

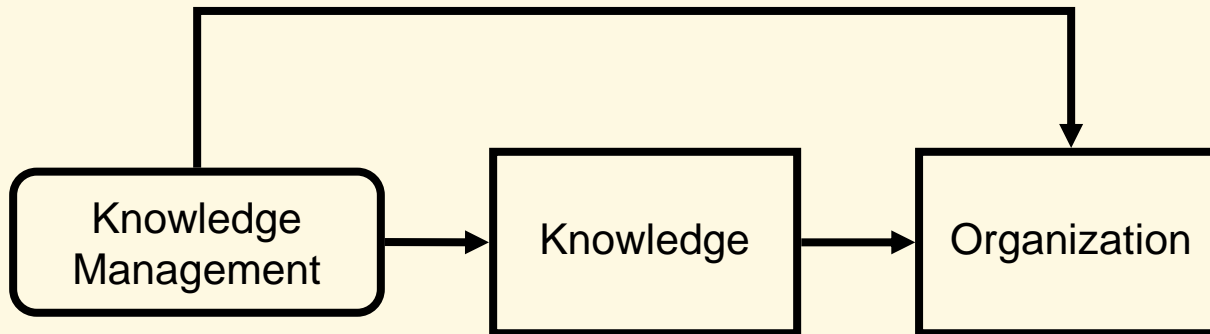


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## Organizational Impact of Knowledge Management

Munawar, PhD

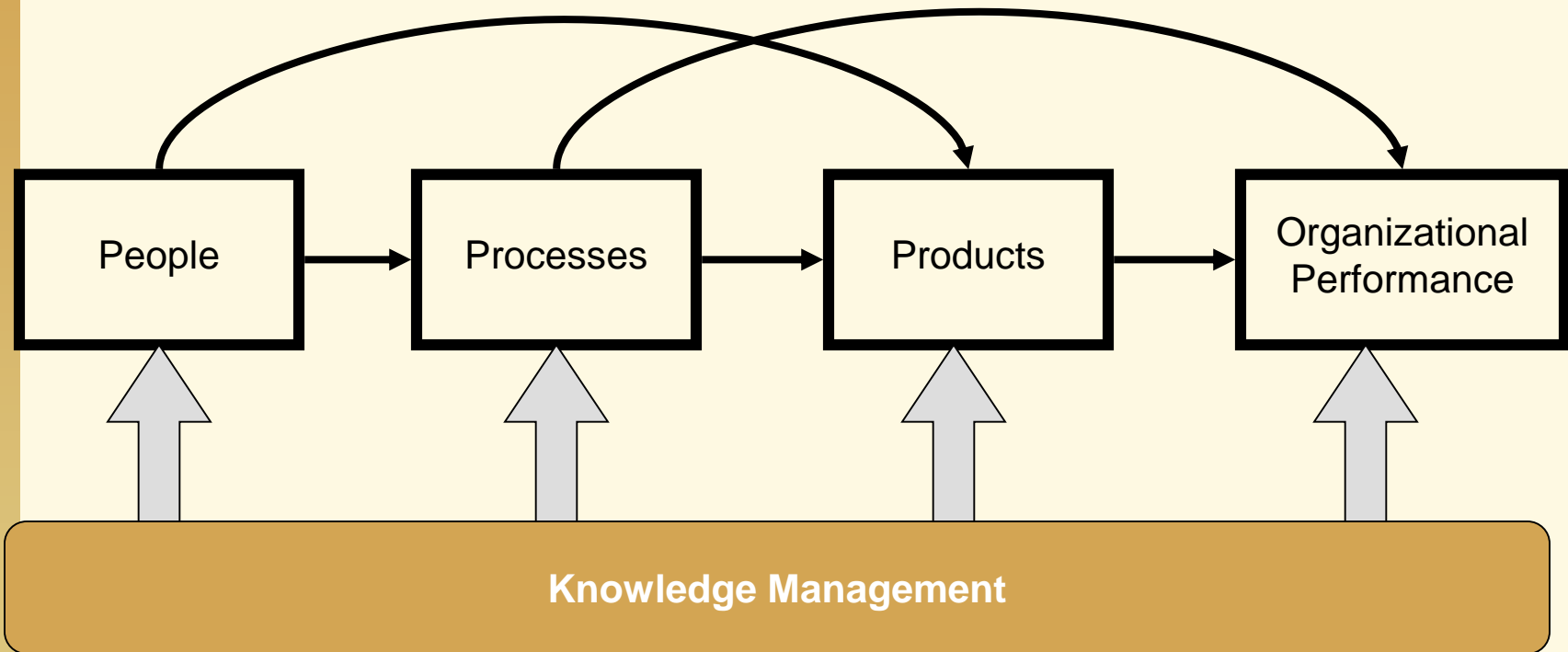
# How Knowledge Management Impacts Organizations?



# Why Firms adopt KM?

- ❖ Retaining expertise of employees
- ❖ Enhancing customers' satisfaction with the company's products
- ❖ Increasing profits or revenues.

# Dimensions of Organizational Impacts of KM



# Impact on People

- ❖ KM can facilitate employee learning
- ❖ KM also causes employees to become more flexible, and enhances their job satisfaction

# Impact on Employee Learning

- ❖ This can be accomplished through
  - Externalization
  - Internalization
  - Socialization
  - Communities of practice

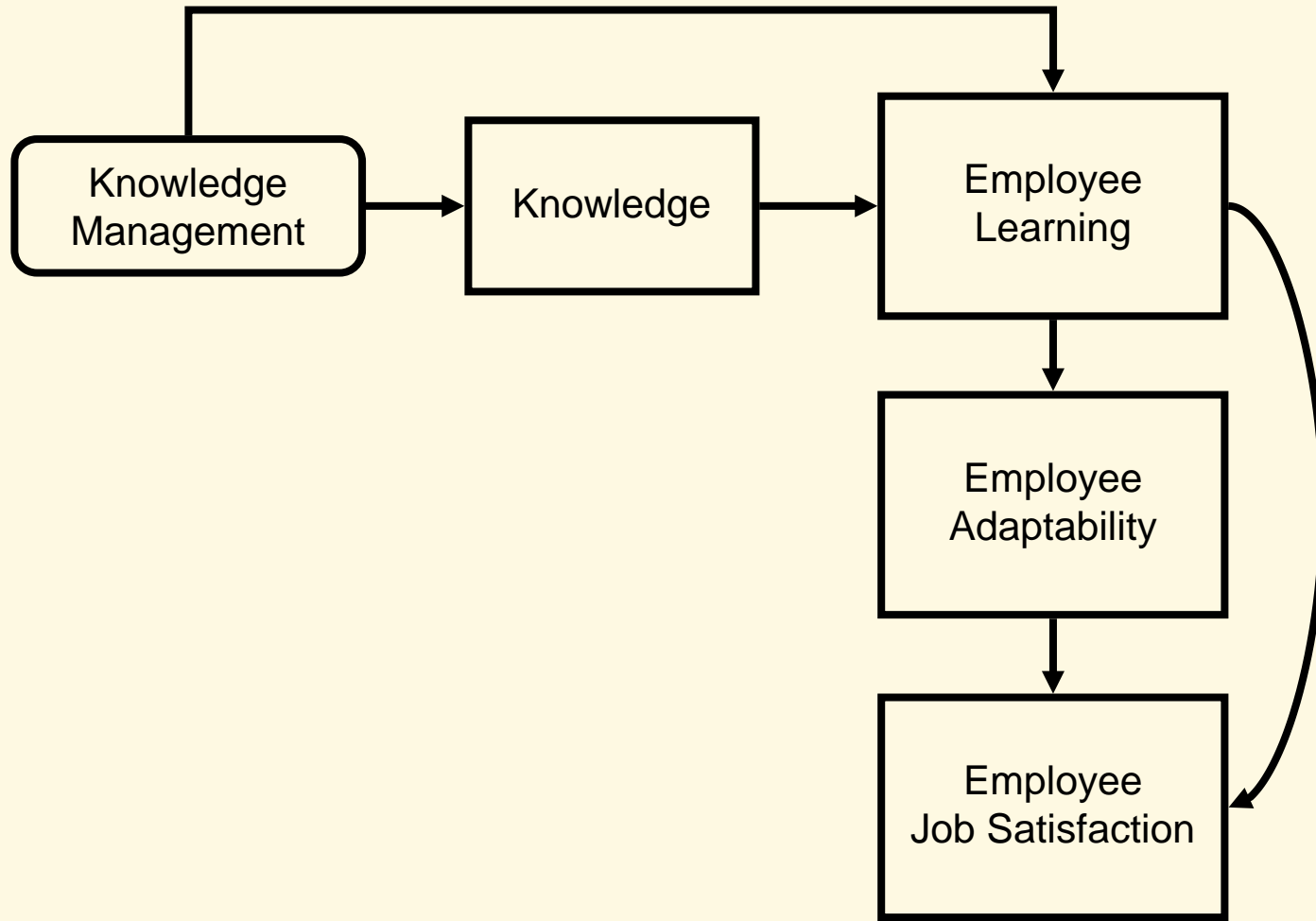
# Impact on Employee Adaptability

- ❖ Employees are likely to adapt when they interact with each other
- ❖ They are more likely to accept change
- ❖ They are more prepared to respond to change

# Impact 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
- ❖ KM also provides employees with solutions to problems they face in case those same problems have been encountered earlier, and effectively addressed

# How KM Impacts People



# 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
- ❖ Efficiency is performing the processes quickly and in a low-cost fashion.
- ❖ Innovation is performing the processes in a creative and novel fashion, that improves effectiveness and efficiency—or at least marketability.

# Impact on Processes

## ❖ Impact on Process Effectiveness

- 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

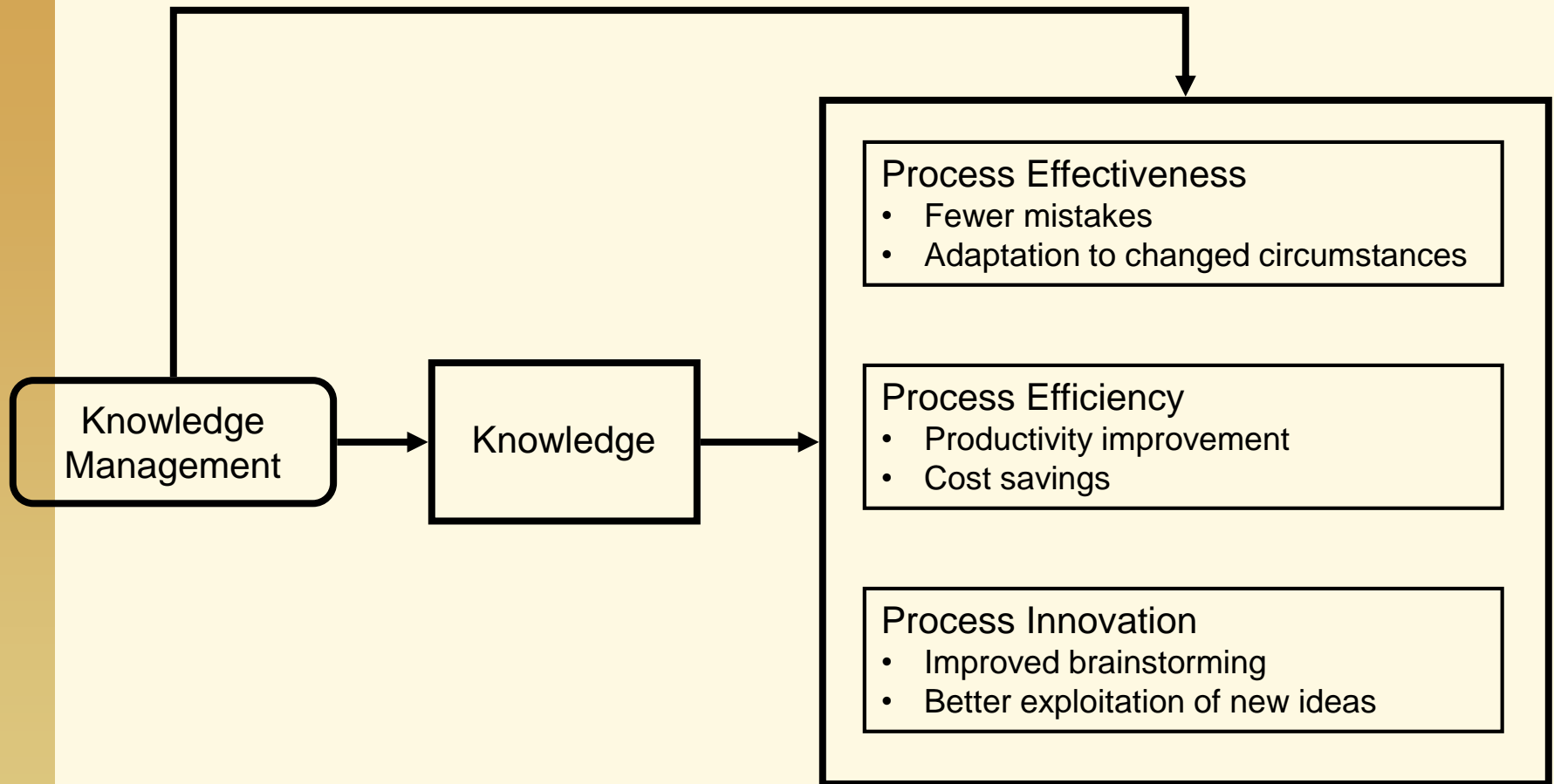
## ❖ Impact on Process Efficiency

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

## ❖ Impact on Process Innovation

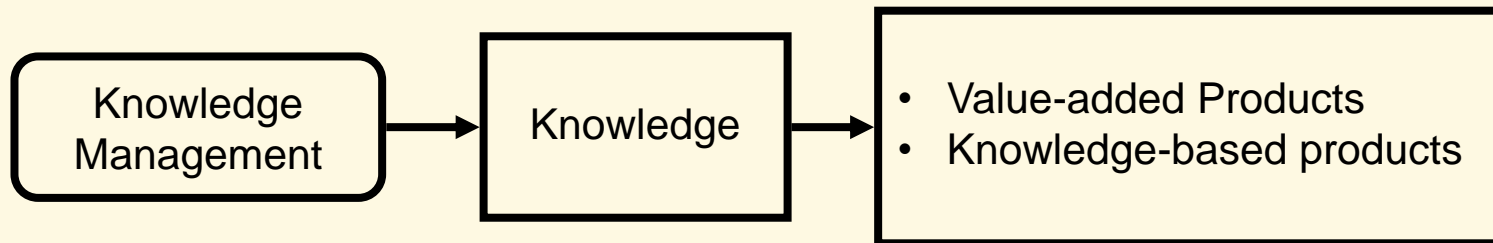
- Organizations can increasingly rely on knowledge shared across individuals to produce innovative solutions to problems as well as to develop more innovative organizational processes

# How KM Impacts Organizational Processes?



# Impact on Products

- ❖ Impact on products can be
  - Value added products
  - Knowledge based products



# Impact on 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

# Impact on Knowledge-Based Products

- ❖ KM can have a significant impact on product that are knowledge based like those in consulting or software development etc.
- ❖ Knowledge based products can sometimes play a significant role in traditional manufacturing firms

# Impacts on Organizational Performance

## ❖ Direct Impacts

- Knowledge is used to create innovative products that generate revenue and profit

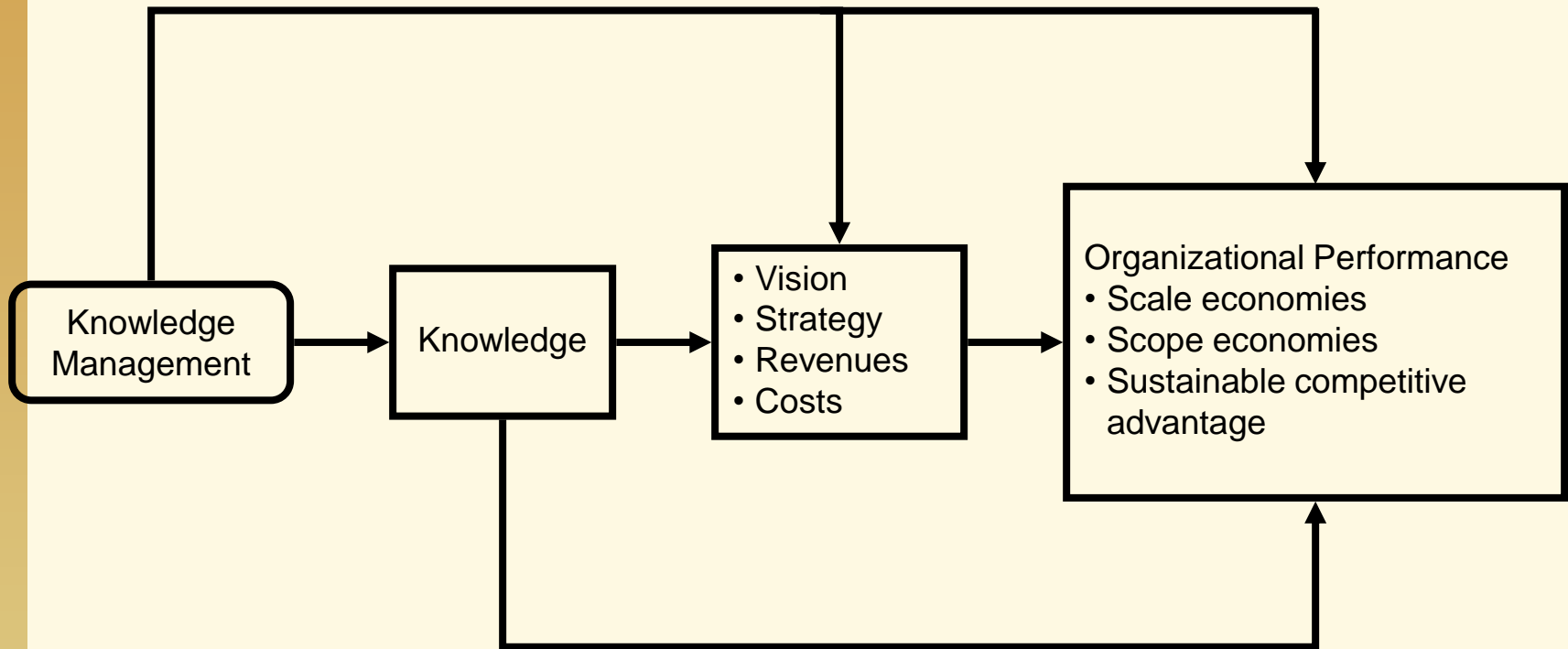
## ❖ Indirect Impacts

- 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

# Economy of Scale and Scope

- ❖ A company's output is said to exhibit economy of scale if the average cost of production per unit decreases with increase in output
- ❖ A company's output is said to exhibit economy of scope when the total cost of that same company producing two or more different products is less than the sum of the costs that would be incurred if each product had been produced separately by a different company

# How Knowledge Management Impacts Organizational Performance



# A Summary of Organizational Impacts of Knowledge Management

Levels of Impact	Impacted Aspects
People	Employee Learning Employee Adaptability Employee Job Satisfaction
Processes	Process Effectiveness Process Efficiency Process Innovativeness
Products	Value-added Products Knowledge-based Products
Organizational Performance	Direct Impacts Return on investment  Indirect Impacts Economies of scale and scope Sustainable competitive advantage



# Thank You !

**Munawar, PhD**