an enterprise temporarily and locally, but choosing the wrong advisor has profound and sustained impact. I firmly believe that how far an enterprise can go depends on who it travels with. In other words, what kind of people the boss believes in, what concepts they accept, and what path they choose determine the enterprise's future. Therefore, one must be cautious when leveraging external resources—choosing the right people is the primary issue.

Note: Figure translations are in progress. See original paper for figures.

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