



## **“Knowledge Management implementation trends”**

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**Knowledge management implementation trends are analysed to provide a picture of the actual status of Knowledge Management in business; why is it used, where, how and what has been successful.**

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## **1. Background**

In today's fast-paced society, the company's knowledge based capabilities are becoming its only sustainable competitive advantage. As such, knowledge must be protected, cultivated and shared among company employees and other stakeholders.

The emergence of a global knowledge economy and associated demands on business strategy have been well understood since the 1980's when the concepts and strategies associated with the learning organisation became popular.

Many organisations rely on knowledge to create their strategic advantage. Yet, often valuable time and resources are wasted in 'reinventing the wheel' or failing to access the right expertise which is available but remains widely dispersed and fragmented. Furthermore, the knowledge development processes required to maintain competitiveness are often not in place.

### **What is knowledge management?**

Knowledge Management (KM) involves business, cultural and technological approaches that support the development and exploitation of knowledge assets. KM encompasses theories, models, processes and tools that support the efficient and effective evaluation, acquisition, dissemination, development and exploitation of knowledge resources in business processes and business decision making.

Knowledge management helps an organisation to gain insight and understanding from its own experience. Specific knowledge management activities help focus the organisation on acquiring, storing and utilising knowledge for problem solving, dynamic learning, strategic planning and decision making. It also protects intellectual assets and adds to the organisational ability to act intelligently in the market place.

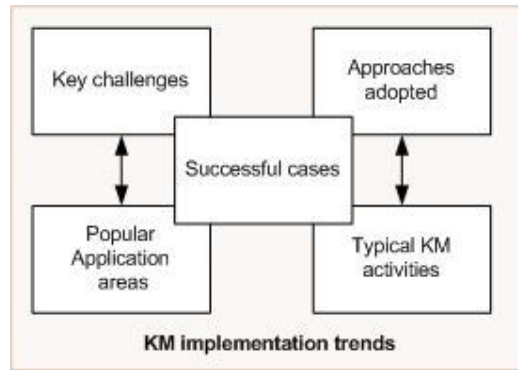
### **How does a knowledge management system help?**

Some enterprises do not "know what they know", many cannot use their knowledge efficiently and possibly the majority are not even trying to develop core competencies for competitive advantage. The potential for systems to help organisations manage their knowledge is therefore substantial. Computers and communications systems are good at capturing, transforming and distributing highly structured knowledge that changes rapidly. A suitable knowledge management process linked to strategy and business process management is likely to pay dividends.

## 2. Knowledge Management implementation trends

### 2.1 Application characteristics

In this section, the main characteristics of KM implementations are summarised as shown in the following diagram.



First, it is useful to identify the key challenges and popular areas addressed by KM applications. Second it is important to identify how KM is being implemented (i.e. what are the approaches used and key activities undertaken).

The overall objective is to identify successful cases in order to learn what works well and possibly to identify areas where further research and development is necessary.

#### Key challenges and requirements

The key problems knowledge enterprises face today are:

- Poor utilisation of knowledge;
- Information and knowledge islands;
- Knowledge loss;
- High cost of sharing knowledge;
- Reinvention / Repetitions;
- Lack of responsiveness.

#### Popular application areas

Most companies have an interest to manage and increase their knowledge in the following areas:

- Customer needs / preferences;
- Performance trends/variations;
- Competitor plans, products, market perceptions;

#### KM approaches adopted

The take up of knowledge management solutions by business organisations reflects three broad approaches:

- The social-centred approach, that mainly treats knowledge management as a social communication process;
- The process-centred approach that focuses on knowledge mapping in business processes;

- The technology-centred approach, that focuses on knowledge artefacts, their creation, storage and reuse in IT systems.

### **Typical activities**

Knowledge management programmes typically have one or more of the following activities:

- Appointment of a knowledge leader - to promote the agenda and develop a framework;
- Creation of knowledge teams - people from all disciplines to develop methods and tools;
- Development of knowledge bases - best practices, expertise directories, market intelligence etc.;
- Enterprise intranet portal - a 'one-stop-shop' that gives access to explicit knowledge as well as connections to experts;
- Knowledge centres - focal points for specific knowledge areas;
- Knowledge sharing mechanisms - facilitated events that encourage greater sharing of knowledge than would normally take place, forums, etc.;
- Intellectual asset management - methods to identify and account for intellectual capital.

### **Successful areas**

Areas that consistently produce the highest levels of application success are:

- Applications aimed at leveraging best practices;
- Applications focused on leveraging expertise across the organisation;
- Applications designed to improve project team collaboration in product development.

The successful areas tend to confirm that success stories reflect relatively simple applications, as is often the case. The first successful area is identifying best performing areas within a company. This is followed by performing the analysis to identify reasons/best practices and to use them throughout the company. This can be done effectively by most KM systems with business intelligence facilities.

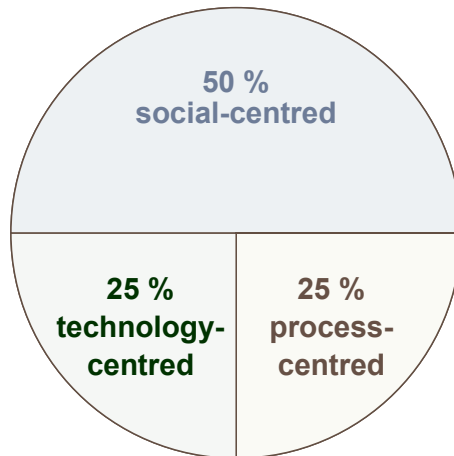
The second successful area is even simpler in the sense that it can be supported by intranet solutions, which have reached a good maturity level.

The third area represents collaboration support which has received attention for some time now, and as a consequence, both the processes and technologies used have reached maturity stage.

## 2.2 Surveys

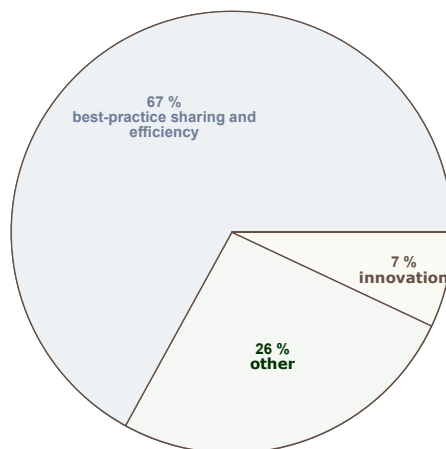
### Application surveys

Recent surveys<sup>1</sup> indicate that 50% of the surveyed companies adopted people oriented solutions (establishing new roles to leverage knowledge; training and communications). The rest of the companies were equally divided in process solutions (mapping sources of internal expertise, creating networks of knowledge) and system solutions (intranets & collaborative systems, business intelligence)



**KM Approaches**

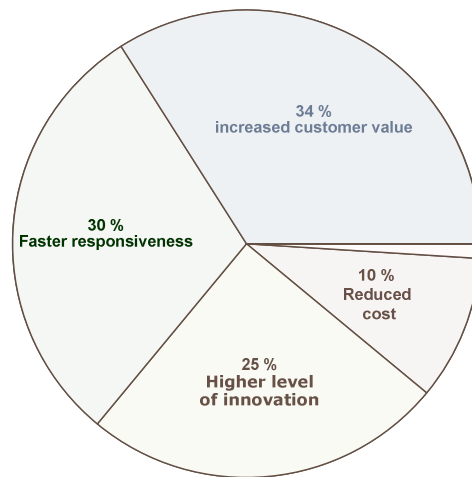
A survey of chief executives in the year 2000 made by the Conference Board reported that some 67% of the KM initiatives were related to best-practice sharing, efficiency and information transfer. Only 7% responded that their KM efforts had to do with innovation.



**KM Focus**

<sup>1</sup> Survey of over 400 U.S. & European firms -Ruggles 1998

The Delphi Group (Boston) conducted a survey in the second quarter of 1998, collecting the views of over 575 professionals in a cross section of industries, company sizes, and professional affiliations, as well as job levels in USA. Some results are shown in the following diagrams.



**Expected Gains from KM**

A comparison of expected KM gains from different surveys is shown in the following table.

Expected Gains	Delphi Group 98 USA	Conference Board 2000	KPMG 2002-2003 Europe
Higher Customer Value	34%		Second highest
Accelerated innovation	25	7	Filth
Improved efficiency [faster responsiveness, improved synergies cost saving]	40	67	Highest

It is interesting to note that innovation scores low in all the surveys and therefore what many regard as the key objective of Knowledge Management is being relatively overlooked in practical business cases.

### **The role of the Knowledge Team**

A Survey of KM Practice in Europe sponsored by the Information Strategy Magazine in 1998 (published by The Economist)<sup>2</sup> reveals some interesting trends, possibly valid also today.

- 46% see it as 'everyone's job' or that no formal role existed;
- 30% said it was the responsibility of several managers/directors;
- 5% have created a CKO;
- 14% do feel it is the CEO's responsibility;
- 83% disagree or strongly disagree that knowledge is purely an extension of IS/IT.

<sup>2</sup> Conducted by Peter Murray and Andrew Myers of the Cranfield School of Management

## **Business perceptions**

KPMG (Knowledge Advisory Services) conducted a detailed survey on knowledge management among top 500 organisations in the United Kingdom, France, Germany and the Netherlands in January 2003 showing the increasing acceptance of KM in business management. The key conclusions were:

- 80% consider knowledge a strategic asset;
- 78% of respondents believe they are currently missing out on business opportunities by failing to successfully exploit available knowledge;
- Companies estimate that, on average, 6% of revenue as a percentage of annual turnover or budget is being missed from failing to exploit knowledge effectively;
- 51% state that involvement of the board members increased in the past three years.

## **3. Evaluation of KM implementations**

Unfortunately, realising the expected benefits from knowledge management remains at best difficult and at worst highly uncertain and ambiguous.<sup>3</sup>

Negative knowledge management technology-performance statistics have been reported (Malhotra 2003) indicating a renewed credibility crisis resulting from cost over runs and performance problems for major implementations (Anthes and Haffman 2003). Research studies have confirmed a negative correlation between technology investments and business performance. The KPMG survey findings reflect the interest and importance placed in KM but actual measurable benefits were only verified in 36% of the cases.

The difficulties with realising the expected benefits from knowledge management systems are obviously wide ranging.

The Fraunhofer Institute conducted a Delphi study in 2001 on the future of KM, focusing on theoretical (e.g. multi-disciplinary studies, social network analysis, organisational learning) and practical (e.g. Communities of Practice, knowledge roles, storytelling, IT systems) advances in KM. "Organisational, technical and emotional barriers are ranked as the most challenging practical problem of KM," according to the writers. Integration of KM into business processes, culture change away from command and control, and a better match between IT systems and human factors were other recommendations of this study.

In conclusion, the poor results from KM implementations reflect the overall maturity of the knowledge management discipline, the gap between the management and IT perspectives and possibly the lack of focus on innovation centred applications that could create real impact and could create the momentum for real progress.

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<sup>3</sup> kBOS White paper: Knowledge Management Review 2004