

knowldgWORKS News Volume 1 Number 19
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Budgeting for Knowledge Work

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KnowBits

- a. AQPC's Nine Rules for Marking KM Work

Have a look in this month's Knowledge Management magazine and you will find a white paper by APQC (American Productivity & Quality Center) entitled "Nine Rules for Making KM Work." Here are the nine rules:

1. Know where to share
2. Share knowledge in context
3. Create organizational change with knowledge
4. Spend your resources driving inputs/enablers
5. (No rule 5 - I even looked for it out at their site)
6. Move quickly as knowledge initiatives mature
7. Rollout knowledge initiatives across the organization in multiple pilots
8. Allow employees to create knowledge initiatives
9. Evaluate your knowledge pilots as you would an options portfolio

- b. IT do KM OR HR (?!?) do KM?

In another short article in Knowledge Management, the results of a survey are shown that indicate that in many organizations, knowledge management may be more aligned with human resources than other groups in a company. 32% of the respondents indicated that human resources was the source of knowledge management activities with other senior management coming in at 29%. Likewise, to the question of where a CKO was based, 32% indicated with senior management

and 25% indicated in human resources. Could knowledge management be more about people in an organization than technology?

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KnowSite

More or less periodically on a weekly, bi-weekly, or tri-weekly basis, and from time to time I might point you to a KnowSite. This is a site that might be of some interest to you as a knowledge worker.

This week's site: www.natrificial.com
Visit "The Brain"

I learned about "The Brain" a couple of years back when it was first introduced. To me this is an intriguing piece of software worth a look. It allows you to organize information and knowledge according to the relationships that best represent how you organize knowledge and information. Its interface is very slick with real time animation of the structure as you access it. Worth a look. "The Brain" gets a 3.5 KnowScar rating.

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Budgeting for Knowledge Work

In keeping with our philosophy that knowledge work is just as important for small organizations as it is for larger organizations while realizing that small organizations have fewer resources, let's explore the issue of how much a small organization should spend on a knowledge management effort. Closely tied to this, of course, is what should the organization spend it on. We will address both of these questions in this week's newsletter.

Anecdotally, what you can take away from the literature about knowledge management is that it is very expensive. In fact, in a recent Gartner article about knowledge management on a "mini-budget," a guideline was given that organizations spend between 5% and 12% of annual revenue on knowledge management. This guideline comes with a caveat - the nature of the organization. Specifically, Gartner is speaking about large consulting groups with

estimated revenues of \$30 million, 35 percent profit margins, and an overall 20% to 45% compound annual growth rate. Five percent of \$30 million is \$1.5 million. For small organizations \$1.5 million might be their total revenue for a year (or, in some cases, many years).

Interestingly enough, my own experience with knowledge management is that \$1.5 million would not cover the infrastructure costs for a large organization. For example, an organization of roughly 5000 seats can expect to spend something between \$6 million and \$10 million in infrastructure for Lotus Notes. This estimate does not address staffing or other organizational requirements. Even using the conservative \$6 million figure, you are looking at 20% of the \$30 million in revenue for infrastructure alone. It would have been useful to understand in more detail how the 5% to 15% was spent.

Take our recent example of a painting business with income of \$x00,000 as opposed to \$xx,000,000. If we consider a small painting business that has a revenue of \$200,000, does this mean the proprietor should spend \$10,000 on knowledge management? And what would this proprietor get for her investment of \$10,000? I would not hesitate to say that an investment of \$10,000 for a small business owner is much more significant to that owner than an investment of \$1.5 million is to the CEO of a consulting company.

The Basic Question

It is almost impossible to recommend a budget for anything unless one important piece of information is known - namely, what is to be accomplished? This has been a mantra of this newsletter all along - namely, know what the problem is before you decide to throw knowledge management at it. That said, I know that your appetites have been wet with the idea of a possible budget for knowledge management. And not to disappoint, I will try to propose one based on some generic requirements and best guesses about the kinds of problems that may need to be solved.

Budgets always reflect some assumptions. Let's look at ours. First, there will be people requirements for the effort. That is to say, any knowledge work effort needs some dedicated people resources to implement the effort. How these resources are obtained is a question for the

business, but these resources do need to be reflected in the budget.

The second budgetary assumption is that whatever knowledge work you will do will require some technology. Specifically, you need a means to share information between members of your organization. How can you do this cost effectively and efficiently? We will make the assumption that technology will be the enabler to accomplish this requirement.

Third, let's assume the organization has between 25 and 50 people. The organization has all of the functions represented in larger organizations, i.e., sales, marketing, research and development, manufacturing (of some sort), financial, support, and management.

Lastly, let's assume that the organization uses networked computers, but does not use any form of electronic messaging, i.e., they have no infrastructure for electronic mail.

The Budget

Personnel

Knowledge Management Within the Organization

An organization of between 25 and 50 people that wants to benefit from knowledge management should have one individual who is responsible for the effort. This person could already be part of the organization, for example a librarian, or this person might need to be hired. It is important that this person be dedicated to the knowledge management effort. Budget between \$75,000 and \$100,000 per year for this individual.

Consultant Assistance with Start Up

Unless the individual you assign already has experience with knowledge work and knowledge management efforts, I would strongly recommend hiring a consultant for a brief period of time to structure your program. This person will help with tasks like assessing your culture, assessing your organization's potential for knowledge management, and helping your internal knowledge management worker get the effort rolling. Budget \$50,000 for this

assistance, assuming about 30 days of consultant time for assessment and support.

Hardware/Software and the Like

By far, the most basic requirement for knowledge management is a way to send messages and share information throughout the organization. In an organization like the one we described, information sharing will go a long way toward integrating the company's functions. Compared to the people and consultancy costs of a basic KM effort, the hardware and software costs can be quite small depending on how you approached the problem.

Low Cost Approach

Set up a Linux Server using the electronic mail and discussion capabilities provided by the Linux system.

Pros: Cheap. Lots of software available at very low cost.

Cons: Risky. Varied reliability of available software. May be too complex depending on the organization.

I make this recommendation because Linux includes much of the software required for successful messaging. It includes an electronic mail system and a discussion group system. Although it may not be as pretty as the latest Windows systems, it certainly is powerful. For an organization of between 25 and 50, a budget of \$10,000 should be more than sufficient. You will also need an administrator, but let's assume there is a computer-type in your organization to do this.

The Windows Approach

Chances are that even a small organization will already have a network running Windows of one type or another. In this case the approach is to select a messaging package like the one that Microsoft offers (Exchange-based) or a Lotus-based approach. Figure somewhere between \$25,000 and \$50,000 to outfit the organization with this type of messaging platform.

Pros: Slick interface and lots of functionality.

Cons: Still a complex solution requiring administration (maybe more than the Linux solution). Stability may not be as good as Linux.

There you have it the very, very basic budget. Somebody to do knowledge work and a basic infrastructure. Now, before all of you SGKMers (second generation KM) start expounding on how this is typical of a FGKM (first generation KM) approach to KM and is destined to fail, remember that what we are discussing is what might be needed, not how it will be used. Remember, your mileage may vary depending on your problem and your resources. Consider the budget presented here as a suggested starting point.

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