

WRITING A KNOWLEDGE MANAGEMENT BUSINESS CASE

M du Plessis (Department of Information Science, University of Pretoria)

All knowledge management programmes need sponsorship in order to be implemented in an organisation. A structured approach to getting a knowledge management programme implemented is by writing a knowledge management business case, detailing what the programme wants to achieve in the organisation, and presenting it to the sponsors and decision makers of the knowledge management programme for implementation approval.

This article seeks to understand what a knowledge management business case consists of, and how comprehensively knowledge managers need to plan when they want to implement knowledge management. Implementation requires a lot of preparation - from mandates to fit with the current strategy, operating models, technology models, strategic drivers, cost/benefit analysis, cost recovery, risks, interdependencies, and stakeholder management.

This article presents a broad framework for the compilation of an organisational knowledge management business case with all possible dimensions included. It is based on practical experience and backed up by selective literature.

Key phrases: Knowledge management business case, knowledge management planning, knowledge management roadmap, target operating model, measures of success

1 INTRODUCTION

Implementing a knowledge management programme requires that what should be implemented as part of a knowledge management business case, must be planned and thought through carefully. Knowledge management programmes often have costs involved and therefore need the organisation's executive committee's approval. It is therefore imperative to build a strong case for change in the organisation and for the implementation of the knowledge management programme. In order to do that, a whole number of things should be considered. It should be clearly explained and detailed in order for decision makers to easily understand what the knowledge management business case is about, the challenges it is faced with, and what it needs from the approval body.

The documentation should be clear, concise and in written in a logical order. Potential questions that stakeholders and decision-makers may ask, should be anticipated upfront and answered in the knowledge management business case as far as possible. The knowledge management business case should be as comprehensive as possible and should cover all issues in detail.

2 WRITING A KNOWLEDGE MANAGEMENT BUSINESS CASE

2.1 Background

When writing a knowledge management business case, a background should be provided to the knowledge management programme. It should state when, how and where the programme originated. It should state the need for the programme, if it is specific to a dedicated area in the business or if it is pertinent to the business as a whole, and who will be managing the programme.

The background should give the decision makers a good view of what the knowledge management programme is about, who will drive it, why it is important and what value it brings to the organisation.

2.2 Define the knowledge management strategic drivers

Strategic drivers can be defined as those drivers that impact the business strategy directly, or impact the knowledge management business case (Du Plessis 2005:1). These drivers can be drivers such as cost drivers, revenue drivers or risk drivers. All of these knowledge management drivers are drivers that will have significant impact on the bottom line of the company or on the business strategy.

An example of a knowledge management revenue driver would be the decrease of organisational customer churn. This will ensure that customers stay with the organisation much longer and therefore spend more money, which drives revenue up. The business will thus understand its market information much better as well as its information on customer needs and buying behaviours.

An example of a knowledge management cost driver could be improved data quality. This could lead the organisation to manage itself better, to make quicker and improved decisions and to understand its client and product base better, and based on that deliver its products and services in a more specialised and targeted way to the customer than before through transforming quality data to quality knowledge, on which decisions can be based.

2.3 Confirm mandate and scope

Prior to any knowledge management programme being implemented, a mandate must be given by the sponsors of the knowledge management programme. This can only be given by the governing body responsible to sign off the knowledge management business case. The mandate gives consent for writing of the knowledge management business case, the buy-in of the business case by stakeholders, the

sign-off of the knowledge management business case to go ahead for implementation.

Within both the original planning, writing the knowledge management business case, and compiling the implementation plan, the scope will also be determined by the knowledge management governing body (Rusanow 2003:422). The scope will differ from organisation to organisation depending on their differing needs. In some organisations the scope may include the whole organisation, whilst in other organisations, the scope may be limited to specific departments.

2.4 Identify and define all options considered

When presenting a knowledge management business case to a sponsor or governing body, it is imperative to indicate which alternative scenarios were considered. For example, more than one target operating model may have been considered, or more than one implementation roadmap. This is important, as they could impact the organisation in significant ways in respect of cost, cost / benefit, risk and strategic fit. An indication should be given why each option was selected, as well as reasons for the decision. This will indicate an analytical decision making process when the final option is selected (Halawi *et al* 2006:389).

2.5 Define terminology

A knowledge management business case should properly define all important terminology to ensure stakeholders and other parties have a shared understanding of concepts. This is important, especially in large organisations, as people use the same terminology for different things. This will ensure that no confusion arises later on once implementation starts (Anonymous 2006a).

2.6 Develop the target operating model

The target operating model will indicate how the knowledge management programme components fit together and how they will function operationally, based on the vision, mission and objectives as defined in the knowledge management business case (Anonymous 2006b; Anonymous 2006d; BDC 2006; Pinson 2006). It will create the “picture” of how knowledge management will work in the organisation and how it will co-exist with other functions in the organisation, such as HR, Finance, Process Management, and IT.

The target operating model is fundamentally important for acceptance or rejection of the knowledge management business case and programme by decision-makers. The reason for this include a number of things. Firstly, it determines the executability of

the strategy. It will clearly show if it is applicable or if it is too complex for the organisation. Secondly, it will clearly show if it will be too costly to implement. Thirdly it will give a clear indication of the benefits that will be derived. Finally the target operating model will give an indication which stakeholders in the organisation will be able to benefit from this operating model.

It is very important for knowledge managers to ensure that, when they compile their knowledge management business case, they spend adequate time on their target operating model to ensure that it is sound and that it has stakeholder buy-in, as it will be an important vehicle to get the knowledge management business case accepted or rejected.

2.7 Develop a target technology model

The target technology model in the knowledge management business case shows the technology entities that will be used to enable the target operating model. It indicates how they all work in synchronisation to enable all the processes as identified in the target operating model.

The target technology model is a crucial part of the knowledge management business case, as it indicates whether the target technology forms part of the organisation's current technology architecture or whether it should be something completely new. If it is something completely new, it may have major implications, such as cost and changes to the current technology architecture.

It is therefore critical that the most appropriate and best suited model is selected for the knowledge management business case. This will ensure quicker and more effective selection for implementation (Rusanow 2003:431; Sherif 2006:72).

2.7.1 Determine target technology requirements

To enable the knowledge management team to build the target technology operating model, they need to determine the knowledge management team's technology requirements. It is crucial for the knowledge management team to be able to translate their technology needs to the technology team. Often knowledge managers are not technology oriented people and struggle to translate their technology needs and therefore do not get what they need. This transition is indeed very important to ensure that the target technology operating model is effective.

2.8 Determine future requirements

The knowledge management business case will also detail future requirements in a variety of areas with which the knowledge management programme will interact, such as HR and IT (Anonymous 2006b; Snyman & Kruger 2004:10). It is important to describe the nature of these interactions, as it may have a significant impact on the organisation in respect of issues such as change management and budgetary requirements. It is a positive move to make the governing body aware of this as soon as possible.

Often some of these requirements are “hidden” and only start coming to the fore once implementation starts, therefore it is important to identify them at this point of the process, to ensure that the programme isn’t faced with any surprises.

2.8.1 Determine knowledge management people requirements

Those who have worked in the knowledge management environment, will know that people and the change management aspect relating to knowledge management is very important for any knowledge management business case and programme.

It is therefore of the utmost importance to determine people related requirements in detail (Anonymous 2006c; Anonymous 2006d; BDC 2006; Gloet & Berrell 2003). These requirements may include the number of members of staff that may be needed in the programme, as well as their training needs. It also needs to take cognisance of change management programmes that will have to be designed and implemented to enable knowledge management and to ensure the buy-in and uptake of knowledge management in the organisation. These change management programmes are not once off programmes, but will be ongoing after implementation. This will have a major impact on cost, risks, and interdependencies.

Not only are the change management programmes important, but it is important to understand the organisational culture of the organisation and how it can and will impact the knowledge management business case in the future. This is a very complex subject, but probably the most important to the success of the knowledge management business case. Each organisation has its own unique organisational culture, and therefore it cannot be replicated in a knowledge management business case (Du Plessis 2006:1-187). It must be uniquely identified studied and regarding its impact on the knowledge management business case and programme going forward. The change management programmes will be largely impacted by the outcomes of these cultural studies.

2.8.1.1 *Determine roles and responsibilities / governance*

The knowledge management business case should indicate the governance structure that the knowledge management programme will follow, as well as the specific roles and responsibilities within the governance structure (Anonymous 2006e; Berry 2006). Short role descriptions would be of value at this point (Pinson 2006). This will provide a clearer picture to the decision makers as to what the selected people for this programme will be responsible for, and what they will be delivering. It will also provide clarity to the knowledge management team as to their role in delivering the business case to the organisation and what each person's specific role in the delivery of the business case is. Measures of success can then be tied to these roles and responsibilities.

2.8.2 *Identify measures of success*

It is imperative for the knowledge management business case to give an indication firstly of what the measures of success will be for the proposed staff members in their proposed roles, and secondly, what the measures of success will be for the knowledge management programme and strategy as a whole (Du Plessis 2006: 143-144; Rusanow 2003:434).

Measures of success are crucial for decision makers, as this will determine whether they will know if the programme was implemented successfully or not. The measures of success therefore need to be as accurately measurable as possible. It must show the positive impact on the organisation in respect of efficiency and effectiveness, as well as a positive impact on its staff, and if possible show a financial impact on the organisation.

2.8.3 *Determine technology requirements*

Knowledge management is not a technology solution, but technology has a significant part to play in knowledge management programmes. Hence the importance of detailing all hardware and software requirements and their associated costs in the knowledge management business case, to ensure that decision makers are aware of the potential changes in technology architecture, as well as the potential costs (Anonymous 2006e). Not only do they need to be aware of this, but also of the hidden costs such as training of staff, as well as change management efforts, to ensure that there is an uptake in the usage of the new technology.

To achieve this the knowledge management team should work closely with the IT and HR teams to ensure that they correctly estimate what the impact of technology changes will be.

2.8.4 Determine process requirements

As with any new strategy implemented in an organisation, new processes come into play and impact the business process value chain. A knowledge management programme has its own knowledge management processes embedded in itself, and added to that knowledge flows through all other business processes in the organisation's business process value chain.

The knowledge management business case should detail how the organisation's business process value chain will be impacted by the knowledge management programme and its processes. It should indicate whether process mapping will need to be undertaken to determine knowledge flow problems and changes, as this could add to the cost of the programme, and it may result in retraining of members of staff.

2.8.5 Determine infrastructure requirements

If an organisation is planning to implement a knowledge management programme, there may be infrastructure requirements (Anonymous 2006c; Davenport & Prusak 1998:155). This may be very much applicable if it is a greenfields implementation. Infrastructure may include premises, IT items such as laptops, proximas, furniture, stationary, bulletin boards, etc. The business case must take stock and ensure that they know what will be required for the knowledge management programme from an infrastructural point of view. This should be neatly set out in the knowledge management business case, together with the potential cost. This is due to the fact that infrastructure normally carries a high cost and decision makers need to be made aware of this up front and as soon as possible.

It must also be taken into account that infrastructure may not necessarily need to be bought, but existing infrastructure that can be utilised may be identified by the knowledge management team. They may formalise a plan on how to utilise the current infrastructure in the organisation for the knowledge management programme and put that in their business case as an alternative.

It is important that all options be considered. Most organisations today are cash strapped and cannot always afford the latest and greatest infrastructure that staff may need. It is therefore imperative to also inspect to see what already exists that can be used. This would be a great example of cost recovery.

2.9 Identify stakeholders

Identifying knowledge management stakeholders is extremely important in order to ensure the success of any knowledge management implementation (Pinson 2006). The sequence should be right: the stakeholders should be on board prior to the implementation of the programme. It is important for the knowledge management team to identify stakeholders in the business and plot them on a stakeholder map to see where they find themselves in respect of knowledge management buy-in and commitment. A plan should be drawn up to ensure that all stakeholders will be on par in respect of understanding, participation, evangelising and buy-in by the time of implementation.

Without the buy-in of both the stakeholders themselves on the knowledge management programme, as well as the decision makers on who the stakeholders are, the programme's success is in doubt (Du Plessis 2006:132-133).

2.10 Determine knowledge management critical success factors

Every knowledge management environment is unique in nature, and will have unique factors that will ensure success. These critical success factors should be described in detail in the knowledge management business case. Often these factors may not even be directly related to the knowledge management programme itself, but, for example, to the knowledge management business case. An example could be a core value of the organisation, or the way that funds allocation are prioritised. It is important that as many critical success factors as possible are identified upfront to enable a more smooth implementation of the knowledge management business case. It minimises delays and problems later on in the implementation phase (Du Plessis 2007a:In Press).

2.11 Perform a cost/benefit analysis

The knowledge management business case should should give a clear cost / benefit analysis in order for decision makers to identify what the programme will cost, but also what benefit they will produce to enhance the efficiency of the organisation (Anonymous 2006b; Anonymous 2006d). Potential costs may include infrastructure, technology, time, people cost and training cost.

Another big expenditure that tends to be left out of the equation is the implementation cost of the knowledge management business case, e.g. the project team's time cost. This is usually quite a large cost and must be included in the cost calculation. The implementation may affect the business as usual activities as they may need to be

adapted whilst implementation takes place, which may also contain cost that should be included.

On the benefit side it is important to indicate the cost saving that the knowledge management programme will bring to the organisation and the increase in income (if possible), which equate to the impact on net operating income.

2.12 Determine how cost will be recovered

Knowledge management programmes will have costs associated with it, but will get it sanctioned much quicker and easier if it can show how costs can be recovered (Pinson 2006). Determining the return on investment is difficult and not always possible as knowledge is an intangible asset, but it should be done where and when possible.

2.13 Finalise the implementation roadmap and milestones

Once all of this detail has been finalised, an implementation roadmap implementation should be compiled, with specific milestones. This will frame the implementation within a certain timeframe and provide the decision makers with certainty on when the execution of various phases and delivery of specific outputs in the implementation of the knowledge management business case execution will take place.

2.14 Identify risks and issues

In any programme such as a knowledge management programme, there are many issues and risks. It is important to identify what these issues and risks are, as part of the strategy formulation process and the knowledge management programme, to log them on a risk log, and to identify mitigating actions which are allocated to a responsible person to address by a specific date. A summary of the largest risks and issues should be included in the knowledge management business case, in order for the decision makers to provide their buy-in, and also to provide the required funding and the necessary decision making powers when and where required. The decision makers should be aware of the challenges facing the knowledge management team. Consequence management must be applied and mitigating actions must be put into place where necessary.

2.15 Identify interdependencies

In the knowledge management business case definition many interdependencies will arise. Many of the risks and issues, for example, will be interdependent of one

another. The processes and technology setup will also be very interdependent of one another. Knowledge management will have a high interdependency with innovation programmes in an organisation, as well as other programmes such as complexity management, and brand management customer relationship management (Du Plessis 2007b:In Press).

Knowledge management is not an independent function in the organisation. Due to the fact that knowledge flows in processes, there will always be interdependencies between the knowledge management business case and the business process value chain and therefore the business strategy. It is therefore important that these interdependencies be highlighted in the knowledge management business case for decision makers to take cognisance of.

2.16 Defining the knowledge management value proposition

Finally, the value proposition of the knowledge management programme should be identified and described. It is important to indicate how the knowledge management business case would benefit the current and future business strategy of the organisation. The value proposition should be included in the knowledge management strategy and should clearly indicate how it would improve the organisation's efficiency and effectiveness, and where possible, how it would drive organisational cost down and organisational revenue up (Rusanow 2003:434).

2.17 Identify next steps

The knowledge management team should indicate in the knowledge management business case what the next steps are that they would like the decision makers' go-ahead on in respect of the knowledge management programme once the knowledge management business case has been approved.

Subsequent to a go-ahead decision, the knowledge management team can proceed with implementation.

3 CONCLUSION

A knowledge management business case is a preparatory step for a knowledge management implementation. It takes a lot of preparation, but it ensures that the knowledge management team thinks of all the possible pitfalls prior to implementation to ensure that the implementation happens smoothly. It is a structured way of planning and preparing for implementing a knowledge management programme.

The benefit of having a knowledge management business case, is that everyone, from the knowledge management team, to the stakeholders, to the decision makers are speaking a common language when they are talking about knowledge management and they all have a common understanding about what will be implemented. This makes the implementation journey much smoother.

Once implementation of the knowledge management programme starts, the knowledge management business case is also always there as a reference document to refer to the original thinking process. This is a tremendous help to stay on course in respect of what went into the original logical design of the knowledge management business case and programme.

BIBLIOGRAPHY

ANONYMOUS. 2006a. SearchDomino.com. [Internet: <http://www.entrepreneur.com/bizplan/0,7253,,00.html>; downloaded on 2006-08-14.

ANONYMOUS. 2006b. How to build a business strategy: elements of a business strategy. [Internet: <http://www.entrepreneur.com/bizplan/0,7253,,00.html>; downloaded on 2006-08-16.

ANONYMOUS. 2006c. Outline of a complete business strategy. [Internet: <http://www.businesstown.com/planning/creating-outline.asp>; downloaded on 2006-08-15.

ANONYMOUS. 2006d. Business strategy. [Internet: http://en.wikipedia.org/wiki/Business_plan; downloaded on 2006-08-16.

ANONYMOUS. 2006e. Business strategys: writing a traditional business strategy. [Internet: http://www.users.cloud9.net/%7Ekvivian/html/business_plan_-_traditional.html; downloaded on 2006-08-16.

BDC. 2006. Business strategy.

Available:

[Internet:<http://www.bdc.ca/NR/rdonlyres/emvojd7lyebzipcfw7cfj2zcg3bqppe7zrghojxvub6sunrtlwpylfbjxo7632wcj5nfj5ac55j6pcuaayfbaxrf/BusinessPlan.doc>; downloaded on 2006-08-15.

BERRY T. 2006. Keys to better business strategies.

[Internet: <http://www.destinationkm.com/articles/default.asp?ArticleID=286>; downloaded on 2006-08-15.

DAVENPORT T.H. & PRUSAK L. 1998. Working knowledge: how organisations manage what they know. Oston, Harvard Business School Press.

DU PLESSIS M. 2005. Drivers of knowledge management in the corporate environment. *International Journal of Information Management*, 25:193-202.

DU PLESSIS M. 2006. The impact of organisational culture on knowledge management. Oxford: Chandos Publishing.

DU PLESSIS M. 2007a. Knowledge management: what makes complex implementations successful? *Journal of Knowledge Management*, 11(1):91-101.

DU PLESSIS M. 2007b. The role of knowledge management in innovation. *Journal of Knowledge Management*, 11(4):20-29.

GLOET M. & BERRELL M. 2003. The dual paradigm nature of knowledge management: implications for achieving quality outcomes in human resource management. *Journal of Knowledge Management*, 7(1):78-89.

HALAWI L.A., MCCARTHY R.V. & ARONSON, J.E. 2006. Knowledge management and the competitive strategy of the firm. *The Learning Organisation*, 13(4):384-397.

PINSON L. 2006. Business strategy outline. Internet: <http://www.business-plan.com/outline.html>; downloaded on 2006-08-16.

RUSANOW G. 2003. Knowledge management and the smarter lawyer. New York: ALM Publishing.

SHERIF K. 2006. An adaptive strategy for managing knowledge in organisations. *Journal of Knowledge Management*, 10(4):72.

SNYMAN R. & KRUGER L.J. 2004. The interdependency between strategic management and strategic knowledge management, *Journal of Knowledge Management*, 8(1):5-19.