Measuring the ROI of Knowledge Management

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Executive summary

WHAT IS the return on investment from knowledge management projects and how are they measured? These are key questions for knowledge management (KM) practitioners globally with important consequences when it comes to presenting the business case for KM. This report focuses on these questions, as well as addressing the fact that evaluating the return on KM projects is problematic for many organisations. The report provides expert advice on measuring the ROI of KM with examples of how certain practitioners and organisations have approached it.

How the ROI and value of a KM project is measured and reported can determine not only the outcome of a proposal for investment in KM, but, in developing a plan and clearly showing ROI, knowledge management professionals can help to establish real support for their projects.

Knowledge management practitioners are faced with the issue of measuring a return on their projects on a recurring basis. For some fortunate practitioners, KM projects will result in tangible financial results which can easily be measured and reported back to the organisation. However, for the most part, KM initiatives result in intangible benefits which are infinitely harder to measure. So, how exactly does one approach the practical problem of measuring something that is notoriously difficult to measure?

Arguably, the value of intangible knowledge-based assets is increasingly recognised in organisations nowadays, and it is understood that competitive advantage is gained through the creation and exploitation of knowledge-based assets. However, while acceptance of the intangible benefits of KM may be growing, economic pressures and the ever-present need to show results means that it is still imperative that even these intangible benefits are measured or KM projects risk losing support and possibly being side-lined for projects with more easily identifiable results.

When measuring the ROI of KM, a crucial point to bear in mind is that the amount of ROI is of little importance if the project does not support key organisational goals. KM practitioners need to have a good understanding of their organisation’s goals and objectives, and, as discussed by many of the contributors to this report, knowledge managers are responsible for ensuring that KM projects are aligned with and support those objectives.

This report provides practical advice on these issues. The expert analyses provide useful guidance and tips in relation to measuring the ROI of KM and many include details on how KM has been evaluated in various organisations. The articles include expert advice and differing perspectives on topics such as:

- Determining the actual benefits the organisation is expecting from KM;
- The metrics that can be used when measuring the ROI of KM;
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- Justifying investment in KM;
- The influence KM can have on financial drivers; and
- Building the business case for KM projects.

The case studies included contain information on how different organisations have created and developed KM evaluation systems in both the public and private sectors.

The management of knowledge and information in an organisation has never been more important, and its power has never been greater. Issues such as staff shortages, the need for more flexibility in the workplace, and the demand to provide better services for clients/customers are factors that are driving more organisations to determine effective KM strategies that will bring tangible and intangible benefits. With increased economic pressures on organisations globally, it has never been more important to measure the ROI of KM.
About the authors

Stephanie A. Barnes has over 20 years of experience in knowledge management and accounting in the high technology, health care, and public accounting sectors. Stephanie is currently a knowledge management consultant at Missing Puzzle Piece Consulting where she focuses on aligning people, process, and technology. She works with clients in financial and professional services, as well as in the high technology industry and the not-for-profit sector, among others. Stephanie is the Knoco Ltd franchisee for Canada. In May 2011, Ark Group published Stephanie’s report, Aligning People, Process, and Technology in Knowledge Management.

Catherine Boissonnet is a KM consultant and is responsible for the process and methodology department at VEDALIS. VEDALIS was founded in 2004 and is an innovative software company that provides tangible Return on Knowledge (ROK) for large organisations. Their mission is to help companies to improve productivity and hence gain a competitive advantage with their most valuable assets, namely professional/expert employees, and they are specialists in building business knowledge networks. Catherine has more than 15 years’ experience in networking management and bridge-building projects. She regularly undertakes executive seminars for business and engineering schools (in France and Algeria) which focus on networking management projects, change, leadership management, and knowledge management. Since 2011, Catherine also represents the Knoco franchise in France.

Jack Bostelman is president of KM/JD Consulting LLC in San Francisco, California, which advises law firm leaders on knowledge management and other practice efficiency techniques. Before founding KM/JD Consulting, Jack was a partner for over 20 years at pre-eminent AmLaw 20 firm Sullivan & Cromwell in New York City, where he had a nationally recognised transactional securities law practice and exercised management responsibilities.

Chris Boyd is senior director of professional services at Wilson Sonsini Goodrich & Rosati in Palo Alto, California. Chris runs the firm’s recruiting, training, and knowledge management programmes, all of which are designed to help the firm deliver superlative value to its clients. Chris was previously an attorney at the firm and also led KM programmes at several internet start-ups.

Dr. Kimiz Dalkir is an associate professor and coordinator of the knowledge management (KM) stream at the School of Information Studies at McGill University. She is also the executive director of student affairs for the McGill Faculty of Education. Kimiz wrote Knowledge Management in Theory and Practice (Elsevier, 2005) which has had an international impact on KM education and on KM practice. The second edition was published by MIT Press in 2011. Kimiz pursues research on the effectiveness of knowledge processing in both profit and non-profit organizations, learning in peer networks and measurement frameworks for assessing knowledge management success. Kimiz teaches
Master’s level courses in KM Foundations, Knowledge Taxonomies, Intellectual Capital Management, and Communities of Practice. Prior to joining McGill University, Dr. Dalkir was director of global KM services at DMR Consulting where she was actively involved in the transfer of knowledge management and electronic performance support systems (EPSS) to clients in Europe, Japan, and North America.

James Gunn is a chartered engineer and has been a knowledge management consultant for 15 years. He has led knowledge management programmes in large organisations including government ministries and the aerospace, electronics, telecoms, and not-for-profit sectors. He has a broad understanding of business, knowledge management, and knowledge technology gained from experience as well as from working as an associate lecturer for the Open University Business School. He now leads KM programme implementations for Tacit Connexions, a knowledge systems integrator. James regularly speaks and writes on knowledge management and knowledge technology.

Tim Hawley focuses on improving organisational effectiveness and delivering value from complex integrated change programmes. In enabling organisations to adapt to the rapidly changing environment, Tim has helped shape management thinking around how best to leverage intellectual capital and adopt new ways of working. With over 25 years of experience, formerly in industry and latterly as a consultant, Tim has led a series of major organisational transformation programmes working mainly internationally with clients in Europe, the United States, and Asia. Within these programmes, KM has played either a central or major strategic role and has covered private, public, and more latterly the third sector. Tim is currently an associate director of Arup, an independent firm owned in trust on behalf of its staff of designers, planners, engineers, consultants, and technical specialists. Arup is globally recognised for its award-winning approach to KM.

Ditte Kolbaek is a consultant and founder of Proactive Review. The question, ‘How do we learn?’, has driven Ditte through an unusual career in which she has considered different viewpoints in order to ‘learn about learning’. Her experience includes working as an IT-system developer focusing on end-user interfaces, a trainer, a marketing director for Danish Railways S-train, and for seven years she led organisational learning at Oracle (Europe, Middle East and Africa). In this position she developed a method of organisational learning known as Proactive Reviews which she implemented for Oracle in more than 40 countries. To inspire individuals and companies to take up the method, she wrote a book called Proactive Review – How to Make Your Organisation Learn from Experience (Books on Demand, 2012). Ditte is currently a researcher at Aalborg University in Denmark, writing her PhD in organisational learning.

Susan McIntyre is the senior manager, information and knowledge management for Defence Research and Development Canada, where she is responsible for corporate information, knowledge transition, and publishing. Prior to holding this position, she spent 10 years as knowledge manager for the Canadian Safety and Security Program, which is dedicated to finding science and technology solutions for domestic security challenges. Susan’s KM interests are in meta-organizational learning, lessons learned in whole-of-government initiatives, and building communities. Her IM interests include tools for managing organizational memory. She takes a holistic approach to KM, which involves a balance between the creation, capture, and use of both tacit and explicit forms of knowledge.
Dr Nick Milton is director and co-founder of Knoco Ltd. Working with Knoco Ltd since 1999, Nick has been instrumental in developing and delivering KM strategies, pilots, implementation plans, change programmes, and KM services in a wide range of different organisations across the globe. Knoco’s clients come from the engineering, oil and gas, manufacturing, pharmaceutical, FMCG, IT, mining, nuclear, and public sectors. He has a particular interest in Lessons Learned systems, and has managed major lessons capture programmes, particularly in the area of mergers and acquisitions and multi-million dollar engineering projects.

Nick is the author of The Lessons Learned Handbook (Woodhead Publishing, 2010) and Knowledge Management for Teams and Projects (Chandos Publishing, 2005), and is co-author of both Knowledge Management for Sales and Marketing (Chandos Publishing, 2011) and Performance through Learning – Knowledge Management in Practice (Elsevier, 2004). Prior to founding Knoco Ltd, Nick spent two years at the centre of the team that made BP the leading KM company in the world, acting as the team knowledge manager, developing and implementing BP’s knowledge of ‘how to manage knowledge’, and coordinating the BP KM Community of Practice. Nick blogs regularly at: www.nickmilton.com.

Dr Madanmohan Rao is a KM author and consultant from Bangalore. He is the editor of five book series (The Knowledge Management Chronicles, The Asia Pacific Internet Handbook, AfricaDotEdu, Global Citizen, and World of Proverbs) and he is the co-founder of the Bangalore K-Community, a network of KM professionals. Madan was formerly the communications director at the United Nations Inter Press Service bureau in New York, and vice president at IndiaWorld Communications in Bombay.

Madan’s KM consulting engagements have included Fortune 500 companies such as Perot Systems and Philips, and Indian IT services pioneers such as HCL Technologies. He has conducted KM workshops for multinational corporations such as CapGemini, and government agencies such as the Karnataka Knowledge Commission. Madan is a frequent speaker on the international conference circuit, and has given talks and lectures in over 80 countries around the world. He is on the board of editors of the Electronic Markets journal and the Journal of Community Informatics. Madan is adjunct faculty at the International School of Information Management, where he teaches KM courses at Master’s level. He is also adjunct faculty at the Indian Institute of Information Technology in Bangalore. Madan blogs regularly at: http://km.techsparks.com.