Business Case for Justifying Knowledge Management

Thirty-second Elevator Speech

References are included in this speech in case further research is needed.

Elevator Speech

We live in a knowledge-driven economy and society (Yelden, 2004). It is estimated that 99% of the work people do is knowledge-based (Wah, 1999), so knowledge—and management of it—has an impact on business processes and outcomes and drives the bottom line. Knowledge management has become an important area and key ingredient for many organizations to be successful and competitive because the value of KM efforts has been well documented for organizations in every type of business.

It may seem daunting for our company/organization to take on a KM initiative because knowledge is intangible. But we make a business case for knowledge every day in our XXX [insert unit, organization, business type, etc.] when we propose new work to a client. Linking that business case to our internal KM activities will actually strengthen our business.

Our company invests a great deal in our employees, and it is critical that we capture their knowledge. It is estimated that 90% of the knowledge in an organization is in peoples' heads (Beazley et al, 2002). Our staff like to talk about their work and pass on their knowledge and wisdom through stories about their experiences or examples of what has worked. This sharing of tacit knowledge often happens in direct conversations, but much of this is not ever written down in any fashion because staff can't always make time. This means that knowledge is usually documented only for a specific business need, such as a proposal or report. And when staff leave or retire, much of their valuable knowledge often goes with them, a situation that insourcing and downsizing is exacerbating.

A KM program proactively gathers, organizes, and categorizes the company's written and tacit knowledge in a way that it can be reused and synthesized, saving time and money as a company builds on what it knows. Other benefits include new synergies among teams and projects, innovation, higher customer satisfaction with donors, reduced exposure to risks, quality improvement, and better teamwork, responsiveness, and decision making (Yelden, 2004).

It is also useful and important for:

- Streamlining time and costs in project management—focusing on progressive
 documentation rather than an end-of-project effort to document what was learned or in
 business development as IBM did when the group who used knowledge sharing cut
 proposal-writing time from an average of 200 hours to 30 hours (McCune, 1999).
- Attracting, motivating, and retaining a talented and motivated team by providing staff with the opportunity to use their knowledge thus producing synergies among teams and projects.
- Empowering staff by giving them access to information for continual learning in an environment where employees are better connected to our experts and expertise.
- Creating innovation and new business through greater organizational adaptability from filtering, gathering, and interpreting competitive intelligence and making more efficient use of knowledge assets through best practices and lessons learned.

We can, of course, go on as we have been, or we can make better use of our prime resource—our people—so that our innovative staff can share and apply their knowledge to improve and expand our work.

KPMG looked at 500 firms and their KM efforts, they found that about 80% of senior executives feel that KM is strategic to their organization and 78% feel that they have missed business opportunities. On average, 6% of annual revenue has been forgone due to missed knowledge opportunities (Kok, 2003).

Creating ways for people to share their knowledge can increase employee retention, nurture an environment where employees are better connected to our experts, increase problem solving, and strengthen our organization through improved work routines, process improvement, and the organization being more aware, involved, and focused on its strategic goals. KM is not only IT or communications; everyone from all parts of the organization must get involved. Knowledge management issues cut across all units of organizations. It is multidisciplinary, involving information, IT, communication and programmatic staff. Wherever gaps are identified in knowledge and information flow, teams can be formed to address the issues.

How can we do this?

Knowledge management concerns all units of our company. We can improve the way our company works together by building our knowledge-base to help expand our business, global health portfolio, and staff know-how. Wherever gaps are identified in knowledge and information flow, teams can be formed to address the issues.

Here are some immediate ways to begin to inculcate KM into our company:

- Include knowledge sharing as part of every person's job description so employees are
 evaluated on their efforts to share key knowledge each year. This would help us instill a
 corporate-wide culture that weaves knowledge into every project action and business
 process (Smith, 2001).
- Conduct and document after-action reviews on proposals (won or lost) and on projects
 just before project close-out to identify how our products and services meet needs, can
 be improved, or where synergies exist, among others.
- Develop mentor programs and training opportunities where staff can teach others and share their institutional knowledge to ensure that staff capture and transfer knowledge.

Could we set up a 30-minute slot to identify the initial plan for developing a KM program?

Other Stats. If Needed

- Our company invests a great deal in its employees and it is critical that we capture that
 know-how in every way we can. Lost knowledge can result in lost opportunity and that
 can have a significant cost implication and negative impact on our organization.
 Remember when XX seasoned manager left last year? It has been estimated that \$115
 billion sits idle in lost knowledge affiliated with production technologies. An astounding
 example of this is the loss of the original computer source code, written in the 1950's, that
 spawned the Y2K software crisis, has cost businesses worldwide an estimated \$1 trillion
 (Petch, 1998).
- Hoffmann-Roche, the Swiss pharmaceutical firm, estimates that it saved over \$1 million per day due to its KM activities. Hewlett-Packard's knowledge efforts aimed at customer service have reduced average call times by two-thirds and the cost per call has fallen by

50 percent. Chevron Corporation estimates that it saved an initial \$150 million, plus at least another \$20 million annually by instituting a best practices program. Dow Chemical's efforts to capitalize on its intellectual property have saved it over \$40 million. Over a six-year period since its investment of \$72 million, Schlumberger Corp. has realized an ROI of 668% on its KM programs (Swanborg & Myers, 1997). Teltech, a firm that specializes in aiding companies to implement knowledge management programs, reports that its clients enjoy an average ROI of 12:1 for their efforts (Abramson, 1998).

 Return on investment of KM can result in improved efficiencies, increased asset value, benefits potential and cost effectiveness (Skyrme, 2001). Enhanced knowledge could also create greater organizational adaptability arising from filtering, gathering, and interpreting competitive intelligence, or making more efficient use of knowledge assets through best practices, etc. Finally, knowledge management can result in reduced costs (money saved through internal sharing or common practices) and/or reduced cycle times by improved business practices.

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