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# *The Business Case for KM* *As Simple as ABC?*

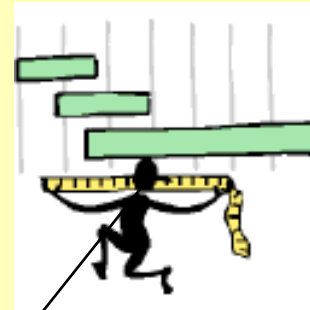
Dr David J. Skyrme

NetIKX Meeting  
23 Jan 2007

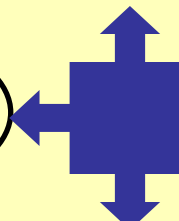
# Topics

**Making  
The Case**

Step-by-step

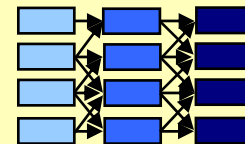


**Pre-requisite:  
Measurement**



**Assets  
Benefits  
Cost-Effectiveness**

**Is It That  
Simple?**



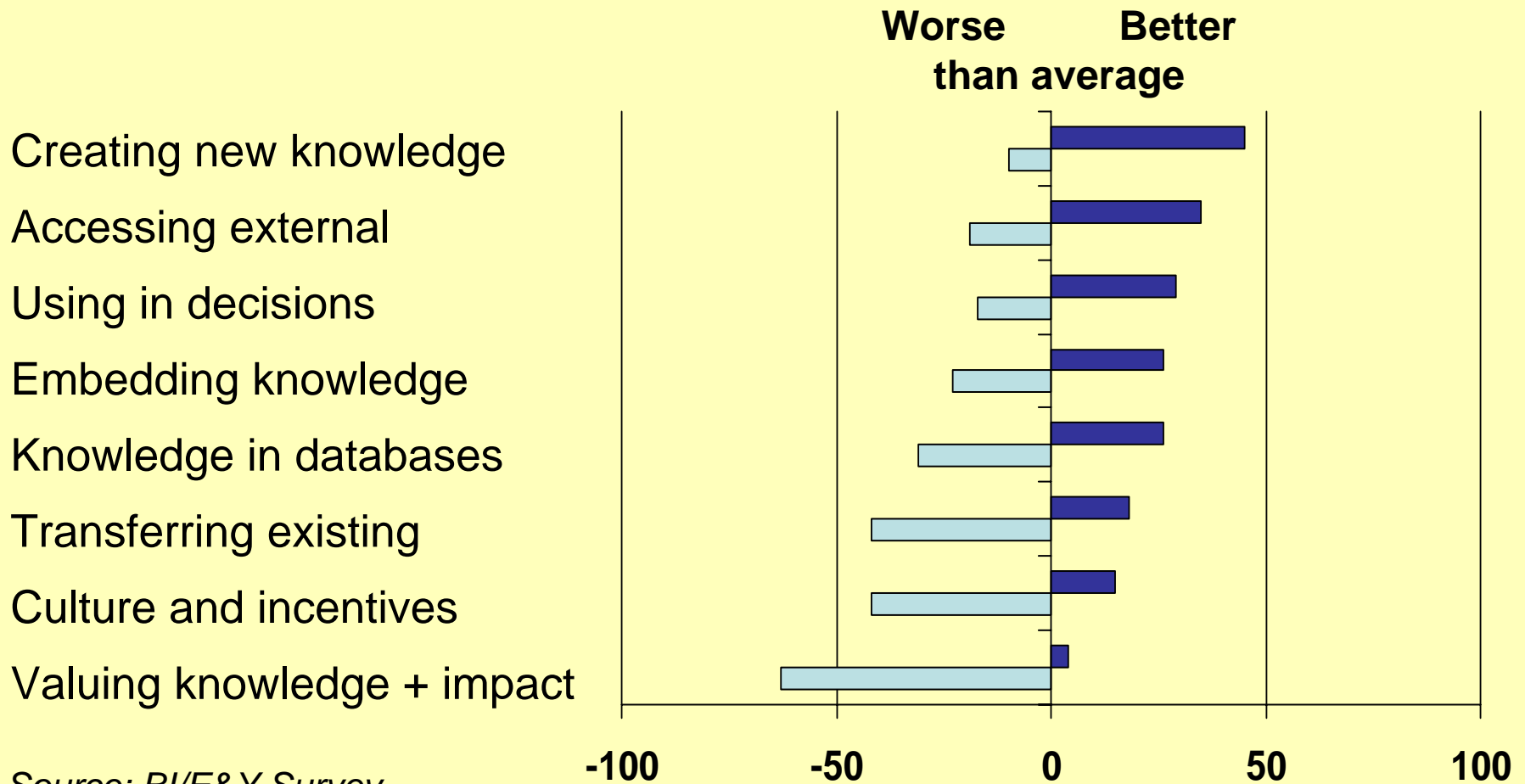
**Benefits  
Tree**

# *Why Measure? Theory*

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***“What you can measure  
you can manage”***

# Perceived Performance



Source: BI/E&Y Survey

# *The Practice*

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**“Some of the most useful information  
is not the most reliable.**

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is not the most useful.”**

**(Steve Wallman, former SEC Commissioner)**

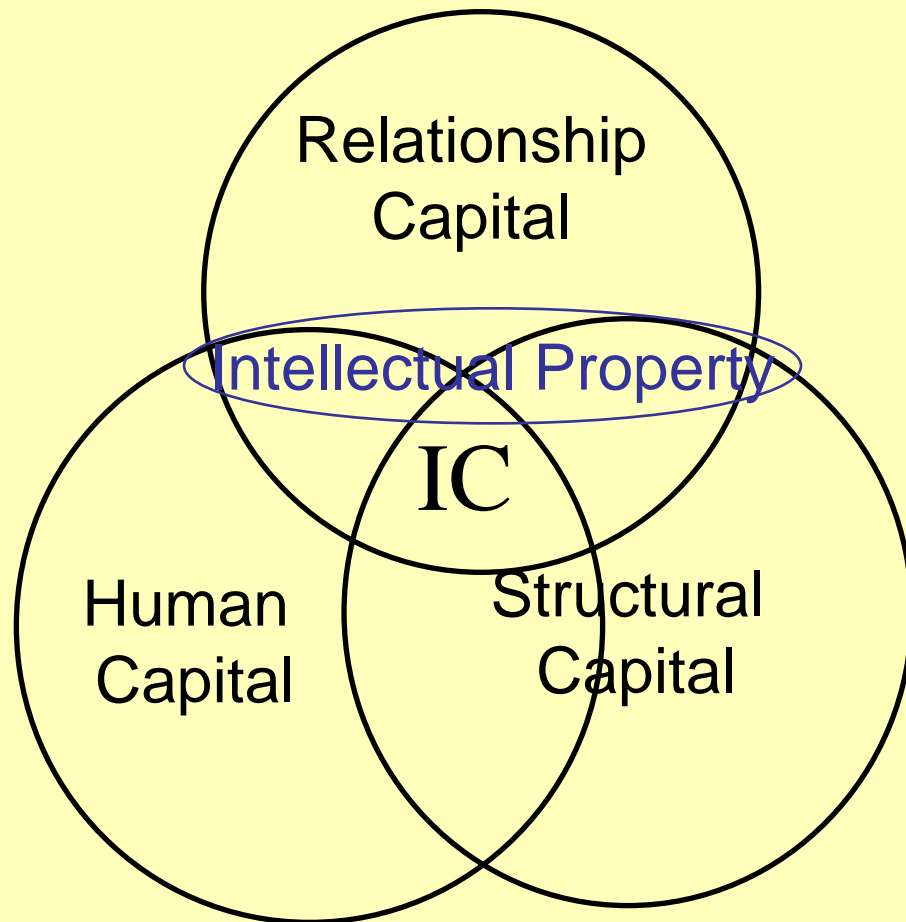
- ❑ Intangibles are lead indicators of \$\$\$ £££
- ❑ Innovation
- ❑ Quality, reputation
- ❑ Customer satisfaction
- ❑ Management capabilities, employee knowledge
- ❑ Internal systems
- ❑ Critical know-how

## *Asset Focus*

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- ❑ Value based systems
  - EVA™, MVA etc.
  - Cash Flow (e.g. CFROI)
- ❑ Financials adjusted for investment etc.
- ❑ Used by analysts .. but now by managers
- ❑ Coca Cola, Monsanto, Diageo
- ❑ Induces ‘elevator mentality’ (Bradley)?
- ❑ Value “in the eyes of the beholder” (Evers)

# Valuing Knowledge



- ❑ 3 main types of knowledge / intellectual capital asset – people, databases/processes, relationships
- ❑ Many IC methods
  - MERITUM
  - IC Rating
  - IC Index
  - Skandia Navigator etc.



# *Intangible Assets Monitor*

| Competencies   | External Structure | Internal Structure |
|----------------|--------------------|--------------------|
| Growth/Renewal |                    |                    |
| Efficiency     |                    |                    |
| Stability      |                    |                    |

- ❑ Karl Erik Sveiby
- ❑ Competency drives
- ❑ Interesting ratios e.g.
  - ‘Rookie ratio’
  - ‘Competence enhancing customers’
- ❑ Restrict to one page

# Knowledge Asset Value?

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- ❑ Which value?
  - Replacement cost
  - Market value
  - Liability cost
- ❑ Value is very context dependent
- ❑ IC models use relative indicators rather than absolutes
- ❑ Difficult to unravel cause from effect..

# Benefits Focus

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Access to best  
/ latest thinking

Faster access  
to knowledge

Better sharing

Knowing who's  
doing what

**Knowledge  
Benefits**

# Benefits Focus



# Benefits Focus



# Danish Template

|                    | What is<br>(Resources) | What is done<br>(Recipes) | What happens<br>(Results) |
|--------------------|------------------------|---------------------------|---------------------------|
| Human<br>resources |                        |                           |                           |
| Customers          |                        |                           |                           |
| Processes          |                        |                           |                           |
| Technology         |                        |                           |                           |

# *Cost Effectiveness*

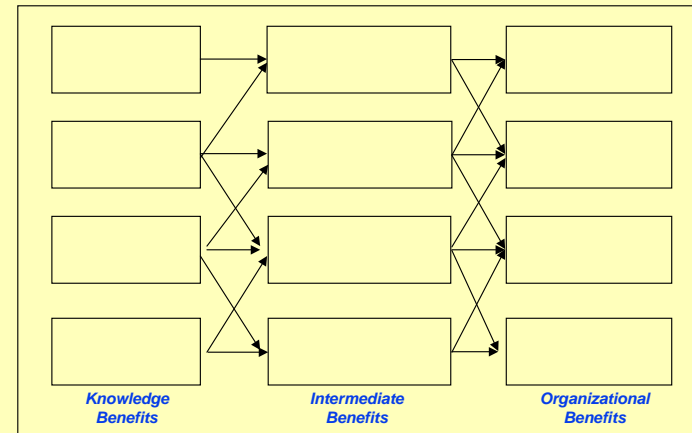
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- ❑ Better use of resources, especially people
- ❑ Knowledge worker productivity e.g. 1%=£50m
- ❑ Sharing Best Practice e.g. Chevron \$100m energy
- ❑ E-opportunities e.g. Sun \$100m customer self-help
- ❑ Better focus on key customers e.g. Chase \$25m
- ❑ Minimise rework, duplication, lost knowledge

..... Leverage on bottom line

# Is It This Simple?

You decide!



|                 | What is<br>(Resources) | What is done<br>(Recipes) | What happens<br>(Results) |
|-----------------|------------------------|---------------------------|---------------------------|
| Human resources |                        |                           |                           |
| Customers       |                        |                           |                           |
| Processes       |                        |                           |                           |
| Technology      |                        |                           |                           |

Fill in the boxes



## *Is It This Simple?*

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- ❑ Costs focussed & visible - benefits diffuse
- ❑ Baseline often not known e.g. staff time recording
- ❑ Multiple pulls and perspectives - no shared vision
- ❑ Finance dominance vs. service, outcomes
- ❑ Complex cause / effect dependencies
- ❑ Unanticipated benefits e.g. reduced staff turnover

.... Invoke the 'turn it off' tactic

# Making the Case (1)

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## Business Drivers

- **Cost Savings**
  - **Delivery**
  - **Customer Focus**
  - **Restructuring (again!)**
  - **Handling PQs**
  - **'Joined -up' Government**
  - **Evidence-based Policy**
  - **Records Management (PRO)**
- + What keeps the boss(es) awake at night!!**

INTELLIGENCE ■ INSIGHT ■ INNOVATION

## *Making the Case (2)*

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**Business Drivers**

**Choose Levers**

- **Customer Knowledge**
- **Knowledge-enhanced services**
- **Knowledge in People**
- **Knowledge in Processes**
- **Organizational Memory**
- **Knowledge in Relationship**
- **Knowledge Assets**

INTELLIGENCE ■ INSIGHT ■ INNOVATION

# Making the Case (3)

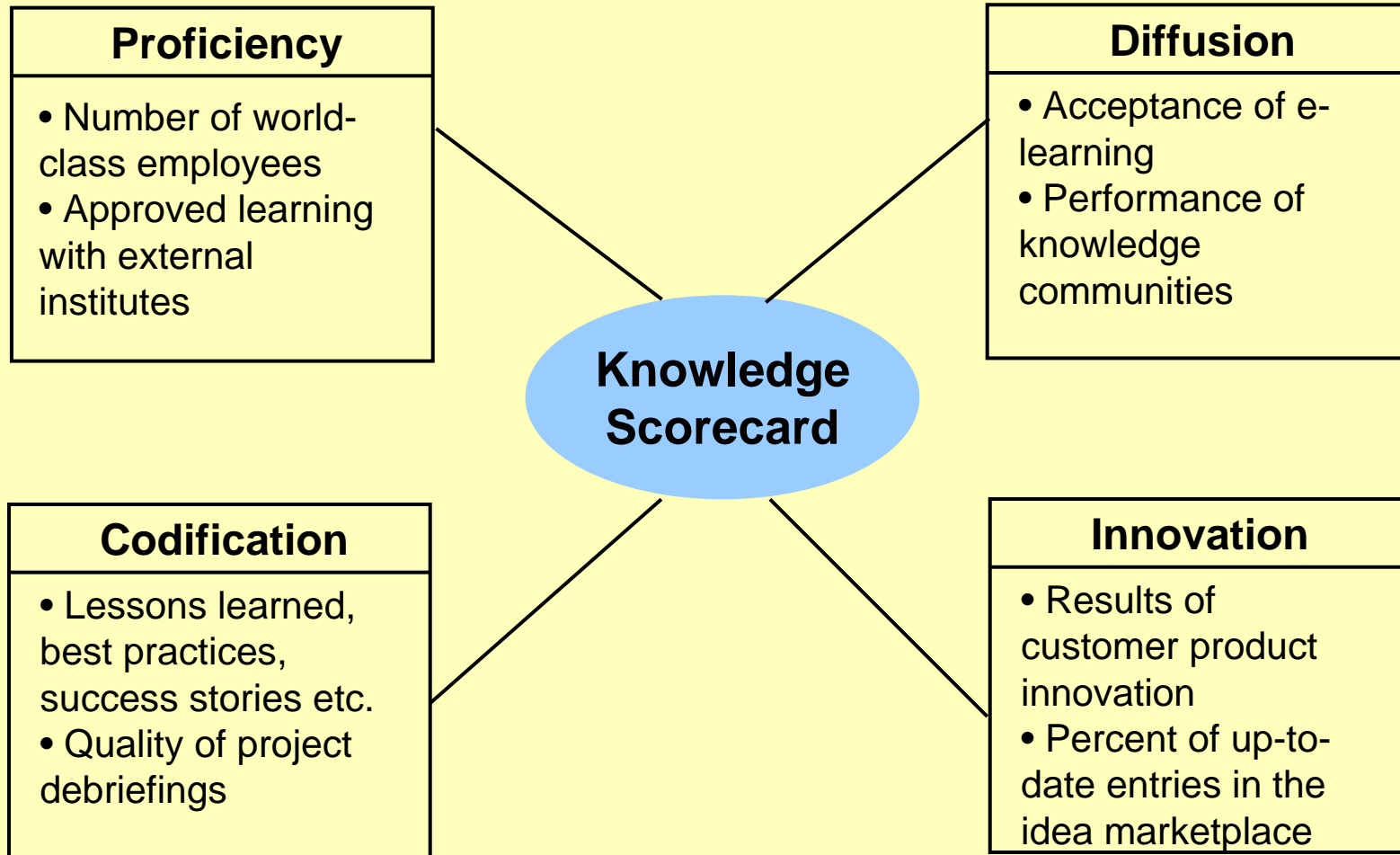
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**Business Drivers**

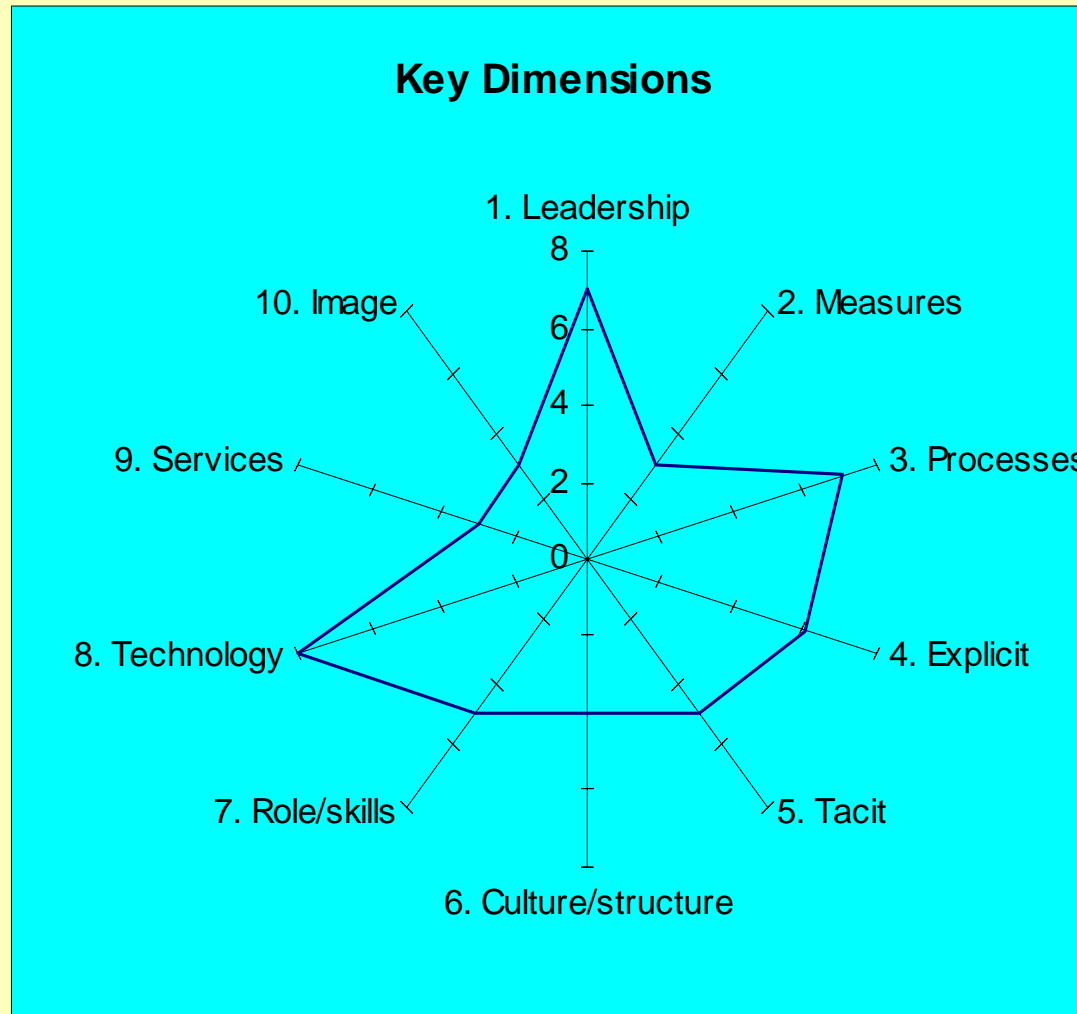
**Choose Levers**

**Assess KM Status**

- The Knowledge Audit
- KM Assessment

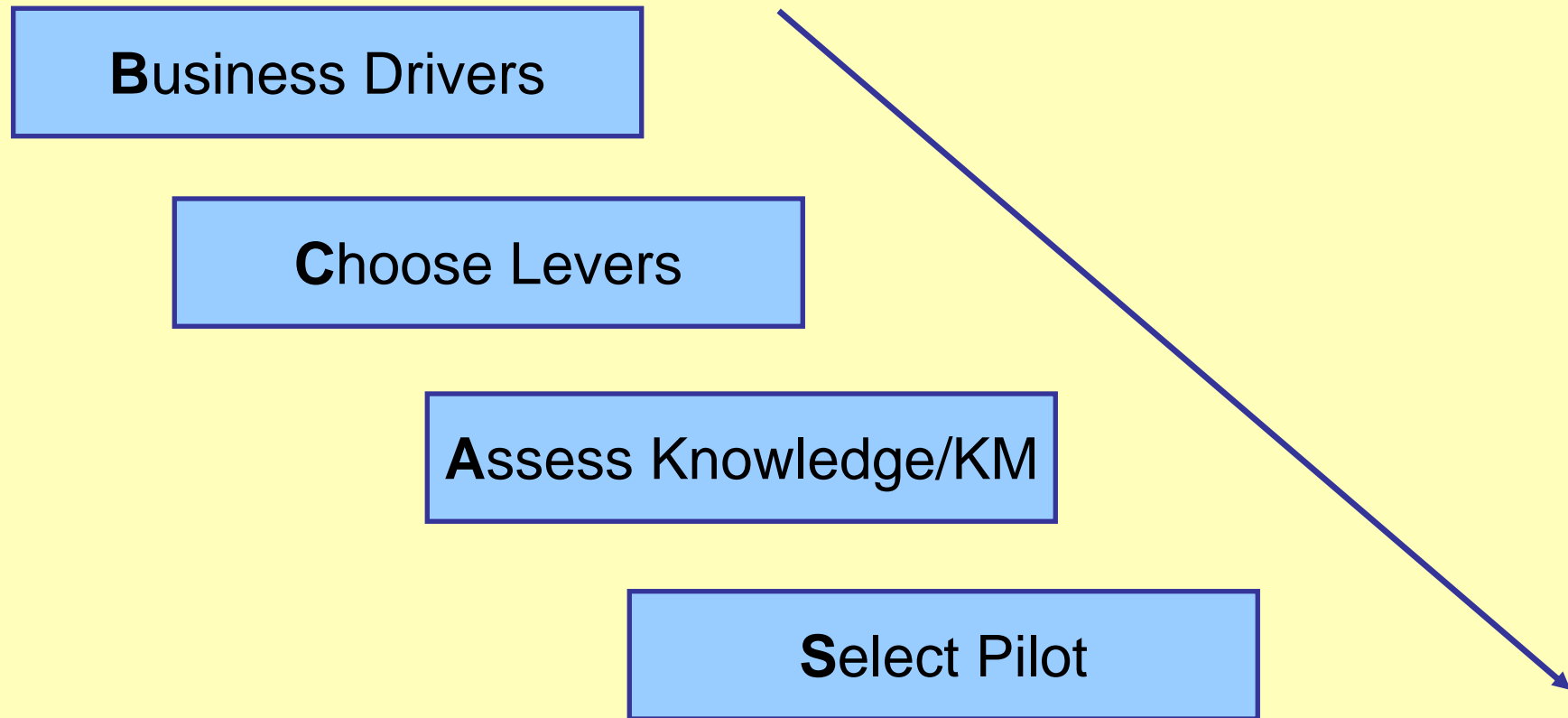


# KM Assessment



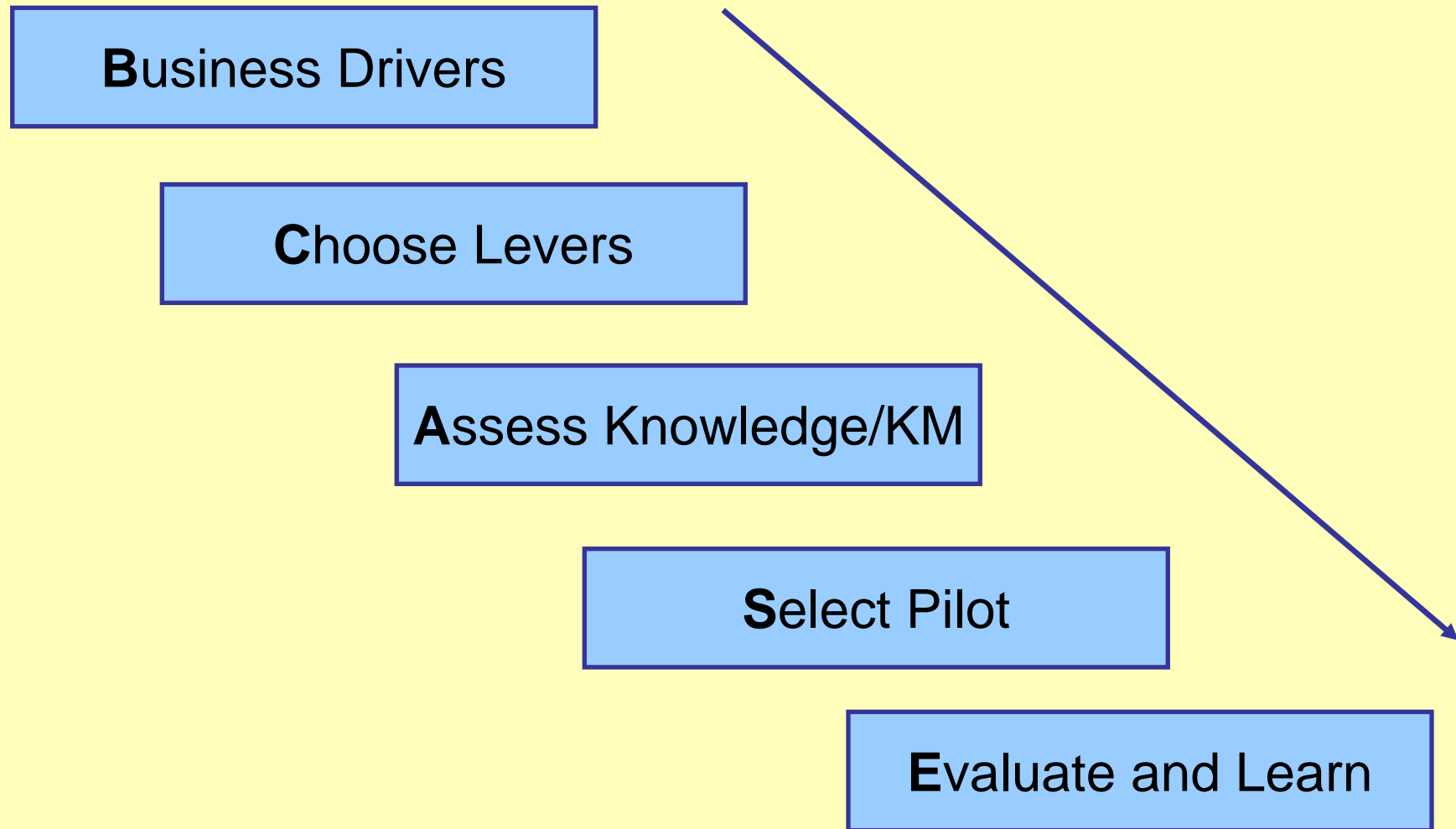
# Making the Case (4)

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# Making the Case (5)

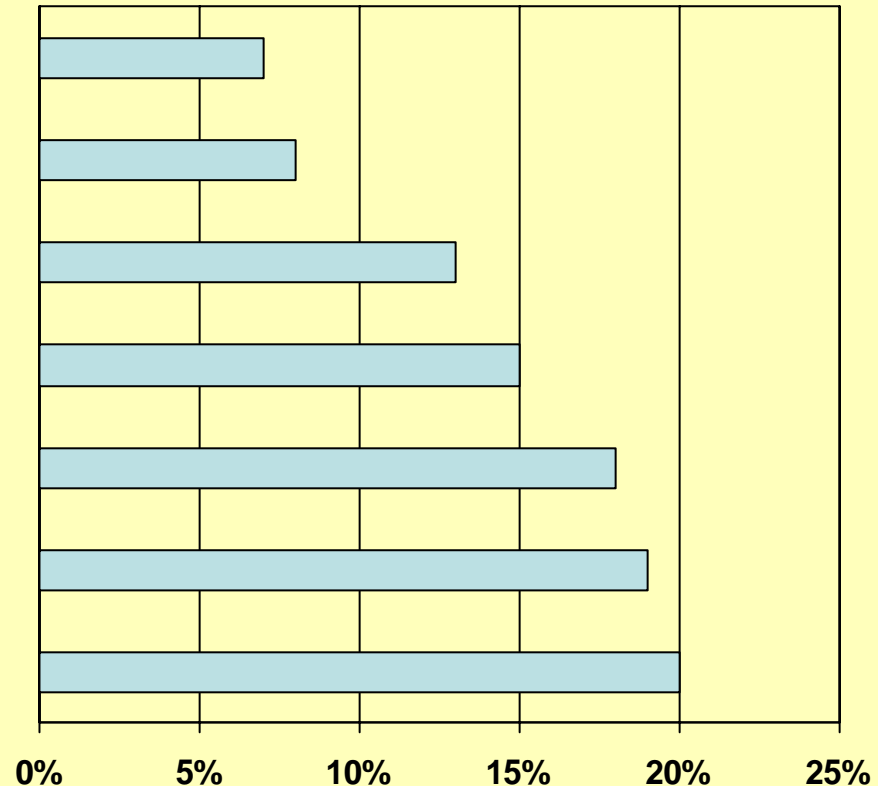
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# Why Benefits not Realised

- Technical problems
- Unsupportive senior mgmt
- Users not see personal benefit
- Lack of training
- Lack of time / too complex
- Not part of everyday practice
- Poor communications



Source: KPMG KM Survey (2000)

## *Justifying KM*

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- ❑ “Benefits are difficult to measure”
- ❑ “We have to do it”
- ❑ “User enthusiasm may be the most significant measure”
- ❑ “Fact based sagas”
- ❑ “Anecdotal stories”
- ❑ “There was no quantified financial justification”

## *Knowledge Leadership*

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- ❑ Articulated value proposition e.g.
  - share best practice
  - reusable knowledge
  - intellectual assets
  - faster innovation
  - developing competency
  - know-how businesses
- ❑ Find champions in the business
- ❑ Facilitate networking - tap into expertise
- ❑ Excellent communicators - internal/external
- ❑ Frameworks for action - simple models
- ❑ Clear vision and strategy

## *Point to Ponder*

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“Knowledge management is not a project;  
it's a journey. You continue on this journey  
for as long as you live  
- I can assure you of that.”

*(Bob Buckman, Former CEO, Buckman Laboratories)*

## *Contact Details*

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