

## Knowledge Anchors

The phrase “knowledge anchors” was coined by consultant Peter Keen in the 1980s.

**Knowledge Anchors** are fundamental beliefs about our business and about what it takes to succeed, as well as fail. They are *axioms* – statements about the business which are so “obvious” that no-one ever questions or challenges them.

Knowledge anchors drive critical decisions and behaviours. Very often, they do so tacitly and implicitly – because they are not made an explicit dimension of the decision-making process.

If left unexamined, these anchors can potentially become disconnected from the real fundamentals of the business. If they are incorrect, they will cause people to make critical decisions based on flawed beliefs about the world, and cause major damage to the business.

**The “strategic thinking” organization will:**

- **know what its knowledge anchors are, and**
- **be willing to discuss knowledge anchors to ensure they are current, relevant and correct.**

Potential areas for Knowledge Anchors include:

- drivers of customer demand
- customer attributes and needs
- competition
- product
- employees
- channels
- cost structure
- information technology
- operations
- structure

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***Drivers of Customer Demand*** – things outside the business that will influence customer demand for our products and services:

- example: aging baby boomers are approaching retirement, and their interest in retirement planning and asset accumulation is increasing

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***Customer Attributes and Needs*** – assumptions about our customers and what they need from our products and services

- example: our customers don’t care about product choice; what they want is convenient service
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**Competition** – who our competitors are and will be, and how we stack up relative to them

- example: we own this piece of the market; XYZ Inc can never catch up to us there because they don't have the products
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**Product** – beliefs about products, their pricing, and what it takes for a product to succeed

- example: this product must be sold by a broker because its a relationship sell; you can't sell a software package like this through the mail
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**Employees** – assumptions about our employees, their attributes and their needs

- example: our sales force will sell anything they are paid to, even if it's wrong for the customer and wrong for us
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**Channels** – assumptions about the best channels to reach certain segments and to sell certain products, and about the attributes and needs of various channels

- example: all brokers care about is the commission; we have to let the distributor manage the customer relationship: it's what he's there for
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**Cost Structure** – assumptions about the fundamental business model driving our costs and how well we match the ideal

- example: the way one makes money in this business is to lever a few senior people with a team of intermediates and juniors
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**Information Technology** – assumptions about the leverage that information technology can provide to the business

- example: technology will always provide us the product flexibility we need
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**Operations** – basic beliefs about what operational excellence looks like

- example: long production runs is the only way to keep run cost down
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**Structure** – belief about the principles that must drive organizational designs

- example: we must have "profit centre" managers as close to the customer as possible

To stay "ahead of the wave," our major knowledge anchors need to be explicitly stated, discussed, challenged, and confirmed on a regular basis. This is a critical element of the strategy process.

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**So now it's time for you to inspect your *own* anchors, and determine whether they're holding you secure in the storm, ...or holding you back!**