

Knowledge Management

Research Report 1998

foreword

There is little doubt that we have entered the knowledge economy where what organisations know is becoming more important than the traditional sources of economic power – capital, land, plant and labour – which they command.

The value attributed by stock markets to companies in sectors such as software development and biotechnology far outweighs their tangible assets. Even in industries as traditional as manufacturing, companies are obtaining competitive advantage through technological know-how, product design skills, problem-solving expertise, personal creativity and the ability to innovate. Knowledge management is the discipline of capturing these knowledge-based competencies, storing and disseminating them for the benefit of the organisation as a whole.

Much has been written about knowledge management. We wanted to find out what was really happening. We wanted to know exactly how far companies have gone in launching knowledge management initiatives and how strategic their approaches are.

This report is the result of a survey carried out by Harris on our behalf. It shows that knowledge management is not a fad and is being taken seriously. It shows that companies are having difficulty in tackling knowledge management, but for those which are advanced in implementing knowledge management there are real benefits to be reaped.

As we said in *The Power of Knowledge: A Client Business Guide*, "Knowledge management is not an abstract proposition for the future... it is a vital aspect of world-class management in today's business environment."

The survey findings set out in this report fully endorse that view.

David Parlbby

Partner

KPMG Management Consulting

contents

Foreword

- 1 Executive summary
- 5 Introduction and methodology
- 6 Current state of knowledge management
- 7 Cost of ignoring human knowledge
- 8 Failure to store critical knowledge effectively
- 11 Failure to exploit technological infrastructure
- 12 Need for vision and strategy
- 16 Investing in knowledge
- 18 Full benefits for early adopters of knowledge management
- 20 The future

1

Executive summary

1.1 Knowledge management is here to stay.

We asked respondents for their views on knowledge management. Only 2% of respondents considered knowledge management to be a fad that would soon be forgotten – this contrasts with the results of a survey last year* in which almost a third of respondents thought knowledge management a fad. One in 10 said knowledge management was transforming the way their organisation did business and 43% of respondents considered their organisation to have a knowledge management initiative in place.

1.2 Lack of knowledge management can be costly.

We asked respondents whether they had felt any ill effects of a key employee's departure – in other words, from failing to turn human intellectual capital into organisational intellectual capital:

- 43% said that a relationship with a key client or supplier had been damaged;
- half of respondents said that they had lost knowledge of best practice in a specific area of operations; and
- more than 10% said their organisation had lost significant income.

1.3 Companies are not fully exploiting the technology infrastructure...

Respondents were asked about the principal ways in which different types of information were stored in their organisation.

Over a third stored information about customers, and markets in non-technological formats (such as people's heads or on paper). Only 10% of respondents made knowledge of competitors available electronically to all who needed it and only 9% did the same for knowledge of employees' skills. Yet these are the types of information which respondents consider to be important to their business:

<i>Information</i>	<i>Respondents rating it important</i>
Customers	93%
Markets	88%
Own products and services	88%
Competitors	81%
Employees' skills	81%

* Footnote: The Knowledge Barrier by the Information Systems Research Centre of Cranfield School of Management, September 1997.

1-4

...that many already have in place.

The types of technology that facilitate knowledge management have already been implemented by many organisations.

90% of respondents said they had implemented Internet access. Two-thirds of respondents had implemented intranets and two-thirds used document management systems.

Nearly half had groupware and over a third had data warehousing, data mining and decision support systems. A few have implemented extranets as well.

It follows that many organisations have the necessary technological infrastructure in place to support knowledge management.

1-5

Companies currently have the wrong priorities,...

Where organisations are using technology, its application has not been wholly focused. Approximately a third of respondents said that knowledge of their methods and processes was available electronically to all who needed it but this was considered by respondents to be the area of knowledge of least importance.

In general, the less critical the type of knowledge was to an organisation's business, the easier respondents said it was to locate. For example, a quarter of respondents said it would take five minutes to locate someone in their organisation who could translate a document from Spanish; and half would take 5 minutes to find someone who had spoken at a major conference in their sector in the last two years.

But over half of respondents said it would take them up to 15 minutes to obtain a list of their company's products and services and almost half would take up to 15 minutes to find a report showing the organisation's sales performance for the first quarter of the last financial year.

Basic examples of corporate knowledge – such as the internal telephone directory – were not always readily accessible. Almost all respondents said they would take five minutes to find an extension number for a colleague in the UK and two-thirds would take up to 15 minutes to find an extension number for a colleague overseas.

This shows that organisations need the focus of a well-defined knowledge management strategy in order to establish the appropriate priorities.

1-6

...and are in the early stages of implementing knowledge management...

Only a quarter of respondents from organisations with a knowledge management initiative were actually at the implementation stage: a fifth were investigating the problem of knowledge management and a quarter were undertaking a review of current organisational structures for knowledge management.

The most common activity undertaken was the establishment of informal knowledge management networks – typical of a bottom-up rather than top-down development.

These findings suggest that organisations may be unsure of how best to get started and are, therefore, taking planning seriously, which may be a reflection of the possible barriers they face (see 1.8). For example, this lack of penetration into implementation may be because of a lack of necessary skills to move from the planning to the implementation phase – half of all respondents considered this to be a barrier to effective knowledge management.

1-7

...and have not established a knowledge management strategy.

Only a third of those companies with a knowledge management initiative had created a strategy. A further third were planning to develop one.

Two key indicators of a strategic approach – the allocation of responsibility at a senior level and the establishment of a budget – were largely absent.

40% of respondents whose companies had a knowledge management initiative said there was no one at board level responsible for it. Although half said there was a named person responsible for the initiative, a third of those said it was someone in an existing named position. Only 5% of organisations with a knowledge management initiative had a chief knowledge officer.

A third of all respondents said that no budget had been allocated. Organisations' fragmented approach was confirmed by the current source of funds for the knowledge management budget, with 30% of all respondents saying it was spread across all departments.

1-8

Many organisations are too lean to exploit knowledge management to the full.

49% of respondents said that people want to share knowledge but do not have the time. This was considered a greater drawback than the cultural issues popularly accepted to be barriers. It could be that organisations have been through re-engineering and delaying and are so lean that they cannot give their employees the time necessary to develop and share knowledge.

Only 16% of respondents said individuals were unwilling to share knowledge. A mere 18% said individuals did not share best practice. Just 14% said there was too much knowledge. The indication is that people have a better understanding of the need to share knowledge and the benefits to be derived from doing so, but simply lack the time.

One result is that effort is still wasted through “re-inventing the wheel” – as confirmed by over half of all respondents.

Apart from allowing staff time to share knowledge, organisations that are serious about knowledge management may have to undertake changes to their reward and incentive structures. 39% of respondents said their organisation did not reward knowledge sharing. This was seen as the third biggest barrier after lack of time and wasting effort through re-inventing the wheel.

1.9

Knowledge management does deliver expected benefits.

We asked respondents whose companies had a knowledge management initiative what their expectations had been and whether these had been fulfilled. We found that significant benefits are being achieved.

Better decision-making was the single, overwhelming reason: 86% cited it as a reason and the same percentage said their organisation had achieved it as a result. 86% also cited faster response time to key issues and two-thirds said they had achieved it. 79% gave improved productivity as a reason and 67% achieved it. 74% mentioned reduced costs with 70% achieving it. Over half had increased profit.

Some of these benefits are conventional and budget-focused, perhaps reflecting the basic need to establish a business case in order to attract the investment. Emphasis on these conventional benefits suggests that companies are in danger of missing the full potential for innovation offered by knowledge management.

These findings suggest that organisations need to be effective at managing the realisation of financial benefits, since over half of all respondents confirmed that the top issues driving the need for knowledge management were improving profits, followed by defending share against competitors (42%), cost reduction (39%) and growing revenue (32%) – all financial considerations.

Benefits were also realised in other areas such as creating new business opportunities (58%) and better staff retention (42%). These results indicate the potential is there for the full range of benefits, but only about half of the companies with a knowledge management initiative are currently managing to realise them.

2

Introduction and methodology

2-1

Aims

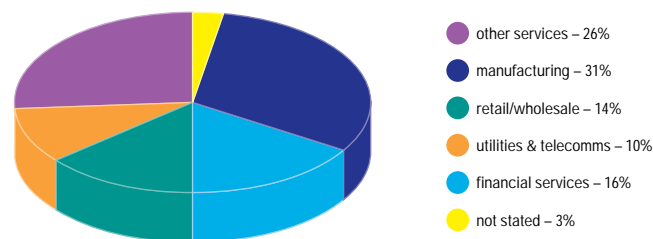
The principal aims of this survey were to establish the extent to which organisations are aware of knowledge management, take it seriously and are pursuing initiatives to implement it and benefit from it. We questioned respondents about their current implementation, awareness and future plans for knowledge management.

2-2

Methodology

Industry sector

base: all respondents (100)



The research was conducted by The Harris Research Centre in February and March 1998 among chief executives, finance directors, marketing directors and those with specific responsibility for knowledge management in their organisations at 100 leading UK companies with turnover exceeding £200 million a year. This sample was chosen because companies of this size have the greatest need to implement knowledge management initiatives, have possibly the greatest capability and resources to do so and potentially can reap the greatest benefits. The subject focus was the collective knowledge of their organisations' employees and their own use of information.

In this report, 'largest companies' means those with annual turnover of £500 million or above, more than 2000 employees or more than six sites. 'Other Services' includes business services, communications, holding companies and miscellaneous.

2-3

Definitions

The meaning of knowledge and knowledge management continues to be open to debate. For the purposes of this survey:

'Knowledge' means the knowledge in the business about customers, products, processes, competitors and so on, which can be locked away in people's minds or filed on paper or in electronic form.

'Knowledge Management' means a systematic and organised attempt to use knowledge within an organisation to transform its ability to store and use knowledge to improve performance.

3

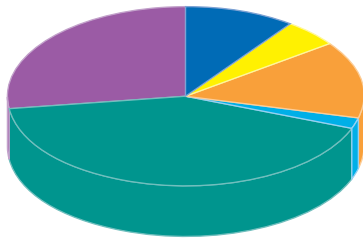
Current state of knowledge management

3-1

Awareness of knowledge management

Attitudes towards knowledge management

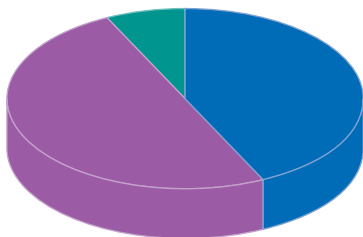
base: all respondents (100)



- it could help my company organise information sources better – 27%
- it is transforming the way my organisation does business – 10%
- something we do but we don't have a fancy name for – 42%
- never heard of knowledge management – 14%
- just a management fad which will be forgotten – 2%
- don't know/not stated – 5%

Existence of a knowledge management initiative

base: all respondents (100)



- not currently in place – 50%
- currently in place – 43%
- don't know – 7%

Attitudes to knowledge management have changed in a matter of months.

Only 2% of respondents considered knowledge management to be a fad that would soon be forgotten. This contrasts with the results of a survey by the Information Systems Research Centre of Cranfield School of Management (September 1997) in which almost a third of respondents thought knowledge management a fad.

Knowledge management is growing rapidly in importance and has gained great impetus. 10% of respondents said knowledge management was clearly transforming the way their organisation did business. This is a high proportion given the significance of any organisational transformation.

Awareness of knowledge management increased with the size of organisation. All respondents from the largest companies had heard of knowledge management while just under a fifth from other companies had not.

3-2

Knowledge management initiative in place

43% of respondents considered their organisation to have a knowledge management initiative in place. Two-thirds of the largest companies had a knowledge management initiative in place against just over a quarter of the rest.

However, as the remainder of this report shows, few organisations are reaping the full benefits of knowledge management in terms of:

- providing employees with the necessary resources to contribute to the organisation's knowledge;
- establishing a strategy for knowledge management;
- identifying the expected benefits and managing their realisation; and
- making the most of existing technology to store and disseminate information which is most critical to an organisation's success.

With all of the changes that are required a company needs to have a good change management programme in place to engender support from employees.

4

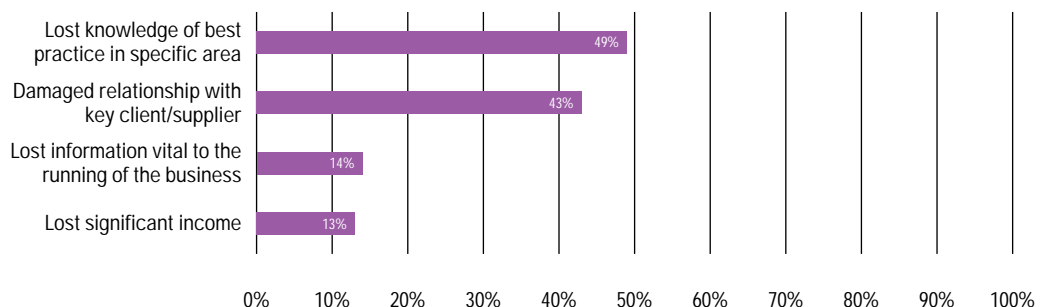
Cost of ignoring human knowledge

Much of an organisation's knowledge is personal. It is and remains in employees' minds. Our survey showed there is little provision for capturing, sharing and disseminating it. When individuals leave, their knowledge is lost to the organisation. Respondents confirmed they realise the value of this human knowledge, in that their organisations had suffered in various ways when individuals left, from loss of knowledge of best practice through to damage to key client and supplier relationships and, ultimately, significant financial loss. Respondents acknowledged the cost of failing to look after their organisation's intellectual capital – in other words, of failing to convert individual knowledge and know-how into corporate knowledge.

However, those organisations which had suffered damaged relationships with key client/supplier, were more likely, as a result, to have heard of knowledge management (48% had, 21% had not) and to have put a knowledge management initiative in place (53% against 40% whose organisations had suffered damage but not pursued a knowledge management initiative). It seems, as for IT security, that something has to happen for people to focus on it.

The effect of a key employee leaving the organisation

base: all respondents (100)



4-1 Loss of knowledge of best practice

Half of all respondents said that they had lost knowledge of best practice in a specific area of operations as a result of a key employee's departure.

4-2 Damage to a key client or supplier relationship

43% of all respondents said that a relationship with a key client or supplier had been damaged by the departure of a key individual. This figure increased with the size of the organisation – in the case of the largest companies, half had been affected in this way as had more companies in the Retail Sector (57%) than in Manufacturing (39%) or Other (42%).

4-3 Loss of significant income

More than 10% of respondents said their organisation had lost significant income as the result of a key employee's departure. This was felt more in larger companies with one in five affected.

5

Failure to store critical knowledge effectively

This section and the next demonstrate that organisations are good at identifying which types of knowledge are important to their business. But they are less effective at using appropriate formats to store and share it, even if they already have such facilities in place.

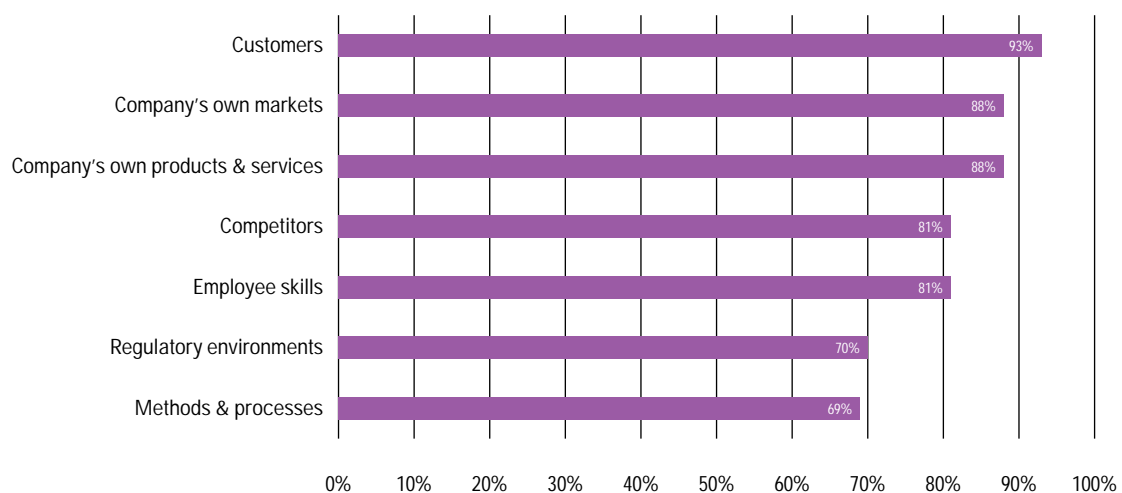
5.1

Types of knowledge important to an organisation

Respondents were asked which types of knowledge they considered important to their company.

The importance of various areas of knowledge – responses given “very important” and “important”

base: all respondents (100)



Clearly, organisations valued most highly their knowledge about their customers, markets and their own products and services. The largest companies regarded knowledge of competitors as more important than other companies did (91% against 69%). However, the others regarded knowledge of their own methods and processes as more important than the largest companies did (76% against 66%). This may be because they recognise the need to have the right methods and processes in place in order to grow, or potentially because they are failing to focus sufficiently on the external environment.

5.2

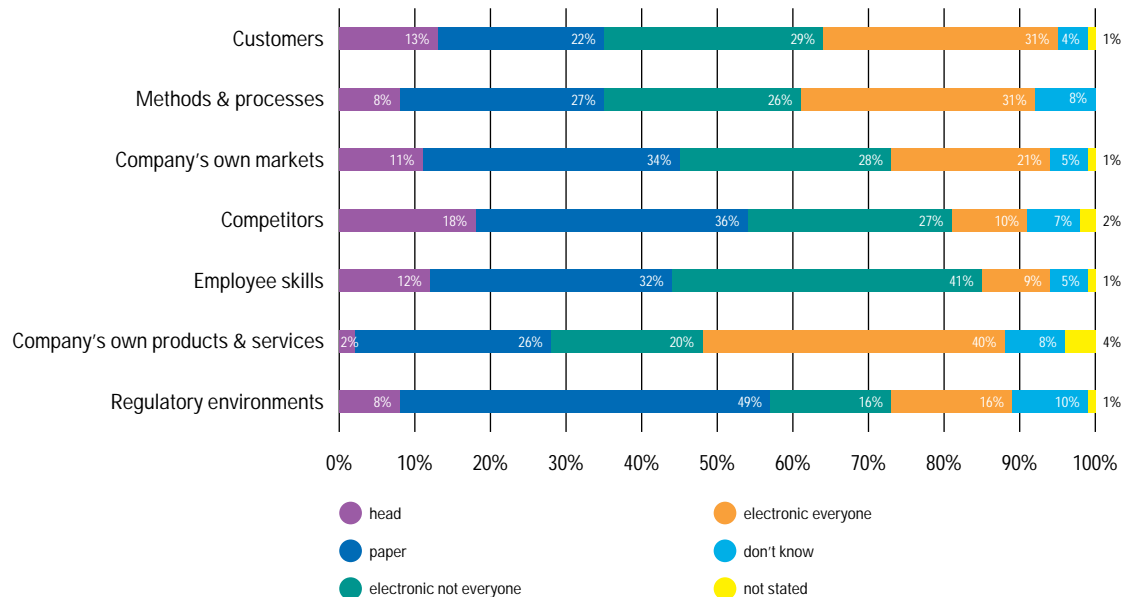
Methods of storing important knowledge

Having established which types of knowledge companies prize the most, we asked them how they held that knowledge. If held electronically, we asked whether it was available to everyone in the organisation who might need it.

The most effective way to store knowledge is in people’s heads – the human mind is still more powerful than any computer at storing, sorting and retrieving the sort of knowledge which is most valuable to companies. Transferring such knowledge between individuals is usually best done verbally to capture details and nuances. But as the previous section’s findings show, relying on individuals can be fraught with risk.

The storage of knowledge

base: all respondents (100)



This is where technology can help. Technology is not a panacea. Electronic formats can make knowledge difficult to exploit. But storing knowledge in electronic formats means that, at the very least, it can be used for other applications. Searching for it becomes easier. And as technology becomes more powerful, so exploitation of knowledge becomes easier still.

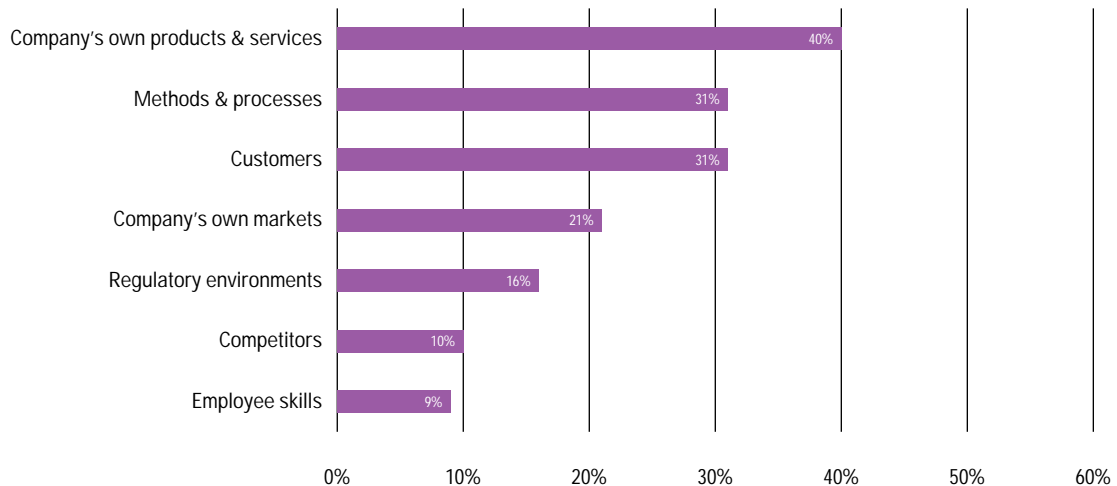
However, our findings show that while organisations are using various technologies, they are not necessarily doing so with knowledge management in mind.

Over a third stored knowledge of customers in non-technology based formats (such as people's heads or on paper). Only a third stored it in an electronic format accessible to all who needed it. In the case of markets, over a third kept relevant knowledge on paper. Only 10% of respondents made knowledge of competitors available electronically to all who needed it and only 9% did the same for knowledge of employees' skills.

However, the tendency is to load information about the organisation – products & services and methods & processes – rather than the external environment – knowledge their organisations considered to be more important. For example – almost a third of respondents said that knowledge of their methods and processes was available electronically to all who needed it but this was the area of knowledge considered to be of least importance.

Storage of knowledge: electronic storage (everyone)

base: all respondents (100) multiple responses



5-3

Time taken to locate knowledge

We tested whether individuals in companies were able to access relevant knowledge by a series of questions designed to elicit their anecdotal experience. Respondents' replies confirmed that companies are still finding it difficult to prioritise between knowledge of different levels of importance.

So, for example, a quarter of respondents said it would take five minutes to locate someone in their organisation who could translate a document from Spanish and half would take 5 minutes to find someone who had spoken at a major conference in their sector in the last two years.

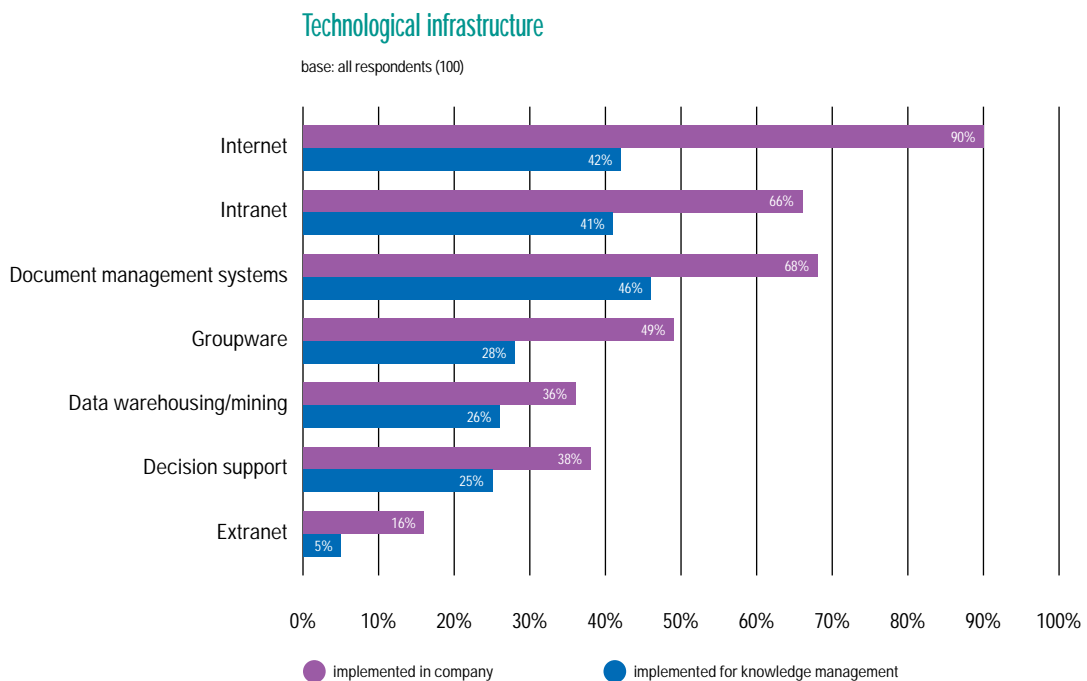
But over half of respondents said it would take them up to 15 minutes to obtain a list of their company's products and services and almost half would take up to 15 minutes to find a report showing the organisation's sales performance for the first quarter of the last financial year. Yet these two items of knowledge are so critical to an organisation that even if they are not made available to all employees, their whereabouts should be common knowledge.

Basic examples of corporate knowledge – such as the internal telephone directory – were not always readily accessible. Almost all respondents took up to five minutes to find an extension number for a colleague in the UK and two-thirds took up to 15 minutes to find an extension number for a colleague overseas. These routine examples are important. They may be the only evidence employees have that knowledge management is being taken seriously in their company.

6

Failure to exploit technological infrastructure

There are a wide variety of technologies and applications that can be used – indeed most have a knowledge management angle to them. We asked about some of the key types of technology in use and why they were implemented. The IT infrastructure needed for knowledge management has often been put in place for other reasons.



While 90% of respondents had implemented Internet access only half of that number had done so with knowledge management as the primary focus. Two-thirds of respondents used document management systems, 46% with knowledge management as the primary focus and two-thirds had implemented intranets, 41% with knowledge management as the primary focus. Taken with the previous section's findings, these figures show that companies are not exploiting the full potential of the technology they have.

Much of the technology is new and has been implemented as organisations have begun to experiment with new ways of using it. Having implemented the necessary technology, organisations need to populate it with data to make it worth using and to add real benefit. This in turn means that companies must focus on keeping the information up-to-date on an on-going basis, removing out of date information and committing resources to this task.

However, in order to obtain the full benefits, organisations need to take a fresh look at technology from a knowledge management perspective to see the potential.



Need for vision and strategy

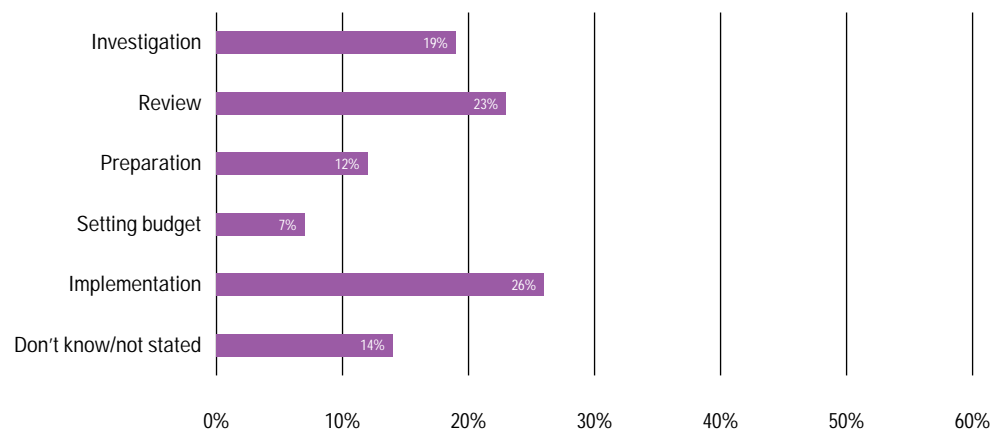
In view of the previous sections' findings – that companies are failing to make best use of the technology to store and share knowledge important to them – we tested the extent to which they have a clear vision or strategy of knowledge management and are implementing it.

7.1

Importance of a strategy

Current state of knowledge management initiative

base: all respondents with a knowledge management initiative (43)

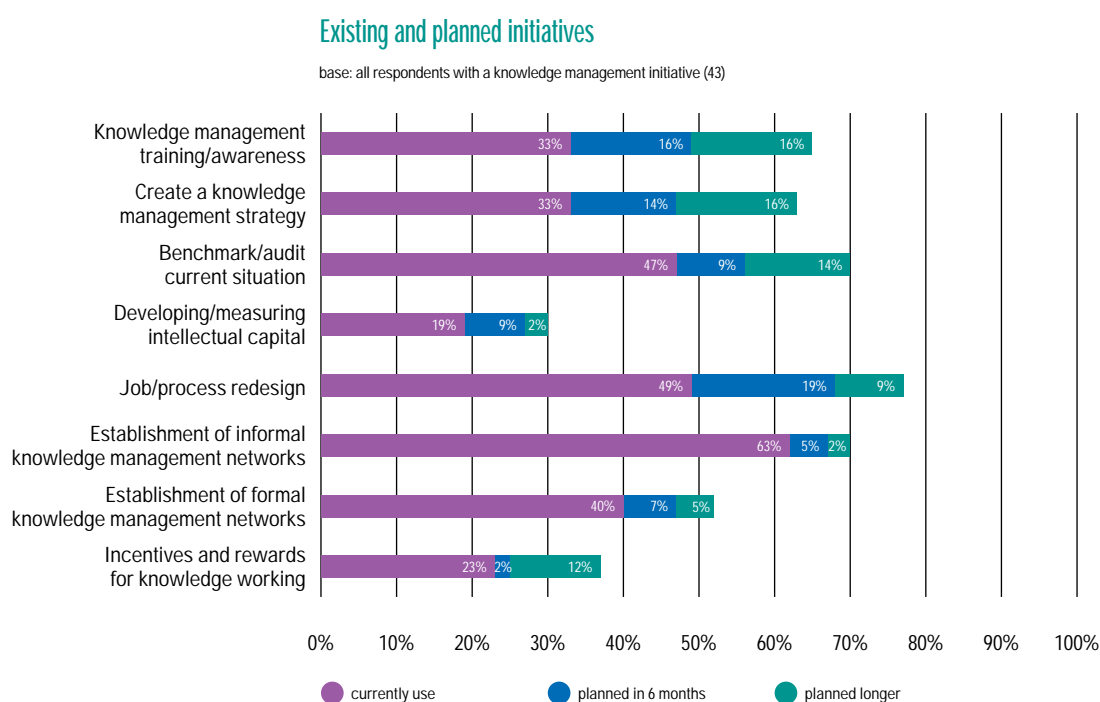


We asked those with an initiative in place to specify how advanced it was. A fifth were investigating the problem of knowledge management and a quarter were undertaking a review of current organisational structures for knowledge management. A quarter were actually at the implementation stage. People may lack skill in sharing knowledge which may explain why organisations are unsure of how best to introduce the change of culture necessary.

Almost a third of those with a knowledge management initiative were rising to the challenge and planning a knowledge management strategy. Just under a third were planning job or process redesign and a fifth were planning a benchmarking exercise. The most common activity undertaken by those with a knowledge management initiative was the establishment of informal knowledge management networks – typical of bottom-up rather than top-down development. Bottom-up activity is encouraging – it shows that people have a genuine interest and enthusiasm. But top-down planning and careful resourcing is essential if that early enthusiasm is to be nurtured and rewarded with organisation-wide results.

Less than a third were either developing or planning to develop any intellectual capital measurement initiatives. Just over a third were looking into or planning to look at incentives and rewards for knowledge sharing. This is indicative of a market not yet ready to move into a different phase of knowledge management. Those who adopt these initiatives early will put themselves in a strong position to sustain the initial effort, retain staff and the inherent intellectual capital, and therefore meet future challenges.

These activities represent a fair amount of work and need to be carefully programme managed, pointing to the need for the appointment of a chief knowledge officer (see 7.2).



7.2

Need to allocate responsibility

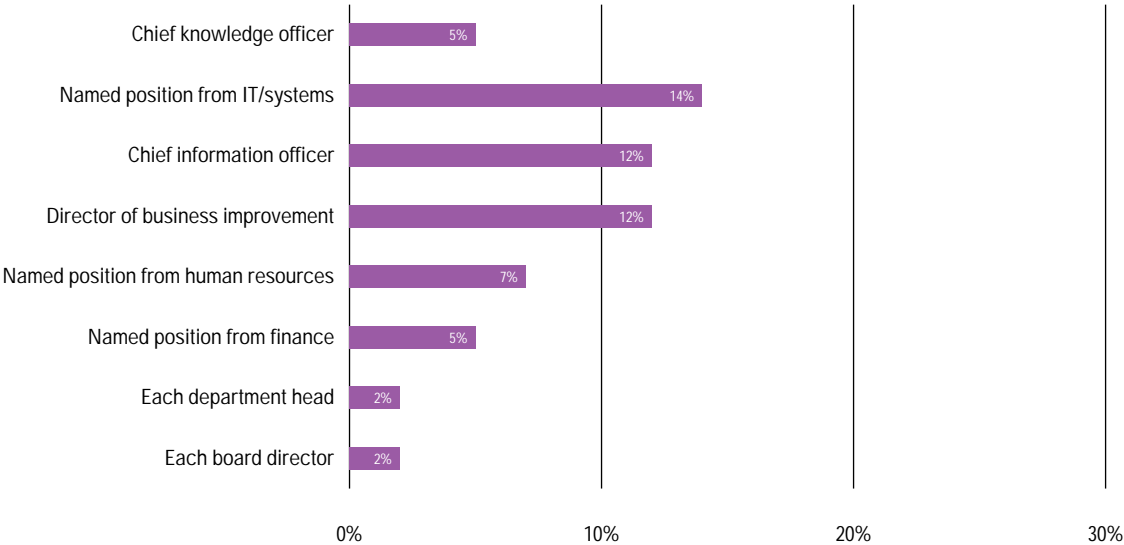
Allocating responsibility for an activity is a signal that the organisation is taking it seriously. However, when asked, 40% of respondents whose organisations had a knowledge management initiative said there was no one at board level responsible for the initiative. In the case of organisations that had allocated responsibility to a named person, over a third said it was someone in an existing position. Heaping an additional responsibility on an existing function is unlikely to produce the best results. It may also lead to a slanted view of knowledge management.

This may be because companies are unsure of the extent to which knowledge management will benefit them. However, those which are taking it seriously – 5% of respondents with a knowledge management initiative said their organisation had a chief knowledge officer – are likely to be the first to benefit. They are able to develop a coherent strategy which is consistent across the whole organisation. Those 5% all came from the largest companies.

Given the emphasis which knowledge management places on the importance of the individual, it is surprising that only 7% of those companies with a knowledge management initiative appointed the Human Resources function (in the absence of a dedicated knowledge management role).

Responsibilities for organisations' knowledge management initiative

base: all respondents with knowledge management initiative (43)

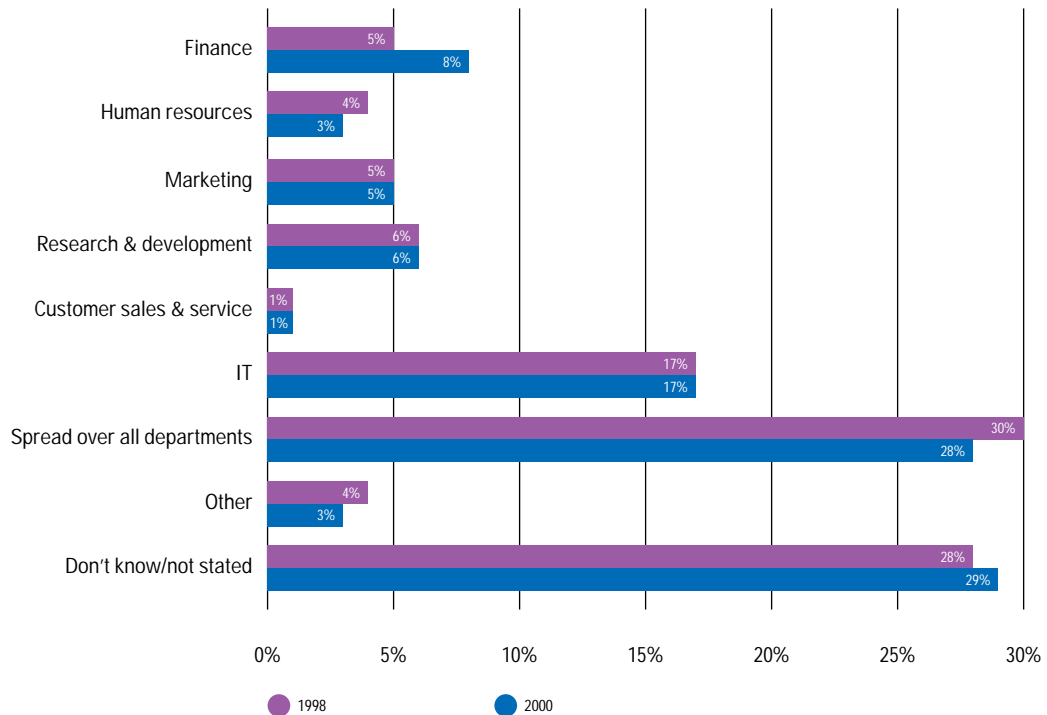


Importance of a dedicated budget

Allocating a budget is a further sign that an organisation is taking a project seriously. However, when asked, a third of all respondents said that no budget had been allocated. This figure fell to a quarter when respondents were asked to project forward to the year 2000. However, as most organisations are only in the planning stage (see 7.1) the true forward budgets are unlikely to be established yet.

Source of knowledge management initiative budget (1998)

base: all respondents (100)



Organisations' fragmented approach to knowledge management was confirmed by the current source of funds for the knowledge management budget, with 30% of all respondents saying it was spread across all departments. By the year 2000, this figure is expected to fall to just 28%.

Almost a third of those expecting the source of funds to change, said that the finance department would be responsible for the budget in the year 2000.

The IT function will remain constant as a source of funding for knowledge management, with 17% of respondents saying it is both the current source for the knowledge management budget and the expected one in the year 2000.

8

Investing in knowledge

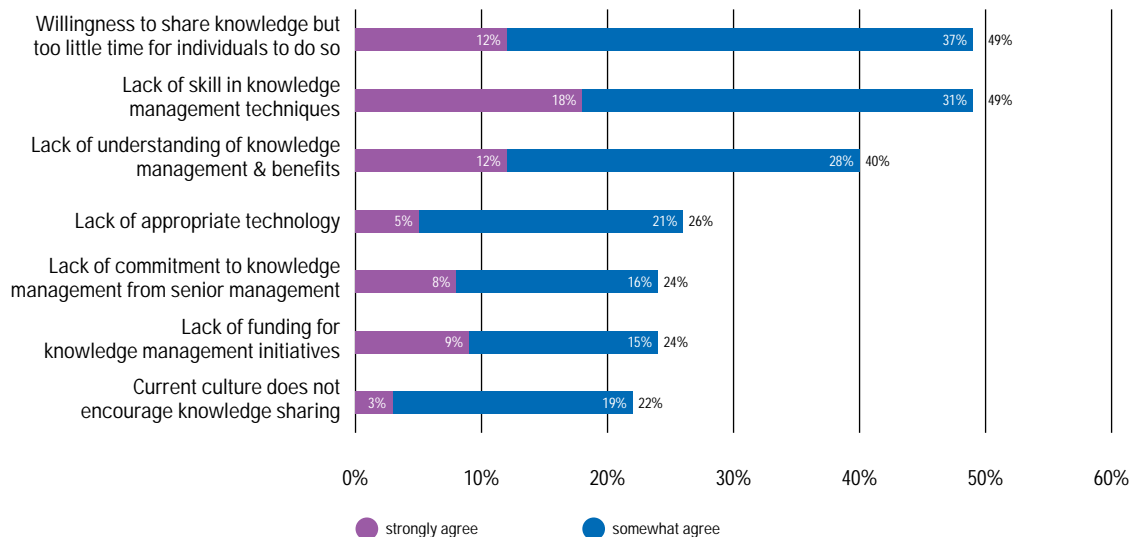
The conventional wisdom, confirmed as recently as last year by the survey conducted by the Information Systems Research Centre of Cranfield School of Management, is that the barriers to knowledge sharing are personal and cultural, revolving around individuals' unwillingness to share knowledge or put themselves out for others. Our findings suggest that individuals are willing to share knowledge but do not have the time to participate actively.

8-1

Obstacles to knowledge sharing

The barriers to effective implementation of knowledge management

base: all respondents (100)



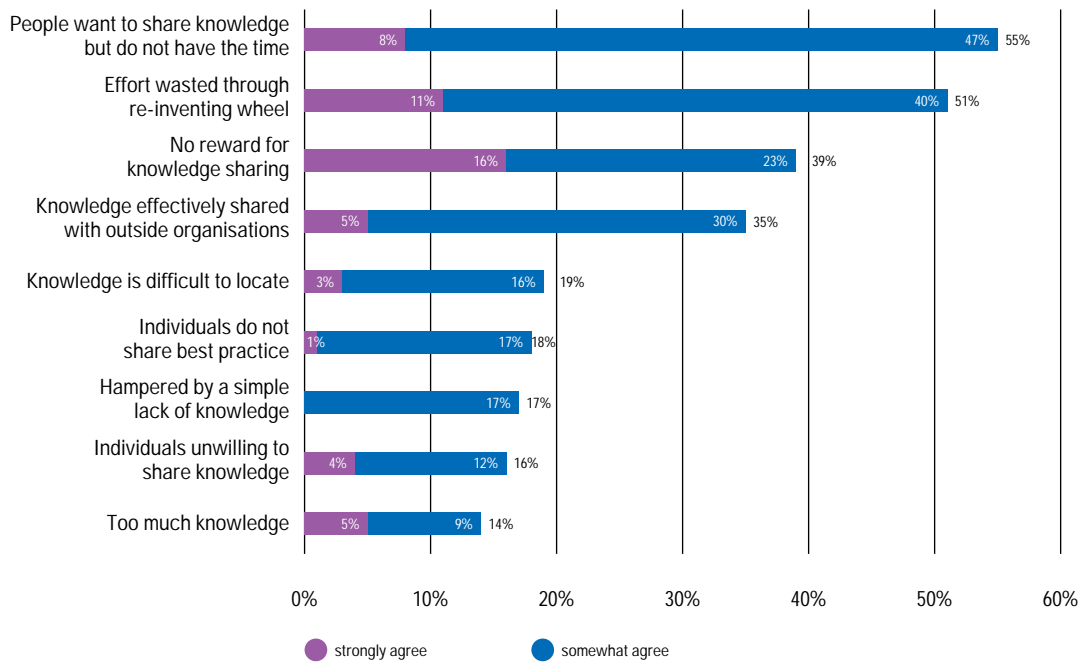
As shown earlier, organisations are mainly at the planning stage. We asked what barriers they are facing. The results show the main ones are lack of time to share knowledge (49%), lack of skill in knowledge management (49%) and lack of understanding (40%). However, in companies' current situation, over half of respondents said that people wanted to share knowledge but did not have the time. Only 16% of respondents said individuals were unwilling to share knowledge and only 18% said individuals did not share best practice. Part of the problem might be thought to be "information overload" but only 14% complained that there was too much knowledge.

The indication is that in less than a year during which there has been much activity and focus around knowledge management, people have a better understanding of the need to share knowledge and the benefits to be derived from doing so. But many organisations are now so lean that people do not have time to make knowledge available, share it with others, teach and mentor others, use their expertise to innovate and find ways of working smarter. Instead, they are task-focused, shifting existing workloads to tight deadlines.

It takes time to learn new methods and techniques and apply them until they become embedded. It is an investment in knowledge management that organisations need to make. Knowledge work requires organisations to give

Usage and problems of storing knowledge – current situation

base: all respondents (100)



people time and space to progress with other work. The issue that arises comes in quantifying the benefit, which can be hard to do directly as we explain in Section 9.

8-2 Impetus from outside

Respondents indicated that sharing knowledge with outside organisations was more likely to be treated as a useful investment by their companies – over a third of respondents said that knowledge was effectively shared with relevant outside organisations such as suppliers and customers. This is presumably because companies identify external organisations as either a source of income (customers) or cost reduction (suppliers) whose financial impact on the company will be improved through the sharing of knowledge.

Collaborative working with suppliers and customers will increase. It creates win-win relationships and enables organisations to complement each others' strengths and is the direction in which a number of disciplines – from supply chain management through to marketing – are developing. However, the ability to share knowledge effectively requires organisations to have their internal knowledge management systems in place.

8-3 Changes needed to reward structures

Respondents identified that if organisations are to be serious about knowledge management, they will have to consider reflecting this in their reward and incentive structures. 39% of respondents said their organisation did not reward knowledge sharing, and this was considered to be the third biggest drawback to storing and sharing knowledge after lack of time and wasting effort through re-inventing the wheel (i.e. re-doing work already done elsewhere).

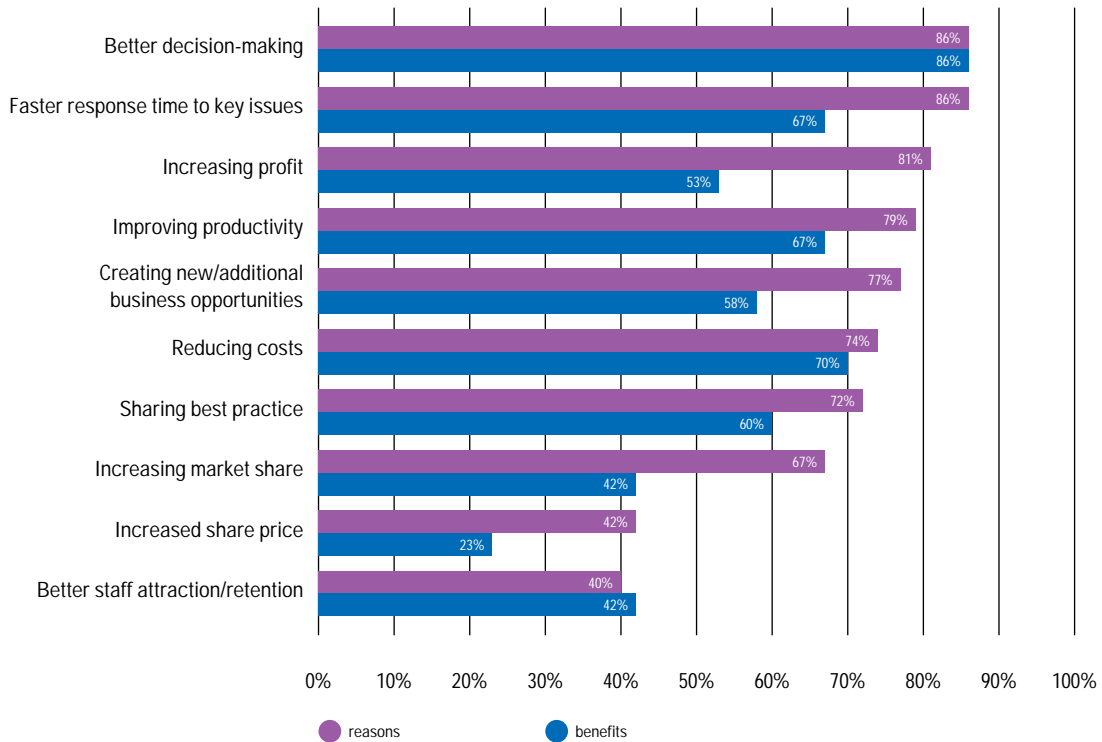
Recasting reward structures would relieve the emphasis of conventional reward on dealing with existing deadlines and would also provide immediate reward for efforts which, in knowledge management terms, may take longer to show through. This means focusing on allowing employees to gain personal development in return for sharing their own knowledge; which allows work to become more fulfilling, and makes the organisation more attractive to work in, with better retention of staff.

9

Full benefits for early adopters of knowledge management

Importance of reasons and benefits gained for setting up a knowledge management initiative

base: all respondents with a knowledge management initiative (43)



9.1

The benefits are there to be realised

We asked respondents whose organisations had a knowledge management initiative to assess the reasons for embarking upon the initiative and whether their expectations had been fulfilled. Better decision-making was the single, overwhelming reason. 86% cited it as a reason and the same percentage said their organisation had achieved it as a result. 86% also cited faster response time to key issues and two-thirds said they had achieved it. These – and the findings for improved productivity and reduced costs – are high levels of attainment, which confirm that those organisations pursuing a knowledge management initiative believe they are gaining benefits from it.

9.2

The impact on the bottom-line will come through

Financial goals such as increasing profit and increasing the company's share price were mentioned by respondents but were less widely achieved.

In our view, there were two motives at work. The first was conventional – respondents cited these as possible benefits for budget-justification purposes (relevant, given the number of organisations still at the planning stage). The second was genuinely aspirational – respondents believe that these bottom-line benefits can be delivered by their knowledge management initiative – and was borne out by our survey which shows clearly that some organisations are achieving these benefits.

Three-quarters of respondents with a knowledge management initiative said they had gained a reduction in costs, up to two-thirds said they had achieved improved productivity and over half had increased profit, showing that financial benefits can be realised.

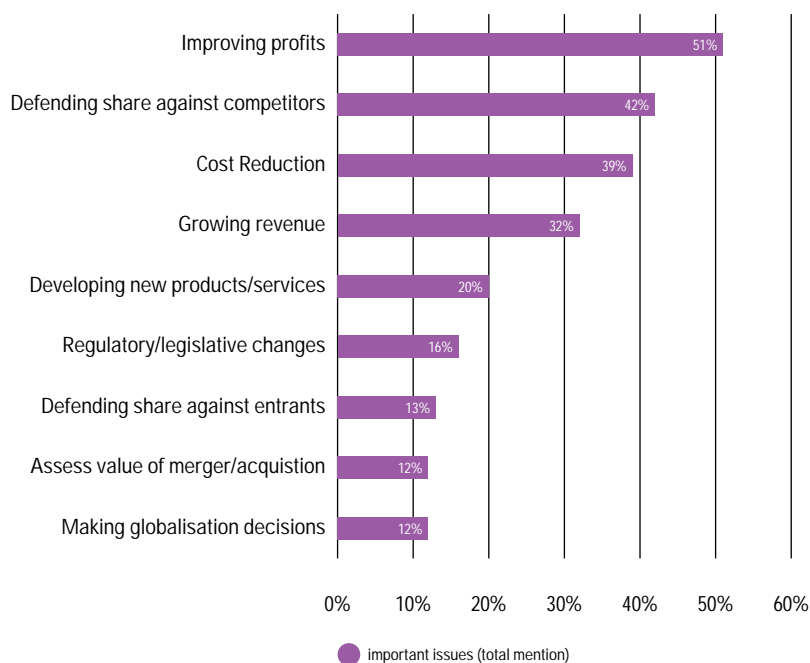
Those organisations in the vanguard of knowledge management are gaining hard-edged financial benefits which are measurable. But many of the benefits are not financial, it needs a balanced conventional approach.

The full range of benefits has still to be realised

Benefits were also realised in other areas such as creating new business opportunities (50%), sharing best practice (60%) and better staff retention (42%). Of those with a knowledge management initiative 23% had achieved an increase in share price. These results indicate the potential is there for the full range of benefits promised by early proponents of knowledge management.

The most important issues driving the need for knowledge management

base: all respondents (100)



We also asked what the key business issues driving companies towards knowledge management, and found them primarily financial. Financial measures are, ultimately, the conventional measure by which the success of any management initiative is judged. But respondents were also concerned with their market position and, in particular, defending share against competitors. Organisations need to find a way of creating a competitive edge which will seal their market position for sustainable growth, and knowledge management with its broad range of benefits appears to offer that.



The future

The following points draw upon this survey's findings and indicate where developments are likely to lead:

- Knowledge management is here to stay – only 2% considered it to be a fad and 10% said it was transforming their organisations;
- More organisations will allocate responsibility and a budget for knowledge management;
- Bottom-up enthusiasm will be consolidated in top-down company-wide strategies;
- For the impetus to be sustained and the grass roots momentum captured, knowledge management will have to be a board level issue;
- The effects of successful knowledge management strategies will be to encourage new ways of working, allowing people the time to invest in knowledge, sustaining the culture change and rewarding employees with new incentive structures;
- The existing IT infrastructure will be built on and exploited to produce further benefits in the area of knowledge management;
- Early adopters of knowledge management will steal a march on competitors which the latter may find difficult to close; and
- People will move to companies which are committed to knowledge management.

For all this, the fact remains that basic problems experienced in the past can be overcome by effective implementation of knowledge management. We believe that knowledge and its management should be at the heart of business strategy. It will, undoubtedly, become a key resource of the future.