

Chapter 3: Organizational Impacts of Knowledge Management

At what levels does the impact occur?

Impact on People

Knowledge management can have the following impacts on people:

- KM can facilitate employee learning
- KM can facilitate employee Adaptability and causes employees to become more flexible
- KM can also enhance employee job satisfaction

KM impacts on Employees Learning

This can be accomplished through :

- **Externalization** eg, writing a report on lessons learned from a project;
- **Internalization** eg, when employees preparing for a later project, read it ;
- **Socialization** eg, through joint activities such as meetings or informal chats
- **Communities of practice** ie(recall), an organic and self-organized group of individuals who are dispersed geographically or organizationally, but

KM impacts on Employee Adaptability

The KM can impacts Employee Adaptability as follows:

- Employees are likely to **adapt** when they interact with each other
- They are more prepared to respond to change
- They are more prepared to respond to change and less likely to be caught by surprise!

Impacts on Employee Job Satisfaction

- Recent study found that in organizations having more employees sharing knowledge with one another, turnover rates were reduced, thereby positively affecting revenue and profit
- Employees feel better because of their knowledge acquisition and skill enhancement
- Employees' market value is enhanced relative to other organizations' employees
- KM also provides employees with solutions to problems they face in case those same problems have been encountered earlier, and effectively addressed
- Providing tried-and-tested solutions (eg, via the direction mechanism) amplifies employees' effectiveness in performing their jobs
- Also helps keep employees motivated Employees facing problems in performing their job rapidly become demotivated

Impact on Processes

- KM enables improvements in organizational processes such as marketing, manufacturing, accounting, engineering, and public relations

These impacts can be seen along three major dimensions:

- Effectiveness
- Efficiency
- Degree of innovation of the processes

Effectiveness, Efficiency and Innovation

Effectiveness: is performing the most suitable processes and making the best possible decisions

- KM can enable organizations to become more effective by helping them to select and perform the most appropriate processes
- KM enables organizations to quickly adapt their processes according to the current circumstances, thereby maintaining process effectiveness in changing times On the other hand, organizations lacking in KM find it difficult to maintain process effectiveness when faced with turnover of experienced and new employees.

Efficiency: is performing the processes quickly and in a low-cost fashion.

- Managing knowledge effectively can also enable organizations to be more productive and efficient

Innovation: is performing the processes in a creative and novel fashion, that improves effectiveness and efficiency—or at least marketability.

- Organizations can increasingly rely on knowledge shared across individuals to produce innovative solutions to problems as well as to develop more innovative organizational processes.

Impact on Products

Impact on products can be: **Value added products** and **Knowledge based products**

Value added products

- KM processes can help organizations offer new products or improved products that provide a significant additional value as compared with earlier products
- Value-added products also benefit from KM due to the effect the latter has on organizational process innovation

Knowledge based products

- KM can have a significant impact on products that are knowledge based, eg: consulting and software development.

Impact on Organizational Performance

- “Ideas are capital. The rest is just money.”
- Reflects the belief that investments in KM should be viewed as capital investments –to produce long-term benefits to the entire organization –instead of assets providing value only at the present time.

Direct Impacts

- Knowledge is used to create innovative products that generate revenue and profit
- In theory, relatively straightforward to measure in terms of improvements in ROI (return on investment)

Indirect Impacts

- Use of KM to demonstrate intellectual leadership within the industry, which, in turn, might enhance customer loyalty
- Use of knowledge to gain an advantageous negotiating position with respect to competitors or partner organizations
- Unlike direct impact, cannot be directly associated with transactions and therefore cannot be easily measured

How Knowledge Management Impacts Organizational Performance

