Lecture – 32
Evaluation of KM Effectiveness: Tools and Metrices (Contd.)

So, remember we were talking about benchmarking. Benchmarking is basically a Standardization process okay.

(Refer Slide Time: 00:26)

And when you set a benchmark you compare yourself against these benchmarks in order to see that how you have performed compared to your goals right, and if you look at benchmarking process, it is basically over standardized process. But this standardizing does not mean that when you are looking at the average, so there is a difference between average and benchmarking. Benchmarking could be treated a average performance or bench it mark against the average performance.

Or even if you can move up to higher level of benchmarking and in that case your standards maybe much higher to what the normal standard is. So many organizations in India have gone for this kind of processes benchmarking processes. The idea is to see that how we can better benchmark against goals and objectives which is set by the organization okay. And these kind of benchmarks will provide you lot of information related to quality, service that you want to pursue with the customers relate to the products.

Or when you want to see that how much how well you have been able to perform compared to your investments in IT or more specifically in a knowledge management systems. So there are lots of actually benefits that you can derive and you can get lot of information related to various areas like service quality satisfaction, what is a product life-cycle? What is the cost benefit? How much profit you have made? What are the profit margins and this kind of things and you can also manage relationship like customer relationship management so we were talking about these points.

Now if you look at benchmarking targets, you can benchmark against your company against your company within the units so the where various units are going to compete with each other. Or you are going to benchmark against your firms or the different firms in the similar industry or different industries okay. So you can go far different kind of benchmarking for example if you are going to benchmark within the organization it means that you want to see that how different units are performing right.

Different divisions or units, organizations are performing against the targets that are given to them. The only thing is that you have to look at the internal policy they should not create any kind of barrier okay.

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Benchmarking Targets

Benchmark Target	Upsides	Downsides
Other units within your company	This breaks down internal barriers to communication and conversation between various divisions and offices of your company; targets are easily accessible.	Internal policies might come into play; the measures are not indicative of what is considered superior performance in your industry.
Competing firms	Your company is measured against its direct competition; you get a fair understanding of the knowledge assets of your competitors as an aggregate; partners can easily be identified.	Legalities can make this very difficult; if a trusted third party such as a consulting firm is brought in, additional costs are imposed.
Industry	All of the above; this also lets you gauge your company's standing in the overall market	This can be very expensive; privacy issues begin to surface.
Cross-industry	You might be able to gain valuable insights from noncompeting firms and apply them to your own company.	All of the above; this does not let you gauge your company's standing in relation to your competitors; the sample population is not truly representative of your own industry or sector; it is often difficult to persuade companies to participate in such an effort; the cost of such an effort is rarely worth it.

Source: Tiwana, A.: Knowledge Management Toolkit (2002)

And then you have to see that what is the superior performance that is a problem but when you are using other forms okay. And you want to measure your performance against your competitors then there could be some problems or legalities and then you have to see that you have a third-party consultant who is going to see that how well you have benchmarks against

your competitors.

And here you also see that what are your knowledge strength? What are the knowledge of your competitors and whether you will be able to compete with the help of knowledge assets that you have with your competitors. Now if you look at average industry benchmarks these benchmarks could be different for example if look at the attrition rate of the IT industry so if attrition rates of IT industry the standard is around twenty to twenty three percentage okay.

And you have created the benchmark that you want to have a attrition rate of not less than say fifteen percentage sorry not more than fifteen percentage safe of you have set this benchmark against the industry-standard and you are going to work for it and you have created systems and processes and then you see the whether you have been able to succeed it or not. So this is how you are going to compete against the industry-standard or benchmark that is created.

Though lot of issues may come up in the process and that is to be resolved you have to see that how well you are able to meet these kinds of targets when it comes to industry agreed standards of performance. Now across industries probably you can get a lot of insights or information okay from both kinds of firms. Where you are competing or where you are not competing both kind of firms.

And then you have to see that where you stand with others. With whom you are computing or those with whom you are not competing right. Not necessary that all companies are going to participate in the process of competition but you have to see that you are were participating in this what is the cost and what kind of benefits that they are going to derive out of it.

Now once we have decided what is benchmarking target whether it is within innovation within the industry with competitors or across industry and competitors. Then accordingly then accordingly you decide what needs to be done.
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Benchmarking Lessons

1. Make it valuable- include the most valuable knowledge
2. Make it rare-focus on those area that give an edge over your competitors.
3. Make it hard to copy- Make it difficult for your competitors to copy
4. Make it hard to substitute- make sure to that substitutes doe not exist for the knowledge.

And then when you are going for benchmarking you need to learn certain things like when you go for benchmarking make sure that you are going to benchmark against something that is very, very important and valuable and that is critical to you. So make sure that benchmarking is done against very critical and important activities okay which is very valuable resourceful for the organization.

And make sure that you are going to benchmark in those areas where your competitors are not able to reach to you okay so that you have a competitive edge. Similarly you also need to see that they are not going to copy you. So suppose you have a benchmark by a product make sure that competitors are not able to offer that product or similarly they are also not able to imitate.

So make it hard to substitute so that competitors are not going to substitute that product otherwise what will happen if they are going to benchmark against you by competing with them problem they will also have the same level playing field. For example the bank which has come out first as ATM's you knows that Automated Teller Machines which disburses money.

So it created competitive advantage for that bank which first introduced it okay because it was rare it was very difficult to copy and substitute but when the technology developed another bank also came and started competing using this kind of technology what happened they created level playing field. So this kind of benchmark does not work. So you need to create such a benchmark which is a very difficult to copy and substitute by our competitors

only then you can have a competitive edge in the market.

So these are the some of the lessons you need to learn.

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Prevalent role models in the benchmarking process

Performance Areas	Commonly Accepted Role Models
Speed of product development	Netscape Corporation
Knowledge management integration	Buckman Labs
Knowledge management technology implementation	Platinum Technology
Software development and marketing	Microsoft Corporation
Innovation and new product development	3M
Customer loyalty	Apple Computer
Brand management	Disney
JIT manufacturing	Toyota
Logistics and enterprise-wide IT leverage	Wal-Mart
Knowledge management measurement efficacy	Skandia
Mail order	Dell, L.L. Bean, Lands End, Gateway
Franchising	McDonald's
Quality management	Motorola
Product line recognition	O'Reilly publishers
Strategic planning	General Electric
Cost-based competition through logistics and market demand volume	E-machines Inc., Airtran, Southwest Airlines, Apollo Printers

Source: Tiwana, A.: Knowledge Management Toolkit (2002)

Now let us see what are the different kinds of role models that exist in industry. Here you will find lot of examples which are actually is there regarding benchmark benchmarking now in different areas you have different kind of benchmarks. For example if you look at product development and the company is there like Netscape is there.

For knowledge management integration Buckman Labs is here pharmaceutical company then you for knowledge management technology implementation you have Platinum Technology it is an IIT Company. Software Development you have Microsoft for innovation you know the best known company in the world is 3M because they have the best benchmark in the world and they are you know are the top and there innovation index also.

Similarly for in the field of say computers you have Apples, which have created their own benchmark and it is very difficult to copy or substitute Apple computers. Say for brand management you have Disney. For you know that manufacturing you have Toyota. For logistics you have Wal-Mart I mean you know that Wal-Mart is the company which provides services goods and services with lowest profit margin.

So they have created such a benchmark which is very difficult to copy and substitute by competitors otherwise they would be in the losses. Similarly if look in mail they have lot of

companies right. Franchising you have McDonald you know McDonald franchising is available all over the world now. For quality Motorola is well-known in the world. Similarly for Strategic planning you know that General Electric is one such a company which helps very well.

Then there are lot of company we have competed or try to compete based on cost. For example you have Airtran, Southwest Airlines, Apollo in Indian you have a lot of airlines right. Like Indigo which are trying to compete based on costs and logistics operations and market driven value and they have been very successful. So you have to see that when you are going to create a benchmark it is very difficult for competitors to copy make a substitute so that you have a competitive is over there.

And these benchmarking are standards against which you ultimately compare your performance to see whether you have been able to derive desired results or not.

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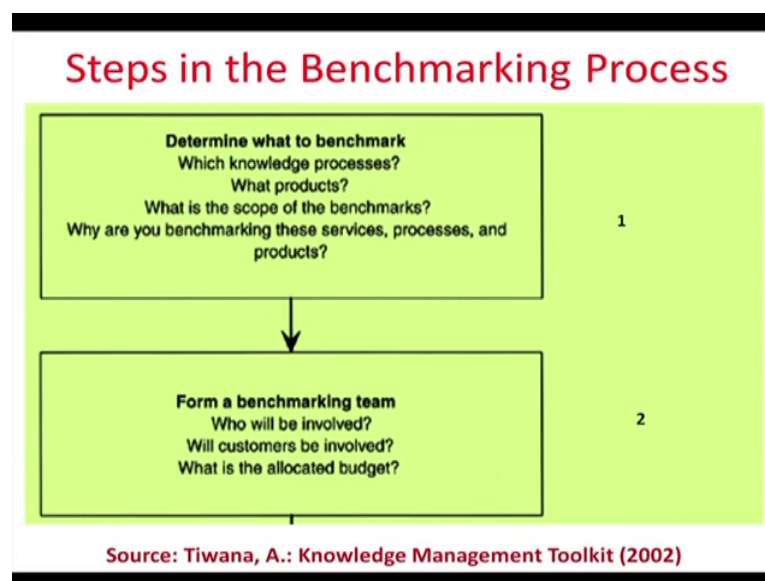
Now if you look at the benchmarking process it consists of five different stages which are mentioned here so first of all what you do when you go for benchmarking. You have to see that what is benchmark is to be done with right what to benchmark okay? Which process? Which product whether you are going for a Process benchmark or product benchmark and what is the scope of this benchmarking so you have to decide right.

For example you are going to offer a new product. So how innovative it is? What are the qualities of the products okay? Or suppose you are going to introduce a new process okay,

production process okay. And these production process is being benchmark by you, which is a standard against which others are going to compete.

So you have to decide whether you are going to benchmark the process or product and then again you decide which process or product and ultimately you also decide what the scope of the benchmark is because that is why you want to have this kind of benchmark either for services processor products. So first of all at the first place you to decide what to benchmark and which what is to be benchmarked in terms of processes, services and products.

And then you decide why you want to go for it, whether it is valuable to you, whether it is rare, whether it is hard to substitute and whether competitors will not be able to copy it. So if you have these questions answered probably you will be able to clear your first step. And then once you have decided that you are going for either product benchmarking or process or services benchmarking.

For example you want to provide quality certain and service delivery and you have gone for some kind of innovative systems and processes to deliver a product right. So you are going to benchmark it now once you have bench decided what is to be benchmark and why you are going to benchmarking then the next stage is that you also talk about who is going to be involved in the process right?

So the idea is that you have a team with is going to be involved in the benchmarking process right and then you also decide the team within the organization. What would the resources? What will be the manpower allotted to you? What would be your team which is going to work on this? And also what are the customers who are going to be benefited out of it? Whether it is internal customers or external customers.

For example if you are growing a service benchmark it could be the external customers. Suppose you are going to benchmark the HR system then in that case your customers are going to be within the organization or employees right. So they need to be involved in this process. When you are going for benchmarking get their feedback, decide about why how you are going to do it okay.

So you involvement of customers and their participation is equally important. Similarly you

have a team you are going to get feedback and discuss it with them. And you also need support and commitment from the top management because they are going to provide you the necessary budget for the purpose. So make sure that whatever budget constraints are there within that you are able to create a benchmark okay.

So once this process is complete you move to the third process right.

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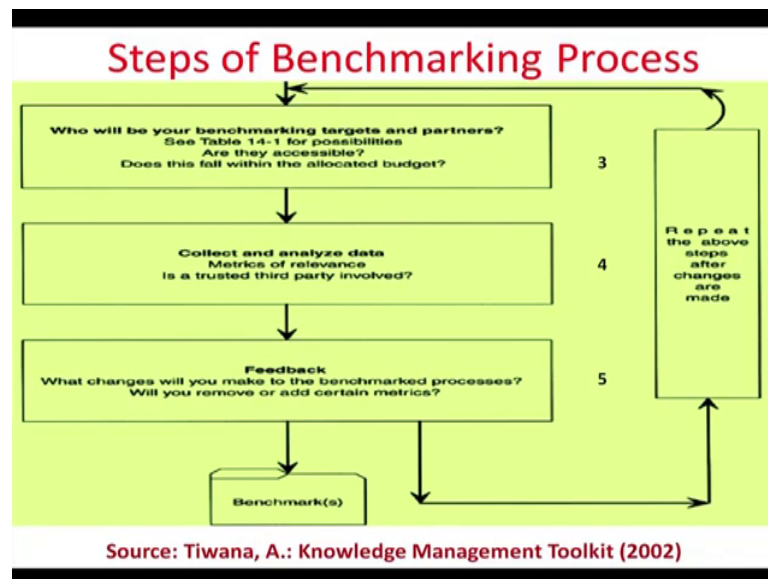
And this process actually talks about the targets of the benchmark. Who will be the target of your benchmark right? And who will be your partner's right. So if you look at this you identify yes these are the possibilities you decide okay about the targets whether it is within the company outside the company it is competitors or somebody else okay.

So targets of the benchmark are to be decided okay. And then see whether you have information about them or not. And whether you will be able to do it with the constraint of resources time and budget that have with it. So once have decided about this the targets okay. Then the next stage is that you are going to see or collect information about this data then you see you are going to evaluate it and see whether you will be able to do it or not okay.

So the next stage is basically that is the fourth stage that you are going to collect information about the benchmark. What say for let me give an example for example you have created benchmark so for as a logistics or supply chain and then accordingly you decide that okay this is the price at which you are going to offer a product or a service whatever it is. And you want to go for benchmarking it.

In the process you are going to include customers you have attained you decide what is to be benchmark. Now this is a service at which the cost at which you are going to offer a service for a particular product is good is decided by you. And then what you do you see that who are your competitors okay. And then try to get information that at what price they are offering the same product right.

In the process you are going to collect information, analyze the data and see whether you have a competitive race over them or not okay. Whether the kind of benchmarking that has done in terms of pricing whether competitors are way ahead or down. And accordingly you decide whether you are going to be succeeded or not. And then you get feedback basically you try to get feedback about your system and processes.

And then you see whether the kind of benchmarking that you have done is appropriate or not okay. If it is appropriate then what will happen. You get good feedback and ultimately you say that okay you are benchmarking against a particular target based on certain criteria and parameters is good. And if it is not so then again you move to third stage for example if your feedback is good then your benchmarking is successful.

And if it is not then you move to this again stage three once you decide about the target then you repeat all the three stages again, because you have not been able to succeed. So if you are able to succeed it is all right you will go far benchmarking if are not able to succeed then again you decide about your targets and partners, because for that particular target you are benchmarking efforts have not been successful right.

So benchmark is a very important parameter to evaluate systems and processes. So similarly also have develop knowledge management system. So how effective is a knowledge management system is. So you need to create benchmarks in terms of profits, cost, quality, services these kind of things and see whether you have been able to achieve those benchmarks or not.

Because these are the targets against which you are going to do it internally right. And once you have done it and you have been successful in achieving those targets. It means your benchmarking efforts have been successful. So this is one kind of metrics that is used in industry to see whether you are KM efforts successful or not right.

Now after benchmarking there is another way to look at it when you are trying to assess the effectiveness of the KM tools and that is House of Quality approach.

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This house of quality approach was developed by Hauser and Clausing. And with they basically talked about a technique and they have come out with technique which is known as quality function deployment and this quality function deployment basically talks about lot of parameters against which you are going to see whether your KM system is effective and successful using certain parameters.

So what we are going to discuss next is, how this quality function deployment works okay?

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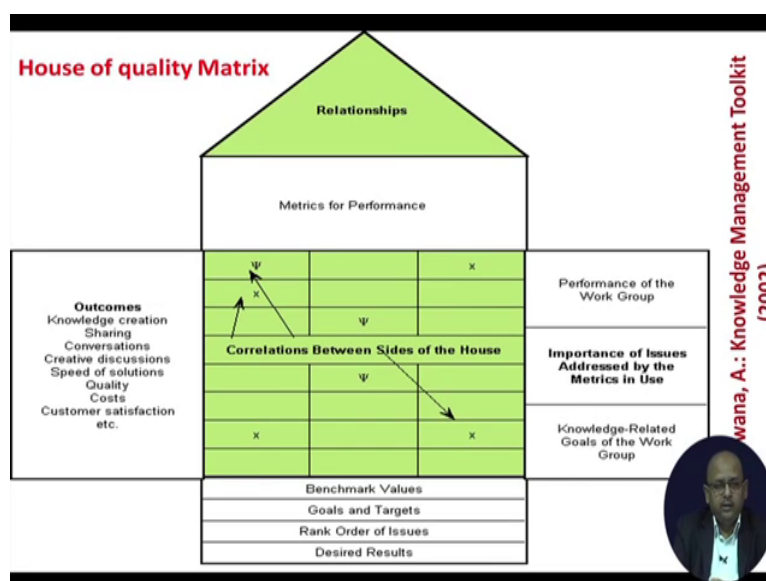
So if you look at this quality function deployment here what I am going to talk about is the

house of quality metrics and if you look at this metrics on the left side if you look at it. It talks about the different kind of outcome that you are looking at okay. And then these outcomes include like knowledge creation right. Whether you are KM system have been able to evolve such an extent that people are able to create knowledge.

Does the system facilitate knowledge sharing conversations okay? Have there been created discussions okay. Whether then KM system have been able to speed up the solutions of the problem that you have. Whether you have been able to improve quality, reduce costs and whether you will be able to satisfy your customers or not right. So these are the parameters against which you are going to measure the effectiveness of the quality management system right or sorry knowledge management system.

So these are the outcomes against which you are going to make them the knowledge management system. Now if you look at this against this you are having this okay. How the people are performing okay. And whether the knowledge related goals of the group are and the work group has been able to achieve this or not. So suppose if you try to relate this okay.

So what you do look at the downside you have benchmark values against which you are going to compete goals and targets. And then you Rank Order these Issues out of these issues which one is more important and which one is less important. For example out of these outcomes you find that okay some of these outcomes you have been able to achieve.

Some of them have not been able to achieve right it means first of all you decide about targets and then rank them order rank the means that you see that which one is more important which one is less important. And finally you once you compare the results from this to this and then say what is your desired results. Accordingly you can see in some cases the relationship is good these are the metrics for performance okay.

So here you see this is good here it is not good okay. So the correlation between the sides of the house if you find that it is positive it means have been able to do achieve the desired results and if it is not, if it is negative between the sides of the house then you can say that the correlation between these outcomes that you have and the desire and that desire of that you have achieved because you are going to measure your performance against these parameters.

And then once you have performance and then you compare it and then if you never been able to achieve it or not. For example look at knowledge creation knowledge creation means that KM systems have been able to devolve to such an extent that you are able to create innovative things or not. For example how many innovative products processes systems have been developed in the organizations?

So if it is your goals and it is important you see that what is the outcome and whether it is matching with this or not. So you are going to create a specific outcomes in concrete terms and see whether you are going to achieve it or not. For example say cost you say that if are going to be a use this knowledge management systems you are going to reduce cost by certain percentages okay.

And it is very important because cost is a major issue for the organization right. So you rank it order and you give it priority important more importance and then see how much basically the system have been able to deliver in terms of reducing the cost okay. And then you are going to compare it if there is a positive relationship it means KM system improving KM system has reduced the cost it means it is good sign but if it is not so it is not a good sign.
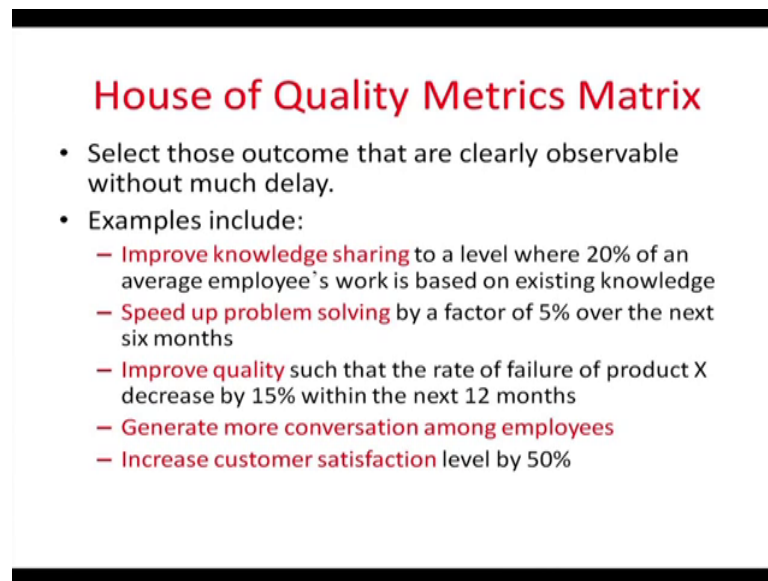
For example even if improving the KM system and investment in KM system has not been able to help you to reduce the cost. Then it means that there is the relationship is not positive right. So in that case you can say that yes KM system has not been able to use been able to contribute to cost reduction process right. So you have to see that you use these parameters you decide about specifications against these parameters okay.

And then you are going to look at this and see how well the you are going to perform again these parameters right. So it is very imparting to look at this how people are performing okay. How important these Metrices are for you okay. For example if you have these outcomes whether people think that these outcomes are important or not. And whether knowledge related goal of the Work Group have been able to be achieved or not.

If it is not so then probably not work. And then you want to see the relationship between these two. And see whether it is moving in the positive direction or not okay. Or it is in the negative direction. So this has been a very useful tool and that is where you are going to be employed quality function to see that whether knowledge management system have been able

to improve the systems or not okay.

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Now, now if you look at the House of Quality Metrics basically to select those a outcomes which can be measured by you right. It is very important in that process right. For example whether a knowledge sharing is improved or not okay. So you expect that there will be twenty percentage a improvement in knowledge sharing or at least twenty percentage knowledge would be shared by the people okay.

And the improvement in the performance is because at least there is an improvement in knowledge sharing that is up to twenty percentage okay. Or say a whether speed up problem-solving is there right. Whether this problem-solving has improved by five percentage you are going to set specific targets against each of the criteria and then you are going to measure it okay. And see whether it has been able to meet these criteria or not.

For example improving quality suppose you have rejection rates okay. For particular products and you want to reduce it by another fifteen percentage in the next twelve months or not okay. And whether this knowledge sharing systems has been has helped you to create more collaboration among the employees to share the knowledge okay. And whether this has resulted in better Employee satisfaction or customer satisfaction also.
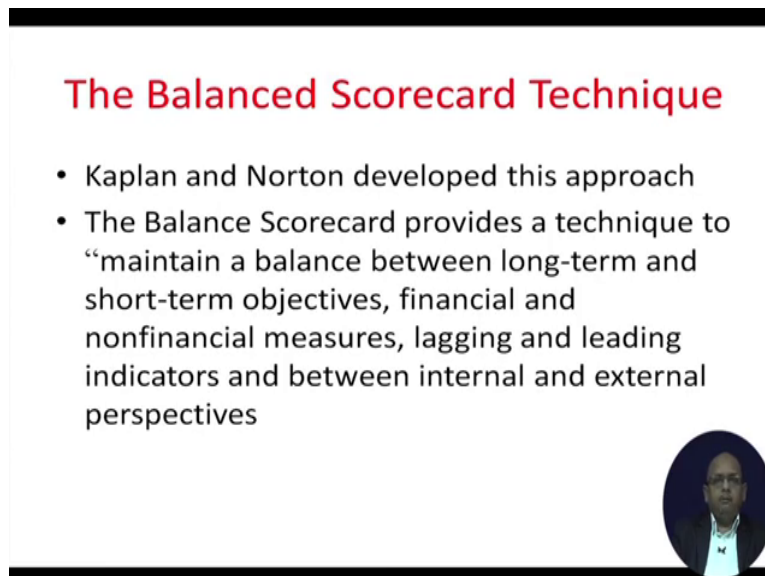
So when you are going to use quality metrics the idea is to see that you have very specific concrete measures against which you are going to look at certain outcome and whether the knowledge management system has been really able to help you in the process or not right.

Now we are going to discuss another techniques see we have talked about benchmarking, we have talked about quality function deployment okay.

And in both the systems you have seen that what we do basically we try to create either a standard and major our performance against those standards which is already set earlier okay. And then there are certain criteria for benchmarking that we try to meet. In quality function deployment will also identify certain outcomes and against each parameter we also set certain specification that is to be met within a given time frame okay.

And once you go for investing KM and hire a KM system and you implement it you try to see whether these KM systems have been able to help you organization to meet to the specific criteria. Or a specific quantitative criterion you can say for each of the outcomes that you have set right. Now we are moving to another part and this is what we call balanced scorecard and when I am talking about balanced scorecard you might be familiar about it.

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It was first developed by Kaplan and Norton basically the idea of balances scorecard was to see that the extent to which you are able to have different kind of measures basically not only financial measures but also non-financial measures are included. And similarly you also look at not only long-term objectives but also short-term objectives. So you have both our internal as well as external perspectives.

Similarly you also have long-term and short-term objectives and you also have financial and non-financial objectives okay.

Source: Tiwana, A.: Knowledge Management Toolkit (2002)
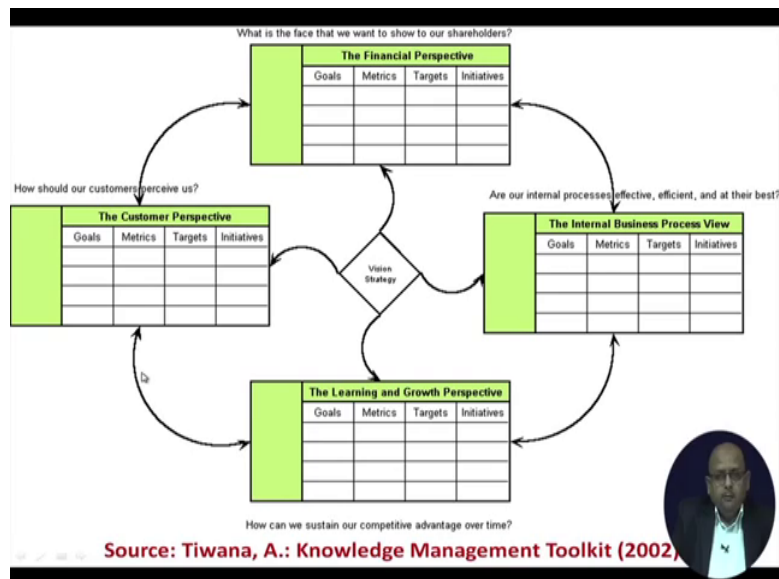
Now if you look at this, this is a typical balances scorecard and what we will do we will try to apply this kind of score card balances scorecard in the context of knowledge management system right. So if you look at this typical balanced scorecard it has four perspectives or the four types of indicators you can say.

One is financial indicators the other one is customer perspective and then you have business processes and the fourth is learning and growth perspective. So you are going to measure your goals, metrics, targets and initiatives that you are going to take against each of these perspectives. For example supposed you take financial perspective. So what are your objectives in terms of market shares, profit, revenues, return on assets okay.

So dividends that you are going to pay, so this is what you call financial perspectives okay. So once you are going to use financial perspectives you use certain goals and objective you decide about certain metrics like what would be your return on investments, return on total assets okay. And then what is your targets for each of these metrics you decide about the specific target and what initiatives organization is taking to meet these targets.

And ultimately you compare your performance against these targets to see whether financial goals have been met or not. Similarly you can also go for customer perspective learning and growth perspective. For example this is basically related to employees the existing tools they have been able to develop of the competencies okay. So you decide different kind of competencies that is required by the people okay.

How you are going to measure that? How you are going to evaluate it? And then ultimately you see whether they have been able to develop those competencies or not right. So similarly you can also look at your internal business processes right. Systems, Structures and Processes how efficient they are okay. And ultimately since it is related to the customers it is you must also measure whether customers are satisfied or not.

So the extent to which you talk about the customer services like loyalty, commitment, satisfaction this kind of issues whether they have been met or retention okay. So if you look at this typical balance scorecard it basically talks about four different perspectives and in the middle you say there you have vision and strategy because are these perspectives are being aligned with the vision and strategy of the organization.

And all these perspectives are interrelated because move if you see taking a financial perspective this leads this might leads to this also. And if you are going to have a efficient internal processes this might lead to achievement of certain goals and objectives in the terms of finances right. And if learning and goals objectives are met probably it would help you to create better internal business process right.

Similarly if you have internal business processes probably it will make people more efficient as well right. In terms of the competency, similarly if people are having those competencies they can provide better customer service okay. So Providing better customer satisfaction also provide someone of learning experiences to people which they can use the feedback to grow and develop themselves.

So you can see that all these perspectives are interrelated with each other right. Now try to apply this kind of perspective in context of knowledge management so what you need to do is. For example if look at this vision and strategy what we are going to do or have it what is a knowledge management vision.

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The KM Balance Scorecard

1. **Translate the KM vision-** First process on BSC strategy and managers need consensus to decide why knowledge needs to be managed
2. **Communicate and link-** Selling the idea to to employees and link reward with effective use and contribution of knowledge
3. **Do a reality check-** how well your selected matrix, goals, targets, and resources are aligned to KM system
4. **Incorporate learning and feedback-** Evaluate the goals, metrics and targets and see how well they working

So first process on this balances scorecard Strategy is that you need to create a consensus that what is your the vision and strategy of knowledge management okay. What actually you want to achieve through knowledge management system in your organization that is to decided. And what kind of strategy organization has for creating knowledge okay.

Not only when I am talking about creating knowledge that is creating different kind of knowledge base system like knowledge development system, sharing system, decimalization system, or retrieval system. And then you want to communicate and link it with this community to the people that okay we want to have this kind of system.

And then you see what are the metrics, goals and targets that you have aligned to KM system and then you also have a learning and feedback system to see how well you are doing okay.

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Source: Tiwana, A.: Knowledge Management Toolkit (2002)
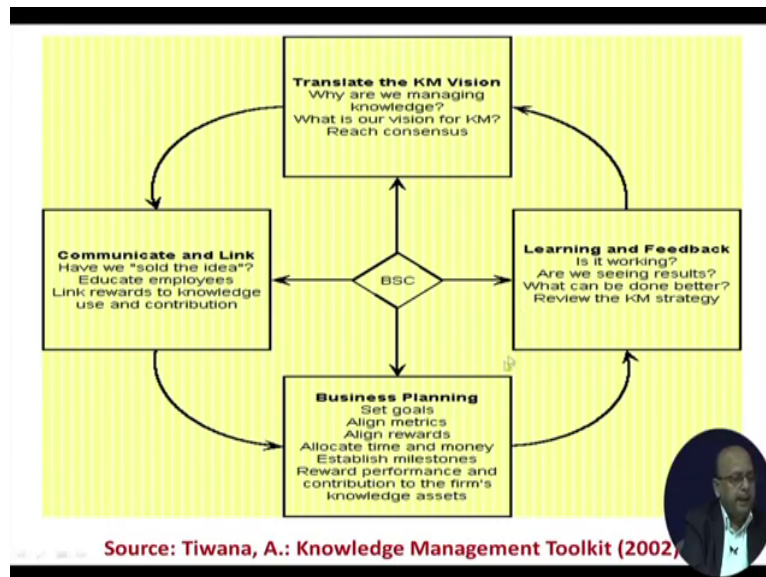
So if you look at this KM balances scorecard here this is the kind of knowledge management balances scorecard which has been used in the context of knowledge management. To measure the effectiveness of knowledge management system. So translate the knowledge management reason okay, these is the balances scorecard and see how they are related okay.

Then you are going to communicate the link and then have business planning and then learning and feedback. So see this is based on the Robert and Coplanar notion of a by balances scorecard but there basically we are measuring from various perspectives and here we are going to measure it in the context of knowledge management system right. For example if you are going to translate this into KM system.

So how whether you are investment in KM is the resulting in financial investments? Whether it is reflected in the balance sheet or not you can see here? When it comes to customer capital okay. Whether it is going to increase your customer capital increase, products, new customers, through the knowledge management system or not. So if it is so then whether national capital has increased or not okay.

People have got better capabilities distinct capabilities which other organization do not have okay. Or whether we are in a position to better manage okay, so whether your innovation capital is higher or not. Whether your customer relations customer base and process prospects have increased or not okay. And here we are talking about process knowledge okay.

Process knowledge because what kind of processes you have created or in terms of improved

processes which is going to help you to achieve goals and targets rent. And then human capital perspectives with whether the strength and the competencies of the people have increased or not and whether they are going for knowledge sharing or not.

So based if you look at the knowledge management perspective when it is applied to what you call a KM scorecard balances scorecard see how it is happening okay, because you are not going to measure it by the book value, but you are going to measure it by the market value. So the strength of a company or performance of a company is going to be measured by the market value.

And if you are using these perspectives you can very well see that whether you have been able to create different kind of capital whether it is human capital or customer capital. Which is nothing else but a part of what you call intellectual Capital? And then ultimately whether this has been able to lead better financial results or not right.

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Balanced Scorecard Dimensions	Questions
Client orientation	What do I want to achieve with my existing clients?
Market orientation	What am I going to do to decrease existing client turnover and find new clients? What am I going to do to strengthen my position in the business?
People orientation	What am I going to do to enable the team that I am managing to function better and to help my employees gain stronger competencies?
Result orientation	How can I attain better results with the same inputs? How can I increase the added value of my teams and myself?
Personal effectiveness	What am I going to do in the coming year to improve weak points and strengthen strong points?
Professionalism	How do I keep abreast of the newest developments? How do I collaborate with my peers more extensively?

KPMG's Choice of Dimensions for its Balanced Scorecard
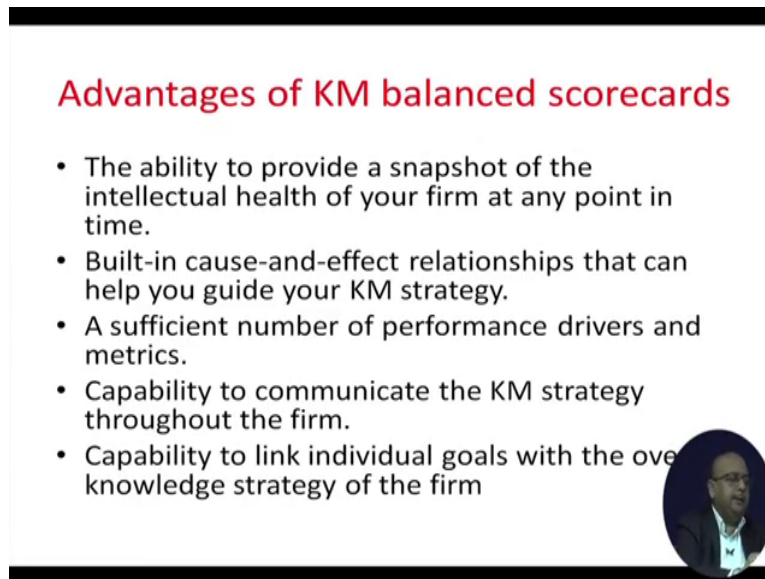
Source: Tiwana, A.: Knowledge Management Toolkit (2002)

For example here I am giving one example of KPMG and that is how they have done it okay. For example how well they have done so far as Client orientation, Market orientation of people relate things or results oriented things or internal efficiency of increasing the people and how well than they have done so far as professionalism is concerned. In terms of developing new technology developed in collaboration this kind of things.

Now what the KPMG has done they have tried to work on each of them to improve it. The processes systems or customer retention's innovation capital and see that how well they have

been able to create better results through this process.

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Now one of the advantage of this kind of process is that it provides an intellectual health of your firm okay if you have balanced scorecard for knowledge management. You can see that whether you are KM strategy has been effective or not okay. And you can also look a different kind of performance drivers and how well you are doing okay?
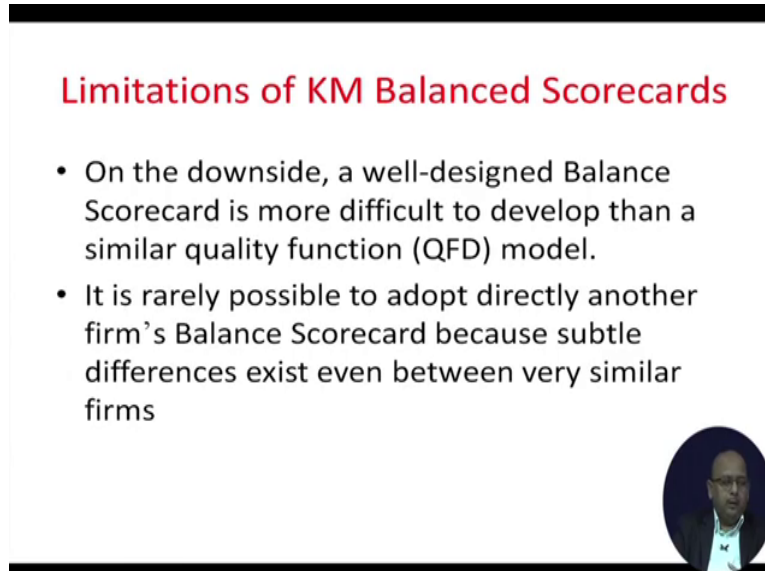
And you can you clearly communicate what actually your knowledge management strategy intends to do with various parameters and this needs be communicated to the employees so that they were for it. And you can also list the goals of the individual with the goals of the organization. And then organization goal that is basically refer to at the strategy.

Another important thing is that you have to create a missing link between long-term knowledge and competence and you can it could be a part of your annual budget because most of the organizations do not show intellectual capital, organizational capital in their balances scorecards okay. And you can see that how the vision of the organization can be translated into something which is more realistic which is manageable okay.

And you can also decide whether this is a specific performance goal that is to be achieved. And can also integrate or your strategy corporate strategy with your KM Strategy and see that how well it is aligned right. And you can have very objective measure because KM system talks about very specific measures in each of these areas which can help you to achieve better competitive advantages in different areas right.

And you can also have certain financial measures at the end because ultimately any KM effort is supposed to improve the company's bottom line that is the performance of the organization right. So these are the different kind of advantages.

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Limitations of KM Balanced Scorecards

- On the downside, a well-designed Balance Scorecard is more difficult to develop than a similar quality function (QFD) model.
- It is rarely possible to adopt directly another firm's Balance Scorecard because subtle differences exist even between very similar firms

But it has certain limitations because you look at different kind of systems are not appropriate in each and every context right. For example a good balances scorecard is more difficult to develop than a quality function deployment because for each of the parameters to decide. What the outcomes, specifications? What exactly went to intent to achieve and how you are going to measure it right?

So but balances scorecard is definitely a better measure compared to benchmarking or what you call the quality function deployments okay.

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Alternative Metrics

- The Skandia Method.
- The FASB Method.

But apart from that you have also other measures like Skandia.

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Skandia: The Early Pioneer

- Skandia - a Fortune 500 Swedish insurance and finance company
  - one of the first companies to issue an Intellectual Capital Report as a supplement to its Annual Report for shareholders (1994)
  - Leif Edvinsson
    - as one of the first ever directors of intellectual capital in a firm, was the principal architect of Skandia's initiative
    - intellectual capital guru
    - developer of an IC reporting model called the Navigator

Skandia is basically a measure of intellectual capital and they have developed a model which is known as navigator.

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The Skandia Model (adapted from Roos et al, 1997)
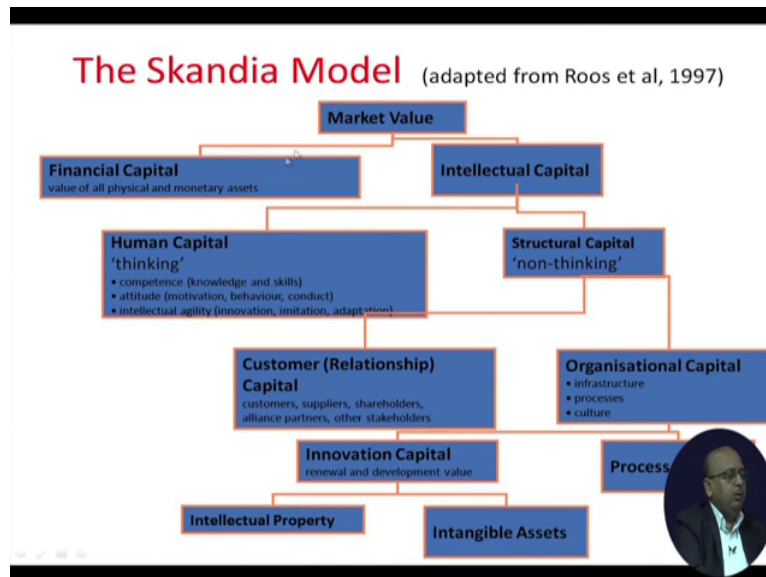
Now if you look at this basically they are going to measure the market value and which consists of the Intellectual capital and the financial capital. And this intellectual capital consistent human capital, structural capital, Customer Capital and Organizational Capital. Now this is what is being talked about in even in balances scorecard.

When you are going to apply balances scorecard you are basically measuring what basically the Human Capital, Customer Capital and Organizational Capital. And Organizational Capital basically identified into innovation Capital and Process Capital that is what we have look into the balances scorecard and Intellectual Capital of the organization or Intangible Assets.

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Edvinsson's Navigator
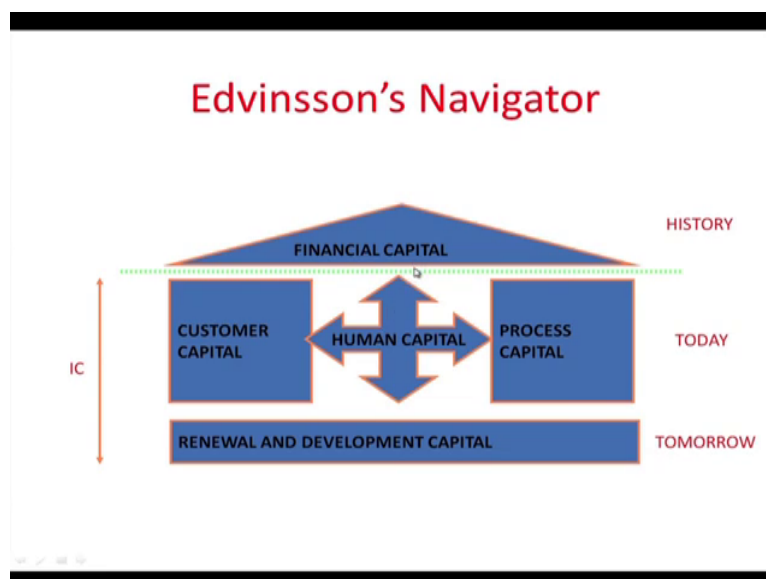
Similarly if you look at this how well you are doing today and tomorrow you can see if you look at this intellectual Capital navigation you can very well see that whether you are your

intellectual capital is appreciating or not appreciating. And then how you can also link it with the financial capital of the organization.

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Then you are going to use both financial and non-financial measures and there are lot of parameters that is used or what you call the metrics the Skandia actually uses 91 new intellectual capital measures or metrics along with 73 relational measures in five focus areas.

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And basically the idea is to measure intellectual capital base on the organization okay. And basically it also recognizes the importance of customer capital apart from other capital like Human capital, Organizational capital and Process capital okay. And you have to see that intellectual capital is appreciating then it is and adding value to the organization otherwise not okay.

Then you have this FSAB model basically it is an accounting standard which is set by the Gallup sorry GAAP General account accepted accounting principles in U.S. are the idea of having this is basically to see that identify certain standards and see how well you are doing okay.

So FSAB method has been used but is more accounting measure compared to including non-accounting or non-conventional measures in the organizational context.

So when it comes to assessment of KM you have to see. Why you want to do it you create a baseline against which you are going to measure your performance. Use both qualitative and quantitative measures. Do not have too many metrics. Similarly you do not go for such

metrics which you cannot control. If you cannot control whether offers have not put are not and then you are going to measure different levels okay.

And ultimately you make sure that those who are involved in this process they are being also rewarded suitably and when you are making claims do not make tall claims be conservative in approach. And when you are going to decide about say goals and objectives that are to be achieved okay. Be very conservative and see whether you are able to achieve it. So these are some of the recommendations for Knowledge Management, Thank you.