



Knowledge Management  
Research Report 2002  
*India*

**Griffith University**  
**School of Management**  
&  
**BML Consulting**

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# Foreword

This is the first research report that BML Consulting in conjunction with Griffith University – Brisbane Australia has published on *Knowledge Management*. Knowledge Management has taken a top-place on business agenda culminating in a knowledge-based organisation. It is still sufficiently novel for a major finding of our research to be that knowledge management is not a fad but was here to stay.

The market runners are well aware about the facts that knowledge management will play a critical role in the near future, enhancing their internal productivity in conjunction with developing them externally, in terms of increased customer satisfaction due to rich knowledge based marketing, developing a competitive advantage.

For an organisation at the end of the day it is important to know how well the change would impact the overall productivity and how durable and long the organisation will gain the benefits of the investments. It is 'about doing the right thing' rather than 'doing things right.'

Organisations, which identify the best of its knowledge and step further to create a shared environment by generating and utilising the best of its know-how, are going to enjoy a prosperous and secure future.

The research findings primarily indicate the importance of knowledge management within an organisational framework and the acceptance of this new management strategy in the Indian context. The survey also reflects how organisations are preparing themselves toward this new global change as effectively as possible.

The acceptance of this new strategy and final implementation still remains unclear and it demands a lot of future research on a global scale, which will enable organisations worldwide to implement knowledge management activities with a well-informed approach leaving minimal room for trial and error.

**Desai Pranay** Managing Director, *BML Consulting*

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# 1

## Executive Summary

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### Knowledge Management A Key Strategy On Business Agenda

17 respondents in India of the fortune 100 companies were asked whether they had a knowledge management (KM) programme. 75% said they had or were considering, a KM programme. 19% had no programme in place but were aware about knowledge management and the balance 6% did not have a KM programme as well as were not aware about knowledge management and its benefits to business.

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### Benefits Identified By Implementing A KM Strategy

After the 1997 recession in India and other Asian countries caused a downturn in turnover in majority of the companies , the biggest threat identified by the respondents was the ability to reduce the time to market and develop a competitive advantage. Cost reduction and improved productivity were also considered critical issues for organisations during the next five years.

Knowledge explosion, increasing globalisation, the rapid development and diffusion of information and communication, and their interactive effects on competition call for a paradigm shift in development strategies. Effective knowledge management programme can offer a new analytical perspective.

Most of the respondents are well aware about the potential payback that knowledge management can achieve. Companies identify KM to participate significantly in improving revenue growth (94%), competitive advantage (94%) and overall employee development (81%) in the long-term. They consider reducing cost (69%), improving marketing (69%) and enhancing customer focus (56%) as short-term or immediate benefits of successfully implementing a KM programme.

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### Knowledge Management and Potential Issues

Organisations with a KM programme in place and those planning to develop a KM strategy identify potential threat that could play a critical role in successful implementation of a KM programme. The biggest threat perceived by the respondents was the difficulty in transformation knowledge from tacit form to explicit (73%). Other issues like lack of knowledge sharing (68%), reinventing the wheel (62%) and information overload (55%) have been of major concern for the KM programme initiators in participating organisations.

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### **Other Benefits Of A Knowledge Management Programme**

Organisations may be missing fundamental opportunities. Organisations' who have implemented or are planning to implement a KM programme visualise knowledge management to lead them to new ways of doing business, increased market shares and generate enormous future prospects for businesses.

They may also be missing the longer-term financial benefits. Most respondents expect a KM programme to lead them to revenue growth (94%), improving competitive advantage (94%) and employee development (83%). They see short-term gains from the strategy like cost reduction and improved marketing but are unsuccessful in linking them to external, longer-term benefits, such as intellectual capital growth. Focusing on KM to strengthen internal factor is absolutely acceptable but companies should gauge other external benefit in other ways such as share price growth, improved brand loyalty etc.

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### **Knowledge Management and Potential Cause of Failure**

Respondents rated the potential causes for failure in successfully implementing a KM programme:

- Lack of user uptake due to insufficient communication (62.5%);
- Integration of KM activities into everyday working processes (62.5);
- Users unable to identify personal benefits (43.8%);
- Senior management not fully focused in implementing a KM programme (37.5);
- Lack of Training for promoting KM activities (18.8%); and
- Technical Issues towards implementation (12.5%).

Knowledge Management poses its own challenges, which organisations are failing to address. General problems with companies implementing a KM programme are:

- The difficulty of capturing tacit knowledge (73%)
- Lack of knowledge sharing (68%)

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### **Organisations Visualise KM As A Technological Solution**

While reviewing the activities undertaken by respondents towards developing a sound KM programme, it was evident that organisations had failed to comprehend the cultural implications of KM. An ideal knowledge management programme should bridge the gap between employee and the free flowing knowledge within the organisations'. KM activities focusing on cultural factors had a very low implementation rate. Activities like deriving knowledge policies (31%), rewarded knowledge working (44%), About 31% of the respondents have developed Knowledge Maps – a catalogue or guide showing employees what information is available.

Lack of organisational commitment was seconded by the findings that only 6% of respondents whose organisations had or were considering a KM programme measured intellectual capital – that part of an organisation's value that is based on intangible assets such as knowledge, innovation and relationships.

As against, organisations have espoused latest technologies for KM purposes. 87.5% of respondents used the Internet to access external knowledge, 75% used an intranet, 62.5% document management systems,

50% decision support systems, 44% data warehousing or mining technologies, 31% extranets and 25% groupware.

However, while organisations were most advanced in the use of technology to achieve KM, they were failing to exploit the full power. Few respondents had implemented relevant technologies for a KM programme.

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### **Long Road Ahead**

Most of the respondents do not have a fully integrated KM programme. About 31% of respondents are in a position to make KM as an integral part of organisational and individual processes. 23% organizations uses KM procedures and tools as it is recognised that KM brings some benefit to the business. 19% of the organizations have an integrated framework of KM procedures and tools, but there are some technical and cultural issues yet to be overcome. 19% of the organizations do not demonstrate a relationship between the importance of KM and the achievement of organizational goals, 8% of the organisations are aware and have an implementation of KM across the organization but may not be uniform, pilot projects are in place in some areas.

This indicates that even those organisations that have KM programmes have a long way to go. The issues have less to do with implementing the necessary technology than with running a complete KM programme.

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## Introduction and Research Methods

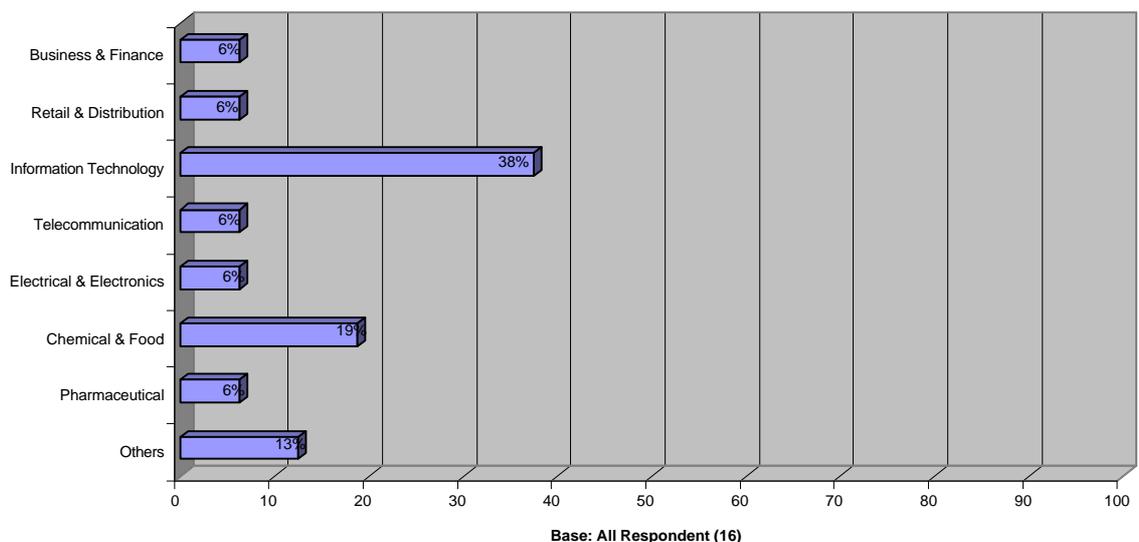
### Aims

The objective of the report is to identify the extent to which organizations are aware about knowledge management. In addition, the focus is on understanding how the knowledge management initiators foresee the implementation process and deriving of benefits from this task. There are organizations participating in this survey that have or are planning to implement a knowledge management strategy. The report investigates the scope of effective implementation of a knowledge management strategy in the workplace of these front-line organizations.

### Research Methods

The research was conducted by Griffith University – Brisbane, Australia in partnership with BML Consulting Inc.- India, in February, March and April 2002. The focus group included Managing Directors, Chief Executive Officers, Chief Knowledge Officers with specific responsibilities for Knowledge Management in 16 organizations with turnover exceeding RS. 5000 millions (A\$200 million) a year. The selection of the respondents was based on the size of the companies, which have the greatest need to implement Knowledge management initiatives. These companies have access to the required technical and financial resources to do so and potentially can reap the greatest benefits. The key objective is to identify the collective knowledge of the organizations' and the measures taken to successfully implement Knowledge Management within the organization.

Repondents Industry Profile



*(The structure of this report has been inspired by the Knowledge Management Research Report developed by KPMG UK in the year 2000.)*

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## Definitions

For the purpose of this survey the following definitions were used to develop a survey questionnaire and were considered as guidelines for conducting the research.

### *Knowledge*

Knowledge is about customers, products, processes, competitors etc. that can be codified in peoples' minds or in any explicit form – *KPMG Research Report 2000*

### *Knowledge Management*

Applying the collective knowledge and abilities of the entire work force to achieve specific organizational objectives.

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## Current State of Knowledge Management (KM)

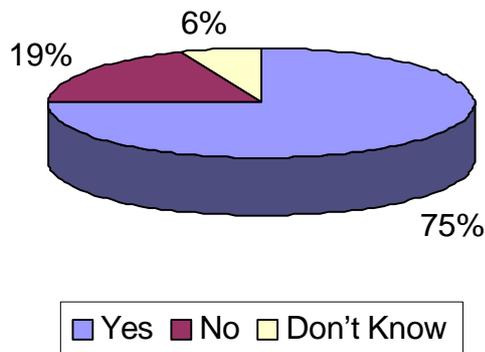
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### Knowledge Management Strategy In Place

Respondents were asked whether their organization had a Knowledge Management initiative in place. Overall, 75% of respondents said that their organization had a knowledge management strategy in place.

#### *Knowledge Management Strategy*

*Does your company have a Knowledge Management Strategy?*



Base: All Respondents (17)

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### Status of Organizations' Knowledge Management Programmes

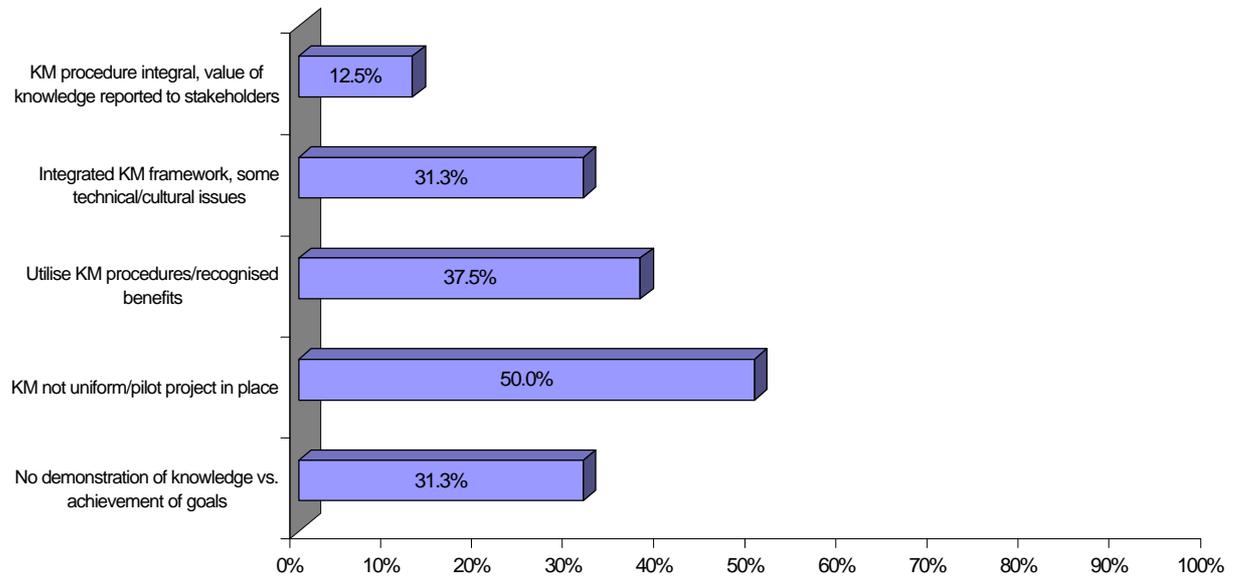
Respondents were asked to specify the extent of their organization's Knowledge Management programme. 12.5% said their organization had Knowledge Management as an integral part of their business process and the value of organizational knowledge is reported to their stakeholders. 31.5% have integrated the knowledge management strategy with some technical or cultural issues. 37.5% of the respondents are utilising knowledge management procedures to achieve known benefits and 50% have initiated knowledge in a non-uniform manner with pilot approaches in place. 50% of the respondents have no knowledge management strategy in place for achieving overall organizational goals.

*Note: percentages do not sum up because respondents were allowed to select any or all of the five categories above, and were asked how applicable they were to their organization.*

However, as other results in this survey confirm, upon reviewing, we found that implementation falls short of a full Knowledge Management program.

### Status of Knowledge Management Initiative

*How accurately do these statements reflect your organization?*



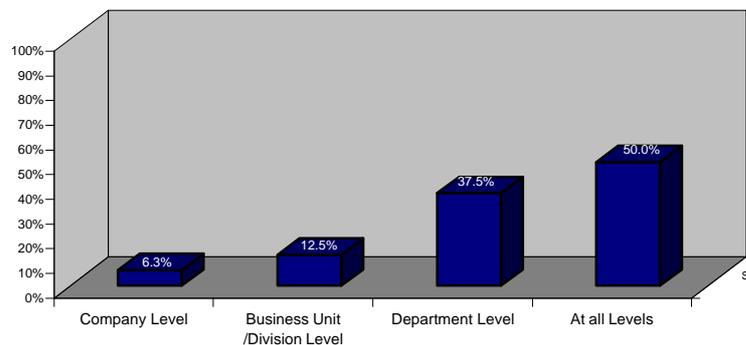
**Note:** percentages do not sum up because respondents were allowed to select any or all of the five categories above, and were asked how applicable they were to their organization.

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## Knowledge Management Driver

Respondents from organizations that had or were considering a KM programme were asked to specify at the level in the organization it is most suitable to implement a knowledge management strategy. 50% said KM implementation is most suitable organization-wide and a further 37.5% identify the departmental level to be the most suitable. This indicates that the drivers of the concept visualise knowledge management activities to spread across the organization.

### *Implementational Levels*



Another important aspect recognized was that, unlike the Total Quality Management (TQM) and Business Process Re-engineering (BPR), the cost of implementation was not budgeted by the IT function. Although, organizations' acknowledge the major role IT plays in the practical implementation of KM, nevertheless, KM strategy is not regarded solely an IT-centric activity.

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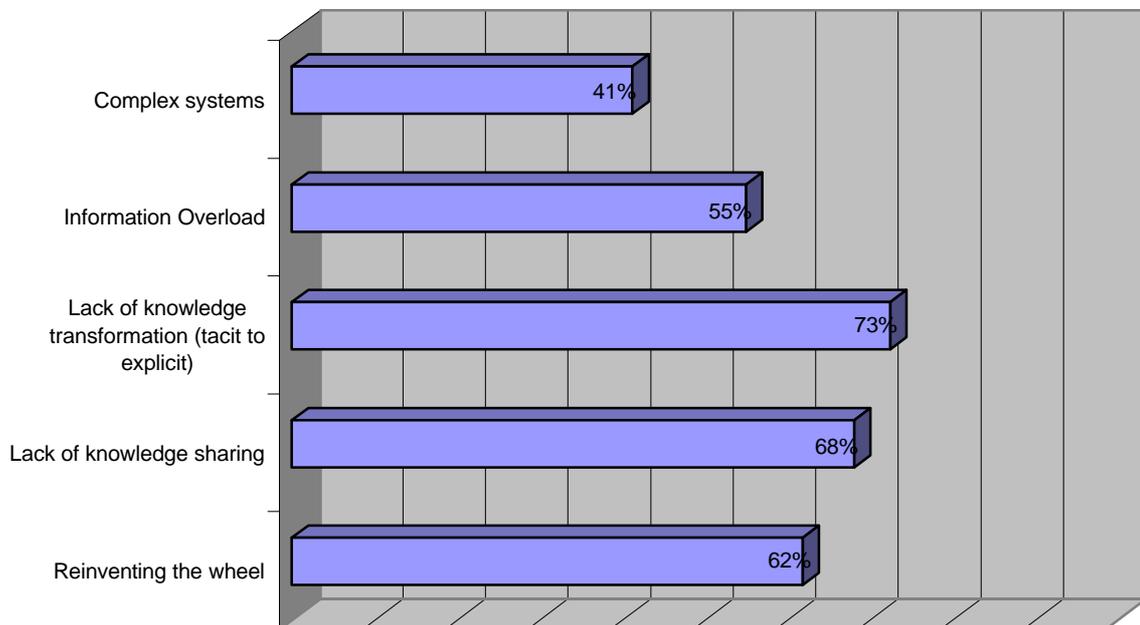
## Experience to date of Knowledge Management

### Current KM Problems

Respondents were asked to rate issues related to implementing Knowledge Management on a percentage basis as to how critical they are in the current business scenario. Respondents' views largely indicate knowledge transformation from tacit to explicit as a major issue and rated it at 73%. Issues like lack of "sharing knowledge" and "reinventing the wheel" were rated at 68% and 62% respectively indicating a major concern for a successful implementation of Knowledge Management, in the industry.

Less critical issues identified by the respondents' were Information Overload and Complex System at 55% and 41% respectively.

### Current Knowledge Related Issues



Base: all respondents who could classify KM status (17)

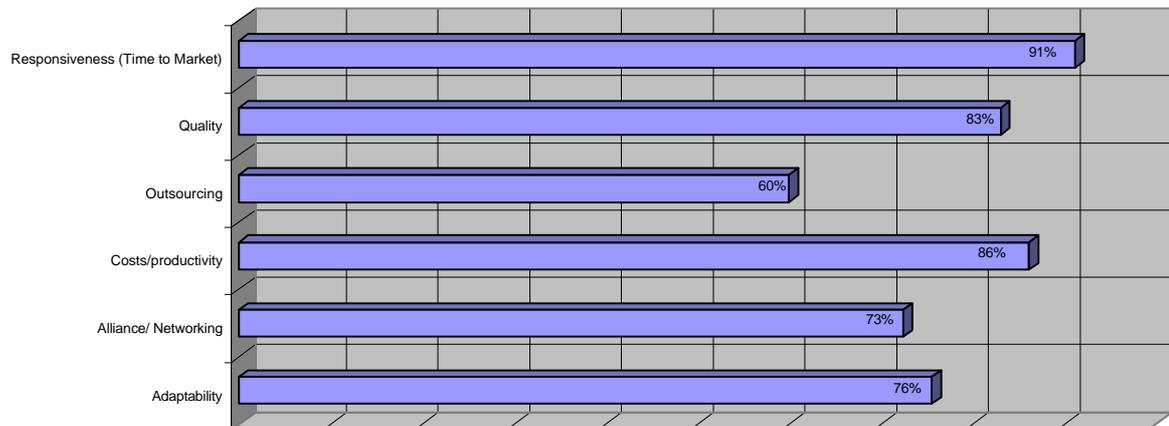
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## Major Issues in the Next Five Years

The respondents were also asked about the future business problems affecting their decision making process in the coming five years and also as to what issues would be best managed by a successful implementation of a knowledge management strategy.

In view of the 1997 recession, which caused a downturn in turnover in majority of the companies, the biggest threat identified by the respondents was the ability to reduce the time to market and develop a competitive advantage. Cost reduction and improved productivity follow this issue. Quality of the product was one of the major issues but was not identified as an immediate threat to business sustainability.

*Major Issues in the Next Five Years*



The responses indicated that though knowledge management is the next important business strategy on their agenda; it is not a priority as Alliance/networking amongst the people within the organization is less critical for organizations during the coming five years.

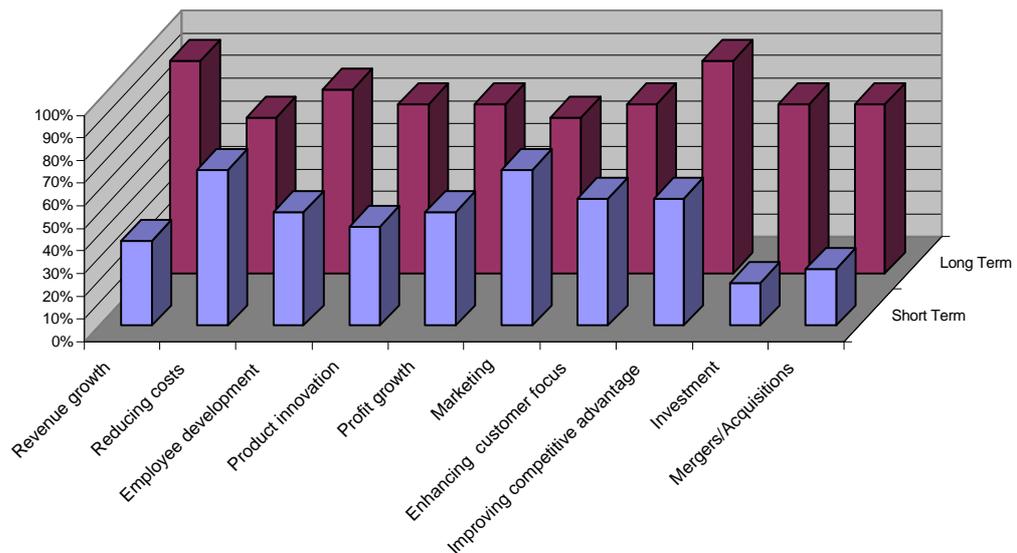
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## Achieving the Benefits

### Potential Role of KM

Respondents were asked about the potential role KM can play in achieving specific organization objectives on a long-term and/or short-term basis. The response from the survey revealed that potential benefits on a long-term basis would be in context of improving “revenue growth” and further enhancing competitive advantage. Another potential long-term benefit identified was “employee development” and “product innovation”, which are very critical parameters in measuring the success of a KM implementation.

*Potential Benefits from Knowledge Management*



Key short-term benefits expected by respondents would be “reducing costs”, “improving marketing strategies”, “enhancing customer focus” and “facilitating profit growth.”

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## KM and Role of Technology

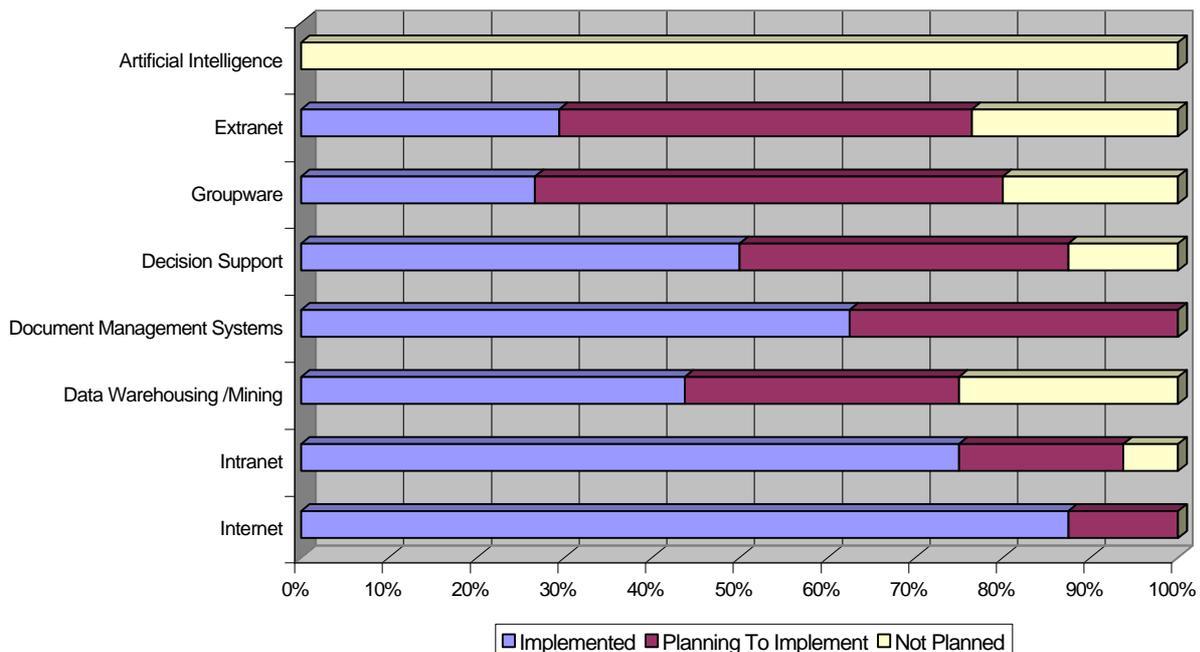
### Use of Technology to Implement KM

Technology, in itself does not constitute a KM programme; rather it facilitates one, especially in large, geographically dispersed organizations, typical of the participants in this survey. Accordingly, respondents were asked about their use of technology to manage information. 88% had implemented Internet access. 75% had an intranet, 63% used a document management system. Around 50% had a decision support system in place and 44% used data warehousing and mining techniques.

One interesting finding was a very low use of Groupware technologies, but 50% of the organizations with a KM strategy in place were planning to implement Groupware in the next 6 months.

Another interesting find was that respondents with a KM strategy in place are currently at a preliminary level. This is because the use of Artificial Intelligence based techniques for making pertinent knowledge available in a most accurate manner was not on the planning agenda. This is due to a fact that techniques like artificial intelligence are used at the system implementation stage.

### Technologies Status

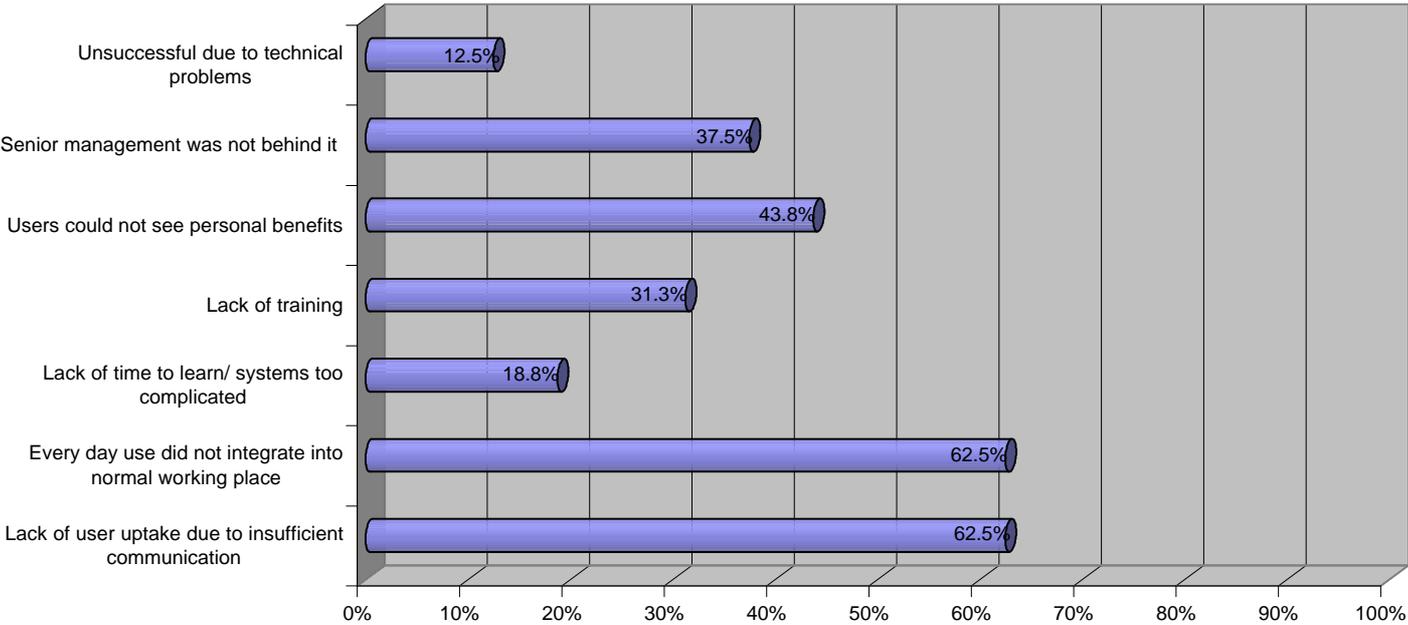


In context to technology, respondents were looking at implementing Internet and Intranet to develop a strong external and internal flow. In context to the current scenario, developing a strong internal information backbone is of primary interest. This resulted in, “document management systems” being the third most effective technology helping respondents in managing information.

**Impediments For a Successful Implementation**

Respondents who had a KM strategy in place or were planning to implement a sound KM Strategy were asked about the most likely threats they foresee in a successful implementation. According to the respondents, the integration of knowledge into everyday use in a normal working place and lack of use uptake due to insufficient communication were the major threats. In addition, threats such as, the user being unable to perceive personal benefits, and lack of participation from the senior management towards developing a sound KM strategy. These remained the prime areas of concern.

*Threats To KM Success*



The responses confirmed the fundamental flaw, i.e., viewing KM as a technology issue. It is not the technology that is holding organizations back but a failure to build KM into the organization’s day-to-day operations and its culture.

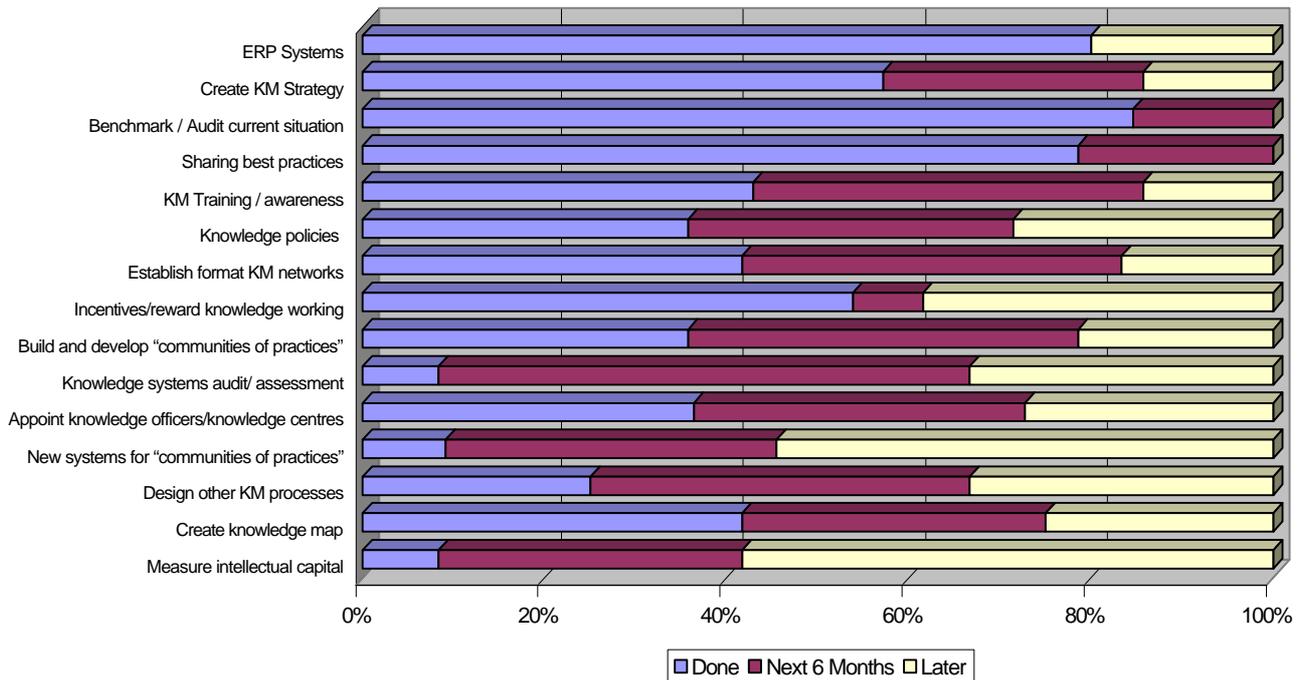
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## Organizational Implications

### Failure to undertake key KM requirements

Respondents were asked when their organization intended to implement certain facets of KM practices. Implementing enterprise resource planning, creating a KM strategy and benchmarking the current situation score more than establishing knowledge policies, incentives for knowledge working, creating a knowledge map or measuring intellectual capital. (The latter may explain why organizations neither expected nor experience any impact on their share prices through their KM programme or strategy). This confirms why less attention had been paid to the non-IT aspects.

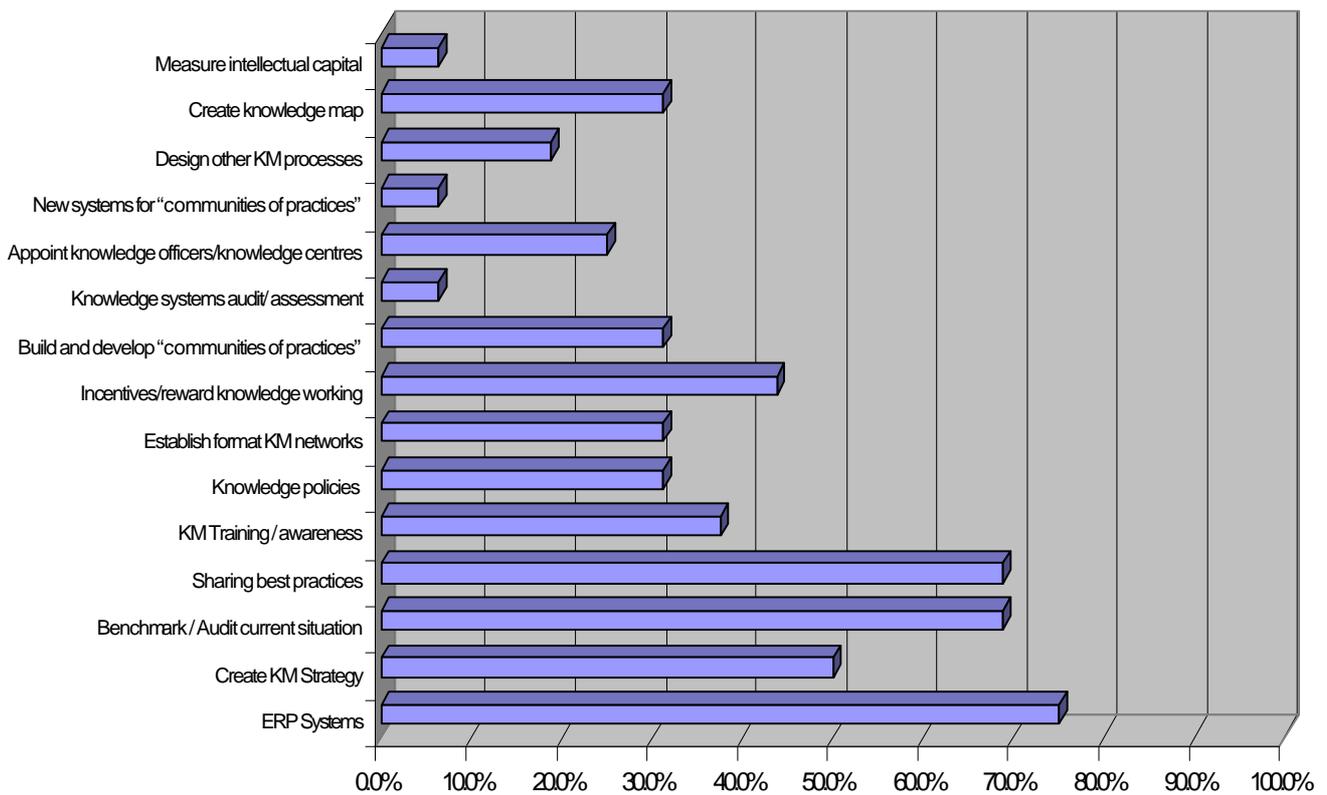
*KM Activities Status*



## KM Action Taken To Date

Respondents whose organizations had a KM programme were asked about the activities the KM strategy planners had undertaken— such as rewarding knowledge working, create a knowledge map and measuring intellectual capital. The majority of the skew still need to implement such measures.

### Implemented KM Activities



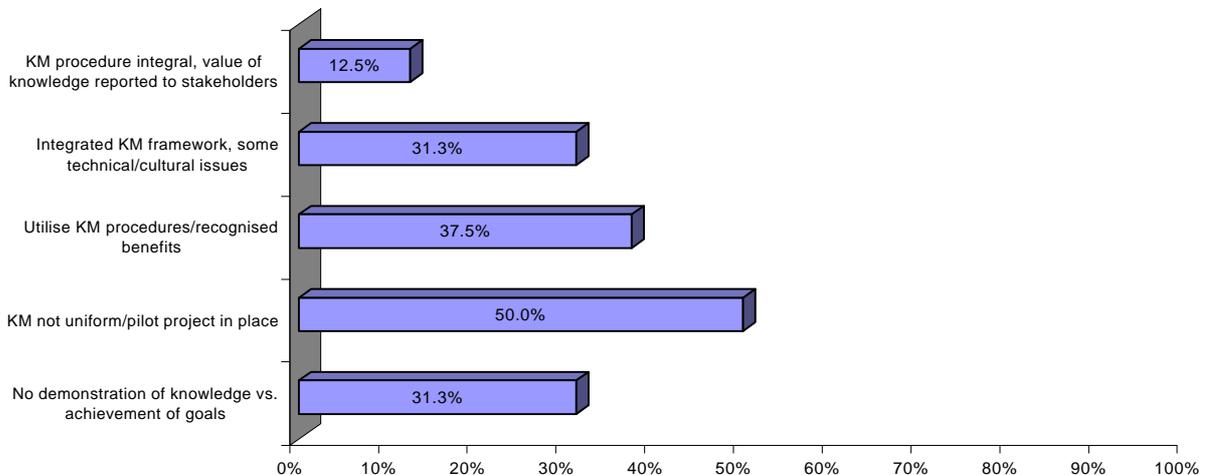
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## The Knowledge Journey

Respondents were asked where their organization stood in terms of KM. We provided them with five descriptions and asked them to specify the most appropriate stand of the organization:

1. The organization does not demonstrate a relationship between the importance of KM and the achievement of organizational goals.
2. Awareness and implementation of KM across the organization may not be uniform but pilot projects are in place in some areas.
3. The organization uses KM procedures and tools and it is recognised that KM brings some benefit to the business
4. The organization has an integrated framework of KM procedures and tools, but there are some technical and cultural issues still to be overcome
5. KM procedure are an integral part of organizational and individual processes and the value of knowledge is reported to the stakeholders

### *Knowledge Management In Practice*



Respondents were optimistic in terms of where they saw their organizations' stood in terms of KM development. Most saw their organization falling into stages 3 or 4. There is also a realisation that there is still a long way to go for a successful implementation of the Knowledge Management process.

**We appreciate your participation for this Research Report.**

- *Reliance Industries Ltd.*
- *Hindustan Lever Ltd.*
- *Infosys Technologies Ltd.*
- *Oracle Software India Ltd.*
- *Ranbaxy Laboratories Ltd.*
- *Satyam Computers Services Ltd.*
- *Aptech Ltd.*
- *Zensar Technology Ltd.*
- *Indo-Rama Synthetics Ltd.*
- *UDV India Ltd.*
- *Enron-Oil and Gas Ltd.*
- *International Fragrance and Flavours Ltd.*
- *Eicher Motors Ltd.*
- *IL&FS*
- *Patni Computers Ltd.*
- *Clipsal Industries India P. Ltd.*
- *Duncan Infotech*

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