

Understanding Knowledge Management Measurement

When knowledge flows effectively, organizations work faster, avoid costly mistakes, and make better decisions. A sales team closes deals more quickly because they can reuse proven proposals. A new hire becomes productive in weeks instead of months. An operations team prevents rework because someone captured and shared a lesson learned. These moments are where knowledge management (KM) proves its value as a driver of real business outcomes.

The challenge is that this value is not always easy to see or quantify. While KM generates plenty of activity data, leaders ultimately need to understand how those activities translate into performance, cost savings, and results that matter to the business. Closing the gap between what KM does and the value it delivers is the purpose of effective KM measurement.

What is Knowledge Management Measurement?

Knowledge management measurement is the calculation of the relationship between KM adoption/participation and the generation of business value. For example, KM measurement might focus on how KM activities relate to outcomes such as:

- Employee hours saved
- Accelerated time-to-competency for new hires
- Cost savings or avoidance
- New revenue generation

The intangible nature of knowledge itself causes some to assume that the effects of KM will also be intangible. However, APQC has not found that to be the case. Our research finds that firms can and do effectively measure the impact of KM. In fact, those that measure most rigorously achieve a healthy ROI, often as much as \$2 or more for every \$1 spent per participating employee. These returns are added to valuable intangibles—such as increased employee engagement, faster and more effective [change management](#), cross-pollination of ideas, and more—to demonstrate the holistic impact of KM on the business.

Tips and Best Practices for Measuring KM

KM creates a lot of measurable things. It's easy to tally up how many people participate in activities such as [communities of practice](#) and [lessons learned](#), the amount of KM content generated and viewed, the number of visits to KM sites and systems, and so on.

The sticking point with KM measurement is tying this data to what matters to the business in ways that key stakeholders understand. That's not always easy, but throughout more than two decades researching KM, APQC has seen many KM teams do it effectively. The following are APQC's most important and enduring best practices for measuring KM impact.

Start By Linking KM to Business Needs

KM should incorporate business outcomes as the focal point for the strategy and a way to measure its effectiveness. Once an organization defines the business objectives for KM, KM activities need to be established and their activity levels tracked. Clear business outcomes provide the ROI to justify investment in targeted KM approaches as well as the infrastructure, people, and technology that any successful initiative requires.

In other words, you need to know what you want KM to do for the business before you can determine how best to measure its success and impact. Organizations start and sustain KM programs for many reasons, from preventing costly errors through knowledge reuse to driving innovation through people-to-people and people-to-knowledge connections. Once you have an idea of the desired “big picture” outcome for KM at your organization, you’ll be in a better position to identify measures that matter.

Select Measures Appropriate to Your Organization’s KM Approach, Objectives, and Stage of Development

In the early stages of deployment, any KM strategy needs measures that assess alignment with business strategy, acceptance, and behavior change, as well as a method to predict desired business outcomes and begin tracking them. However, how an organization measures the particular costs and impacts of its KM program depends on the tools and approach(es) adopted.

For example, a KM initiative focused on improving salesforce effectiveness might track the reuse of effective proposals (activity) along with the volume and cycle time of sales (outcome), but such measures would probably be irrelevant to a KM initiative centered on building new knowledge in an engineering discipline. Likewise, an enterprise whose goal is to implement communities of practice would measure success differently than would an organization that wants to install a [content management](#) system.

Understand the Relationships Between Inputs, Process Changes, and Desired Outcomes

APQC’s [Value Path Measurement Model](#) shows the relationships among inputs (investments), processes (KM-related activities and behaviors), and outcomes (organizational objectives). Depending on the KM activities being performed. Examples include:

Inputs:

- Time
- Salaries
- Technology costs

Process changes:

- Cycle time
- Participation
- Contribution to a body of knowledge

Outcomes important to the organization:

- Employee retention
- Customer retention
- Reduced costs per transaction
- Increased revenue

Relationships between inputs, process changes, and outcomes can sometimes be measured directly, but it usually makes more sense to run data correlations. If you can show—for example—that project teams are significantly more likely to complete projects on time and budget if they review and apply lessons learned at the start of each project phase, that should be compelling to senior managers

accountable for project cost and cycle time metrics.

Ensure You Can Execute on Your Measurement Strategy

Many organizations have lists of KM measures, but lack the necessary processes and accountability for collecting, organizing, reporting, and using the measures to improve their KM programs and drive funding and investment. It's smarter to focus on measures for which you can easily and reliably gather data. KM can partner with IT or data management groups to understand how best to leverage existing data collection and reporting capabilities. KM teams should also build data gathering into KM activities where needed. For example, if you want to capture the dollar amount saved through lessons learned, add a field to lessons learned submission forms where teams can estimate factors such as hours saved and cost avoidance.

In addition, a measurement system that captures intangible benefits such as employee engagement, job satisfaction, and time-to-competency will provide a more comprehensive view of KM efforts' success. KM can capture these benefits through KM customer satisfaction surveys, focus groups, and [success stories](#).

In Addition to Metrics, Provide Compelling Examples of Success

At every stage of KM deployment, organizations need examples of concrete accomplishments that can help justify past and future investments and provide management with a vision of what is possible. APQC's research also finds that success stories are the #1 most effective way to motivate KM participation among employees.

A great success story makes the benefits of KM real, and it doesn't have to be "big" to be effective. A story that shows exactly how KM helped one employee or team is often more powerful than a vague story about how KM helps employees in general. Share these stories widely and through a variety of channels and formats.

Key Takeaways

The ultimate goal of KM measurement is movement: from ignorance to understanding, from doubt to conviction, from questions to answers, and from ideas to action. A measurement system that links KM activities to business impact provides a rationale for investments beyond the intangibles that KM brings to an organization.

For additional guidance, see APQC's [Key Measures for Knowledge Management](#) collections.

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