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Knowledge
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Forum

# A Business Case for Knowledge Management


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# Why measure KM impact?

- Question of credibility – delivering on promises
- Justifying the KM activities

- Continuous improvement
- Learning on the journey


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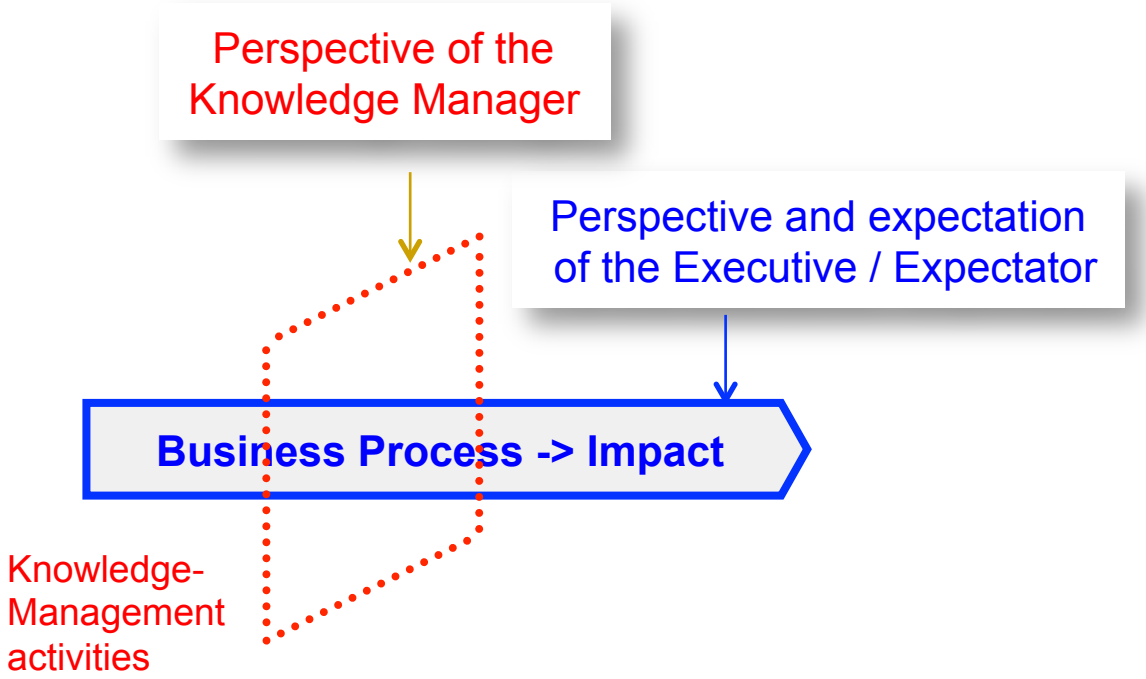
# Is there a "gold standard" in measuring KM impact?

- Business executives and knowledge managers view the KM activities from at least two different perspectives

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# KPIs for KM impact and activities

## Executive's perspective (impact)

- Process improvement
  - Tasks completed faster due to improved processes
  - Working practices changed
- Increased productivity
  - Reduction in hours spent to complete a task
- Time reduction
  - Shorter cycles
  - Faster task completion
  - Less downtime
- Cost savings
  - Savings due to discontinuation of unnecessary activity
  - Variable cost reduction
  - Head count reduction

## Knowledge manager's perspective (activity)

- Beneficial propositions
  - Improve success rates
  - Enhanced usability
  - Best practices used
- Usage of a knowledge repository
  - Number of downloads
  - Number of page views, clicks
- % of activities implemented
  - Program designed and implemented
  - No. of Communities of practice initiated and trained
  - Production of documents, e.g. Lessons learned, best practices

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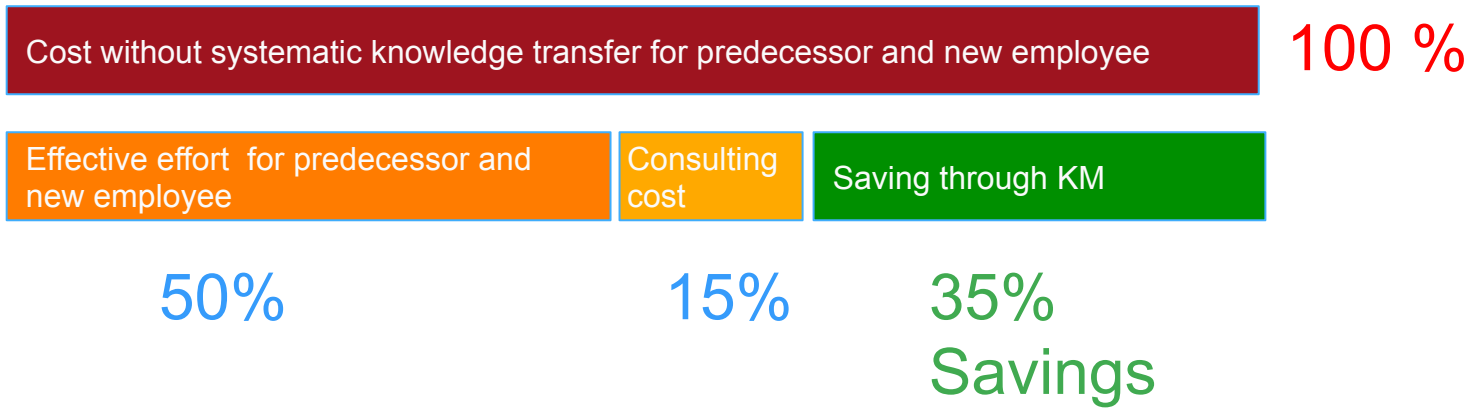
# Two examples where KM measurement has worked

- Improving time to market in R&D through KM workshop design
  - Moving a project milestone from November to May
  - Overall saving for the project organization of €50 mio/y
  - Aligning project members and bridging the knowledge gaps
- Accelerating onboarding of a system integration specialist

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# Back-up slides

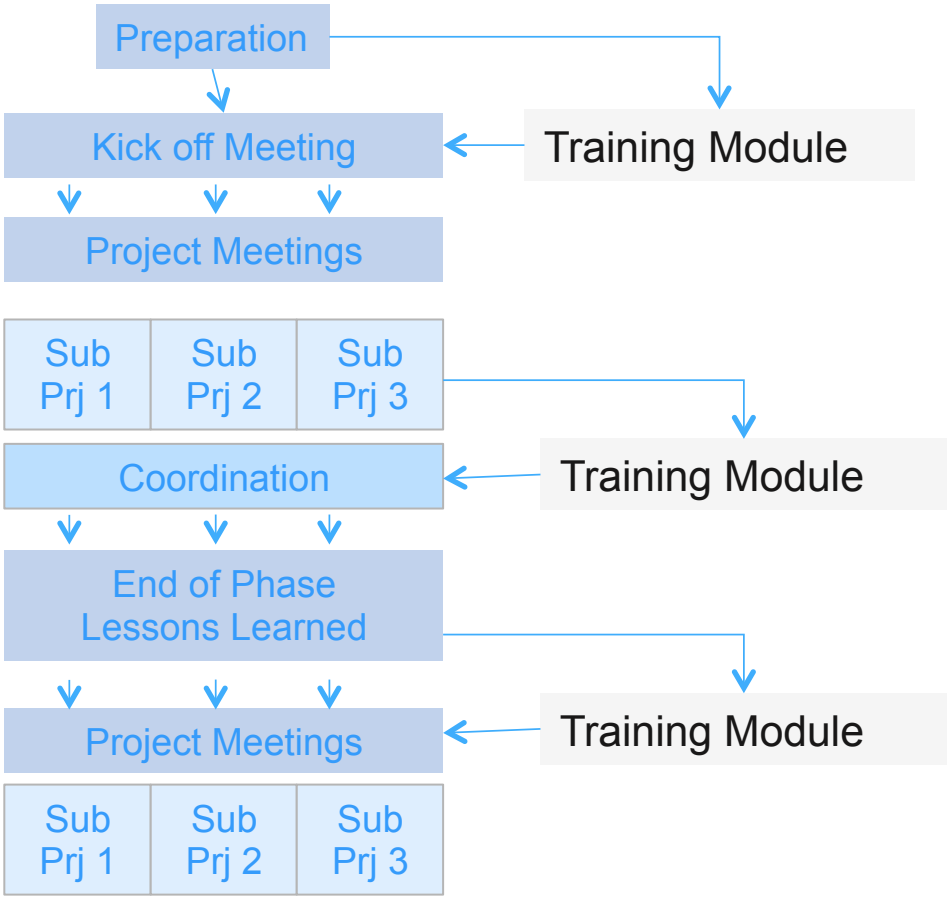
# High cost of poor knowledge management

| Area | Problem | Effect | Estimated cost |
|---|---|---|---|
| Research & Development | Lack of standardisation & Communication in parallel engineering processes | Loss of time & higher costs of duplication and later corrections | 2-3 Mio. € per year |
| Sales / Key Account Mgmt. | Lack of knowledge capture and passing-on when staff change | Loss of customer trust when key personnel change | 1.5 Mio. € |
| Purchasing | Lack of knowledge exchange between the decentralised locations | Duplication and surplus orders | 1-2 Mio. € per year |
| Sales / Service / Accounting | Technical Services don't keep to sales guidelines as communicated | Too little invoiced so higher costs for later manual corrections | 350'000 € per year |
| IT / Sales | IT specialists have too few resources to train Sales personnel on new software products | New software products sold less actively = loss of potential profits | Over 200'000 € per year |

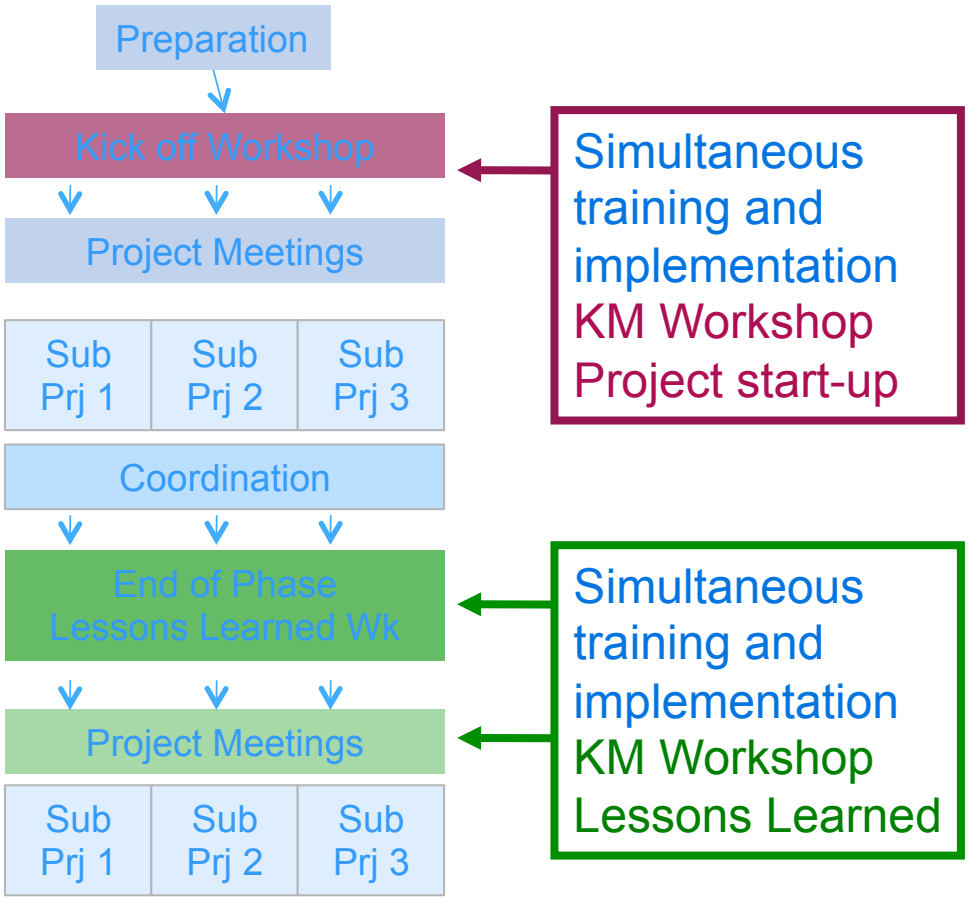
Source: Kraus, P. (2003) Kosten senken durch Wissensmanagement. Wissensmanagement.net, Nr. 4

# KM process integration – Example training for project team

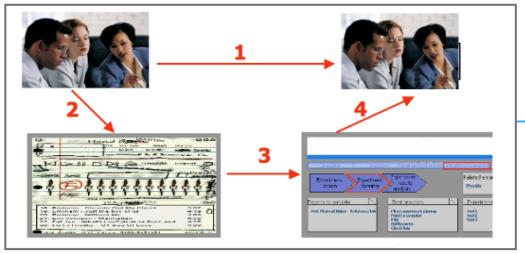
## Classical Education Scheme




## Process Integrated KM activities

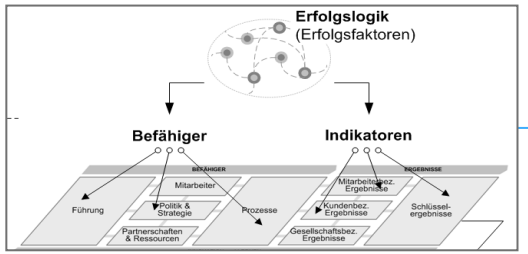


# All three approaches lead to definition of the metrics




Problem orientation

Potential orientation




Success factor orientation

**KPIs**

Core element of each business case !

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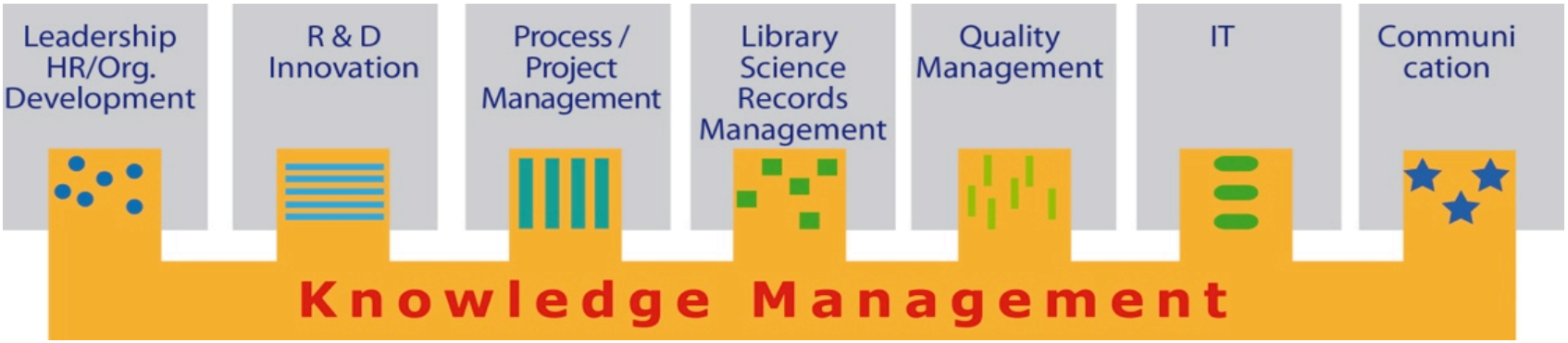
# KM implementation in collaboration with all relevant functions




Implementing KM means for each organizational function a different thing

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# Example for KPI selection: New product development

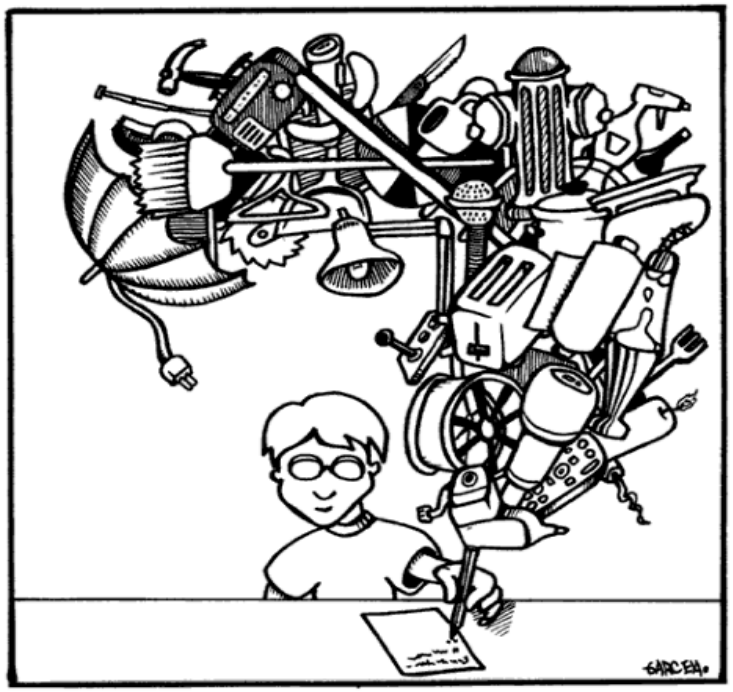
## Best approach is the classical approach

- Take KPIs which have always been used to measure the business results

## New product development KPIs

- Time
- Cost
- Feature creep
- Availability after launch

## Use the KM metrics just for internal use of the KM manager

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