

APPLYING MBM®

Sharing ideas and insights in order to improve decision making, build competitive advantage and create real long-term value.

KNOWLEDGE SHARING

APPLYING MBM IS DESIGNED TO HELP INDIVIDUALS UNDERSTAND AND APPLY MBM TO GET RESULTS.

We define knowledge sharing as profitably contributing and seeking out ideas and insights and applying them to improve decision making, build competitive advantage and create real long-term value.

MBM® GUIDING PRINCIPLE #6 KNOWLEDGE

Seek and use the best knowledge and proactively share your knowledge while embracing a challenge process. Develop measures that lead to profitable action.

As described in our sixth guiding principle, it is an expectation for all our employees to seek out best knowledge and proactively share their own knowledge with others in their Koch company and in other Koch companies. Additional guiding principles contribute to effective knowledge sharing, including Principled Entrepreneurship™, Humility and Respect. Mental models such as the Challenge Process, Continuous Improvement and Knowledge Processes are also relevant.

The Koch companies operate in competitive and continuously changing markets. If we do not adapt and improve faster than our competitors, we will fall behind and eventually fail. To be successful over the long term, it is essential we: **(1)** anticipate, understand and respond to changing customer needs and other developments in the marketplace; and, **(2)** innovate and eliminate waste.

We must continue to learn. We can do this on an individual basis, but this is not sufficient; we must efficiently harness and contribute to the collective knowledge of our Koch company, and all of the Koch companies. We must do this in a way that avoids waste.

When appropriate, we should look for knowledge from outside the Koch companies. We must not be reluctant to seek out knowledge from others and cannot afford to view doing so as a weakness.

The Koch companies have experience and knowledge in a wide range of businesses and markets. Effectively capturing and sharing this knowledge – both within and between Koch companies – can provide us with an important competitive advantage; failing to do so would be a significant lost opportunity.

“Knowledge has to be improved, challenged, and increased constantly, or it vanishes.”

- Peter Drucker

“Knowledge is of no value unless you put it into practice.”

- Anton Chekhov

WHAT IS A KOCH COMPANY?

In this document, all the companies under the ownership of our shareholders are referred to as Koch companies. As of the date of this document, examples include the following; Koch Industries, Flint Hills Resources, Georgia-Pacific, INVISTA, Koch Agriculture Company, Koch Business Solutions, Koch Chemical Technology Group, Koch Companies Public Sector, Koch Fertilizer, Koch Minerals, Koch Pipeline Company and Koch Supply & Trading.



GENERAL GUIDELINES

All employees are expected to seek out best knowledge and proactively share their own knowledge with others in their Koch company and in other Koch companies.

The best way to share knowledge and apply it effectively will vary, but a number of broad principles are generally applicable.

We should:

- Have the humility to recognize that asking for help is a strength and not wait until there is a problem before doing so.
- Not only be open and receptive to ideas and insights from others but solicit them, even if we have a track record of success.
- Be aware of the knowledge we possess and proactively share it with others in our Koch company and in other Koch companies where appropriate.
- Avoid waste. We need to understand what knowledge is distinctive and valuable, what format is effective, and with whom it should be shared. It is not valuable to share everything with everybody all the time.
- Invest in relationships, training and the documenting and sharing of good practices and lessons learned, so relevant knowledge is readily accessible, understandable and actionable.
- Protect the intellectual property of the Koch companies.
- Comply with legal and contractual obligations that may limit knowledge sharing.
- Follow appropriate careful communications and records management practices.

Usually, it is not necessary to seek further guidance before sharing knowledge within and between Koch companies. However, there are a few exceptions. Issues to be alert for that mean knowledge sharing may be subject to restrictions include: **(1)** considerations relating to intellectual property (such as licensing, copyright and trade secret issues) and securities trading (such as the illegal use of an issuer's material, non-public information); **(2)** confidentiality obligations owed to third parties; and, **(3)** sensitive information that is subject to attorney-client privilege or is part of a confidential compliance investigation that is not appropriate to share with a broader group. These exceptions must not be used as excuses to avoid sharing knowledge; we must take the time to be certain any concerns are valid before saying no.

If you have questions about your legal obligations, you should ask for clarification from your legal department.

KNOWLEDGE SHARING BETWEEN KOCH COMPANIES

The breadth and diversity of the Koch companies may mean that issues that are new for one Koch company are well understood by another. As a result, the most valuable insights and information may be available not in your own company, but another Koch company. Failing to seek out and apply this knowledge or failing to share relevant knowledge with those in other Koch companies could be wasteful and diminish long-term value.

So long as the general guidelines are respected and the purpose of the activity is to share knowledge and not to direct the activities of another company, knowledge sharing between different Koch companies is not problematic and, in fact, is expected.

THE ROLE OF LEADERS AND SUPERVISORS

Leaders and supervisors have a special responsibility for building an environment that encourages effective knowledge sharing. This could include: **(1)** leading by example, including applying the challenge process; **(2)** setting clear expectations regarding the importance of knowledge sharing; **(3)** facilitating knowledge sharing by using their networks to find people who may be able to help; and, **(4)** aligning incentives by recognizing and rewarding those who are successful at seeking, sharing and applying best knowledge.

SOME ILLUSTRATIVE EXAMPLES OF EFFECTIVE KNOWLEDGE SHARING

Benchmarking across facilities and companies.

Benchmarking performance over time and against other facilities can be valuable. When appropriate, including other Koch companies in the benchmarking exercise can help uncover additional opportunities to learn and improve.

Documenting and sharing lessons learned. Business, operational and compliance lessons learned in one area are often applicable elsewhere. Allowing knowledge to be "trapped" in one group, facility or Koch company is wasteful and can mean that the same lessons must be relearned over and over again.

Including “outsiders” in brainstorming and other discussions.

Frequently employees from a different group, facility or Koch company can bring a new perspective and distinctive knowledge to a discussion. A “cold eyes” review from someone with relevant but different experiences can help those more closely involved see the issues in a different way and reach a new or better decision. Interactions of this type can be a valuable form of knowledge sharing.

Learning how others do it. Sometimes “we don’t know what we don’t know” and, as a result, we do not know to search for valuable knowledge that exists elsewhere in our company or another Koch company. For example, we cannot apply a best practice if we do not even know it exists. Visiting another facility (in our Koch company or another Koch company) and learning their approaches and methods can often uncover areas where knowledge sharing would be valuable.

Developing relationships and building trust with people in different facilities and Koch companies. Personal interactions can be an important part of sharing knowledge. Developing relationships on a one-on-one basis or in a more structured way through conferences and specific communities of interest can help build trust and, as a result, be a valuable enabler of knowledge sharing.

Investing in online resources. There are many potential mechanisms for knowledge sharing (one-on-one conversations, group discussions, written materials, etc.). As a complement to other approaches, intranet sites and online libraries, directories and other online resources can be a useful way to locate individuals with relevant experience, expertise and knowledge and to share and find relevant materials.

Sharing procedures, manuals, standards and tools. Often different facilities and different Koch companies are addressing similar issues and challenges. Sharing procedures, manuals and other written materials can help to “raise the bar” for everyone and efficiently identify areas for potential improvement.

Asking leaders about who may be able to help. If we are unsure about where to search for relevant knowledge, a first step can be asking leaders about who may be able to help. If we fail to do this and, as a result, overlook a valuable source of knowledge, we will have fallen short of what is expected and potentially miss an opportunity to create greater value. Effective leaders and supervisors use their networks to help others find the knowledge they need.

SOME ILLUSTRATIVE EXAMPLES OF POSSIBLE TRAPS AND PITFALLS

Failing to pause to consider who might possess useful knowledge. Particularly in areas where we have some experience and when our facility or company has a track record of success, it is easy to overlook the fact that others may be able to provide useful ideas and insights. We should not allow past successes to blind us to the possibility that there may be opportunities to learn and improve. We often make more effective and more timely decisions if, instead of rushing to “get to work”, we first ask ourselves who might have valuable knowledge and then take the time to investigate.

Using knowledge sharing as a way to show off or exert power. To be effective, the person sharing knowledge must do so in a way that is genuinely intended to help others make better decisions. This requires humility, a willingness to listen and an ability to communicate knowledge so it is understandable and actionable.

“Sharing knowledge is not about giving people something, or getting something from them. . . . Sharing knowledge occurs when people are genuinely interested in helping one another develop new capacities for action; it is about creating learning processes.”

- Peter Senge

Using knowledge-seeking as an excuse to avoid making a decision. For some non-urgent and potentially high-risk decisions, it is appropriate to have an extended period of review and knowledge sharing; however, for most decisions this is not the case. Once sufficient knowledge is available, a decision should be made and appropriate action taken. To do otherwise is wasteful.

Using the fact that others contributed knowledge as an excuse to try to avoid being held accountable. Seeking the best knowledge can improve decision making and help to create long-term value. It does not change who is responsible for making a decision and is held accountable for the results. For example, if a decision benefits from knowledge received from another Koch company, the company receiving the knowledge remains responsible for making the decision and is accountable for its consequences.



Sharing everything with everyone all the time. To be valuable, knowledge must be available to the right person at the right time in a format that is understandable and actionable. Although hoarding knowledge can be damaging, this does not mean that sharing everything with everyone all the time is appropriate. Reviewing irrelevant materials is wasteful for the recipients and indiscriminate sharing may jeopardize valuable intellectual property.

Failing to apply what has been learned. If knowledge sharing does not lead to effective action, it has not been successful. In addition to sharing, we must take the effort to apply what we have learned to create long-term value.

Failing to reward those who contribute to knowledge sharing. If individuals are effective at sharing relevant knowledge, their contributions should be recognized and, if appropriate, rewarded. If we provide no incentives to encourage effective knowledge sharing (or worse, place obstacles in people's way), we should not be surprised if little sharing occurs. As a minimum, performance reviews should qualitatively reflect an individual's contributions to building a culture of following our guiding principles, including his or her contributions to sharing knowledge.

Ignoring legal and contractual obligations. The value that comes from sharing knowledge does not override our obligations to comply with licensing agreements, copyright, confidentiality agreements and other legal and contractual obligations. We must strive for 10,000% compliance, with 100% of employees fully complying 100% of the time.

SOME QUESTIONS FOR SELF-REFLECTION AND DISCUSSION

Seeking and sharing knowledge

- When did I last proactively seek out knowledge from another co-worker, facility or Koch company?
- Do I ask for help as a first resort or only as a last resort? Am I open to the ideas of others?
- How do I ensure that the relevant knowledge I have is readily accessible by others? How do I know that I share my knowledge with others effectively?
- When did I last contribute to documenting good practices or lessons learned?

Avoiding waste

- How do I ensure that I am sharing knowledge with the right people at the right time in a way that is relevant and actionable for them?

Protecting intellectual property and complying with legal and contractual requirements

- What must I do to protect the intellectual property of my Koch company?
- What are my responsibilities relating to licensing agreements, copyright, confidentiality agreements and other legal and contractual obligations that may restrict me from sharing knowledge? What is the scope of the restrictions?
- Could the knowledge I would like to share constitute legal advice that is protected by the attorney-client privilege? If so, have I talked to a lawyer to understand whether it can be shared?

SOME ADDITIONAL QUESTIONS FOR LEADERS AND SUPERVISORS

- What do I do to encourage effective knowledge sharing? Do I lead by example? Do I ask appropriate questions to encourage people to seek out, share and apply the best knowledge?
- How do I reward people who are effective at seeking out and applying the best knowledge? How do I reward people who are effective at sharing their own knowledge?
- Over the past six months what investments have I made to enable effective knowledge sharing within my group and between my group and other areas of my company and other Koch companies?
- How do I measure the profitability of knowledge sharing and hold others and myself accountable for creating value from knowledge sharing opportunities?

QUESTIONS, COMMENTS AND SUGGESTIONS

Contact anyone on the MBM® Team or email *MISC MBM Training