

Picking Investments in Knowledge Management

by Olivier Serrat

What can be measured is not necessarily important and what is important cannot always be measured. When prioritizing investments in knowledge management, common traps lie waiting. They are delaying rewards for quick wins, using too many metrics, implementing metrics that are hard to control, and focusing on metrics that tear people away from business goals.

The Limitations of Traditional Metrics

How can investments in knowledge management be picked? This is no easy matter. What can be measured is not necessarily important and what is important cannot always be measured. Not surprisingly, despite the wide implementation of knowledge management initiatives, a systematic and comprehensive assessment tool to prioritize investments in knowledge management in terms of return on investment is not available. This owes to the difficulty of demonstrating direct linkages between investments in knowledge management and organizational performance, most of which can only be inferred, and the fact that the miscellany of possible knowledge management initiatives calls for both quantitative and qualitative approaches. This is indeed the rationale behind the Balanced Scorecard introduced by Robert Kaplan and David Norton in 1992, whose qualities make it quite useful as a knowledge management metric.



Common Traps

When prioritizing investments in knowledge management, common traps lie waiting. They are

- delaying rewards for quick wins,
- using too many metrics,
- implementing metrics that are hard to control, and
- focusing on metrics that tear people away from business goals.

Until the state of the art is better developed, it is in the final analysis recommended to consider knowledge management initiatives as a portfolio of well-balanced investments.

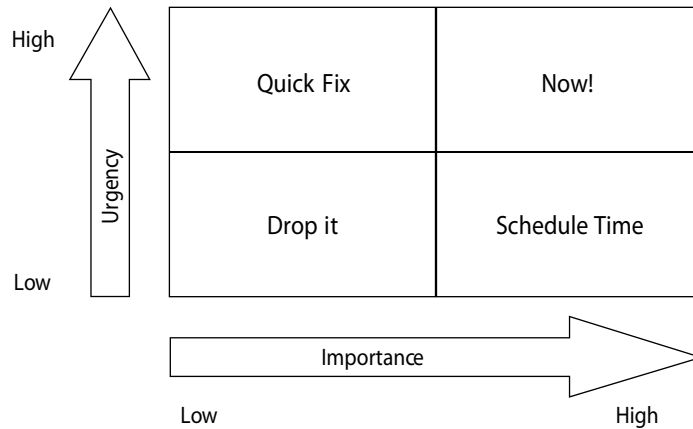
A Purposeful Medley of Insights

Figures 1–8 present a purposeful medley of insights that can help pick investments in knowledge management. They cover in turn

- a time management approach to full agendas that focuses on importance and urgency;
- generic features of a portfolio of knowledge management initiatives;
- ways to map knowledge management initiatives by knowledge agent, form of knowledge, and core knowledge activity;
- four broad aspects that sustain an innovative organization;
- five areas of value creation in knowledge products and services;
- ways to locate knowledge management initiatives in an options space;

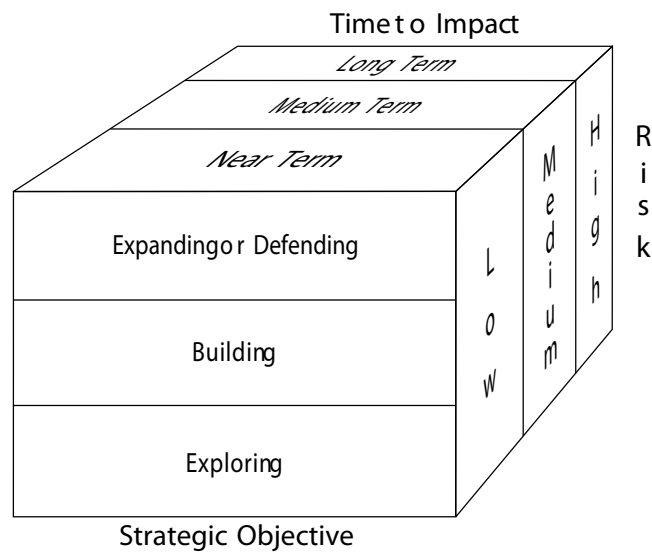
- a multi-staged review process to underpin knowledge product and service development; and
 - an approach to strategic management that balances the financial perspective.
- In the spirit of learning, readers are invited to ponder the usefulness of each depending on context.

Figure 1: Eisenhower Matrix



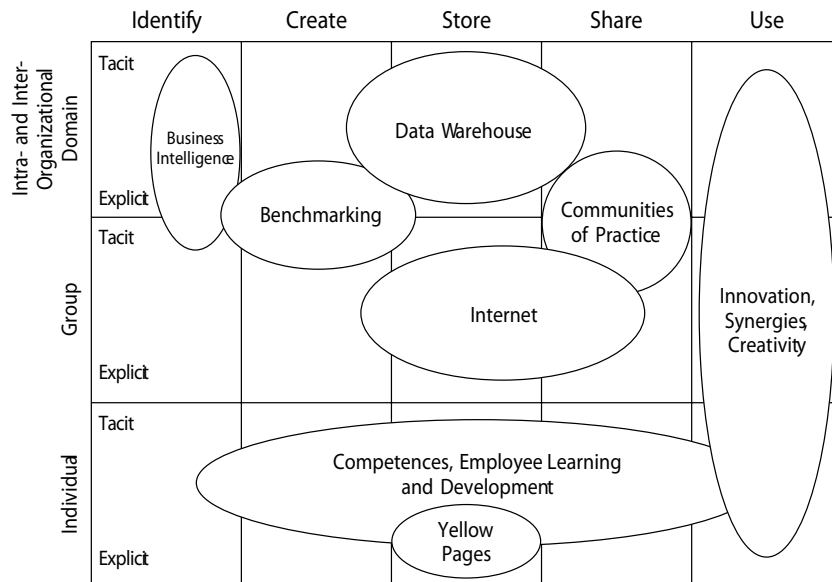
Source: Stephen Covey. 1989. *The Seven Habits of Highly Effective People: Restoring the Character Ethic*. Simon and Schuster.
 Note: Dwight Eisenhower is the originator of the matrix.

Figure 2: Knowledge Management Investment Features



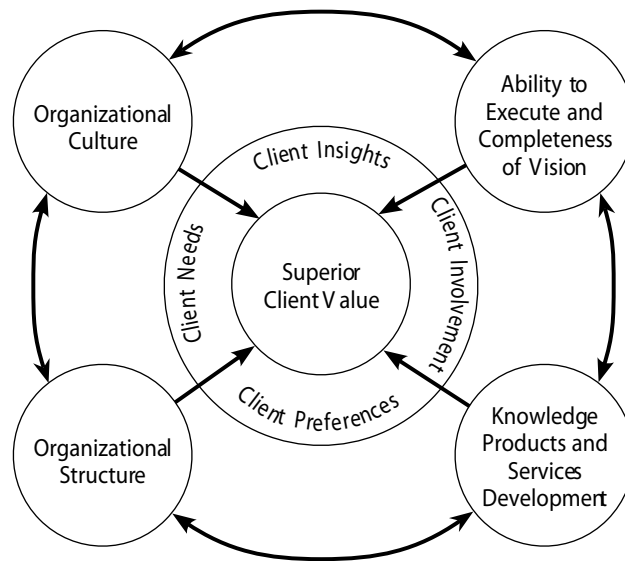
Source: Adapted from Amrit Tiwana. 2000. *The Knowledge Management Toolkit: Orchestrating IT, Strategy, and Knowledge Platforms*. Prentice Hall.

Figure 3: Mapping Knowledge Management Investments



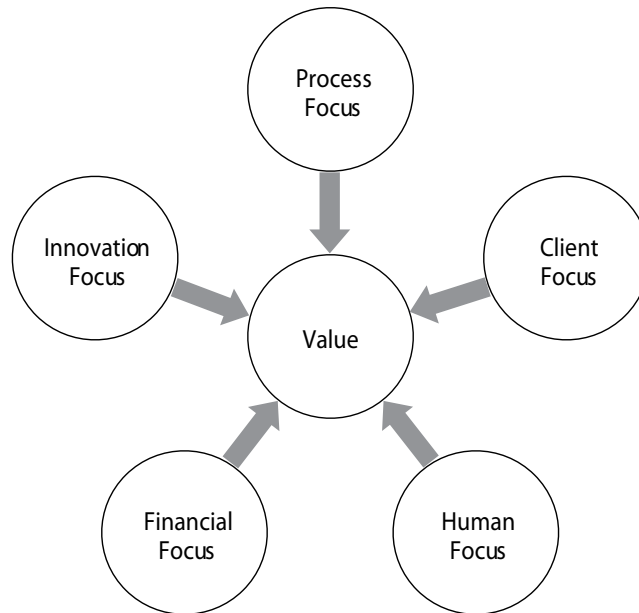
Source: Adapted from Charles Despres and Danièle Chauvel. 2000. How to Map Knowledge Management. In *Mastering Information Management*, edited by Donald Marchand and Thomas Davenport. Prentice Hall.

Figure 4: Innovative Knowledge Product and Service Development



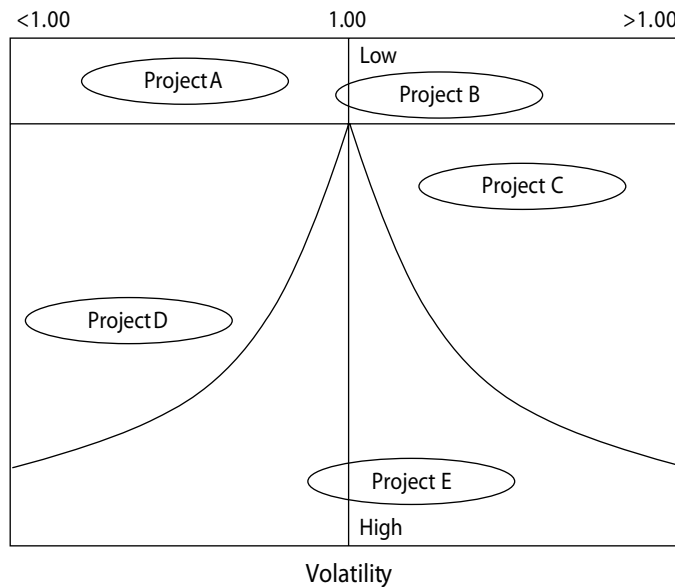
Source: Adapted from Simon Knox. 2002. The Boardroom Agenda: Developing the Innovative Organization. *Corporate Governance: International Journal of Business in Society*. Vol. 2, No. 1: 27-36. Emerald Group Publishing Limited.

Figure 5: Value Creation in Knowledge Products and Services



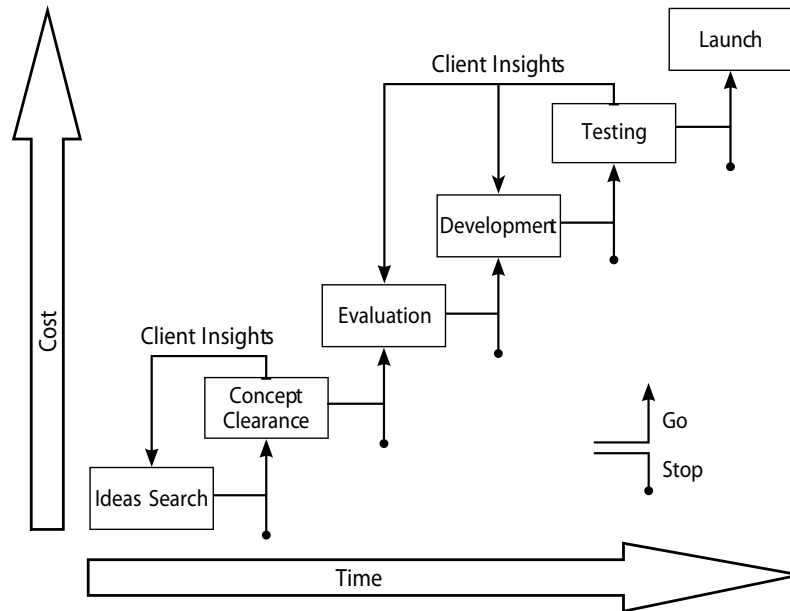
Source: Paul Iske and Willem Boersma. 2005. Connected Brains—Question and Answer Systems for Knowledge Sharing: Concepts, Implementation, and Return on Investment. *Journal of Knowledge Management*. Vol. 9, No.1: 126–145. Emerald Group Publishing Limited.

Figure 6: Value-to-Cost Ratio



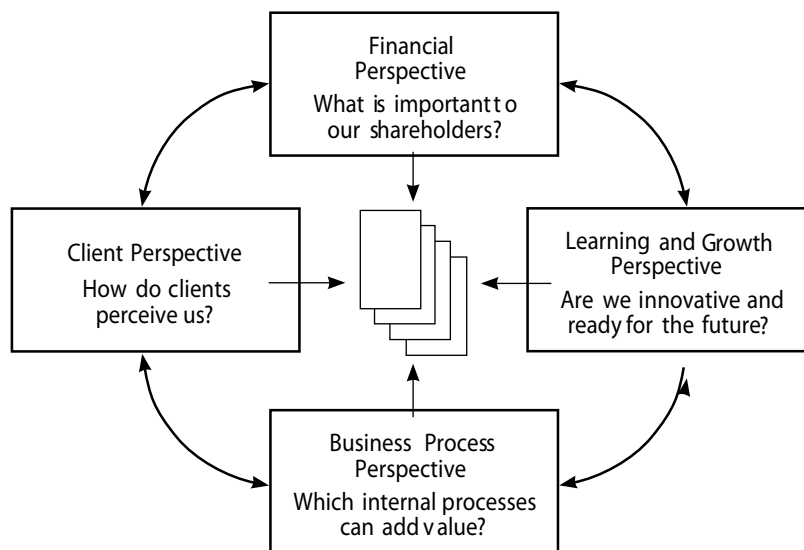
Source: Adapted from Amrit Tiwana. 2000. *The Knowledge Management Toolkit: Orchestrating IT, Strategy, and Knowledge Platforms*. Prentice Hall.

Figure 7: The Knowledge Product and Service Development Process



Source: Adapted from Simon Knox. 2002. The Boardroom Agenda: Developing the Innovative Organization. *Corporate Governance: International Journal of Business in Society*. Vol. 2, No. 1, pp. 27–36. Emerald Group Publishing Limited

Figure 8: Balanced Scorecard



Source: Robert Kaplan and David Norton. 1992. The Balanced Scorecard: Measures that Drive Performance. *Harvard Business Review*. January–February: 71–80.

Further Reading

ADB. 2008. *Auditing the Lessons Architecture*. Manila. Available: www.adb.org/documents/studies/auditing-lessons-architecture/IN371-07.asp

_____. 2007. *Learning Lessons in ADB*. Manila. Available: www.adb.org/documents/reports/learning-lessons-ADB/strategic-framework-2007-2009.asp

For further information

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Asian Development Bank

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