

# Knowledge Management System - Cost and Benefits

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Knowledge Management Systems (KMS) like any other information systems have its benefits as well as costs, weighing the benefits in relationship with the costs will probably provide a basis for deciding whether to invest in it or not.

## Knowledge Management System Cost

Although knowledge management system is beneficial and important to the organisation, it also involves some cost. These costs vary quite a bit, depending on the size of the organisation, the current level of infrastructure and the scope of knowledge management initiative. Also, the cost depends on whether or not there is an existing infrastructure. The first step in determining the return on investment for a knowledge management project is to determine the costs. On the surface, this may seem deceptively simple, but there are costs involved in a knowledge management project that may not be readily obvious to the manager who is not experienced in estimating such projects. Costs here include, but are not limited to the costs of hardware, software, and training.

1. **Software:** Obviously, the project will incur the cost of whatever software is chosen to be used. This can range from free, to nearly free, to several thousand dollars for an enterprise-wide knowledge management (KM) system. In addition, any technical infrastructure for the software that is needed will also have to be counted in the costs. The cost of software depends on whether the organisation wants to use the bare-bones knowledge management systems, which may use e-mail, Web servers, corporate intranets, newsgroups, shared file systems, or centralized databases and other software the company likely already has and uses, or can obtain for little or no cost. Or wishes to institute a level of knowledge integration and manage knowledge transfer which will involve investment in a commercially available product designed specifically for the tasks that the company wishes to be able to accomplish with the knowledge management project.
2. **Hardware:** This involves the costs of infrastructure that will be needed to support the system. There might also be need for internet and network connections. Any upgrades to the company's network that will be needed in order to handle increased traffic attributable to the knowledge management system might also need to be considered. Using current systems and equipment will lead to heavier loads

than in the past, and this will need to be considered too.

3. **Labor:** It involves the cost that will need to be considered is the cost of employing a member of the IT staff to install the KM hardware and software on all needed servers and client machines as well as configuring the application to meet the need of the business. There will also be need for maintenance. Knowledge will need to be input into the system in order for it to be useful, the costs for doing this might be heavy early on, but will steady out in the future, and will be based on the use of the system. The cost of training should also be considered as a labour cost due to the time sacrificed for it.

Other, not so obvious costs that will be incurred include employee training, incentives to entice employees to use the KM system, and the labour costs of employees choosing to use the knowledge management system instead of working on other aspects of the job. Most of these labour costs will become benefits fairly readily, but they are an investment made by the company and must be counted in the costs of the knowledge management project in order to accurately measure or predict the cost of the project.



Implementation costs are usually moderate to acquire the hardware, develop internal software or license software from 3rd party suppliers, and to train employees to utilize the system effectively. However, the potential savings and increased efficiencies are enormous. Payback period for most companies is estimated to be six months or less. The payback period will decrease as the size of the organization increases, and with the number of global locations that the company operates. McDonald and Shand, 'reported that a typical consultant-assisted knowledge management system costs between \$1.5 million to develop'. So, it is always best to go with an already developed **knowledge management software** from an established KM software vendor. Example of such a knowledge management software is

'PHPKB' from <https://www.phpkb.com> that starts from only \$265 for a single admin user license. The pricing of **PHPKB knowledge management software** is based on the number of admin users i.e. the users that would contribute to the knowledgebase and the cost is one-time which means you'll never have to pay any annual license cost. PHPKB is also available in multi-language as well as enterprise editions with LDAP integration feature and support for SQL Server too.

## Knowledge Management System Benefits



Before any organisation can invest their funds in anything, there must have been some expected or anticipated benefits or returns, there is need to highlight the benefits and cost of knowledge management systems. This system just like any other information systems is meant to add value to the organisation, but knowledge management system, deal particularly with the intellectual asset of the organisation. Although the major reason why most organisations invest in Knowledge Management Systems (KMS) is to gain competitive advantage, other derivable benefits are:

1. **Efficiency and Problem Solving:** Knowledge management systems when done right will help in ensuring faster response time to key issues, make service delivery faster and also enhance problem solving. This is because when best practices are well codified, stored, and made available, and when methods for problem solving can be maintained, and made available instantaneously, employees won't have to spend time looking for answers. Problem solving will be eased as it will be possible to solve problems anytime and anywhere which will make the organisation more productive, efficient and effective. Due to the nature of this organisation, (consulting firm), the application of knowledge management systems will help in carrying out the needed services efficiently. For example, expert and dependable advice will be given to clients based on the availability of experiences and knowledge for comparison and justification.
2. **Better Decision Making:** Knowledge management systems will help in making better decisions. When knowledge and experiences are pooled together, there is an avenue for critical considerations and judgement before decisions will be made.

This is particularly important when there is need to compare and contrast before arriving at a decision or conclusion. The availability of needed idea, information and knowledge will help in making sure that the right decision is taken after critical and intense examination which will also make the decision more concrete, justifiable and dependable. This will make this firm able to make necessary decisions on the needed improvements that will make our services more competitive and acceptable (preferable to client).

3. **Quality Service Delivery:** One benefit that will be obtained will be the increased quality of services after using the KM systems. An employee who uses the knowledge management system may be able to obtain knowledge that will reduce the amount of defective services that employees deliver or will increase the effectiveness and quality of the services being delivered. Higher quality services mean fewer dissatisfied clients, which mean fewer complaints from clients. Fewer complaints improve the company's revenues and profit and are a benefit that can be attributed to a knowledge management system. If a company can notice a decrease in clients' dissatisfaction since the knowledge management system was launched, at least a significant portion of this increase can be attributed to the KM system and marked as a benefit for it. This means that this organisation will be able to come up with better and more competitive services due to the possibility of sharing valuable organisational information, knowledge, intelligence and experiences among employees. This serves as a good way of avoiding or reducing redundancy and client satisfaction will be secured due to the improvements that will be introduced.
4. **Reduced Cost:** Cost reduction is also a benefit that can be realized through the use of a knowledge management system. 'Cost reduction represents approximately one quarter of benefits from KM projects'. Besides labour costs, knowledge management systems may also yield a savings in material costs. This can be as simple as savings on paper that was previously needed to disseminate memoranda that are now being replaced with entries in the knowledge management program, but the true benefit of cost reduction through knowledge management is realised when employees discover and share methods for reducing costs on final products. Management will likely notice these savings, but will need to speak with employees to understand that the source of the savings is indeed from the knowledge management system. This means that this organisation will be able to reduce cost of inviting or seeking professionals, due to the availability of needed knowledge and experiences.
5. **Speed and Service Delivery:** Knowledge management systems help in compressing time and space for efficiency, reducing time wastage, which means increase in workers' productivity. Employees who use the knowledge management

system will be able to work faster, because they will find information on the knowledge management environment that will allow them to avoid repeating the work of others, such as a snippet of computer code, or allow them to forgo extensive research that would ordinarily be needed to address a situation, or simply enlighten them to practices others have found that allow the job to be done more quickly. The only way to measure this labour cost savings will be through interviews with the employee. The employee's estimate and confidence in it will be calculated as a benefit for the knowledge management system. This means that clients will be attended to as fast as possible, which will give the firm an advantage, especially by reducing delay.

6. **Reduced Training Time:** An investment in these systems will help to reduce training time for new employees. Due to the availability of the needed knowledge and experiences, employees will be able to constantly apply them which will improve their ability. Thus training time for employees will be reduced as a result of the knowledge they are able to acquire. This means that employees are being trained indirectly through the application of knowledge management systems which reduces direct trainings. This will lead to a kind of strategic movement through well-coordinated efforts among peers. Thus the organisation will be able save time and money.
7. **Retention of Intellectual Properties:** Knowledge management system helps in retaining intellectual properties after the employee leaves if such knowledge is codified. This is because when knowledge is codified, it is added to the organisation's knowledge repository (a collection of internal and external knowledge), thus when knowledge is captured from an employee, such knowledge will remain even after he/she leaves. This means that it will be possible for the organisation to have a large knowledge base of several knowledge and experiences as a result of the historic knowledge contribution process. This will also help in building employees to become professionals as a result of the availability of previous experiences and knowledge for acquisition.
8. **Increased Revenue and Development of New Business Ventures:** Knowledge Management Systems helps in providing the personnel capacity for revenue generation. It allows employees to work together and share ideas about certain plans especially in a global firm. Due to the cross-pollination of ideas among employees, there is a possibility that new business ventures will be developed and this will lead to an increase in revenue for the organisation. Due to the availability of ideas and experiences, this organisation will be able to manage the available knowledge for productivity and profitability.
9. **Sharing Business Resources over Long Distances:** Through the use of knowledge management systems, the sharing of business resources is made

possible. This is because when ideas and knowledge are pooled together, a knowledge-base is created from which each employee can access required information over long distances. If used effectively, these systems will be able to foster the company's culture across geographic boundaries. All employees will become part of an overall network, each with simple access to the intellectual capital of every member within the network. As a result employees will be able to perform better and jobs would be done faster. This is very important for a global consultation firm like this where relevant information is needed for service delivery. There will be no need to depend solely on the headquarters before needed information are gotten.

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