





# Knoco Newsletter

## June 2016 Knowledge Management and Value



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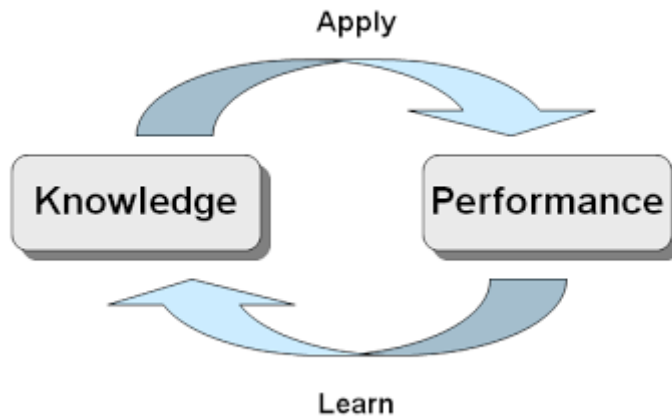
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This newsletter is dedicated to the issue of Knowledge Management and Value, and how the two are linked. We cover the value of KM, how you measure it, the need to make that value visible, and the other side of the coin - the "cost of not knowing".

### Why value and Knowledge Management are linked



There is a very close link between Knowledge and Performance. The more knowledge we have, the better we can perform. The more we learn from performance, the more knowledge we have. This puts us in a reinforcement cycle – a continuous improvement loop – continuously improving knowledge, continuously improving performance.

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This loop can be applied to organisations as well as to individuals. Organisations that learn from experience, and collect or store that knowledge for future access, can continuously improve performance and drive value as a result. This link between knowledge and performance, and between knowledge management and organisational value, is fundamental to the concept of knowledge management. Knowledge management, at its simplest, is ensuring this "learning and performance loop" is closed.

However demonstrating that this loop is closed means that we need to measure performance and value, and link this back to knowledge and how it is managed. This is the topic we explore in this newsletter.

[Contact Knoco](#) for more details on the link between Knowledge and Performance

## How much value does KM deliver?

There are many examples of value added through Knowledge Management; for a selection of case studies, see Nick's blog. However we felt it would be more instructive to study value in a more general sense through the use of or [2014 Knowledge Management survey](#).

The survey found that organisations deliver value from KM in the following 5 main areas:

- A reduction of time to find knowledge (218 of 289 respondents);
- Reduced time to competence for new staff (147 respondents);
- Reduced project or operational cost (133 respondents);
- Reduced project or activity cycle time (125 respondents);
- Improved customer satisfaction (111 respondents).

The greatest value was delivered from the following KM approaches:

- Connecting people through [communities of practice](#);
- Improved access to documents (including search and portals);
- Creation and provision of Best Practices;
- [Learning from Experience](#);
- Improved management of documents;
- [Knowledge Retention](#)

We also looked at the absolute value delivered from KM, from those organisations who had managed to make a value estimate. We found that the value delivered from KM was a function of the size of the organisation, and the number of years they had been doing knowledge management. Some key statistics are as follows:

- Organisations of less than a thousand staff (and who estimated KM value) had delivered value on average of \$1 million;
- For organisations of thousands of staff, this figure was \$20 million;
- For organisations of tens of thousands of staff, this figure was \$240 million.

For more details from the KM survey, [contact Knoco](#).

## How to measure the value of KM



There are two main ways to measure the value of Knowledge Management:

- A "before and after" measure;
- Measuring the value of specific transactions.

The "before and after" approach works like this:

- Select a business area - a project, or a program of projects, for example;
- Select a business metric which measures performance (cost, time, quality, customer satisfaction etc);
- Collect a baseline measure of performance;
- Introduce knowledge management;
- Measure the new level of performance.

Ideally you would use the normal business reporting methods to measure the value of the improved performance. If the project was shorter than normal, that should be reported in terms of meeting the deadline. If it saved cost, that will be reported through the financial channels. By measuring performance before and after the application of KM, you can argue that KM was a contributory factor in delivering value.

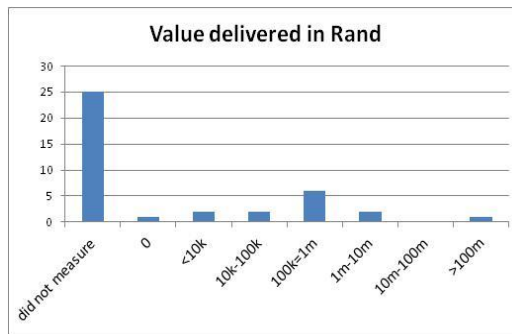
The "before and after" method of value measuring is used in the early stages of Knowledge Management implementation, and is often applied to [KM pilot projects](#) and to proof of concept exercises. Our famous and popular [Bird Island exercise](#) makes use of the "before and after" method to measure the value-add of knowledge in a simple classroom KM simulation.

The approach to measuring the value of specific knowledge transactions works like this:

- Introduce a [Knowledge Management Framework](#) where people seek and share knowledge with each other;
- Choose specific instances of knowledge sharing;
- Find the value delivered in each instance.

This second approach is often used for measuring the value from interactions in Communities of Practice. In Siemens, for example, people asking a question in a CoP forum have to pre-select the estimated Business Impact (BI) that any answer will provide (in other words, the estimated value of a solved problem) within a range from €1000 to €1 million. In ConocoPhillips and Shell, one of the KM team contacts people who asked a question, and asks them a) whether their question was answered, and b) how much that answer saved them (or how much value was created by the answer). Siemens estimated that knowledge sharing in this way delivers a value of €3.5 million per month, and Shell estimates value of \$200 million per year.

**Making the value visible**



The recently completed national KM survey by Knoco South Africa showed that 65% of respondents had not measured the value added through their KM activities (see plot above). The survey also showed that many KM programmes in South Africa are financially under-resourced - often having no dedicated KM budget. The link between these two facts is clear.

Management buy-in to KM is best achieved through tangible demonstration of value add. That means that KM practitioners must make visible the value that their activities deliver, whether that value is tangible or intangible. Value needs to be visible to leaders and managers across the wider organisation, as well as to the people and teams participating in KM. At the same time, the leaders and managers need to challenge the KM team to deliberately apply KM in service of value. KM practitioners need to act as "Intrapreneurs", and proactively seek out and identify value-adding opportunities that KM can target and deliver. To do this effectively requires some skill - especially if you do not have business experience in the organisation.

Playing the role of an Intrapreneur within an organisation can be a very fulfilling role that enables KM practitioners to significantly increase their value to the organisation they serve. Although it is a role that is well-suited to people with direct business experience, we have found that training can significantly improve individual and team capability to find opportunities to add value and design KM processes to target and deliver it. Like many skills, improvement comes through practice.



**Ian  
Corbett,  
Knoco  
SA**

Knoco South Africa is planning to run a webinar series to introduce KM practitioners to the essential knowledge and process skills they need to strategically develop value-based approaches to win and retain management buy-in to KM in their organisations. If you would like to know more, email [ian.corbett@knoco.co.za](mailto:ian.corbett@knoco.co.za)

## The cost of not knowing

Another way to look at the potential value of knowledge management is to look at the value you lose by not having it - the "cost of not knowing". Ewa Stelmaszek (Knoco Poland) shares this cautionary tale.



In this story there were two big "elephant" organisations engaged. One elephant was a big IT service provider, while the second one, the prospect, was a bank. One elephant wanted to sell their services to the other. There were meetings, presentations, proposals, time, cost and people consuming activity. And it was only a mere chance to win the contract.

During the first meeting one of the participants, a bank employee, said suddenly: "We already have your software. It was a great product, but last year we had some problems we didn't know how to resolve, we tried to find help from your company, but we failed. Everybody we contacted refused to help. To be specific it was the software of the company you took over a few years ago. Before the takeover we had no problem with support, but afterwards we got no help at all".



**Ewa  
Stelmaszek,  
Knoco  
Poland**

The IT service provider's people didn't even know that such a situation had happened. The knowledge about the product and the client had disappeared after the takeover. The value? It was a big client and it could have been a VERY big contract.

In this case, the cost of not knowing was the cost of the lost contract; cost which effective Knowledge Management could well have avoided.

## Taking time to deliver value



[Cory  
Cannon,  
Knoco  
USA](#)

When I talk to executives who are looking to introduce KM into their company or organization, most of the time they seem to be looking for someone to take over a particular collaborative tool. They are often perplexed when I explain in depth about what true Knowledge Management can do for their organization. I explain they should be not only looking at the tools that they use but also how the organization is put together and if there are functions or personnel that need to change their scope of work or what processes they are using to complete a task.

Time and understanding are the biggest gains by conducting Knowledge Management operations within the company. The monetary value will come later, but start by having a clear common vision where your entire workforce can contribute ideas and are involved with the process of making their jobs better. This will make the entire business run more effectively, and deliver the value.

We found through our survey that organisations only saw relatively minor value delivery in the first year of KM, but organisations who had been doing KM for 4, 8 and 16 years reported average value delivery of \$3m, \$25m and \$280m respectively.

## KM and Value infographic

Ewa has created a "KM and Value" infographic, which can be downloaded at full size from our [Knoco Resources page](#).

# Is It Likely That Improved KM Might Add Real Value?

This is a commonly asked question

You are VERY likely that improved KM might add real value. There are at least 4 simple ways to achieve this, but only under certain conditions. See below ...

## 4 WAYS TO ADD VALUE

**01 Accelerate the learning curve**

Every time your organization does a task or a project, or provides a service, you learn a little bit faster, faster or slower, because you are gaining experience and knowledge. The only thing that you have at the end of the learning curve that you did not have at the start is knowledge. Use KM to help you learn faster.

**02 Share Best Practices**

Simple solutions can be used to solve local or systemic issues in your products, operations, where performance lags between the sales, customer or a department level, sales results, time to market, customer satisfaction, cost of quality, or any other areas you care to handle.

**03 Think together**

The value proposition of a Community of Practice is to promote the effectiveness of its members, especially for community 20%.

From independent members that do not accept or embrace knowledge sharing to a more productive.

**04 Learn your lessons**

Use knowledge and your lessons are learned through failure and success, but incorporated into future operations. It's a constant improvement loop. Stop repeating mistakes. Repeat successes.

## BUT ONLY WHEN ...

KM is led by the organizational needs

Is it Operational Excellence? Is it Customer Knowledge? Is it Innovation? Is it Growth or Change?

Is KM or not about how to manage your knowledge. It is about how to sell more products or to beat the competition and the better service or to reach new markets. ... It is not the whole of your organization's knowledge.

## AND WHEN ...

KM is delivered where the critical knowledge lies

**Good** Critical knowledge will be knowledge that is vital to the success of the organization, and which therefore needs to drive your KM strategy.

**Bad** You don't have to manage all of your knowledge, only the critical areas that drive real business value and which is the knowledge requirement in a project.

## FINAL ADVICE: ASK YOURSELF

1. WHY? FOR WHAT? TIME TO INVEST? ORGANIZATIONAL NEEDS?

2. IS IT CRITICAL? WHAT DO WE NEED TO SHIP?

3. IS IT NECESSARY TO DELIVER? WHAT DO WE NEED TO BE ABLE TO DO?

4. IS IT POSSIBLE AND AFFORDABLE? HOW TO MANAGE OUR KNOWLEDGE?

FOR MORE INFO, VISIT [www.kmisa.com](http://www.kmisa.com)



## News from Knoco

### Knoco activity; recent and planned



Nick was recently in Berlin for a meeting of the **ISO working group**, working on an ISO Knowledge Management standard (pictured above outside DIN, the German Standards Association).

Javier ([Chile](#)) will give a **conference in Baja California** (Mexico) on June 15th about "[Knowledge management in education](#)" for Cobach, will be delivering a KM training course for training managers of all institutions of the government of Catalonia from June 20th to July 5th, and will help a Mining Group in a maintenance best practice transfer project and will help a service company systematize the knowledge of the group of executives who deal with their most important clients.

Rupert ([UK](#)) has just finished a huge **KM Toolkit document** for the Aerospace industry, and also conducted a substantial KM assessment for an international chemicals company. We look forward to helping them improve and develop further KM capabilities over the coming years.

Don and Andrew ([USA](#)) have been working with the **US Border Patrol**. Over 21,000 USBP agents are deployed to watch the US borders, and Knowledge Management is clearly recognized by the leadership and work force as vital to their success. Early efforts to date have focused on a four-day Knoco Knowledge Manager Training class delivered in El Paso, TX. Following the training, the class participants assumed the role of KM Champions for their respective work areas, with a KM Champion Community of Practice initiated.

On July 5th in Barcelona, Javier will co-host the launch/presentation of the book "[New training models for public service workers](#)" by Jesus Martinez, Head of Management Training and New Programs at the Justice Department of the Catalan Government. The book collects the experience of collaborative working and communities of practice at different institutions of the Catalan Government.

Cory ([USA](#)) is working on a paper on Knowledge Management in a Combined/Joint Environment (ie a military operation requiring cooperation between different countries or forces). The paper should be ready before July for an August briefing in Bangkok.

Nick and Rupert ([UK](#)) are both speaking at the [Knowledge Management UK](#) conference; Nick speaking on "the knowledge supply chain" on June 15, and Rupert on how the British Army does KM.

We have just been awarded a big contract in Iran, starting soon. well done Aryan ([Iran](#)).

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### **National KM survey**

A national KM survey in South Africa was recently completed at a time when the South African economy is severely under stress. The survey from [Knoco South Africa](#) attracted 71 respondents from a range of organisational sectors throughout the country, including multinationals with KM teams in local offices. The survey presents a KM health check and pointed to some interesting trends, including the increasing use of mobile devices - a trend that is surely going to continue.



Knoco South Africa  
2016 Knowledge Management  
Survey

The report was produced for the South African Knowledge Management Society (SAKMS)



Please acknowledge Knoco as the source if you use data provided in this report.

For many organisations represented in the survey, knowledge retention and capability building are key issues being targeted by KM. It was also clear that implementing KM to a point of maturity requires a period of 4 years plus. Results have been shared with the SABS Technical Committee that will develop a national standard for Knowledge Management.

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