# Appendix

## Sample cost analysis template

| Cost components | Sunk cost | As is | | To be | |
| --- | --- | --- | --- | --- | --- |
| Categories | | Recurring | Nonrecurring | Recurring | Nonrecurring |
| *Purchase* | | | | | |
| • Hardware | | | | | |
| • Software | | | | | |
| • Communications | | | | | |
| • Staff | | | | | |
| • Process | | | | | |
| • Indirect | | | | | |
| *Development* | | | | | |
| • Hardware | | | | | |
| Software | | | | | |
| • Communications | | | | | |
| • Staff | | | | | |
| • Process | | | | | |
| • Indirect | | | | | |
| *Implementation* | | | | | |
| • Hardware | | | | | |
| • Software | | | | | |
| • Communications | | | | | |
| • Staff | | | | | |
| • Process | | | | | |
| • Indirect | | | | | |
| *Maintenance* | | | | | |
| • Hardware | | | | | |
| • Software | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| • Communications | | | | | |
| • Staff | | | | | |
| • Process | | | | | |
| • Indirect | | | | | |

## *Sample ROI calculation template*

| | Years | | | | | |
|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 | Total |
| *Inflows* | | | | | | |
| *Cost savings* | | | | | | |
| • Purchase | | | | | | |
| • Development | | | | | | |
| • Transition | | | | | | |
| • Maintenance | | | | | | |
| *Cost avoidance* | | | | | | |
| • Purchase | | | | | | |
| • Development | | | | | | |
| • Transition | | | | | | |
| • Maintenance | | | | | | |
| *Subtotal (1)* | | | | | | **A** |
| *Outflows* | | | | | | |
| *Costs* | | | | | | |
| • Purchase | | | | | | |
| • Development | | | | | | |
| • Transition | | | | | | |
| • Maintenance | | | | | | |
| *Subtotal (2)* | | | | | | **B** |
| *Return per year (1–2)* | | | | | | |
| *ROI* | **(A/B)** | | | | | |

## *Review Questions*

1. What are the factors that affect effective usage of knowledge management?
2. What is the role of knowledge management in present business models?
3. Compare and contrast the type of automation needed for managing knowledge in a public sector and private sector firm within the same domain.
4. Describe the three-tiered KMS architecture.
5. What are the salient features of the US Navy metrics model for calculating the ROI on KM initiatives?
6. What are the prerequisites for any model to calculate the ROI?
7. How can intangibles be quantified? Give some examples.

# Additional Case Studies

## Buckman and KM: Two Sides of the Same Coin!

Buckman Laboratories, a leading speciality chemical company, had pioneered knowledge management under the leadership of then CEO Robert Buckman during the 1990s. The organisation has ever since continually adapted itself to the evolving KM systems and underlying philosophy of knowledge management. The company continues to use knowledge management, a path to increased profitability by addressing knowledge needs of its employee and needs of its customers.

Buckman is known for high-quality innovative chemical supplies and services which are competitively priced. The competitive advantage of Buckman is not only its customer-focused approach and usage of its customer information by sales team across the world but also scientific information related to product processes and development.

Buckman has evolved to sell problem-solving skills and know-how along with its range of chemical products. The company's knowledge-storing and disseminating capabilities about chemical processes which are very complex in nature are important commodities in the market. All of this has been possible by establishing excellent knowledge management practices which have helped in the organisation's continued expansion and development.

Robert Buckman is often known called as the father of modern KM. The company experienced the most well-documented history during the 1990s under his leadership. Connecting employees to help them interact and share thoughts/ideas had been an important concern for the company since long. A number of initiatives had been taken in the past such as:

- 1960s—Distribution of a notebook called "Idea Trap" to allow employees to jot down creative ideas
- 1984—An attempt to create an email system linking all employees across different geographies
- 1986—Laptops for employees based out of remote locations

- 1989—Setting up of Knowledge Transfer Task Force which monitored and sponsored sharing of knowledge within the organisation
- 1992—Implementation of corporate knowledge sharing system called K'Netix

During the early 1990s, Buckman has realised that a product-focused approach alone will not help them sustain in the long run of increasing competition. It was important for the company to become customer focused and serve its customers the right mix of products and processes. This new direction was however dependent on highly specialised knowledge about chemicals, and even more important was spreading this knowledge across the organisation so that all sales teams were completely thorough with this knowledge. Such knowledge would help sales team best cater to the needs of the customers. An efficient knowledge system called K'Netix was established for accurate knowledge of different product combinations for a wide range of customers. K'Netix allowed employees to interact with each other on forums, ask questions and give answers to other people's queries. K'Netix was established on the underlying Buckman Code of Ethics to help in creating an open and trusting knowledge sharing environment for all.

Just 2 years after K'Netix was put in place, technology-enabled courses were made available to train employees. In the next few years, the company integrated its technology capabilities with the capabilities of its workforce to provide a flexible and comprehensive training system with the Bulab Learning Centre. The learning centre was helpful in the following ways:

- Fully informed and trained employees will have a greater potential to innovate
- Fully trained employees will be able to better understand customer needs and hence result in better customer satisfaction
- Creation of a knowledge sharing culture in the organisation
- Greater employee retention rates
- Increasing organisation's capability to adapt to changing environment

Implementation of such knowledge management initiatives in the organisation has led to 50 % rise in sales, 51 % rise in sales per associate and 91 % rise in operating profit per associate.

## ShareNet: Knowledge Management Solution for Siemens Information and Communication Networks (ICN) Division

Siemens' ICN division is a global player in providing telecommunications solutions to its customers in more than 100 countries. Traditionally, business was straightforward and simple. Siemens enjoyed a monopoly by maintaining a close relationship with the national telecom which used to be regulated and sold integrated products around the world. But later, during the mid-1990s, the sector underwent a massive transformation as the market became deregulated. Not only did new types of players emerged in the market but also innovation in technology was also happening at a

rapid pace with introduction of IP networks in the market. Customers were not just interested in buying boxes but needed complete solutions which included system integration, financing, consulting and other services. There was a significant shift from just product business to a business which has solutions approach and is service focused which led to increased knowledge intensity and complexity of Siemens' business.

The company soon realised that it had to rely heavily on the front lines who are more aware and knowledgeable about the latest market developments. The sales employees had to also act as consultants for the customers. Skills such as network planning, outsourcing, business development, business analysis and so on were in high demand around the world. The biggest challenge for Siemens was to identify the best practices and share them globally. A global knowledge sharing network, ShareNet, was developed to cater to the company's needs.

Today, ShareNet is a close-knit community of more than 18,000 employees of Siemens ICN in departments such as marketing, sales, research and development and business development in more than 80 countries. ShareNet as a platform is used by these experts around the globe to create better customer solutions by sharing and developing their knowledge. Its goal is to identify innovations done at the local level and scale them up to the global level. The platform covers both tacit and explicit knowledge of end-to-end sales value creation process which includes functional and technical solution components, business environment and project know-how. ShareNet helps in developing experience-based knowledge by allowing employees to share personal statements, field experiences, comments and pros and cons for a suggested solution. It also has forums for discussions, community news, chat rooms, etc.

In many geographies, it has been made mandatory for employees to fill a Web-based project questionnaire and, in cases of important project, a milestone. This leads to fulfilment of the fundamental paradigm of this knowledge sharing platform that every user/reader of ShareNet is also a publisher. It allows readers to validate the source of every contribution on the platform, since every contribution is personalised. Employees use ShareNet throughout their sales process for specific solutions, innovative pricing or financing schemes, handling competitors and a lot more.

Siemens defined new functions and roles in the organisation to foster knowledge management efforts as the following:

- Setting up of Knowledge Management Office (KMO) which has a Corporate Knowledge Officer (CKO) and a Corporate Knowledge Management Program Manager.
- Setting up of Knowledge Management Board (KMB) where executives are responsible to define the knowledge management direction, coordinating knowledge management network and developing methodology and processes of knowledge management across the organisation.
- Setting up of Knowledge Management Council (KMC) which includes chief knowledge officers for various groups and regions.

Siemens has invested more than $7.8 million setting up ShareNet which has led to several increased sales worth more than $122 million. But the big question is "Why should employees use ShareNet?"

- ShareNet members save time by getting quick answers to their urgent problems and also make them feel responsible to give back to the community by helping others.
- Often in big organisations, identification of crucial subject matter experts is lost on organisation charts. ShareNet gives them an opportunity to get recognised across the organisation.
- An online incentive system has been put in place where platform members receive points for their valuable contribution which can be redeemed against air miles, free participation in conferences and seminars, etc.

ShareNet helps in skipping the process of reinventing the wheel, and this time is now well spent in building effective and long-lasting relationships with the customer leading to creation of new opportunities.

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