

eINFORM

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TOPIC

KNOWLEDGE MANAGEMENT

INTRODUCTION

Knowledge has to be improved, challenged, and increased constantly, or it vanishes. — Peter F. Drucker

IDC's knowledge management (KM) study is based on survey data collected in February and March of 2002. The respondents were recruited through banner ads and email promotions in partnership with *KM World* magazine. The survey collected the responses of 740 people interested in KM topics.

IDC collected information from companies involved in KM initiatives that gives insight into their interest in using various technologies and services to support this initiative. The data cannot be extrapolated to the overall worldwide market, but it provides insight into current and future trends within the KM buying segment.

ANALYST INSIGHTS

By: Brian McDonough, Research Manager, Knowledge and Content Management Software

Knowledge Management Software and Services: Understanding Corporate Investment Priorities

SITUATION OVERVIEW

The KM software and services market is exhibiting strong growth as more companies begin to understand how to apply KM practices for the improvement of enterprise value.

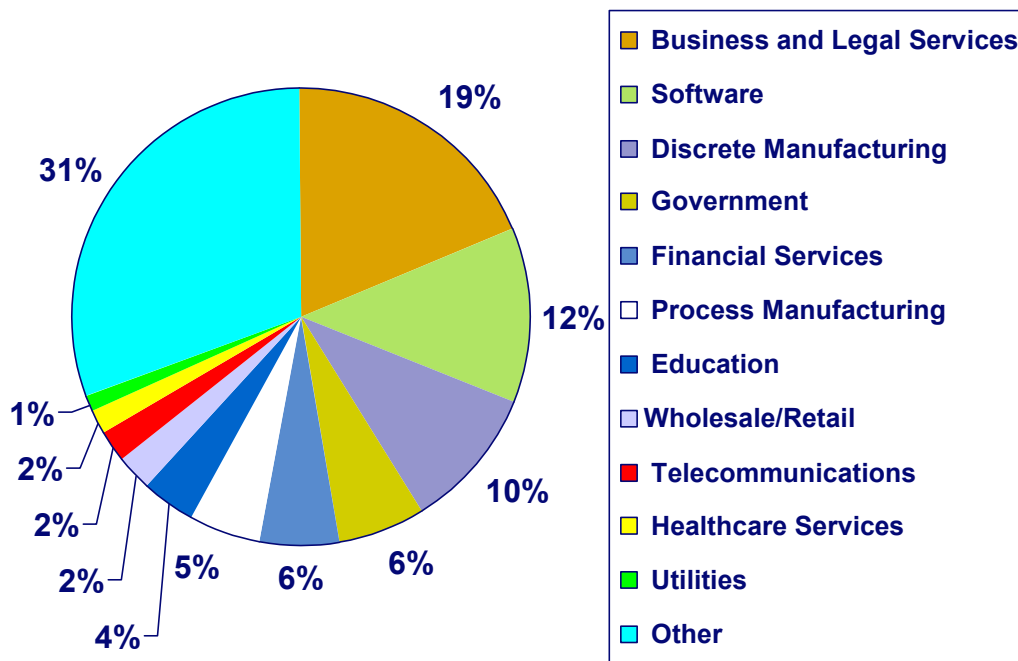
The technologies used to support KM initiatives are evolving rapidly with new vendors entering as others leave. The demands for improved integration between these technologies and the daily operations across the enterprise are expanding at rapid rates. Understanding

demand for various technologies and services allows IT-buyer organizations to compare their strategies with early adopters. It further helps vendors align supply with the market needs.

Survey Findings

The survey respondents were highly concentrated in the business and legal services industries. This primarily suggests a higher interest in KM topics among this industry segment (see Figure 1). IDC also found that 65% of the respondents involved in a KM initiative do not have performance metrics in place to measure the financial impact of their initiative. Project leaders or key decision makers comprised nearly 62% of the respondents.

Figure 1
Survey Respondents by Industry



Note: Does not include KM software and KM services firms.

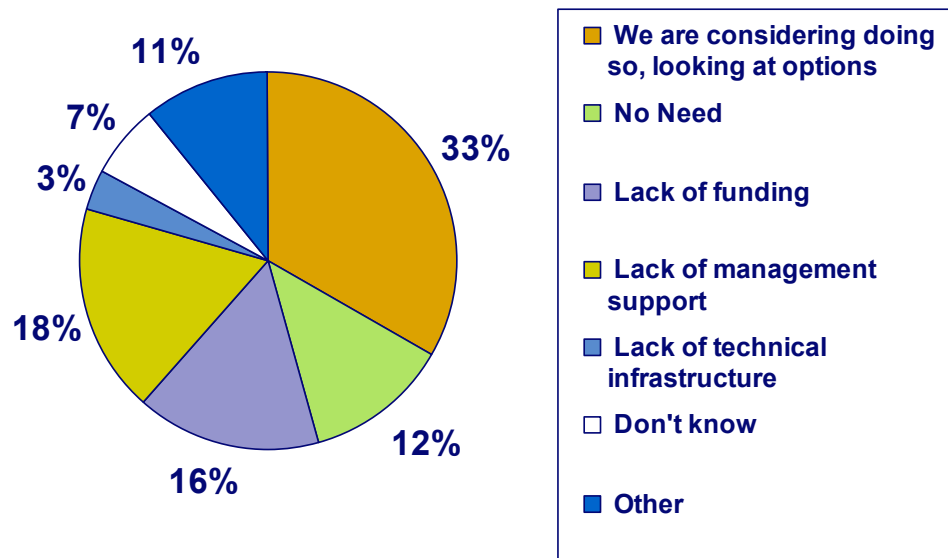
N = 740

Source: IDC, 2002

Of the respondents who stated their companies were not currently involved in a KM initiative, 33% stated that they

were considering doing so and were looking at options (see Figure 2).

Figure 2
Primary Reasons Companies Do Not Adopt a KM Initiative



Source: IDC, 2002

Among respondents who stated that their companies were currently involved with a KM initiative, they listed that enhancement of internal collaboration and capturing and sharing best practices were among the top business reasons for undertaking the initiative (see Figure 3). In general, internal business problems are being addressed by KM initiatives.

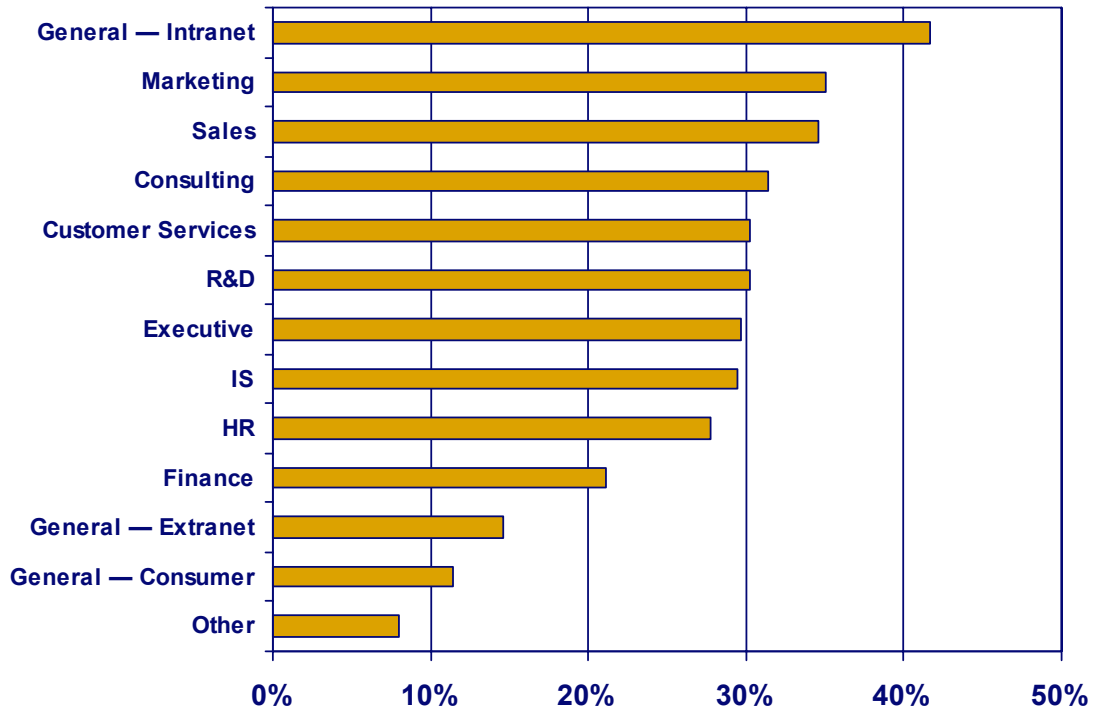
Figure 3
Primary Reasons Companies Do Adopt a KM Initiative



Source: IDC, 2002

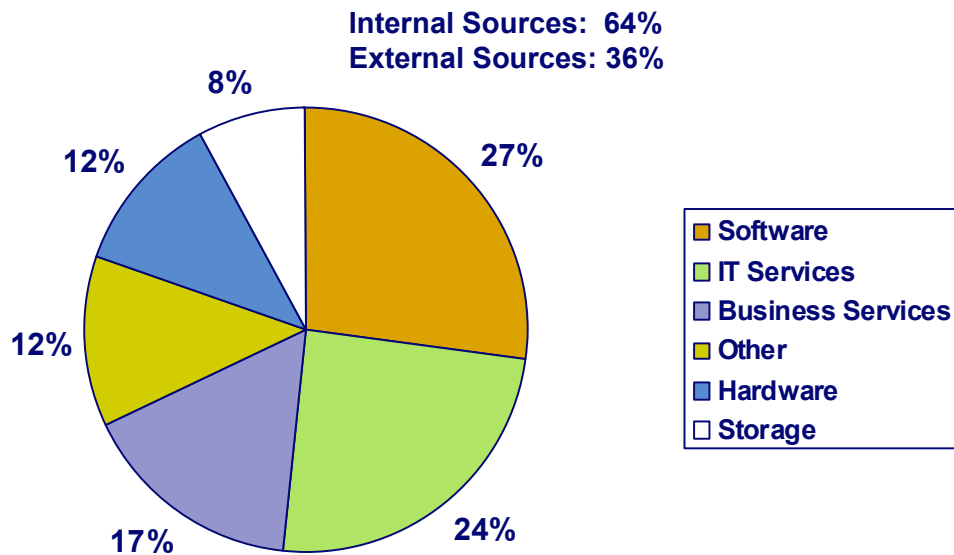
Internal audiences are the primary audience of the KM initiative (see Figure 4). After addressing enterprisewide needs for KM, the marketing and sales departments are rated as important audiences for the KM initiative. These audiences will require a variety of IT products and services to support their requirements (see Figure 5). Companies involved in implementing a KM initiative had an average of 36% of their KM budget allocated to external vendors.

Figure 4
Primary Audiences of the KM Initiative



Source: IDC, 2002

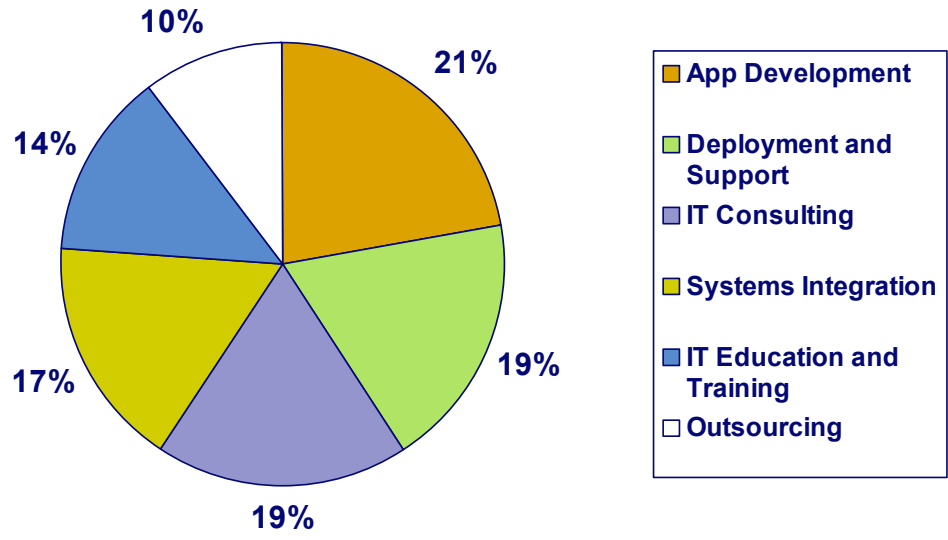
Figure 5
Mean External Spending on IT Products and Services to Support the KM Initiative



Source: IDC, 2002

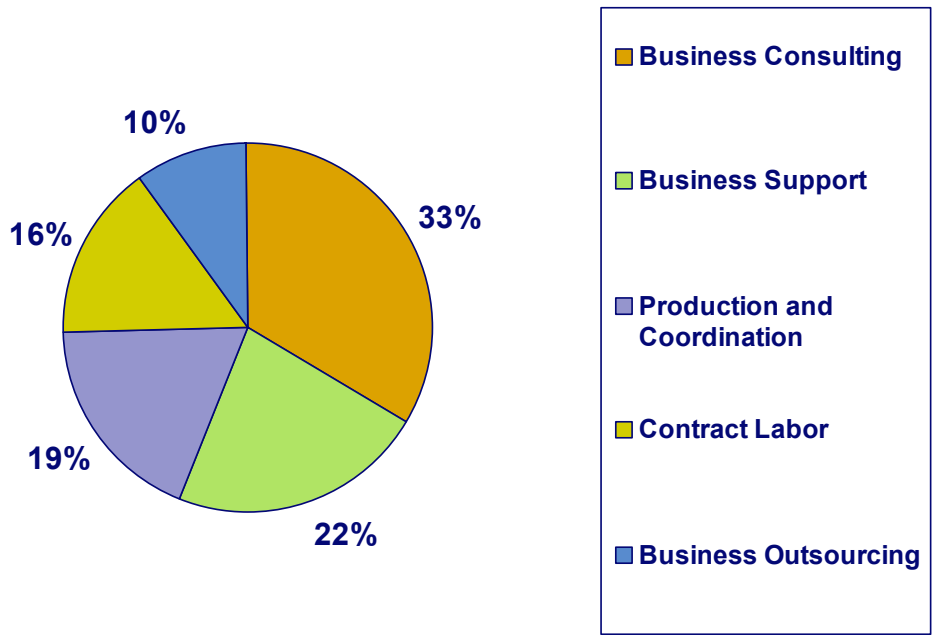
Among the IT products and services needed to support a KM initiative, the various IT services and business services that will be purchased are presented in Figures 6 and 7. A broad mix of IT services will be required to support the KM initiative, but business consulting services will be the type of business services most widely purchased. Spending on software to support the KM initiative is concentrated in content management software, collaborative applications, and enterprise information portals (see Figure 8).

Figure 6
Mean External Spending by IT Services



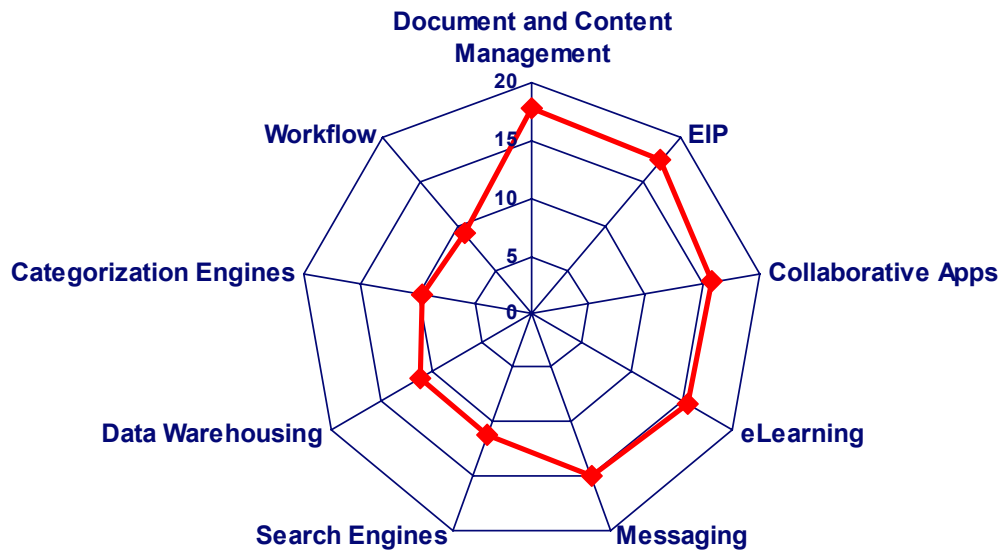
Source: IDC, 2002

Figure 7
Mean External Spending by Business Services



Source: IDC, 2002

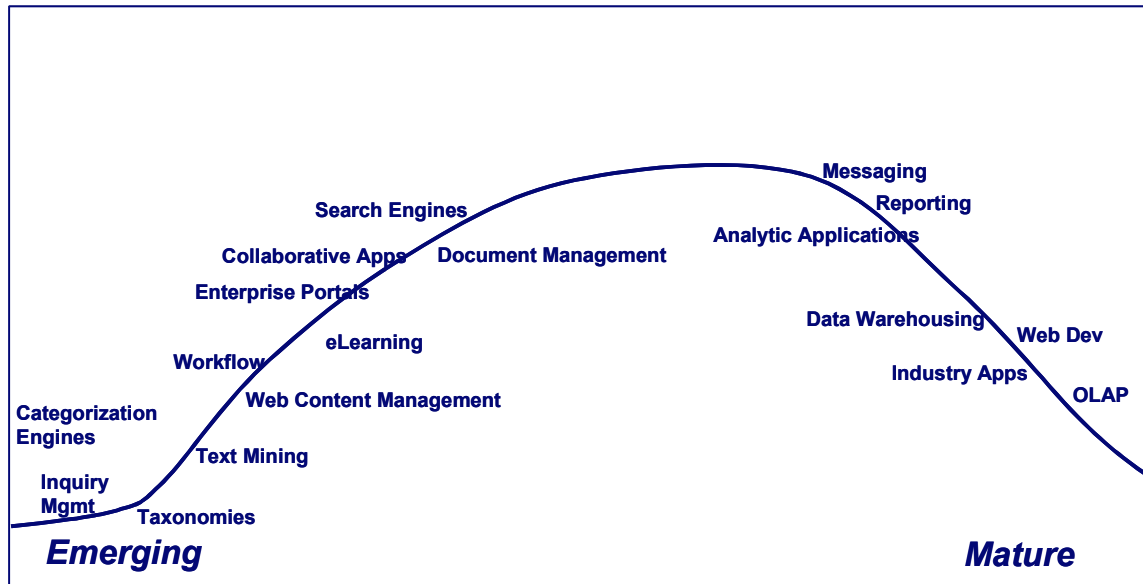
Figure 8
Mean External Spending by Software Functions



Source: IDC, 2002

Although firms will spend significant budget dollars on enterprise information portal software, content management software, and search engines, it is important to understand interest levels in adopting more emerging technologies. Interest levels in using various applications, combined with budget data and market intelligence, allows for plotting of these technologies along an adoption curve (see Figure 9). The curve suggests that interest levels in more advanced textual analysis tools are low, even among this early adopter segment.

Figure 9
Technology Adoption to Support KM



Source: IDC, 2002

As companies seek to enhance internal collaboration and retain expertise of key personnel, they turn to KM technologies and services to support these goals. The slew of technologies can be overwhelming, but early adopters are investing in content management software for their knowledge infrastructure and then applying portal software and search capabilities to enhance access to corporate information. Emerging technologies will be adopted later to extend the value of content from a variety of sources, know-how inside and outside the enterprise, and productivity-enhancing applications.

Communities of practice are rapidly emerging as means to make applications and information personally relevant to the knowledge worker within a collaborative environment. Securing budget dollars from management can still be time-consuming due to the lack of financial performance indicators available to measure the success of knowledge management. In the absence of financial measures, companies must understand the implicit benefits of improved collaboration, communication, and employee effectiveness.

Email is considered mission-critical in most firms, yet ROI analysis of email implementations has never been a prominent tool used to support the purchase decision of email. A corporate KM initiative and the technology and services to support it must be treated with the same understanding in today's knowledge economy.

RELATED RESEARCH

[IDC #25476](#), *Enterprise Information Portal Software Impacts the Enterprise Application Suite Market*

[IDC #26248](#), *Revised Knowledge Management Software Market Forecast, 2001–2005*

[IDC #26598](#), *Worldwide Enterprise Information Portal Software Forecast, 2002–2006*

[IDC #26609](#), *Knowledge Management Communities Forecast and Analysis, 2001–2006*

[IDC #26617](#), *Sager Electronics: Getting Results from PeopleSoft Enterprise Portal*

[IDC #26629](#), *Worldwide Content Management and Retrieval Software Forecast, 2002–2006*

[IDC #27062](#), *Plumtree Software: Increasing Employee Efficiency at Eli Lilly*

This edition of eINFORM was compiled by Michael Barry, Associate Research Analyst, and Stephen Clifford, Manager, Global IT Advisor.

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