

## Developing a Knowledge Strategy That Senior Leaders Can Get Behind

### *How to create, evaluate, and improve your KM strategy over time*

15 years ago when knowledge management was still a new idea, companies launched knowledge management (KM) programs based solely on vision and promise. But in a climate that increasingly emphasizes productivity and effectiveness in all aspects of business, KM is not exempt from scrutiny. To receive support and funding, your KM program must be founded on a solid strategy and business case that demonstrate a deep understanding of your organization's critical knowledge needs.

Despite strategy's role as a fundamental building block, many organizations still struggle with or neglect this component of their programs. When APQC polled an audience of KM practitioners in 2011, more than half said that their organizations either didn't have business cases for KM or that their business cases weren't adequate for their needs (Figure 1).

### *How Well Is Your Organization's Business Case for KM Working?*

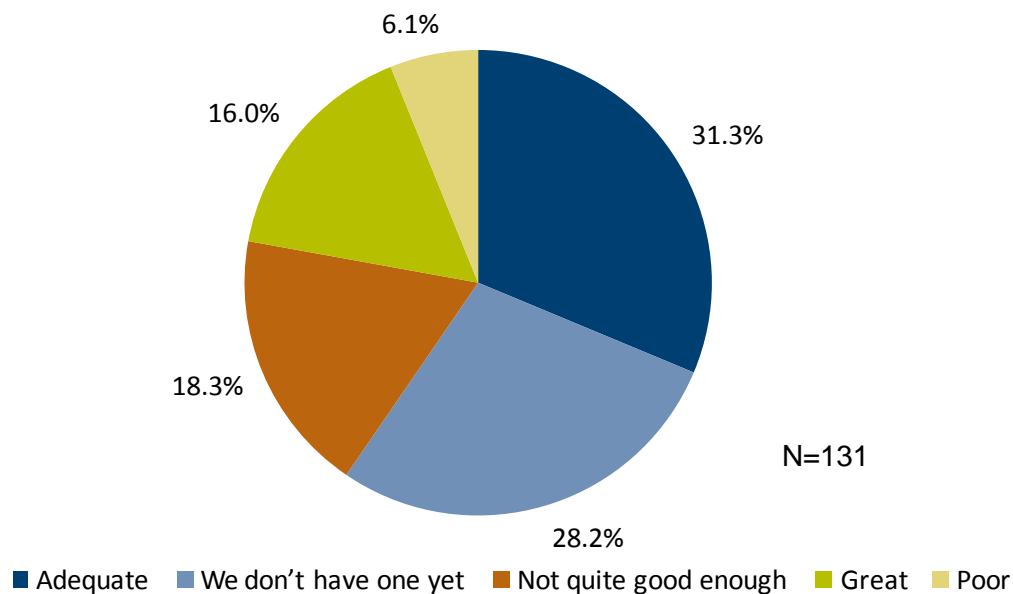


Figure 1

Even those who know they need to improve their strategies often go about it the wrong way. Clients routinely come to APQC and say, "My business unit wants to implement communities of practice. Can you help us build a strategy around that?" Their intentions are good, but selecting

a KM approach—like communities—before you know what you're trying to achieve is a bit like a doctor prescribing medicine before coming up with a diagnosis. You have to define the problem before you design the solution.

## START BY ASKING "WHY?"

When building a knowledge strategy and business case, the first step is to determine why you're pursuing KM in the first place. What problem is the organization trying to solve, and what advantages will knowledge-sharing tools and approaches provide?

You should look closely at your organization's strategic goals and talk to executives about what's keeping them up at night. The following five questions can guide your conversations with senior leaders and focus attention on the right problems and opportunities.

1. Does the current available knowledge allow us to compete in the near term?
2. What knowledge will we need to innovate and meet longer-term customer needs?
3. What market differentiator(s) can be improved if knowledge and expertise are better shared and transferred?
4. Are there current and pending challenges or issues that are knowledge-related?
5. What does success look like for a KM endeavor?

The answers to these questions will help you define the reasoning behind your KM program along with leadership expectations, near- and long-term opportunities, and potential challenges. This, in turn, will point you toward the right KM tools and approaches.

For example, if your organization is vulnerable to knowledge loss due to retirements, mergers, or downsizing, you may want to develop approaches to capture and retain that critical knowledge. But if your organization is expanding, it may make more sense to focus on virtual communities that connect new hires to experts and expertise.

No matter what your organization's knowledge goals are, you must ensure that the KM tactics being implemented are linked to targeted objectives and aligned with your organization's overall strategic direction.

## CREATE A PLAN OF ACTION

Once you've established the purpose behind your KM program and the knowledge-sharing approaches most likely to support your goals, the next step is to articulate a business case. A good business case answers the same who, what, when, where, why, and how questions that characterize all informative writing. Explain exactly what you propose to do, why it's important, and how you'll get it done. List the people and resources involved, describe the benefits and risks, and lay out a timeline with clear milestones. Your leaders are more likely to support your proposal if you back it up with solid data and realistic estimates.

APQC recommends clearly defining the reach of your program. While it's possible to build a business case for KM at the local level, this strategy does not help build capacity for the future. You need a centralized foundation for replicable models that will help you avoid redundant efforts. ("Design once, use again" is the mantra of the best KM programs.) Make the case for an enterprise KM program with standardized approaches, not a loose collection of local, unscalable KM initiatives.

Your business case should also emphasize how the organization will profit from knowledge sharing and collaboration. Instead of making vague claims or enumerating every potential benefit of KM, hone in on the specific goals and problems you identified earlier. Be sure to emphasize how knowledge will be *used*, not just how it will be captured and shared. No matter how much knowledge an organization documents, it does not benefit until that knowledge is used to innovate, improve products and services, reduce costs, shorten cycle times, and so on.

Hard numbers can make your business case more compelling, so be sure to assign dollar values to your inputs, the outputs you expect, and the projected impact of KM on productivity and revenue. But as you make your estimates, remember that all KM approaches—especially those with IT components—require maintenance, regular updates, and staff support. If you want your ROI calculations to pan out, assess your current IT capabilities to ensure that anticipated KM support costs are realistic.

## MEASURE AND VALIDATE OVER TIME

Once your program is up and running, you must prove that your KM tools and approaches actually do what you hypothesized they would. This is accomplished by measuring KM investments and outcomes, including hard and soft measures.

Many different measures can be used to track KM performance, and the ones you choose will depend on your KM approaches and objectives. If your business case centers on decreasing time-to-competency for new employees, then you will want to track how often those employees are using the KM systems and whether they are learning and developing more quickly than before. Similarly, if your goal is to improve sales efficiency, you might track sales and cycle time metrics.

Whatever the strategic reasoning behind your business case, measures should be chosen with your core objectives in mind. APQC has found that many leading organizations base their business cases on a subset of measures clearly associated with cost savings or revenue generation, treating benefits that are intangible or more difficult to measure—such as improved communication, decreased time-to-competency, or superior customer relationships—as significant correlates that come with the financial gain.

If the KM team can supply hard data to validate its business case and demonstrate the impact of KM on performance, it will be in a good position to secure continued funding and/or argue for the expansion of the current program.

## GETTING IT DONE: KNOWLEDGE ANALYTICS<sup>SM</sup>

If you're in the midst of launching KM or you have an older program that's stalled, it may sound like a lot of work to go back to the starting gate and revamp your strategy. But our research and experience confirm that the rewards are worth it, especially if you take advantage of practical tools to help you along the way. One of the newest and most revolutionary tools is Knowledge Analytics<sup>SM</sup>, a framework for KM strategy development, implementation, and assessment created by APQC in partnership with its 2011–2012 KM Advanced Working Group.

Knowledge Analytics is a seven-step process (Figure 2) that shows you how to make smart investments by combining data from KM and other parts of the business. In the first two steps, you hone your strategy and business case along the lines we've discussed. You also make hypotheses about how planned KM investments will impact business needs. The next two steps are all about implementation: getting your KM tools and approaches up and running and collecting the data to fuel your analysis. Appropriate data may come from anywhere in the organization, depending on your original hypotheses.

### *Knowledge Analytics Process*

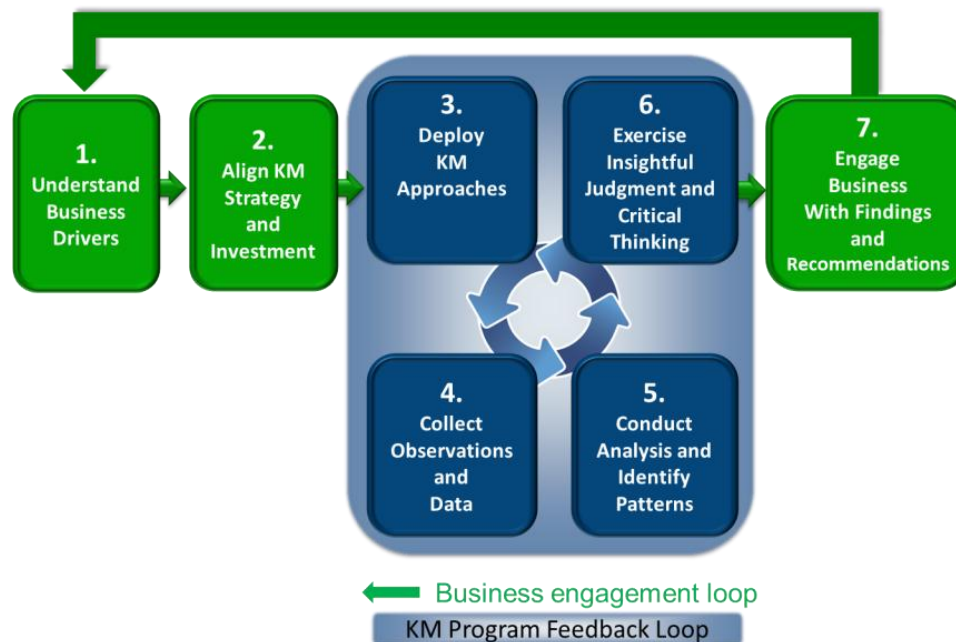


Figure 2

The fifth step is where things get really interesting. Here, you apply a variety of analytic techniques to identify patterns relevant to the KM program, the business drivers, and the hypothesized relationship between the two. The sixth step is critical thinking to evaluate the patterns you've uncovered and determine their significance to the KM program and the

business. In the final step, you circle back with your leaders and talk about the implications of the findings.

Going beyond simply showing value, this new way of thinking can reveal how KM approaches interact with and illuminate a much broader spectrum of questions facing today's organizations. For example, can you detect broader trends from the conversations occurring in your communities of practice? Can you learn what new requests your customers are making by looking at what employees search for? Can you use work force demographics and patterns of sharing to predict and prevent the loss of critical knowledge? And can you identify people with expertise not obvious on their résumés?

By bringing together disparate data sources, Knowledge Analytics guides you to make the right decisions about knowledge sharing and collaboration investments. It also allows you to predict future outcomes based on patterns of behavior and performance. If you apply Knowledge Analytics effectively, your business leaders will be able to spot relationships early on and seize business opportunities that might otherwise be overlooked.

*Knowledge Analytics was developed in collaboration with APQC's 2011-2012 Knowledge Management Advanced Working Group, which included representatives from APQC, Baker Hughes Inc., ConocoPhillips, Deloitte Touche Tohmatsu Limited, The Federal Reserve Bank of Cleveland, Marathon Oil Corp., Rockwell Collins, and U.S. Army ARDEC. For more information, see APQC's white paper [Knowledge Analytics: A Fresh Way of Thinking About an Old Problem](#).*

## ABOUT APQC

APQC is a member-based nonprofit and one of the leading proponents of benchmarking and best practice business research. Working with more than 500 organizations worldwide in all industries, APQC focuses on providing organizations with the information they need to work smarter, faster, and with confidence. Every day we uncover the processes and practices that push organizations from good to great. Visit us at [www.apqc.org](http://www.apqc.org) and learn how you can make best practices your practices.