

APQC –KM Maturity: A Panel Presentation and Discussion

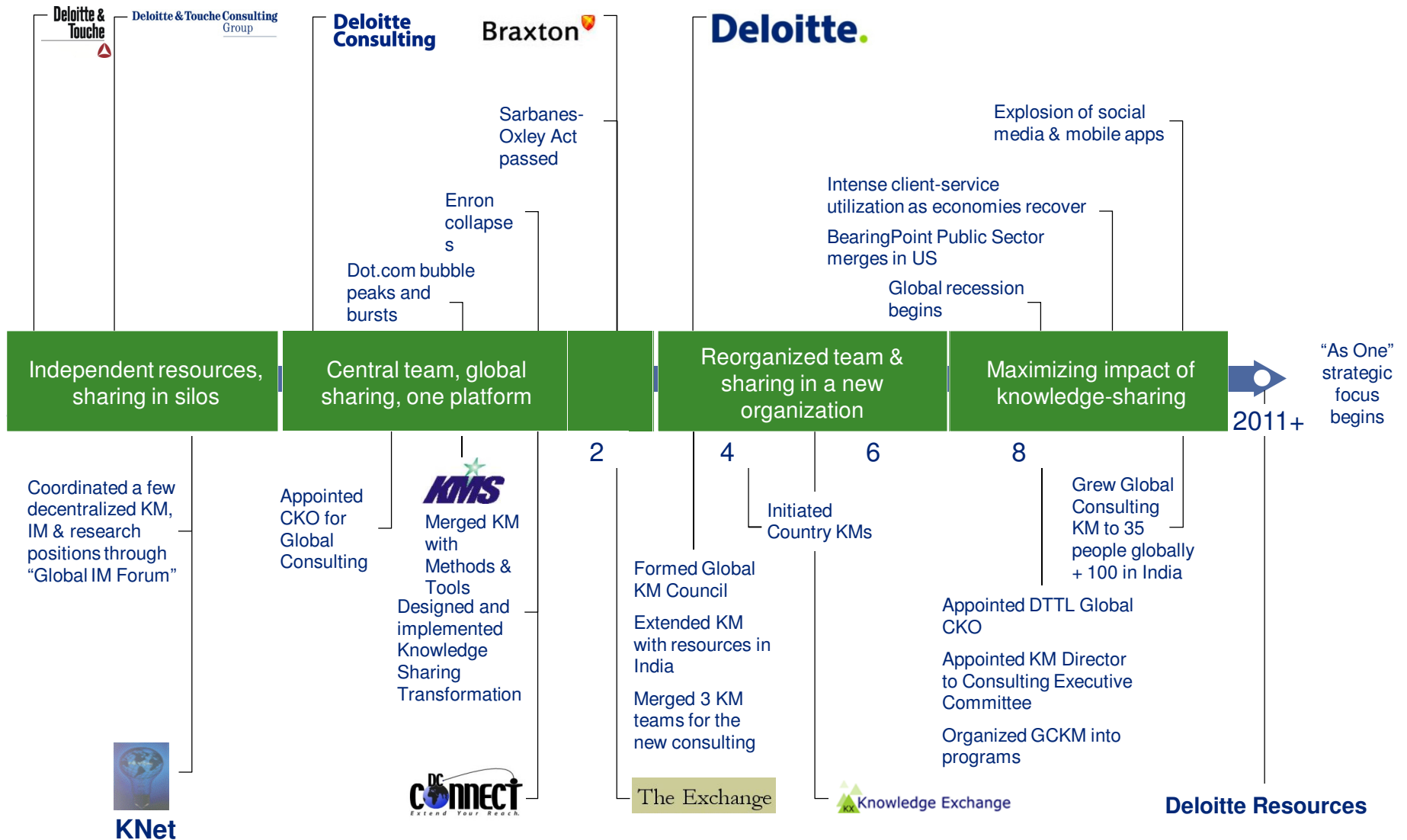
Deloitte.

Global Consulting
Knowledge Management
Our journey to maturity

Knowledge Exchange
Amy Edwards for APQC's KM Conference
May 2011



The story of Deloitte's consulting KM growth¹



¹As used in this communication, ‘Deloitte’ means Deloitte Touche Tohmatsu Limited (DTTL) and its member firms. Professional services are provided not by DTTL but by member firms located throughout the world.

How mature are our knowledge-sharing programs?

APQC assessed our consulting KM group in 2010

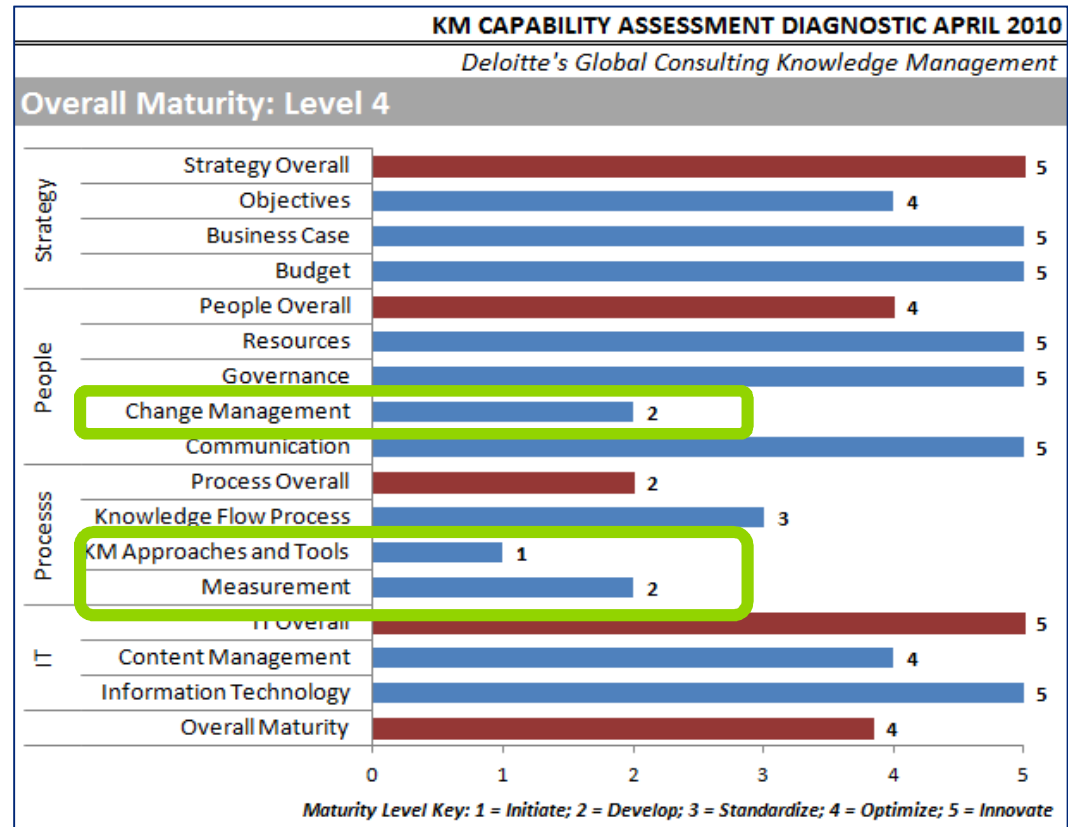
The result: Level 4 = “Optimize”

- KM strategy and roadmap integrated with enterprise strategy
- KM and knowledge competencies aligned to personnel development
- KM integrated into annual budgeting process
- KM measurement reporting processes aligned to enterprise reporting processes
- KM products and services portfolio for KM core group

Our reaction: Surprise!

- Low ratings in KM approaches & tools, Measurement require action
- Recognition that our current culture efforts were not enough

Our lesson ...



Source: Assessment of 'Current State' Capability: Data and Gap Analysis Deloitte's Global Consulting Knowledge Management. Prepared by APQC. April 2010

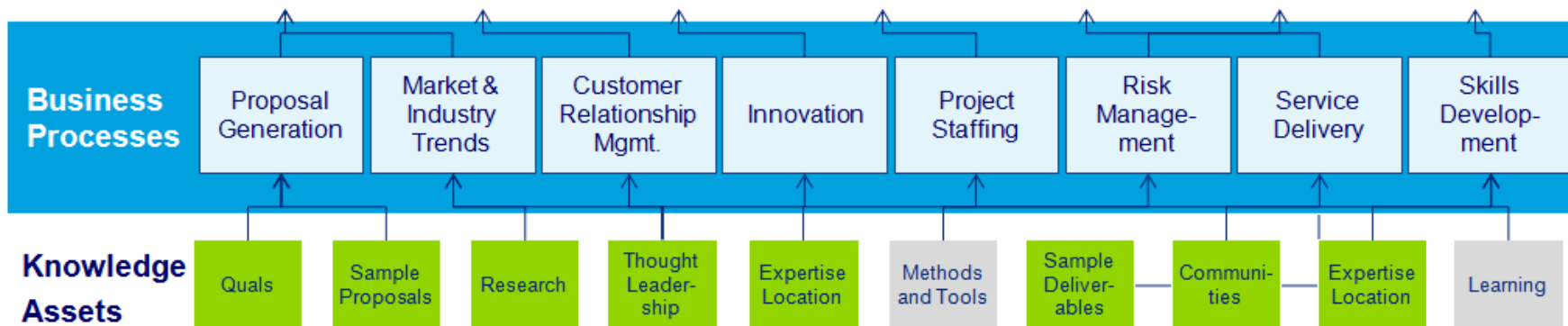
Take one step back in approach to advance three steps in value

Create “knowledge maps” to identify needs and gaps through strategic, advisory conversations with practice leaders.



Levers

PARTIAL SAMPLE PROVIDED HERE



Piloting 3 “knowledge maps” this year that more closely align our knowledge-sharing programs and KX assets with business priorities and measures.

Take one step back in approach to advance three steps in value

Commit more resources in a dedicated effort to reinforce behavior expectations, engage leadership and communicate repeatedly.

KM culture change plan

Deliver an assessment of knowledge culture, and a framework of activities that will result in measurable improvements in the knowledge sharing culture of key Deloitte consulting countries.

Performance management expectations support

Practitioners clearly understand what knowledge they should share and they are held accountable for that in the performance management process.

Member Firm Partner and Senior Manager outreach program

Line partners understand specific KM expectations as well as resources and encourage behaviors in their day to day interactions with more junior practitioners.

Initiating 3 projects this year to define changes that will reduce the barriers and increase the value of knowledge-sharing for consulting.



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You're Just So Immature!

So What? Does Maturity Matter?

Dr. Mike Yokell, ESEP



Outline

- **Maturity Models**
 - What, why and types of models
- **Financial Data**
 - Profitability ratios
- **Is there a relationship?**
 - Knowledge management maturity
 - Firm profitability
- **Results**
 - Conclusions, cautions, and recommendations



What Are Maturity Models?

- Measure maturity using
 - Well-defined plateaus of capability
 - Multiple subject areas
- With defined objectives
 - Each level of maturity
 - Sub-categories as needed
- General approach is well defined
 - Primary challenge is defining the content of each of the plateaus

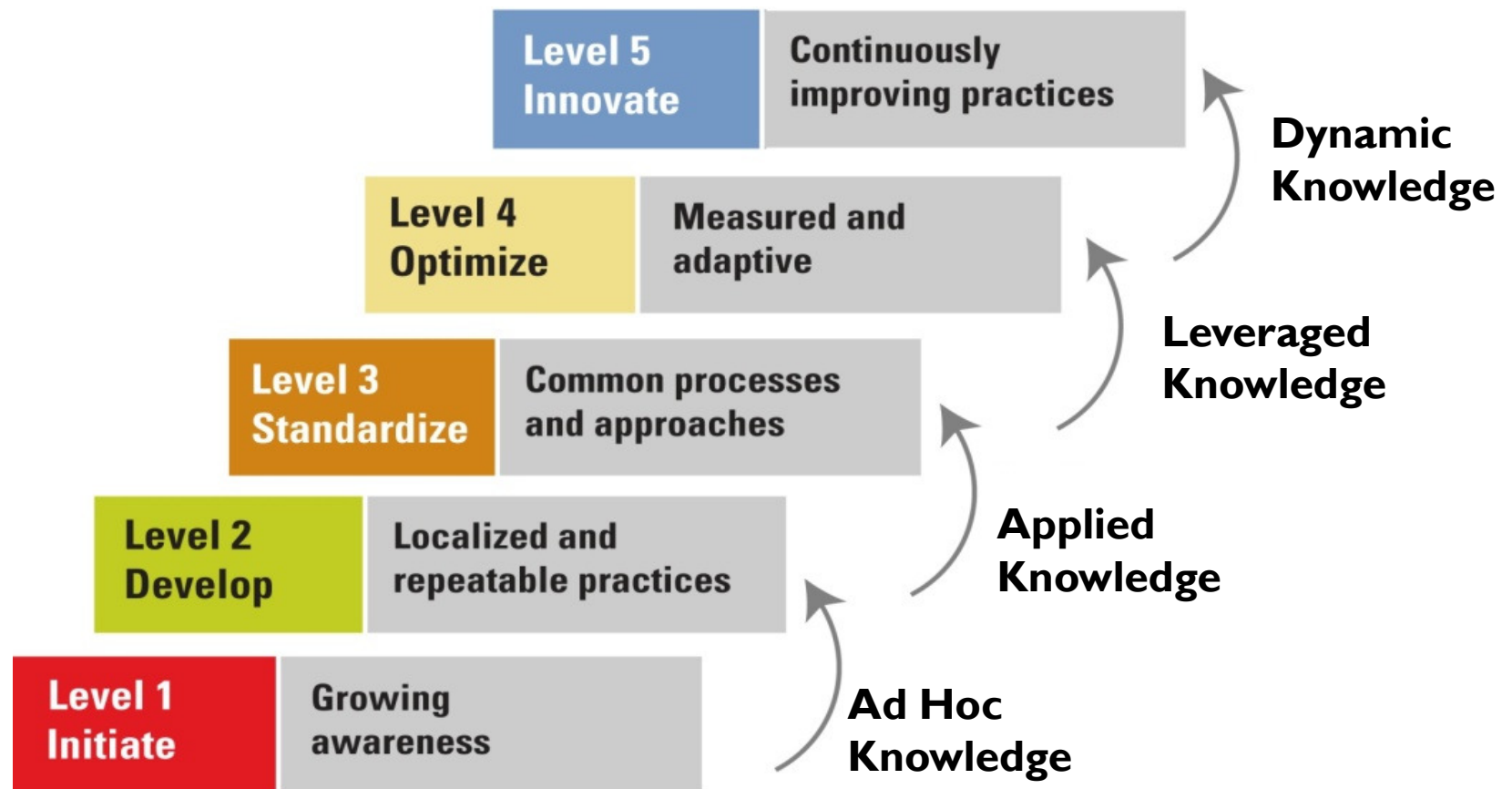




Value of Maturity Models

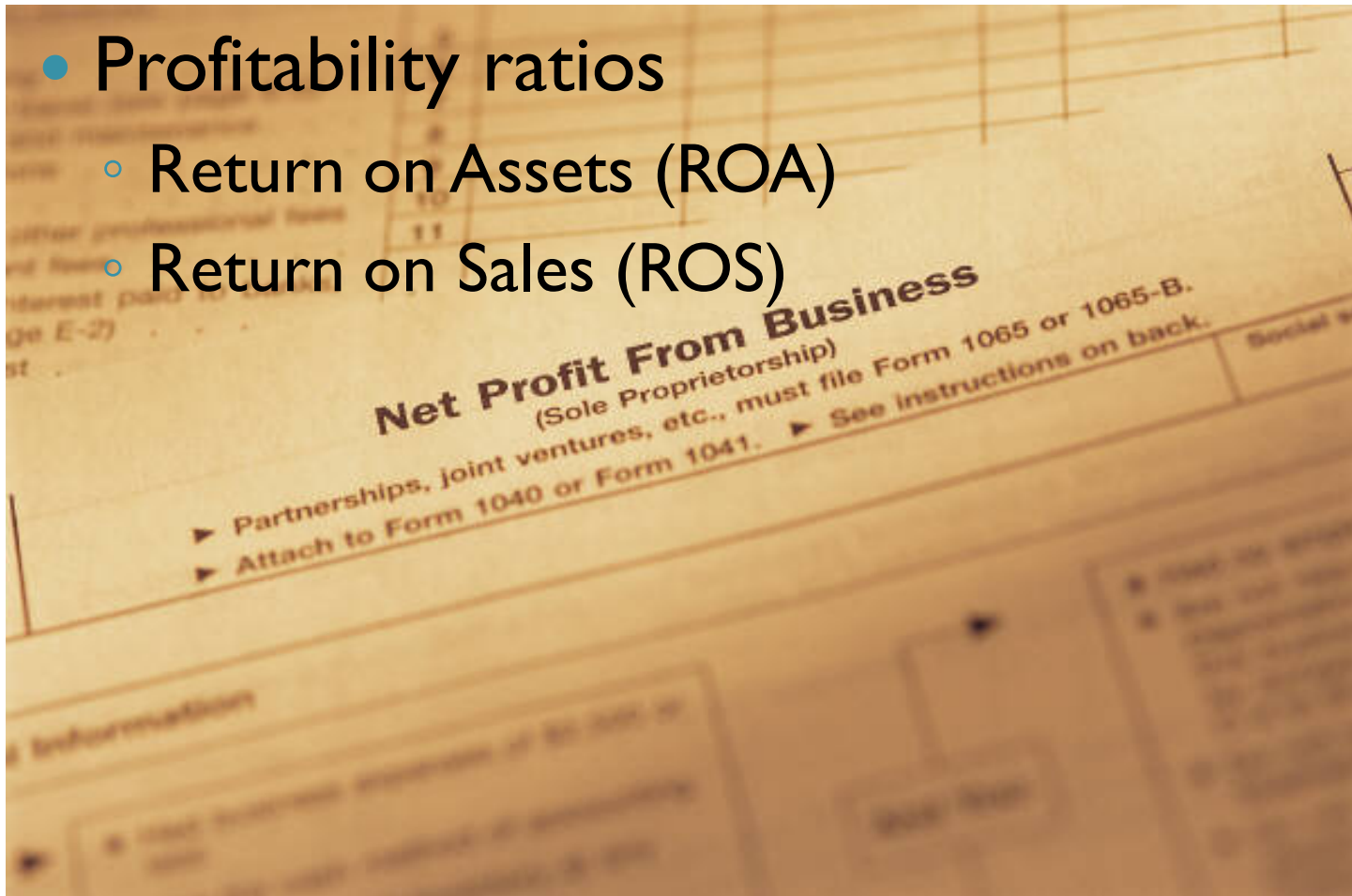
- Provide a framework to improve performance
 - From: ad hoc processes
 - To: stable and disciplined processes
- Measure *competency*
 - But rely on evidence of *capability*
- Broadly useful
 - Software development
 - Relationship management
 - Project management
 - Financial management
 - Knowledge management

A Knowledge Management Maturity Model: APQC's Levels of KM Maturity™



Financial Data

- Profitability ratios
 - Return on Assets (ROA)
 - Return on Sales (ROS)



Financial Data

Income Statement	USD (millions)
Total sales & service revenues	34,757
Cost of product sales	16,820
Cost of service revenues	11,789
General & administrative expenses	3,078
Operating income (loss)	3,070
Interest income	-
Interest expense	281
Charge on debt redemption	(231)
Other income (expense), net	37
Income from continuing operations before income taxes - domestic	2,548
Income from continuing operations before income taxes - foreign	47
Income (loss) from continuing operations before income taxes	2,595
Current federal income taxes expense (benefit)	500
Current foreign income taxes expense (benefit)	11
Total current federal & foreign income taxes expense (benefit)	511
Change in deferred federal & foreign income taxes expense (benefit)	46
Federal & foreign income taxes expense (benefit)	557
Income (loss) from continuing operations	2,038
Income (loss) from discontinued operations, net	15
Net earnings (loss)	2,053

Total assets (from Balance Sheet) = 31,421

Return on Sales:

Operating Income

$$\begin{aligned} & \text{Total Revenue} \\ & = 3070 / 34757 \\ & = 8.8\% \end{aligned}$$

Return on Assets:

Net Earnings

$$\begin{aligned} & \text{Total Assets} \\ & = 2053 / 31421 \\ & = 6.5\% \end{aligned}$$

Can We Determine the Relationship Between KMM and ROA/ROS?

- Steps

1. Find firms with mature KM
2. Distinguish between High and Low KMM
3. Match firms with lower (less mature) KM
4. Compare (do math)

Step 1

Find Firms With Mature KMM

- KMM Assessed by APQC
- For-Profit
- Based in the US
- Publicly Available Financial Data
- Remove Firms with Lower KMM



Step 2

Distinguish HI and LO KMM

- Use “matched sample comparison group”
 - Companion set of control firms with less mature KM
 - Not firms that do not practice KM
 - Firms that have KM processes less mature than the baseline set
- Compares matched samples
 - “HI KMM”
 - “LO KMM”

Step 3

Match Firms With Lower KMM



- Annual rankings
- Based on previous year's revenues
- Firm with the greatest revenue is assigned a rank of one
- Firm with the second highest revenues for the previous year is assigned a rank of two
- And so on

Step 3

Match Firms With Lower KMM



Rank	Company	Revenues (\$ millions)	Profits (\$ millions)
1	Wal-Mart Stores	408214	14335
2	Exxon Mobil	284650	19280
3	Chevron	163527	10483
4	General Electric	156779	11025
5	Bank of America Corp.	150450	6276
6	ConocoPhillips	139515	4858
7	AT&T	123018	12535
8	Ford Motor	118308	2717
9	J.P. Morgan Chase & Co.	115632	11728
10	Hewlett-Packard	114552	7660
11	Berkshire Hathaway	112493	8055
12	Citigroup	108785	-1606
13	Verizon Communications	107808	3651
14	McKesson	106632	823
15	General Motors	104589	N.A.
16	American International Group	103189	-10949
17	Cardinal Health	99612.9	1151.6
18	CVS Caremark	98729	3696
19	Wells Fargo	98636	12275
20	International Business Machines	95758	13425

APQC
 ConocoPhillips
 McKesson



HI_KM	LO_KM
ConocoPhillips	AT&T
McKesson	Verizon

Step 4

Compare (do the math)

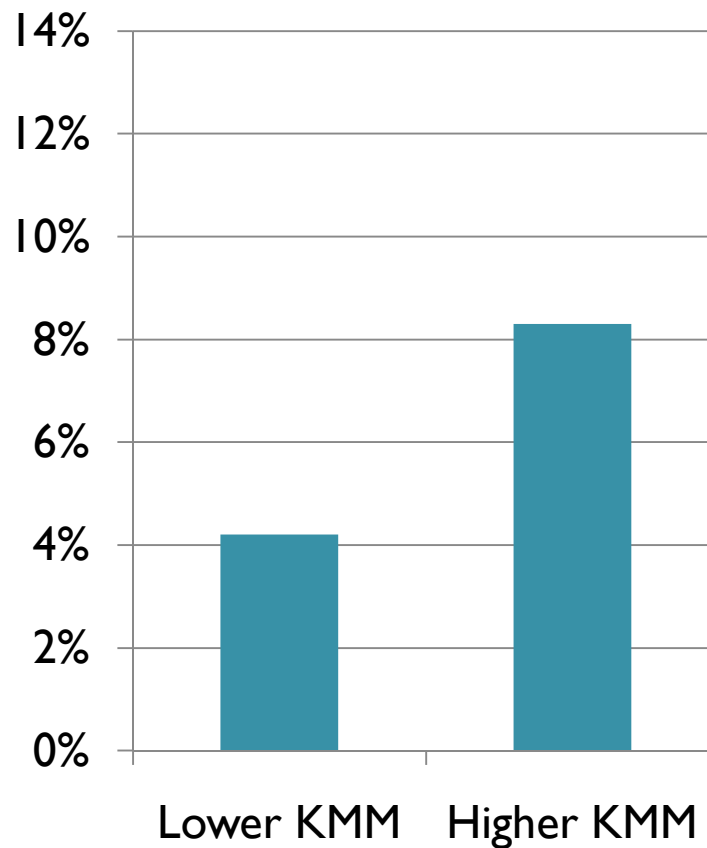
- Assemble the data, check quality
- Load into SPSS
- Use Kolmogorov-Smirnov test for normality
- Use t-test for statistical significance



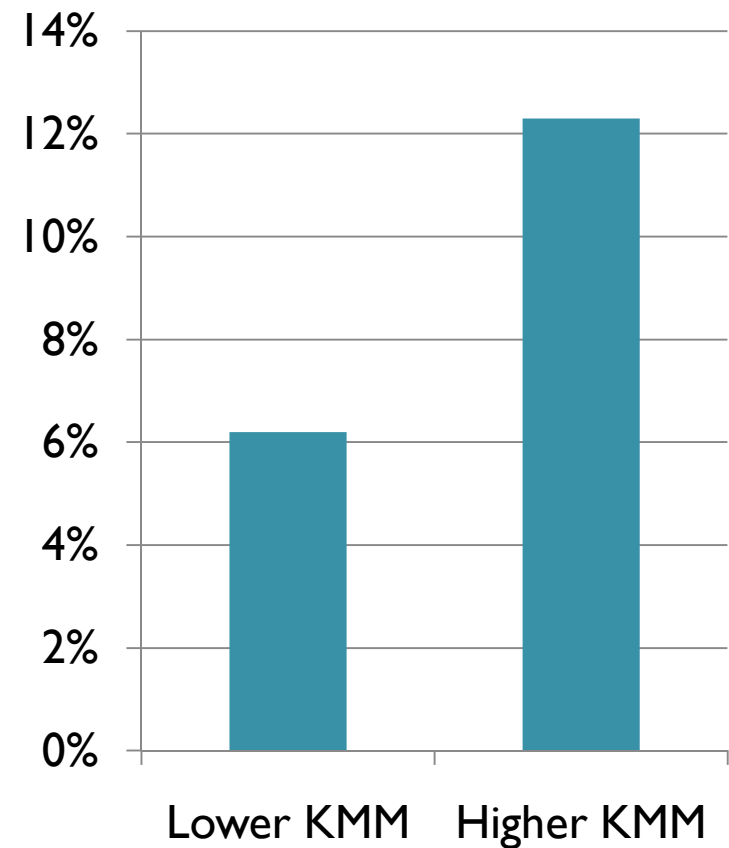
Results

2x Better Financial Performance with Higher Knowledge Management Maturity

Return on Assets



Return on Sales

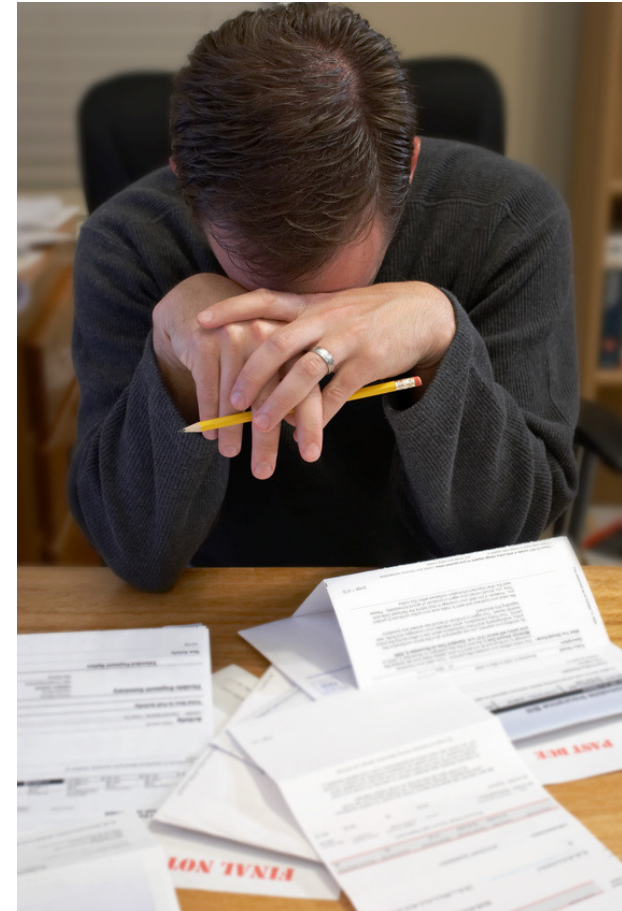


Yokell, M. R. (2010). A Quantitative Correlational Study of the Relationship Between Knowledge Management Maturity and Firm Performance

Caution:

Correlation is NOT Causation

- Improving knowledge management maturity may improve firm performance.
- Improving firm performance may improve knowledge management maturity
- Could be related via another variable
- Relationship could be coincidental



Recommendations

- Complete a KMM assessment with APQC
- Update KMM assessments at least yearly
- Grow up! (be more mature)
- Share your stories



Summary

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Questions?

