

# Chapter 6

## Knowledge Management Assessment of an Organization

# Chapter Objectives

- Examine why we need to assess knowledge management in an organization
- Describe alternative approaches for assessing knowledge management in an organization

# Why Assess Knowledge Management?

1. It would not be possible to determine where improvements are needed
2. Helps establishing a baseline for implementing KM solutions
3. Helps understand whether costs of KM efforts are justified
4. Helps identify the gap in KM efforts
5. Help make a case for more investment into KM

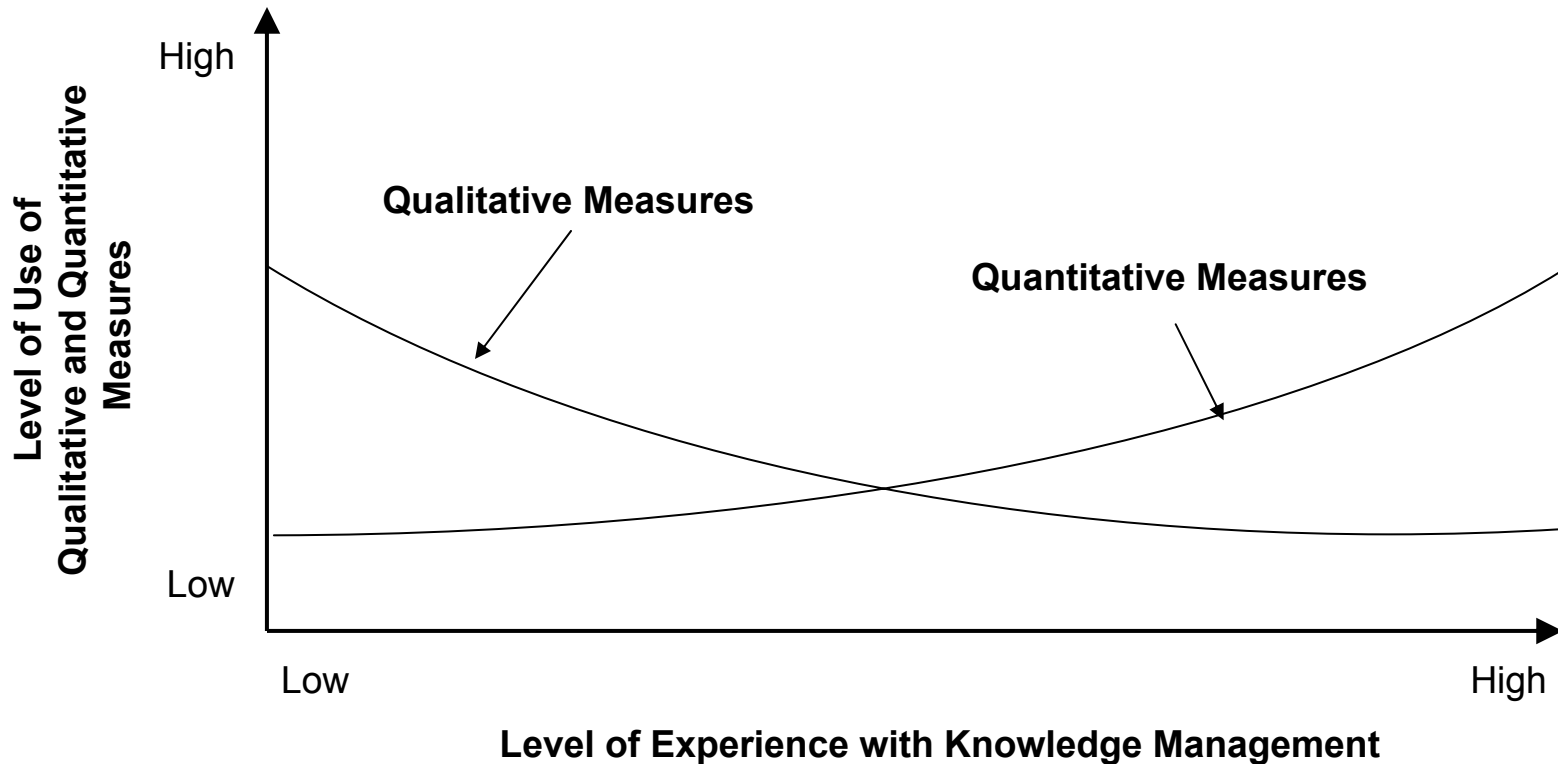
# When is KM needed?

- Periodically for an entire organization or subunit
- At the start of a KM project
- At the end of a KM project

# Qualitative and Quantitative KM Assessments

- Qualitative KM assessments aim to develop a basic understanding of whether the KM efforts are working
- Quantitative assessments of KM produce specific numerical scores indicating how well an organization, an organizational subunit, or an individual is performing with respect to KM

# Qualitative and Quantitative Assessments of KM



# Assessment of KM Solutions

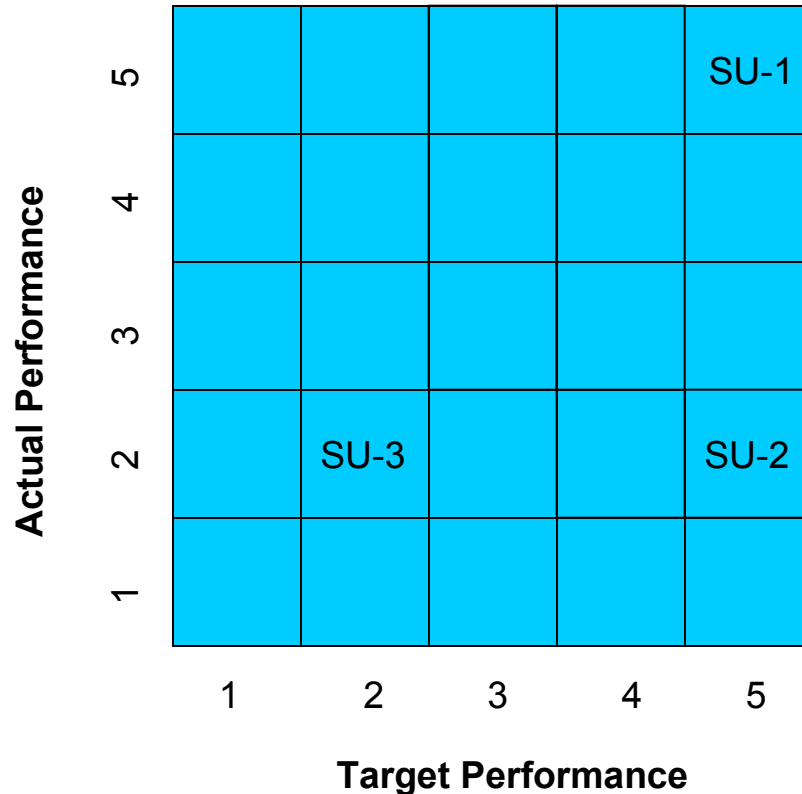
- Involves evaluating the extent to which knowledge discovery, capture, sharing, and application processes are utilized, and how well they are supported by KM technologies and systems

# Illustrative Measures of Key Aspects of KM Solutions

<b>Dimension</b>	<b>Illustrative Measures</b>
Knowledge discovery	<ul style="list-style-type: none"> <li>Number of cooperative projects across subunits divided by the number of organizational subunits</li> <li>Extent of use of apprentices and mentors to transfer knowledge</li> <li>Employee rotation (i.e., number of employees who move to a different area each year)</li> <li>Annual number of brainstorming retreats or camps as a proportion of the total number of employees</li> </ul>
Capture	<ul style="list-style-type: none"> <li>Number of patents published per employee</li> <li>Average number of annual hits on each document in the document repository</li> <li>Number of subscriptions to journals per employee</li> <li>Attendance at group presentations as a proportion of invited attendees</li> <li>Number of annual presentations per employee</li> </ul>
Sharing	<ul style="list-style-type: none"> <li>Extent of use of learning by doing</li> <li>Proportion of information used that is available on Web pages (intranet and Internet)</li> <li>Proportion of organizational information that resides in databases</li> <li>Level of use of groupware and repositories of information, best practices, and lessons learned</li> <li>Size of discussion databases</li> </ul>
Application	<ul style="list-style-type: none"> <li>Annual number of shared documents published per employee</li> <li>Frequency of advice seeking per employee</li> <li>Corporate directory coverage (i.e., proportion of employees whose expertise areas are listed in the corporate directory)</li> <li>Annual number of improvement suggestions made per employee</li> <li>Level of use of decision support systems and expert systems</li> <li>Frequency of hits on KM Web sites</li> </ul>



# Identifying Knowledge Sharing Opportunities



# Assessment of Knowledge

- Identification of the relevant areas of knowledge
  - ◆ Via interviews
  - ◆ Via identification of critical success factors
- Evaluation of the extent to which knowledge in each of these areas is available
  - ◆ Via surveys
- Value each area of knowledge contributed to the organization
  - ◆ Via price assessment (willingness to pay)
  - ◆ Via cost assessment (amount required to produce)

# Assessment of Impacts

- KM solutions and knowledge can impact the organization performance and therefore it is essential to assess the impacts
- Impact on employees
- Impact on processes
- Impact on products
- Impact on organizational performance

# Illustrative Measures of Impacts on People

<b>Dimension</b>	<b>Illustrative Measures</b>
Employee learning	<p>Average amount of time annually spent by an employee in training</p> <p>Average number of conferences or seminars annually attended by each employee</p> <p>Average amount of time annually spent by an employee in training others within the organization</p> <p>Average of employees' annual assessment of their learning during the year</p>
Employee adaptability	<p>Proportion of employees who have worked in another area (other than the area in which they currently work) for more than 1 year</p> <p>Average number of areas in which each employee has previously worked</p> <p>Number of countries in which each senior manager has worked as a proportion of the total number of countries in which the organization conducts business</p>
Employee job satisfaction	<p>Proportion of employees who express high level of satisfaction with the organization and their jobs</p> <p>Percentage of critical employees retained during the previous year</p> <p>Percentage of openings requiring advanced degrees or substantial experience filled in the previous year</p>

# Illustrative Measures of Impacts on Organizational Processes

---

<b>Dimension</b>	<b>Illustrative Measures</b>
Efficiency	Reduced ratio of manufacturing costs to annual sales Shortening proposal times Quicker decisions Faster delivery to market
Effectiveness	Enhanced customer service Improved project management Fewer surprises due to external events Percentage of customers reporting complaints about products and services
Innovativeness	Percentage of all current products and services introduced in the previous year Greater number of patents per employee Organizational changes precede, instead of following competitors' moves Number of new ideas in KM databases

---

# Illustrative Measures of Impacts on Organizational Products

---

<b>Dimension</b>	<b>Illustrative Measures</b>
Value-added products	Increased rate of new product launch More frequent improvements in products Average of the ratio of profit margin to price across the range of products offered by the organizations
Knowledge-based products	Increased information content in products Greater product-related information provided to customers Proportion of customers accessing product-related knowledge that the organization places on the Internet

---

# Illustrative Measures of Impacts on Organizational Performance

Types of Impacts	Illustrative Measures
Direct Impacts	<p><u>Revenues</u>: Increase in total revenues per employee compared to the previous year.</p> <p><u>Costs</u>: Increase in total annual costs per employee compared to the previous year.</p> <p><u>ROI</u>: Increase in ROI compared to the previous year.</p>
Indirect Impacts	<p><u>Economy of scale</u>: Average (across all products offered by the organization) change in total cost per unit sold as compared to the previous year.</p> <p><u>Economy of scope</u>: Average (across all products offered by the organization) change in the number of different products a salesperson can sell as compared to the previous year.</p> <p><u>Economy of scale</u>: Average (across all products offered by the organization) of the difference between the price of the organization's product and the mean price of competing products.</p> <p><u>Economy of scope</u>: Difference between the average number of different products produced in the organization's manufacturing plants and the average number of different products produced in the manufacturing plants of its main competitors.</p> <p><u>Competitive advantage</u>: Difference between return on investment for the organization and its key competitors.</p> <p><u>Competitive advantage</u>: Average number of years existing customers have been buying the organization's products/services.</p> <p><u>Competitive advantage</u>: Percentage of top customers ending sales contracts in the previous year.</p>

# Who Performs KM Assessment?

- **Peers**
  - ◆ Review of internal performance
- **Customers, Suppliers, etc**
  - ◆ External appraisals
- **Management**
  - ◆ Business evaluation of effectiveness, efficiency and innovativeness
  - ◆ Evaluation of the knowledge assets created



# Approaches for KM Assessment

- Benchmarking
- Balanced Scorecard method
- Intangible Assets Monitor Framework
- Skandia Method
- Real options approach

# Recommendations for KM Assessment

- **Why do KM?** – Design measures of success that focus on the organization's critical success factors)
- **Establish a baseline** – When you begin, not afterwards
- **Qualitative methods** – Management always likes quantitative measures, but they don't tell enough of the story
- **Keep it simple** – A handful of relevant, robust, and easily measurable metrics are better than hundreds of measures
- **Avoid KM metrics that are hard to control** – Keep it specific and concrete; forget general and visionary statements
- **Measure at the appropriate level** – Project level? Application level?
- **Link rewards to KM assessment results** – KM assessment is a means, not a goal. Link to employee rewards and incentives
- **Be conservative in your claims** – Do not underestimate costs or overestimate value; that will damage credibility in management's eyes

# Conclusions

- Examined assessment of KM systems and impacts of KM
- Identified reasons for assessing KM
- Described when KM is needed
- Examined different types of KM assessments
- Explained various approaches to KM assessment
- Offered suggestions for making KM assessment better

# Chapter 6

## Knowledge Management Assessment of an Organization