Learning in Development

Learning in Development tells the story of independent evaluation in ADB—from its early years to the expansion of activities under a broader mandate—points up the application of knowledge management to sense-making, and brings to light the contribution that knowledge audits can make to organizational learning. It identifies the 10 challenges that ADB must overcome to develop as a learning organization and specifies practicable next steps to conquer each. The messages of Learning in Development will echo outside ADB and appeal to the development community and people having interest in knowledge and learning.

About the Knowledge Management Center

The Knowledge Management Center facilitates knowledge management activities in ADB. It plays a critical role in introducing new knowledge management approaches, monitoring the progress of knowledge management, and reporting to ADB Management.

About the Asian Development Bank

ADB’s vision is an Asia and Pacific region free of poverty. Its mission is to help its developing member countries substantially reduce poverty and improve the quality of life of their people. Despite the region’s many successes, it remains home to two-thirds of the world’s poor: 1.8 billion people who live on less than $2 a day, with 903 million struggling on less than $1.25 a day. ADB is committed to reducing poverty through inclusive economic growth, environmentally sustainable growth, and regional integration.

Based in Manila, ADB is owned by 67 members, including 48 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.
Learning in Development

Asian Development Bank
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### Auditing the Lessons Architecture

#### Prelude

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<th>Abbreviation</th>
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<td>ADB</td>
<td>Asian Development Bank</td>
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<td>Asian Development Fund</td>
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<td>DEC</td>
<td>Development Effectiveness Committee</td>
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<td>DMC</td>
<td>developing member country</td>
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<td>Evaluation Cooperation Group</td>
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<td>nongovernment organization</td>
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<td>OCR</td>
<td>ordinary capital resources</td>
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<td>Operations Evaluation Department</td>
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earning is the key to success—some would even say survival—in today’s organizations. The Asian Development Bank (ADB) must play a bigger part in putting the potential of knowledge solutions to work in the Asia and Pacific region. This means that ADB’s knowledge should be continuously enriched through both internal and external learning. For this to happen, ADB must become a more flexible and adaptable organization.

Learning in Development tells the story of independent evaluation in ADB, from its early years to the expansion of activities under a broader mandate; emphasizes the application of knowledge management to sense-making; and brings to light the contribution that knowledge audits can make to organizational learning. It identifies the 10 challenges that ADB must overcome to develop as a learning organization and specifies practicable next steps to conquer each.

The messages of this publication will echo outside ADB, too. The book will appeal to the development community and to people interested in knowledge and learning.

Learning in Development was written by Olivier Serrat, principal knowledge management specialist and concurrent head of ADB’s Knowledge Management Center. Stephen Banta assisted in the preparation of Chapter 1. Adele Casorla analyzed the results of the survey of perceptions detailed in Chapter 3. Toward Chapter 4, Bruce Britton helped detail the learning organization model, formulate the questionnaire that might gauge perceptions of competencies to learn for change, and particularize the challenges that ADB must overcome. Special thanks also go to Peter Malvicini for his encouragement and suggestions regarding Chapter 4. Chapters 1–4 were originally published separately in 2007, 2007, 2008, and 2009, respectively.

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Olivier obtained an undergraduate degree in economics from the University of Kent at Canterbury, majoring in development economics, and a master’s degree in agricultural economics, specializing in agrarian development overseas, from the University of London.
Independent Evaluation at the Asian Development Bank
The Board of Directors and Management of the Asian Development Bank (ADB) aim to promote the effectiveness of its operations. The Operations Evaluation Department (OED), renamed Independent Evaluation Department in 2008, supports their efforts toward this by enhancing understanding of what works, what does not, and what must be improved. Operations evaluation has changed from the beginnings of evaluation activities in ADB almost 30 years ago. Initially, the focus of evaluation was on assessing whether implementation was consistent with the intentions reflected in the appraisal of a project, and the extent to which the project achieved the expected economic and social benefits. Operations evaluation now shapes decision making throughout the project cycle and in ADB as a whole. With material originally timed to coincide with the 40th anniversary of the establishment of ADB in 1966, this chapter offers more than an account of the early steps of operations evaluation. It describes recent accomplishments and looks to the future. Independent Evaluation at the Asian Development Bank was released as a stand-alone publication in 2007.
Introduction

Evaluation was neither part of the initial activities nor the structure of ADB when it was established in 1966—there was little to evaluate until operations got under way. A system was established in 1972 for measuring results against intentions. While the main focus of such evaluation was historical, the object was to improve the planning, appraisal, and implementation of ADB’s operations. The Economics Office, with the assistance of consultants, provided the internal evaluation capability, while academic institutions and nonprofit organizations were contracted to perform external evaluations. The role of ADB’s operations departments was to make background information available.

By 1977, a total of 17 evaluation studies had identified factors contributing to success or failure of projects. The main product was the project performance audit report. Importantly, 1977 also saw a review of evaluation policies and procedures to increase the impact of evaluations on ADB’s operations. The result was the creation in 1978 of a separate unit, the Postevaluation Office, reporting directly to the President. Evaluation activities were reviewed by the Audit Committee of the Board of Directors. The office was staffed with four professionals, plus the Chief. In 1979, it began to codify its work by developing standards and procedures for producing project performance audit reports, and it released its first summary of findings and recommendations from evaluation.

Broader evaluations were introduced in 1982. By 1986, performance evaluation had become important enough to merit a theme chapter in ADB’s Annual Report. In 1993, the establishment of the Task Force on Improving Project Quality signaled ADB’s determination to improve its standards of performance and to enhance the effectiveness of its operations. The Task Force identified the major themes underlying project quality to be (i) ADB responsiveness to its developing member countries (DMCs), (ii) DMC ownership and capacity, and (iii) accountability for project quality in ADB. In 1994, the Board of Directors endorsed the Report of the Task Force. The action plan contained in the report drew on findings and recommendations from evaluation. In 2000, the scope of project performance audit reports was broadened to include achievement of benefits, measured against a logical framework. A brief account of independent evaluation at ADB since 1978 is appended.

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1 There are two types of evaluation: independent and self-evaluation. Self-evaluation is conducted by those responsible for designing and implementing a country strategy, program, project, or technical assistance (TA) activity. It comprises several instruments, including project/program performance reports, midterm review reports, TA or project/program completion reports, and country portfolio reviews. Independent evaluation is undertaken by an evaluation department or by evaluators outside of the organization. This paper discusses only independent evaluation undertaken by OED.

The Changing Context

ADB has assisted the Asia and Pacific region over the past four decades. The region is now recognized as the most economically dynamic in the world, and the incidence of poverty has fallen sharply. When ADB started operations, however, the region was one of the poorest, and most countries had limited foreign exchange reserves. In the 1970s and 1980s, ADB was predominantly a project lender, supporting DMCs’ investment needs in agriculture, industry, and infrastructure. However, issues of sustainable, inclusive development and quality of life became increasingly important. Over the past three decades, to address these issues and meet the new needs they entail, ADB has shifted its operations from supporting mainly economic growth and physical infrastructure to a greater emphasis on poverty reduction, social development, gender equality, environmental sustainability, policy reform, and regional cooperation. ADB has, thus, changed from being essentially a provider of project finance to a more broad-based institution with greater emphasis on policy and institutional support and on knowledge products and services to complement resource transfers.

The first two decades of ADB’s experience showed that a sound policy and institutional framework is critical for ensuring the intended development impacts of projects. This lesson was equally pertinent as ADB ventured into the cross-cutting areas of poverty reduction, human development, gender issues, environmental management, and good governance. Policy dialogue on sector issues assumed ever greater importance. Besides seeking improvements on a project-by-project basis, ADB began, in the mid-1980s, to support wider sector policy and institutional reform. To facilitate this process, ADB complemented project lending with new modalities: program lending (instituted in the mid-1980s) and sector development programs (in the mid-1990s). In 2005, ADB introduced the multitranche financing facility and other financing instruments and modalities, on a pilot basis, to improve its business processes, align its programs more closely with client priorities, reduce bottlenecks in processing development assistance, and expand its product offerings.

Because of its Asian character and experience, DMCs regard ADB as a trusted partner that understands Asia’s diverse cultural norms and the wide range of development issues in the region. ADB is knowledgeable about the importance, sensitivity, and complexity of governance issues in the region. The trust of its DMCs enabled ADB in 1995 to become the first multilateral development bank with a Board-approved governance policy. It has learned from the varied governance experience in the region, including that derived from its “graduates”—regional
members that no longer receive direct ADB assistance. This was demonstrated by ADB’s rapid response to countries hit by the 1997 financial and economic crisis.

The importance of the private sector, both domestic and foreign, in the development process is recognized. ADB conducts both public and private sector operations within a single institutional setup. It thus has the potential to be a broker between the public and private sectors. DMCs must be able to rely on ADB for assistance and advice on expanding the role of the private sector with appropriate safeguards in place for regulatory, financial, social, and environmental priorities. The private sector, meanwhile, should be able to rely on support from ADB in mitigating risks and strengthening domestic financial and capital markets. ADB can also catalyze resource transfers through cofinancing.

All shareholders recognize ADB’s efforts to promote regional and subregional cooperation. The successful Greater Mekong Subregion program, begun in a postconflict situation, is an example of the dividend that can be realized when peace prevails. ADB also supports subregional initiatives relevant to development in the Pacific DMCs, the Central Asian republics, and the Brunei Darussalam–Indonesia–Malaysia–Philippines East ASEAN (Association of Southeast Asian Nations) Growth Area. Regional cooperation and integration initiatives offer increasing possibilities for development in the Asia and Pacific region.

ADB has been responsive to environmental concerns since its creation. Its involvement in environmental management has increased substantially since the mid-1980s. The environmental aspects of all its projects and programs are reviewed, and ADB has assisted DMCs in building institutions dealing with environmental concerns and policies. ADB has succeeded in placing environmental issues at the forefront of development planning, and has raised region-wide awareness. ADB must build on its record to help realize the environmental targets of the Millennium Development Goals.

ADB’s operations have faced some major challenges. Assistance for capacity building has not been fully effective, as it was often related to the needs of projects rather than those of institutions. Even then, targeting of beneficiaries and interactions with them in the context of project preparation and implementation have not always been sufficient. ADB could also have provided clearer policy advice based on more rigorous analytical work.

ADB has taken initiatives to enhance its focus and improve development effectiveness. Two major changes in thinking and approach include the poverty reduction strategy and the private sector development strategy, approved in 1999 and 2000, respectively. At the same time, the resident mission policy, adopted early in 2000, was expected to lead to improved country focus in operations and a much closer relationship with DMCs. The long-term strategic framework, 2001–2015, spells out ADB’s vision of a region free of poverty and provides an agenda for ADB’s poverty-reduction and growth-financing activities over 15 years, with an accent on sustainable economic growth, inclusive social development, and good governance for effective policies and institutions.

Recently, the medium-term strategy of 2006–2008, the second in a series designed to flesh out the long-term strategic framework for shorter periods, adjusted operational priorities

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in response to evolving conditions. It identifies five priorities: (i) catalyzing investment, as a prerequisite for sustaining high growth, employment creation, and rising productivity; (ii) strengthening inclusiveness and the poverty-reducing impact of growth through rural infrastructure development and social development; (iii) promoting regional cooperation and integration as a means of reinforcing national-level poverty reduction strategies at the regional level; (iv) managing the environment to ensure that the pattern of economic growth is also environmentally sustainable; and (v) improving governance and preventing corruption, which is key to improving the development effectiveness and poverty-reducing impact of ADB's operations. The second medium-term strategy also introduced certain adjustments in ADB's business processes, including a more selective sector focus. Core sectors

Box 1: The Changing Operations Evaluation Landscape

The context of development is changing, and there is a sense that its rate and extent are now greater than ever. The drivers of change are global and regional as much as national. OED needs to think and work in new ways, learn from the past, but also look to where operations evaluation is heading.

- New emphasis on aid effectiveness. The recent emphasis on aid effectiveness is not only due to increased demand for better development results and accountability, but is also partly a result of budgetary constraints.
- New agendas. Development agencies face challenges caused by the crowded policy agenda. There are many elements to this, including the need to address issues, such as conflict reduction and prevention, fair international trade, environment agreements, gender, a new international financial architecture, more effective working arrangements among the United Nations family and other global institutions, stronger civil society, country ownership and leadership of poverty reduction processes, and harmonization of activities among the aid community. Many of these suffer from definitional problems and unclear time horizons, making them intrinsically difficult to evaluate.
- New partners. Development agencies find themselves working with new partners and in different partnership configurations. Multi-agency consortia are becoming more common, and agencies are moving beyond government-to-government links to forge direct links with the private sector, nongovernment organizations (NGOs), and civil society organizations.
- New pressures. The growing influence of NGOs is adding a dimension, often positive, to debates on aid and the delivery of development services. When focusing on single issues, these groups gain media attention and use the Internet to organize and mobilize. They have sometimes had contentious relationships with ADB. They have become increasingly powerful and cannot be ignored.
- New instruments. New instruments are being tried, including sector-wide approaches, the comprehensive development framework, poverty reduction strategy papers, poverty reduction and growth frameworks, medium-term expenditure frameworks, and the sustainable livelihoods approach. Some of these imply changes in the way development agencies work, requiring significant shifts in how evaluation is approached.
- New horizons. Aid delivery has been shifting from the project to the program to the country level. But there is also an array of complex issues that require a regional or global approach, including climate change, trade, migration, genetically modified organisms, HIV/AIDS, and avian flu.
identified for future operations include road transport, energy, urban infrastructure, rural infrastructure, education, and the finance sector. The role of ADB in leveraging additional investment through financing partnerships and cofinancing was emphasized, as well as strengthening project implementation to achieve development results. Implementation is to be country focused, and it is operationalized through individual country partnership strategies. The rapidly changing development context requires continuing sharpening of methods, guidelines, and directions for operations evaluation, as well as new products and services.
The New Modus Operandi

Evaluation has changed with ADB. Early work focused on input–output relationships in projects, using economic analysis, but evolved to cover the entire results chain of inputs, outputs, outcomes, and impacts. The main unit of account shifted from the project to the country, informed by sector and thematic assessments, as well as by evaluations of ADB’s business processes. The full mix of lending and nonlending services that make up country assistance programs has now become the dominant preoccupation of evaluation, with priority attention to relevance, efficiency, efficacy, and sustainability. In parallel, feedback has grown from restricted circulation of evaluation reports to maximum transparency and active dissemination of findings and recommendations through the Internet. Institutionally, evaluation has gained recognition from the Board and ADB’s Management commitment to achieving development results. Indeed, more suggestions for evaluations are now received than OED can undertake with its current staff complement and budget.

Managing for development results is a prerequisite to improving the quality of assistance. It is one of the five key principles in the Paris Declaration on Aid Effectiveness of March 2005, which promotes development through country ownership, harmonization, alignment, results orientation, and mutual accountability. Multilateral and bilateral agencies are under pressure to demonstrate development effectiveness and to show impact on the ground. ADB is improving its effectiveness in reducing poverty and promoting development in the Asia and Pacific region by means of an action plan built on three pillars: (i) country capacity, (ii) ADB’s results orientation, and (iii) effective global partnerships. OED can contribute in several ways: It will review and evaluate progress toward achievement of managing for development results and ADB’s underlying culture and management style; it will assess how concepts of managing for development results feed into preparation of country partnership strategies and the project cycle with an eye to the needs of DMCs; and it will examine how ADB’s Management uses such concepts and relevant experience to guide decision making.

An important organizational change to increase the independence of OED took effect in January 2004. OED now reports directly to the Board of Directors through the Board’s Development Effectiveness Committee (DEC), instead of to the President. Other significant changes are that (i) the Board, rather than the President, appoints the director general of OED; and (ii) ADB Management’s role in evaluation changed from approving evaluation reports to responding to their conclusions.

To ensure the independence and transparency of evaluation reports, a new approval, review, and disclosure process has been established. Since evaluation reports are final upon approval by the director general of OED, they are made publicly available immediately upon circulation to ADB’s Management and the Board. ADB’s Management is given a specific period in which to...
respond to lessons and recommendations. ADB Management responses and the DEC chair’s summaries of discussion are disclosed as they become available.9

The policy paper to enhance the independence and effectiveness of OED saw the need to formalize practices for avoiding conflicts of interest in evaluations. In March 2005, ADB became the first member of the Evaluation Cooperation Group (ECG)10 of the multilateral development banks to formally adopt guidelines11 to avoid conflict of interest in independent evaluations, which specify conditions under which OED management, staff, and consultants must recuse themselves.

OED has also strengthened the process used to formulate its work program. Previously, only annual work programs were prepared, but starting in 2005, a 3-year rolling framework was developed.12 Wide-ranging consultations took place for the preparation of the 2006–2008 work program. Discussions on institutional priorities for evaluations were held with the DEC and all vice-presidents. Inputs were also sought from ADB’s operations departments as in the past. The evaluation program has become more strategic and more integrated, with one evaluation feeding into another. For instance, evaluations of the effectiveness of ADB’s technical assistance (TA), microcredit operations, energy policy, governance and anticorruption policies, approaches to partnering and harmonization, policy-based lending, adoption of managing for development results, safeguard policies, and accountability mechanism were programmed to feed into reviews of these by ADB’s Management.

The influence of evaluations on ADB’s operations, policies, and strategies was assessed in the 2006 Annual Evaluation Review.13 Their influence was evident in (i) the sector priorities for ADB’s operations under the new model for selectivity and focus set out in the second medium-term strategy, (ii) ADB Management’s agreement to implement an action program to improve portfolio performance in response to the DEC’s recommendation following its discussion of the 2005 Annual Report on Loan and Technical Assistance Portfolio Performance,14 and (iii) changes in new country strategies and programs directly related to lessons and recommendations from previous country assistance program evaluations.15

Through its oversight of OED, the DEC is now helping to ensure that actions are taken on lessons and recommendations that it considers to be of high priority and that ADB’s Management has accepted. In its annual report to the Board in 2005, the DEC included a specific, candid assessment of the system for taking actions. The DEC considered that there was room for ADB to become a full-fledged learning organization using evaluation results more

10 The ECG was established by the heads of evaluation of the multilateral development banks in 1996 to (i) strengthen the use of evaluation for greater effectiveness and accountability, (ii) share lessons from evaluations and contribute to their dissemination, (iii) harmonize performance indicators and evaluation methodologies and approaches, (iv) enhance evaluation professionalism and collaborate with the heads of evaluation units of bilateral and multilateral development organizations, and (v) facilitate the involvement of borrowing member countries in evaluation and build their evaluation capacity.
12 Available: www.adb.org/evaluation/work_prog.asp
The New Modus Operandi

systematically. The DEC reported on actions taken by OED and by ADB’s Management on its recommendations:

(i) Traditionally, the intended end-users were consulted during and near the completion of an evaluation. Nowadays, OED reviews the scope and methodology with the main stakeholders, particularly ADB’s operations departments, before starting.

(ii) OED has introduced the new step of discussing draft findings and recommendations from evaluation with ADB’s operations departments and, in the case of country assistance program evaluations, with the government before the evaluations are finalized. The objectives are to ensure that those who will be responsible for implementing the recommendations understand them, to find out which are acceptable and feasible, and to build early commitment.

(iii) The actions that ADB’s Management commits to in its formal responses to evaluation reports have generally been more specific and time bound.

To improve consistency and quality, guidelines for the evaluation of public sector projects, program loans, TA, and country assistance programs were issued in 2005. Guidelines for evaluating private sector operations were completed in 2007. The new modus operandi has brought institutional advantages, but it also raises the question of how OED itself should be evaluated. To address this issue, the ECG has begun to examine the feasibility of establishing a peer review process of the evaluation function in its members.

16 Available: www.adb.org/evaluation/methods.asp
Evaluating Operations Performance

There is a long feedback loop from approval to completion of an operation, when development results can be assessed. It takes 7 years or more to implement projects or programs after Board approval and for completion and evaluation reports to be prepared. Thus, virtually all projects or programs that were approved in the mid-1990s were in various stages of implementation at the turn of the millennium. Indeed, many are still under implementation. The completion and evaluation reports for most of the projects and programs approved in the 1990s were prepared between 2000 and 2005. Analysis of project success was undertaken based on the year of approval. Figure 1 shows that the success rates of Asian Development Fund (ADF)-funded projects approved before the 1990s tended to be considerably lower than those funded by ordinary capital resources (OCR), and average ADF ratings were much more volatile. In the 1990s, however, the OCR and ADF ratings converged, and both improved. Given the development challenges faced by ADF-eligible countries, this is a positive finding. The long-term trend of the ratings suggests that the design and implementation of ADB-assisted projects have progressively improved, whether funded by OCR or by ADF. This indicates successful, gradual institutional learning from lessons of past operations. This improvement in project outcomes needs to be continuously monitored to ensure that the trend is sustainable.

ADF is a special fund, consisting mainly of contributions mobilized under periodic replenishments from ADB’s members and reflows from ADF loan repayments, designed to provide loans on concessional terms and grants to DMCs with low incomes per capita and limited debt-repayment capacity. OCR funds are raised from three sources: (i) borrowings from private placements and capital markets, (ii) paid-in capital provided by shareholders, and (iii) accumulated retained income (reserves). OCR funds are made available at floating market-based lending rates.
While project performance has varied significantly across countries, it has not varied significantly by country classification (i.e., degree of eligibility for ADF funding). The analysis by country classification in Table 1 demonstrates improvement from the 1970s to the 1990s across all country groupings, though patterns of progress differ. By the 1990s, the success rate of each group with access to ADF had gradually increased, and countries in Group A (with the exception of Nepal) were performing better than those in Groups B1 and B2.

The averages by classification mask important country differences. Within all groups, there are outliers in both directions. The country variation holds true for source of funding. For some OCR borrowers, projects are more likely to be successful than in ADF-eligible countries, but ADB’s portfolios perform better in some countries that have access to ADF than in some OCR borrowers. In Group B2, the People’s Republic of China stood out as one of ADB’s best-performing portfolios, achieving an 82% success rate in the 1990s. In contrast, Papua New Guinea had a 22% success rate in the 1990s, the weakest portfolio performance in ADB. In Group B1, the success rates of the portfolios in Bangladesh (84%) and Viet Nam (91%) significantly exceeded both group and ADB averages for projects

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Since 1977, ADB has had a three-tier classification system that forms the basis for determining the eligibility of DMCs to borrow from ADF and for applicable limits on ADB financing of project costs. DMCs are classified into three groups based on two criteria: (i) per capita gross national product, and (ii) debt repayment capacity. Group-A DMCs are fully eligible for ADF, Group-B DMCs (“blend” economies) are eligible for limited amounts of ADF in particular circumstances, and Group-C DMCs are not eligible for ADF financing.
approved in the 1990s. In contrast, only 57% of projects approved for Pakistan in the 1990s were rated as successful. In Group A, the portfolio success rates of Bhutan, Cambodia, Kyrgyz Republic, Lao People’s Democratic Republic, Maldives, Mongolia, and Solomon Islands exceeded Group A and ADB averages in the 1990s. On the other hand, the success rates for Kiribati, Nepal, Samoa, and Vanuatu were below average for countries in Group A.

There is a school of thought that country ownership, which is a key factor for project success, increases with a country’s share of the financing of a project. This hypothesis was tested by comparing project success rates with the percentage of project costs financed by the executing agency after controlling for sector differences. No significant statistical relationship was found, nor was there any clear pattern to suggest that project success improved with the share of government financing. Since the likelihood of project success is not compromised as the share of ADB funding increases, it is reasonable for ADB to

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<td>58</td>
</tr>
</tbody>
</table>

ADF = Asian Development Fund, DFI = development finance institution, OCR = ordinary capital resources.
Source: OED.
Evaluating Operations Performance

Box 3: Republic of Korea Financial Sector Program and Institutional Strengthening of the Financial Sector Project*  

**Highly Successful**

By 1996, the Republic of Korea had become the world's 11th largest economy. Many industrial conglomerates had grown rapidly on borrowed capital and were highly leveraged. Interlocking relationships between the corporate and finance sectors, and the accommodative role of government, meant that many financial institutions did not operate within prudent, market-driven norms. In mid-1997, the currencies, stock markets, and other asset prices in Southeast and East Asian economies, including the Republic of Korea, depreciated rapidly, causing panic among investors and financial institutions. Several smaller conglomerates in the country declared bankruptcy but were not bailed out by the Government, which had been the practice in the past. Confidence in the Republic of Korea's finance sector eroded. Demands were made for the repayment of foreign exchange loans, and a foreign exchange crisis was imminent. The Government approached the international community for emergency assistance. As part of the package, the Asian Development Bank provided a $4 billion program loan aimed at restructuring the entire finance sector. This was the bank's largest loan ever, and it was processed in record time.

Evaluation found that the program had a very high level of government ownership of the intended reforms. It had addressed fundamental structural weaknesses in the finance sector. The coverage of the reforms and their sequencing had been appropriate. The reforms facilitated the elimination of nonviable institutions, opened the sector to competition, and improved the regulatory framework and market oversight. Finance sector indicators improved rapidly in 1998, and the finance sector is now healthier and less vulnerable to external shocks.


Box 4: People's Republic of China Anhui Environmental Improvement Project for Municipal Wastewater Treatment and Industrial Pollution Abatement*

**Successful**

Rapid economic growth in Anhui province in the 1990s resulted in increases in nutrients and pollutants entering Chao Lake with concomitant algal blooms, fish kill, and pollution of the water supply of Hefei and Chaohu cities. The project was the first major initiative of a massive cleanup campaign. It aimed to improve the water quality in Chao Lake and reduce wastewater, air, and solid waste pollution in Hefei and Chaohu. It had six subprojects: two treatment facilities for Hefei and Chaohu, and industrial pollution abatement for four top industrial polluters in Anhui.

The project was implemented as envisaged, although there were some cost savings and a delay in implementation. Implementation of project components varied, ranging from excellent to less than satisfactory. The two wastewater treatment plants improved the environment by treating about 310,000 cubic meters of polluted water per day. The wastewater treatment ratios of these
two plants are among the highest in the country. The four industrial pollution abatement subprojects improved the quality of products; reduced air, water, and solid waste pollution discharges; and reduced resource inputs by improving production efficiency.

The project was relevant and effectively and efficiently helped to address pollution in Chao Lake, targeted as a top priority for environmental cleanup by both Anhui and the State Council. The recalculated economic internal rate of return was 16.4% and the recalculated financial internal rate of return was 8.4% (higher than the cost of capital). With some exceptions, the subprojects were generally well maintained, but the poor financial performance of some enterprises may adversely affect the sustainability of some. Despite their satisfactory financial internal rates of return, the project is assessed as less likely to be sustainable (without the Government’s coverage of debt). The project has achieved significant impacts on institutional strengthening of environmental management and on the operation and maintenance of wastewater treatment facilities.

The two associated advisory TA operations achieved significant results. Training courses were conducted for operators of municipal and industrial wastewater treatment facilities throughout Anhui in environmental monitoring, operation, maintenance, and management of such facilities. A permanent training center was established using the training manuals and equipment provided under the TA. A long-term integrated environmental management plan was formulated to improve water and air quality and solid waste management in the Chao Lake basin. The outputs of the TA were highly relevant, timely, and instrumental for the formulation of the Chaohu Environmental Improvement Plan, approved by the State Council, and included in Anhui’s 10th Five-Year Plan. More than 80% of the investment projects recommended to improve environmental quality in the Chao Lake basin have either been, or are being, constructed.


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Box 5: Indonesia Health and Nutrition and Social Protection Sector Development Programs

Successful

A sector development program is a combination of investment (a project) and policy-based (a program) components designed to meet sector needs in a comprehensive and integrated way. In 2006, OED evaluated the sector development programs for health and nutrition and for social protection in Indonesia. These were OED’s first evaluations of that lending modality. Both programs were designed and implemented in response to the 1997 financial and economic crisis that undermined social well-being in Indonesia by increasing unemployment, reducing family incomes, and raising prices of necessities. As a result, there was a substantial increase in the number of people living in poverty and a reversal of social development progress achieved over the preceding two decades. The Government’s limited budget constrained the delivery of essential and basic services, preventing people—especially the poor and vulnerable groups—from accessing quality health care and educating their children.
The health and nutrition sector development program aimed to secure for the poor access to essential health, nutrition, and family planning services; maintain the nutritional status of vulnerable groups; and reduce the incidence and impacts of communicable diseases associated with poverty and malnutrition. It supported fundamental reforms through the development of pro-poor health policies, structures, and systems. The project was designed to improve and maintain the health and nutrition of the population and secure continued access to essential health, nutrition, and family planning services. The program helped the government institute policy reforms. The project produced most of the expected outputs. Project interventions largely reached the intended beneficiaries. These included (i) health card distribution to the poor; (ii) revitalization of community-based health posts that provide prevention and promotive health, nutrition, and family planning services, and community volunteers; and (iii) provision of maternal care, family planning, and immunization services. However, complementary and supplementary feeding for infants, children, and pregnant women with high caloric deficiency, as well as assistance for schoolchildren, reached fewer than expected. Key health indicators suggest that the general health and nutrition status of the population, including family planning practice, improved. Maternal deaths were contained by promoting prenatal care, increasing the number of deliveries attended by professionals, and enhancing the referral system for high-risk cases. The health of infants and children was improved by intensifying outreach by paraprofessionals and ensuring support for immunization programs. A pro-poor-based planning and resource allocation system was established. Furthermore, mechanisms were put in place to minimize misuse of resources and to resolve complaints.

The purpose of the sector development program for social protection was to reduce impoverishment while introducing sector reforms to strengthen social services delivery in anticipation of decentralization. The program loan provided support to government policies aimed at maintaining access of the poor to social services; maintaining the quality of services; continuing decentralization of social services management; and strengthening the efficiency, transparency, and accountability of management of funds in schools and health centers. The project loan aimed to maintain school enrollment and educational quality at precrisis levels through the provision of scholarships and school grants; protect the health and nutritional status of the poor, especially infants, mothers, and children; and provide scholarships and supplementary feeding to street children. Overall, the program succeeded in achieving its objectives. Achievements in education surpassed expected outputs. The nutrition component, due to its complexity, was less successful. Enrollment ratios were either maintained or rose. The block grants to primary schools prevented them from refusing children who could not pay. Life expectancy rose and infant mortality declined during the period of loan activity. The program was highly relevant in mitigating the impact of the crisis on the most vulnerable members of Indonesian society in terms of their access to basic social services in education, health, family planning, and nutrition. The education components generated additional funding from the World Bank and the Government, which enhanced the success of the program. The policy actions supported numerous novel interventions, including (i) allocating central government funding to local government based on the poverty index, (ii) decentralizing decision making, (iii) providing block grants to education and health service providers, (iv) making direct transfers to final beneficiaries through the post office to increase efficiency and reduce leakage, and (v) establishing independent monitoring of effectiveness of the program and accuracy of funds transfer. Although the central monitoring unit demonstrated the value of independent monitoring, this component was not sustainable after donor funding ceased.

Box 6: Pakistan Livestock Development Project¹

Unsuccessful

Millions of rural poor in Pakistan depend on livestock for their livelihood. The project sought to address problems related to weak extension services, animal health and breeding, and limited feed sources during the summer. It aimed to establish a policy and institutional framework to encourage private investment in livestock, increase production and by-product utilization, and increase rural employment and incomes. Components were (i) strengthening the Federal Livestock Division and provincial livestock departments, (ii) establishing extension services, (iii) breed improvement, (iv) improving animal health services, (v) slaughterhouse improvement, and (vi) capacity building through local and overseas training and consultancies.

Considerable resistance was encountered in reorienting the traditional extension services to a more bottom-up, production-based system. Rivalry among provincial agencies had a negative impact on project coordination. While the appointment and training of extension staff were partly effective, benefits were limited. Breeding activities were partly successful. A major accomplishment was the privatization of veterinary services, but slaughterhouse initiatives were a failure. The training component was extensive and successful, but consultants’ inputs were often poorly coordinated. At the time of evaluation, the only project-supported initiatives still operating were those that involved the private sector or where beneficiaries were charged for services. Economic reevaluation resulted in an almost negative economic internal rate of return, an unsatisfactory project outcome. Extension activities were unsustainable.


address the greater fiscal constraints faced by lower income countries by increasing the allowable financing limit.

Project performance varied more significantly by sector than by country category. The likelihood of project success by sector is depicted in Table 2. The findings indicate that both OCR- and ADF-funded projects generally perform similarly in the same sectors, with certain important exceptions. The ratings of ADF-funded projects eventually converged with those of OCR-funded projects across sectors from 1970 to 1997.

ADB’s experience has been best in the transport/communications and energy sectors, with project success rates reaching 87% for both in the 1990s; the success rates are high for both ADF- and OCR-funded projects. In the transport sector, road projects have dominated the portfolio for both sources of funding. Project success has also been high for port, airport, and telecommunication projects, again regardless of the source of funding. The performance of the relatively small railway portfolio has been considerably weaker than that of the other transport modes. The characteristics of successful road projects are listed in the box.

Evaluations of ADB’s energy portfolio have found generally good project outcomes regardless of funding source. Power projects dominate the portfolio. Difficulties are sometimes experienced in complying with financial covenants and with ADB’s environmental and resettlement safeguard policies, particularly for hydropower projects. Nongovernment organizations (NGOs) and civil society organizations have raised concerns about the latter. Successful power projects exhibit the characteristics listed in the box.
The agriculture and natural resources sector has had poor outcomes relative to other sectors for both ADF- and OCR-funded projects. By the 1990s, project success rates were only 52% across funding sources. For ADF-funded projects, the success rate slightly exceeded the average for irrigation and rural development projects and for a small number of fertilizer plant projects. The difficulties faced in the sector were examined in 2005 in an evaluation of partly satisfactory operations in the Lao People’s Democratic Republic. Problems experienced included (i) inadequate project design, including insufficient understanding of the problems and opportunities viewed from the perspective of beneficiaries; (ii) no clear distinction between addressing the needs of subsistence farmers and options for commercialization of agriculture; (iii) project complexity; (iv) weak institutions; (v) shortfalls in operation and maintenance; (vi) marketing impediments confronting farmers and agribusinesses; and (vii) adverse impact of external factors (e.g., declining farmgate prices through much of the 1980s and 1990s). These problems are pervasive throughout the agriculture sector in both OCR- and ADF-funded projects. Nevertheless, since the livelihoods of about 80% of the population in the region depend directly or indirectly on agriculture, the sector remains important for virtually all countries. Some ADB irrigation and drainage projects have achieved good results. When successful, such projects bring significant gains to the beneficiaries. For irrigation projects, the key success factors were (i) an enabling policy environment; (ii) involvement of stakeholders and beneficiaries during all project phases, particularly operation and maintenance; (iii) participatory techniques to develop a sound understanding of the roles and responsibilities of farmers and water user

**Box 7: Characteristics of Successful Road Projects**

- Adequate levels of traffic use the completed roads; traffic growth is associated with economic growth.
- Vehicle operating costs and journey times were reduced and transport services improved.
- Continuity of ADB’s engagement in a country’s road sector and of ADB staff involvement had a positive influence on ADB’s contribution to project success. Reform initiatives were often pursued through a dialogue spanning several lending and TA operations, sometimes covering a decade.
- Good quality at entry covered the quality of the project preparatory TA, the project design, and the incorporation of lessons learned from previous projects.
- Strong government ownership was evident when ADB supported parts of a major highway investment plan that featured prominently in the medium-term investment plan of the DMC.
- Executing agencies performed well, were sometimes supported by supervision consultants, and often had a track record of having previously handled similar projects.
- Executing agencies, consultants, contractors, and ADB staff worked together to solve problems and handle unforeseen circumstances that developed during implementation.
- Supervision consultants and contractors performed satisfactorily.
- Regular ADB supervision missions were a consistent feature of successful projects, particularly during the first 2–3 years after loan approval, when most problems arise and ADB missions can be of most help.
- Adequate maintenance is essential for project success and sustainability.
Box 8: Characteristics of Successful Power Projects

- Because of the large deficiencies in the supply of energy, demand was not a problem, and benefits were immediate once the projects were completed.
- Increased electricity supply facilitated economic growth and contributed to a better quality of life.
- ADB evidenced a long-term commitment to working in the power sector.
- The plant and equipment were fully utilized and correctly operated and maintained.
- Financial policy dialogue and tariff reform helped to ensure sufficient funding for investment, operation, and maintenance.
- The project management team in the executing agency showed commitment, quality, and experience; familiarity with ADB’s loan requirements; and an ability to learn from previous projects.
- There was continuity of the executing agency’s staff and the consultants employed to assist with implementation.
- There was early recognition of problems during implementation and a flexible approach by both ADB and the executing agency to solve problems.
- ADB support contributed to strengthening institutions.
- ADB’s contributions to successful outcomes included a careful assessment of the capabilities of the executing agency, a flexible approach to project design and implementation, and regular project review.

Box 9: Characteristics of Successful Irrigation and Drainage Projects

- Elements of an enabling environment that allowed farmers to supply the demand for their produce included (i) a policy and institutional framework that promotes sound water resource management; (ii) a legal framework for water user associations that promotes cost recovery at least sufficient to finance sustainable operation and maintenance; (iii) rural infrastructure (e.g., roads that allow farmers to market their products, and farm inputs to be delivered when they are needed); (iv) efficient markets that are free of price distortions and barriers to competition for both farm products and agricultural inputs; and (v) access to information on demand, prices, and technology.
- Long-term ADB involvement in the sector and building up effective partnerships with executing agencies over a decade or more contribute to project success, policy reform, and the development of institutional capacity.
- Indicators of project ownership by executing agencies include (i) establishing site-based project offices, (ii) well-qualified staff, (iii) selecting executing agency personnel involved in earlier projects, and (iv) financing a considerable share of project cost.
- Good quality at entry reflected the quality of the feasibility study and project design, incorporation of lessons from prior projects, and the level of stakeholder participation.
- Direct stakeholders and beneficiaries were involved in all project phases, particularly operation and maintenance. Participatory techniques were used to develop a sound understanding of

continued on next page
the roles and responsibilities of farmers and water user associations and to create a climate in which participants were willing to pay irrigation fees.

• Adequate water supply reached tail-end users, who are usually small farmers.
• Making changes in project design during implementation contributed to achieving good project outcomes.
• Effective quality control systems for civil works and internal and external audit systems were in place, even in remote areas.
• During implementation, continuous attention was paid to building the systems needed for effective operation and maintenance.
• Effective ADB project administration includes regular review missions, proactively helping to solve problems and making required approvals in a timely manner.

Box 10: Characteristics of Successful Water Supply/Wastewater Treatment Projects

• Rapid urbanization created a strong demand for the output of the projects.
• There were positive impacts on intended beneficiaries, particularly women.
• There was an ability to learn from past lessons and incorporate the lessons in project design.
• Technical innovation and a positive impact on the environment occurred.
• Proper operation and maintenance helped ensure long-run sustainability.
• The projects typically (i) were run by financially self-sustaining water supply institutions, (ii) set up water user committees, and (iii) adopted the “user pays” principle.
• A participatory approach contributed to success. Successful projects were typically formulated through extensive consultations with local government staff and the local community, including NGOs, and civil society organizations. Beneficiary participation resulted in a stronger sense of ownership and willingness to accept some responsibility for operation and maintenance and to pay higher tariffs.
• Executing agencies were committed, highly involved in project implementation, supported by institutional strengthening and training activities, and provided with counterpart funds in a timely manner.
• Consultants and contractors performed well.
• Regular ADB review missions proactively helped to solve problems.

ADF-funded projects in social infrastructure and lines of credit have been less successful than those funded by OCR. Social infrastructure includes a diverse group of subsectors (urban development, water supply and wastewater treatment, sanitation, education, and health and population). In the 1990s, 67% of the ADF-funded social infrastructure projects were rated as successful, lower than the 82% success rate for OCR-funded projects. The difference in project
outcomes by source of funding was evident in all subsectors. Among ADF-funded projects, urban development performed best (78% success rate in the 1990s), followed by education (70%), water supply and sanitation (69%), and health and population (50%).

The difficulties in achieving successful project outcomes in the social sectors were illustrated in the 2005 social sector evaluation in Pakistan. Relative to the performance of operations in most other sectors in the country, the social sector outcomes were poor. According to the evaluation, only 8% of 24 projects were rated as successful, 58% were partly successful, and 33% were unsuccessful. Although the performance of more recently approved projects was better, performance remains unsatisfactory, particularly in light of ADB’s commitment to managing for development results. Successful water supply/wastewater treatment and education projects are associated with several characteristics as listed in the boxes.

The ratings of projects in the finance sector reflect the performance of loans to government-owned development finance institutions. There are clear differences in the performance of ADF- and OCR-funded lines of credit. Only 26% of the ADF-funded lines were rated successful, while for OCR-funded lines (after excluding projects in graduated economies approved in the 1970s and 1980s) the success rate was 52%. The findings suggest that ADB should refrain from financing lines of credit in ADF countries. Generally, the strength of financial institutions, depth of the financial markets, and quality of regulation improve as countries develop. ADB’s current approach is to focus on finance sector reform rather than channeling funds through development finance institutions.

In countries blending ADF and OCR funds, the success rate of OCR-funded projects (66% overall) has been higher than that of ADF-funded projects (52%). That held for projects approved in the 1970s, 1980s, and 1990s, with no evidence of a convergence in success rates. A significant difference in sector mix provides part of the explanation. Agriculture and the

Box 11: Characteristics of Successful Education Projects

- The projects were consistent with the education strategies of DMCs.
- Borrowers made counterpart funds available as required and complied with loan covenants.
- Committed executing agencies were able to plan, manage, implement, and monitor the projects and benefited from capacity-building support. Institutional readiness is an important driver of project success.
- A series of projects and consistent ADB involvement over a long period contributed to successful outcomes, particularly when sector/subsector reforms were pursued.
- Participatory approaches were used for project design and implementation and to build alliances and shared ownership by engaging with a broad range of stakeholders.
- Basic and secondary education projects are generally not able to recover costs, so adequate budgetary support is essential for project sustainability; technical, vocational, and higher education projects recovered some costs and generated revenues.
- There was an emphasis on cross-cutting themes, especially poverty reduction and gender concerns.
- Project facilities were well utilized and maintained.
- Consultants and contractors performed well.
- ADB supervision missions resolved implementation issues.
social sectors, which have had modest success rates, account for 79% of ADF projects in blend countries compared with 42% of OCR projects. In contrast, transport and energy, sectors with high success rates, account for 45% of OCR projects but only 18% of ADF projects.

The 2006 Annual Evaluation Review examined the characteristics of successful projects in five sectors: roads, power, water supply and sanitation, education, and irrigation and drainage. Naturally some of the characteristics noted are sector specific, but a number cut across several sectors. Some factors are dependent on the local situation, and some on the situation at ADB. Strong government ownership of a project is important. This translates into commitment and good performance of the executing agency, and provision of adequate counterpart funds for implementation and for operation and maintenance. The executing agency must be able to work together with the consultants, contractors, and ADB staff; must be familiar with ADB requirements; and must be able to learn from previous projects. For projects involving public works, the performance of supervision consultants and contractors is crucial. Continuity of ADB engagement in the country and sector, and of ADB staff involvement—ADB’s long-term commitment—is salient. Also on the ADB side, quality at entry is a recurrent theme, covering quality of project preparatory TA, participatory approaches to project design, a flexible design that allows a project to be adjusted during implementation, and the incorporation of lessons learned from previous projects. Regular supervision and project review missions from ADB were found to contribute to project success.

Program Lending. While project lending has constituted the majority of ADB’s assistance, program loans are also an important instrument and were used extensively in response to the 1997 financial and economic crisis. Program loans are disbursed relatively quickly to cover the adjustment costs of policy reforms. Program loans have been made to 31 countries, although most program lending is concentrated in a few. From 1978 to 2002, 133 program loans were approved for a combined ADF and OCR total of $18.1 billion. Of these, 92 have been evaluated: 48% were rated successful, 49% partly successful, and 3% unsuccessful. Most of the program loans approved after 2002 are still being implemented and have not been evaluated.

The trend in program ratings, by year of approval, is depicted in Figure 2. The success rates were unacceptably low for program loans approved through 1991, particularly regarding those approved from 1989 to 1991, when none of the 15 programs was rated successful. However, the success rate improved for programs approved after 1991, reflecting the positive effect of initiatives to improve quality, greater experience with the use of a policy-based lending modality, and revision of ADB’s program lending policies in 1996.

Program loans are a more common lending modality in ADF countries than in OCR countries. Nearly 75% of program loans rated (68 of 92) were ADF funded. This is not surprising, as the need for policy and institutional reform is greatest in countries that are eligible to borrow from ADF. The analysis confirms that country factors, such as economic performance, development priorities, quality of governance, and strength of institutions, contribute to the success rates of programs. In all, 67% of the OCR-funded programs have been rated successful compared with 41% of ADF-funded programs. These results highlight the difficulty of formulating successful program loans in ADF countries.

19 Ten of these were in the agriculture and natural resources sector, two in the finance sector (both were the first to the country), one in the transport and communications sector (the first in the sector), one in the energy sector (the first in the sector), and one in the industry sector.
Program lending has been most commonly used in the agriculture/natural resources and finance sectors and has rarely been used in the transport/communications and energy sectors. However, the sector distribution has changed significantly. More than 75% of the 78 program loans approved since 1996 have been concentrated in three sectors: law/economic management/
public policy, finance, and multisector. The success ratings by sector and source of funding presented in Table 3 are difficult to compare because of the small numbers of OCR-funded program loans in most sectors. Most agriculture, industry, and social infrastructure program loans were in ADF-eligible countries, and there was no OCR-funded transport program loan. On average, ADF-funded agriculture programs performed poorly (worse than agriculture projects), with a low success rate of 30%; however, from 1995 onward, significant improvements were achieved. The finance sector is the one sector that had a comparable number of program loans funded by OCR and ADF. In this sector, the success rate for ADF-funded program loans (53%) was significantly lower than for those funded through OCR (90%). The disappointing performance of some program lending has been attributed to (i) the absence of government commitment to the principles and concepts underlying the reforms, (ii) the lack of a comprehensive sector analysis prior to the formulation of the policy reform package, (iii) a lack of clarity in program objectives and policy measures and their interrelationships, (iv) inadequate capacity of the executing agencies to carry out the required studies and monitoring, and (v) unsustainable policy reforms. Sometimes, the reform agenda was overoptimistic about what could be achieved during the time frame of the program. Delays in tranche releases were common.

The 2006 Annual Evaluation Review also reported on two themes that are consistent with the commitments made by ADB to ADF donors: (i) relating staff incentives to achieving development results; and (ii) factors contributing to project quality, including governance.

Relating Staff Incentives to Achieving Development Results. The 2006 Annual Evaluation Review was the first systematic attempt at ADB to examine staff accountability for project success. It confirmed that ADB’s current formal and informal incentives reward loan processing and approval, with insufficient focus on project administration, project success, or achieving medium-term results. Adjusting ADB’s incentive systems to encourage more focus on project results and success is consistent with commitments made in both the 2004 human resources strategy and the second medium-term strategy. The question is not whether to change the systems, but how to do it.

The present staff performance evaluation system needs to be complemented by a chain of accountability for achieving development results that begins at the top with ADB’s Management and senior staff and cascades down to all staff. Incentives need to be fully aligned with accountability throughout the chain. The 2006 Annual Evaluation Review recommended that ADB explore the feasibility of providing stronger incentives for staff to focus on project quality at entry and on project administration and supervision. Initial work could include an assessment of best practices in comparable institutions and developing indicators for measuring the achievement of development results. ADB’s Management agreed to examine the feasibility of this approach.

Factors Contributing to Project Quality, including Governance. Good governance and the control of corruption have become important parts of the international development agenda. However, the 2006 Annual Evaluation Review concluded that the relationship between governance and development effectiveness is complex and not straightforward. There are many definitions of governance, and there are many measurement problems that make data less than fully reliable. Analysis of the relationship between measures of governance and macroeconomic indicators suggests the following:

- The Asia and Pacific region is the fastest-growing economic region in the world, but governance is weak in many countries according to standard governance indicators.
• Although there is a strong, positive relationship between the level of economic development and governance variables when a worldwide database is used, the relationships are much weaker if only countries in which the per capita gross domestic product is lower than $5,000 are analyzed.
• No significant relationship can be found between good governance and the rate of economic growth from 1996 to 2004. Some countries in the region with relatively good governance had lower growth rates than countries with lower governance ratings.

The analysis of projects approved in the 1990s suggests evidence of a relationship between some of the dimensions of governance and good project outcomes; however, it is not clear how strong or robust the relationships are. Other factors are also important, perhaps more so than governance, in determining project success (e.g., sector, country characteristics, macroeconomic climate, country ownership, capacity of the executing agency). The relationships between good governance at the macro level and project success may be somewhat weaker than is conventionally assumed. It may be that governance issues at the sector level have a more direct bearing on project success.

Subsequent to ninth replenishment of ADF, ADB harmonized its performance-based allocation procedures with those of the World Bank. ADB’s 2004 performance-based allocation policy for ADF resources increased the weight given to governance in measuring country performance from 30% to 50%, although this is still lower than the 66% assigned in the World Bank’s formula. There was, however, no analysis undertaken by ADB that demonstrated that good governance is the key binding constraint for development in all DMCs and that it merits such a high weight in the performance-based allocation formula. ADB has not undertaken a rigorous study that links good governance, as a causal factor, to economic growth, poverty reduction, development results, portfolio performance, or project success.

The 2006 Annual Evaluation Review recommended that ADB undertake such a study. Depending on the results, consideration may have to be given to including sectoral governance variables in the formula or to reducing the weight for governance in the performance-based allocation formula. Benchmarking a country’s governance performance and then rewarding progress in improving governance would be more consistent with managing for development results than making major decisions on ADF allocations based on the governance score in any one year. Steps also need to be taken to improve the consistency of what is meant by governance in ADB’s various governance-related policies and country governance assessments. Reducing the weight might be perceived as sending the wrong message, given that ADB has recently adopted the second medium-term strategy, which places priority on good governance and controlling corruption. However, this must be balanced against the potential harm that may be caused to DMCs whose ADF allocation is reduced because of a score on a variable that is difficult to define, measure, and compare over time and across countries.

Clearly, good governance and efforts to control corruption are important. The issues identified by the review relate to a lack of clarity of definition, difficulties of measurement, a lack of rigorous analysis of the subject at ADB, and questions about whether governance is the most important binding constraint to development in all countries. These issues are important, because in the performance-based allocation formula, ADB purports to be able to accurately define and measure governance on a numeric scale and uses the results to allocate more or less ADF funding to DMCs.
**Technical Assistance.** OED maintains a database of evaluation findings from TA performance evaluation reports and project/program performance evaluation reports for TA associated with projects/programs. The ratings included in Table 4, dated 2007, are significantly below the 70% success rate that reflects satisfactory outcomes. Overall, 63% of TA operations evaluated in TA performance evaluation reports were rated as being at least successful, and 48% of activities evaluated in project/program performance evaluation reports were rated as successful. The percentage of activities rated as successful in TA and project/program performance evaluation reports has been fairly static over time. For TA activities approved in the 1980s, the portion rated as successful was 44%; it was 58% from 1990 to 1994, 59% from 1995 to 1999, and 60% from 2000 to 2007. There is thus no trend toward more successful TA outcomes over the past 15 years. ADB’s Management needs to develop specific actions to address strategic and management issues concerning TA activities.20

Table 4: Assessment of Technical Assistance Performance

<table>
<thead>
<tr>
<th>Source</th>
<th>Number of Technical Assistance Operations</th>
<th>% Successful</th>
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</thead>
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<tr>
<td>Technical Assistance Special Evaluation Studies</td>
<td>110</td>
<td>72</td>
</tr>
<tr>
<td>Country/Sector Assistance Program Evaluations</td>
<td>113</td>
<td>71</td>
</tr>
<tr>
<td>Technical Assistance Performance Evaluation Reports</td>
<td>185</td>
<td>63</td>
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<tr>
<td>Project/Program Performance Evaluation Reports</td>
<td>143</td>
<td>48</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>551</strong></td>
<td><strong>63</strong></td>
</tr>
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</table>

Source: OED.

Directions in Evaluation

The new modus operandi for OED that took effect in 2004 has implications for its performance. The structural changes place more emphasis on OED’s developmental role and make development impact a more explicit consideration for operational decisions. In a changing context, OED has focused its 3-year rolling work program on priority areas, has moved to capture synergies between OED and ADB’s operations departments, and has begun to select evaluation topics in a way that should ensure higher effectiveness and impact.

Assigning Resources. Fewer project or program performance evaluation reports are in OED’s forward work program. Efforts are made to select evaluation topics that are of strategic relevance to ADB and DMCs. There are changes, too, in the way that OED assigns staff to evaluation studies. In the past, OED specialists worked individually on separate evaluations, supported by consultants and national officers. Today, two or more evaluation specialists work together on one evaluation. This is expected to deepen the analysis.

Harmonizing Evaluation Standards. The ECG was chaired by the director general of OED in 2005–2006 and, in October 2005, the group met for the first time at ADB’s headquarters. The ECG has developed good-practice standards for various types of evaluations and undertakes benchmarking studies to assess how each member applies them. Standards have been completed for public and private sector project lending and program lending, and are being prepared for the evaluation of country strategies and TA. Two benchmarking studies have been completed for private sector project lending, and one is under way for public sector project lending. ADB took the lead in developing the standards for evaluating policy-based lending and is leading ongoing work to develop standards for country assistance program evaluations.

The ECG is examining the feasibility of developing a robust peer review of evaluation functions in the multilateral development banks that will address issues such as (i) the independence of the evaluation office and the role of Management and Board of Directors, (ii) the selection of evaluation topics, (iii) adherence to good-practice standards, (iv) the quality of evaluation reports, (v) use of lessons and recommendations, and (vi) staffing and budgets. The group has appointed ADB to a task force to develop the peer review methodology.

21 As the institution and its clients mature, concern shifts from individual operations to the selection of forms of interventions, and higher-level evaluation efforts contribute to this kind of strategic thinking.
In 2007–2009, OED will (i) undertake fewer evaluations of individual operations but validate ratings in all project or program completion reports; (ii) increase the number of broad evaluations, such as corporate and policy evaluations, country and sector assistance evaluations, thematic evaluations, and impact evaluations; (iii) improve the evaluative content of the Annual Evaluation Review and Annual Report on Loan and Technical Assistance Portfolio Performance; (iv) prepare or revise evaluation guidelines; (v) sequence evaluations so that those done early in the 3-year rolling work program feed those planned for the later years; and (vi) promote knowledge management, including dissemination of findings and recommendations in accessible and digestible ways.


### Evaluating Country/Sector Assistance Programs

Because country and sector assistance program evaluations are having an impact on the formulation of the subsequent country partnership strategies, these evaluations will receive priority in allocating OED staff resources. The DEC strengthened feedback between evaluation findings and formulation of country strategies by requiring country assistance program evaluations for major countries to be prepared and discussed by the DEC before a new country partnership strategy is completed. A new appendix has been added to the document template for country partnership strategies to indicate how the strategy addresses the country assistance program evaluation and the DEC’s recommendations. A new product, the country assistance program evaluation update, will be introduced because (i) completion reports for country partnership strategies are being prepared, which will provide a better basis for preparation of country assistance program evaluations; (ii) some country portfolios are relatively small, and do not merit the depth of analysis undertaken in past country assistance program evaluations; and (iii) OED will undertake second country assistance program evaluations for an increasing number of countries.

### Jointly Evaluating Country/Sector Assistance Programs

The Evaluation Network of the Development Assistance Committee of the Organisation for Economic Co-operation and Development has identified the evaluation of total official development assistance flows to a country as an important topic that has not been addressed by evaluators. Besides the ECG, and as part of the international harmonization agenda, there is increasing interest in undertaking joint evaluations for greater consensus and usefulness of results. The Joint Evaluation of Global Environment Facility Projects of 2005–2006 was OED’s first involvement in such an evaluation. In 2007, work will begin on a joint country assistance program evaluation in Bangladesh in partnership with the World Bank, the Department for International Development of the United Kingdom, and the Japan Bank for International Cooperation. This evaluation is expected to be finished in 2009.

### Validating Country Partnership Strategy Completion Reports

ADB is beginning to produce country partnership strategy completion reports. OED will pilot a new evaluation product in 2007 in the Maldives, the country strategy completion report validation, primarily for countries with small portfolios for which production of a full country assistance program evaluation would not be an efficient use of resources.
Validating Project/Program Completion Reports. OED will change the way that individual projects/programs are selected for evaluation. The strategic objective is for the quality of completion reports to be sufficient to rely on this self-evaluation. Efforts to improve the quality of completion reports appear to have removed the upward bias of ratings at completion. The changes include the following: (i) moving away from the 25% random selection of projects and programs for which evaluation reports are prepared to a smaller, purposeful sample of 10 per year; (ii) OED would validate, based on a desk review, all ratings (with the validation assessment to be attached to the completion report) rather than commenting on draft completion reports—much of this work will be outsourced using funds that were previously spent on staff consultants for preparation of evaluation reports; and (iii) reporting success based on the combined completion and evaluation ratings as has been done in the more recent issues of Annual Evaluation Reviews. The projects and programs for evaluation will not be randomly selected. Selection triggers will include dispute over a rating, by OED or external stakeholders, and special interest.

Evaluating Impact. OED agrees with the general conclusions of the debate in the international evaluation community (IEC) about impact evaluations: (i) more rigorous impact evaluations are desirable; (ii) the methodology will be determined by issues related to data availability, time, and resources; and (iii) impact evaluations will be undertaken selectively, largely in the social sectors. OED is undertaking its first rigorous impact evaluation on microcredit in the Philippines as part of an evaluation study on the effectiveness of ADB’s microcredit operations. This will be completed in 2007. One impact evaluation is programmed per year.

Developing Evaluation Capacity. Evaluation capacity development is part of OED’s mandate. As of January 2007, OED had formulated 15 TA operations to this intent for a total amount of $4.35 million in Bangladesh, the People’s Republic of China, Nepal, Papua New Guinea, Philippines, Sri Lanka, and Thailand. Three phases can be distinguished in this assistance:

- Phase 1: TA focused on building a postevaluation capacity within a central agency and providing the means for disseminating postevaluation findings for decision making.
- Phase 2: TA aimed at establishing ADB’s project performance management system in central and sector agencies.
- Phase 3: TA aimed at building more generic results in monitoring and evaluation capability.

In the future, OED expects to work with evaluation units in DMCs to provide on-the-job evaluation experience and knowledge transfer, building on lessons learned from the evaluation of the 15 TA operations, not all of which were successful.

Promoting Portfolio Performance. OED began to provide real-time feedback on portfolio performance in 2001. The 2005 Annual Report on Loan and Technical Assistance Portfolio Performance highlighted serious and fundamental corporate issues. At the DEC’s recommendation, ADB’s Management prepared an action plan to address these issues.

Evaluating Business Processes. In connection with ADB’s reorganization of 2002, a working group on business process change was appointed in 2001 to review country strategies and programs and subregional cooperation strategies and programs; public sector loans (including project preparatory TA operations), private sector loans, and nonlending products and services (including advisory TA operations); and portfolio management. In addition to its reporting on portfolio performance, OED has included business process-related evaluation studies in its work program. Forthcoming evaluation studies will examine, for instance, the effectiveness of ADB’s loan processing system, its approaches to policy dialogue and reforms, and the quality of the design and monitoring framework.
Box 13: Developing Evaluation Capacity in Developing Member Countries

- Stability of trained staff, high-level support, and the existence of a mandate for evaluation by decree are factors that contribute to success.
- More thorough preparation of future TA operations should ensure high-level ownership and commitment, and participation of key stakeholders in formulation and design.
- If the conditions for public sector capacity building are not met, an assessment must determine whether the systemic or underlying problems should be addressed first.
- Building DMC capacity requires a holistic approach, considering the needs at all levels.
- The location of responsibility for evaluation within organizational hierarchies is also important.
- During design and implementation of TA operations, care must be taken that performance evaluation systems do not become supply driven, complex, or too resource intensive to sustain.
- Establishing performance evaluation systems is a means to an end—benefits are obtained when the results are used in decision making. The design of TA should include specific features to encourage, facilitate, and formalize the incorporation of evaluation results in decision making.
- A case study approach is needed to develop staff competency and confidence to carry out evaluation.
- For larger TA operations, a firm or institution should be recruited, rather than individuals.
- The pace of TA should be driven by a sense of ownership and commitment in DMCs.
- The introduction of computerized information systems is not a solution to poorly performing manual systems. Various institutional, management, and social factors need to be taken into account.

Box 14: Perceptions of OED: Feedback from Members of the Board of Directors

Interviews with Board members revealed the general perception of the mission and functions of OED as to provide independent assessment with a direct link to operations. OED is seen as collegial, dedicated, and professional. While OED has generally changed with the changing focus of ADB, there is an inevitable lag as evaluation activities adjust to new organizational thrusts.

OED has been able to influence ADB’s operations at all levels by providing concrete recommendations based on solid and credible analysis. At the project/program level, the time lag between completion and evaluation is an issue, as evaluation findings can easily be dismissed as discussing the old way of doing things, while current practices may have changed. At the strategy and policy levels, the improved timing of country and sector assistance program evaluations has increased impact on the design of new country partnership strategies.

continued on next page
In its knowledge management, OED faces several interface problems. Within ADB, OED should open up channels of communications, become even more specific about actionable recommendations, and delineate accountabilities clearly. The most difficult interface is with DMCs: OED should emphasize development of evaluation capacity. In the eyes of wider clientele, such as NGOs, civil society organizations, and the general public, OED should not only be independent, but be perceived as such. It should produce concise and insightful summaries of its work that people can access and understand easily.

To help ADB improve its development effectiveness, Board members invited OED to

- develop a comprehensive annual development effectiveness report—building on the Annual Evaluation Review and Annual Report on Loan and Technical Assistance Portfolio Performance—that presents a truly serious discussion of results and holds ADB’s Management accountable for what it promised to do;
- work in ways that enhance the link between development effectiveness and resource allocation;
- generally emphasize simplicity in project/program designs;
- keep the focus of ADB on poverty reduction, both income and non-income;
- further strengthen the design and monitoring framework of projects, in particular by identifying killer assumptions and risks; and
- promote more interaction and sharing among ADB departments and offices.

Disseminating Findings and Recommendations. Although there have been improvements, ADB is not yet a learning organization in terms of actively using the lessons documented in OED reports to improve future operations. OED is developing a better system to categorize and disseminate its findings and recommendations using information technology. However, technology by itself will not solve the problem. OED is investing resources in knowledge management to distill lessons and do a better job of disseminating them within and outside ADB. New knowledge products and services are being designed, tailored to specific audiences, in forms that present results in accessible and digestible ways. Objective indicators are being developed to assess whether ADB is becoming a learning organization by using OED findings and recommendations.

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22 Audiences include the Board of Directors; Management; senior staff; staff in headquarters, resident missions, and representative offices; institutional responsibility centers in DMCs; local stakeholders; NGOs and civil society organizations; other development agencies; and umbrella organizations, such as the Development Cooperation Directorate in the Organisation for Economic Co-operation and Development and the Evaluation Network that it coordinates, the United Nations Evaluation Group, and the ECG.
Influential Evaluations

Evaluations that focus on key issues and provide usable findings and recommendations in a timely manner are a cost-effective means to improve the performance and impact of policies, strategies, programs, and projects. By challenging accepted thinking, such evaluations also contribute to improving overall development effectiveness.

Box 15: Building a Results-Based Management Framework

Results-based management involves identifying the impact of an intervention, formulating its outcome, specifying outputs and inputs, identifying performance indicators, setting targets, monitoring and reporting results, evaluating results, and using the information to improve performance. A good quality design and monitoring framework is an integral quality-at-entry results-based management tool that (i) clearly identifies key project objectives with measurable performance indicators, (ii) establishes quantified and time-bound milestones and targets for the indicators at each level of the project, and (iii) specifies the sources of data for tracking implementation progress. Lacking one or more of these elements at entry weakens a project’s design quality.

In 2003, an evaluation study on project performance management found that the quality of ADB’s design and monitoring frameworks was poor—particularly in terms of clearly documenting the impacts and outcomes that ADB is trying to achieve. In response to the findings from this evaluation, ADB’s Management developed an action plan to rectify the situation. Multiple actions were initiated to create quality assurance, mentoring, and training capability within originating departments, and these departments were given clear responsibility and accountability for quality, and quality assurance. The vice-presidents of ADB’s operations departments gave instructions that frameworks needed to be improved for loans and TA operations, and directors general and directors were also required to sign off on frameworks. Recognizing that staff skills needed to be enhanced, the action plan directed that focal points be appointed in all regional departments to promote awareness, consistency, and knowledge sharing. Greater executing agency involvement in the preparation of design frameworks was also anticipated to help develop executing agency ownership further, sharpen design quality, and build understanding that the frameworks would be used as a monitoring tool.

continued on next page
The Central Operations Services Office and OED both played important roles. The former engaged a framework specialist, formulated the project performance monitoring system, and administered the initial inputs of the specialist to draft guidelines and conduct training programs. In 2004, more than 300 staff members attended briefing sessions that OED delivered on framework quality. A video version of this briefing was released for use by resident missions and interested parties. In 2004, OED also responded, daily, to requests for help in strengthening frameworks. Nevertheless, internal quality assurance alone is unlikely to be sufficient to ensure quality. Independent checking is also needed to validate that quality assurance systems are working effectively and whether quality improvements are actually achieved. To determine whether the efforts undertaken in 2004 bore fruit, OED subsequently conducted several independent assessments of the quality of frameworks. These assessments confirmed that, prior to implementation of the action plan, the majority of design frameworks were substandard. However, after implementation of the action plan in 2004, there was a sharp reversal resulting in a statistically significant improvement whereby approximately two-thirds of project frameworks were judged to be of acceptable quality.

The 2006 Annual Report on Loan and Technical Assistance Portfolio Performance contained a special chapter on design and monitoring frameworks to once again examine their quality and to track changes. The trends in the overall quality of the frameworks prepared at the project design stage and approved each year since 2000 are illustrated below.

| Design and Monitoring Frameworks Rated Satisfactory or Better Overall |
|------------------------|-----------|-----------|-----------|-----------|
|                        | 2000 (%)  | 2002 (%)  | 2004 (%)  | 2005 (%)  |
| Loans                  | 32        | 52        | 71        | 83        |
| Advisory Technical Assistance | 19    | 6         | 35        | 64        |
| Regional Technical Assistance | 12    | 0         | 44        | 56        |

The significant improvements in design and monitoring framework quality can be plausibly attributed to action plan improvements instigated by evaluation studies. Nevertheless, despite these achievements, too many advisory and regional technical assistance frameworks remain substandard. Past evaluation studies have consistently documented the disappointing performance of ADB’s knowledge products and services. One of the contributing factors appears to be poor planning—particularly at the impact and outcome levels. It should not be surprising, therefore, that a lack of clarity in formulating higher-level project objectives is associated with poor results. OED will continue to monitor the quality of frameworks. The Central Operations Services Office has developed, published, and distributed guidelines for preparing frameworks and has continued to provide training in the understanding and use of this core results-management tool.

In a brief on managing for development results prepared for the DEC in November 2005, the Strategy and Policy Department noted that the Central Operations Services Office had set interim performance targets for framework quality. The goal was to have at least 80% of the frameworks prepared for loan projects and programs, and at least 50% of the frameworks prepared for advisory and regional TA activities rated satisfactory or better during 2005 and in subsequent years. The 2006 Annual Report on Loan and Technical Assistance Portfolio Performance shows that those targets were achieved in 2005. However, the ultimate target in the short to medium term must be to have all of the frameworks prepared during the project design phase, for all projects, rated satisfactory or better. ADB is also reaching out from headquarters. Since September 2005,
Box 15 continued

283 staff from executing agencies in 17 DMCs and 45 staff members from resident missions have attended workshops on project design and management. Ninety-five facilitators from 12 DMCs have participated in related training. Officials from 19 DMCs participated in the Third International Roundtable on Managing for Development Results held in Ha Noi, Viet Nam, in February 2007.


Box 16: Promoting Portfolio Performance

The 2006 Annual Report on Loan and Technical Assistance Portfolio Performance identified several problems: (i) a stagnation in OCR loan approvals; (ii) persistent delays in project implementation; (iii) a growing problem with year-end bunching for loan and TA approvals, as well as project, program, and TA completion reports; (iv) a steady decline in OCR project loan disbursements during the previous decade; (v) difficulty in meeting the conditions for program loan tranche releases; (vi) lending concentrated in a few DMCs; (vii) in response to falling interest rates, a few large borrowers prepaid their older and relatively expensive OCR loans; (viii) negative net resource transfers from ADB to DMCs; (ix) a fall in OCR income of 43% during 2001–2004; and (x) weaknesses in portfolio management—20% of ongoing loans and 75% of ongoing TA activities went without a review mission during 2004. The report concluded that these broad trends all supported the contention that ADB’s traditional lending products and systems no longer met many of the needs of its key clients. Unless ADB could address these issues by developing new products and procedures to meet the DMCs’ development needs, ADB would be threatened with losing relevance as the premier development institution in Asia and the Pacific.

The DEC agreed that the strategic questions raised by the report were of fundamental importance to ADB’s continued relevance to the region and that the significance of the issues was enhanced by the independence of the analysis. The DEC agreed with ADB Management that, while some of OED’s recommendations were quite sensible, taken together they were not sufficient to deal with the portfolio problems diagnosed in the report. The DEC requested ADB’s Management to prepare a comprehensive action plan to address the key strategic issues analyzed in the report.

The resulting action plan was prepared in November 2005. Among others things, it included actions designed to (i) enhance project administration efficiency; (ii) improve TA portfolio management; (iii) improve planning and timing of Board consideration of loans; (iv) improve sector selectivity; (v) strengthen project monitoring and evaluation; and (vi) increase and improve the OCR portfolio. The action plan incorporated initiatives being undertaken by ADB in its reform agenda, including the innovation and efficiency initiative, the strategy for enhancing ADB support to middle-income countries and borrowers from OCR, and managing for development results at ADB. OED will continue to monitor the implementation of the action plan.

Box 17: Improving Country Partnership Strategies

Country partnership strategies have become the key instrument to set priorities for ADB’s operations in a country. Thus, country assistance program evaluations currently have the clearest, most direct, and most systematic influence on ADB’s operations. Experience in 2005 and 2006 suggests that their influence on the formulation of new strategies has been mainstreamed. The Board does not normally discuss a country partnership strategy until after the DEC has considered the corresponding country assistance program evaluation and informed the full Board of the DEC’s views based on the findings. Lessons from country assistance program evaluations fall in 10 areas:

• Future assistance should be prioritized based on selectivity and focus, with successful ADB performance in a sector as one key criterion.
• Country partnership strategies should be results based—the lack of monitorable indicators made it difficult to evaluate past strategies.
• Success has been greatest when ADB maintains a long-term involvement in a sector and combines programs for capacity building with investment support.
• Projects and programs using relatively simple designs that are rooted in local conditions are more likely to succeed than complex interventions.
• Steps must be taken to strengthen the impact of TA used to support policy reform, capacity building, and institutional strengthening.
• ADB should deepen its relationships with broader society, as this enhances ownership and often helps to achieve better development results.
• ADB should intensify its coordination with development partners and stakeholders.
• Governance, including the need to control corruption, should be explicitly addressed in country partnership strategies, and not just as a crosscutting theme.
• The understanding of corruption and the risks that it has for ADB’s operations remains superficial in country partnership strategies.
• Failure of project designs to recognize and address institutional weaknesses in implementing agencies early on leads to weak project performance.

Examples of recent country assistance program evaluations that have influenced the subsequent country partnership strategies include those for Bhutan, Cambodia, Indonesia, Lao People’s Democratic Republic, Philippines, and Uzbekistan.
Box 18: Agriculture and Natural Resources Sector Assistance Program Evaluation in the Lao People’s Democratic Republic

OED evaluated 20 years (1986–2005) of ADB support to agriculture and natural resources development in the Lao People’s Democratic Republic in a sector assistance program evaluation covering 2 programs (totaling $50 million), 7 investment projects ($84 million), 32 advisory TA operations ($12.4 million), 11 project preparatory TA operations ($6.7 million), and 14 regional TA operations ($10.5 million) with components in the Lao People’s Democratic Republic.

In the wake of the government’s New Economic Mechanism in 1986, aimed at a transition to a market-based economy, ADB responded with broad, policy-based lending intended to reduce market distortions by liberalizing trade, rationalizing pricing practices, restructuring taxation, and separating commercial and central banking. Investment projects began in 1993 targeted at agribusiness, commercialization of smallholder agriculture, irrigation, livestock, river basins, watersheds, upland agriculture, and tree plantations.

The study found that, while individual projects had been relevant to the country’s development needs and to agriculture and natural resources issues, in the aggregate their effect had been diffused and, therefore, less effective. The country strategies for assistance to the agriculture and natural resources sector were rated partly satisfactory, being predominantly project driven. The existing country partnership strategy did not have a framework for prioritizing assistance to the sector. Neither investments nor policy-based loans had been coordinated. Thus, the evaluation study rated the overall performance of assistance as partly successful.

ADB’s portfolio management and project administration in the sector needed strengthening. Review missions were not conducted regularly, they did not cover remote areas, and appropriate expertise was not always available. While the relevance of sector assistance was important, relevance alone would not make ADB an effective institution. Greater selectivity in engagement was required.

ADB’s Management found the evaluation study timely in that it fed into the preparation of the country partnership strategy for 2007–2011. It declared the study’s conclusions generally valid, but queried what would have happened in the absence of ADB’s operations. ADB’s Management suggested that this question be asked in all subsequent sector assistance program evaluations.

After the evaluation study was released, the minister of agriculture and forestry investigated whether or not poor project performance was unique to ADB’s operations in the sector, by means of a series of government-led evaluations of external assistance in different subsectors (viz., irrigation, forestry, natural resources, crop production). These evaluations drew on the criteria and rating systems used in the OED study. This Government-led evaluation found that ADB’s operations were good in comparison with others. It also stimulated discussions in the ministry about how best to reform its public investment. One outcome was that the ministry added “expected project sustainability” to the project screening criteria for all new projects, after observing that this had been a particular problem in ADB and government-led evaluations. The OED study had a major effect by demonstrating approaches for undertaking higher level evaluations that made sense to key government officials. Other ministries, particularly health and education, are now showing interest in government-led evaluations.

ADB has safeguard policies on involuntary resettlement (1995), indigenous peoples (1998), and the environment (2002). The policies have guided formulation and implementation of ADB’s assistance programs, particularly its lending activities. Evaluation of the three safeguard policies was included in OED’s work program for 2006 at the request of the DEC. Based on its discussions of the evaluation reports, the DEC considered that the process it had recommended—to allow time for an independent evaluation to feed into ADB Management’s review of the safeguard policies—had yielded useful results. The process served to raise many of the right questions for the review. The issues identified and recommendations made addressed not only implementation of the policies but also provisions in the policies themselves. And, by its response to the evaluation studies, Management started the critical corporate-level dialogue that would lead to policy review. The DEC believes that a reasonable process of open and inclusive dialogue involving all stakeholders, particularly on issues that are not clear cut, is needed. Such a dialogue may require an iterative process exceeding ADB’s conventional consultation activities.

**Involuntary Resettlement**

The evaluation study found that the policy is relevant to project implementation and to ADB’s aim to reduce poverty. It assessed the policy as effective in terms of outcomes for affected persons. However, it found inputs, processes, and systems for policy implementation less efficient. Changing procedures and the organizational arrangements made to enforce the policy have gradually set the bar higher. More resources allocated to capacity development rather than short-term compliance may yield better long-term results. The study recommends that the planned update of the policy have a results-based framework, and that it should indicate mandatory and nonmandatory but desirable elements. ADB should decide on the level of inclusiveness of the policy, particularly regarding secondary adverse impacts of projects on people.

- ADB’s Management and the Board need to reconcile the differences between the original policy on involuntary resettlement and that currently applied.
- Whatever the nature of the policy adopted, its results-based framework should distinguish desired impacts, outcomes, outputs, activities, and inputs at both the macro (country) and micro (project) levels.
- The policy update should highlight a set of performance standards.
- The policy update should elaborate on the objective of greater reliance on country executing agency systems for land acquisition and resettlement safeguards.
- There should be clearer guidelines and procedures regarding the identification of resettlement operations needed, and compensation and assistance within resettlement operations.

The study makes recommendations regarding implementation of involuntary resettlement plans:

- Formulate a time-sequenced implementation plan to complement the policy update.
- Improve involuntary resettlement monitoring.
- Deepen involvement in building country systems and capacity for involuntary resettlement.

ADB’s Management welcomed the evaluation study, noting that both sets of recommendations should be further reviewed and considered in the context of policy update, including the consultation process. The chair’s summary of the DEC discussions advised that ADB should recast the policy in a comprehensive results framework, providing clear guidelines on the principles, degree, and approaches by which flexibility may be exercised in application.
The policy is misunderstood by ADB staff and clients. First, the distinction between indigenous peoples and ethnic minorities is not always clear, and differs somewhat between the policy and the operational procedures. Second, the policy is ambiguous about whether the definition provided by national legislation or that derived from the policy is to be followed. Third, there is overlap with the policies on involuntary resettlement and environment. The clearest adverse impacts of ADB–supported projects on indigenous peoples relate to induced environmental change, loss of land and related livelihood, and resettlement. These are also the subject of the policies on involuntary resettlement and environment and are addressed primarily in the involuntary resettlement plan and the environmental management plan. If considerations of land, livelihood, and resettlement were discounted, then the impacts that trigger the policy would be less straightforward adverse impacts related to cultural change and, perhaps, integration into the economic mainstream and/or competition with non-indigenous peoples when an area is opened up or developed. Fourth, the need to prepare indigenous peoples development plans for projects with significant benefits to indigenous peoples, and specific actions for projects with limited positive or negative impacts on them, has left unclear the nature of these plans and specific actions. In practice, an acceptable scope for a separate plan has proved difficult for ADB staff to define. Fifth, the required consultation of indigenous peoples has been expanded by operational procedures to something very close to full consent for the project. The policy offers little advice on how to define an acceptable level of consent or how to document and measure it.

The study recommends the following:

• The policy update should clarify the areas that cause misunderstanding in the policy and address the policy drift related to ADB’s Operations Manual and practice in ADB.
• ADB should set goals for the development of indigenous peoples and related strategies for some DMCs where ADB’s forward program involves considerable interaction with indigenous peoples.
• If ADB maintains a stand-alone policy, it should include a results-based framework—distinguishing desired impacts, outcomes, outputs, activities, and inputs, both at the macro (country) and micro (project) levels.
• A sequential approach to policy development and capacity building in indigenous peoples safeguards should be adopted, focusing on a few DMCs first.
• Indigenous peoples development plans should be prepared for projects having clear risks for indigenous peoples that are capable of being mitigated through project interventions.
• Conceptual work and case study work are needed to lay out the particular risks for indigenous peoples associated with different categories of investments, as there is currently a high degree of divergence in approaches to the definition of these risks.
• The policy update should describe the criteria to be used to determine whether the amount of consultation and broad community support for a project and mitigation measures are adequate and in what circumstances ADB endorses the principle of free, prior, and informed consent for the project from the side of indigenous peoples.
To complement the policy update, there is a need for a policy implementation plan that reconciles the policy aspirations with organizational, budget, and human resources implications. ADB’s Management generally appreciated the evaluation and agreed to consider the recommendations in the update of the policy.

Environment

The evaluation study found that the policy is relevant to ADB’s activities and the needs of DMCs. ADB’s involvement in projects sometimes added value by improving environmental performance at the project level. However, the value addition varied from country to country, from project to project, and in different aspects of environmental assessment. There is also evidence that the policy provided impetus to improve the environmental safeguards toward greater clarity, more emphasis on assessment of project alternatives, and improved monitoring, notwithstanding weaknesses in all these areas. On the whole, the environmental safeguard procedures governed by ADB’s Operations Manual were deemed to have been effective in avoiding significant adverse environmental impacts from ADB’s programs and projects.

However, the efficiency and sustainability of the safeguard procedures are questionable due to high transaction costs and limited benefits. The main cause of this is the uniform application of a single set of procedures to all DMCs, which is no longer an effective response to the needs of DMCs nor to the growing resource constraints faced by ADB. There would be merit in revising the policy and safeguard procedures to address the changing context in DMCs. This would likely be focused on the necessity for greater flexibility in procedures, recognition of the need for alignment with national systems, a shift to an emphasis on capacity building rather than on projects, and a change in emphasis from procedural compliance to results delivery and cost effectiveness.

The study recommends that the policy should be revised to better reflect current needs and resources within DMCs and ADB, as follows:

• Organizational effectiveness should be strengthened in relation to the reorganization of 2002, including consolidation of environmental resources within ADB.

• The quality of ADB’s environmental assessment process should be improved and transaction costs should be lowered to make the policy more cost effective. Categorization, scope, quantification, standards, and technical methodologies should be systematically reviewed and updated.

• Partnerships with NGOs and civil society organizations on environment should be improved.

• ADB should move toward adoption of improved country systems and harmonization with other development partners in selected DMCs. ADB should follow the guidance in the Paris Declaration on Aid Effectiveness on greater harmonization between funding agencies and partner countries on environmental assessment.

• An implementation plan for the revised environment policy should be prepared. ADB should develop an action plan to implement the revised policy involving an assessment of ADB’s resources at headquarters and in the field for implementing environmental safeguards.
ADB Management’s response confirmed that the evaluation study raised important issues that are relevant to policy update. Management believed that the ongoing process of policy update, including the planned consultations with a wide range of stakeholders, provides an appropriate vehicle for further examining the report and addressing the recommendations of the study. The chair’s summary of the DEC discussions notes that the study raised many of the right questions for the review; that the issues identified and recommendations made address not only implementation of the policy but also provisions in the policy itself; and that, by its response to the evaluation, ADB’s Management started the critical corporate-level dialogue that would lead to the policy review.

a Available: www.adb.org/safeguards/default.asp
Managing Knowledge

In June 2004, ADB prepared a knowledge management framework to guide its transition to a knowledge-based organization. The framework defines knowledge as understanding the why, what, how, who, when, and where relative to taking action. It reviews practices with reference to formal knowledge products and services and significant, but often unrecognized, knowledge by-products. It highlights initiatives to enhance the capacity to process knowledge; analyzes challenges and opportunities; and specifies the goal and objectives of knowledge management, guiding principles, expected outputs, and associated action plans.

Box 20: ADB’s Knowledge Products and Services

<table>
<thead>
<tr>
<th>Formal Knowledge Products and Services</th>
<th>Knowledge By-Products</th>
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<tbody>
<tr>
<td>• Publications and journals on specific development issues, such as <em>Asian Development Outlook</em>, <em>Asian Development Review</em>, and <em>Key Indicators of Asian and Pacific Countries</em></td>
<td>• Analyses of sectoral and institutional issues as part of project preparation</td>
</tr>
<tr>
<td>• Economic, sector, and thematic work (country economic, poverty, and thematic assessments, etc.)</td>
<td>• Problem analysis, alternatives, and solution trees</td>
</tr>
<tr>
<td>• Information posted on ADB’s website</td>
<td>• Environmental and social assessments and surveys as inputs to projects</td>
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<tr>
<td>• Project, program, and evaluation reports</td>
<td>• Social action plans associated with projects</td>
</tr>
<tr>
<td>• Policy and strategy reviews</td>
<td>• Understandings created through information exchange in external networks, seminars, and conferences</td>
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<tr>
<td>• Seminar and workshop materials and synopses of brainstorming sessions, regional meetings of stakeholders, etc.</td>
<td>• Other sourced research information that provides insights into policy, processes, and performance</td>
</tr>
<tr>
<td>• Statistical data</td>
<td>• Project-related knowledge transfers, including innovative designs and introduction of new technologies</td>
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As regards operations evaluation, Knowledge Management Framework (2004) identifies a need to improve evaluation of knowledge products and services. This will enable ADB to capture lessons, incorporate them into new and ongoing products, and enhance effectiveness. This entails development of a more systematic approach to, and consistent methodology for, evaluating knowledge products and services.

OED conducts evaluations to find out what results are being achieved; what improvements should be considered; and what is being learned about policies, strategies, programs, and projects, including their design, implementation, and results. Evaluating credible, timely, and objective data, information, and knowledge that describe ADB’s organizational performance promotes development impact if what is learned informs decision making. Sharing lessons also demonstrates good governance and advances understanding of what ADB aims to accomplish, thereby generating support for it.

Figure 3 illustrates the principal audiences for evaluations.

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24 Evaluations can be formative or summative. Formative evaluations are undertaken early to understand what is being achieved and identify how that can be improved. Summative evaluations are conducted during implementation or ex-post to assess effectiveness and determine results and overall value. Evaluations can be categorized by focus or in terms of the stage in the life cycle of the operation being evaluated.

Lessons are of two types: operational and developmental. Operational lessons have a managerial and administrative component offering ideas for the establishment of an environment enabling identification and ownership of good practices. They relate, among others, to performance measurement, aid coordination, resource requirements, team building and coordination, procurement practices, delivery and reporting systems, and logistics. Developmental lessons pertain to realization of development results, improvement of developmental practice, and delivery on priorities.

Evaluation reports that are simply placed on a shelf provide no return on investment. The highest value can be realized only when what is learned from evaluation impacts decision making and improves practice in a relevant, effective, efficient, and sustainable manner. Specifically, what key audiences, both inside ADB and outside it, can gain from lessons creates opportunities to (i) identify shortcomings in policies, strategies, programs, projects, and associated processes, methods, and techniques; (ii) set out remedial courses of action to address issues and problems; (iii) increase institutional learning that builds capacity to manage for development results and development effectiveness; and (iv) inform key audiences about how ADB is performing.

Each benefit from evaluation is defined by what value the evaluation offers, the strategies developed for sharing results, and the manner in which the results are used. Building value means staying committed and focused. Evaluation is both an opportunity to contribute to the improvement of development activities and a process to forge findings and recommendations. The results that are then shared should (i) improve developmental practices, (ii) enhance institutional learning, (iii) validate hypotheses, and (iv) facilitate identification of issues and resolution of problems. To accomplish this, it is necessary to think of the broader picture, focus on results, maintain flexibility, keep messages clear and simple, and extend them in timely fashion and the right format with appropriate dissemination techniques.

Knowledge must not be seen as something that is supplied from one person to another, or from better-off countries to developing countries, but rather as something that can flow back and forth and be continually improved, adapted, and refreshed. Knowledge management tools can be harnessed in support of this. The advent of the Internet has brought information technologies that facilitate this practice. They include e-learning, web conferencing, collaborative software, content management systems, and email lists. There are also organizational enablers, including knowledge audits, communities of practice, action reviews, peer assists, information taxonomies, coaching, and mentoring. Each expands the level of inquiry and provides a platform to achieve a specific purpose or action.

ADB’s annual lending volume is typically about $6 billion, with TA totaling about $180 million a year. Therefore, the return on investment in lesson learning for operational and developmental impact is likely to be high, and maximizing it is a legitimate concern. In late 2006, OED established the Knowledge Management Unit. This initiative is expected to (i) promote client awareness among staff of OED, (ii) accelerate dissemination of findings and recommendations to key audiences, and (iii) increase learning and exchanges in OED and ADB. Improvements are being made to OED’s website. Invitations are being sent to link to it. Evaluation reports are being recycled by compiling summaries. However, knowledge management also requires proficiency in areas of competence other than knowledge sharing and learning. The other priority areas that OED must concentrate on are strategy development, management techniques, collaboration mechanisms, and knowledge capture and storage.

Knowledge management applied to lesson learning is at its genesis in ADB. In 2006, improvements were made that hold promise not only in OED but, more importantly, vis-à-vis its interface with other ADB departments and offices, DMCs, and the IEC. In the medium term, OED must continue to improve the organizational culture, management system, business
processes, information technology solutions, community of practice, and external relations and networking for lesson learning. It must connect better to ADB’s knowledge management framework. For this, a plan is needed to build on recent achievements and create more value with measurable results against each interface. Learning Lessons in ADB: Medium-Term Strategic Framework, 2007–2009 sets the stage for regular annual knowledge audits for systematic identification and analysis of knowledge needs, products and services, gaps, flows, uses, and users from the perspective of learning lessons. It also permits formulation of annual business plans to deliver outputs against each interface. As a result, OED will be better placed to accomplish its mission.

Box 21: The Growing Importance of the Internet

The internet has already surpassed newspapers and the Yellow Pages as a vehicle for knowledge products and services. As the Internet becomes more popular, the importance of a successfully established and managed Internet presence is self-evident. In 2006, OED made efforts to increase the dissemination of the findings and recommendations from evaluation using the web and introduced hyperlinks and meta tags in documents. It began to contribute some of its knowledge products and services to portals of development information, such as Development Gateway, Eldis, and Livelihoods Connect. In 2006, OED improved its website to ensure that all knowledge products and services are accessible to key audiences in reader-friendly ways. In 2007, OED will increase its Internet presence with an emphasis on

- website content,
- navigational structure,
- website and identity appearance,
- website load time, and
- cross-media accessibility.

OED’s website is available at www.adb.org/evaluation/default.asp

Box 22: Signs of Improvements in Evaluation-Based Learning

Concepts of knowledge management borrowed from the corporate sector have made inroads into development agency thinking. They can also be applied in an evaluation setting:

- **Concentration.** ADB’s strategic planning frameworks are moving toward greater concentration on country, sector, and thematic areas. They also display a parallel trend toward greater decentralization.
- **Learning.** Increasingly, ADB sees itself as a learning organization. It is restructuring its management information systems accordingly. Operations evaluation is expected to play a key part in this; it has been given greater institutional independence and is being given greater priority.

continued on next page

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• **Quality of evaluation.** More sophisticated methods, more impact orientation, and a greater number of broader-based evaluations suggest that, in the future, more knowledge will be generated that is needed for both quality improvement and conceptual advancement of development, and for greater external accountability.

• **Feedback.** ADB must increase the extent to which it systematizes and institutionalizes its feedback system for evaluation-based learning and accountability.

• **Information and documentation.** ADB is making increasing use of modern, Internet-based information and documentation systems. These cut information gathering and search costs and strengthen institutional memory. However, the functionality of the systems leaves room for improvement. In particular, efforts are needed to manage the quickening flood of data and information. Another problem is how to network the systems and how to cater for upward feedback in a decentralized organization.

• **Internalization.** ADB must do more to promote internalization of lessons from evaluation, taking a more systematic and innovative approach. OED is currently appraising the inclusion of this in an overall strategic framework for knowledge management.

• **Monitoring.** Implementation monitoring, i.e., implementation of findings and recommendations from evaluation, should be based on established monitoring and evaluation systems.

• **Disclosing.** By publicly releasing position papers at early stages of evaluations and posting on OED’s website the comments of external stakeholders, OED has advanced ADB’s public disclosure policy.

• **Partners and stakeholders.** ADB has, in the past, largely addressed its feedback to internal audiences. The need for greater participation of in-country partners and stakeholders, including the media, in the feedback process is increasingly recognized.

• **Broad-based evaluations.** Moving from project evaluations to a higher level country, sector, and thematic focus is an important way of increasing potential evaluation impact, especially when evaluations are timed to coincide with policy reviews. Given relatively well-developed monitoring and evaluation systems, feeding findings and recommendations from evaluation into ongoing projects is comparatively straightforward. In contrast to this, using the lessons learned from broader-based evaluations presents more challenges.
Conclusions

Understanding what works, what does not, and what must be improved promotes informed decision making about choices, approaches, and practices. Good evaluation reports promote informed decision making by distilling and articulating what is learned. To this end, OED works to (i) produce high-quality, relevant evaluation studies; (ii) promote the use of evaluation for better decision making; (iii) engage in more and better evaluation partnerships to support harmonization of evaluation approaches; and (iv) build increased evaluation capacity and better evaluation systems.

The performance of evaluation must be seen within the changing context and associated trends in evaluation. The state of the art is always evolving and always inexact. Directions in evaluation are based on evolving concepts of best practice and probability. Over time, these have led to different kinds of development interventions—and new interventions often call for new evaluation approaches. What is more, the age of the knowledge economy is a dynamic age. Information and communication technologies are generating new insights and perceptions almost daily.

Within the changing context, trends, and directions, findings and recommendations from evaluation must be perceived as useful to decision making. To be credible, they must be seen as objective, rigorous, and impartial. To be transparent, they must be available to key audiences. Then, hopefully, independent evaluation at ADB will help enhance its accountability to shareholders, stakeholders, and the public and its impact in reducing poverty in the Asia and Pacific region.

For OED to fulfill its mandate, it must make strategic decisions to select evaluation topics that are relevant and are likely to have an impact. It must measure the results attributable to evaluation activities against the original expectations denominated in the chain of inputs, outputs, outcomes, and impacts. It must build value throughout the evaluation process. And it must reach out to get the right knowledge to the right people at the right time, and help them to apply it in ways that improve organizational performance.
APPENDIX 1

Independent Evaluation at ADB: A Brief Account

The Beginnings

The Asian Development Bank (ADB) set up an independent system for evaluating the performance of its development assistance in 1972. The 1973 Annual Report states that “a program for the postevaluation of completed loan projects was initiated.” Postevaluation reports were to be submitted to the Board of Directors. The first one was in 1973 on the Modernization of Tea Factories Project in Sri Lanka. The main purpose of such reports was “to assess how far implementation was consistent with the intentions as reflected in the appraisal of the project, and the extent to which projects achieved the expected economic and social benefits.”

The main focus of evaluation was looking at the past, but there was a forward-looking element as well: “From such reviews of past experience, further improvements might be possible in planning and appraisal techniques and in project implementation.” Expansion of the evaluation function was mandated, as the funds for 17 loans had been fully disbursed as of the end of 1973.

The 1974 Annual Report notes the approval in August of that year of the Program for Action for postevaluation, with two objectives: “first, to determine whether projects had achieved their intended objectives; and second, to re-examine, in cooperation with developing member countries and the executing agencies of the various projects, the objectives themselves and the effectiveness of the means of achieving them.” Two types of postevaluation were pursued: internal, by the Economics Office, with the assistance of consultants; and external, by academic institutions and nonprofit organizations. The role of staff from ADB’s operations departments was limited to supplying background information.

In 1975, four internal evaluations were completed; and two external ones were substantially finished, with two more under preparation. The 1975 Annual Report discusses results and recommendations for the first time: “Both the external and internal postevaluation studies have shown that the projects concerned have generally achieved their objectives. In some cases, specific recommendations have been made which, after further examination and in consultation with the executing agencies and the borrowers, are being implemented on a regular basis…. Recommendations have also been made which will be useful to the Bank in formulating similar future projects.”

The 1976 Annual Report on “The First Ten Years” of ADB’s operations notes two completed external and three internal evaluations aimed at “achieving improvements in the efficiency and effectiveness of future Bank-assisted projects.” Most projects were deemed successful “despite some instances of delay in execution and of cost overruns.”

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1 Source: ADB Annual Reports.
Articulating the Operations Evaluation System

By the following year a total of 17 evaluation studies—13 internal and 4 external—had identified “conditions for success and causes for failure.” The growing importance of evaluation was seen: “As the number of completed projects increases, postevaluation results, systematically compiled and analyzed, will become an important tool of management for the Bank as well as for the executing agencies concerned.” And the first seeds of the expansion of evaluation activities beyond the cataloguing of projects appeared: “…a review has been initiated of the postevaluation policies and procedures of the Bank with a view inter alia to streamlining them and increasing their impact on the Bank’s operational functions.” The Audit Committee of the Board of Directors was established with oversight of postevaluation activities.

The Postevaluation Unit became the separate, independent Postevaluation Office, reporting to the President, in 1978, during which year two internal reports were completed and work on four external evaluations was pursued. Postevaluation of completed projects was becoming an integral part of ADB’s operations, with 50% coverage planned. The Postevaluation Office’s activities were comprehensively reviewed by the Audit Committee, which recommended to the Board several measures to strengthen them, including introduction of the project completion report, to be prepared by ADB’s operations departments and validated in project performance audit reports prepared by the Postevaluation Office; and the establishment of procedures to feed back evaluation findings into ADB’s operations.

The next year saw the formulation of standards and procedures for project performance audit reports, and the publication of the first Annual Review of Postevaluation Reports summarizing findings and recommendations. A quantum leap was made in 1980 with the issuance of 13 reports covering 17 loans and technical assistance (TA) activities.

The 1981 Annual Report stated that “postevaluation is emerging as an important management tool and as a key input for policy making.” The third Annual Review of Postevaluation Reports again noted the prevalence of delays and cost overruns in ADB projects. The number of evaluations increased significantly: 35 projects, covering 13 countries and 10 sectors, were reviewed in 30 reports. A new product was introduced, the abbreviated project performance audit report for projects that evidenced few problems. In late 1981, a Board paper was circulated on evaluation activities and procedures. The intention was to audit all projects with completion reports issued in the previous year.

By 1982, which saw 23 project performance audit reports released covering 11 developing member countries (DMCs), a total of 81 reports had been issued for 91 projects. Significantly, four special studies were initiated in the year on the impact of ADB’s operations in the fisheries sector and on the effectiveness of executing agency arrangements, project-related TA, and training in development finance institutions. Thus, the role of the Postevaluation Office expanded to the realm of effectiveness and impact studies. Staff began attending meetings on new loan projects “with a view to ensuring that the experience gained from completed projects…was appropriately taken into account.”

In 1983, the guidelines for project completion reports were revised, and guidelines for project performance audit reports were introduced. The two-tiered evaluation became formal. Twenty-four audit reports were issued, plus the first special study (on training in development finance institutions).
Creating New Evaluation Products and Services

In 1984, the first impact evaluation study was completed, along with 27 project performance audit reports covering 30 projects in 11 DMCs in 12 sectors.

In 1985, the first audit for a program loan was conducted, in addition to two impact evaluation studies on the fisheries sector. A computerized postevaluation information system was also established. The seventh Annual Review of Postevaluation Reports presented major points for consideration by the Board, which took action to implement them. Henceforth, all appraisal reports would include a summary of lessons learned.

Following a decline over several years in official development assistance and in private assistance to DMCs, mandating the most effective use of ADB’s resources, the 1986 Annual Report included a theme chapter on performance evaluation. It noted that 40% of staff time was spent on loan supervision activities, with the ex-post evaluation of projects broadening supervision from implementation efficiency to benefit achievement. The evaluation system was being continuously improved and refined: completion and audit reports were now required for all completed projects. To provide a two-way feedback system, the Postevaluation Office reviewed draft completion reports, and ADB’s operations departments commented on draft evaluation reports. By the end of 1986, 200 project performance audit reports had been prepared covering most sectors in most DMCs. Special studies had “become a particularly valuable tool for drawing and disseminating lessons, not only in specific sectors and subsectors, but also with regard to lending programs and the quality of sector work.” For a longer-term perspective, the Postevaluation Office initiated more impact evaluation studies for projects likely to yield valuable insights, usually covering a range of projects in a DMC. Other impact evaluation studies looked at the same sector over several countries. DMCs were encouraged to prepare their own completion reports.

An important postevaluation finding was that more than two-thirds of ADB’s projects had “substantially achieved their physical, institutional, and socioeconomic objectives.” But there was a tendency to overestimate projected economic returns at appraisal. Factors affecting success included (i) external factors not under the control of the country or the project, like commodity prices, market access, and exchange rate; climate; and political events; (ii) country-related factors like the institutional and policy environment; and (iii) project-specific factors like project design and implementation. Postevaluation findings showed that project design and external factors were the most crucial.

The theme chapter contained the first inkling of the future role of the design and monitoring framework in project formulation and implementation: “Experience shows that evaluation is facilitated if the project’s objectives, planned achievements and inputs are stated in explicit and measurable terms at the project formulation and appraisal stage.”

By the 1987 Annual Report, postevaluation was a regular chapter. The write-up began giving success rates by country group and by sector, and made attempts to explain the results. A review of the six postevaluated program loans stressed “the importance of adequately addressing pertinent sector and operational issues during program formulation and close monitoring of program design, progress and related developments during implementation.”
Increasing Special Studies and Sector Syntheses

The year 1988 saw an increased number of special studies, all country or sector specific. Due to the growing number of loans reaching term, the policy of evaluating all completed projects was changed to a purposeful selection of projects, plus all program and sector loans, and all first loans to a subsector or a country.

The 1989 Annual Report discusses the first reevaluation study, aimed to glean insights into the long-term sustainability of a project.

The 1990 Annual Report presented the first two in-depth evaluations of TA operations, one of project preparatory TA, and one of advisory TA. Steps were taken to assist DMCs in developing and strengthening their own evaluation capabilities, notably through TA to Papua New Guinea for on-the-job training of evaluators and planners, and for establishing a computerized information system.

The write-up for 1991 discusses the reasons for project success or lack thereof. Although poverty reduction had received little attention when the evaluated projects were appraised, the 1991 project performance audit reports recorded the projects’ impacts on the poor. Similarly, despite little discussion of environmental effects in the appraisal reports, attention was given to environmental assessment. And some evaluation studies began to look at the impacts of projects on women. In short, evaluation activities began to examine “issues and subjects of broader relevance to the Bank’s operations, practices, and procedures.”

Developing Evaluation Capacity

The Management Committee on Postevaluation Findings was established under the President to discuss the conclusions and recommendations of studies and to formulate plans. Advisory TA was provided to Sri Lanka to strengthen that country’s postevaluation capabilities. Regional TA was approved to cosponsor, with the Development Assistance Committee (DAC) of the Organisation for Co-operation and Development (OECD), a regional seminar on Performance Evaluation in Asia and the Pacific.

The 1992 Annual Report states that project performance audits were still the core activity of the Postevaluation Office. The first postevaluation was done of a private sector project without government guarantee. Lessons identified included the need to improve project quality through more effective use of project preparatory TA, the desirability of an integrated approach to water supply and irrigation projects, and the need to improve the formulation and design of program loans and to ensure that the institutional capabilities in DMCs are adequate. Advisory TA was provided to strengthen postevaluation activities in the Philippines and Thailand, and a TA completion report was prepared on the 1990 advisory TA to Papua New Guinea.

In 1993, a special study presented an analytical review of postevaluation findings in the Philippines covering 41 projects and 1 program. It discussed the factors affecting project implementation and performance, and emphasized the need for better project preparation and appraisal. Other studies pointed to the inadequate operation and maintenance of physical facilities as a major factor affecting the performance and sustainability of projects.
Two workshops were held to promote interaction of the Postevaluation Office with ADB’s operations departments. The Management Committee on Postevaluation Findings underscored the need to improve project preparatory TA and to adopt the logical framework approach in project planning and implementation. To facilitate the incorporation of evaluation experience in programming and project appraisal work, country syntheses of postevaluation findings were introduced. The Postevaluation Office also stepped up its efforts to help DMCs develop and strengthen their own evaluation capabilities.

In 1994, the postevaluation information system was made more user friendly, and country and sector syntheses were expanded. Closer coordination with the evaluation units of multilateral and bilateral agencies was promoted through participation in the Expert Group on Aid Evaluation of DAC/OECD.

In line with the recommendations of the Task Force on Improving Project Quality, the 1995 work program of evaluation activities placed special emphasis on broader evaluation studies and on helping DMCs to develop their performance evaluation capabilities. The coverage of project performance audits was consequently reduced to 30% of completed projects. A special study was done on the effectiveness of ADB assistance for capacity building in Nepal and Western Samoa. Key findings during the year were to (i) keep project design simple, well focused, and manageable; (ii) examine the socioeconomic aspects of beneficiaries, secure their participation, and ensure that benefits are properly targeted and delivered; and (iii) build benefit monitoring and evaluation into projects.

In 1996, an impact evaluation study of assistance for benefit monitoring and evaluation concluded that its focus on the project level was inadequate. The study stated that benefit monitoring and evaluation needs to be linked with sector- and national-level efforts. Two regional workshops held under a regional TA led to the preparation of a plan to support the implementation of the project performance management system, and several projects were selected as pilots. The Task Force on Improving Project Quality recommendation to prepare an annual performance evaluation program each year “to bring together the activities of various departments and offices as they relate to project performance” concluded that “the institutional mechanism for generating feedback in the Bank is fairly comprehensive and well developed.”

In 1996, the Postevaluation Office was increasingly looking at larger units than the traditional single completed project or program, and also at processes. The first country assistance program evaluation was conducted for the People’s Republic of China in 1998, as was a special evaluation study.
study on ADB's midterm review process. The Postevaluation Office, along with the Central Operations Services Office, became the focal point for monitoring progress and providing assistance in accomplishing project performance reports. The Postevaluation Office launched an Internet web page summarizing evaluation findings and lessons, with links to the websites of other international organizations and with a keyword search capacity.

Promoting Quality at Entry

To recognize the larger role of the Postevaluation Office, its name was changed at the beginning of 1999 to the Operations Evaluation Office. As part of ADB's central focus on poverty, it began to pay closer attention to the articulation of project objectives and design that could be evaluated in order to facilitate monitoring and verification of ADB's poverty reduction efforts. The project performance management system was upgraded to emphasize monitorable performance indicators. Two special evaluation studies examined the use of TA to assist public expenditure management, capacity building, and institutional strengthening; and another examined the role of nongovernment organizations (NGOs) and community-based organizations in 54 projects in nine countries. A new product, Evaluation Highlights, was launched, and the Operations Evaluation Office inaugurated a newsletter for the ECG.

The 2000 Annual Report notes, “The Operations Evaluation Office has intensified its work on preparing in-depth studies of particular thematic issues; evaluating the effectiveness of ADB’s operations, practices, and procedures; monitoring and reporting on actions taken by ADB and its executing agencies in response to recommendations; building evaluation capacity within and outside ADB to enhance self-evaluation; and coordinating closely with multilateral and bilateral agencies on evaluation methodology.” The Operations Evaluation Office revised the guidelines for preparing project performance audit reports, introducing a four-tiered rating system. Several significant evaluations were issued: one examined the impacts of ADB’s involuntary resettlement policy; one looked at ADB’s role in and support for agriculture and natural resources research; one scrutinized participatory development processes; and one analyzed the sustainability of policy reforms through advisory TA.

In 2001, the Operations Evaluation Office became the Operations Evaluation Department (OED) with additional personnel, still reporting to the President but under the oversight of the Board’s Development Effectiveness Committee (DEC). Five audit reports for program loans showed that reforms need a longer time frame, more policy dialogue, and sustained government commitment. Also needed are detailed sector studies, participatory approaches to program design, and realistic assessments of the capacities of executing agencies. Several important evaluations were produced on ADB’s crisis support interventions in Indonesia, gender and development, economic and sector work, Asian Development Fund (ADF) resources, and privatizing public sector enterprises. With the ECG, OED pursued the harmonization of evaluation activities and methodologies, and developed good practice standards. OED was involved in a joint evaluation in Viet Nam of the Comprehensive Framework Approach to Partnership.

Significant studies in 2002 examined ADF operations, beneficiary perceptions of the impact of selected agriculture and social infrastructure projects on poverty reduction, project cost estimation, the impact of rural roads on poverty, investment fund operations, and water supply and sanitation activities. OED assessed the new loan classification system and took the lead in reviewing the process for performance-based allocation of ADF resources.
Ensuring Independence of Evaluation

Studies in 2003 investigated financial cost recovery in the power sector, participatory processes, water and forestry sector operations, and project performance management. In December, the Board approved major changes in the operations of OED, which took effect in January 2004. OED now reports to the Board through the DEC. The director general is appointed by the Board upon the joint recommendation of the DEC and the President. OED has more autonomy in staff selection, and develops its work program in consultation with the DEC and ADB’s Management, with approval by the Board. There is a separate resource envelope for evaluation operations. Completed reports are circulated simultaneously to ADB’s Management and the Board.

Progressing to Full-Fledged Operations Evaluation

The eight country assistance program evaluations produced as of 2004 revealed problems with the former country operational strategies and country assistance plans, and thus contributed to ADB’s switch to country partnership strategies. Under its new mandate, the focus of OED’s work shifted to (i) the broader development agenda; and (ii) project and program evaluations that would feed into country assistance program evaluations, requiring closer links between the latter and the country partnership strategy and between sector assistance program evaluations, first introduced in 2003, and other evaluation studies. The country assistance program evaluation for Nepal was prepared in parallel with the country partnership strategy, which was ADB’s first results-based country partnership strategy.

OED’s other activities in 2004 included preparation of a report for the ECG on good practices for evaluation of policy-based lending; and analyzing the success rate of projects. In 2005, the Annual Evaluation Review became a more analytical report rather than simply a catalogue of evaluation activities. It was a retrospective look at 968 public sector projects. The results of the 2005 evaluations were used to help ADB improve its country strategies.

By 2006, the influence of country assistance program evaluations on the formulation of new country partnership strategies had been mainstreamed: the Board does not normally discuss a country partnership strategy until after the DEC has considered the corresponding country assistance program evaluation. A 2006 evaluation on poverty targeting in rural areas in three countries challenged some key assumptions. Three studies were begun, which by now have all been completed, to review ADB’s safeguard policies, in preparation for the policy update scheduled for 2007.
## Evaluation by Type

<table>
<thead>
<tr>
<th>Type</th>
<th>Purpose</th>
<th>Challenge</th>
<th>Opportunity</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Project</strong></td>
<td>Evaluates a predefined cause-and-effect relationship leading from project inputs to project outputs and fulfillment of project objectives.</td>
<td>Project objectives are often complex, unrealistic, ill defined, and/or may have changed over time. Baseline studies may not have been carried out.</td>
<td>The scope of a single project makes it relatively easy to focus the evaluation if the objective against which success is evaluated was specifically expressed in quantifiable terms.</td>
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<tr>
<td><strong>Program</strong></td>
<td>Evaluates institutional performance, processes, changes, and interrelationships, as well as the development impact of the program.</td>
<td>Involvement and ownership of local partners in an externally funded program are required.</td>
<td>A program loan enables ADB to assist in developing a sector (or subsector, sectors) as a whole and improving its performance through appropriate policy and institutional improvements over the medium to long term. Program loans are relatively quick disbursing to cover the immediate adjustment costs arising from policy reforms.</td>
</tr>
<tr>
<td><strong>Sector Assistance</strong></td>
<td>Evaluates ADB's sectoral strategy, policy dialogue, ongoing and completed projects and technical assistance, and ADB's performance within a given sector in one country.</td>
<td>In addition to considering ADB's contributions, evaluations must also consider the contributions of other development stakeholders. There is uncertainty associated with assessing the outcome of ongoing operations.</td>
<td>This is a cost-effective way to evaluate ADB's operations in a sector. Such evaluations can reduce transaction costs, shorten the evaluation feedback loop, and have considerable impact on formulation of ADB's operations in the sector.</td>
</tr>
<tr>
<td><strong>Country Assistance</strong></td>
<td>Evaluates the entire ADB support to a country covering ADB's strategy, policy dialogue, both completed and ongoing projects and technical assistance, and ADB's performance. It provides ADB and the country with a basis for deciding on changes in the future country partnership strategy.</td>
<td>These are complex evaluations involving both aid agency and national policies and objectives, and cover all sectors and different modalities of aid. In addition to considering ADB's contributions, evaluations must also consider the contributions of other development stakeholders. There is uncertainty associated with assessing the outcome of ongoing operations.</td>
<td>Important for policy and planning at the highest level to provide a basis for future country strategies and to identify ways for ADB to become a better and more effective development partner.</td>
</tr>
<tr>
<td>Type</td>
<td>Purpose</td>
<td>Challenge</td>
<td>Opportunity</td>
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</tr>
<tr>
<td><strong>Modality</strong></td>
<td>Evaluates the efficiency and effectiveness of specific forms of assistance such as policy-based lending, project support, technical assistance, and sources of financing, e.g., Asian Development Fund, ordinary capital resources.</td>
<td>Individual cases to be evaluated often have different objectives, making it difficult to explore the effects and impacts of development assistance systematically.</td>
<td>Drawing experience from a larger sample of development assistance can reveal lessons that could improve development effectiveness by changing development policies and practices.</td>
</tr>
<tr>
<td><strong>Thematic</strong></td>
<td>Extracts and aggregates data and information on a specific theme, e.g., nongovernment and civil society organizations, participation, governance, gender, environment, capacity building. This may involve different modalities, sectors, or countries and make use of data and information from different types of evaluation and sources identified in literature reviews or the experience of other donors.</td>
<td>Methodological constraints exist in comparing different activities in different contexts, and different forms of assistance in the context of different national activities and policies. Difficulties are often experienced in making generalizations based on a limited number of country case studies.</td>
<td>This can be influential in shaping development policies and practices.</td>
</tr>
<tr>
<td><strong>Impact</strong></td>
<td>Assesses changes in the well-being of individuals, households, communities, or firms that can be attributed to a particular project, program, or policy. The central impact evaluation question is what would have happened to those receiving the intervention if they had not in fact received the program.</td>
<td>Since it is not possible to observe the beneficiaries both with and without the intervention, the key challenge is to develop a counterfactual—that is, a group which is as similar as possible (in observable and unobservable dimensions) to the beneficiaries. This comparison allows establishment of definitive causality, thereby attributing observed changes in welfare to the intervention while removing confounding factors.</td>
<td>Impact evaluations are a tool for dynamic learning, allowing policymakers to improve ongoing programs and ultimately better allocate funds across programs.</td>
</tr>
</tbody>
</table>
Key Operations Evaluation Department Reports

Country assistance program evaluations evaluate the performance of ADB’s country strategy and assistance programs, usually over the past 10 years, against the objectives laid out and the country’s own development priorities.

Sector assistance program evaluations assess the relevance, efficiency, effectiveness, and sustainability of ADB’s assistance with respect to a particular sector’s development and financial performance, as well as its impact on economic development and poverty reduction.

Special evaluation studies focus on selected thematic issues across sectors or countries, or evaluate an ADB policy or process.

Impact evaluation studies evaluate projects and programs using a rigorously defined counterfactual.

Project/program performance evaluation reports evaluate the design, implementation, and performance of loan projects and programs. They are prepared about 3 years after project completion.

Technical assistance (TA) performance evaluation reports evaluate TA operations, usually several TA activities in the same report.

Annual evaluation reports provide a summary of evaluation activities and findings in a particular year, and an assessment of portfolio performance.

Learning curves are handy, two-page quick references designed to feed findings and recommendations from evaluation to a broader range of clients.
#### Catalogue of Evaluation Reports (as of March 2007)

**Figure A4.1: Number of Evaluated Public Sector Projects/Programs by Country and Sector**

(as of 31 December 2006)

<table>
<thead>
<tr>
<th>Country</th>
<th>AG</th>
<th>ED</th>
<th>EN</th>
<th>FI</th>
<th>HL</th>
<th>IN</th>
<th>LW</th>
<th>MS</th>
<th>TC</th>
<th>WS</th>
<th>Total</th>
</tr>
</thead>
<tbody>
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<td>Bangladesh</td>
<td>23</td>
<td>6</td>
<td>7</td>
<td>5</td>
<td>2</td>
<td>5</td>
<td>5</td>
<td>6</td>
<td>1</td>
<td>60</td>
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AG = agriculture and natural resources; DMC = developing member country; ED = education; EN = energy; FI = finance; HL = health, nutrition, and social protection; IN = industry and trade; Lao PDR = Lao People's Democratic Republic; LW = law, economic management, and public policy; MS = multisector; TC = transport and communications; WS = water supply, sanitation, and waste management.

Source: OED.
### Figure A4.2: Country Assistance Program Evaluations

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Source: OED.

### Figure A4.3: Sector Assistance Program Evaluations

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Source: OED.
## Table A4: Special Evaluation Studies
Listed by Year of Approval

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<td>Development of Genetically Improved Farmed Tilapia and Their Dissemination</td>
<td>REG</td>
<td>2005</td>
</tr>
<tr>
<td>in Selected Countries</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Involvement of Civil Society Organizations in ADB Operations</td>
<td>REG</td>
<td>2006</td>
</tr>
<tr>
<td>The Fisheries Policy</td>
<td>REG</td>
<td>2006</td>
</tr>
<tr>
<td>Urban Sector Strategy and Operations</td>
<td>REG</td>
<td>2006</td>
</tr>
<tr>
<td>Involuntary Resettlement Safeguards</td>
<td>REG</td>
<td>2006</td>
</tr>
<tr>
<td>Environmental Safeguards</td>
<td>REG</td>
<td>2006</td>
</tr>
<tr>
<td>Pathways Out of Rural Poverty and the Effectiveness of Poverty Targeting</td>
<td>REG</td>
<td>2006</td>
</tr>
<tr>
<td>Lessons in Capacity Development: Sectoral Studies</td>
<td>SRI</td>
<td>2006</td>
</tr>
<tr>
<td>Indigenous Peoples Safeguards</td>
<td>REG</td>
<td>2007</td>
</tr>
</tbody>
</table>

Source: OED.
# APPENDIX 5

## Heads of Evaluation

<table>
<thead>
<tr>
<th>Head of Evaluation</th>
<th>Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ernest Ettlinger</td>
<td>1978–1982</td>
</tr>
<tr>
<td>Ronald Skeates</td>
<td>1982–1987</td>
</tr>
<tr>
<td>S. Mahboob Alam</td>
<td>1987–1992</td>
</tr>
<tr>
<td>Basudev Dahal</td>
<td>1996–1997</td>
</tr>
<tr>
<td>A. Timothy Peterson</td>
<td>1997–2000</td>
</tr>
<tr>
<td>Vladimir Bohun</td>
<td>2001–2003</td>
</tr>
<tr>
<td>Eisuke Suzuki</td>
<td>2003–2004</td>
</tr>
<tr>
<td>Bruce Murray</td>
<td>2004–2007</td>
</tr>
<tr>
<td>H. Satish Rao</td>
<td>2008–</td>
</tr>
</tbody>
</table>

Source: Budget, Personnel, and Management Systems Department.
## APPENDIX 6

### Heads of Audit and Development Assistance Committees

#### Audit Committee Chairs

<table>
<thead>
<tr>
<th>Name</th>
<th>Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>M.R. Khan (Pakistan)</td>
<td>1977–1979</td>
</tr>
<tr>
<td>Bong H. Kay (Republic of Korea)</td>
<td>1979–1981</td>
</tr>
<tr>
<td>N.W. Davey (Australia)</td>
<td>1981–1984</td>
</tr>
<tr>
<td>G. Ramachandran (India)</td>
<td>1984–1985</td>
</tr>
<tr>
<td>N.M. Qureshi (Pakistan)</td>
<td>1985–1989</td>
</tr>
<tr>
<td>Jean-Marc Metivier (Canada)</td>
<td>1989–1990</td>
</tr>
<tr>
<td>Aitezazuddin Ahmad (Pakistan)</td>
<td>1990–1991</td>
</tr>
<tr>
<td>Heinz Buhler (Germany)</td>
<td>1991–1993</td>
</tr>
<tr>
<td>Anthony F. Burger (Canada)</td>
<td>1993–1994</td>
</tr>
<tr>
<td>Julian Payne (Canada)</td>
<td>1994–1995</td>
</tr>
<tr>
<td>Peter McCawley (Australia)</td>
<td>1995–1996</td>
</tr>
<tr>
<td>Eric Thorn (Australia)</td>
<td>1996–1997</td>
</tr>
<tr>
<td>Julian Payne (Canada)</td>
<td>1997–2001</td>
</tr>
</tbody>
</table>

#### Development Effectiveness Committee Chairs

<table>
<thead>
<tr>
<th>Name</th>
<th>Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zhao Xiaoyu (People's Republic of China)</td>
<td>2001–2002</td>
</tr>
<tr>
<td>Jusuf Anwar (Indonesia)</td>
<td>2002–2004</td>
</tr>
<tr>
<td>Ashok Saikia (India)</td>
<td>2004–2005</td>
</tr>
<tr>
<td>Agus Haryanto (Indonesia)</td>
<td>2005–2008</td>
</tr>
</tbody>
</table>

Note: The Audit Committee oversaw evaluation activities until the Development Effectiveness Committee was established.

Source: Budget, Personnel, and Management Systems Department.
Learning Lessons in ADB
Information and knowledge are now seen as the principal drivers of value creation, outstripping land, labor, and capital goods. In knowledge-based organizations, intellectual capital comprising human, structural, and relational elements is viewed as central to performance, and the focus of analysis is on comprehending what the organization knows, what it needs to know to be competitive, and how it should align its capabilities to those it requires. It follows that acquisition, integration, and dissemination of knowledge must be understood as a dynamic process that spans and crosses the boundaries of an organization.

In 2001, ADB resolved to leverage knowledge management to raise the agenda for poverty reduction in Asia and the Pacific. The reorganization of ADB that year moved it to establish an ADB-wide Knowledge Management Committee in 2002, with a mandate to develop and support implementation of a strategy and plan for knowledge management. Under this committee, a knowledge management framework was approved in June 2004, leading to the creation of the Knowledge Management Center in the Regional and Sustainable Development Department under the Vice-Presidency for Knowledge Management and Sustainable Development.

Since 2004, OED, renamed Independent Evaluation Department in 2008, reports to the Board of Directors of ADB rather than to its Management. Behavioral autonomy, avoidance of conflicts of interest, insulation from external influence, and organizational independence will advance its mission to help ADB become a learning organization that continuously improves its development effectiveness and is accountable to its stakeholders. Operations evaluation emphasizes effective feedback on performance to improve the relevance, effectiveness, efficiency, and sustainability of ongoing and future operations, and to enhance their contribution to the development of ADB’s developing member countries.

In 2006, concerned about the small number of downloads of its evaluation reports through the Internet, a corollary of user interest in a world driven by information technology, OED developed a work plan to promote knowledge management. The work plan aims to promote client orientation among staff of OED and to initiate steps to improve dissemination of evaluation reports to key audiences. Encouraged by positive feedback from other departments, OED then formulated plans for establishment of a Knowledge Management Unit in 2007 to catalyze and facilitate identification, creation, storage, sharing, and use of lessons. OED was concerned that failure to do so would result in the operational and developmental impacts of findings and recommendations from operations evaluation being minimal.

Knowledge management applied to lesson learning needs to be advanced in ADB. In 2006, improvements were made that hold promise not only in OED but, more importantly, vis-à-vis its interfaces with other departments, developing member countries, and the IEC. In the medium term, OED must continue to improve the organizational culture, management system, business processes, information technology solutions, community of practice,
and external relations and networking for lesson learning. It must connect better to ADB’s knowledge management framework. For this, a plan is needed to build on recent achievements and create more value with measurable results against each interface. *Learning Lessons in ADB* sets the stage for regular annual knowledge audits for systematic identification and analysis of knowledge needs, products and services, gaps, flows, uses, and users from the perspective of learning lessons. It also permits formulation of annual business plans to deliver outputs steadily against each interface. As a result, OED will be better placed to accomplish its mission. *Learning Lessons in ADB* was released as a stand-alone publication in 2007.
The need to know how to survive is as old as time, but the strong links between information technology and daily life are recent. Knowledge management is thus both old and new. However, it has become more important and challenging as a discipline because of the increasing interdependence, integration, and interaction of people on the global scene. The combination of reach and speed is compelling organizations to ask “What do we know? Who knows it? What do we not know that we should know?” Knowledge management provides some answers to these questions; the most common expectations are that it will (i) improve communication, (ii) enhance collaboration, (iii) develop employee skills, (iv) boost productivity, (v) augment product and service quality, and (vi) ameliorate learning and adaptation. Knowledge management initiatives should help to (i) produce better organizational and market performance, (ii) generate competitive advantage, (iii) increase return on investment, and (iv) reduce costs.

ADB has committed to become a learning organization. This has sparked innovation to provide staff, clients, and partners with faster and easier access to knowledge. The aim is to improve the quality of ADB’s operations and enhance the capacity of DMCs to achieve development results. However, knowledge management activities have not been linked closely to ADB’s core lending and nonlending processes. Doing so would increase their impact and the achievement of development results.

OED can help ADB to become a learning organization by facilitating lesson learning from operations evaluation. This paper sets the strategic framework for knowledge management in operations evaluation and provides the basis for development of annual business plans in support of lesson learning. A glossary of knowledge management is in Appendix 1. The recent shifts in managerial attitudes vis-à-vis work activities are summarized in Appendix 2. Notions of knowledge management are outlined in Appendix 3. All are deeply relevant to learning lessons in ADB.
Transfer of knowledge has always been an essential, catalyzing element of ADB’s mandate. Recognizing the growing role that knowledge plays in the advancement of DMCs, the Long-Term Strategic Framework, 2001–2015 committed ADB to become a learning institution and a primary source of development knowledge in Asia and the Pacific. The Medium-Term Strategy, 2001–2005 provided shorter range guidance. The Medium-Term Strategy II, 2006–2008 identified important issues for which implementation of the Medium-Term Strategy, 2001–2005 agenda remained incomplete and urged greater efforts to improve knowledge products and services.

In June 2004, ADB prepared a knowledge management framework to guide the transition to a knowledge-based organization. The framework promotes ADB’s Public Communications

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2 The Asian Development Bank Institute offers knowledge products and services. It was established in 1997 to identify effective development strategies and to improve the capacity for sound development management of the agencies and organizations in DMCs engaged in development work.
3 ADB. 2001. *Moving the Poverty Reduction Agenda Forward in Asia and the Pacific: The Long-Term Strategic Framework of the ADB, 2001–2015*. Manila. On page 39, the framework states that “ADB must become a knowledge-based learning institution, drawing upon resources, skills and expertise both inside and outside the organization. It must develop the capacity to learn quickly from its own experiences and those of other development partners, and to disseminate such experience in the form of best practices among DMCs, staff of ADB, and the development partners.”
4 ADB. 2001. *Medium-Term Strategy, 2001–2005*. Manila. On page 19, the strategy states that “To enhance its effectiveness, ADB must become a more efficient learning organization, drawing upon its own internal expertise, past experiences and practices, and on the experiences of others, particularly the experience of its diverse DMCs.” On the same page, the strategy adds that “Internalizing knowledge and becoming a learning organization is essential for development support.”
5 ADB. 2006. *Medium-Term Strategy II, 2006–2008*. Manila. On page 20, the strategy observes that, through the delivery of its products and services, including knowledge products, ADB contributes to portfolio performance, development effectiveness, and results. It states that “Enhancing ADB’s contribution to country outcomes requires a shift in corporate priorities from an institutional culture that prioritizes loan approval and lending volumes, to a culture where portfolio performance and contribution to country outcomes become predominant.”
Policy, which directs external relations and access to information about ADB’s operations to enhance ADB’s development effectiveness. The framework defines knowledge as understanding the why, what, how, who, when, and where relative to taking action. It reviews practices with reference to formal knowledge products and services and significant, but often unrecognized, knowledge by-products. It highlights initiatives to enhance capacity to process knowledge and analyzes challenges and opportunities. It specifies the goal and objectives of knowledge management, guiding principles, expected outputs, associated action plans, and resource implications. Box 1 lists the knowledge products and services that it recognizes. The outputs to monitor are given in Appendix 4.

As regards operations evaluation, the single output to be accomplished according to the knowledge management framework of 2004 is improved evaluation of knowledge products and services. This would enable ADB to capture lessons, incorporate them into new and ongoing products, and enhance effectiveness. This would entail development of a more systematic approach to, and consistent methodology for, evaluating knowledge products and services, building on earlier work. However, the scope for applying notions of knowledge management to learn lessons is much greater.

Box 1: Knowledge Products and Services of ADB

<table>
<thead>
<tr>
<th>Formal Knowledge Products and Services</th>
<th>Knowledge By-Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Publications and journals on specific development issues, such as <em>Asian Development Outlook</em>, <em>Asian Development Review</em>, and <em>Key Indicators of Asian and Pacific Countries</em></td>
<td>• Analyses of sectoral and institutional issues as part of project preparation</td>
</tr>
<tr>
<td>• Economic, sector, and thematic work (country economic, poverty, and thematic assessments, etc.)</td>
<td>• Problem analysis, alternatives, and solution trees</td>
</tr>
<tr>
<td>• Information posted on ADB’s website</td>
<td>• Environmental and social assessments and surveys as inputs to projects</td>
</tr>
<tr>
<td>• Project, program, and evaluation reports</td>
<td>• Social action plans associated with projects</td>
</tr>
<tr>
<td>• Policy and strategy reviews</td>
<td>• Understandings created through information exchange in external networks, seminars, and conferences</td>
</tr>
<tr>
<td>• Seminar and workshop materials and synopses of brainstorming sessions, regional meetings of stakeholders, etc.</td>
<td>• Other sourced research information that provides insights into policy, processes, and performance</td>
</tr>
<tr>
<td>• Statistical data</td>
<td>• Project-related knowledge transfers, including innovative designs and introduction of new technologies</td>
</tr>
<tr>
<td></td>
<td>• Best practices embodied in loans, grants, and TA activities</td>
</tr>
</tbody>
</table>


Learning Lessons

Value of Evaluations

OED conducts evaluations to find out what results are being achieved, what improvements should be considered, and what is being learned. It does so with systematic and impartial assessment of policies; strategies; programs; and projects, including their design, implementation, and results. Producing credible, timely, and objective data, information, and knowledge that describe ADB’s organizational performance promotes development impact if what is learned informs decision making. Sharing lessons also demonstrates good governance and advances understanding of what ADB aims to accomplish, thereby generating support for it. Figure 1 illustrates the principal audiences for evaluations.

Typology of Lessons

Lessons are of two types: operational and developmental. Operational lessons have a managerial and administrative component offering ideas for the establishment of an environment enabling identification and ownership of good practices. They relate, among others, to performance measurement, aid coordination, resource requirements, team building and coordination, procurement practices, delivery and reporting systems, and logistics. Developmental lessons pertain to realization of development results, improvement of developmental practice, and delivery on priorities.

Informing Practice

Evaluation reports that are placed on a shelf provide no return on investment. The highest value can be realized only when what is learned from evaluation impacts decision making and

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8 The types of evaluation reports include project/program performance evaluation reports, special evaluation studies, sector assistance program evaluations, country assistance program evaluations, annual evaluation reports, and impact evaluation studies.

9 Evaluations can be formative or summative. Formative evaluations are undertaken early to understand what is being achieved and identify how that can be improved. Summative evaluations are conducted during implementation or ex-post to assess effectiveness and determine results and overall value. Evaluations can be categorized by focus or in terms of the stage in the life cycle of the operation being evaluated.


improves practice relevantly, effectively, efficiently, and sustainably. Specifically, what key audiences, both inside ADB and outside it, can gain from lessons creates opportunities to (i) identify shortcomings in policies, strategies, programs, projects, and associated processes, methods, and techniques; (ii) set out remedial courses of action to address issues and problems; (iii) increase institutional learning that builds capacity to manage for development results and development effectiveness; and (iv) inform key audiences about how ADB is performing.

**Building Value**

Each benefit from evaluation is defined by what value the evaluation offers, the strategies developed for sharing results, and the manner in which the results are used. Building value means staying committed and focused. Throughout the evaluation process, it is essential to think about the potential for improving developmental practice. Evaluation is both an opportunity to contribute to the improvement of development activities and a process to forge findings and recommendations. Evaluation results should (i) improve developmental practice, (ii) enhance institutional learning, (iii) validate hypotheses, and (iv) facilitate identification of issues and resolution of problems. To accomplish this, it is necessary to think of the broader picture, focus on results, maintain flexibility, keep messages clear and simple, and disseminate them in timely fashion and the right format with appropriate dissemination techniques.
Reaching Out

Sharing results provides the chance to improve developmental practice and the organizational performance associated with it. It can also build meaning and understanding, develop support, and generate learning opportunities. However, it is conditioned by a conscious strategy to get the right knowledge to the right people at the right time, and helping them (with incentives) to apply it in ways that strive to improve organizational performance. If results are shared in this manner, credibility is enhanced and pressure is generated to act on the findings and recommendations.

The necessity to reach out is compelling organizations to ask “What are the key audiences? Who needs to know what? How can individual target audiences be reached? What should be emphasized?” Answering these questions requires a deliberate, planned, and sustained approach to (i) articulate a dissemination policy; (ii) elaborate a dissemination plan specifying impact and outcomes, users, information content, medium, execution, roadblocks, and accomplishment; (iii) develop a dissemination strategy specifying users, source, information content, context, and medium; and (iv) utilize dissemination tactics. Box 2 catalogs the attributes of good dissemination.

Box 2: Characteristics of a Successful Dissemination Plan

- The dissemination plan reflects the needs of the target audiences. It relies on appropriate form, language, and information content levels for findings and recommendations from operations evaluation.
- The plan incorporates various dissemination techniques, such as written, graphical, electronic, print, broadcast, and verbal media. The methods include summary documents; electronic dissemination within ADB and to key informants outside of ADB; cross postings on web pages; press releases; media coverage; flyers, posters, and brochures; letters of thanks to study participants; newsletters to study participants; events and conferences; and seminars. Each method calls for its own format and means of dissemination and includes both proactive and reactive channels—that is, it includes information content that the target audiences have identified as important and information content that the audiences may not know to request but is likely to be of interest. The dissemination techniques are more likely to succeed when their packaging and information content has been influenced by inputs from the target audiences.
- The dissemination plan draws on existing capabilities, resources, relationships, and networks to the maximum extent possible. It also builds the new capabilities, resources, relationships, and networks that the target audience needs.
- The dissemination plan includes effective quality control mechanisms in ADB and in DMCs to ensure that the information content is accurate, relevant, representative, and timely.
- The plan identifies the resources required for implementation.

12 Audiences for evaluation products and services are both inside and outside ADB. They include the Board of Directors; Management; senior staff; staff in headquarters, resident missions, and representative offices; institutional responsibility centers in developing member countries; local stakeholders; NGOs; other development agencies; and umbrella organizations, such as the Development Cooperation Directorate in the Organisation for Economic Co-operation and Development and the Evaluation Network that it coordinates, the United Nations Evaluation Group, and the ECG.
Examples of dissemination techniques include (i) oral briefings, (ii) the corporate memory system, and (iii) electronic lessons databases. Other examples include (i) bilingual summaries on ADB’s website and email (electronic mail) announcements; (ii) articles in internal newsletters and bulletins; (iii) conferences, seminars, and peer review sessions; (iv) press releases and question-and-answer statements; (v) references in speeches; and (vi) articles in professional journals.

Caveat

Development agencies now place a greater priority on improving practice by sharing results more purposively. Benefits are far from proven, and internal and external result-sharing activities are affected by assessment problems. There is no single best practice, and approaches need to be context specific. There is a logic to developing result-sharing activities, and many of these will, in the first instance, be—inevitably and rightly—internally oriented. Ultimately, however, sharing results in a market crowded with data and information will be seen as a luxury if it does not visibly and genuinely address challenges in DMCs.
Knowledge must not be seen as something that is supplied from one person to another, or from better-off countries to developing countries, but rather as something that can flow back and forth and be continually improved, adapted, and refreshed using knowledge management tools. Conspicuously, the advent of the Internet has brought information technologies that facilitate this practice. They involve e-learning, web conferencing, collaborative software, content management systems, Yellow Pages, email lists, wikis, and web logs (blogs). There are also organizational enablers, including knowledge audits, communities of practice, action reviews, peer assists, information taxonomies, coaching, and mentoring. Each expands the level of inquiry and provides a platform to achieve a specific purpose or action. Box 3 organizes knowledge management tools by category. Knowledge management tools fit in five areas of competence: (i) strategy development, (ii) management techniques, (iii) collaboration mechanisms, (iv) knowledge sharing and learning, and (v) knowledge capture and storage. Some knowledge management tools require expert facilitation.

Learning lessons is contingent on improving organizational performance in the five areas of competence. Appendix 5 provides a framework for assessing organizational competence for knowledge management and the knowledge management risk factors associated with it. Where an organization such as ADB might aim to be in specified time and the priority areas of competence that it might, therefore, decide to focus on can be investigated by means of such diagnostic tools.

13 The term Yellow Pages refers to a telephone directory for businesses, categorized according to the product or service provided. Such directories are usually printed on yellow paper. With the advent of the Internet, the term Yellow Pages is now also applied to online directories of businesses. A wiki is a website that allows visitors to add, remove, and otherwise edit and change available content, typically without the need for registration. This makes a wiki an effective knowledge management tool for mass collaborative authoring. A blog is a user-generated website where entries are made in journal style and displayed in a reverse chronological order.
### Box 3: Knowledge Management Tools

#### Strategy Development

<table>
<thead>
<tr>
<th>Tool</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Knowledge Audit</td>
<td>Knowledge audits serve to identify owners, users, uses, and key attributes of knowledge assets. They examine the policy, structural, operational, and procedural factors that condition identification, creation, storage, sharing, and use of tacit and explicit knowledge. They provide a structure for making recommendations for knowledge management initiatives.</td>
</tr>
<tr>
<td>Social Network Analysis</td>
<td>Social network analysis has been called the most systematic way of analyzing relationships and knowledge flows among individuals and groups. Properly undertaken, social network analysis can yield invaluable data about how to tailor and focus knowledge management activities to organizational needs.</td>
</tr>
<tr>
<td>Most Significant Change</td>
<td>Most significant change is a narrative-based mechanism for planning programs of change. Much of knowledge management is about change, and change that takes place in a variety of different domains.</td>
</tr>
<tr>
<td>Outcome Mapping</td>
<td>Outcome mapping is a participatory planning, monitoring, and evaluation methodology that focuses on the contribution of a program to changes in the actions and behaviors of the boundary partners. It can be applied to knowledge management strategies.</td>
</tr>
<tr>
<td>Scenario Testing and Visioning</td>
<td>Scenario testing and visioning focus on the future of an organization. They allow creative thinking to play a central role in developing and rolling out knowledge management strategies.</td>
</tr>
</tbody>
</table>

#### Management Techniques

<table>
<thead>
<tr>
<th>Technique</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>The SECI Approach</td>
<td>This approach, made popular by Professor Nonaka, is based on systematically managing the conversion of knowledge from tacit to explicit forms based on simple principles of group dynamics.</td>
</tr>
<tr>
<td>Blame versus Gain Behaviors</td>
<td>Managing a learning organization requires a managerial approach to mistakes that encourages staff to take certain risks and to be honest about the consequences of their actions. This simple process enables groups to reflect on their own approach to mistakes and errors and on how they might address these through use of a series of generic “blame” or “gain” behaviors.</td>
</tr>
<tr>
<td>Force Field Analysis</td>
<td>Force field analysis enables teams to work out what their goal and objectives are and to identify systematically the forces for and against achieving them. It can be an empowering and energizing tool for teams.</td>
</tr>
<tr>
<td>Activity-Based Knowledge Mapping</td>
<td>All activities require different inputs and generate outputs. Increasingly, these inputs and outputs are information based. This tool relates to business process reengineering. It enables the mapping of inputs and outputs for key activities with a view to improving their efficiency. This provides managers with in-depth understanding of the different processes they oversee.</td>
</tr>
<tr>
<td>Structured Innovation</td>
<td>Structured innovation occurs by listing the characteristics of a specific problem and brainstorming its possible variations. Effected correctly, this tool enables groups to generate systematically new ideas and assess their potential.</td>
</tr>
</tbody>
</table>

*continued on next page*
Reframing Matrix | Everyone sees problems differently, and one of the key problems with knowledge management strategies is that knowledge is more often than not in the eye of the beholder. This tool enables different perspectives to be generated and used in management planning processes.

Collaboration Mechanisms

| Teams: Virtual and Face-to-Face | This tool enables teams to work through five stages toward a shared responsibility. Either face-to-face or virtually, teams can cross the five stages, assessing where they lie in terms of different areas, including atmosphere and relations, goal and objectives acceptance, information sharing, decision making, reaction to leadership, and attention to the way the group is working. |
| Communities of Practice | Communities of practice enable similarly minded, interacting people to work toward generating and collaborating on knowledge management activities in a variety of ways, through a number of overlapping functions. |
| Action Learning Sets | Action learning sets are a structured method enabling small groups to address complicated issues by meeting regularly and working collectively. This tool is geared especially to learning and personal development at the professional and managerial levels. |
| Six Thinking Hats | This tool offers a way out of the habitual thinking style by enabling participants to use different approaches and perspectives to analyzing decision making. This is particularly useful in that it allows a broad and objective view of decisions, and one that covers more options and possibilities. |
| Mind Maps | Mind maps are a graphic technique to enable participants to implement clearer thinking in their approach to many different tasks. It is useful both for individuals and for groups, and provides as nonlinear method of organizing information. |
| Social Technologies | Social technologies cover a broad swath of tools, all of which leverage technology to build collaboration and sharing of tacit knowledge. The tools include the Internet, telecommunications, radio, and face-to-face socializing. |

Knowledge Sharing and Learning

| Stories | Storytelling is an approach that can both allow for expression of tacit knowledge and increase potential for meaningful knowledge sharing, particularly by permitting learning to take place through the presence of a narrative structure. |
| Peer Assists | This tool encourages participatory learning by asking those with experience in certain activities to assist those wishing to benefit from their knowledge, through a systematic process, toward strengthened mutual learning. |
| Challenge Sessions | Challenge sessions are geared toward solving problems by allowing participants to supplement their habitual thinking with new methods, centered on working toward dealing with problems that are made up of conflicting requirements or challenges. |

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Box 3 continued

| **After-Action Reviews and Retrospects** | The after-action review facilitates continuous assessment of organizational performance, looking at successes and failures, ensuring that learning takes place to support continuous improvement in organizational learning and change. |
| **Intranet Strategies** | Intranets can have a great impact on knowledge management, particularly in the fields of information collection, collaboration and communication, and task completion. This tool can substantially increase the likelihood of an effective, useful system within an organization. |
| **Email Guidelines** | Email is one of the most commonly used tools in the modern business environment; there is an increased need nowadays to manage e-mail to reduce the risk of overload. This tool helps to control e-mail and, therefore, increase its effectiveness as a means of communication. |

**Knowledge Capture and Storage**

| **Taxonomies for Documents and Folders** | Taxonomies have been in existence for many decades in the form of classification schemes and indexing systems. They can still have a great deal to offer in terms of structuring information for easier management and retrieval. |
| **Exit Interviews** | Exit interviews represent a specific learning process, not just a way to leave a company, and one that highlights the importance of capturing and storing know-how. This can minimize the loss of useful knowledge through staff turnover and ease the learning curve of new staff, benefiting both the organization and the departing staff. |
| **How-To Guides** | How-to guides enable the capture, documentation, and dissemination of know-how of staff within an organization, to help them make better and wider use of existing knowledge. The objective is to capture an effective sequence or process with enough accuracy so that it can be repeated with the same results. |
| **Staff Profile Pages** | Using this tool, an electronic directory storing information about staff in a given organization can facilitate connections among people through systematizing knowledge management activities. |
| **Web Logs** | A web log in its various forms enables groups of people to discuss electronically areas of interest in different ways, and to review different opinions and information surrounding such subjects. |
| **Shared Network Drives** | Shared network drives work in most organizations to store and categorize information. If used correctly, and under systematized good practices, they can enable better retrieval of knowledge and improved information sharing across an organization. |

*a* The SECI Approach identifies four key processes through which tacit and explicit knowledge interact, namely, Socialization, Externalization, Combination, and Internalization. Together, these processes provide a set of pointers that can be used by managers to ensure that they are facilitating effective knowledge and learning in their ongoing programs and projects.

Options for Lesson Learning

ADB’s annual lending volume is typically about $6 billion, with TA totaling about $180 million a year. Therefore, the return on investment in lesson learning for operational and developmental impact is likely to be high, and maximizing it is a legitimate concern. There is anecdotal evidence that lessons sometimes feed into business processes—but feedback mechanisms can be developed further. In 2006, OED examined what options for lesson learning might exist short of forming a knowledge management unit. The alternatives considered but not recommended were (i) do nothing and prolong the status quo; (ii) formalize a role of knowledge management for all staff, and reduce the number of evaluation products accordingly; and (iii) create a separate division to handle knowledge management, or engage staff to handle knowledge management.

OED opted to establish a small Knowledge Management Unit. It would be operated by one professional staff, two analyst-level national staff, and two consultants for web writing and web development. The expected outcomes of OED’s near-term knowledge management initiatives are summarized in Appendix 6. Initiatives are expected to (i) increase client awareness among staff of OED, (ii) increase dissemination of findings and recommendations to key audiences, and (iii) increase learning and exchanges in OED and ADB.

Improvements are being made to OED’s website. Invitations to link to it are being sent to organizations that maintain related websites. Evaluation reports are being recycled by compiling summaries. However, knowledge management also requires proficiency in areas of competence other than knowledge sharing and learning.

14 Often, organizations do not know how to calculate the value returned from knowledge management and how to link that to performance measures. For ADB, in-house returns would stem for instance from reduced administrative and operational expenses; efficiency gains; increased productivity; better collaboration within the organization; higher quality, usability, scalability, and integration of knowledge products and services; and innovation. In DMCs, these returns would include achieving better development results though higher pro-poor, sustainable economic growth, more inclusive social development, and better governance.

15 ADB. 2006. Establishment of a Knowledge Management Unit in OED. Manila.

16 Available: www.adb.org/evaluation/
Auditing the Lessons Architecture

Knowledge management solutions need to be tied to the core issues of an organization and there are no one-size-fits-all solutions. Knowledge audits provide fact-based assessments of where organizations must cluster knowledge management efforts. They identify areas of strength, weakness, opportunity, and threat, and reveal risks. Knowledge audits are used to (i) identify knowledge needs for policy, strategy, and operational efforts; (ii) draw up an inventory of existing knowledge products and services; (iii) recognize gaps in knowledge products and services; (iv) analyze knowledge flows within the organization and knowledge exchanges with outside agencies; (v) identify blockages to knowledge flows; (vi) create a knowledge map; and (vii) suggest an agenda for organizational change. Where inter- and intra-organizational relationships are complex, knowledge audits should focus on interfaces, permitting thereby monitoring and evaluation of the baseline information gathered. Appendix 7 lists the steps commonly followed in knowledge audits.

17 OED conducted a first survey of users of evaluation reports in 1997. A more substantial exercise was conducted in 2008.
Based on knowledge audits, organizations looking to knowledge management develop business plans aligned with their goal and objectives. To raise knowledge vigilance to the point where attitudes are realistic and automatic and tacit knowledge is internalized, such plans identify needs and issues within the organization and be couched against a framework for addressing these. Needs and issues, as well as the business processes associated with them, are determined by (i) the external environment; (ii) the mandate, vision, goal, and objectives of the organization; (iii) the overall strategic direction; (iv) the size and spread of the organization; (v) organizational history and culture; (vi) staff skills and experience; and (vii) available resources.

There are two divergent approaches to knowledge management. The first creates a system whereby all existing knowledge products and services flow to all staff. The second enables staff to find what they want to know. These approaches are labeled organization-centric and employee-centric.\(^{18}\) They are not mutually exclusive, but the rise of the knowledge-based economy requires that more attention be given to the second. Top-down and bottom-up approaches to evaluation coexist in ADB. Under the first, OED has assumed responsibility for planning evaluations. The approach purports to provide integrity and quality of analysis, impartiality and transparency, and independence of evaluation. The second approach is still in early development. It relates to the conduct of self-evaluation at the completion of a program, project, or TA and to country portfolio reviews.\(^{19}\)

Each of the two approaches to knowledge management has strengths. A business plan for knowledge management must encompass both. The elemental steps of business planning are (i) identify key staff groups within the organization; (ii) conduct comprehensive and holistic analyses with the key staff groups to identify needs and issues and barriers to organizational performance; (iii) supplement the analyses with inputs from managers and organizational strategy documents to determine an overall strategic focus; (iv) develop findings and recommendations to address the needs and issues and to tackle the barriers identified; and (v) implement a series of knowledge management pilots based on the findings and recommendations, leveraged by suitable knowledge management tools, and with concern for measuring the effectiveness of outreach. Figure 2 illustrates the process to develop a business plan for knowledge management. Appendix 8 lists the knowledge performance metrics that can verify the use of common knowledge management tools.

\(^{18}\) The first approach places emphasis on collection. The second approach prioritizes connection.

\(^{19}\) Self-evaluation has been expanded to cover country partnership strategies through the preparation of country partnership strategy completion reports.
Figure 2: Developing a Knowledge Management Business Plan

Source: Author.
Putting It All Together: The Strategic Framework

Knowledge, Relationships, Context, and External Environment

The Overseas Development Institute has found that knowledge management tools are more effective where the specific knowledge, relationships, and context of development agencies, such as ADB, and the external environment they face are dealt with in an integrated and coherent manner. Key questions relate to (i) how knowledge is understood and applied within an organization; (ii) how knowledge interfaces with the existing structure of the organization; (iii) how knowledge management activities link to existing core functions of the organization; (iv) how do knowledge management activities link with the existing support functions of the organization; (v) how connective physical and electronic infrastructures support knowledge management strategies; (vi) how organizational vision, leadership, and management impact the effectiveness of knowledge management strategies; (vii) what ways there are of measuring the costs and benefits of learning or of not learning; and (viii) how knowledge management activities address external aspects of knowledge work. Figure 3 demonstrates the importance of using knowledge management tools with respect to the specific milieu in which ADB operates.

Based on the framework, a process of gap analysis and priority setting can be set in motion as follows:

- predesign, comprising knowledge management pilots;
- strategic development, in which the specific organizational approach to knowledge management is developed in structured fashion and priorities are established;

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• implementation and roll out of knowledge management initiatives; and
• alignment, during which refinements and adjustments to knowledge management initiatives are made in accordance with the strategic vision.

**Interfaces**

Inter- and intra-organizational relationships encompass OED itself, other departments, DMCs, and the IEC. Figure 4 shows these interfaces with the specific knowledge, and the relationships of OED and the external environment it faces to structure entry points for lesson learning.

**Architecture**

Knowledge management must be embedded into all of an organization’s business processes. It is not an activity delivered by a distinct department or a particular process. An architecture must be built to initiate and implement organization-wide knowledge management initiatives. Four pillars are critical to success: (i) leadership, (ii) organization, (iii) technology, and (iv) learning. All must be addressed. Table 1 outlines the core functions, typical activities, and implementation elements of the architecture for lesson learning.

21 Primarily these are operations departments. But OED also interacts with non-operations departments and offices, including the Asian Development Bank Institute, the Economics and Research Department, the Regional and Sustainable Development Department, and the Strategy and Policy Department.
Figure 4: Interfaces for Lesson Learning

Table 1: Architecture for Lesson Learning

<table>
<thead>
<tr>
<th>Pillar</th>
<th>Function</th>
<th>Typical Activity</th>
<th>Illustrative Implementation Element</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leadership</td>
<td>Drive values for knowledge management.</td>
<td>• Identify knowledge critical to learning lessons in ADB.</td>
<td>• Strategic planning</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Conduct work-centered analysis.</td>
<td>• Vision sharing</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Plan high-level strategic approach.</td>
<td>• Definition of goal and objectives</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Establish goal and prioritize objectives.</td>
<td>• Executive commitment</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Define requirements and develop measurement program.</td>
<td>• Knowledge management programs tied to metrics</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Promote values and norms.</td>
<td>• Formal knowledge management roles in existence</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Implement strategy.</td>
<td>• Tangible rewards for use of knowledge management</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Encouragement, recognition, and reward for knowledge sharing</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Communication</td>
</tr>
<tr>
<td>Organization</td>
<td>Organize to support values for knowledge management.</td>
<td>• Identify critical knowledge gaps, opportunities, and risks.</td>
<td>• Organizational structure</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Develop business process model.</td>
<td>• Organizational culture</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Engage key audiences with incentives.</td>
<td>• Business process work flows</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Business process reengineering</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Management by objectives</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Total quality management</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Operating procedures for knowledge sharing</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Knowledge performance metrics</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Communications</td>
</tr>
</tbody>
</table>

Source: Author.

continued on next page
Learning in Development

Operating Framework

Drawing the elements of knowledge, relationships, context, external environment, interfaces, and architecture in a conceptual structure generates the operating framework within which decisions on knowledge management initiatives can be taken and implemented. Figure 5 depicts the operating framework within which knowledge management tools can be leveraged for lesson learning in ADB. The operating framework and the performance regime that will drive it will be reviewed every three years.

Annual Business Planning

Learning is a process, not an attainment. Hence, OED’s knowledge management business plans should be aligned against ADB’s to set in train the drive for continuous improvement that is at the heart of strategic frameworks. The strategic priorities of ADB are
Figure 5: Operating Framework for Lesson Learning

• The capacity of ADB and its DMCs to reduce poverty is enhanced.

• Increased amount of more relevant and high-quality knowledge transferred to DMCs and other stakeholders by ADB
• Improved lesson learning in ADB

Knowledge Management Interfaces
• OED-OED
• OED-ADB
• OED-DMCs
• OED-IEC

Knowledge Management Framework
• Organizational context
• Organizational knowledge
• Inter- and intra-organizational relationships
• External environment

Outputs (annual)
• Improved organizational culture for lesson learning
• Improved management system for lesson learning
• Improved business processes and information technology solutions for lesson learning
• Improved community of practice for lesson learning
• Improved external relations and networking for lesson learning

Knowledge Management Tools
• Strategy development
• Management techniques
• Collaboration mechanisms
• Knowledge sharing and learning
• Knowledge capture and storage

Knowledge Management Pillars
• Leadership
• Organization
• Technology
• Learning

Activities (regular)
• Identify knowledge
• Create knowledge
• Store knowledge
• Share knowledge
• Use knowledge

Inputs
• ADB
• DMCs
• Cofinancing
• Beneficiaries
• Private sector
• Others

Source: Author.

guided by the Medium-Term Strategy II, 2006–2008. Table 2 summarizes the annual business planning process that OED will follow in support of its work program for 2007–2009. Knowledge management pilots will be congruent with ADB’s knowledge management framework and, where information technology is leveraged, with the Information Technology Strategy and Capital Expenditure Requirements, 2004–2009.22 Especially in large organizations, knowledge cannot be managed in isolation. Knowledge management

Learning in Development

pilots need to be informed by, and in harmony with, knowledge management initiatives launched elsewhere in ADB and to draw broadly on all available resources.

Resources

Learning Lessons in ADB: Strategic Framework, 2007–2009 is ambitious, but it is flexible and adapted to the needs perceived over the period considered. In 2006, OED formulated plans for establishment of a Knowledge Management Unit in 2007. It is operated by one international staff, soon to be assisted by one analyst-level national staff position with plans for a second analyst-level national staff position in 2008. Inputs from national consultants for writing and development of OED’s website and the OED Lessons database were provided in OED’s 2007 budget. OED international and national staff regularly volunteer help, too. Requirements for more diverse and intensified resources may become apparent as progress is made, notably regarding expert facilitation.

Next Steps

Learning Lessons in ADB provides a direction for knowledge management in OED over 3 years. To operate the framework, a number of discrete steps need to be taken. The annual business planning process specifies that regular annual knowledge audits linked to annual business plans will deliver outputs steadily against each interface based on operational needs and priorities but also resources, with flexibility and adaptability.

OED has resolved to pilot the annual business planning process in 2007 and to repeat it thereafter, each time building on accomplishments and embedding lessons learned from the previous iteration. In 2007, the annual business planning process will be informed by analyses conducted in 2006. Table 3 outlines the provisional knowledge management work program for 2007. Other knowledge management pilots for 2007 will be confirmed in consequence of the first knowledge audit.
Table 3: Knowledge Management Work Program, 2007

<table>
<thead>
<tr>
<th>Interface</th>
<th>Output</th>
</tr>
</thead>
</table>
| All interfaces | • *Learning Lessons in ADB*
|           | • *Independent Evaluation at the Asian Development Bank*, a perspective of operations evaluation
|           | • OED website
|           | • OED Lessons database
|           | • OED promotional materials, including OED Newsletters, Learning Curves, Sector Summations, and Success Rates
|           | • OED Help Desk
| OED-OED   | • OED Community of Practice
|           | • OED Community of Practice platform
|           | • OED communication framework with the Office of the Secretary
|           | • OED Team Room
| OED-ADB   | • Postings on evaluation reports in *ADB Today, AFE-ADB News*, etc.
|           | • Evaluation references in the ADB Library
|           | • Workshops, seminars, and brown bag sessions on knowledge management
| OED-DMCs  | • Regional TA in support of evaluation capacity development
| OED-IEC   | • Administration, maintenance, and enhancement of ECGnet, the Evaluation Cooperation Group Community of Practice platform

*a* This will use QuickPlace, a business-ready, self-service electronic workspace expressly designed by IBM Lotus for team collaboration, and adopted in ADB for discussion forum websites.

*b* The OED Team Room is a shared electronic workspace for knowledge capture and storage.
Communities of practice. Networks of people who work on similar processes or in similar disciplines and who come together to develop and share their knowledge in that field for the benefit of both themselves and their organization. Communities of practice may be created formally or informally, and members can interact online or in person.

Core knowledge activities. Knowledge activities that have been identified as most widely used by an organization, often also called the knowledge life cycle or the knowledge value chain. They are to identify, create, store, share, and use knowledge, often in a two-way exchange. Two important requirements have to be fulfilled to achieve improvements from these activities: (i) the activities should be aligned or integrated into business processes; and (ii) the activities should be balanced in accordance with the specificities of each process and organization. A knowledge management solution should not focus only on one or two activities in isolation.

Data. Discrete and objective facts, measurements, or observations that can be analyzed to generate information.

Explicit knowledge. Knowledge that can be codified in formal, systematic language and shared in discussion or writing. Examples include a telephone directory, an instruction manual, or a report of research findings.

Information. Data that have been categorized, analyzed, summarized, and placed in context in a form that has structure and meaning.

Information management. The management of an organization’s information resources to improve performance. Information management underpins knowledge management, as people derive knowledge from information.

Information technology. A term that encompasses the physical elements of computing, including servers, networks, and desktop computing, that enable digital information to be identified, created, stored, shared, and used.

Intellectual capital. The value, or potential value, of an organization’s intellectual assets (or knowledge products and services). Attempts to place a financial value on knowledge often define intellectual capital as the combination of human, structural, and technological capital.

Know-how. Skill or capability derived from knowledge and experience.

Knowledge. A combination of data and information, to which is added expert opinion, skills, and experience, resulting in a valuable asset that aids decision making. In organizational terms, knowledge is generally thought of as being know-how, applied information, information with
judgment, or the capacity for effective action. Knowledge may be tacit, explicit, individual, and/or collective. It is intrinsically linked to people.

**Knowledge assets.** The parts of an organization's intangible assets that relate specifically to knowledge, such as know-how, good practices, and intellectual property. Knowledge assets (or products and services) are categorized as human (people, teams, networks, and communities), structural (the codified knowledge that can be found in business processes), and technological (the technologies that support knowledge sharing, such as databases and intranets). By understanding the knowledge assets it possesses, an organization can use them to better effect and identify what gaps may exist.

**Knowledge audit.** Systematic identification and analysis of an organization’s knowledge needs, resources, flows, gaps, uses, and users. A knowledge audit usually includes a review of people-based knowledge, capability, and skills, as well as information. It also examines critically an organization’s values, vision, culture, and skills from the perspective of its knowledge needs.

**Knowledge base.** An organized structure that facilitates the storage of data, information, and knowledge to be retrieved in support of a knowledge management process.

**Knowledge economy.** An economy in which knowledge plays a dominant part in the creation of wealth. The four pillars of a knowledge economy framework are (i) an economic incentive and institutional regime that provides good economic policies and institutions that permit efficient mobilization and allocation of resources and stimulate creativity and incentives for the efficient creation, dissemination, and use of existing knowledge; (ii) educated and skilled workers who can continuously upgrade and adapt their skills to efficiently create and use knowledge; (iii) an effective innovation system of firms, research centers, universities, consultants, and other organizations that can keep up with the knowledge revolution and tap into the growing stock of global knowledge and assimilate and adapt it to local needs; and (iv) a modern and adequate information infrastructure that can facilitate the effective communication, dissemination, and processing of information and knowledge.

**Knowledge flows.** The ways in which knowledge moves around, and into and out of, an organization.

**Knowledge harvesting.** A set of methods and techniques for making tacit knowledge more explicit so that it can be shared more easily.

**Knowledge management.** The explicit and systematic management of processes enabling vital individual and collective knowledge resources to be identified, created, stored, shared, and used for benefit. Its practical expression is the fusion of information management and organizational learning.

**Knowledge management tools.** The methods and techniques that are used to support or deliver practical knowledge management. These can be either information technology systems, e.g., databases, intranets, extranets, and portals; methodologies; or human networks, e.g., communities of practice.
**Knowledge management strategy.** A detailed plan that outlines how an organization intends to implement knowledge management principles and practices to achieve organizational objectives.

**Knowledge manager.** A role with operational and developmental responsibility for implementing and reinforcing knowledge management principles and practices. Often acts as central owner of taxonomies and content standards and knowledge processes. Works to promote access to information, intelligence support, expertise, and good practices.

**Knowledge worker.** A staff member whose role relies on his or her ability to find, synthesize, communicate, and apply knowledge.

**Learning organization.** An organization skilled at identifying, creating, storing, sharing, and using knowledge; and then modifying its behavior to reflect new knowledge.

**Lessons learned.** Concise descriptions of knowledge derived from experience that can be communicated through methods and techniques, such as storytelling and debriefing or summarized in databases. These lessons often reflect on what was done right, what one might do differently, and how one might improve processes to be more effective in the future.

**Mentoring.** A one-to-one learning relationship in which a senior staff member of an organization is assigned to support the development of a newer or more junior staff member by sharing his or her knowledge and wisdom.

**Organizational culture.** The specific collection of values and norms that are shared by individuals and groups in an organization and control the way they interact with one another and with people outside the organization.

**Storytelling.** The use of stories as a way of sharing knowledge and helping learning in an organization. Stories can describe complicated issues, explain events, communicate lessons, and/or bring about cultural change.

**Tacit knowledge.** The personalized knowledge that people carry in their heads. Tacit knowledge is more difficult to formalize and communicate than explicit knowledge. It can be shared through discussion, storytelling, and personal interactions. There are two dimensions to tacit knowledge: (i) a technical dimension, which encompasses the kind of informal personal skills of crafts often referred to as know-how; and (ii) a cognitive dimension, which consists of beliefs, ideals, values, schemata, and mental models that are ingrained in individuals and often taken for granted.
APPENDIX 2

The Roots of an Emerging Discipline

Knowledge is the result of learning and the process of identifying, creating, storing, sharing, and using it to enhance performance has always occupied man. The pursuit of any human activity leads to the acquisition by those involved of know-how about how that activity may be successfully conducted and, insofar as what is learned can be harnessed, subsequent practitioners—even later generations—can build on experience and avert costly rework. Even so, for much of history, applications of know-how were confined to farming and craftsmanship.

The Industrial Revolution, which took place in England in the late 18th century, spread to Western Europe and North America in the 19th century, and eventually affected the rest of the world, replaced economies based on manual labor with economies dominated by machine tools. Beginning with the mechanization of textile manufacturing, fast-paced technological progress in other industries from the mid-19th century continued into the early 20th century and sparked unprecedented socioeconomic changes. The First World War spread new technology even wider and shaped the modern world. It also laid the seeds of the Second World War, another high point of technological escalation.

In post-industrial economies—a term associated from the 1970s with a phase when the relative importance of manufacturing decreases and that of services and information grows—those who possess knowledge—not land, labor, or capital goods—own the new means of production. Accepting great variations within and across countries, changes from industrial to knowledge economies have since been quickened by the complex series of economic, social, technological, cultural, and political changes that followed the Second World War. Their practical expression, referred to as globalization, is seen as increasing interdependence, integration, and interaction between people in far-flung locations.

Knowledge has always been transferred in one form or another. In varying forms of complexity, this has been accomplished by imitation; storytelling; written symbols and letters; apprenticeships; primary, secondary, and tertiary schooling; on-the-job discussions with peers; maintenance of corporate libraries; and professional training and mentoring programs, among others. However, from the early 1980s, expanding technologies for distribution of data and information opened opportunities for the development of a fertile environment enabling knowledge to be identified, created, stored, shared, and used for benefit.

In the knowledge-based economies that emerged in the mid-to late-1990s, information moves everywhere and its effects are pervasive. Irrespective of their nature, actors must organize themselves around information. There are three reasons why large organizations—a form of social institution involved in business (or more recently nonprofit) activities that developed from the late-1860s and is now prevalent—must become information based. The first is that the knowledge workers, who increasingly make up workforces, are not amenable to the command-and-control methods and techniques of the past. (In a knowledge workforce, the system must serve the worker.) The second, in the face of unremitting competition, is the requirement to systematize innovation and entrepreneurship, this being quintessentially knowledge work. (The implementation of knowledge management processes, systems, and applications has been shown to improve efficiency, forestall knowledge loss, and stimulate knowledge growth...
and creation.) The third is the imperative to come to terms with information technology: in a knowledge-based economy, an organization must decide what information it needs to conduct its affairs; if not, it will drown in data. (Typically, staff spend about 30% of their time looking for information.)

The forces of technology, globalization, and the emerging knowledge-based economy are sparking yet another revolution that is forcing large numbers of people and their organizations to seek new ways to manage themselves. Those tasked with leading must operate under the principle that the unique knowledge that knowledge workers bring to work is the key competitive differentiator. Still, the transfer of knowledge is inherently difficult even with modern knowledge management tools. Those who possess knowledge are not necessarily aware of all the potential applications of what they know. Knowledge is also “sticky” and tends to remain in people’s heads. And so, organizing for knowledge management requires new structures. Box A2 summarizes recent shifts in managerial attitudes vis-à-vis work activities.

<table>
<thead>
<tr>
<th>Old Paradigm</th>
<th>New Paradigm</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Organizational discipline</td>
<td>• Organizational learning</td>
</tr>
<tr>
<td>• Vicious circles</td>
<td>• Virtuous circles</td>
</tr>
<tr>
<td>• Inflexible organizations</td>
<td>• Flexible organizations</td>
</tr>
<tr>
<td>• Management administrators</td>
<td>• Management leaders</td>
</tr>
<tr>
<td>• Distorted communication</td>
<td>• Open communication</td>
</tr>
<tr>
<td>• Strategic business units drive product development</td>
<td>• Core competencies drive product development</td>
</tr>
<tr>
<td>• Strategic learning occurs at the apex of the organization</td>
<td>• Strategic learning capacities are widespread</td>
</tr>
<tr>
<td>• Assumption that most employees are untrustworthy</td>
<td>• Assumption that most employees are trustworthy</td>
</tr>
<tr>
<td>• Most employees are disempowered</td>
<td>• Most employees are empowered</td>
</tr>
<tr>
<td>• Tacit knowledge of most employees must be disciplined by managerial prerogative</td>
<td>• Tacit knowledge of employees is the most important factor in success, and creativity creates its own prerogative</td>
</tr>
</tbody>
</table>

APPENDIX 3

Notions of Knowledge Management

What Is Knowledge?

Data are facts, and information is interpreted data. Knowledge is created and organized by flows of information, shaped by their holder. It is tacit or explicit. Tacit knowledge is nonverbalized, intuitive, and unarticulated knowledge that people carry in their heads. It is hard to formalize and communicate because it is rooted in skills, experiences, insight, intuition, and judgment, but it can be shared in discussion, storytelling, and personal interactions. It has a technical dimension, which encompasses skills and capabilities referred to as know-how. It has a cognitive dimension, which consists of beliefs, ideals, values, schemata, or mental models. Explicit knowledge is codified knowledge that can be expressed in writing, drawings, or computer programs, for example, and transmitted in various forms. Tacit knowledge and explicit knowledge are mutually complementary forms of meaning. Figure A3.1 exemplifies the iceberg metaphor used to describe the hidden nature of tacit knowledge.

Model of Learning Progression

Forms of meaning, such as data and information, are more rudimentary than knowledge. Knowledge is more rudimentary than wisdom. Data and information are associated with forms of knowing that are specific and limited. Knowledge is systemic and integrates reason, values, intellect, and intuition. The typical model of learning progression locates knowledge in relation to other forms of meaning. Figure A3.2 describes stages in human learning.

![Figure A3.1: Knowledge Assets](image)

Source: Author.
Knowledge Agents

Most models of knowledge management assume four agents of knowledge, namely, the individual, the group, the organization, and the inter-organizational domain. They view knowledge and its creation as a spiral process from the individual to the group, the organization and, sometimes, the inter-organizational domain. Figure A3.3 shows that each agent holds distinct forms of meaning and performs work that the others cannot. Figure A3.4 reveals how knowledge is generated by interplay.

Figure A3.2: Model of Learning Progression

![Diagram showing the model of learning progression from data to knowledge to wisdom.]

Source: Author.

Figure A3.3: Knowledge Agents

![Diagram showing the knowledge agents at different levels (individual, group, inter-organizational) and their progression of knowledge from data to wisdom.]

Source: Author.
Appendixes

Figure A3.4: Knowledge Management Model

<table>
<thead>
<tr>
<th>Tacit Knowledge</th>
<th>Explicit Knowledge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cross-cultural negotiation skills</td>
<td>Knowing calculus</td>
</tr>
<tr>
<td>Team coordination in complex work</td>
<td>Quality circle’s documented analysis of its performance</td>
</tr>
<tr>
<td>Corporate culture</td>
<td>Organization chart</td>
</tr>
<tr>
<td>Customer’s attitudes to products and expectations</td>
<td>Supplier’s patents and documented practices</td>
</tr>
</tbody>
</table>


Modes of Knowledge Creation

In large organizations, knowledge is created through continuous dialogue on tacit and explicit knowledge via four patterns of interactions: (i) socialization, (ii) externalization, (iii) combination, and (iv) internalization.

Figure A3.5 frames the process of knowledge creation. Socialization is the process of creating common tacit knowledge through interactions, including observation, imitation, or apprenticeships. Externalization is the process of articulating tacit knowledge into explicit knowledge by means of metaphors, analogies, or sketches. Combination is the process of assembling new and existing explicit knowledge into systemic knowledge, such as a set of specifications for the prototype of a new product. Combination involves combining explicit knowledge through meetings and conversations or using information systems. Internalization converts explicit knowledge into tacit knowledge. Externalization converts tacit knowledge into explicit knowledge.

There are five conditions to encouraging the process of knowledge creation: (i) intention, (ii) autonomy, (iii) creative chaos, (iv) redundancy, and (v) requisite variety. Managers must be committed to accumulating, exploiting, and renewing the knowledge base within the organization and be able to create management systems that will facilitate the process. New ideas usually develop at the individual level, rather than at the group or organization level, and the individuals generating it must be given scope to follow their initiatives. This process of exploration can be encouraged by creative chaos, where flux and crisis cause people to reconsider precepts at a fundamental level. Incentives can then be given to exchange knowledge rather than ration or hoard it. The organization should be made to be conducive to this.

Knowledge Management Levels

Management implies a set of activities directed at an object. Figure A3.6 defines two aspects of knowledge management: a knowledge management level dealing with a knowledge object level. If knowledge is an organizational asset, as resource-based views of organizations suggest, its management will need to live up to objectives that are common to all resources. Typically, these
Figure A3.5: Modes of Knowledge Creation

Tacit Knowledge

Socialization

Externalization

Explicit Knowledge

Internalization

Combination

From


Figure A3.6: Levels in Knowledge Management

Knowledge Management Level

Knowledge Management Actions

Status Results

Knowledge Object Level

Source: Author.
objectives endeavor to make sure that the resource is (i) delivered at the right time, (ii) available at the right place, (iii) present in the right shape, (iv) obtained at the lowest possible cost, and (v) of the required quality. Apart from the question of how to achieve this, it must be understood that knowledge does have properties that set it apart from other resources. It is intangible and difficult to measure, volatile, and embodied in agents with wills. It is not consumed in a process; conversely, it can increase with use. It cannot always be bought on the market; on the contrary, its development can require lead time. It is nonrival in that it can be used by different processes simultaneously. And, its use can have wide-ranging impacts.

**Knowledge Management Architecture**

The architecture of knowledge management must be strengthened in support of organization-wide initiatives. Figure A3.7 shows its four pillars to be leadership, organization, technology, and learning. Figure A3.8 exemplifies the need to seek balanced interconnectivity.

**Leadership**

Leadership develops the strategies necessary to position for success in an environment. Those strategies determine vision and must align knowledge management with business tactics to drive the values of knowledge management throughout the organization. Focus must be placed on building executive support. Successful implementation of a knowledge management strategy requires champions at or near the top of an organization.

Respect for knowledge must pervade an organization. Introducing knowledge management requires organizational change, and knowledge management inevitably acts as a catalyst to transform the organization’s culture. The increasing value placed on capable people, rising job complexity, and the universal availability of information on the Internet are fundamental changes contributing to attempts to leverage knowledge management solutions. To begin to change an organization, knowledge management must be integrated into business processes and connected to changes in organizational culture.

**Technology**

Knowledge management tools are essential to achieving knowledge management strategies. However, any technical solution must add value to the process and achieve measurable improvements. Properly assessing and defining information technology capabilities is essential, as is identifying and deploying best-of-breed knowledge management tools to match and align with the organization’s requirements. Ten processes that must be built collectively make up full-function knowledge management: (i) capture and store, (ii) search and retrieve, (iii) send
critical information to individuals or groups, (iv) structure and navigate, (v) share and collaborate, (vi) synthesize, (vii) profile and personalize, (viii) solve or recommend, (ix) integrate, and (x) maintain.

**Learning**

People are responsible for using knowledge management tools in support of organizational performance. Organizational learning must be addressed with approaches, such as increasing internal communications, promoting cross-functional teams, and creating a learning community. Learning is an integral part of knowledge management. In this context, learning can be described as the acquisition of knowledge or a skill through study, experience, or instruction. Organizations must recognize that people operate and communicate through learning that includes the social processes of collaborating, sharing knowledge, and building on each other’s ideas. Managers must recognize that knowledge resides in people and that knowledge creation occurs through the process of social interaction.

**Core Knowledge Activities**

Knowledge management activities can be described in relation to many different disciplines and approaches but almost all focus on five basic activities: (i) identify, (ii) create, (iii) store, (iv) share, and (v) use. Figure A3.9 interprets the routine associated with core knowledge activities.

**Knowledge Management Activities**

Treating knowledge as a resource opens up promising opportunities for knowledge management activities. These can be split into four categories, each impacting a particular time segment of the knowledge management cycle. They relate to (i) reviewing, (ii) conceptualizing, (iii) reflecting, and (iv) acting.

Reviewing involves checking what has been achieved in the past and what the current state of affairs is. Conceptualizing entails sitting back, trying to grasp the state of knowledge in the organization, and analyzing the strong and weak points of its knowledge architecture. Reflecting calls for directing toward improvements by selecting the optimal plans for correcting bottlenecks and analyzing them for risks that might accompany their implementation. Acting is the actual effectuation of the plans selected. Figure A3.10 delineates the knowledge management cycle and the methods and techniques that drive it.

**Figure A3.9: Core Knowledge Activities**

<table>
<thead>
<tr>
<th>Identify</th>
<th>Create</th>
<th>Store</th>
<th>Share</th>
<th>Use</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inventory all people and system-based knowledge assets.</td>
<td>Gather knowledge assets from people or systems that hold it.</td>
<td>Organize knowledge assets into codifiable and noncodifiable categories.</td>
<td>Pass the knowledge assets between people or systems.</td>
<td>Use or share the knowledge assets for benefit.</td>
</tr>
</tbody>
</table>

Source: Author.
Most of the time, the actions will be one or a combination of generic operations that involve (i) developing knowledge, i.e., buying knowledge, establishing learning programs; (ii) distributing knowledge, i.e., channeling knowledge to the points of action, preparing manuals, connecting networks; (iii) combining knowledge, i.e., finding synergies, reusing existing knowledge; and (iv) consolidating knowledge, i.e., preventing knowledge from disappearing, instituting tutoring programs, establishing knowledge transfer programs.

Cultural Roadblocks to Knowledge Management Success

Culture has been characterized as the glue that holds organizations together. It can, for instance, be a critical success factor in the execution of strategy. It can play a crucial role in determining the success or failure of operations. At the micro level, there are close relationships between organizational culture, employee satisfaction, and job commitment and turnover. As one might expect, organizational culture plays a pivotal role in knowledge management.

Organizational culture is shaped by many factors, some of which can be changed while others are intractable. Organizations adapt to their external environments by designing responsive structures and systems, adopting relevant technologies, and harvesting appropriate skills and
qualities. Though constrained by their external environments, organizations make choices that, collectively, eventually define their cultures. These choices are influenced by the mission, values, and norms of each organization and the assumptions of its leaders. In due course, the choices will also define the success or failure of knowledge management initiatives. Thus, knowledge is inextricably bound to human cognition, and its management will occur within a structured psychological and social context. Figure A3.11 juxtaposes the psychological and social barriers that impact knowledge sharing.

**Psychological Factors**

Knowledge represents a source of power to people. By sharing valuable knowledge with a colleague, one runs the risk of diminishing one’s value in an organization; potentially, one is no longer indispensable. There are three conditions under which, as an employee, one will share knowledge: (i) reciprocity, (ii) repute, and (iii) altruism. One’s time and energy are finite, and one will, more often than not, take the time to help a colleague if one is likely to receive valuable knowledge in return, either now or in the future. In addition, it is in one’s interest to be viewed as an expert in an organization; if one does not have a reputation for expertise, one’s knowledge cannot represent a source of power. Likewise, before sharing, one needs to be certain that colleagues will acknowledge the source of knowledge and will not claim credit for it. But, in a process akin to self-gratification, there is also the need to talk to others about subjects that one finds fascinating and important.

Following resource-based views of organizations, which identify knowledge as potentially the primary source of sustainable competitive advantage, one can imagine that there are internal markets for knowledge within organizations. Knowledge is exchanged between buyers and sellers, with reciprocity, repute, and altruism functioning as payment mechanisms. Trust, however, is an essential condition to the smooth functioning of such a market. This trust can exist at an individual level, through close working relationships between colleagues, or at group and organization levels, by the creation of a cultural context that encourages and rewards knowledge sharing and discourages and penalizes knowledge hoarding.

**Social Factors**

Organizational culture, and the social networks that frame it, is the most frequently cited roadblock to knowledge management success. Based on understanding of psychological factors, the onus is on leadership to drive people-focused knowledge management and move from old to new knowledge management paradigms. People are more likely to understand and energetically support an initiative when they observe leadership behavior that is both credible and supportive. Drawing a parallel with Appendix 2, Box A2: Old and New Knowledge Management Paradigms, Box A3.1 summarizes the differences between what may be termed industrial and knowledge cultures.

**Figure A3.11: Barriers Affecting Knowledge Sharing**

- **Psychological Factors**
  - Reciprocity
  - Repute
  - Altruism

- **Social Factors**
  - Organizational Culture
  - Social Networks

Source: Author.
Table A3.1 makes observations on organization and culture, and suggests what might lie a little beyond the knowledge culture. Interpreting Table A3.1 with reference to Appendix 2: The Roots of an Emerging Discipline, one may appreciate that (i) cultures are not static (there is movement from left to right); (ii) individuals who are absorbed in a particular culture tend to find the culture to the right a little meaningless and the culture to the left almost valueless; (iii) transition from one culture to another is not smooth; and (iv) the concepts of control, responsibility, and contribution provide interesting analytical links between cultures.

**Assessing the Behavior–Performance Continuum**

Within any organization there may also be a variety of cultures—shaped by characteristic differences in professional orientation, status, power, visibility, and other factors. Understanding these cultures in terms of their expected behaviors helps to appreciate why organizational units can exhibit behaviors that are opposite to the organization’s expressed mission, values, and norms. At a more pressing level, behaviors can also temper what cooperation is displayed in a group. Thus, cultures create behaviors, some of which can result in obstructive (or, at least, nonconstructive) interactions that limit knowledge sharing and, in the fullness of time, hold back knowledge management. Assessing the behavior–performance continuum of key stakeholders in knowledge management initiatives will spell the difference between success or failure. It transcends the notion of knowledge flows that is fundamental to knowledge management initiatives and has deep implications for fostering ownership among those involved in associated efforts.

---

**Box A3.1: Industrial and Knowledge Culture Paradigms**

<table>
<thead>
<tr>
<th>Industrial Culture</th>
<th>Knowledge Culture</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Limited information distribution</td>
<td>• Wide information distribution</td>
</tr>
<tr>
<td>• Many management levels</td>
<td>• Few information levels</td>
</tr>
<tr>
<td>• Uneven responsibility</td>
<td>• Shared responsibility</td>
</tr>
<tr>
<td>• Rules based</td>
<td>• Principles based</td>
</tr>
<tr>
<td>• Structured</td>
<td>• Unstructured</td>
</tr>
<tr>
<td>• Risk averse</td>
<td>• Able to take some risks</td>
</tr>
<tr>
<td>• Inward orientation</td>
<td>• Outward orientation</td>
</tr>
<tr>
<td>• Occasional training</td>
<td>• Continuous learning</td>
</tr>
<tr>
<td>• Financial focus</td>
<td>• Marketing focus</td>
</tr>
<tr>
<td>• Political</td>
<td>• Open</td>
</tr>
</tbody>
</table>

---

**Table A3.1: Organization and Culture**

<table>
<thead>
<tr>
<th></th>
<th>Feudal Culture</th>
<th>Industrial Culture</th>
<th>Knowledge Culture</th>
<th>Creativity Culture</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organization</td>
<td>Territorial</td>
<td>Hierarchies</td>
<td>Networks</td>
<td>Flows</td>
</tr>
<tr>
<td>Focus</td>
<td>Land</td>
<td>Profit</td>
<td>Customer</td>
<td>Innovation</td>
</tr>
<tr>
<td>Culture</td>
<td>Domination Control</td>
<td>Control Responsibility</td>
<td>Responsibility Contribution</td>
<td>Contribution Creativity</td>
</tr>
<tr>
<td>Key Measure</td>
<td>Quantity</td>
<td>Efficiency</td>
<td>Effectiveness</td>
<td>Quality of Life</td>
</tr>
</tbody>
</table>
Early Pathways to Progress

Figure A3.12 poses simple questions to locate an organization’s progress toward knowledge management. Box A3.2 highlights early pathways to progress.

Getting Results from Knowledge Management

First and foremost, knowledge management is about results. Figure A3.2 described the typical model of learning progression under which data are analyzed to generate information, information is placed in context to produce knowledge, and evaluated knowledge begets wisdom (or informed actions). However, there are limits to looking upstream and concentrating on the supply of knowledge. It can result in the creation of unfocused data and information whereby strategy is blindly driven by technology. It is also helpful to examine the desired results and deduce what knowledge will be required to accomplish them. Figure A3.13 demonstrates how awareness of the stages in human learning can be exercised to embed the relationships between forms of meaning to focus on results. It reinforces the idea that knowledge management is primarily a matter of people, process, and outcome orientation.

**Figure A3.12: Where Are You in the Journey?**

<table>
<thead>
<tr>
<th>Have you started discussions on knowledge management?</th>
<th>Have you developed a knowledge management strategy?</th>
<th>Do you have knowledge management pilots underway?</th>
<th>Have you been deploying knowledge management solutions?</th>
</tr>
</thead>
</table>

Source: Author.

**Box A3.2: Early Signposts to Knowledge Management**

- Knowledge products and services are strategic and must be accounted for and valued accordingly.
- Knowledge management requires integration and balancing of leadership, organization, technology, and learning in an organization-wide setting.
- Knowledge management must both meet the requirements of and conditions for success and the desired benefits and expectations of the organization.
- Organizational culture affects knowledge management, especially at the lower levels.
- Streamlined organizations with strong organizational cultures have a higher chance of success in knowledge management.
- An atmosphere of trust is a precondition to knowledge sharing.
- Proposals for knowledge management should include both soft and hard measures if managers are to support knowledge management initiatives.
- The success factors for knowledge management are dominated by management concerns for people, process, and outcome orientation. They are interspersed throughout the knowledge management architecture of leadership, organization, technology, and learning.
Building Commitment

As part of an approach to managing change programs, it is helpful to observe the stages that people live through before committing to a new way of working. From simple awareness, they must first hear, then understand the change. Based on the actions of leaders and peers, they then opt to support the change and can be seen to act in the desired manner. Commitment is built when they use the new way of working in regular activities and finally own the change in their environment. At every stage, commitment is fragile and invokes active sponsorship from leaders. Figure A3.14 illustrates the process of committing to change.

Source: Author.
# Monitoring Framework for Knowledge Management in ADB

<table>
<thead>
<tr>
<th>Goal</th>
<th>Outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enhance the capacity of ADB and its DMCs to reduce poverty.</td>
<td>Increased amount of more relevant and high-quality knowledge being assimilated and transferred to DMCs and other stakeholders by ADB.</td>
</tr>
<tr>
<td></td>
<td>Improved learning—knowledge creation and sharing—capacity of ADB.</td>
</tr>
</tbody>
</table>

## Outcomes

### Improved organizational culture for knowledge sharing

- Integrate contribution to knowledge creation, sharing, storage, and dissemination in performance evaluation and review of staff at all levels.
- Enable staff to fully participate in implementing the knowledge management framework.

### Improved management system

- Integrate knowledge-related inputs and results in the managing for development results framework.
- Institutionalize planning and monitoring of an ADB-wide work program for knowledge products and services.
- Develop quality-at-entry criteria for knowledge products and services.
- Disband the Knowledge Management Committee.
- Improve evaluation of knowledge products and services.

### Improved business processes and information technology solutions for knowledge capture, enrichment, storage, and retrieval

- Improve processes for capturing and enriching lessons learned and good practices from operational activities.
- Clarify organizational and individual responsibilities.
- Design a corporate taxonomy.
- Implement information technology solutions for effective knowledge storage and retrieval.
- Develop and manage an enterprise portal.
- Expand and implement knowledge management applications.
- Develop a skills and knowledge database of staff and enhance consultant profiles.

### Well-functioning communities of practice

- Refine the structure and clarify the roles and responsibilities of sector and thematic committees and networks.
- Prepare annual reports on sector and thematic areas.

### Expanded knowledge sharing, learning, and dissemination through external relations and networking

- Promote strategic knowledge sharing and learning through external networks and partnerships.
- Implement the public communications policy.
- Establish the Center for Learning, Information, Communication, and Knowledge at ADB.

## APPENDIX 5

### Learning Lessons in ADB: Framework for Assessment

<table>
<thead>
<tr>
<th>Level</th>
<th>Strategy Development</th>
<th>Management Mechanisms</th>
<th>Collaboration Mechanisms</th>
<th>Knowledge Sharing and Learning</th>
<th>Knowledge Capture and Storage</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Level 5</strong></td>
<td>• ADB’s knowledge products and services are clearly identified. • Knowledge management is embedded in ADB’s business plans. • A set of knowledge management tools is available and well communicated, and the capacity to apply them is strengthened actively.</td>
<td>• Managers recognize and reinforce the link between knowledge management and organizational performance. • Managers regularly apply relevant knowledge management tools and act as role models. • Terms of reference for staff contain references to knowledge management.</td>
<td>• Collaboration is a defining principle across ADB. • Networks have clearly defined roles and responsibilities and tangible deliverables, and conduct annual meetings.</td>
<td>• Prompts for learning are built into ADB’s business processes. • Staff routinely find out who knows what, inside and outside ADB, and talk to them. • A common language, templates, and guidelines support effective knowledge management.</td>
<td>• Networks act as guardians of knowledge products and services. • Knowledge is easy to access and retrieve. • Selected knowledge products and services are sent to potential users in a systematic and coherent manner. • High-priority knowledge products and services have multiple managers who are responsible for updating, summarizing, and synthesizing them. • Exit interviews and handovers are used systematically.</td>
</tr>
</tbody>
</table>

*continued on next page*
<table>
<thead>
<tr>
<th>Level</th>
<th>Strategy Development</th>
<th>Management Techniques</th>
<th>Collaboration Mechanisms</th>
<th>Knowledge Sharing and Learning</th>
<th>Knowledge Capture and Storage</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Level 4</strong></td>
<td>• Discussions of ADB’s knowledge products and services are frequent.  • A knowledge management strategy exists but is not embedded in ADB’s business plans.  • A set of knowledge management tools is available and understood by most staff.</td>
<td>• Knowledge management is considered to be everyone’s responsibility.  • A few positions are dedicated to knowledge management.  • Managers increasingly display leadership behaviors that encourage knowledge management.  • There are incentives for knowledge management.</td>
<td>• Networks are organized around business needs and are framed by a governance document.  • Relevant management tools for collaboration are in place and well used. External parties are included in some networks.</td>
<td>• Learning before, during, and after is the way things are done in ADB.  • Beneficiaries and partners participate in review sessions.  • External knowledge plays a role in shaping program or project processing and administration.</td>
<td>• Key knowledge is kept current and easily accessible.  • An individual staff member acts as the guardian of each knowledge asset, and encourages people to contribute. Many do.</td>
</tr>
<tr>
<td><strong>Level 3</strong></td>
<td>• There are ongoing discussions about developing a knowledge management strategy.  • A few job descriptions include knowledge capture, sharing, and distillation.  • A broad range of knowledge management tools are used across ADB.</td>
<td>• Knowledge management is viewed as the responsibility of a specialist working group.  • A few managers talk the talk and sometimes walk the walk.</td>
<td>• Staff use networks and working groups to achieve results.  • Peers help peers across ADB’s organizational boundaries.  • Formal collaboration mechanisms are created and recognized.</td>
<td>• Staff can easily find out what ADB knows. Examples of knowledge sharing and knowledge use are highlighted and recognized.  • Peers help peers across ADB’s organizational boundaries.</td>
<td>• Networks take responsibility for knowledge management and store it in one location in a common format. Some knowledge is summarized for easy access by others.  • Searching knowledge products and services before embarking on a program or project is encouraged, as is sharing lessons afterwards.  • Exit interviews and handovers become common currency.</td>
</tr>
<tr>
<td>Level</td>
<td>Strategy Development</td>
<td>Management Techniques</td>
<td>Collaboration Mechanisms</td>
<td>Knowledge Sharing and Learning</td>
<td>Knowledge Capture and Storage</td>
</tr>
<tr>
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<td>-------------------------------</td>
<td>-----------------------------</td>
</tr>
</tbody>
</table>
| Level 2 | Many staff say that sharing knowledge is important to ADB’s success.  
A few staff use knowledge management tools to learn and share. | A few managers give staff the time to share knowledge and learn, but there is little visible support from the top. | Ad hoc personal networking to achieve objectives is used by individual staff members who know one another. This is increasingly recognized as vital to ADB. | Individual staff members learn before doing and program review sessions.  
They sometimes capture what they learn for the purpose of sharing but few colleagues access it in practice. | A few working groups capture lessons learned after a program or project and look for knowledge before starting a program or project.  
There is potential access to much knowledge, but it is not well summarized. |
| Level 1 | Isolated staff with a passion for knowledge management begin to talk about how important—and difficult—it is. | Knowledge management is viewed as a fad.  
Many managers still believe that knowledge is power.  
Managers think that networking leads to lack of accountability. | Knowledge hoarders seem to be rewarded.  
There are few cross-cutting collaborations.  
Silos (hierarchical categories) are hard to break down.  
Asking for help is considered to be a weakness rather than a strength. | Staff are conscious of the need to learn from what they do but are rarely given time.  
Sharing is for the benefit of specific working groups. | Individual staff members take the time to capture lessons but do so in a confusing variety of formats.  
Most staff do not contribute to knowledge products and services, and few search them.  
No exit interviews and few handovers take place. |

Note: Levels 5–1 suggest, in declining order of accomplishment, performance in five areas of organizational competence for knowledge management.
### Table A5.2: Knowledge Management Risk Factors

<table>
<thead>
<tr>
<th></th>
<th>Green</th>
<th>Yellow</th>
<th>Red</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Internal Collaboration</strong></td>
<td>ADB drives performance through internal collaboration rather than internal competition. A clear link can be seen between individual reward and collective performance.</td>
<td>Although collaboration is encouraged and partially rewarded, there is also a level of reward for internal competition. As a result, people are subjected to conflicting motivational pressures.</td>
<td>ADB drives performance through internal competition. Individuals, teams, and business units are rewarded through competition and there are no incentives to collaborate and share.</td>
</tr>
<tr>
<td><strong>Performance Management</strong></td>
<td>There is a clear and visible system of setting clear targets, measuring results, and rewarding performance. Everyone is part of this system.</td>
<td>Although some elements of a performance management system are in place, this is by no means uniform or rigorously applied.</td>
<td>There are no clear targets, no measurement of performance, and no clear linkage between reward and measurable performance.</td>
</tr>
<tr>
<td><strong>Team and Project Focus</strong></td>
<td>The work of ADB is largely divided into projects with internal customers, accountable project leaders, project teams, deliverables, and deadlines.</td>
<td>Some parts of ADB work in projects and on teams but many parts do not.</td>
<td>There is very little project work or team work. Most staff are individual contributors.</td>
</tr>
<tr>
<td><strong>Empowerment</strong></td>
<td>There is full empowerment at all levels. Staff are empowered to make all relevant decisions within clear boundaries.</td>
<td>There is a degree of empowerment but there are still many instances of a command-and-control approach.</td>
<td>The culture is one of command and control. The majority of decisions are escalated to management.</td>
</tr>
<tr>
<td><strong>High-Level Sponsorship</strong></td>
<td>Knowledge management has an active sponsor in the highest executive levels of ADB.</td>
<td>Sponsorship rests at the divisional level rather than the highest executive levels. A high-level sponsor may exist but is not providing active championship.</td>
<td>There is no high-level sponsor. Knowledge management is pushed from below, not from above.</td>
</tr>
<tr>
<td><strong>Accountable Team</strong></td>
<td>Delivery of knowledge management in the organization has been given, as an objective, to an accountable individual supported by a dedicated team with a budget. This team can drive change.</td>
<td>A team may exist but may lack resources, budget, or experienced leadership, or may be at the wrong level to effect organizational change.</td>
<td>There is no single accountable person or dedicated team. Knowledge management is delivered as an ad hoc project or through an informal community approach.</td>
</tr>
</tbody>
</table>

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### Table A5.2 continued

<table>
<thead>
<tr>
<th></th>
<th>Green</th>
<th>Yellow</th>
<th>Red</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Holistic Approach</strong></td>
<td>The approach to knowledge management is taken as a balance of people, process, and technology, with equal weight and budget given to all three elements. “Connect” and “collect” approaches are addressed.</td>
<td>Although all elements are being addressed, there is a significant bias toward one (viz., technology, or processes, or communities, or knowledge bases, etc.).</td>
<td>The approach to knowledge management is skewed toward introduction of new technology, communities of practice, explicit knowledge capture, etc., to the exclusion of the other elements of knowledge management.</td>
</tr>
<tr>
<td><strong>Assessment</strong></td>
<td>A detailed external assessment has been held, giving a clear view of the strengths and weaknesses of current approaches and corrective actions.</td>
<td>Some level of assessment has been conducted, but this was either self-administered, or hurried, or did not lead to a list of actions.</td>
<td>There has been no external assessment. Knowledge management interventions are driven by a subjective internal perception of what is needed.</td>
</tr>
<tr>
<td><strong>Strategy</strong></td>
<td>A knowledge management strategy is in place and fully endorsed by senior management. This sets direction for a knowledge management plan, objectives, and deliverables and aims toward the creation of a sustainable knowledge management system.</td>
<td>There is a knowledge management strategy, but it is either high-level, incomplete, or does not feed through into a clear implementation plan.</td>
<td>There is no knowledge management strategy. Individual knowledge management interventions are not selected within a strategic framework.</td>
</tr>
</tbody>
</table>

Note: Green final score = On track; Yellow final score = Seek advice; Red final score = Conduct knowledge audit and elaborate knowledge management strategy.

Source: Based on Knoco Ltd. 2006. *Knoco KM Risk Calculator*. Available: www.knoco.co.uk/
### Expected Outcomes of Near-Term OED Knowledge Management Initiatives

<table>
<thead>
<tr>
<th>Design Summary</th>
<th>Performance Targets/Indicators</th>
<th>Data Sources/Reporting Mechanisms</th>
<th>Assumptions and Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Outcomes</strong></td>
<td>• Increased client awareness among staff of the Operations Evaluation Department (OED)</td>
<td>• OED proposed evaluation approach papers indicating stakeholder involvement and dissemination strategy (during and after the evaluation)</td>
<td>• OED Management emphasizes client orientation as a strategic focus.</td>
</tr>
<tr>
<td></td>
<td>• Increased recognition of client orientation for products and services planned and delivered by OED in 2006–2007</td>
<td>• Client feedback • Knowledge management team assessment and progress reports • Website use statistics • Knowledge management team records of activities</td>
<td>• Strong OED Management support for knowledge management initiatives</td>
</tr>
<tr>
<td></td>
<td>• OEED Management emphasizes client orientation as a strategic focus • Strong OED Management support for knowledge management initiatives • Staff time and other resources are allocated for knowledge management and recognized as priorities</td>
<td>• Support from ADB’s Department of External Relations and Knowledge Management Center</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Increased dissemination of evaluation results and products to internal and external audiences and clients</td>
<td>• OED proposed evaluation approach papers indicating stakeholder involvement and dissemination strategy (during and after the evaluation) • Client feedback</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Increased awareness of staff of OED • Major evaluation findings, lessons, and recommendations disseminated internally and externally</td>
<td>• OED Management emphasizes client orientation as a strategic focus • Strong OED Management support for knowledge management initiatives</td>
<td></td>
</tr>
<tr>
<td></td>
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<td></td>
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</tr>
</tbody>
</table>

*continued on next page*
<table>
<thead>
<tr>
<th>Design Summary</th>
<th>Performance Targets/Indicators</th>
<th>Data Sources/Reporting Mechanisms</th>
<th>Assumptions and Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>• Knowledge management team assess-ment and progress reports</td>
<td>• Staff time and other resources are allocated for knowledge management and recognized as priorities</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Website use statistics</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Knowledge management team records of activities</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Increased learning and exchanges in OED and ADB on evaluations, methods, approaches, findings, and lessons</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Increased utilization of OED evaluation findings by ADB’s operations departments</td>
<td>OED proposed evaluation approach papers indicating stakeholder involvement and dissemination strategy (during and after the evaluation)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Increased knowledge of evaluation within OED and ADB</td>
<td>• Client feedback</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Increased use of OED’s website (top 25 most accessed at <a href="http://www.adb.org">www.adb.org</a>)</td>
<td>• Knowledge management team assessment and progress reports</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Selected major evaluation reports and publications among ADB’s top 100 most downloaded documents</td>
<td>• Website use statistics</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Knowledge management team records of activities</td>
<td></td>
</tr>
</tbody>
</table>

Knowledge Auditing

The Uses of Knowledge Auditing

A knowledge audit applies the principles of information resources management to

- identify the knowledge products and services needed to support individual, group, organizational, and inter-organizational activities and move toward the goal and objectives of the organization;
- make out what knowledge products and services exist, demarcate their flows and networks, and reveal examples of good practice and barriers to it;
- determine the gaps that need to be filled; and
- locate areas for improvement.

Identifying Knowledge Needs

The first step involves understanding accurately what knowledge products and services the organization and the individuals and groups within it need. Approaches include questionnaire-based surveys, interviews, and facilitated group discussions, or a combination of these. In elucidating needs, it is important to think about the goal and objectives of the organization; concentrate on the knowledge products and services that are vital to their accomplishments; and examine the core processes, activities, and decisions that individuals and groups perform daily. Table A7 structures the knowledge system ingredients associated with identifying knowledge needs.

Table A7: Knowledge System Ingredients

<table>
<thead>
<tr>
<th>Knowledge Object Characteristic</th>
<th>Form of Knowledge</th>
<th>Form of Meaning</th>
</tr>
</thead>
<tbody>
<tr>
<td>Describe the knowledge object that you want to manage:</td>
<td>Tacit knowledge</td>
<td>Data</td>
</tr>
<tr>
<td>• What is it?</td>
<td>Explicit knowledge</td>
<td>Information</td>
</tr>
<tr>
<td>• Where is it?</td>
<td></td>
<td>Knowledge</td>
</tr>
<tr>
<td>• Who owns it?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Who needs it?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• How will it be used?</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Knowledge Agent Level</th>
<th>Knowledge Management Level</th>
<th>Pillar Supported</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Individual</td>
<td>Strategic</td>
<td>Leadership</td>
</tr>
<tr>
<td>• Group</td>
<td>Tactical</td>
<td>Organization</td>
</tr>
<tr>
<td>• Intra-organizational</td>
<td>Operational</td>
<td>Technology</td>
</tr>
<tr>
<td>• Inter-organizational</td>
<td></td>
<td>Learning</td>
</tr>
</tbody>
</table>
Drawing up a Knowledge Inventory

A knowledge inventory is a stock-taking to identify and locate knowledge products and services. It involves counting and categorizing an organization’s tacit and explicit knowledge. For explicit knowledge, stock-taking will query as follows:

- What knowledge products and services there are, e.g., numbers, types, and categories of documents; databases; libraries; intranet websites; links; and subscriptions to external resources, etc.?
- Where the knowledge products and services are, e.g., locations in the organization and in its various systems?
- Organization and access, e.g., how are knowledge products and services organized, and how easy is it for staff to find and access them?
- Purpose, relevance, and quality, e.g., why do these resources exist, how relevant and appropriate are they for that purpose, are they of good quality, e.g., up-to-date, reliable, evidence-based, etc.?
- Usage, e.g., are they actually being used, by whom, how often, and what for?

For tacit knowledge, the inventory will focus on staff and examine

- who there is, e.g., numbers and functions of people;
- where staff are, e.g., locations in teams, departments, and buildings;
- what staff do, e.g., job types and levels;
- what staff know, e.g., academic and professional qualifications, core knowledge, and experience; and
- what staff learn, e.g., on-the-job training, learning, and development.

Identifying Knowledge Flows

An analysis of knowledge flows examines how knowledge products and services move around an organization. It covers both tacit and explicit knowledge, as well as people, processes, and systems. Regarding staff, the focus will be on attitudes toward and skills in knowledge sharing and use. Eliciting information on these will usually require a combination of questionnaire-based surveys followed up with individual interviews and facilitated group discussions. Regarding processes, it will be important to look at how staff go about their daily work activities and the extent to which knowledge seeking, sharing, and use are part of those activities. It will also be necessary to look at what policies and practices affect flows and invite organizational change. Regarding systems, an assessment will be required of key capabilities in technical infrastructure, including information technology systems, content management, accessibility and ease of use, and actual levels of use.
Creating a Knowledge Map

There are two approaches to knowledge mapping. The first charts knowledge products and services, recording in graphic form what exists in an organization and where it is to be found. The second includes knowledge flows, revealing how knowledge product and services move around the organization.

Outputs of Knowledge Audits

Outputs of knowledge audits will typically include

- a core process and knowledge chart;
- a supplier and user matrix;
- a knowledge map or tree;
- an initial set of information standards;
- a sample set of inventory records;
- a detailed report, including charts, diagrams, and tables of knowledge products and services; and
- an agenda for organizational change.
## Knowledge Performance Metrics

**Table A8.1: Common Knowledge Performance Metrics**

<table>
<thead>
<tr>
<th>Level</th>
<th>Metric</th>
</tr>
</thead>
</table>
| Outcome | • Time, money, or personnel time saved as a result of implementing initiative  
         |   • Percentage of successful programs compared with those before knowledge management implementation |
| Output  | • Usefulness surveys, where users evaluate how knowledge management initiatives have helped to accomplish their objectives  
         |   • Usage anecdotes, where users describe (in quantitative terms) how the knowledge management initiatives have contributed to the business objectives |
| System  | • Latency (response times)  
         |   • Number of downloads  
         |   • Number of site accesses  
         |   • Dwell time per page or section  
         |   • Usability survey  
         |   • Frequency of use  
         |   • Navigation path analysis  
         |   • Number of help desk calls  
         |   • Number of users  
         |   • Frequency of use  
         |   • Percentage of total employees using system |

Table A8.2: Knowledge Performance Metrics by Knowledge Management Tool

<table>
<thead>
<tr>
<th>Knowledge Management Initiative</th>
<th>System Measure</th>
<th>Output Measure</th>
<th>Outcome Measure</th>
</tr>
</thead>
</table>
| Best Practice Directory         | • Number of downloads  
• Dwell time  
• Usability survey  
• Number of users  
• Total number of contributions  
• Contribution rate over time | • Usefulness survey  
• Anecdotes  
• User ratings of contribution value | • Time, money, or personnel time saved by implementing best practice  
• Number of groups certified in the use of the best practice  
• Rate of change in operating costs |
| Lessons Learned Database        | • Number of downloads  
• Dwell time  
• Usability survey  
• Number of users  
• Total number of contributions  
• Contribution rate over time | • Time to solve problems  
• Usefulness survey  
• Anecdotes  
• User ratings of contribution value | • Time, money, or personnel time saved by applying lessons learned from others  
• Rate of change in operating costs |
| Communities of Practice or Special Interest Groups | • Number of contributions  
• Frequency of update  
• Number of members  
• Ratio of the number of members to the number of contributors (conversion rate) | • Number of apprentices mentored by colleagues  
• Number of problems solved | • Savings or improvement in organizational quality and efficiency  
• Captured organizational memory  
• Attrition rate of community members versus nonmember cohort |
| Expert or Expertise Directory  | • Number of site accesses  
• Frequency of use  
• Number of contributions  
• Contribution/update rate over time  
• Navigation path analysis  
• Number of help desk calls | • Time to solve problems  
• Number of problems solved  
• Time to find expert | • Savings or improvement in organizational quality and efficiency  
• Time, money, or personnel time saved by leveraging expert knowledge or expertise database |

*continued on next page*
<table>
<thead>
<tr>
<th>Knowledge Management Initiative</th>
<th>System Measure</th>
<th>Output Measure</th>
<th>Outcome Measure</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Portal</strong></td>
<td>• Searching precision and recall&lt;br&gt;• Dwell time&lt;br&gt;• Latency&lt;br&gt;• Usability survey</td>
<td>• Common awareness within teams&lt;br&gt;• Time spent gathering information&lt;br&gt;• Time spent analyzing information</td>
<td>• Time, money, or personnel time saved as a result of portal use&lt;br&gt;• Reduced training time or learning curve as a result of single access to multiple information sources&lt;br&gt;• Customer satisfaction (based on the value of self-service or improved ability for employees to respond to customer needs)</td>
</tr>
<tr>
<td><strong>Lead Tracking System</strong></td>
<td>• Number of contributions&lt;br&gt;• Frequency of update&lt;br&gt;• Number of users&lt;br&gt;• Frequency of use&lt;br&gt;• Navigation path analysis</td>
<td>• Number of successful leads&lt;br&gt;• Number of new customers and value from these customers&lt;br&gt;• Value of new work from existing customers&lt;br&gt;• Proposal response times&lt;br&gt;• Proposal win rates&lt;br&gt;• Percentage of business developers who report finding value in the use of the system</td>
<td>• Revenue and overhead costs&lt;br&gt;• Customer demographics&lt;br&gt;• Cost and time to produce proposals&lt;br&gt;• Alignment of programs with strategic plans</td>
</tr>
<tr>
<td><strong>Collaborative Systems</strong></td>
<td>• Latency during collaborative process&lt;br&gt;• Number of users&lt;br&gt;• Number of patents/trademarks produced&lt;br&gt;• Number of articles published plus number of conference presentations per employee</td>
<td>• Number of programs or projects collaborated on&lt;br&gt;• Time lost due to program delays&lt;br&gt;• Number of new products developed&lt;br&gt;• Value of sales from products created in the last 3–5 years (a measure of innovation)&lt;br&gt;• Average learning curve per employee&lt;br&gt;• Proposal response times&lt;br&gt;• Proposal win rates</td>
<td>• Reduced cost of product development, acquisition, or maintenance&lt;br&gt;• Reduction in the number of program delays&lt;br&gt;• Faster response to proposals&lt;br&gt;• Reduced learning curve for new employees</td>
</tr>
</tbody>
</table>

*continued on next page*
### Table A8.2 continued

<table>
<thead>
<tr>
<th>Knowledge Management Initiative</th>
<th>System Measure</th>
<th>Output Measure</th>
<th>Outcome Measure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yellow Pages</td>
<td>• Number of users</td>
<td>• Time to find people</td>
<td>• Time, money, or personnel time saved as a result of the use of Yellow Pages</td>
</tr>
<tr>
<td></td>
<td>• Frequency of use</td>
<td>• Time to solve problems</td>
<td>• Savings or improvement in organizational quality and efficiency</td>
</tr>
<tr>
<td></td>
<td>• Latency</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Searching precision and recall</td>
<td></td>
<td></td>
</tr>
<tr>
<td>e-Learning Systems</td>
<td>• Latency</td>
<td>• Training costs</td>
<td>• Savings or improvement in organizational quality and efficiency</td>
</tr>
<tr>
<td></td>
<td>• Number of users</td>
<td></td>
<td>• Improved employee satisfaction</td>
</tr>
<tr>
<td></td>
<td>• Number of courses taken per user</td>
<td></td>
<td>• Reduced cost of training</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Reduced learning curve for new employees</td>
</tr>
</tbody>
</table>

Auditing the Lessons Architecture
The annual sovereign and nonsovereign lending volume of ADB is typically about $6 billion, with TA usually totaling about $180 million a year. This does not include cofinancing and the counterpart funds that the governments of developing member countries associate with ADB’s operations, which amounted to about $8.2 billion and $4.9 billion, respectively, in 2006 for loans totaling a higher-than-average $7.5 billion. Plausibly, the return on investment in lesson learning for operational and developmental impact is likely to be high, and maximizing it is a legitimate concern. There are signs of improvement in evaluation-based learning in ADB. This holds for policies; strategies; country programs; and projects, including their design, implementation, results, and associated business processes. One notable area is greater attention to country, sector, and thematic areas. But the use of evaluation for learning may be less important than that of other inputs, such as self-evaluation and training, and evaluation results may only marginally support policy, strategy, and operational changes.

Since ADB created a post-evaluation office in 1978, the function of operations evaluation has moved from recording history to shaping decision making throughout the project cycle. Recent advances, to name a few, were sparked by the Board of Directors’ decision in 2003 to enhance the independence and effectiveness of the Operations Evaluation Department, by ADB Management’s endorsement of the Paris Declaration on Aid Effectiveness of 2005, and by the department’s resolution in 2006 to leverage knowledge management tools in support of lesson learning.

But even improved and well-used evaluation systems do not generate learning automatically. Evaluations generate learning through stakeholder involvement and via communication in a dynamic organizational context. If ADB wants to maximize its learning to ably serve a fast-changing region, it should pursue strategies that let the two modes supplement each other. Learning must be related to what people know and what they need to know to perform their jobs well—and hopefully better. Crucially, material must be tailored to the audiences targeted, and produced in a form that they can use. But managers must also actively support use of evaluations because applying knowledge has costs. Besides time and money, the latter can include the need to unlearn previous practices, and disruption to established relationships. Only if these two conditions hold will the costly gap between evaluation and planning be bridged.

In ADB, and most likely in other development agencies, the construction of knowledge is rarely examined and there has been a dire absence of work to find out what helps or hinders the transfer of knowledge through evaluation studies. This chapter brings to light the contribution that knowledge audits can make to organizational learning and organizational health, notwithstanding the psychological and social barriers that organizational culture can throw up. With deserved emphasis on the organizational context for learning, this chapter shows, with a real-life example, how knowledge audits open opportunities in strategy development, management techniques, collaboration mechanisms, knowledge sharing and
learning, and knowledge capture and storage. The knowledge audit methodology described in the chapter can support systematic identification and analysis of knowledge needs, products and services, flows, uses, users, and gaps from the perspective of learning lessons, necessary to tie in with the department’s audiences. Responses to the online, questionnaire-based survey of perceptions, conducted as a first exercise in 2007, provide ready and multiple entry points against which the department can take measures to that intent, as well as a comprehensive baseline assessment. They evoke a common sentiment that the department can do better in knowledge sharing and learning, and probably also in knowledge capture and storage. Staff of the department believed also that gaps exist in the management techniques that the department applies for knowledge management. In these three priority areas, the Five Competencies Framework adopted in this chapter provides a springboard for action. The reader should always bear in mind that the survey of perceptions carried out is only one of the miscellany of investigations that can make up a knowledge audit. In 2007, OED, renamed Independent Evaluation Department in 2008, chose to kick off knowledge auditing with a survey of perceptions because this tool quickly helps identify gaps in knowledge management. The customer is always right. *Auditing the Lessons in Architecture* was released as a stand-alone publication in 2008.

Introduction

Organizations—defined as social arrangements by means of which two or more persons pursue collective goals—are among the most significant structures through which society acts out its economic and social life. Among these, development agencies spend billions of dollars every year on thousands of interventions that aim to reduce poverty through innovation and societal change. But what development results do they deliver? Not knowing whether or not a development intervention actually made a difference, or not acting on the lessons of that experience, does not just waste money; it denies the poor critical support to improve their lives.

In development agencies, much data, information, and knowledge are needed by policymakers to decide what resources to assign to what development interventions; by personnel tasked with making decisions on impact, outcome, outputs, costs, financing, implementation, and other key design features; and by agents faced, day after day, with the challenges of implementing the interventions. The knowledge base needed for good policy making, design, and implementation originates from many sources. Typically, development interventions include monitoring of inputs and outputs along the results chain, building knowledge about processes and institutions, and providing evidence of accountability. The knowledge generated from these is not a luxury.

The reflective conversation element in evaluation, in particular, is a foundation block of organizational learning, and concern for the effectiveness of the evaluation function and its feedback mechanisms is pertinent. It is essential to transfer increased amounts of relevant and high-quality knowledge into the hands of policymakers, designers, and implementers. This chapter examines the setting of knowledge audits and underscores the role that they can play.

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1 The word is from Greek organon, literally, tool, instrument.
2 In development work, a lesson is knowledge derived from the implementation and evaluation of an intervention that can be used to identify strengths and weaknesses. This knowledge is likely to be helpful in modifying and improving functions. Lessons are of two types: operational and developmental. Irrespective, they usually relate to planning, positioning, implementation, and management.
3 Data are discrete and objective facts, measurements, or observations that can be analyzed to generate information. Information is data that have been categorized, analyzed, summarized, and placed in context in a form that has structure and meaning. Knowledge is a combination of data and information, to which is added expert opinion, skills, and experience.
4 Monitoring is the continuous collection of data and information on specified indicators to assess the implementation of an intervention in relation to activity schedules and expenditure of allocated funds, and progress and achievements in relation to its intended outcome.
5 Evaluation is the periodic assessment of the design implementation, outcome, and impact of an intervention. It should assess the relevance and achievement of the intended outcome; implementation performance in terms of effectiveness and efficiency; and the nature, distribution, and sustainability of impact.
6 Learning is a characteristic of an adaptive organization. An adaptive organization is able to sense changes in signals from its environment, both internal and external, and adapt accordingly.
to (i) better position evaluation as a resource linked to policy, strategy, and operational efforts; (ii) share accountability, acknowledge risk, and reward adaptive learning; (iii) create more space and structure for learning; and (iv) focus with more intent on different levels of learning. Because knowledge audits are a new and immature practice, the chapter also offers pointers on their conduct and explains the methodology developed by OED in 2007 to strengthen the lessons architecture of ADB with regular inputs. Lastly, it presents the results of an online, questionnaire-based survey of perceptions conducted in 2007—as a first application of one tool of knowledge auditing—and highlights the main conclusions from that. Success hangs on knowing what works; when we seize opportunities to learn, benefits can be large and widespread.

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7 Very little literature on knowledge audits goes beyond superficial discussion of what they might involve. Large companies have crafted proprietary knowledge audit methodologies. They are not publicly available but can be acquired for a fee. But no universal template can exist for the same reasons that few knowledge management frameworks have reached prominence and a wide audience: knowledge management requires complex, interrelated changes in leadership, organization, technology, and learning, all of them specific to the enterprise. In spite of everything, it is, nonetheless, possible to extract insights from existing literature and use common sense to customize an up-to-standard knowledge audit methodology, as this chapter reveals.

8 Evaluation at ADB has two major dimensions: (i) self-evaluation by the units responsible for particular development interventions, and (ii) independent evaluation by OED. Both are governed by principles of usefulness, credibility, and transparency. The second, as the name indicates, is made stronger by the additional principle of independence, and the associated attributes of impartiality and freedom from bias. The survey of perceptions pertained to independent evaluation.
The Setting of Knowledge Audits

Learning Organizations

A knowledge advantage is a sustainable advantage that provides increasing returns as it is used. However, building a knowledge position is a long-term enterprise that requires foresight and planning. In the knowledge-based economies that emerged in the mid- to late 1990s, the organizations with the best chance to succeed and thrive are learning organizations that generate, communicate, and leverage their intellectual assets. In The Fifth Discipline, Peter Senge labels them “…organizations where people continually expand their capacity to create the results they truly desire, where new and expansive patterns of thinking are nurtured, where collective aspiration is set free, and where people are continually learning to see the whole together.”

He catalogues their attributes as personal mastery, shared vision, mental models, team learning, and systems thinking (the fifth discipline that integrates the other four). Command of these lets organizations add generative learning to adaptive learning. Thus, they seldom make the same mistake twice. Organizational learning promotes organizational health. As a result, organizational

---

10 According to Peter Senge, personal mastery hangs on clarifying personal vision, focusing energy, and seeing reality. Shared vision is built by transforming personal vision into common vision. Mental models are put together by unearthing internal pictures and understanding how they shape actions. Team learning grows from suspending judgments and fostering dialogue. Systems thinking fuses the first four disciplines to create a whole from distinct parts.
11 Generative learning concentrates on transformational change that changes the status quo. This type of learning uses feedback from past actions to interrogate the assumptions underlying current views. At heart, generative learning is about creating. Adaptive learning focuses on incremental change. That type of learning solves problems but ignores the question of why the problem arose in the first place. Adaptive learning is about coping.
12 As long ago as 1962, Warren Bennis identified three dimensions of organizational health: (i) adaptability, (ii) coherence of identity, and (iii) the ability to perceive the world correctly. The point here is that organizational learning can make a valuable contribution to organizational health by advancing shared values, clarity of purpose, institutionalized leadership, technical capability, open and honest channels of communications, and ability to deal constructively with conflict. All are qualities that employees expect from their work nowadays.
performance is high. Referring further to Peter Senge, Figure 1 displays the core learning capabilities of organizations as a three-legged stool—a stool that would not stand if any of its three legs were missing. Figure 2 provides a matter-of-fact, multidisciplinary argument for why one might want to create a learning organization.

Other authors see learning organizations in different ways and the search for a single, all-encompassing definition of the learning organization is attractive but frustrating. In the final analysis, the most useful description is likely to be that which each organization develops for itself. That should be a well-grounded, easy-to-apply definition. Box 1 suggests an alternative way of looking at learning organizations, namely, by considering what their key characteristics might be. An important feature to bear in mind is that, for associated benefits to arise, a learning organization must be organized at five, sometimes overlapping levels: (i) individual learning, (ii) team learning, (iii) cross-functional learning, (iv) operational learning, and (v) strategic learning.

**Figure 1: Core Learning Capabilities of Organizations**

- **Aspiration**
  - Personal Mastery
  - Shared Vision
- **Understanding Complexity**
  - Systems Thinking
- **Reflective Conversation**
  - Mental Models
  - Team Learning

Source: Author.

---

13 Organizational performance comprises the actual outputs or results of an organization as measured against its intentions. It is commonly examined in terms of relevance, effectiveness, efficiency, and sustainability. The forces that drive these are organizational context, organizational knowledge, inter- and intra-organizational relationships, and the external environment.


15 Individual learning is not covered in this chapter, even if it is the starting point of the learning organization and something that a learning organization should certainly encourage. Employees who are willing and able to learn new things are very important to an adapting organization. Without them, there will be no new products or services. There will be no growth. Specifically, learning organizations need skilled, enthusiastic, entrepreneurial, results-oriented, and improvement-minded individuals. To describe how individuals learn, David Kolb has framed a well-known experiential learning model: (i) doing, (ii) reflecting, (iii) connecting, and (iv) testing. Learning cycles can begin at any stage, depending on individual learning styles, but typically originate from doing. Reflective practitioners can choose to strengthen their ability at each stage to become all-round learners. Nevertheless, a learning organization is more than a collection of individuals who are learning—individual learning is a necessary but not a sufficient condition for organizational learning.
Figure 2: Why Create a Learning Organization?

To produce a wide range of solutions to organizational issues
To reduce the likelihood of repeated mistakes
To clarify vision, purpose, values, and organizational behavior
To understand risks and diversity more deeply
For client relations
To balance the demands of stakeholders
To expand the horizons of who we are and what we can become
For innovation
To reconcile the pressures of long-term effectiveness and short-term efficiency
For independence and liberty
To increase ability to manage change
For an energized, committed workforce
To engage in community
For superior organizational performance and competitive advantage
To avoid decline

Box 1: Characteristics of a Learning Organization

- People feel they’re doing something that matters—to them personally and to the larger world.
- Every individual in the organization is somehow stretching, growing, or enhancing his or her capacity to create.
- People are more intelligent together than they are apart. If you want something really creative done, you ask a team to do it—instead of sending one person off to do it on his or her own.
- The organization continually becomes more aware of its underlying knowledge base—particularly the store of tacit, unarticulated knowledge in the hearts and minds of employees.
- Visions of the direction of the enterprise emerge from all levels. The responsibility of top management is to manage the process whereby new, emerging visions become shared visions.
- Employees are invited to learn what is going on at every level of the organization, so they can understand how their actions influence others.
- People feel free to inquire about each other’s (and their own) assumptions and biases. There are few, if any, sacred cows or undiscussable subjects.
- People treat each other as colleagues. Mutual respect and trust are evident in the way they talk to each other and work together, no matter what their position may be.
- People feel free to try experiments, take risks, and openly assess the results. No one is censured for making a mistake.

Organizational Learning

In the final analysis, other definitions of learning organizations share more with Peter Senge’s than they disagree with, but it should not be assumed that any type of organization can be a learning organization. In a time of great change, only those with the requisite attributes will excel. Every person has the capacity to learn, but the organizational structures and systems in which each functions are not automatically conducive to reflection and engagement. There may be psychological and social barriers to learning and change. Or people may lack the knowledge management tools with which to make sense of the circumstances they face. In this sense, the learning organization is an ideal toward which organizations must evolve by creating the motive, means, and opportunities.16

The literature on learning organizations is oriented to action and geared to the use of strategies and tools to identify, promote, and evaluate the quality of learning processes. In contrast, that on organizational learning concentrates on the detached collection and analysis of the processes involved in individual and collective learning inside organizations. That is to say, organizational learning is the activity and the process by which organizations eventually reach the ideal of a learning organization. The dividing line between the two is the extent to which proponents emphasize organizational learning as a technical or a social process. Figure 3 exemplifies single-loop and double-loop learning, the technical view expressed by Chris Argyris and Donald Schön.17

Figure 3: Single-Loop and Double-Loop Learning

![Figure 3: Single-Loop and Double-Loop Learning](source)

16 A motive is a reason for doing something. Here, the motive is understanding learning and why it is important. The means are models, methods, competencies, and support. Opportunities are in the space made available for learning, with implications for prioritizing time.

17 Individual learning is not covered in this booklet, even if it is the starting point of the learning organization and something that a learning organization should certainly encourage. Employees who are willing and able to learn new things are very important to an adapting organization. Without them, there will be no new products or services. There will be no growth. Specifically, learning organizations need skilled, enthusiastic, entrepreneurial, results-oriented, and improvement-minded individuals. To describe how individuals learn, David Kolb has framed a well-known experiential learning model: (i) doing, (ii) reflecting, (iii) connecting, and (iv) testing. Learning cycles can begin at any stage, depending on individual learning styles, but typically originate from doing. Reflective practitioners can choose to strengthen their ability at each stage to become all-round learners. Nevertheless, a learning organization is more than a collection of individuals who are learning—individual learning is a necessary but not a sufficient condition for organizational learning.
Jean Lave and Etienne Wenger think that learning is inherently a social process that cannot be separated from the context in which it takes place. They coined the term “community of practice” in 1991 based on their work on learning theory in the late 1980s and early 1990s (even if the phenomenon to which it refers is age old). Learning is in the relationships between people. Social learning occurs when persons who share an interest collaborate over time to exchange ideas, find solutions, and build innovations based on ability, not hierarchical position. Jean Lave and Etienne Wenger argue that communities of practice are everywhere and that we are generally involved in several of them—at work, school, or home, and even in our civic and leisure activities. We all are core members of some groups and at the margins of others. Naturally, the characteristics of communities of practice vary. But they can be defined along three dimensions: (i) what they are about (their domain), (ii) how they function (their community), and (iii) what capabilities they produce (their practice).18

More recently, communities of practice have been associated with knowledge management as organizations recognize their potential contributions to human and social capital,19 as well as to organizational performance. Communities of practice can drive strategy, spawn new ideas for products and services, transfer good practice20 and decrease the learning curve of new employees, respond more rapidly to specific client needs—requested or anticipated—for certain information, solve problems quickly, minimize organizational knowledge loss (both tacit and explicit), reduce rework and prevent “reinvention of the wheel,” develop professional skills, and help engage and retain talented individuals. Even with the help of community-oriented technologies,21 however, harnessing them in support of organizational development is not easy. Communities of practice benefit from cultivation, but their organic, spontaneous, and informal nature makes them resistant to supervision and interference. Importantly, there is an intimate connection between knowledge and activity, and knowledge workers22 have a strong need to feel that their work contributes to the whole. To get communities of practice going, leaders should (i) identify potential communities that will enhance the organization’s core competencies, (ii) provide supportive infrastructure, and (iii) use nontraditional methods to measure their value. In a learning organization, leaders are designers, stewards, and teachers.23 Fundamentally, they should move from managing to enabling knowledge creation. Communities of practice are voluntary, and what will make them successful over time is their ability, within an enabling environment, to generate enough excitement, relevance, and value to attract, engage, and retain members. Depending on their maturity, communities of practice fall in one of two self-reproducing patterns of organizational performance, as illustrated in Figure 4.

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19 Human capital refers to the stock of productive skills and technical knowledge embodied in labor. Social capital refers to connections within and between social networks.
20 A good practice is defined as anything that has been tried and shown to work in some way—whether fully or in part but with at least some evidence of effectiveness—and that may have implications for practice at any level elsewhere. Three possible levels of good practice flow from this: (i) promising practices, (ii) demonstrated practices, and (iii) replicated practices.
21 In a fast-changing market, numerous community-oriented technologies have emerged. They include (i) the desktop, with portal-like applications for managing participation in several groups; (ii) online project spaces for joint work; (iii) website communities; (iv) discussion groups; (v) synchronous meeting facilities, online auditoriums, conference rooms, and chat rooms; (vi) e-learning systems; (vii) expert profiles; and (viii) knowledge repositories. The advantages of one over another have to do with time and space, participation, membership, value creation, connections, and community development.
Organizational Culture

The principal competitive advantage of successful organizations is their culture. Its study is a major constituent of organizational development—that is the process through which an organization develops the internal capacity to be the most effective it can be in its work and to sustain itself over the long term. Organizational culture may have been forged by the founder; it may emerge over time as the organization faces challenges and obstacles; or it may be created deliberately by management. It comprises the attitudes, experiences, beliefs, and values of the organization, acquired through social learning, that control the way individuals and groups in the organization interact with one another and with parties outside it. Standard typologies include communal, networked, mercenary, and fragmented cultures. These are determined by sundry factors\(^{24}\) that find expression in organizational structure, making structure itself an important culture-bearing mechanism. The discourse on organizational culture can be esoteric. Figure 5 delineates 10 components that, together, influence organizational culture. Identifying discernible elements of culture allows organizations to determine features that can be managed to help implement and sustain constructive organizational change. But just as none of the 10 components in the figure shapes organizational culture on its own, none can individually support desired improvements.

Organizational culture varies more than any other corporate asset, including large and tangible information and communications technology infrastructure. It is said to be strong where employees respond to stimuli because of their alignment with it. Conversely, it is said

\(^{24}\) Factors determining organizational culture include innovation and risk taking, aggressiveness, outcome orientation, team and people orientation, attention to detail, stability, competitiveness, the diversity of members, and the age of the organization.
to be weak where there is little alignment, and control is exercised with administrative orders. Regardless, if an organization is to succeed and thrive, a knowledge culture must develop to help it deal with its external environment. But organizational culture is hard to change in the best circumstances. Employees need time to get used to new ways of organizing. Defensive routines pollute the system, more often than not unwittingly, and undermine it. The dynamics of culture change must be considered an evolutionary process at individual, group, organizational, and inter-organizational levels, to be facilitated by psychologically attentive leaders who do not underestimate the value of selection, socialization, and leadership. People cannot share knowledge if they do not speak a common language. And so there is a serious, oft-ignored need to root learning in human resource policies and strategies.

Observers recognize a correlation between the orientation of organizational culture and organizational learning. Indeed, the inability to change organizational behavior is repeatedly cited as the biggest hindrance to knowledge management. For this reason, even if the need to take a hard look at an organization’s culture extends the time required to prepare knowledge management initiatives, the benefits from doing so are likely to tell. Organizations that are more successful in implementing knowledge management initiatives embody both operations-oriented and people-oriented attributes. Typically, a learning culture is an organizational environment that enables, encourages, values, rewards, and uses the learning of

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25 Shared vision and a sense of community, fueled by a positive outlook, are generally recognized as the principal drivers of a culture’s receptivity to change. This bears out the earlier discussion of learning organizations and organizational learning.

26 The success of organizational learning lies also in its being incorporated into the recruitment and selection process, staff learning and development, and the performance management and rewards system, as well as being part of mobility and reassignment, including promotion.

27 In an ideal world, studies of the effects of organizational culture on organizational performance would develop theories and point to evidence that links specific aspects of culture to specific aspects of performance through specified intervening variables. Regrettably, only a very modest beginning has been made on this agenda.
its members, both individually and collectively. But many cultural factors inhibit knowledge transfer. Box 2 lists the most common frictions and suggests ways to overcome them. Most importantly, when sharing knowledge, the method must always suit the culture as that affects how people think, feel, and act.

**Box 2: The Culture of Knowledge Transfer**

<table>
<thead>
<tr>
<th>Friction</th>
<th>Possible Solution</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Lack of trust</td>
<td>• Build relationships and trust through face-to-face meetings.</td>
</tr>
<tr>
<td>• Different cultures, vocabularies, frames of reference</td>
<td>• Create common ground through education, discussion, publications, teaming, and job rotation.</td>
</tr>
<tr>
<td>• Lack of time and meeting places; narrow idea of productive work</td>
<td>• Establish times and places for knowledge transfers, e.g., fairs, talk rooms, and conference reports.</td>
</tr>
<tr>
<td>• Status and rewards go to knowledge owners</td>
<td>• Evaluate performance and provide incentives based on sharing.</td>
</tr>
<tr>
<td>• Lack of absorptive capacity in recipients</td>
<td>• Educate employees for flexibility; provide time for learning; and hire for openness to ideas.</td>
</tr>
<tr>
<td>• Belief that knowledge is the prerogative of particular groups; not-invented-here syndrome</td>
<td>• Encourage a nonhierarchical approach to knowledge; the quality of ideas is more important than the status of their source.</td>
</tr>
<tr>
<td>• Intolerance of mistakes or need for help</td>
<td>• Accept and reward creative errors and collaboration; there is no loss of status from not knowing everything.</td>
</tr>
</tbody>
</table>


**Learning for Change in ADB**

The work of ADB is aimed at improving the welfare of the people in Asia and the Pacific, particularly the 1.9 billion who live on less than $2 a day. Despite many success stories, the region remains home to two-thirds of the world’s poor. However, the nature and pattern of Asia’s growth process from the 1990s, analyzed in 2007 by the Eminent Persons Group that gave its views on the future of the region and made recommendations on the role of ADB, is leading to fundamental changes in the demand for ADB’s products and services. Put bluntly, it is in ADB’s self-interest to invest in lesson learning to maintain its status as a relevant development agency in the region, and continue to influence global, regional, and national policy debates. It must manage for development results with significantly increased effort, and

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embrace knowledge management. It will find it easier to do so if it moves from static measures of output to metrics that place a premium on adaptability and flexibility.

The experience that ADB has gained is its most important organizational asset. It must be safeguarded and used to inform operations in and services to DMCs. The operations and services of ADB should reside in finance, knowledge, and coordination. They should move from “make-and-sell,” at the simplest level, to “sense-and-respond” in ways that are increasingly satisfying to stakeholders. ADB’s completeness of vision and ability to execute would be strengthened by a more systematic approach to knowledge management. In turn, this would enrich the quality and operational relevance of knowledge products and services; communicate know-how at the start of a development intervention—allowing it to move forward with less ongoing input; highlight problems earlier; increase the likelihood that others will volunteer beneficial information; allow tasks to be shared or delegated better; avoid duplication of work; speed up business processes; and create a positive atmosphere and stronger team spirit. Harnessed knowledge would bring the field and headquarters closer together and ensure that ADB’s operations and services are grounded in and customized to local realities. It would also promote better partnerships within ADB and—through knowledge networks—outside ADB.

Evaluation has always been about learning—about how to be accountable, how to be transparent, and how to learn from experience. OED’s work program is being reinterpreted in a more clearly defined results framework to (i) conduct and disseminate strategic evaluations (in consultation with stakeholders), (ii) harmonize performance indicators and evaluation methodologies, and (iii) develop capacity in evaluation and evaluative thinking. With strategic evaluations, the department actively promotes sharing of lessons of experience to encourage higher organizational performance for development relevance, effectiveness, efficiency, and sustainability. In support, it also builds systems to ensure prompt follow-up of actions taken in response to evaluation findings and recommendations. Since January 2004, the department reports to the Board of Directors of ADB, not the President, through the DEC. Behavioral autonomy, avoidance of conflicts of interest, insulation from external influence, and organizational independence have advanced the department’s mission. In addition, the department established a knowledge management unit in 2006 to leverage operational and developmental wisdom, both internally and externally, and increase learning. Independent Evaluation at the Asian Development Bank looks to a future in which knowledge management plays an increasingly important role in operations evaluation. Figure 6 shows how the informal evaluation community of practice hosted by the department animates organizational learning.

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30 Details of OED’s work are at www.adb.org/evaluation
34 Treating knowledge as a resource opens up opportunities for learning across each time segment of the knowledge management cycle based on reviewing, conceptualizing, reflecting, and acting. Most often, the actions will be a combination of generic operations that involve developing, distributing, combining, and consolidating knowledge. In OED, the experience of practice is captured in evaluation studies. It is synthesized in knowledge products and services, often enriched by lessons from other sources through innovation. These are channeled as publications, presentations, press releases, and media resources, often via the internet, so that experience improves practice. The informal evaluation community of practice in the department animates these throughout the learning cycle of practice; experience; synthesis and innovation; dissemination; and uptake with one-time, near-term, and continuous efforts.
The vast resources invested in development work make it imperative to learn from experience and avoid repeating mistakes, and the stakes for demonstrating the use of learning to improve organizational performance have never been greater. Without a doubt, knowledge should be everyone’s business. *Learning Lessons in ADB* articulates the results-based, medium-term strategic framework within which OED will do so and guides the department’s knowledge management initiatives. It set the stage for regular knowledge audits, beginning in 2007, to provide fact-based assessments of where the department must cluster its efforts in the results-based framework of ADB. Specifically, knowledge audits are to be used deliberately to (i) identify knowledge needs for policy, strategy, and operational efforts; (ii) draw up an inventory of existing knowledge products and services; (iii) recognize gaps

35 Capturing and storing lessons to inform practice has appeal. Operations are costly, and lessons that are learned can raise quality and save time and money. To reap such benefits, many organizations have invested in software-based knowledge management systems. The technologies at hand offer remarkable capability but seldom work as well as anticipated. Commonly, the overriding difficulty is that the lessons that populate databases are mundane and are of questionable value to users. They are not connected to the social processes that underpin and condition knowledge sharing and learning, such as development of inter- and intra-organizational relationships that match the supply side of knowledge to demand.

36 To be exact, OED did conduct a survey of users of evaluation as long ago as 1997, to which 107 ADB staff responded. Interviews with ADB’s Management also took place. The paper-based questionnaire used was modest, concentrating on knowledge of evaluation work and the quality, relevance, and usefulness of evaluation studies. The interviews focused on feedback mechanisms and evaluation capacity development. Respondent ratings on the quality, relevance, and usefulness of evaluation reports, which encapsulate perceptions best, were downbeat, especially regarding timeliness, ease of access, and feedback mechanisms. However, the absence at that time of a strategic framework for knowledge management provided little framework for actions in response.
in knowledge products and services; (iv) analyze knowledge flows within the organization and knowledge exchanges with outside agencies; (v) identify blockages to knowledge flows; (vi) create knowledge maps; and (vii) suggest agenda for organizational change. The knowledge audits will also permit formulation of annual business plans to deliver outputs steadily against OED’s interface with other departments, DMCs, and the IEC.\textsuperscript{37} Thus, the process of planning will draw on previous learning and apply that to new or changing situations to anticipate situations before they happen, rather than just reacting to what happens.

\textit{Acting on Recommendations and Learning from Lessons in 2007: Increasing Value Added from Operations Evaluation}\textsuperscript{38} proposed other steps, including adhering to strategic principles, sharpening evaluation strategies, distinguishing recommendation typologies, refining recommendations, reporting evaluation findings, and tracking action on recommendations. Recognizing that knowledge that has not been absorbed has not really been transferred, it is hoped that synergies from the independence of the evaluation function and the application of knowledge management to it will boost readership and awareness of OED’s knowledge products and services; raise their quality, influence, and use; and encourage the emergence of mechanisms to improve operations evaluation and its outreach. Figure 7 suggests that completeness of vision and ability to execute make all the difference between being a niche player and being a leader.

\begin{figure}
\centering
\includegraphics[width=0.8\textwidth]{figure7.png}
\caption{From Niche Player to Leader}
\end{figure}

Source: Gartner, Inc. 2007.

\textsuperscript{37} The IEC referred to comprises the co-members of the ECG, namely, the African Development Bank, European Bank for Reconstruction and Development, European Investment Bank, Inter-American Development Bank, International Monetary Fund, and the World Bank Group. The community includes two observers—the United Nations Evaluation Group and the Evaluation Network of the Development Assistance Committee of the Organisation for Economic Co-operation and Development.

Definition and Purpose

Developing a knowledge-sharing culture is a change process on the way to better organizational performance. To achieve that change, an organization needs a vision of where it wants to be and an accurate picture of where it is now—that is, its current reality. A knowledge audit is one way of taking that picture. What is a knowledge audit? The traditional concept of an audit is an evaluation of a person, business, system, process, project, or product by an independent third party. Financial audits are well understood. They examine the financial statements of a company to check performance against standards. A knowledge audit works differently, and some demystification is called for. It is by and large—granted differing objects, breadth of coverage, and levels of sophistication—a qualitative review (or inventory, survey, check) of an organization’s knowledge health at both the macro and micro levels. The defining feature of a knowledge audit is that it places people at the center of concerns: it purports to find out what people know, and what they do with the knowledge they have. It can be described as an investigation of the knowledge needs of an organization and the interconnectivity among leadership, organization, technology, and learning in meeting these. Put in a different way, a knowledge audit is an investigation of the strengths and weaknesses of an organization’s knowledge, and of the opportunities and threats that face it.

A knowledge audit can have multiple purposes, but the most common is to provide tangible evidence of what knowledge an organization needs, where that knowledge is, how it is being used, what problems and difficulties exist, and what improvements can be made. Although there can be no blueprint, a typical knowledge audit will—not necessarily at the same time or level of detail—query the following:

- What are an organization’s knowledge needs?
- What tacit and explicit knowledge assets does it have, and where are they?
- How does knowledge flow within the organization, formally and informally, and to and from clients and relevant organizations?

The audit could span the whole organization, but preferably cover constituent parts of it. For the same reason that opinion polls do not sample the entire population, marginal returns diminish as the scale of related exercises increases. The same consideration applies to the number of questions that might be posed.
• How is that knowledge identified, created, stored, shared, and used?
• What obstacles are there to knowledge flows, e.g., to what extent do its people, business processes, and technology currently support or hamper the effective movement of knowledge?
• What gaps and duplications exist in the organization’s knowledge?

**Deliverables**

Deliverables from knowledge audits are multiple, and can impact organizational performance and the individuals and groups associated severally with it. Not all can be quantified. Regardless, to be of any use, benefits cannot just be shown; they must be realized. Specifically, depending on its thrust and coverage, a knowledge audit can be expected to

• help the organization identify what knowledge is needed to reach its goals and support individual and group activities;
• recognize the knowledge created and help assess its value and contribution to organizational performance, thus making it more measurable and accountable;
• give tangible evidence of the extent to which knowledge is being effectively managed and indicate where changes for the better should be made;
• identify intellectual assets and facilitate the creation of an intellectual asset register;
• distinguish pockets of knowledge that are not being used to good advantage and, therefore, offer untapped potential;
• review the use of external knowledge and suggest ways in which it might be used to better effect;
• assess the use and effectiveness of knowledge products, such as flagship publications, how valuable they are, and how they might be improved;
• circumscribe knowledge flows and current bottlenecks within those flows;
• make out present and future knowledge gaps;
• develop knowledge and social network maps of the organization;
• supply data and information for the development of knowledge management initiatives that are directly relevant to the organization’s specific knowledge needs and current situation; and
• pinpoint quick wins that could be implemented easily to produce clear, tangible, and immediate benefits.  

Knowledge audits might be small and discreet. But they must all give a clear direction regarding what can be achieved and must engender a realistic expectation of what might then be done with requisite resources. They must also create active interest and highlight important facts to management. They will work best if their original purpose is discussed in some detail.

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40 Benefits can come in a range of forms and need not represent a radical overthrow of organizational structures and systems. They can include (i) smoother induction of new employees; (ii) insights for coaching, mentoring, and training; (iii) more congenial working relationships between people across the organization; (iv) a more positive working environment; (v) improved use of internal and external knowledge products and services; (vi) easier retrieval of data, information, and knowledge across the organization; (vii) enhanced quality and consistency of data, information, and knowledge; (viii) fewer obstacles to knowledge sharing; (ix) more efficient work processes; (x) superior work flows; (xi) higher quality client service delivery; and (xii) better transfer of knowledge from departing employees to successors or replacements.
before the audit begins. Reporting may be done both through short written reports, presentations to managers—preferably one at the divisional level and another at the departmental level—and collation of detailed results for later use.

Constituents of Knowledge Audits

The typical constituents of knowledge audits, each of which can be conducted at different levels of complexity using a variety of tools, are shown in Figure 8. They are preferably, but not necessarily, in order: (i) knowledge needs analysis, (ii) knowledge inventory analysis, (iii) knowledge flow analysis, and (iv) knowledge mapping. Throughout investigations, elements of knowledge, relationships, context, and external environment should be borne in mind, together with the fact that about 80% of an organization’s knowledge is tacit—the greatest challenge lies in the audit of that.

Identify Knowledge Needs. The objective of knowledge needs analysis is to identify what tacit and explicit knowledge individuals, groups, and the organization possess, and what knowledge they might require in the future to perform better. The analysis can help an organization develop strategy. Besides shining light on bread-and-butter wants, it can also draw attention to staff skills and competency enhancement needs; opportunities for staff learning and development; organizational culture practices concerning leadership, collaboration, team work, and the performance management and rewards system; and staff relationship with management, peers, and subordinates.

Draw Up a Knowledge Inventory. Knowledge inventory analysis is stocktaking to identify, locate, and document existing knowledge assets. It involves, to the extent possible, counting, indexing, and categorizing tacit and explicit knowledge. For explicit knowledge, the analysis might cover (i) numbers, types, and categories of documents, databases, libraries, intranets, hyperlinks, and subscriptions to external knowledge resources; (ii) knowledge locations in the organization and in its systems; (iii) the organization and access of knowledge; (iv) the purpose, relevance, and quality of knowledge; and (iv) use of knowledge. For tacit knowledge, the analysis might relate to (i) staff directories and academic and professional qualifications;

Figure 8: Knowledge Audit Constituents

![Knowledge Audit Constituents Diagram]

Identify knowledge needs ➔ Draw up a knowledge inventory ➔ Analyze knowledge flows ➔ Create knowledge maps

Source: Author.

The common tools used for knowledge audits are face-to-face and telephone interviews; structured, semi-structured, and unstructured questionnaires; workshops; focus group discussions; and online consultations. Other data and information can be gathered by referring to the documentation of the organization, conducting direct inspections, and examining the information and communications technology infrastructure, including the organization’s website.

Naturally, in a large and diverse organization, the dimensions and conduct of a knowledge audit will differ radically from that applicable to a small, less complex one.
(ii) skills and core competency levels and experience; (iii) staff learning and development opportunities; and (iv) leadership potential in employees. An organization will be able to identify knowledge gaps and areas of duplication by comparing the results of the knowledge inventory analysis with those of the knowledge needs analysis.

**Analyze Knowledge Flows.** Knowledge flow analysis investigates how knowledge moves from where it is to where it is needed in an organization, revealing good and bad practices. The analysis determines how employees find the knowledge they must have, and how they share what knowledge they have. Knowledge flow analysis should examine people, business processes, and technology. Regarding people, this entails exploring attitudes toward, and experiences, beliefs, values, and skills in, knowledge sharing. In relation to business processes, one should look at how people go about their daily business and the extent to which identification, creation, storage, sharing, and use of knowledge forms part of that; policies and practices concerning knowledge flows, for instance on data and information handling, management of records, or web publishing. For technology, there should be a focus on information and communications technology infrastructure, such as portals, content management, accessibility and ease of use, and current levels of usage.

**Create Knowledge Maps.** Knowledge maps—whether they are real, Yellow Pages, or specially constructed databases—are communication media designed to help visualize the sources, flows, constraints, and sinks (losses or stopping points) of knowledge within an organization. They can specify, for instance, creators, critics, collectors, connectors, and users of knowledge. They are useful navigational guides to tacit and explicit knowledge and underscore importance, relationships, and dynamics, for example, within social networks. They can flip perspectives on knowledge from bottom-up to top-down, and focus knowledge management initiatives on the highest potential opportunities.

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43 In contrast to organization charts, social network analysis maps show informal relationships. Who do people seek data, information, and knowledge from? Who do they share theirs with?
Auditing the Lessons Architecture

Learning Lessons in ADB introduces knowledge audits and presents general steps for identifying knowledge needs, drawing up a knowledge inventory, analyzing knowledge flows, and creating knowledge maps. As shown earlier, the small literature on knowledge audits suggests other approaches, and the practice of knowledge audits reveals more still. The commonality, perhaps, is that all are conducted in the context of organizational change management.44

In 2007, OED particularized a knowledge audit methodology, its principal means, and associated time frame, to be applied in four phases spanning about 5 months. The methodology draws on elements of knowledge, relationships, context, and external environment; interfaces for lesson learning; and knowledge architecture deemed most relevant to the department. The four phases are (i) knowledge audit preparations, (ii) knowledge audit analysis, (iii) knowledge audit review, and (iv) business planning. Figure 9 outlines in broad strokes the principal elements of the knowledge audit methodology that will guide the department in a general way. Box 3 enumerates possible related steps and activities, and Box 4 sketches an indicative time frame for implementation. Since knowledge management is a process for optimizing and leveraging the stores of knowledge in an organization, the accent placed (concurrently or in turn) on each constituent of a knowledge audit will depend on where an organization is and where it wants to be. Figure 9 and Boxes 3–4 should be interpreted in view of that. A second important caveat is that the following section on the survey of perceptions, which emphasized identification of knowledge needs, should not be taken as all that a knowledge audit can be.

To underpin future knowledge audits, OED also formulated survey questionnaires to draw out perceptions of the performance of the independent evaluation across the four interfaces identified in Learning Lessons in ADB: (i) OED–OED, (ii) OED–ADB, (iii) OED–DMCs, and (iv) OED–IEC. The questionnaires were designed against the Five Competencies.

44 Change management is a structured approach to change in individuals, groups, and organizations that facilitates transition from a current state to a desired future state. Donald Schön has drawn attention to the intrinsically conservative nature of organizations. Indeed, much of the strength and utility of organizations comes from their inertia, which helps to make them reliable in what they do and accountable for that. However, today’s fast-paced, fast-changing, and increasingly competitive world calls for the process of change to become far more flexible. Knowledge audits can enable organizations to cope with these tensions. Organizations function best when they are optimally matched to their external environment.
Framework adopted in *Learning Lessons in ADB*. The framework of organizational competence for knowledge management comprises (i) strategy development, (ii) management techniques, (iii) collaboration mechanisms, (iv) knowledge sharing and learning, and (v) knowledge capture and storage. Appendix 1 typifies the orders of accomplishment in the Five Competencies Framework. The questionnaires were comprehensive, organized, systematic, and inclusive; they provide the framework within which OED can search for continual opportunities to ameliorate the independent evaluation function and its feedback mechanisms. The responses to the questionnaires also revealed rich seams of “as-is,” baseline information, which should be mined vigorously. Box 5 shows, for each interface, the area of competence on which the questionnaires centered.

A key facet of a knowledge audit involves understanding the context and strategic intent of the organization, or even area, to which it is applied. (Audits can be conducted at the level of the four agents of knowledge, namely, the individual, the group, the organization, and the inter-organizational domain.) The drivers of each focal area considered must be analyzed, reviewed, and examined. Therefore, the focal area of each knowledge audit is expected to change in response to the first baseline survey, evolving priorities, and the lessons of preceding iterations where relevant. Naturally, drawing from the panoply of tools for knowledge auditing, the means by which each audit would be conducted might also change.

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45 Chris Collison and Geoff Parcell. 2001. *Learning to Fly: Practical Knowledge Management from Leading and Learning Organizations*. Capstone Publishing. The Five Competencies Framework developed by Chris Collison and Geoff Parcell helps to determine priorities for immediate action by selecting the area that will yield the greatest benefits if improved.

46 A competency approach befits organizational learning. It offers safeguards against drain of knowledge, inappropriate use of knowledge, and accumulation of poor knowledge.
<table>
<thead>
<tr>
<th>Phase 1</th>
<th>Phase 2</th>
</tr>
</thead>
</table>
| **1. Plan Knowledge Audit**  
• Identify objectives.  
• Conduct background investigations.  
• Hold preliminary discussions. | **4. Identify and Liaise with Key Audiences**  
• Agree on interface representatives.  
• Make initial contact. |
| **2. Assimilate Core Knowledge Activities**  
• Identify  
• Create  
• Store  
• Share  
• Use | **5. Select and Design Audit Forms**  
• Consider interface characteristics.  
• Formulate audit deliverables. |
| **3. Delineate Interface Characteristics**  
• OED–OED  
• OED–ADB  
• OED–DMCs  
• OED–IEC | |
| **Phase 2** | **Phase 3** |
| **6. Identify Knowledge Needs**  
• Investigate what important knowledge the interfaces need to meet goals and objectives.  
• Determine what important knowledge is available and what is missing.  
• Consider, with attention to people, business processes, and technology, how faster access to important knowledge might be secured. | **8. Analyze Knowledge Flows**  
• Examine how knowledge products and services flow in OED, and to and from its interfaces, with attention to people, business processes, and technology.  
• Characterize stock-based and flow-based knowledge, trends and patterns, and efficiency and effectiveness. |
| **7. Draw up Knowledge Inventory**  
• Track down explicit knowledge products and services, their locations, purposes, relevance, and accessibility.  
• Make out tacit knowledge about who the key audiences are, where they are, what they do, what they know, and what they learn.  
• Identify gaps in tacit and explicit knowledge. | **9. Create Knowledge Maps**  
• Locate knowledge products and services and map out flows, constraints, and sinks.  
• Map knowledge gaps.  
• Analyze social networks. |
| **Phase 3** | **Phase 4** |
| **10. Assess Knowledge Audit Findings**  
• Analyze evidence.  
• Suggest courses and means of action.  
• Devise improvements. | **12. Close Knowledge Audit**  
• Incorporate suggestions for improvement.  
• Identify matters for follow-up. |
| **11. Discuss Knowledge Audit**  
• Carry out after-action reviews and retrospects.  
• Conduct in-house workshops. | **13. Decide on Knowledge Management Initiatives**  
• Prioritize knowledge management initiatives.  
• Design knowledge management initiatives. |
| **14. Formulate Business Plans**  
• Propose capital, operational, administrative, and recurrent expenditures.  
• Submit annual budget document. | |
### Box 4: Indicative Knowledge Audit Time Frame

<table>
<thead>
<tr>
<th>Phase</th>
<th>Activity</th>
<th>Month</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Knowledge Audit Preparations</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Plan knowledge audit.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Assimilate core knowledge activities.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Delineate interface characteristics.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Identify and liaise with key audiences.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Select and design audit forms.</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Knowledge Audit Analysis</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Identify knowledge needs.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Draw up knowledge inventory.</td>
<td></td>
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<tr>
<td></td>
<td>Analyze knowledge flows.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Create knowledge maps.</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Knowledge Audit Review</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Assess knowledge audit findings.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Discuss knowledge audit.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Close knowledge audit.</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Business Planning</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Decide on knowledge management initiatives.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Formulate business plans.</td>
<td></td>
</tr>
</tbody>
</table>

### Box 5: Perceptions Survey Questionnaires—Interface and Areas of Competence

<table>
<thead>
<tr>
<th>Interface</th>
<th>Strategy Development</th>
<th>Management Techniques</th>
<th>Collaboration Mechanisms</th>
<th>Knowledge Sharing and Learning</th>
<th>Knowledge Capture and Storage</th>
</tr>
</thead>
<tbody>
<tr>
<td>OED–OED</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>OED–ADB</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>OED–DMCs</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>OED–IEC</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

ADB = Asian Development Bank, DMC = developing member country, IEC = international evaluation community, OED = Operations Evaluation Department.
The Survey of Perceptions

Survey Definition

The survey that opened OED’s first knowledge audit aimed to gain insight into how people within the four interfaces for lesson learning perceive the department’s knowledge management activities. From the results, OED measured awareness of and identified gaps in the department’s knowledge products and services. The Five Competencies Framework was used to assess the department’s organizational performance. This framework identifies these areas of organizational competence for knowledge management as (i) strategy development, wherein tools are used to help an organization achieve a particular goal in knowledge management through a long-term plan of action; (ii) management techniques, which cover a range of practices from assessing the forces for and against desired organizational changes to assessing managerial approaches to mistakes, in order to do things right; (iii) collaboration mechanisms, which pertain to facilitating effective practices in working with others; (iv) knowledge learning and sharing, which means using techniques to learn from and improve future activities; and (v) knowledge capture and storage, wherein routines are applied to ensure that an organization retains essential knowledge. For each interface, survey questionnaires covered only the areas of competence deemed most relevant.

The survey adopted a variant of the Likert scale\textsuperscript{47} to evaluate the perceived level of organizational performance per competence area, wherein respondents specify the extent of their agreement with a statement. Five choices were given per question to gauge perception of OED’s competencies: (i) never, (ii) seldom the case, (iii) sometimes the case, (iv) often the case, and (v) always the case. Two methods were used to determine overall perception of organizational performance in each area of competence. The first was based on the responses of the majority per question. The second established an objective measure by computing the weighted average score to account for the perception of the entire sample.

Frequent online consultations cause fatigue, and the design of the survey tried to make sure that the questionnaires would be well received by respondents. Before they were deployed, the questionnaires were tested by coworkers to ascertain that the questions would be interpreted in the manner expected. Questions were kept to a minimum, with the understandable exception

\textsuperscript{47} Details of the Likert scale are at http://en.wikipedia.org/wiki/likert_scale. A Likert scale is usually composed of an odd number of points measuring positive or negative responses to a statement.
of those targeted at OED staff, and kept directly relevant to respondents. None took more than 10 minutes to complete, and respondents were advised that this would be the case. They were also told why they should answer the survey. Reminders were sent. No identifiable answers were disclosed. Given the varying sizes, natures, locations, and degrees of interest of the populations targeted, OED considers that reasonable numbers of survey responses were received from three of the four interfaces, namely, (i) OED–OED,48 (ii) OED–ADB,49 and (iii) OED–IEC.50 Sadly, no responses were received from evaluation agencies in DMCs,51 with implications for the tools that can be applied to that interface in the future. Thus, the discussion that follows has to do with the results of the surveys in three interfaces only.

## Survey Results

Box 6 gives a snapshot of the perception of the performance of OED in each area of competence by respondents from each interface. Respondents from OED thought that the department is doing well in the areas of strategy development, collaboration mechanisms, and knowledge capture and storage. But the department is “on the fence” in knowledge sharing and learning, and its competence with management techniques must get better. Respondents from other departments felt that OED does well only in strategy development. They were ambivalent with regard to collaboration mechanisms. They recommended that the department should deploy more efforts in the areas of knowledge sharing and learning, and knowledge capture and storage. Respondents from the IEC felt that the department is doing well in all three areas of competence regarding which their opinions were sought. Appendix 2 amplifies on the results

<table>
<thead>
<tr>
<th>Interface</th>
<th>Strategy Development</th>
<th>Management Techniques</th>
<th>Collaboration Mechanisms</th>
<th>Knowledge Sharing and Learning</th>
<th>Knowledge Capture and Storage</th>
</tr>
</thead>
<tbody>
<tr>
<td>OED–OED</td>
<td>✓</td>
<td>X</td>
<td>✓</td>
<td>?</td>
<td>✓</td>
</tr>
<tr>
<td>OED–ADB</td>
<td>✓</td>
<td>?</td>
<td>✓</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>OED–IEC</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

ADB = Asian Development Bank, IEC = international evaluation community, OED = Operations Evaluation Department.

Note: ✓ = more than half of the items in the questionnaire were rated as “often the case” to “always the case” by most of the respondents; ? = half of the items in the questionnaire were rated as “often the case” to “always the case” by most of the respondents, while the other half were rated as “sometimes the case” to “never,” X = more than half of the items in the questionnaire were rated as “sometimes the case” to “never” by most respondents.

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48 The targeted number of respondents totaled 39, equal to 100% of OED’s total staffing complement of professional staff, national officers, and administrative staff. Thirty-one staff (80%) responded.

49 The targeted number of respondents totaled 1,220, equal to 100% of ADB’s professional staff and national officers (minus those in OED). One hundred and forty-five staff (12%) responded.

50 The targeted number of respondents totaled 85. Ten staff (12%) responded.

51 Twenty-four respondents in evaluation agencies in 14 DMCs were targeted. The countries were Afghanistan, Azerbaijan, Bangladesh, People’s Republic of China, India, Lao People’s Democratic Republic, Mongolia, Nepal, Pakistan, Papua New Guinea, Philippines, Sri Lanka, Uzbekistan, and Viet Nam. The electronic addresses of respondents in evaluation agencies in other countries could not be procured in time for the survey of perceptions.
The survey of perceptions by interface and area of competence. Appendix 3 catalogues the survey questionnaires and the responses to these.

Figure 10 compares the scores in three areas of competence across the three interfaces. It illustrates the belief of ADB and OED staff that the department’s weakest area of competence is in knowledge sharing and learning. This reflects unmet demand for knowledge products and services from these interfaces. The IEC, on the other hand, believes that the area of competence in which the department needs to improve most is in knowledge capture and storage. This may imply that people outside ADB may have difficulty accessing knowledge products and services or, most likely, that the evaluation pages at adb.org are not yet sufficiently developed. In fact, these were revamped extensively from mid-2007 and updated daily thereafter. They now attract considerable traffic. But this is a comparatively recent phenomenon, and few in ADB or outside were aware of its new advantages at the time of the survey of perceptions. The lesson learned is that it takes time to attract faithful audiences and users.

The IEC gave OED the highest marks in all three areas of competence, while ADB staff gave the department the lowest. Respondents from OED and the IEC perceive that the department does best in terms of collaboration mechanisms. However, ADB staff think that it performs best in strategy development. This means that a high level of collaboration for knowledge management exists within the department and with the IEC, but better collaboration efforts with ADB staff are needed.

The perceptions of all respondents in the three areas are consistent. They all see OED’s performance to be slightly above mid-level. This implies that respondents appreciate the achievements that have been attained in knowledge management so far, but believe that further improvements should be made. However, care must be taken in interpreting this result, as the Likert scale is subject to distortions, such as central tendency bias.

**Figure 10: Perceptions of Competence, Based on Weighted Average Scores**

![Diagram showing perceptions of competence based on weighted average scores for collaboration mechanisms, knowledge capture and storage, and knowledge sharing and learning for ADB, OED, IEC, and ideal state.](image)

Associated Initiatives

The survey of perceptions substantiated the basis of the knowledge management initiatives that OED introduced throughout 2007. It clarified the need for others. Among the new knowledge products and services developed that year, *Learning Curves* are handy, two-paged quick references designed to feed findings and recommendations from evaluation to a broader range of clients. *Success Rates* present condensed information on successful ADB projects. The Evaluation Information System is an online database of lessons, recommendations, and ADB Management responses. The department hosts the secretariat of the ECG. It has also overhauled ECGnet, the group’s communication tool. *Evaluation Alerts* are targeted information bytes delivered to personal mailboxes. Methods and guidelines for using plain English, disseminating findings and recommendations, and conducting exit interviews have been prepared. The evaluation pages on adb.org have been refurbished from top to bottom. They are updated daily and are now one of the most accessed first-level directories in adb.org. In 2007, OED formulated regional TA for capacity development in monitoring and evaluation, expected also to suggest an ADB strategy for evaluation capacity development. The department advertises its knowledge products and services on *ADB Today* and adb.org (and through other channels and at several venues) with one-time, near-term, and continuous efforts. The survey of perceptions suggested other opportunities, now nearing completion. They include *Evaluation Chats*, a communication tool that will underpin the formal establishment in 2008 of an evaluation community of practice focused on the conduct and dissemination of strategic evaluations, harmonization of performance indicators and evaluation methodologies, and development of capacity in evaluation and evaluative thinking. OED’s knowledge management initiatives are framed deliberately to increase value-added from operations evaluation, and are managed with knowledge performance metrics. Client feedback is sought regularly through various means.

Appendix 4 particularizes, by interface and area of competence, the knowledge management gaps elicited from and pointed out by respondents. The responses constitute a comprehensive baseline assessment of long-lasting value. They provide ready and multiple entry points against which OED can take measures to foster lesson learning. Progress can be judged by means, among others, of the framework of organizational competence for knowledge management discussed earlier. Box 7 identifies the knowledge management tools that might be leveraged to fill the knowledge management gaps identified, and emphasizes with shading the areas of

52 Available: www.adb.org/evaluation/reports.asp?s=1&type=15  
53 Available: www.adb.org/evaluation/reports.asp?s=1&type=16  
54 Available: http://evis.adb.org/  
55 Available: www.ecgnet.org  
56 Available: www.adb.org/evaluation/  
57 Progressively more, evaluation ownership must move from ADB to DMCs.  
58 *ADB Today* is a daily e-information resource for all ADB staff in headquarters, resident missions, and representative offices. It is the main internal communication vehicle to keep ADB staff abreast of events and activities of ADB-wide interest. It is produced and edited each working day by the Department of External Relations with inputs from other departments.  
59 Available: www.adb.org/evaluation/chats.asp. Membership of *Evaluation Chats* is open to OED staff. Staff of other departments and other interested parties can be granted access upon request.  
60 The greater the number, type, or size of a current or future knowledge gap, and the more precarious a knowledge base may be because of a dynamic or uncertain environment, the more forceful the knowledge management initiatives required.
organizational competence found wanting. Appendix 5 organizes by category the common knowledge management tools that can be leveraged to develop organizational competence for knowledge management, and explains their main attributes. (The list presented is not exhaustive.)

Some of the tools prioritized are complex and call for significant planning and resources if they are to be utilized effectively. Extension to OED staff of opportunities for learning and development may also be warranted to develop technical skills, competence, expertise, and knowledge in support of associated knowledge management initiatives. Among these, the formal establishment of an evaluation community of practice, continuous development of social technologies, and institution of staff profile pages show promise. The introduction of peer assists, challenge sessions, and after-action reviews and retrospects would be more demanding, but with associated knowledge management initiatives, these would help close the knowledge gap most commonly cited by survey respondents—that in knowledge sharing and learning.

<table>
<thead>
<tr>
<th>Box 7: Knowledge Management Tools Prioritized for Leverage</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Interface</strong></td>
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<tr>
<td>---------------</td>
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<tr>
<td>OED–OED</td>
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<tr>
<td></td>
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<tr>
<td></td>
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<tr>
<td>OED–ADB</td>
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<tr>
<td></td>
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<tr>
<td></td>
</tr>
<tr>
<td>OED–IEC</td>
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<tr>
<td></td>
</tr>
</tbody>
</table>

ADB = Asian Development Bank, IEC = international evaluation community, OED = Operations Evaluation Department.

<sup>a</sup> This, of course, is the knowledge management tool kit that regroups 29 tools in the five categories referred to in this chapter and reproduced as Appendix 5.
The survey of perceptions conducted in 2007 clarified the need for new knowledge management initiatives. Future knowledge audits will reveal others still. 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.61

When prioritizing investments in knowledge management, common traps lie waiting. They are (i) delaying rewards for quick wins, (ii) using too many metrics, (iii) implementing metrics that are hard to control, and (iv) 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. Figures 11–18 present a purposeful medley of insights that can help pick these. They cover in turn (i) a time management approach to full agendas that focuses on importance and urgency; (ii) generic features of a portfolio of knowledge management initiatives; (iii) ways to map knowledge management initiatives by knowledge agent, form of knowledge, and core knowledge activity; (iv) four broad aspects that sustain an innovative organization; (v) five areas of value creation in knowledge products and services; (vi) ways to locate knowledge management initiatives in an options space; (vii) a multi-staged review process to underpin knowledge product and service development; and (viii) an approach to strategic management that balances the financial perspective. In a spirit of learning, readers are invited to ponder the usefulness of each, depending on context.

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Figure 11: Eisenhower Matrix

Note: Dwight Eisenhower is the originator of the matrix.

Figure 12: Knowledge Management Investment Features

### Figure 13: Mapping Knowledge Management Investments

<table>
<thead>
<tr>
<th>Identify</th>
<th>Create</th>
<th>Store</th>
<th>Share</th>
<th>Use</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tacit</td>
<td>Tacit</td>
<td>Business Intelligence</td>
<td>Data Warehouse</td>
<td>Innovations, Synergies, Creativity</td>
</tr>
<tr>
<td>Explicit</td>
<td>Explicit</td>
<td>Benchmarking</td>
<td>Communities of Practice</td>
<td></td>
</tr>
<tr>
<td>Tacit</td>
<td>Tacit</td>
<td>Internet</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Explicit</td>
<td>Explicit</td>
<td>Competencies, Employee Learning and Development</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tacit</td>
<td>Tacit</td>
<td>Yellow Pages</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


### Figure 14: Innovative Knowledge Product and Service Development

- Organizational Culture
- Client Insights
- Ability to Execute and Completeness of Vision
- Organizational Structure
- Client Preferences
- Knowledge Products and Services Development

Figure 15: Value Creation in Knowledge Products and Services


Figure 16: Value-to-Cost Ratio

Figure 17: The Knowledge Product and Service Development Process


Figure 18: Balanced Scorecard

## Organizational Competence for Knowledge Management

<table>
<thead>
<tr>
<th>Level</th>
<th>Strategy Development</th>
<th>Management Techniques</th>
<th>Collaboration Mechanisms</th>
<th>Knowledge Sharing and Learning</th>
<th>Knowledge Capture and Storage</th>
</tr>
</thead>
</table>
| Level 5 | - ADB’s knowledge products and services are clearly identified.  
- Knowledge management is embedded in ADB’s business plans.  
- A set of knowledge management tools is available and well communicated, and the capacity to apply them is strengthened actively.  
- Managers recognize and reinforce the link between knowledge management and organizational performance.  
- Managers regularly apply relevant knowledge management tools and act as role models.  
- Terms of reference for staff contain references to knowledge management. | - Collaboration is a defining principle across ADB.  
- Networks have clearly defined roles and responsibilities and tangible deliverables, and conduct annual meetings. | - Prompts for learning are built into ADB’s business processes.  
- Staff routinely find out who knows what, inside and outside ADB, and talk to them.  
- A common language, templates, and guidelines support effective knowledge management. | - Networks act as guardians of knowledge products and services.  
- Knowledge is easy to access and retrieve.  
- Selected knowledge products and services are sent to potential users in a systematic and coherent manner.  
- High-priority knowledge products and services have multiple managers who are responsible for updating, summarizing, and synthesizing them.  
- Exit interviews and handovers are used systematically. |
<table>
<thead>
<tr>
<th>Level</th>
<th>Strategy Development</th>
<th>Management Techniques</th>
<th>Collaboration Mechanisms</th>
<th>Knowledge Sharing and Learning</th>
<th>Knowledge Capture and Storage</th>
</tr>
</thead>
</table>
| Level 4 | • Discussions of ADB’s knowledge products and services are frequent.  
• A knowledge management strategy exists but is not embedded in ADB’s business plans.  
• A set of knowledge management tools is available and understood by most staff. | • Knowledge management is considered to be everyone’s responsibility.  
• A few positions are dedicated to knowledge management.  
• Managers increasingly display leadership behaviors that encourage knowledge management.  
• There are incentives for knowledge management. | • Networks are organized around business needs and are framed by a governance document.  
• Relevant management tools for collaboration are in place and well used. External parties are included in some networks. | • Learning before, during, and after is the way things are done in ADB.  
• Beneficiaries and partners participate in review sessions.  
• External knowledge plays a role in shaping program or project processing and administration. | • Key knowledge is kept current and easily accessible.  
• An individual staff member acts as the guardian of each knowledge asset, and encourages people to contribute. Many do. |
| Level 3 | • There are ongoing discussions about developing a knowledge management strategy.  
• A few job descriptions include knowledge capture, sharing, and distillation.  
• A broad range of knowledge management tools are used across ADB. | • Knowledge management is viewed as the responsibility of a specialist working group.  
• A few managers talk the talk and sometimes walk the walk. | • Staff use networks and working groups to achieve results.  
• Peers help peers across ADB’s organizational boundaries.  
• Formal collaboration mechanisms are created and recognized. | • Staff can easily find out what ADB knows. Examples of knowledge sharing and knowledge use are highlighted and recognized.  
• Peers help peers across ADB’s organizational boundaries. | • Networks take responsibility for knowledge management and store it in one location in a common format. Some knowledge is summarized for easy access by others.  
• Searching knowledge products and services before embarking on a program or project is encouraged, as is sharing lessons afterwards.  
• Exit interviews and handovers become common currency. |
### Level 2
- Many staff say that sharing knowledge is important to ADB’s success.
- A few staff use knowledge management tools to learn and share.
- A few managers give staff the time to share knowledge and learn, but there is little visible support from the top.
- Ad hoc personal networking to achieve objectives is used by individual staff members who know one another. This is increasingly recognized as vital to ADB.
- Individual staff members learn before doing and program review sessions.
- They sometimes capture what they learn for the purpose of sharing but few colleagues access it in practice.
- A few working groups capture lessons learned after a program or project and look for knowledge before starting a program or project.
- There is potential access to much knowledge, but it is not well summarized.

### Level 1
- Isolated staff with a passion for knowledge management begin to talk about how important—and difficult—it is.
- Knowledge management is viewed as a fad.
- Many managers still believe that knowledge is power.
- Managers think that networking leads to lack of accountability.
- Knowledge hoarders seem to be rewarded.
- There are few cross-cutting collaborations.
- Silos (hierarchical categories) are hard to break down.
- Asking for help is considered to be a weakness rather than a strength.
- Staff are conscious of the need to learn from what they do but are rarely given time.
- Sharing is for the benefit of specific working groups.
- Individual staff members take the time to capture lessons but do so in a confusing variety of formats.
- Most staff do not contribute to knowledge products and services, and few search them.
- No exit interviews and few handovers take place.

<table>
<thead>
<tr>
<th>Level</th>
<th>Strategy Development</th>
<th>Management Techniques</th>
<th>Collaboration Mechanisms</th>
<th>Knowledge Sharing and Learning</th>
<th>Knowledge Capture and Storage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level 2</td>
<td>Many staff say that sharing knowledge is important to ADB’s success.</td>
<td>A few managers give staff the time to share knowledge and learn, but there is little visible support from the top.</td>
<td>Ad hoc personal networking to achieve objectives is used by individual staff members who know one another. This is increasingly recognized as vital to ADB.</td>
<td>Individual staff members learn before doing and program review sessions.</td>
<td>A few working groups capture lessons learned after a program or project and look for knowledge before starting a program or project.</td>
</tr>
<tr>
<td>Level 1</td>
<td>Isolated staff with a passion for knowledge management begin to talk about how important—and difficult—it is.</td>
<td>Knowledge management is viewed as a fad.</td>
<td>Knowledge hoarders seem to be rewarded.</td>
<td>Staff are conscious of the need to learn from what they do but are rarely given time.</td>
<td>Individual staff members take the time to capture lessons but do so in a confusing variety of formats.</td>
</tr>
</tbody>
</table>

ADB = Asian Development Bank.

Note: Levels 5–1 suggest, in declining order of accomplishment, performance in five areas of organizational competence for knowledge management.

APPENDIX 2

Perceptions Survey Results by Interface and Area of Organizational Competence

The following presents the results of the survey of perceptions conducted in 2007 by the Operations Evaluation Department (OED) of the Asian Development Bank (ADB) by interface and area of organizational competence.1 Insights are provided on perceived gaps based on the items in the questionnaires that were given lower marks2 by most of the respondents and on respondents’ comments.

Interface with OED

Figure A2.1 compares the perceptions that OED staff have of the department’s organizational competence for knowledge management with those of the knowledge management unit, and with the ideal state. Overall, OED staff have more favorable perceptions than the knowledge management unit. They see the department’s performance in all areas of competence at slightly above mid-level. The knowledge management unit detects more room for improvement.

**Strategy Development.** In the area of strategy development, OED staff are often aware of the department’s key functions, deliverables, and core competencies. They believe that, often, (i) OED’s knowledge products and services are clearly identified; (ii) OED undertakes strengths–weaknesses–opportunities–threats analyses; (iii) OED manages for development results vis-à-vis its knowledge products and services; (iv) knowledge from outside sources plays a role in shaping OED’s corporate strategy and work programs; and (v) OED has a corporate strategy. However, they think that junior staff need to be better equipped to make contributions to strategy.

**Management Techniques.** Of the five areas of competence, OED staff ranked performance in management techniques last. The biggest gap they identified in this area is the conduct of motivational analyses, which OED has never implemented. Other shortfalls include (i) conducting activity-based mapping of inputs and outputs to improve efficiency, (ii) encouraging staff to take risks and reflect on eventual mistakes, (iii) awareness of knowledge management techniques, (iv) adequate training to accomplish OED’s strategy, (v) availability to OED staff of opportunities for learning and development, (vi) transfer of knowledge from experienced OED staff to less experienced colleagues, and (vii) promotion of knowledge management as a tool for personal development. Furthermore, OED staff do not fully fall in with the performance and development planning exercises, as conducted up to 2007.

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1 The interfaces are the department itself, other departments in ADB, developing member countries, and the international evaluation community (IEC). (No responses were received from evaluation agencies in developing member countries.)

2 Low marks are defined here as rated by most of the respondents as “never” to “sometimes the case.”
Collaboration Mechanisms. OED staff perceive collaboration mechanisms to have achieved the highest level of performance. All items in this portion of the survey were rated as “often the case” by most of the respondents, implying a high level of satisfaction with collaborative practices within the department. Based on one of the comments, informal collaboration exists in the department where sharing of knowledge is on a personal level. However, a need to institutionalize this into a formal evaluation community of practice is recognized. The high rating given to collaborative efforts in the department comes from staff often having confidence in (i) the decisions of OED’s management; and (ii) the capabilities, skills, knowledge sets, and experience of colleagues.

Knowledge Sharing and Learning. In terms of knowledge learning and sharing, the respondents perceived that the department often (i) values knowledge sharing and learning among OED staff, within ADB, in developing member countries (DMCs), and in the IEC; (ii) facilitates knowledge identification and creation of knowledge products and services; (iii) facilitates knowledge sharing and usage in OED; (iv) has particularized forms of dissemination techniques aimed at different audiences; (v) has guidelines for knowledge sharing; (vi) has a technological platform for knowledge sharing and learning; (vii) shares information regularly, for instance, by updating databases of good practices, lessons learned, and listings of experts; (viii) shares written documentation about lessons learned, good practices, and other targeted information regularly; and (ix) maintains good working relationships with other ADB departments, DMCs, and the IEC.

On the other hand, respondents also thought that (i) there should be more training in support of knowledge sharing and learning, (ii) OED should be more engaged in evaluation capacity development in DMCs, (iii) knowledge sharing and learning should better enable OED to adjust to changes, (iv) knowledge sharing and learning should speed the decision-making process in OED, (v) knowledge sharing and learning promote collaboration through
Virtual teams, (vi) staff should be better equipped to quickly identify and mobilize resources in support of problem solving, (vii) OED should encourage participatory learning with peer assists, (viii) OED should conduct challenge sessions to resolve problems, and (ix) OED should use after-action learning sets to resolve complicated issues.

These identified gaps call for increased efforts at knowledge sharing and learning and better use of knowledge gained. One comment was that, “OED needs to have a collective understanding of a department strategy for sharing knowledge.” One suggestion was to have an internal forum to discuss ongoing evaluations.

**Knowledge Capture and Storage.** Three shortfalls were recognized in the area of knowledge capture and storage: (i) the current business processes and systems do not always enable knowledge transfer; (ii) knowledge capture is not always encouraged and rewarded; and (iii) exit interviews to ensure that knowledge is captured and stored are not always conducted. OED’s evaluation information system is considered by one respondent to be a promising step in this area, albeit its current weakness in facilitating easy understanding of contexts makes the lessons contained in it of limited use. The system could be improved by making it more easily accessible and by clarifying the context of the lessons to make it more usable to OED and the regional departments. One of the gaps recognized is the shortage of data and information when OED conducts project/program performance evaluation studies.

Cutting across these five areas is a perceived need for more learning and development opportunities for OED staff. There is a call for more training, peer assists, and venues for transfer of knowledge, and for making changes in current business processes and systems to facilitate the transfer and use of knowledge. OED staff are aware of the wealth of knowledge that is within their reach. They also know that actions are being taken to improve access to data, information, and knowledge, but expect more. One expectation from OED’s management is increased awareness of staff needs and motivations.

### Interface with ADB

ADB staff also perceive OED’s performance in knowledge management in all areas to be slightly above mid-level (Figure A2.2). Respondents from this interface thought that OED performs best in strategy development, while the area where improvement is most needed is knowledge sharing and learning. Caution must be exercised in interpreting these results, as respondents indicated that their answers to certain questions may be limited or affected by their understanding of knowledge management terms such as “social technologies” and “after-action learning sets.”

**Strategy Development.** ADB staff felt that (i) OED often supports ADB’s knowledge management initiatives, (ii) OED conducts and disseminates strategic evaluations in consultation with stakeholders, and (iii) OED’s knowledge products and services are clearly identifiable. However, they have the notion that OED falls short in (i) having a set of tools for knowledge management, (ii) holding regular discussions on knowledge products and services, and (iii) being aware of the evolving needs of ADB.

**Collaboration Mechanisms.** In this area, ADB staff recognized that OED often informs other departments of its knowledge products and services. This is indeed a generous evaluation of OED, since it has not yet formally established an evaluation community of practice.

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1 The evaluation information system is a database of evaluation lessons, recommendations, actions, and ADB Management’s responses. It provides users with an easily accessible source of searchable evaluation information, employing various parameters to refine a search.
However, ADB staff think that OED lacks effort in (i) promoting collaboration with other departments through regular discussions, (ii) promoting an evaluation community of practice, and (iii) successfully leveraging social technologies to build collaboration and sharing of tacit knowledge.

**Knowledge Sharing and Learning.** The general view in this area was that OED often (i) values knowledge sharing and learning in ADB, (ii) facilitates knowledge identification and creation in ADB, (iii) facilitates knowledge sharing and usage in ADB, and (iv) maintains good working relationships with other departments in ADB. However, improvements need to be made in (i) having particularized forms of dissemination techniques aimed at different audiences; (ii) regularly sharing information by updating relevant databases; (iii) regularly sharing written documentation about lessons learned, good practices, and other targeted information; (iv) promoting collaboration through virtual teams; (v) promoting e-learning programs; (vi) encouraging participatory learning with peer assists; and (vii) using after-action learning sets to help resolve complicated issues.

**Knowledge Capture and Storage.** Most ADB staff have the impression that OED often facilitates capture and storage of its knowledge products and services. They also often find OED’s knowledge products and services valuable. However, OED is perceived to need to do better in (i) facilitating knowledge storage and retrieving relevant knowledge from outside sources; (ii) making its knowledge products and services easy to identify and access; (iii) making sure its knowledge products and services are relevant and up to date; (iv) making sure its business processes and systems enable knowledge transfer in ADB; (v) storing its knowledge products in accessible forms for retrieval; (vi) providing alternative access to its knowledge products and services to ADB staff in the field and country offices; and (vii) managing the evaluation pages at adb.org for functionality, design, content, originality, professionalism, and effectiveness.

Around 11% of respondents said either that the survey questionnaire should have included an “I don’t know” option or that they were not aware of OED’s knowledge management activities.
Most of these responses came from staff in resident missions, who reiterated that they have minimal interaction with OED to provide “reasoned” answers. Moreover, many commented that OED needs to share knowledge more, advertise knowledge management activities appropriately, and make knowledge products concise and easy to understand. OED has actually recently strengthened dissemination of knowledge products through the evaluation information system, regular posting of blurbs on new reports on adb.org, e-mailing report summaries, etc. These comments are, therefore, clear indications of ADB staff’s low awareness of OED’s knowledge management initiatives. This implies further that readership and utilization of its knowledge products and services are also low. Since OED’s knowledge products are meant primarily for clients within ADB, awareness, readership, and utilization, therefore, need to be intensified within this interface. Access to OED’s knowledge products and services must be facilitated further, and disseminated in clear, easy-to-understand formats customized to the needs of the users.

## Interface with the IEC

OED’s recent intensified participation in the Evaluation Cooperation Group (ECG) could have led respondents from the international evaluation community (IEC) to have a better perception of its knowledge management initiatives compared with the two other interfaces. Figure A2.3 shows that the respondents think that OED’s performance is near the ideal level, especially in the area of collaboration mechanisms. Again, however, 40% of the respondents commented that there are certain items in the questionnaire that they are not aware of, and an “I don’t know” option might have helped, especially in the areas of knowledge sharing and learning, and knowledge storage and capture.

**Collaboration Mechanisms.** OED currently hosts the Secretariat of the ECG and has revamped ECGnet, the group’s communication platform, as explained earlier. OED has made major improvements to the platform and continues to administer, maintain, and develop it.

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**Figure A2.3: Level of Performance Based on Perceptions of Respondents from the IEC**

<table>
<thead>
<tr>
<th>Area</th>
<th>Ideal State</th>
<th>IEC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Knowledge Capture and Storage</td>
<td>5.00</td>
<td>3.56</td>
</tr>
<tr>
<td>Knowledge Sharing and Learning</td>
<td>5.00</td>
<td>3.67</td>
</tr>
<tr>
<td>Collaboration Mechanisms</td>
<td>5.00</td>
<td>3.89</td>
</tr>
</tbody>
</table>

IEC = international evaluation community.

Source: Author.

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4 Available: www.ecgnet.org
IEC observed that OED is doing best in (i) collaborating regularly with the IEC, (ii) collaborating regularly with counterpart staff in the IEC, (iii) contributing to the harmonization of evaluation work, (iv) harmonizing performance indicators and evaluation methodologies, and (v) enhancing professionalism in the IEC and collaborating with the heads of evaluation units in bilateral and multilateral development organizations. They think, though, that more efforts need to be directed toward assisting in the involvement of DMCs in evaluation and building their evaluation capacity. Their view on whether OED helps strengthen the use of evaluation is split. One respondent commented that interactions with other multilateral development banks and United Nations agencies need to be reinforced. Another respondent suggested that conducting more joint evaluation exercises with the IEC could improve awareness of OED’s knowledge management activities.

**Knowledge Sharing and Learning.** In the area of knowledge sharing and learning, the IEC considered OED’s strengths to be in (i) valuing knowledge sharing and learning, (ii) facilitating knowledge identification and creation, (iii) sharing lessons from evaluations, (iv) having a technological platform for knowledge sharing and learning, (v) providing clear and concise information about its knowledge products and services, (vi) communicating regularly with the IEC, (vii) fostering a knowledge sharing and learning culture with the IEC, and (viii) maintaining good working relationships with the IEC. They also have the impression that often (i) OED’s knowledge products and services are relevant and up to date; (ii) OED shares information regularly; (iii) OED shares regularly written documentation about lessons learned, good practices, and other targeted information; (iv) OED maximizes the value of its knowledge products and services; and (v) OED is aware of the evolving knowledge needs of the IEC.

Further progress in the area of knowledge sharing and learning could be made if OED (i) had particularized forms of dissemination techniques aimed at different audiences, (ii) regularly announced its new knowledge products and services, (iii) ensured the relevance of its knowledge products and services to organizations within the IEC, (iv) had appropriate distribution formats for its knowledge products and services, (v) had guidelines for knowledge sharing, (vi) provided clear and concise information about its knowledge products and services, and (vii) encouraged participatory learning through peer assists.

**Knowledge Capture and Storage.** The IEC viewed knowledge capture and storage as OED’s weakest area. More effort is needed in (i) facilitating storage and retrieval of knowledge from outside sources, and (ii) ensuring that knowledge products and services are easy to identify and access. On the other hand, respondents thought that OED is doing well in (i) facilitating knowledge capture and storage of its knowledge products and services; (ii) storing its knowledge products in accessible forms for retrieval; and (iii) managing the evaluation pages at adb.org for functionality, design, content, originality, professionalism, and effectiveness. Although the majority think that the evaluation pages are well managed, one respondent remarked that further improvements can be made to provide even more work in progress and open discussion forums with evaluation associations, professional evaluators, and results-based management communities of practice.

Putting all these impressions of the IEC together, the overall thought is that OED has intensified efforts on collaboration to harmonize its methods and knowledge products and services with international standards. This is good, but the IEC did not often see that OED’s knowledge products and services as very relevant to the organizations to which its respective members belong. Since headway has been made in collaborating with the IEC, OED should start concentrating more on collaboration mechanisms, knowledge sharing and learning, and knowledge capture and storage within ADB. As one respondent from ADB observed, “OED certainly values knowledge sharing and learning, no doubt—but with the outside world and other organizations, not with its ADB colleagues.”
APPENDIX 3

Perceptions Survey Questionnaires and Responses

I. Questionnaire for OED

A. Strategy Development

(1) OED’s knowledge products and services are clearly identified.

(2) OED undertakes SWOT analyses (strengths, weaknesses, opportunities, and threats).
(3) OED manages for development results vis-à-vis its knowledge products and services.

<table>
<thead>
<tr>
<th>Count</th>
<th>Percent Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Always</td>
<td>Often</td>
</tr>
<tr>
<td>20</td>
<td>15</td>
</tr>
</tbody>
</table>

(4) OED has a corporate strategy.

(5) Knowledge from outside sources plays a role in shaping OED’s corporate strategy and work programs.

(6) Junior staff make contributions to the formulation of strategy.
(7) I am fully aware of OED’s key functions.

(8) I am fully aware of OED’s core competencies.

(9) I am fully aware of OED’s key deliverables.
B. Management Techniques

(1) OED conducts activity-based mapping of inputs and outputs to improve efficiency.

(2) OED encourages staff to take risks and reflect on eventual mistakes.

(3) I am aware of management techniques, such as SECI (socialization, externalization, combination, and internalization), force field analyses, structured innovation, and reframing matrix.

(4) OED identifies skills gaps carefully before recruiting new staff.
(5) OED staff have identified job purposes, expected outcomes, and core competencies.

(6) OED staff receive training to accomplish OED’s corporate strategy.

(7) Opportunities for learning and development are available to staff.

(8) OED’s management coaches and mentors staff.
(9) OED encourages experienced staff to transfer knowledge to new or less experienced colleagues.

(10) OED conducts motivational analyses.

(11) OED staff subscribe to the performance and development planning exercise.

(12) OED’s management recognizes and reinforces the link between organizational performance and knowledge management.
(13) OED’s management promotes knowledge management as a tool for personal development.

(14) OED’s management is supportive of knowledge management pilots.

(15) OED’s management is readily accessible to their staff.

(16) OED’s management involves staff in key decision making.
C. Collaboration Mechanisms

1. OED staff are satisfied with collaboration in the department.

2. OED staff are supportive of knowledge identification, creation, storing, sharing, and usage.

3. OED staff are willing to collaborate with other ADB departments.

4. OED promotes communities of practice for harmonization of evaluation work.
(5) OED successfully leverages for sharing of tacit knowledge.

(6) OED staff have confidence in OED management’s decisions.

(7) OED staff have confidence in the capabilities, skills, knowledge sets, and experience of colleagues.

D. Knowledge Sharing and Learning

(1) OED values knowledge sharing and learning among OED staff and in ADB, the developing member countries, and the international evaluation community.
(2) OED facilitates knowledge identification and creation of its knowledge products and services.

(3) OED facilitates knowledge sharing and usage in OED.

(4) OED has particularized forms of dissemination techniques aimed at different audiences.

(5) OED has guidelines for knowledge sharing.
(6) OED has a technological platform for knowledge sharing and learning.

(7) OED staff receive training in support of knowledge sharing and learning.

(8) OED is sufficiently engaged in evaluation capacity development in developing member countries.

(9) Knowledge sharing and learning enable OED to adjust to changes.
(10) Knowledge sharing and learning speed the decision-making process in OED.

(11) OED shares information regularly, for instance, by updating databases of good practices, lessons learned, and listings of experts.

(12) OED shares regular, written documentation about lessons learned, good practices, and other targeted information.

(13) OED promotes collaboration through virtual teams.
(14) OED staff can quickly identify and mobilize resources in support of problem solving.

(15) OED encourages participatory learning with peer assists.

(16) OED conducts challenge sessions to resolve problems.

(17) OED uses after-action learning sets to resolve complicated issues.
(18) OED maintains good working relationships with other ADB departments, developing member countries, and the international evaluation community.

E. Knowledge Capture and Storage

(1) OED facilitates knowledge capture and storage.

(2) OED facilitates knowledge storage and retrieval of knowledge from outside sources.

(3) OED's knowledge products and services are easy to identify and access.
(4) OED’s current business processes and systems enable knowledge transfer.

(5) OED encourages and rewards knowledge capture.

(6) OED captures and stores after-action reviews and lessons learned to repeat successes and prevent mistakes.

(7) OED’s knowledge products and services have designated custodians who are responsible for their management.
(8) OED conducts exit interviews to ensure that knowledge is captured and stored.

(9) OED’s shared files and folders are organized and easy to retrieve.

(10) OED’s intranet site is managed for website functionality, design, content, originality, professionalism, and effectiveness.

(11) OED’s website is managed for website functionality, design, content, originality, professionalism, and effectiveness.
II. Questionnaire for ADB

A. Strategy Development

(1) OED is supportive of ADB’s knowledge management initiatives.

(2) OED conducts and disseminates strategic evaluations in consultation with stakeholders.

(3) OED’s knowledge products and services are clearly identifiable.

(4) OED has a set of tools for knowledge management.
(5) OED holds regular discussions on knowledge products and services.

(6) OED is aware of the evolving knowledge needs of ADB.

B. Collaboration Mechanisms

(1) OED informs other departments in ADB of its knowledge products and services.

(2) OED promotes collaboration with other departments of ADB through regular discussions.
(3) OED promotes an evaluation community.

(4) OED successfully leverages social technologies to build collaboration and sharing of tacit knowledge.

C. Knowledge Sharing and Learning

(1) OED values knowledge sharing and learning in ADB.

(2) OED facilitates knowledge identification and creation in ADB.
(3) OED facilitates knowledge sharing and usage in ADB.

(4) OED has particularized forms of dissemination techniques aimed at different audiences.

(5) OED shares information regularly, for instance, by updating databases of good practices, lessons learned, and listings of experts.

(6) OED shares regular, written documentation about lessons learned, good practices, and other targeted information.
(7) OED promotes collaboration through virtual teams.

(8) OED promotes e-learning programs.

(9) OED encourages participatory learning with peer assists.

(10) OED uses after-action learning sets to help resolve complicated issues.
(11) OED maintains good working relationships with other departments in ADB.

D. Knowledge Capture and Storage

(1) OED facilitates knowledge capture and storage of its knowledge products and services.

(2) OED facilitates knowledge storage and retrieval of relevant knowledge from outside sources.

(3) OED's knowledge products and services are easy to identify and access.
(4) OED ensures that its knowledge products and services are relevant and up to date.

(5) OED’s business processes and systems enable knowledge transfer in ADB.

(6) OED’s knowledge products are valuable.

(7) OED’s knowledge products are stored in accessible forms for retrieval.
(8) OED provides alternative access to its knowledge products and services to ADB staff in the field and country offices.

(9) OED’s website is managed for website functionality, design, content, originality, professionalism, and effectiveness.

III. Questionnaire for the IEC

A. Collaboration Mechanisms

(1) OED collaborates regularly with the IEC.
(2) OED collaborates regularly with counterpart staff in the IEC.

(3) OED contributes to the international evaluation communities of practice for harmonization of evaluation work.

(4) OED harmonizes performance indicators and evaluation methodologies.

(5) OED helps strengthen the use of evaluation.
Appendixes

(6) OED enhances evaluation professionalism in the IEC and collaborates with the heads of evaluation units in bilateral and multilateral development organizations.

(7) OED assists the involvement of developing member countries in evaluation and builds their evaluation capacity.

B. Knowledge Sharing and Learning

(1) OED values knowledge sharing and learning.

(2) OED facilitates knowledge identification and creation.
(3) OED shares lessons from evaluations.

(4) OED has particularized forms of dissemination techniques aimed at different audiences.

(5) OED regularly announces its new knowledge products and services.

(6) OED’s knowledge products and services are relevant and up to date.
(7) OED’s knowledge products and services are relevant to your organization.

(8) OED has appropriate distribution formats for its knowledge products and services.

(9) OED has guidelines for knowledge sharing.

(10) OED has a technological platform for knowledge sharing and learning.
(11) OED provides clear and concise information about its knowledge products and services.

(12) OED regularly communicates with the IEC.

(13) OED shares information regularly, for instance, by updating databases of good practices, lessons learned, and listings of experts.

(14) OED shares regularly written documentation about lessons learned, good practices, and other targeted information.
(15) OED maximizes the value of its knowledge products and services.

(16) OED encourages participatory learning through peer assists.

(17) OED is aware of the evolving knowledge needs of the IEC.

(18) OED fosters a knowledge sharing and learning culture with the IEC.
(19) OED maintains good working relationships with the IEC.

C. Knowledge Capture and Storage

(1) OED facilitates knowledge capture and storage of its knowledge products and services.

(2) OED facilitates storage and retrieval of knowledge from outside sources.

(3) OED’s knowledge products and services are easy to identify and access.
(4) OED’s knowledge products are stored in accessible forms for retrieval.

(5) OED’s website is managed for website functionality, design, content, originality, professionalism, and effectiveness.

ADB = Asian Development Bank, IEC = international evaluation community, OED = Operations Evaluation Department.
APPENDIX 4

Knowledge Management Gaps Identified by Perceptions Survey Respondents

<table>
<thead>
<tr>
<th>Area of Competence</th>
<th>OED–OED</th>
<th>OED–ADB</th>
<th>OED–IEC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategy Development</td>
<td>• Existence of an OED corporate strategy</td>
<td>• The conduct of regular discussions on OED’s knowledge products and services</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Contributions by junior staff to the formulation of strategy</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management Techniques</td>
<td>• Awareness of knowledge management tools</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• The conduct of motivational analyses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Collaboration Mechanisms</td>
<td>• A formal evaluation community of practice or other form of collaboration</td>
<td>• Promotion of collaboration with other departments of ADB through regular discussions</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Promotion of an evaluation community of practice</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Social technologies leveraged to build collaboration and sharing of tacit knowledge</td>
<td></td>
</tr>
<tr>
<td>Knowledge Sharing and Learning</td>
<td>• Engagement in evaluation capacity development in developing member countries</td>
<td>• Promotion of collaboration through virtual teams</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• The conduct of challenge sessions to resolve problems</td>
<td>• Promotion of e-learning programs</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• The use of after-action learning sets to help resolve complicated issues</td>
<td>• Encouragement of participatory learning through peer assists</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Collective understanding of OED’s strategy for knowledge management</td>
<td>• The use of after-action learning sets to help resolve complicated issues</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• An internal forum for discussing ongoing evaluations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Knowledge Capture and Storage</td>
<td>• The conduct of exit interviews to ensure that knowledge is captured and stored</td>
<td>• Ability of OED’s business processes and systems to transfer knowledge in ADB</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• An organized database of project information relevant to OED’s evaluation studies</td>
<td>• Provision of alternative access to OED’s knowledge products and services to ADB staff in the field and country offices</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• An evaluation information system that is easily accessible and applicable to both OED and the operations departments</td>
<td>• Storage and retrieval of knowledge from outside sources</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Ease of identification and access to OED’s knowledge products and services</td>
<td></td>
</tr>
</tbody>
</table>

ADB = Asian Development Bank, IEC = international evaluation community, OED = Operations Evaluation Department.

Note: Items in italics are based on comments.
## Knowledge Management Tools

### Strategy Development

<table>
<thead>
<tr>
<th>Knowledge Audit</th>
<th>Knowledge audits serve to identify owners, users, uses, and key attributes of knowledge assets. They examine the policy, structural, operational, and procedural factors that condition identification, creation, storage, sharing, and use of tacit and explicit knowledge. They provide a structure for making recommendations for knowledge management initiatives.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Network Analysis</td>
<td>Social network analysis has been called the most systematic way of analyzing relationships and knowledge flows among individuals and groups. Properly undertaken, social network analysis can yield invaluable data about how to tailor and focus knowledge management activities to organizational needs.</td>
</tr>
<tr>
<td>Most Significant Change</td>
<td>Most significant change is a narrative-based mechanism for planning programs of change. Much of knowledge management is about change, and change that takes place in a variety of different domains.</td>
</tr>
<tr>
<td>Outcome Mapping</td>
<td>Outcome mapping is a participatory planning, monitoring, and evaluation methodology that focuses on the contribution of a program to changes in the actions and behaviors of the boundary partners. It can be applied to knowledge management strategies.</td>
</tr>
<tr>
<td>Scenario Testing and Visioning</td>
<td>Scenario testing and visioning focus on the future of an organization. They allow creative thinking to play a central role in developing and rolling out knowledge management strategies.</td>
</tr>
</tbody>
</table>

### Management Techniques

<table>
<thead>
<tr>
<th>The SECI Approach(^1)</th>
<th>This approach, made popular by Professor Nonaka, is based on systematically managing the conversion of knowledge from tacit to explicit forms based on simple principles of group dynamics.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Blame Versus Gain Behaviors</td>
<td>Managing a learning organization requires a managerial approach to mistakes that encourages staff to take certain risks and to be honest about the consequences of their actions. This simple process enables groups to reflect on their own approach to mistakes and errors and on how they might address these through use of a series of generic “blame” or “gain” behaviors.</td>
</tr>
<tr>
<td>Force Field Analysis</td>
<td>Force field analysis enables teams to work out what their goal and objectives are and to identify systematically the forces for and against achieving them. It can be an empowering and energizing tool for teams.</td>
</tr>
<tr>
<td>Activity-Based Knowledge Mapping</td>
<td>All activities require different inputs and generate outputs. Increasingly, these inputs and outputs are information based. This tool relates to business process reengineering. It enables the mapping of inputs and outputs for key activities with a view to improving their efficiency. This provides managers with in-depth understanding of the different processes they oversee.</td>
</tr>
<tr>
<td>Structured Innovation</td>
<td>Structured innovation occurs by listing the characteristics of a specific problem and brainstorming its possible variations. Effected correctly, this tool enables groups to generate systematically new ideas and assess their potential.</td>
</tr>
</tbody>
</table>

\(^1\)SECI stands for Socialization, Externalization, Combination, and Internalization.
<table>
<thead>
<tr>
<th>Collaboration Mechanisms</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Reframing Matrix</strong></td>
</tr>
<tr>
<td>Everyone sees problems differently, and one of the key problems with knowledge management strategies is that knowledge is more often than not in the eye of the beholder. This tool enables different perspectives to be generated and used in management planning processes.</td>
</tr>
<tr>
<td><strong>Teams: Virtual and Face-to-Face</strong></td>
</tr>
<tr>
<td>This tool enables teams to work through five stages toward a shared responsibility. Either face-to-face or virtually, teams can cross the five stages, assessing where they lie in terms of different areas, including atmosphere and relations, goal and objectives acceptance, information sharing, decision making, reaction to leadership, and attention to the way the group is working.</td>
</tr>
<tr>
<td><strong>Communities of Practice</strong></td>
</tr>
<tr>
<td>Communities of practice enable similarly minded interacting people to work toward generating and collaborating on knowledge management activities in various ways, through a number of overlapping functions.</td>
</tr>
<tr>
<td><strong>Action Learning Sets</strong></td>
</tr>
<tr>
<td>Action learning sets are a structured method enabling small groups to address complicated issues by meeting regularly and working collectively. This tool is geared especially to learning and personal development at the professional and managerial levels.</td>
</tr>
<tr>
<td><strong>Six Thinking Hats</strong></td>
</tr>
<tr>
<td>This tool offers a way out of the habitual thinking style by enabling participants to use different approaches and perspectives to analyzing decision making. This is particularly useful in that it allows a broad and objective view of decisions, and one that covers more options and possibilities.</td>
</tr>
<tr>
<td><strong>Mind Maps</strong></td>
</tr>
<tr>
<td>Mind maps are a graphic technique to enable participants to implement clearer thinking in their approach to many different tasks. It is useful both for individuals and for groups, and provides a nonlinear method of organizing information.</td>
</tr>
<tr>
<td><strong>Social Technologies</strong></td>
</tr>
<tr>
<td>Social technologies cover a broad swath of tools, all of which leverage technology to build collaboration and sharing of tacit knowledge. The tools include the Internet, telecommunications, radio, and face-to-face socializing.</td>
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<tr>
<td><strong>Knowledge Sharing and Learning</strong></td>
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<tr>
<td><strong>Stories</strong></td>
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<tr>
<td>Storytelling is an approach that can both allow for expression of tacit knowledge and increase potential for meaningful knowledge sharing, particularly by permitting learning to take place through the presence of a narrative structure.</td>
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<tr>
<td><strong>Peer Assists</strong></td>
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<tr>
<td>This tool encourages participatory learning by asking those with experience in certain activities to assist those wishing to benefit from their knowledge, through a systematic process, toward strengthened mutual learning.</td>
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<tr>
<td><strong>Challenge Sessions</strong></td>
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<tr>
<td>Challenge sessions are geared toward solving problems by allowing participants to supplement their habitual thinking with new methods, centered on working toward dealing with problems that are made up of conflicting requirements or challenges.</td>
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After-Action Reviews and Retrospects

The after-action review facilitates continuous assessment of organizational performance, looking at successes and failures, ensuring that learning takes place to support continuous improvement in organizational learning and change.

Intranet Strategies

Intranets can have a great impact on knowledge management, particularly in the fields of information collection, collaboration and communication, and task completion. This tool can substantially increase the likelihood of an effective, useful system within an organization.

E-mail Guidelines

E-mail is one of the most commonly used tools in the modern business environment; there is an increased need nowadays to manage e-mail to reduce the risk of overload. This tool helps to control e-mail and, therefore, increase its effectiveness as a means of communication.

Taxonomies for Documents and Folders

Taxonomies have existed for many decades in the form of classification schemes and indexing systems. They can still have a great deal to offer in terms of structuring information for easier management and retrieval.

### Knowledge Capture and Storage

Exit Interviews

Exit interviews represent a specific learning process, not just a way to leave a company, and one that highlights the importance of capturing and storing know-how. This can minimize the loss of useful knowledge through staff turnover and ease the learning curve of new staff, benefiting both the organization and the departing staff.

How-to Guides

How-to guides enable the capture, documentation, and dissemination of know-how of staff within an organization, to help them make better and wider use of existing knowledge. The objective is to capture an effective sequence or process with enough accuracy so that it can be repeated with the same results.

Staff Profile Pages

Using this tool, an electronic directory storing information about staff in a given organization can facilitate connections among people through systematizing knowledge management activities.

Weblogs

A weblog in its various forms enables groups of people to discuss electronically areas of interest in different ways, and to review different opinions and information surrounding such subjects.

Shared Network Drives

Shared network drives work in most organizations to store and categorize information. If used correctly, and under systematized good practices, they can enable better retrieval of knowledge and improved information sharing across an organization.

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1 The SECI Approach identifies four key processes through which tacit and explicit knowledge interact, namely, Socialization, Externalization, Combination, and Internalization. Together, these processes provide a set of pointers that can be used by managers to ensure that they are facilitating effective knowledge and learning in their ongoing programs and projects.

Learning for Change in ADB
To William Easterly,

the environment that created aid bureaucracies led those organizations to (i) define their output as money disbursed rather than service delivered; (ii) produce many low-return observable outputs like glossy reports and “frameworks” and few high-return less-observable activities like ex post evaluation; (iii) engage in obfuscation, spin control, and amnesia (like always describing aid efforts as “new and improved” so that there is little learning from the past; [and] (iv) put enormous demands on scarce administrative skills in poor countries.¹

Even if there is only a small measure of truth in these charges—and the milieu in which development agencies operate is far from being entirely of their own making—the colossal investments in development work make it important to demonstrate the use of learning to improve organizational performance for aid effectiveness. (Here the emphasis is more on effectiveness than on impact—impact rests on many more factors than development assistance.) Yet study after study of the outcome and impact of operations casts doubt on the ability of development agencies to learn from experience. More often than not, organizational responses to shortcomings or errors are self-deceiving or defeated, and too infrequently are they learning responses. In short, the environment in which development agencies work has changed and is changing considerably but, failing to learn, development agencies rarely transform at the same pace.

At the same time, this rapidly changing—and, at times, excessively complex—nature of development work demands diverse competencies from staff members.² In addition to technical knowledge and skills, they include no less than appreciating political economy;³ relationship building; reading and responding to complex organizational and social predicaments; and the capacity to contend with uncertainty, task-compromise, and deal with difference and diversity. (The hallmark of aid has always been imbalance between aspirations, competencies, and resources.)

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² For instance, trends in rural development ideas alone included modernization in the 1960s, state intervention in the 1970s, market liberalization in the 1980s, participation and empowerment in the 1990s, and poverty reduction in the 2000s, each theme accompanied by dominant and subsidiary discourses.
³ The questions that development agencies face in inducing economic and social progress are perhaps the most complex and ill-defined questions facing humanity. For that reason, development agencies are not always clear about what they should be learning or how to make sense of what they do. If this shows that development is essentially a knowledge-based endeavor, the importance of learning what works—and why—will be recognized as central to success. Paradoxically, knowing what does not work is almost more important.
⁴ Development is often about power relationships and the allocation of resources and opportunities. Some argue that working on these is markedly more complex than selling commercial products and services.
The learning challenges that these demands present to staff members require the ability to work more reflectively in a turbulent practice environment. Supportive intra-organizational environments would enable better dynamics and higher quality of learning to take place where individual and collective learning build on each other in a spiral arrangement, much like the double helix of DNA.

System dynamics view an organization and its environment as complex, interrelated, and in constant flux. To remain relevant and effective in a turbulent environment, an organization's rate of learning must be at least equal to—but preferably greater than—the rate of change in the environment. All things considered, organizations that fail to learn at the minimum pace are destined for insignificance. In recent years, there has been much discussion of learning in organizations, especially in the corporate sector—its tone often academic. Of course, organizations per se are not sentient beings with the capacity to learn. Yet the individuals within them can learn, individually and collectively and, therefore, bear responsibility at both levels for making the whole greater (or lesser) than the sum of its parts. Collective learning is called organizational learning, which is explained as the ability of an organization to gain insight and understanding collectively and consciously from its own (and others') experience and, subsequently, to change its behavior to improve practice. Organizational learning is achieved through experimentation, observation, analysis, and (most importantly) a willingness to examine both successes and failures.

Learning acquired by increasing technical knowledge and skills, sharing information, and attending traditional training is no longer sufficient to the challenge of poverty reduction. The lack of critical thinking is not intentional. The idea of single-, double-, and triple-loop learning helps explain this experience. Learning is often narrowly focused on first-order instrumental questions like: How do we do it? (following the rules). Yet learning is stronger when people ask the second-order question: What should we do? (changing the rules). The third-order question is expressly political: Why should we do it? (learning about learning).

These three views compete with each other: a task (instrumental) orientation versus a process (normative) orientation versus a power (political) orientation—or, the technocrat, the philosopher, and the advocate. A bias toward the technical “how” is single-loop learning. People are more likely to reconcile the first two sets of questions of how and what to do—ergo, double-loop learning. Questioning why is usually abandoned as ideological, threatening, or not productive. However, when people “loop” through, considering all three types of questions, they make more responsible and intelligent choices. Yet what are the conditions for double- or triple-loop learning that could partly address Easterly’s indictment?

In aid agencies, what barriers might there be to such learning? Where are the dimensions of a learning organization already discernible? At what levels? How might the ideal of a learning organization be approached practicably? How might leaders leverage creative thinking and innovation in support of learning? What deep commitments to change might be called for? And how might evaluation add more value to learning? Based on its responses to these questions detailing specific actions, ADB will become better placed in the context of knowledge-based aid to (i) develop knowledge strategies for information management and organizational learning; (ii) cultivate partnership mechanisms for the transfer of knowledge and learning to its developing member countries; and (iii) build in developing member countries capacity to absorb, apply, and provide knowledge. ADB might also become a healthier and more enjoyable place to work.

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Some learning in organizations rests not on an accumulation of new knowledge but on an abandonment of things already “known.” This transformational learning is normally triggered when our assumptions no longer explain our experience. Like the astronomers, Ptolemy’s earth-centric view is abandoned to embrace the radical Copernican notion that the earth revolves around the sun. Such revolutions in thinking, while painful, benefit practice greatly. When understood, this cycle of critical reflection and action, fundamental to adult learning, can be harnessed for change. Every person within an organization, regardless of formal status, can be a change leader. While learning is often relegated to technical dimensions of work, transformational learning requires courage, wisdom, and vision and is best supported collectively in an organization or community. This is not an outcome of traditional training.

*Learning for Change in ADB* is offered as a resource and reference to ADB staff members in general, but to management in particular. Learning leaders are key to learning organizations—this document may stimulate or inform their initiatives to transform the organization for learning excellence. The key attributes of *Learning for Change in ADB* are that it marks out generic roadblocks to learning; assimilates the manifold dimensions of the learning organization; and specifies how action across organization, people, knowledge, and technology can energize and support individual, team, and cross-functional learning and, in return, be enriched by learning. Readers are invited to refer to the *Knowledge Solutions* series (www.adb.org/knowledgesolutions/default.asp) that was launched in support of *Learning for Change in ADB*. The *Knowledge Solutions* series is a collection of handy, quick reference guides to tools, methods, and approaches that propel development forward and enhance its effects. The series aims to boost competencies in the areas of strategy development, management techniques, collaboration mechanisms, knowledge sharing and learning, and knowledge capture and storage—all of them essential to knowledge management and learning. Together, *Learning for Change in ADB* and the *Knowledge Solutions* series can help ADB improve its development effectiveness. *Learning for Change in ADB* may also appeal to people having general interest in knowledge management and learning. *Learning for Change in ADB* was released as a stand-alone publication in 2009.
Introduction

Of all the frictional resistance, the one that most retards human movement is ignorance, what Buddha called “the greatest evil in the world.” The friction which results from ignorance can be reduced only by the spread of knowledge and the unification of the heterogeneous elements of humanity. No effort could be better spent.

—Nikola Tesla

Contemporary society is one rife with organizations, into which few look deeply—and fewer still into the forces for learning that shape these organizations. Indeed, for all the talk from policymakers, practitioners, bureaucrats, taxpayers, and students, there has been, until fairly recently, a surprising lack of critical and creative thinking about what learning actually means. Well into the 1970s, textbooks still characterized learning as an outcome—the recognizable product of some process. Certainly, these books emphasized a fundamental aspect of learning—that is, change—but glossed over the nature or depth of change. In the last 15 years, approaches to learning have expanded to encompass not just a subject in which one is instructed but also something that people do to understand the world. Focusing on learning as a process—be it task-conscious or learning-conscious, whereby people change as a result of experience—has opened rich investigations in humanist, cognitive, behavioral, and social (situational) orientations to learning. Learning for Change in ADB discusses only the last of these, the locus of which is the relationship between people and their environment. In the context of organizations, learning is defined as meaningful individual and collective acquisition and development of memories and skills, knowledge, understanding, values, and wisdom from study, instruction, or experience.

In the late 1980s, the emergence of the idea of a learning organization stemmed from notions of the learning society and knowledge-based economies, the latter fueled by globalization.

1 Despite nearly a century of educational research, including the work of pioneers such as John Dewey, education was dominated by the practice of drilling information into learners’ heads. Such transmission models are still prevalent in the education of children and adults in both industrialized and developing countries.

2 These see the purpose of education, respectively, as being to produce behavioral change in a desired direction, develop capacity and skills to learn better, become self-actualized and autonomous, and participate fully in communities of practice and use of resources.

3 Social (situational) learning is not seen as the acquisition of knowledge by individuals as much as a process of social participation, awareness raising, or criticism. The nature of the situation impacts significantly on the process.

4 Possibly, the essential contribution here was made by Donald Schön in the 1970s. With a focus on businesses, he provided a theoretical framework linking the modern experience of living in a situation of increasing change to the need to learn and adapt. With Chris Argyris, he then cultivated important concepts, such as reflective practice, into organizational learning.
In 1990, Anthony Giddens expressed that as “the intensification of worldwide social relations which link distant localities in such a way that local happenings are shaped by events occurring many miles away and vice versa,” that is, the spread and connectedness of production, communication, and technologies across the world. The basic insight underlying these notions is that as the scope, scale, and speed of change grow, so do the risks from not learning. Learning is a quality not just of individuals but also of systems.

Considering these composite developments, new concepts of learning should be approached with caution, pending more clarity. Then again, interest in a learning society links learning explicitly to the future, creating an opening to critique the minimal learning demands of much work in contemporary societies and their organizations, not to mention how society approaches formal and informal education. Naturally, corporations have recognized the commercial significance of organizational learning—the ideal of the learning organization drives this, even if the meaning of what that is is colored by multiple disciplines. In the development arena, many civil society and NGOs embrace the learning organization’s ideas and terminology with enthusiasm, perhaps because their size, funding, and proximity to truth encourage the search for motives, means, and opportunity necessary to challenge, innovate, and experiment. The experience of these organizations deserves study.

Figure 1 sums up notions of learning in the organization. It shows that the focus of organizational learning is on the theoretical and procedural ways in which an organization acquires and develops the knowledge it needs to fit new realities. Conversely, interest in a learning organization follows an aspirational approach to describe the characteristics of an organization that successfully learns. Likewise, a contrast exists between theoretical and practical approaches to content, the former labeled as “organizational knowledge” and the latter as “knowledge management.”

Nothing ages so quickly as yesterday’s vision of the future.

—Richard Corliss

The Asian Development Bank (ADB) is an aid agency with the difficult mission of reducing poverty in Asia and the Pacific. Poverty may be a problem that can be managed or contained to some extent, but not solved completely and forever. Economic and social progress is about

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6 Alternatively, it might be the interdependence represented by popular social movements with slogans, such as “think global, act local.”

7 Diverse disciplinary perspectives include management science; organizational development; futures research; anthropology, field studies, and organizational culture; philosophy of science, knowledge, and action research; cognitive psychology and learning theory; sociology and organizational theory; strategy; production management; and cultural anthropology. Each provides distinct contributions and conceptions of problems.

change in human systems at individual, family, community, and wider societal levels. Progress is complex, uncertain, and unpredictable. It is beset by analytical, ideological, interest-based, and scientific disagreements. To improve development effectiveness, ADB—like many other development (and humanitarian) agencies—has, since the 1990s, undergone much change involving organizational growth, organizational restructuring, and decentralization by establishing field offices while retaining significant decision-making authority at headquarters.

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9 Development is about people—how they relate to one another and their environment, and how they learn in doing so. The technique of outcome mapping puts people and learning first and accepts unexpected change as a source of innovation. It shifts the focus from changes in state, such as reduced poverty, to changes in behaviors, relationships, actions, and activities.

10 Time and again, discussions of organizational performance at ADB are spoiled by the tendency to treat ADB as separate and unique, and discuss it in bank-specific terms. ADB’s basic function and mission, work, compliance systems, governance, revenue base, authorizing environment, competitive environment, and staffing show it to be one of several comparable development agencies.

11 In the 1960s and 1970s, ADB was a small professional organization. Its agendas multiplied in the mid-1980s, fueled by post–Cold War enthusiasm for free markets and the related convention that productive activities should be designed and developed by the private sector.

12 Decentralization in the form of resident and regional missions and representative and other offices created disconnected “silos” with little lateral contact, lacking channels of exchange with specialist advisers at headquarters. The information systems that serve them are, at best, fragmented and difficult to access. At worst, they are incomplete, inaccurate, or nonexistent. Long overdue, efforts are under way to overhaul the information system.
Challenges withstanding, ADB has also witnessed and gained from far-reaching improvements in information and communication technology in the last 20 years.

However, in 2007, the Eminent Persons Group\(^{13}\) saw the nature and pattern of Asia's growth from the 1990s leading to fundamental changes in demand for ADB’s products and services. ADB revised its long-term strategic framework to reshape, redirect, and reposition the organization for a more innovative and effective development role in a rapidly changing region and within the international aid architecture to 2020.\(^{14}\) Yet repositioning an organization is not easy, as people fear the unknown, especially when there is no turning back. Therefore, organizational structures are often reinvented to solve yesterday’s problems instead of tomorrow’s priorities—they become reactive, failing to adapt actively to the changing environment.\(^{15}\) A prime area of deliberation should be how to transform data, information, knowledge, and wisdom into organizational change.\(^{16}\)

ADB would be well served if its staff members and management understood more clearly the intended and unintended consequences of their actions and were better able to adapt and change in light of experience\(^{17}\) and ideas.\(^{18}\) Therefore, what the organization rewards is critical. If those who rapidly adapt are ignored or even punished, transformation is unlikely, while positive recognition supports a culture of learning and change. Preferably, the catalysts for change should be internal while the need for change is driven by constantly adapting to the greater working environment in Asia and the Pacific.\(^{19}\) As an example, the World Bank accredited the


\(^{16}\) The caution here is that change is not necessarily based on learning. In the same vein, changed practice is not automatically improved practice; one often learns the wrong lessons, or wrongly applies lessons that were valid elsewhere to a different situation. Hence, organizational learning cannot rely on institutional memory nor on a “lessons learned” or “best practice” attitude.

\(^{17}\) This does not mean ADB’s experience alone but also that of other bilateral and multilateral development agencies, civil and nongovernment organizations, clients, think tanks, best-practice organizations in humanitarian and development aid, and the private sector. System-wide learning between and across agencies is sometimes referred to as institutional learning.

\(^{18}\) More specific levels of learning, corresponding to different levels of action, could be found in participatory learning in the field, program- or project-based learning, policy-related learning, policy-influencing learning, and accountability, for example.

\(^{19}\) Internal drivers include evaluative research, monitoring, self-evaluation, and independent evaluation (including impact evaluations). External factors include the media and other forms of public criticism, watchdogs, donor pressure, financial and other crises, audits, and peer pressure. In rare cases, advisors and consultants have made a difference. Distressingly, observers of development agencies seem to agree that most change owes to external pressure.
role of knowledge and learning in development 10 years ago. More and more, it views knowledge and learning as crucial components to improve the effectiveness of development work. In its organizational learning, leaders give priority to human dimensions of continuous learning as integral to practice. In addition, the World Bank sees itself as a community of communities that links and simultaneously fosters working, learning, and innovating, which is directly connected to its development effectiveness.

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20 World Bank. 1998. *World Development Report 1998/1999: Knowledge for Development*. Washington, DC. As it happens, the World Bank’s vision may already be passé. Organizational boundaries have been stretched, morphed, and redesigned to a degree unimaginable 10 years ago. Learning organizations now learn to work with network principles. Today, networks, alliances, partnerships, and other forms of collaboration play a significant role in how individuals, groups, organizations, and related systems operate. It will be more so tomorrow.

21 The most common reason for investments in organizational learning is to increase organizational effectiveness. Organizational effectiveness is how effective an organization is in achieving the outcomes it intends to produce. In this context, the special contributions that organizational learning can make include developing organizational capacity, making the best use of limited resources, strengthening partnerships, closing the gap between monitoring and evaluation and planning, and creating a healthy organization.
Learning in Organizations

An organization’s ability to learn, and translate that learning into action rapidly, is the ultimate competitive advantage.

—Jack Welch

Humans live in an organizational world from birth and depend on organizations as infants, children, youth, students, citizens, consumers, clients, employers, and employees. Most people spend their working lives in formal organizations. What might a conceptual framework for learning in organizations look like? How is this different from individual learning in schools? A starting point is purpose—people organize when acting alone limits their ability to achieve. Historically, models for organizational rationality and efficiency echoed religious or military forms. At the turn of the 20th century, Taylorism\(^2\) (scientific management) guided industrial and commercial organizations. Today, most organizations are designed as bureaucracies in which authority and responsibility are arranged in hierarchy.\(^2\) Yet the purpose for which a group exists should be the foundation for everything that its members do. The idea is to organize in a way that best suits that, and, increasingly, the attention has turned to classifying different forms of organizational structure and exploring their implications. However, instead of form (structure) following function (work tasks), bureaucracies normally fill positions.\(^4\) Next, one could examine if individual and collective experience is leveraged for learning and development, and what forms of learning might suit each. From then, one might broadly define learning propensities necessary to achieve purpose, recognize common roadblocks to these, and visualize promising dimensions for strategic action.

\(^{22}\) A precedent to industrial engineering, scientific management sought to optimize workflow processes thereby improving labor productivity. Contemporary management critiques Taylorism as deskilling and dehumanizing workers.

\(^{23}\) Rules, policies, and procedures are applied across the hierarchy to control behavior. Activity is organized in subunits (offices or departments) in which people perform specialized functions. Those who perform similar tasks are often clustered together.

\(^{24}\) Bureaucratic ways of organizing limit or work against learning. It is possible for groups to “learn their way out” toward more effective work relationships—those in which responsibility and control for work rests primarily with people who do the work. Although the principle is simple, unlearning bureaucratic behavior is extremely difficult.
Configurations of Organizations

At the heart of any organization are the employees who produce its products and deliver its services. They are its operating core. Next, all but the simplest organization require at least one full-time manager, who occupies what might be called the strategic apex—from where the organization is overseen. Then, typically, as organizations grow, they add more managers who manage operators and their managers, forming a middle line between the operating core and the apex position. As it grows ever more complex, the organization includes a technostructure of analysts; like managers, they perform administrative duties—specifically, they will plan and control the work of others. Most organizations will also have support staff who provide diverse internal services, such as travel services offices, information systems and technology, or external relations. Lastly, every organization has an ideology—a culture that infuses the structure and sets it apart from others, sometimes a little, sometimes very much. Figure 2 depicts how these

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Figure 2: Internal and External Influencers of an Organization


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Whether this manager primarily functions as a supervisor controlling the work of subordinate employees or as a leader undertaking strategic high-level support roles for the group depends on the culture. Without conscious choice, most organizations create complex inefficient hierarchies of control.
six basic parts may be thought as influencers that form a community of practice; it suggests also that entities outside the organization exert influence to affect the decisions and actions it takes. The role of this task environment is crucial but often poorly understood.

The members of the operating core will pull to professionalize to minimize the influence others may have over their work. Naturally, the strategic apex will exert its pull to lead, if only to retain control over decision making by direct supervision. In their search for autonomy, the middle line will balkanize the structure and concentrate power through vertical decentralization to themselves. The technostructure will endeavor to rationalize by standardizing business processes. Support staff will collaborate to involve themselves in the central activity of the organization. Ideology, where it exists as a force in organizations, encourages members to pull together. Lastly, politics may also exist in certain types of organizations—especially when no part dominates—and cause people to pull apart. Together, these configurations and the pulls and needs represented by each seem to encompass and integrate a good deal of what is known about organizations. Figure 3 shows all basic pulls on an organization. When conditions favor one of these pulls, the organization will be drawn to design itself in a particular configuration.

Henry Mintzberg saw seven basic configurations, as shown in Figure 4. The “entrepreneurial organization” is a centralized—perhaps autocratic—arrangement typified by a small hierarchy with power in the hands of a chief executive, often the founder. Simplicity, flexibility, informality,
and a sense of mission promote loyalty. The “machine organization” gains strength from its
 technostructure; it is best at mass production and is characterized by layers of management,
 formal procedures, sharp divisions of labor, and a large number of routine operations. The
 “diversified organization” is borne of mergers made to combine businesses into larger entities
 under the label of vertical integration, aiming to exploit synergies. The “professional orga-
nization” is built less on hierarchy than on shared experience, be it a practice, a school, or a
 hospital. It is more democratic and highly motivated than the machine organization, with lines
 of authority less clearly set out. The “innovative organization” that burgeoned after World War
 II is often found in new technology industries, which need to innovate constantly and respond
 quickly to changing markets. In the “missionary organization” that spread from the mid-1970s
 on, ideology can be so strong that the entire structure is sometimes built around it, that is,
 coordinated through the standardization of norms and reinforced by selection, socializa-
tion, and indoctrination. Lastly, the “political organization” expresses itself in political games,
 with conventional notions of concentrated coordination and influence replaced by the play of
 informal power. However, the truth is that one can find all these forms in all organizations.
 Only truly creative organizations dedicated to continuous improvement and evolution model
 unique configurations. Drawing from the respective strengths of the seven types of organi-
 zations, these configurations would integrate forces of direction, efficiency, concentration,
proficiency, learning, cooperation, and competition. Differences may often be detected across working groups, divisions, or departments as these units create their own configurations.

**Windows on Learning**

In an environment characterized by change and complexity, effective learning is invaluable. It is more than assimilating data and information (who, what, where, and when); knowledge (how); and wisdom (why); it is about achieving new understanding and insight. Many view learning as a cyclical process whereby people reflect on actions and associated results, and then reframe their original perceptions leading to new actions. Figure 5 depicts the cycle of learning from experience.

![Figure 5: Learning from Experience](image)


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26 Organizations can decide to move toward a particular type or types. The decision requires an articulated vision with action to adjust the structure, business processes, and norms resulting in a modified culture. If one wishes to reinforce professional, innovative, or entrepreneurial types, the actions should come from the employees with management support versus control. While workers obviously understand their work best, they rarely control the design of structures and business processes to guide it. Contemporary organizational development research and practice proves that employee-driven approaches are the only way toward sustainable improvements in quality, productivity, and staff engagement.
experience, used customarily for individuals rather than organizations. The cycle depicted understates, however, the fact that learning often requires that one become critically aware of one's own tacit assumptions and expectations and those of others, and assess their relevance for making an interpretation. Transformative learning of this kind takes place in three phases: critical reflection (involving deep, powerful emotions or beliefs); reflective discourse; and action.

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### Learning is not compulsory… neither is survival.

—W. Edwards Deming

Yet what of organizations? Some would reduce organizational learning to the sum of individual learning. However, there is surely more to a learning organization than a collection of learning individuals. If organizational learning is mere cross-fertilization of individual learning, by what relationships might that process take place? Why do some in the corporate sector collectively and consciously gain insight and understanding from their own (and others') experience, becoming learning organizations that thrive? Like human communities, trusted relationships, learning agendas, and frequent opportunities to take part in conversations develop a broad capacity toward higher-order integration and better performance. Further, this collective learning occurs at five levels: (i) individual learning, (ii) team learning, (iii) cross-functional learning, (iv) operational learning, and (v) strategic learning. How can learning organizations be nurtured? This question demands ongoing reflection and a range of investigation. Indeed, Figure 6 intimates that the unexpected must be expected when different perspectives on process, structure, meaning, and knowledge-power address organizational learning. Each speeds discovery, invention, production, and generalization. Notwithstanding, the purpose of learning in organizations is to improve practice, and the bottom line is that action should result whenever possible.

Organizational learning may still be seeking a theory—inevitably much writing on the learning organization is aspirational and highlights characteristics, such as adaptability, responsiveness, vision, and transformation. To improve practice, it encourages organizations to go beyond a single-loop learning focus on efficiencies and first-order symptoms, to double-loop and even triple-loop learning. In double-loop learning, organizations continuously challenge

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28 Naturally, there are implications for training programs. Yet, too often, organizations are tied to quite traditional approaches to learning that in many ways are incompatible with the vision for organizational learning.

29 *Auditing the Lessons Architecture* identifies where profits may lay, including clarified vision, purpose, values, and organizational behavior; a wider range of solutions to organizational issues; better client relations; improved quality of products and services; deeper understanding of risks and diversity; increased ability to manage change; awareness of the critical nature of interdependence; superior performance and competitive advantage; the reduced likelihood of repeated mistakes; a more energized and committed workforce; and personal and spiritual well-being.

30 Since the practices of organizations differ, there can be no shying away from examining “corporate DNA.” In other words, why are organizations what they are? Organizational learning provides a forum for appreciative inquiry toward this. Ultimately, improved practice springs from a higher quality of life, products, work, relationships, action, personal energy management, active and reflective thinking, as well as knowledge and wisdom.

31 Single-loop learning does not analyze problems or their root causes, neither does it challenge “defensive routines” that bind people into fixed sets of rules, procedures, and responses.
assumptions, categorize second-order problems from patterns, and rethink underlying strategy based on insights. They examine how practice diverges from their working theory and deal with inconsistencies (changing the rules and procedures). Hence, double-loop learning often challenges the status quo of existing processes. In triple-loop learning, the highest order of organizational learning, they question the raison d’être of the organization; reconsider its principles and policies; and arrive at renewed statements of identity, values, culture, and worldview (learning about learning) that may even impact their external environment. Their capacity to think creatively and act innovatively is multiplied.32

Needless to say, the questioning nature of double- and triple-loop learning and the challenges they pose to managers, principles, and policies explain why many organizations avoid such learning. Evaluation is allegedly all about learning and asks: Are we doing the right thing? And are we doing things right? It rarely asks: How do we decide what is right? Figure 7 explains the concepts associated with these three forms of learning.33

32 This is not to underestimate the second major constraint to learning, namely, the fact that most organizations use knowledge in tacit rather than explicit form. Ikujiro Nonaka is the writer most closely associated with the process of making tacit knowledge explicit. Inevitably, triple-loop learning reconsiders the power, politics, and judgments of fairness governing action.

33 Note that all four windows on learning only find simultaneous use in the highest form, namely, triple-loop learning.

Figure 6: Four Windows on Learning

Literature on organizational learning and the learning organization has expanded rapidly and has been specifically applied to development agencies. Box 1 opens with a definition by Peter Senge but many thinkers have honed discussion and practice with their insights, some descriptive and others prescriptive. The very context, content, and quality of the definitions are compelling; it makes one inquire about what individual and collective learning could result from effective action on these. The journey toward organizational learning may well be the reward.

If you know the enemy and know yourself, you need not fear the result of a hundred battles. If you know yourself but not the enemy, for every victory gained you will also suffer a defeat. If you know neither the enemy nor yourself, you will succumb in every battle.

—Sun Tzu

Literature on organizational learning and the learning organization contains plenty of prescriptions on how to apply these concepts. It is best, however, to describe a process reasonably well before prescribing how to improve it, and description lends itself to asking good questions about learning. Questions are often more useful than prescriptions, which fail to account for differences in the situation or context. Furthermore, questions beget deeper questions, allowing those who ask and answer to work through practical, normative, and political

35 The Society for Organizational Learning (www.solonline.org), a global applied learning community, showcases much of Senge’s work.
Learning organizations [are] organizations where people continually expand their capacity to create the results they truly desire, where new and expansive patterns of thinking are nurtured, where collective aspiration is set free, and where people are continually learning to learn together.\(^a\)

Learning organizations are characterized by total employee involvement in a process of collaboratively conducted, collectively accountable change directed toward shared values or principles.\(^b\)

The Learning Company is a vision of what might be possible. It is not brought about simply by training individuals; it can only happen as a result of learning at the whole organization level. A Learning Company is an organization that facilitates the learning of all its members and continuously transforms itself.\(^c\)

A company that can respond to new information by altering the very “programming” by which information is processed and evaluated.\(^d\)

The essence of organizational learning is the organization’s ability to use the amazing mental capacity of all its members to create the kind of processes that will improve its own.\(^e\)

[An] organization with an ingrained philosophy for anticipating, reacting, and responding to change, complexity, and uncertainty.\(^f\)

[An] organization that acquires knowledge and innovates fast enough to survive and thrive in a rapidly changing environment. Learning organizations (i) create a culture that encourages and supports continuous employee learning, critical thinking, and risk taking with new ideas; (ii) allow mistakes and value employee contributions; (iii) learn from experience and experiment; and (iv) disseminate the new knowledge throughout the organization for incorporation into day-to-day activities.\(^g\)

Learning organizations are those that have in place systems, mechanisms, and processes that are used to continually enhance their capabilities and those who work with it or for it, to achieve sustainable objectives—for themselves and the communities in which they participate.\(^h\)

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devising and developing the means to draw learning from its own (and others’) experience. A learning organization needs to do so to understand the challenges it faces, recognize opportunities, and maintain a competitive edge. There are five critical elements to the definition:

(i) A learning organization learns consciously; it introduces a necessary level of intent and commitment to the process of learning.
(ii) A learning organization learns continually, not just consciously.
(iii) A learning organization highlights experience as a source of learning; it emphasizes the means and ability to exploit its track record, using field operations as a primary source of learning, while drawing from elsewhere.
(iv) A learning organization improves practice; the litmus test for whether learning has, in fact, occurred lies in the extent to which its practice has actually improved.
(v) A learning organization is built around people—their know-what, know-how, and know-why are central to the undertaking.

Therefore, in learning organizations, conscious, continuous, experiential, and effective learning is centered on human interaction and community building, and requires a balance among planning, acting, reflecting, and learning. Learning improves planning and acting which, in turn, generates opportunities for deeper reflection and further learning. Sustaining organizational memory is a perpetual challenge—if possible, much action should be part of a plan, reflected upon and learned from, and the learning should be built into improved future plans. Other action emerges as the learning organization actively adapts to its changing environment. This latter form of emergent learning is rarely captured, but often the best source of lessons for an organization.

Roadblocks to Learning

Despite a growing agenda, organizational learning still has not generated a framework for action. Indeed, the gulf between the ideal type of a learning organization and the state of affairs in typical bilateral and multilateral development agencies remains huge. Observers reflect that the mental models borrowed from other contexts have proved less than relevant—at times even inappropriate—for aid agencies, and that development work lacks the clarity, coherence, and consensus needed to achieve shared vision. From there, referring again to Senge, it has been difficult to develop personal and team-based mastery, and simultaneously to develop systems thinking that integrates the other four disciplines. Before proposing what organizational learning in an aid agency such as ADB might look like and how stronger foundations for it might be built, it is worthwhile to recognize organizational barriers to learning. Defining roadblocks, however numerous they may be, is half the battle to removing them—it might make them part of the solution instead of part of the problem. In the context of NGOs (although the obstacles and resistances mentioned will find resonance

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36 In development assistance, lessons are of two types: operational and developmental. Learning Lessons in ADB provides a typology of these. Irrespective, in the form of a scale, answers to four questions will provide increasing certainty that an organization has learned from experience: What changes have taken place in the area of practice examined? Which of these is most important? Why is the change selected important, and what difference has it made? What difference has the change made to the way the organization (or its partners) works?
elsewhere), Liz Goold labeled them as (i) the bias for action, (ii) undiscussables, (iii) commitment to the cause, (iv) advocacy at the expense of inquiry, (v) cultural bias, (vi) practicing what is preached, (vii) the funding environment, (viii) thinking strategically about learning, (ix) the role of leadership, and (x) learning to unlearn. Alas, lots of other impediments swell the list, as shown in Figure 8: (i) organizational structure, (ii) knowledge inaction, (iii) false images, (iv) (lack of) penalties for not learning, (v) multiplying agendas, (vi) exclusion, and (vii) complexity, to name a few. Appendix 1 elaborates on what they are.

### Dimensions of the Learning Organization

If organizational learning is still seeking a theory, there can be no (and perhaps cannot be) agreement on the dimensions of the learning organization. Even if the dimensions were understood, the connection between learning (or lack thereof) and performance remains unclear. However,

37 Goold, L. 2006. *Working with Barriers to Organizational Learning*. Available: www.bond.org.uk/data/files/resources/467/Barriers-to-Organisational-Learning-.pdf. Other authors prefer to divide barriers to effective learning into two categories: internal and external. This reading of Goold suggests that most are in the former category.

38 The characteristics of work settings, hence the learning needs of each, depend on the level of interdependence of stakeholders and the complexity of related work tasks. Naturally, the difficulty of obstacles to organizational learning is also a function of work settings.

39 Most organizations know little about where they lose knowledge, so the costs of lost knowledge are largely hidden. As a result, there is no clear ownership of the problem and little value is given to knowledge-sharing activities.
regardless of the disputed state of the art, a multilevel, practical but necessarily exploratory and simple framework of common and individual variables associated with learning and change follows. Here as elsewhere, experimentation has an important role to play. Individual and collective learning are not about finding out what others already know, even if that is a useful first stage—it is about solving problems\textsuperscript{40} by doing, reflecting, connecting, and testing until a solution forms part of organizational life. There is no stock answer nor is there a single best approach.\textsuperscript{41} Figure 9 suggests concepts that can be used individually or in association to reflect on the overall system. Appendix 2 elaborates on what they are.

*The purpose of science is not to analyze or describe but to make useful models of the world. A model is useful if it allows us to get use out of it.*

—Edward de Bono

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\textsuperscript{40} Some streams of open systems theory reject problem solving as unproductive, instead preferring to work on desirable futures and necessary actions (only “solving problems” as they become barriers to a goal). The difference in the outlooks is significant.

\textsuperscript{41} A parallel can be found in the disparity of systems models for organizational design. Those used often in the last 20–30 years have included McKinsey’s 7-S Model, Galbraith’s Star Model, Weisbord’s Six Box Model, Nadler and Tushman’s Congruence Model, and Burke-Litwin’s Causal Model. Each of these shines a particular light on an organizational system, in the way perhaps that astronomers standing on different planets would examine different configurations of the universe. No one perspective is correct. The choice of model depends also on how complex its user wishes it to be. In recent years, less inward-looking (closed system) models have been developed.
Building a Learning Organization

The Learning Organization Model

*It is not the strongest of the species who survive, nor the most intelligent; rather it is those most responsive to change.*

—Charles Darwin

For organizations wishing to remain relevant and thrive, learning better and faster is critically important. Many organizations apply quick and easy fixes often driven by technology. Most are futile attempts to create organizational change. However, organizational learning is neither possible nor sustainable without understanding what drives it. Figure 10 shows the subsystems of a learning organization: organization, people, knowledge, and technology. Each subsystem supports the others in magnifying the learning as it permeates across the system.

Organization

A learning organization values the role that learning can play in the development of organizational effectiveness. It demonstrates this by having an inspiring vision for learning and a learning strategy that will support the organization in achieving its vision.

*The supreme accomplishment is to blur the line between work and play.*

—Arnold Toynbee

The leadership of a learning organization is committed to the importance of learning and clearly communicates that learning is critical to organizational success. The leadership recognizes the importance of providing the motive, means, and opportunity for learning: (i) the motive being the “why?”—the purpose and reason for learning; (ii) the means being the “how and what?”—the models, methods, and competencies required; and (iii) the opportunity being the “where and when?”—the spaces for learning. Leaders take an exemplary leading role in creating and sustaining a supportive learning culture.
The structure of a learning organization takes into account the common obstacles to learning so it is carefully aligned with strategy, avoiding the development of “silos” and minimizing unnecessary levels of hierarchy.

Communication systems are used to facilitate the lateral transfer of information and knowledge across formal structural boundaries. In decentralized and geographically spread organizations, particular care is taken to use communication to encourage lateral communication and to overcome the increased danger of the development of “silos.”

Adequate resources are allocated for learning in terms of time, space, specialist support staff, and budgets for knowledge management and learning infrastructure, formal and informal communities of practice and other value networks (both internal and external), and learning and development programs. Support to communities of practice, for example, is extended in a structured manner throughout their life cycle.

Communities of practice emerge in the social space between project teams and knowledge networks. They are groups of like-minded, interacting people who filter, analyze, invest and provide, convene, build, and learn and facilitate to ensure more effective creation and sharing of knowledge in their domain. What they know, who they are, and what they do define them.

A value network is any web of relationships that generates both tangible and intangible value through complex dynamic exchanges. Value networks include communities of practice, knowledge networks, and networks of practice. Their growing importance requires that organizations pay more attention to their forms and functions, evolve principles of engagement, circumscribe and promote success factors, and monitor and evaluate performance with knowledge performance metrics.

There are five stages of community development: (i) potential, (ii) coalescing, (iii) maturing, (iv) stewardship, and (v) transformation.

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44 There are five stages of community development: (i) potential, (ii) coalescing, (iii) maturing, (iv) stewardship, and (v) transformation.
To stimulate creativity and generate new insights and innovative practices, a learning organization takes a balanced approach to the importance of both planned and emergent learning. Planned learning is addressed through the careful development of strategy, structure, systems, procedures, and plans. In a learning organization, planning is based on careful reflection through probing questions that draw on data and information from monitoring, review, and self- and independent evaluation.

Emergent learning is equally important but takes an inherently more speculative and opportunistic approach. It is dependent on encouraging a passion for learning and knowledge sharing among staff members, developing learning competencies, creating opportunities for informal sharing, and cultivating a supportive learning culture.

Failures and unintended outcomes are the focus of constructive discussions leading to new approaches. When such incidents involve clients, care is taken to protect their reputation.

People

_I have no special talents. I am only passionately curious._

—Albert Einstein

A learning organization needs people who are intellectually curious about their work, who actively reflect on their experience, who develop experience-based theories of change and continuously test these in practice with colleagues, and who use their understanding and initiative to contribute to knowledge development. In short, it needs people who are reflective practitioners. Reflective practitioners understand their strengths and limitations and have a range of tools, methods, and approaches for knowledge management and learning, individually and in collaboration with others.

Reflective practice flourishes when people experience a high level of psychological safety and trust, and it is undermined when people feel exposed to unfair negative criticism and when they believe that they cannot rely on colleagues. Teamwork is, therefore, a vital ingredient of a genuine learning organization. Indeed, one characteristic of teams in learning organizations is that they operate as learning communities in which sensitively expressed dissent, conflict, and debate are encouraged as positive sources of learning. Developing the safety and trust upon which reflective practice and positive teamwork depend requires careful attention to relationship building and the management of individual and collective performance.

To grow and protect the investment made in staff members, a learning organization pays careful attention to developing and retaining its people. Closely linked to development and retention of staff members are the importance of recognition and incentives for learning. Learning organizations ensure that time and effort spent on effective knowledge management and learning are recognized as core activities in the organization’s time and performance management systems. Rewards for contributing to learning and knowledge development can be more conventional (e.g., career advancement, increased income, and greater formal status) or may be less conventional (e.g., informal peer status, time made available for study, or public acknowledgement for an innovative contribution made).

Learning organizations also provide a wide range of opportunities for individual and collective learning and development. Learning and development programs are available to ensure that individuals and teams develop the competencies of reflective practice and collaborative learning. While learning and development systems may focus on more formal programs, a
A learning organization is one where the maximum benefit is also leveraged from other learning opportunities, such as day-to-day work experiences, team meetings, short-term secondments, and membership of task groups.

In a learning organization, an important source of individual learning and development is coaching and mentoring support from managers, specialists, and other experienced colleagues. High-quality coaching and mentoring can help reflective practice flourish. However, both involve skills that cannot be taken for granted and must be consciously developed in the organization. It cannot be assumed that good contract managers and technical specialists automatically make good coaches and mentors.

Learning organizations require and encourage the development of leadership competencies at all levels in the organizational hierarchy, not just at the top. Leadership is viewed as a valuable skill that is based on the possession of expertise and knowledge, not simply positional status.

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**Box 2: Knowledge Solutions**

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* Tools, methods, and approaches available as of March 2009.
Knowledge

Knowledge is a critical asset in every learning organization. Because learning is both a product of knowledge and its source, a learning organization recognizes that the two are inextricably linked and manages them accordingly.

Knowledge is the true organ of sight, not the eyes.

—The Panchatantra

The units of knowledge production are both the individual and the collective. Learning organizations understand that while knowledge is created in the minds of individuals, knowledge development thrives in a rich web of social contact among individuals, groups, and organizations. A learning organization provides creative opportunities for this knowledge to be developed and shared with others through interpersonal contact and access to documentation.

An organization’s main repositories of knowledge are the design and delivery of its products and services and the strategies, systems, and procedures it has developed to guide its decision making. Learning organizations know how best to take a learning approach to the development of this embedded knowledge by putting in place the necessary systems and infrastructure for knowledge management.45

Feedback is the dynamic process of presenting and disseminating information to improve performance. Feedback mechanisms are increasingly being recognized as key elements of learning. Key (and often underutilized) sources of knowledge in organizations are the data and information that emerge from monitoring systems and the analyses, conclusions, and recommendations that arise from self- and independent evaluations. Learning organizations have sophisticated ways of designing evaluations with learning (as well as accountability) in mind. Methods, such as after-action reviews and retrospects,46 are successfully adopted and generate lessons that are carefully targeted at specific audiences. Learning organizations have systems that ensure that the outputs of self- and independent evaluations are made widely available, used to question orthodox thinking, and trigger creativity and innovation. Most significant changes are collected, systematically selected, and interpreted.47 Peer assists,48 drawing on individuals’ expertise and documented lessons learned, are used in planning new initiatives to reduce the likelihood of repeated unintended negative outcomes. Action learning is used to tackle more intractable challenges.49

46 Organizational learning calls for nonstop assessment of performance—its successes and failures. This ensures that learning takes place and supports continuous improvement. After-action reviews and retrospects are tools that facilitate assessments by bringing together a team to discuss an activity or project openly and honestly.
47 The most significant change technique helps monitor and evaluate the performance of projects and programs. It involves the collection and systematic participatory interpretation of stories of significant change emanating from the field—stories about who did what, when, and why, and the reasons the event was important. It does not employ quantitative indicators.
48 Peer assists are events that bring individuals together to share their experiences, insights, and knowledge on an identified challenge or problem. They also promote collective learning and develop networks among those invited.
49 Action learning is a structured method that enables small groups to work regularly and collectively on complicated problems, take action, and learn as individuals and as a team while doing so.
A learning organization recognizes the importance of a resilient organizational memory. Learning organizations ensure that individuals and teams are encouraged to use a range of ways of surfacing their tacit knowledge and making it available to others through carefully targeted documentation and collaborative working practices. Recognizing that organizations change in the direction in which they inquire, they leverage the powers of appreciative inquiry.  
Documentation is made accessible to others in the organization with a range of user-friendly information and communication technologies.

Learning organizations are networked with the wider world. They know how to create and run partnerships. Collaborative mutual learning arrangements with other organizations are common and fruitful.

**Technology**

Learning organizations know how to harness the power of information and communication technologies—without these technologies constraining knowledge management and learning. In a learning organization, information and communication technologies are used, among other purposes, to strengthen organizational identity; build and sustain learning communities; keep staff members, clients, and others informed and aware of corporate developments; create unexpected, helpful connections between people and provide access to their knowledge and ideas; encourage innovation and creativity; share and learn from good practices and unintended outcomes; strengthen relationships; develop and access organizational memory; share tools, methods, and approaches; celebrate successes; identify internal sources of expertise; and connect with the outside world.

The creative use of information and communication technologies, such as shared document drives, intranet pages, online communities and networks, wikis and other collaborative work spaces, blogging and online storytelling, staff profile pages, online webinars, podcasts, and social network analysis, indicates that an organization takes learning seriously.

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*This is perhaps the most beautiful time in human history; it is really pregnant with all kinds of creative possibilities made possible by science and technology which now constitute the slave of man—if man is not enslaved by it.*

—Jonas Salk

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50 Appreciative inquiry is the process of facilitating positive change in organizations. Its basic assumption is uncomplicated: every organization has something that works well. Appreciative inquiry is, therefore, an exciting generative approach to organizational development. At a higher level, it is also a way of being and seeing.

51 In development work as elsewhere, partnerships have a crucial role to play. To reach the critical mass required to reduce poverty, there must be more concerted effort, greater collaboration, alignment of inputs, and a leveraging of resources and effort. Understanding the drivers of success and the drivers of failure helps efforts to create and run them.

52 Good practice is a process or methodology that has been shown to be effective in one part of the organization and might be effective in another.

53 Storytelling is the use of stories or narratives as a communication tool to value, share, and capitalize on the knowledge of individuals.

54 Staff profile pages are dynamic, adaptive electronic directories that store information about the knowledge, skills, experience, and interests of people. They are a cornerstone of successful knowledge management and learning initiatives.

55 Power no longer resides exclusively (if at all) in states, institutions, or large corporations. It is located in the networks that structure society. Social network analysis seeks to understand networks and their participants and has two main focuses—the actors and their relationships in a specific social context.
Finally, in a learning organization, sufficient opportunities are provided for staff members to learn how to make use of available information and communication technologies for knowledge management and learning.

**Overcoming Challenges to Learning for Change in ADB**

In 2009, thanks to staff interviews, an interactive workshop on learning for change at ADB, and examination of key ADB documents, challenges to knowledge management and learning were identified. The 10 challenges are

- **Responding to donors’ agendas on knowledge management and learning.** ADB is not immune from increasing donor expectations that development organizations should work smartly as well as hard.
- **Delivering on Strategy 2020’s commitment to provide knowledge solutions to clients.** Strategy 2020 identifies knowledge solutions as one of five drivers for change, but is some way from translating this laudable intention into practice.
- **Ensuring leadership support and encouragement for knowledge management and learning.** For staff members to prioritize time on knowledge management and learning-related activities, they need to be receiving clear, supportive messages from their managers concerning the value placed by the organization on knowledge development and dissemination.
- **Overcoming organizational “silos.”** ADB is a large and complex organization. Its structure does not encourage the lateral communication that enables and encourages knowledge management and learning. This means that particular attention needs to be placed on overcoming structural obstacles that can lead to a “silo” mind-set.
- **Mobilizing knowledge from inside and outside ADB.** Knowledge moves around, and in and out of, an organization. Staff members need to appreciate knowledge flows better, recognize that knowledge assets are found or can be cultivated both inside and outside ADB, and leverage these to solve local development problems in time in forms and ways that satisfy client needs.

*Plans are only good intentions unless they immediately degenerate into hard work.*

—Peter Drucker

- **Strengthening links among the knowledge services of ADB, including economic and sector work, research, learning and development, and the marketing of publications.** While there are examples of progress being made, ADB would benefit from a more integrated system.
- **Positioning and resourcing knowledge management and learning as a crosscutting issue.** The best location for the knowledge management center should be considered, given the crosscutting nature of the knowledge management function. Supporting knowledge management and organizational learning across ADB will also require increased resourcing of the function.
• **Creating incentives for staff involvement in knowledge management and learning.** ADB’s performance management system was commonly identified as a reason staff members do not commit the time they wish to knowledge development and learning. Until the issue of incentives is addressed, this is likely to remain a significant obstacle to ADB making real progress.

• **Building understanding of and capacity for knowledge management and learning—from day one.** Although knowledge management has been on ADB’s agenda for some years, across the organization, there is a limited understanding of what it means and why it is important. On overcoming challenges to learning for change in ADB, a senior staff member explained, “Knowledge management is about whether we are a learning organization—whether we repeat mistakes or learn from them.” The development of this understanding should begin as soon as a staff member joins ADB.

• **Maximizing learning from evaluation.** Evaluations are often the most underused source of learning in an organization. ADB has taken some interesting initiatives to leverage greater learning from its evaluations, but the balance between accountability and learning would benefit from an increased focus on the potential for learning.

Figure 11 identifies the 10 challenges that ADB must overcome to develop as a learning organization and specifies practicable next steps to conquer each. As ADB takes on these with individual, group, intraorganizational, and interorganizational inputs, it will need to monitor and evaluate progress. Again, the learning organization model offers ready entry points. Appendix 3 offers a structured questionnaire with which to gauge perceptions of competencies to learn for change in ADB.

**Managing Critical Success Factors**

**Continuous Learning, People, and Clients**

A close examination of Figure 11 reveals how extensively three pervasive conditions influence an organization’s ability to learn. They require that the organization understand that learning is a continuing process, develop people, and listen to clients. Table 1 lays out the vision necessary to meet each condition and underscores the critical success factors that might be monitored as related inputs are allocated in the organization.

**Learning Leaders**

An organization may be a reflection of its leaders, but this does not absolve employees from developing leadership capabilities more broadly. Senge asks:

> Why do we cling to the view that only the top can initiate significant change? Is it just our unwillingness to give up a familiar mental model? Is it the fear of stepping out of line without the imprimatur of the hierarchy? Perhaps, also, there is an element of self-protection—the comfort of being able to hold someone else, namely, top management, responsible for the lack of effective leadership.  

Providing learning and development opportunities

Diversifying the range of the information and communication technologies used

Developing the use of online collaborative spaces for teams, projects, and communities of practice

Providing learning and development opportunities to encourage creative use of information and communication technologies

Developing competencies in reflective practice

Developing storytelling competencies

Enabling use of tools, methods, and approaches for knowledge management and learning

Strengthening team working competencies

Strengthening the use of project completion and technical assistance completion reports for knowledge management and learning

Making more creative use of questioning at concept development stage

Incorporating requirements for regular reflection in project planning

Encouraging the use of peer assists

Making effective use of meta-evaluations

Developing and using indicators for monitoring and evaluating knowledge management and learning

Emphasizing learning from achievements

Making greater use of after-action reviews and retrospects

Allowing adequate time for identifying lessons from monitoring and evaluation

Maximizing the use of evaluation reports by targeting specific issues to specific audiences

Source: Author.
Respond to donors’ agendas on knowledge management and learning

Deliver on Strategy 2020’s commitment to provide knowledge solutions to clients

Ensure leadership support and encouragement for knowledge management and learning

Overcome organizational “silos”

Mobilize knowledge from inside and outside ADB

Inside ADB

Outside ADB

Creating a vision of knowledge management and learning that emphasizes their critical importance to development effectiveness

Contributing to workshops and seminars

Developing a learning charter for ADB

Targeting publishing and dissemination

Aligning knowledge management and learning with Strategy 2020

Prioritizing learning and development programs related to Strategy 2020 and its drivers of change

Surveying ADB clients’ knowledge requirements

Building psychological safety and trust

Building an organizational culture that clearly values work quality as well as quantity

Enabling members of diverse groups to better understand each others’ professional mind-sets

Sharing and rewarding learning from successes and unexpected outcomes

Developing recognition that everyone in ADB is a knowledge worker

Articulating the learning behaviors that ADB values in its staff

Developing coaching and mentoring skills

Strengthening expertise in leading learning

Using creative information and communication technologies to improve lateral communications across formal structures

Making greater use of teams with diverse professional memberships

Developing thematic communities

Making greater use of workshops and seminars

Developing and using staff profile pages

Devising learning and development programs for communities of practice

Strengthening communities of practice by providing regular opportunities for face-to-face meetings

Supporting the development of informal communities of practice

Ensuring that staff profile pages are kept up-to-date

Monitoring the use of publications and multimedia

Carefully targeting publications and multimedia to specific audiences at the planning stage

Developing the knowledge hub concept

Valuing clients as sources of knowledge and partners in learning

Opening membership of communities of practice to others

Using creative information and communication technologies to improve lateral communications across formal structures

Making greater use of teams with diverse professional memberships

Developing thematic communities

Making greater use of workshops and seminars

Developing and using staff profile pages

Devising learning and development programs for communities of practice

Strengthening communities of practice by providing regular opportunities for face-to-face meetings

Supporting the development of informal communities of practice

Ensuring that staff profile pages are kept up-to-date

Monitoring the use of publications and multimedia

Carefully targeting publications and multimedia to specific audiences at the planning stage

Developing the knowledge hub concept

Valuing clients as sources of knowledge and partners in learning

Opening membership of communities of practice to others
Understand that learning is a continuous process

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<tbody>
<tr>
<td>Continuous learning is essential for an organization to remain in existence. Therefore, the more continuous learning takes place, the more the environment becomes complex. The more learning that takes place, the more mistakes and successes are generated, which are in turn learned from. The continuous learning process never reaches a conclusion; however, measurements are constantly taken to find out if improvements have been made. These improvements define the gaps that do or do not exist, which influence the current strategy (for the entire organization or a current project). These perceived gaps (either positive or negative) are communicated to qualified individuals and act as a feedback mechanism. Once feedback has been obtained and the strategy communicated, the human resources gaps can be singled out (learning and development).</td>
<td>• A culture that encourages errors to be openly discussed • Acknowledgment of change • Small trial-and-error experiments that have been conducted in an attempt to move the process forward, e.g., models built, role-playing undertaken • A way to measure the current process • Defining gaps between the current state and the desired state • The communication of perceived gaps • The allocation of resources to carry out the process</td>
<td></td>
</tr>
</tbody>
</table>

Develop people

<table>
<thead>
<tr>
<th>Vision</th>
<th>Critical Success Factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>People development can occur where individuals are viewed to be working in conditions that allow them to question business processes so that they can become more active in developing these processes. This questioning allows creative tension to form, which can provide a vision to work toward. The continuous outcome relates to enriching all individuals within the organization, while providing a means for the organization to continue to operate.</td>
<td>• Management welcomes the questioning of current business systems • The demonstration of questioning business processes, which allows creative tension to form • The outcome of questions on business processes allows individuals to influence and be involved in developing the process • Resources are made available that individuals can use, e.g., space, time, funding • An inquiry and reflection process that can provide the same principles that an apprenticeship is viewed to have • Individuals create shared visions • The development of mental models</td>
</tr>
</tbody>
</table>

*continued on next page*
Leadership and learning are indispensable to each other.

—John F. Kennedy

Being a learning leader is an attribute, not a title. Learning leaders are active leaders of change. They use their experience and that of others to promote collaborative learning and help their organization meet the demands of a complex work environment. They are people who understand the importance and utility of being a fast and effective learner. They are tuned into the reasons for change (i.e., the problem, issue, or opportunity that is meaningful to them and on which they need to focus and reflect); the conditions for change (i.e., those that generate effective learning, such as a productive climate and emotional intelligence); and the tools for change (i.e., the tools, methods, and approaches used to activate the learning process, such as understanding different learning styles, releasing their own creativity, and the task at hand). With the help of coaches and mentors, as necessary, all staff members should aim to become learning leaders who

- **Create a need for change.** To what extent do the people who are essential to the success of the change feel a need for change that exceeds their possible resistance to it?
- **Lead change.** To what extent does the change have a champion, sponsor, or other leader who will support it?
- **Shape a vision.** To what extent are the desired outcomes for change known? Whose vision is driving the effort?
- **Mobilize commitment.** To what extent are key stakeholders committed to the change outcomes? Why are they (not) committed?
- **Change systems and structures.** To what extent is the change institutionalized through systems and structures?
- **Monitor progress.** To what extent are indicators in place to monitor the progress of the change effort?
• **Make change last.** To what extent is there an action plan for making change last? What aspects of systems and structures will sustain the change outcomes in the future? What are the risks of the change outcomes not lasting? What can be done to offset these?

### Human Resources Management for Learning

#### Celebrating Accomplishments

Since work takes up so much of one’s life, it is helpful to investigate perceptions of what makes it worthwhile. There are seven basic psychological requirements for effective work: (i) elbow room, (ii) variety, (iii) feedback, (iv) learning, (v) support and respect, (vi) meaningfulness, and (vii) a sense of a desirable future. To not lose sight of what it is to be human; a job must produce feelings of pride and success. Yet it is disappointing to observe how few organizations explain their ultimate purpose and celebrate the accomplishments of their staff members in ways that calibrate means to ends to affirm identity, give meaning, benchmark quality, and assign value. Measures, targets, rewards, incentives—even learning and development—are a waste of time if people do not see the point. How will they respond then? They will likely “game” the system and drag their feet.58

#### From Training to Learning

Traditional training programs have long emphasized and supported professional growth through skills and competencies enhancement. However, learning in the workplace is shifting from formalized, short-term instruction by an expert to informal, strategically focused learning facilitation by stakeholders and employees. To become dynamic, actively learning, knowledge-enabled organizations, development agencies, such as ADB, would benefit if, in parallel with existing approaches, (more) programs were developed that create a sense of purpose and positive climate for learning at individual, group, and organizational levels and that build learning capabilities at these levels. Table 2 shows how new-age learning and development programs encourage organization-centered, mission-integrated, productivity-focused, and results-oriented approaches that link interventions to an organization’s strategic goal and objectives. They embrace systems theory and encourage strategic thinking. They emphasize comprehensive, systematic, and sequential performance improvement models. Ultimately, they improve staff credibility as knowledge workers.

---

58 Foot-dragging—agreeing to do something, then doing it slowly, badly, or not at all—is a tested form of resistance. It requires no organized movement and entails few costs (at least on the side of the perpetrator). Most importantly, it does not involve explicitly rejecting authority. Therefore, the risk of confrontation or punishment is small. Usually, the worst that may happen is that one will be forced to do as one was told in the first place.
59 Traditional training is characterized as an instructor-led, content-based intervention leading to desired changes in behavior. Learning is a self-directed, work-based process leading to increased adaptive capacity.
60 For example, the learning tracks in ADB relate to leadership, managing for development results, project design and management, project team leadership and membership, and financial management.
61 In support of the first condition, managers would be predominantly responsible for generating commitment among staff. In respect of the second, managers and human resource divisions would be mainly responsible for providing staff with a supportive learning environment, giving them the opportunity to act on their commitment, and translating commitment into productive value for the organization.
Managing Talent Turnover

The direct and indirect costs of talent departure are among the most underestimated and undervalued costs in an organization. Except for direct expenditure on recruiting, selecting, and training, talent departure is not usually reported to management—which is left unaware of the true costs—nor are they communicated to the organization. Figure 12 shows the cost categories associated with employee turnover; with some attention, many could be estimated. There is, of course, a healthy turnover of employees in any organization: people retire, leave to work elsewhere, or go back to school. Yet management should be concerned if the rate is high, or when top performers and critical employees leave unexpectedly—especially when the organization has no ready pool of talent to resource itself from and gaps open. Tools exist to diagnose turnover problems and to match knowledge solutions to needs; they include demographic analyses, focus groups, probing interviews, job satisfaction surveys, organizational engagement surveys, exit interviews, exit surveys, brainstorming, cause-and-effect diagrams, force-field analyses, mind mapping, and affinity diagrams. To curtail depletion of knowledge, learning organizations make it a habit of using these. Moreover, any tool must be followed up with actions led by staff members and management.


Exit interviews provide feedback on why employees leave, what they liked about their job, and where the organization needs improvement. They are most effective when data are compiled and tracked over time. The concept has been revisited as a tool to capture knowledge from leavers. Exit interviews can be a win–win situation: the organization retains a portion of the leaver’s knowledge and shares it; the departing employee articulates unique contributions, leaving a mark.
Creativity

Leveraging Enterprise

The key question isn’t “What fosters creativity?” but it is why in God’s name isn’t everyone creative? Where was the human potential lost? How was it crippled? I think therefore a good question might be not why do people create? But why do people not create or innovate? We have got to abandon that sense of amazement in the face of creativity, as if it were a miracle if anybody created anything.

—Abraham Maslow

Innovation is the single most important ingredient in any economy. It is the process of creation, exchange, evolution, and application of knowledge to produce new goods, services, or social arrangements to benefit a community, market, or society. It undoubtedly has a major role to play in development work. Yet one persistent question remains: How much of innovation is inspiration and how much of it is hard work? If the primary source of innovation is inspiration, then the role of management can only be limited to hiring the right people (and keeping out of their way). If innovation is largely the result of hard work, there is much that decision makers can accomplish to
make an organization as entrepreneurial as possible at any stage. Presciently, Peter Drucker identified seven sources of innovation: (i) unexpected occurrences, (ii) incongruities of various kinds, (iii) process needs, (iv) changes in an industry or market, (v) demographic changes, (vi) changes in perceptions, and (vii) new knowledge.63 (These seven sources overlap, and the potential for innovation may lay in more than one area at a time.) He explained that purposeful, systematic innovation begins with the analysis of the sources of new opportunities. However, he emphasized that in seeking opportunities, innovative organizations need to look for simple, focused solutions to real problems. That takes diligence, persistence, ingenuity, and knowledge.

Creativity in knowledge products and services is now more important than ever. It is needed equally in the established enterprise, the public service organization, and the new venture. Why is it then that many organizations unwittingly carry out managerial practices that destroy it? With exceptions, most managers do not stifle creativity on purpose. Yet, in the pursuit of productivity, efficiency, and control, they undermine it. Figure 13 shows that creative-thinking skills are one part of creativity but that expertise and motivation are also essential. Managers can influence the first two, but doing so is costly and time-consuming. They can make a more effective difference by increasing the intrinsic motivation of staff members. To manage for creativity and keep clients satisfied, they have five levers at their disposal: (i) the amount of challenge they give to staff members to stimulate their minds, (ii) the degree of freedom they grant around business processes to minimize hassle, (iii) the way they design work groups, (iv) the level of encouragement they give, which should include rewards and recognition, and (v) the nature of organizational support. Needless to say, managers must themselves be motivated, and selecting staff members who are highly motivated helps, too.

Figure 13: The Three Components of Creativity

<table>
<thead>
<tr>
<th>Expertise</th>
<th>Creative-thinking skills</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Expertise</strong> is, in a word, knowledge—technical, procedural, and intellectual.</td>
<td>Determine how flexibly and imaginatively people approach problems. Do their solutions upend the status quo? Do they persevere through dry spells?</td>
</tr>
<tr>
<td><strong>Creativity</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Motivation</strong></td>
<td></td>
</tr>
</tbody>
</table>

Not all motivation is created equal. An inner passion to solve the problem at hand leads to solutions far more creative than do external rewards, such as money. This component—called intrinsic motivation—is the one that can be most immediately influenced by the work environment.


**Opening Doors to Innovation**

*If you want to make an apple pie from scratch, you must first create the universe.*  
—Carl Sagan

Before World War II, closed innovation was the operating paradigm for most companies. Innovating enterprises kept their discoveries secret and made no attempt to assimilate information from outside their own research and development laboratories. In recent years, the world has seen major advances in technology and organization assisting the diffusion of information. Not least of these are electronic communication systems, including the internet. Today, data and information can be transferred so swiftly that it seems impossible to prevent them from doing so (should one want to). Since firms cannot stop this phenomenon, they must learn to take advantage of it. Table 3 underscores that open innovation requires mind-sets and organizational cultures different from those of traditional (closed) innovation.

**Organizational Design**

*An organization is a collection of ordinarily nice people doing terrible things to one another with good intentions.*  
—Fred Emery

Most organizations in operation today were not designed; they evolved according to certain rules. Throughout the 20th century, individual businesses were independent and self-contained. However, in the digital age, large-scale collaboration across boundaries is the norm. Given the myriad of approaches to organizing roles and evaluating the performance of staff members tasked with executing these in miscellaneous organizational units, it is not remarkable that communication challenges and conflict frequently outpace complementary behavior. At best, managing the differences requires extensive and complex interactions to coordinate work across organizational boundaries. At worst, organizational boundaries have hardened into “silos,” leaving staff members to behave selfishly. Carefully designed initiatives should increase productivity, improve quality, and make the organization a better place to work by increasing job satisfaction or staff engagement. These three elements are mutually reinforcing. Contemporary, state-of-the-art organizational design follows open-system principles:

- Culture and values drive organizational design and the processes that influence action and activities. (A decision to change culture and values would require a different approach.)
- Form follows function—an organization, like any entity, is designed to effectively deliver its purpose.

64 Mintzberg’s configuration of organizations is especially relevant to organizational design.
Staff members experience and knowledge leads organizational design—the organizational design does not rely on working groups, yet staff members are engaged. Consultants only serve processes.

People are responsible for the work that they (not their supervisors) perform—the design rejects dysfunctional bureaucratic principles.

Organizational design is not just about changing the organization; rather, it is about the organization building an adaptive relationship with its environment and being future-oriented.

Organizational design should be a safe process—staff members should feel secure, provided that they are willing to learn what the organization (meaning themselves) determines is needed.

Even if many organizational design activities are bottom-up, management must support and buy in; management must also negotiate implementation arrangements with staff members.

A perfect organizational design need not be sought, provided that the organization can actively adapt or self-correct.

Individual psychological requirements for work strengthen with an effective organizational design process.

The design process requires holistic thinking about the organization—its systems, structure, people, performance measures, business processes, and culture, and the way its products and services are contextualized in the external environment. In an effective design process, the results (quality, productivity, satisfaction) should be predictable while the design should not be—it should emerge through intense deliberation. A most difficult requirement for effective design is that management should trust that staff members know their jobs and can recommend smart work arrangements.

Table 3: Closed and Open Innovation

<table>
<thead>
<tr>
<th>Closed Innovation Principles</th>
<th>Open Innovation Principles</th>
</tr>
</thead>
<tbody>
<tr>
<td>• The smart people in our field work for us.</td>
<td>• Not all the smart people work for us. We need to work with smart people inside and outside our company.</td>
</tr>
<tr>
<td>• To profit from research and development, we must discover it, develop it, and ship it ourselves.</td>
<td>• External research and development can create significant value; internal research and development is needed to claim some portion of that value.</td>
</tr>
<tr>
<td>• If we discover it ourselves, we will get it to market first.</td>
<td>• We do not have to originate the research to profit from it.</td>
</tr>
<tr>
<td>• The company that gets an innovation to market first will win.</td>
<td>• Building a better business model is better than getting to market first.</td>
</tr>
<tr>
<td>• If we create the most and the best ideas in the industry, we will win.</td>
<td>• If we make the best use of internal and external ideas, we will win.</td>
</tr>
<tr>
<td>• We should control our innovation process, so that our competitors do not profit from our ideas.</td>
<td>• We should profit from others’ use of our innovation process, and we should buy others’ intellectual property whenever it advances our own business model.</td>
</tr>
</tbody>
</table>

Learning from Evaluation

Redirecting Division-of-Labor Approaches

Give me a fruitful error any time, full of seeds, bursting with its own corrections. You can keep your sterile truth for yourself.

—Vilfredo Pareto

Because the range of types (not to mention levels) of learning is broad, organizations have, from the early days, followed a division-of-labor approach to ascribing responsibility for learning. Typically, responsibility is vested in a policy (or research) unit to allow managers to focus on decision making while other organizational constituents generate information and execute plans. Without doubt, this has encouraged compartmentalization of whatever learning is generated. What is more, since organizational constituents operate in different cultures to meet different priorities, each questions the value added by the arrangement. Table 4 redirects traditional approaches to evaluation by recognizing, with reference to NGOs, that different groups of stakeholders have different learning needs, not all of which can be met by centralized evaluation agencies. Table 5 develops this argument further by making clear that even decentralized learning is itself prone to several types of failure.

Increasing Value Added from Independent Operations Evaluation

In many development agencies, independent evaluation contributes to decision making throughout the project cycle and, in the agencies as a whole, covering all aspects of sovereign and sovereign-guaranteed operations (public sector operations); nonsovereign operations; and the policies, strategies, practices, and procedures that govern them. The changing scope of evaluations and fast-rising expectations in relation to their use are welcome. However, the broad spectrum of independent evaluation demands that evaluation units strengthen and monitor the results focus of their operations. This means that the relevance and usefulness of evaluation findings to core audiences should be enhanced. Recurrent requests are that evaluation units should improve the timeliness of their evaluations, strengthen the operational bearing of the findings, and increase access to and exchange of the lessons. Minimum steps to increase value added from independent evaluation involve (i) adhering to strategic principles, (ii) sharpening evaluation strategies, (iii) distinguishing recommendation typologies, (iv) making recommendations
Table 4: Learning in Nongovernment Organizations

<table>
<thead>
<tr>
<th>Who Should Be Learning?</th>
<th>What Should They Be Learning?</th>
</tr>
</thead>
</table>
| Field Staff | • Participation in practice  
| | • Effective empowerment  
| | • Local-level collaboration with government and other nongovernment organizations  
| | • Gender dimensions of local development |
| Technical Specialists | • Good practice in their area of expertise  
| | • Ways of integrating with other disciplines  
| | • How to improve cost-effectiveness  
| | • How existing internal and external policies affect performance |
| Operational Managers | • What factors make interventions and projects work well or badly, for example, funding conditions  
| | • How to be more cost-effective  
| | • How to coordinate internally and externally |
| Fund-Raisers and Development Educationalists | • Principles and insights to be used in negotiation with professional donors  
| | • New messages to get across to private contributors  
| | • Examples of impact and what made things work or fail |
| Leaders | • How policy choices and strategies work out in practice  
| | • How to make external relationships more effective  
| | • How best to exert influence  
| | • What environmental factors have had unforeseen effects and must be taken into account |
| Governors | • The quality and costs of donors  
| | • The degree of stakeholder satisfaction  
| | • Consistency between mission, strategy, and impact  
| | • Improving social standing and credibility of the organization |


Table 5: Types of Learning Failure

<table>
<thead>
<tr>
<th>Stage</th>
<th>Category</th>
</tr>
</thead>
</table>
| Preparation | • Failures of intelligence: not knowing enough at the early stages of project formulation, resulting in crucial aspects of the project context being ignored.  
| | • Failures of decision making: drawing false conclusions or making wrong choices from the data that are available, and underestimating the importance of key pieces of information. |
| Implementation | • Failures of implementation: bad or inadequate management of one or more important aspects of the project.  
| | • Failures of reaction: inability or unwillingness to modify the project in response to new information or changes in conditions that come to light as the project proceeds. |
| Evaluation | • Failures of evaluation: not paying enough attention to the results.  
| | • Failures of learning: not transferring the lessons into future plans and procedures. |

better, (v) reporting evaluation findings, and (vi) tracking action on recommendations. Here, performance management tools, such as the balanced scorecard system, might enable them to measure nonfinancial and financial results, covering soft but essential areas as client satisfaction, quality and product cycle times, effectiveness of new product development, and the building of organizational and staff skills.

Even so, the problématique of independent evaluation is still more complex. At the request of shareholders tasked with reporting to political leadership, taxpayers, and citizens, feedback from evaluation studies has often tended to support accountability (and, hence, provide for control), not serve as an important foundation block of a learning organization. Some now argue for a reinterpretation of the notion of accountability. Others cite lack of utility; the perverse, unintended consequences of evaluation for accountability, such as diversion of resources; emphasis on justification rather than improvement; distortion of program activities; incentive to lie, cheat, and distort; and misplaced accent on control. Table 6 suggests that the two basic objectives of evaluations—accountability and learning—are generally incompatible.

The tension between the two functions of evaluation demands also that evaluation agencies distinguish primary audiences more clearly. Figure 14 illustrates how, barring some overlap,

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**Table 6: Characteristics of Accountability and Lesson-Learning as Objectives of Evaluation Activity**

<table>
<thead>
<tr>
<th>Item</th>
<th>Accountability as the Objective</th>
<th>Lesson-Learning as the Objective</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic Aim</td>
<td>The basic aim is to find out about the past.</td>
<td>The basic aim is to improve future performance.</td>
</tr>
<tr>
<td>Emphasis</td>
<td>Emphasis is on the degree of success or failure.</td>
<td>Emphasis is on the reasons for success or failure.</td>
</tr>
<tr>
<td>Favored by</td>
<td>Parliaments, treasuries, media, pressure groups</td>
<td>Development agencies, developing countries, research institutions, consultants</td>
</tr>
<tr>
<td>Selection of Topics</td>
<td>Topics are selected based on random samples.</td>
<td>Topics are selected for their potential lessons.</td>
</tr>
<tr>
<td>Status of Evaluation</td>
<td>Evaluation is an end product.</td>
<td>Evaluation is part of the project cycle.</td>
</tr>
<tr>
<td>Status of Evaluators</td>
<td>Evaluators should be impartial and independent.</td>
<td>Evaluators usually include staff members of the aid agency.</td>
</tr>
<tr>
<td>Importance of Data from Evaluations</td>
<td>Data are only one consideration.</td>
<td>Data are highly valued for the planning and appraising of new development activities.</td>
</tr>
<tr>
<td>Importance of Feedback</td>
<td>Feedback is relatively unimportant.</td>
<td>Feedback is vitally important.</td>
</tr>
</tbody>
</table>

audiences for accountability and learning differ. Obviously, this has implications for the knowledge products and services that evaluation units should deploy to reach different target groups, including the dissemination tactics associated with each, and underlines the message that one approach cannot be expected to suit all audiences. Table 7 lists the key ingredients of the distinct reports that would have to be tailored for each. Naturally, several knowledge management tools mentioned earlier would be leveraged to quicken the learning cycle of practice,
Table 7: Key Ingredients of Effective Reports

<table>
<thead>
<tr>
<th>Evidence</th>
<th>Persuasive Argument</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Clear purpose</td>
</tr>
<tr>
<td></td>
<td>• Cohesive argument</td>
</tr>
<tr>
<td></td>
<td>• Quality of evidence</td>
</tr>
<tr>
<td></td>
<td>• Transparency of evidence underpinning policy recommendations (e.g., a single study or a synthesis of available evidence)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Authority</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Clear purpose</td>
</tr>
<tr>
<td></td>
<td>• Cohesive argument</td>
</tr>
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<td></td>
<td>• Quality of evidence</td>
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<td></td>
<td>• Transparency of evidence underpinning recommendations (e.g., a single study or a synthesis of available evidence)</td>
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</table>

<table>
<thead>
<tr>
<th>Context</th>
<th>Audience Context Specificity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Addresses the specific context (e.g., national, local)</td>
</tr>
<tr>
<td></td>
<td>• Addresses the needs of target audience (e.g., social, economic policy)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Actionable Recommendations</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Information linked to specific processes</td>
</tr>
<tr>
<td></td>
<td>• Clear and feasible recommendations on steps to be taken</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Engagement</th>
<th>Presentation of Evidence-Informed Opinions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Presentation of author's own views about the implications of findings</td>
</tr>
<tr>
<td></td>
<td>• Clear identification of argument components that are opinion based</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Clear Language and Writing Style</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Easily understood by educated nonspecialists</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Appearance and Design</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Visually engaging</td>
</tr>
<tr>
<td></td>
<td>• Presentation of information through charts, graphs, and photographs</td>
</tr>
</tbody>
</table>


experience, synthesis and innovation, dissemination, and uptake with one-time, near-term, and continuous efforts.

This is not to say that evaluation units face an either/or situation. Both accountability and learning are important goals for evaluation feedback. One challenge is to make accountability accountable. In essence, evaluation units are placing increased emphasis on results orientation while maintaining traditional checks on use of inputs and compliance with procedures. Lack of clarity on why evaluations for accountability are carried out, and what purpose they are expected to serve, contributes to their frequent lack of utility. Moreover, if evaluations for accountability add only limited value, resources devoted to documenting accountability can have a negative effect, perversely enough. However, learning for change is the area where observers find the greatest need today and tomorrow, and evaluation units should be retooled to meet it. Table 8 suggests how work programs for evaluation might be reinterpreted to emphasize organizational learning.

Evaluation capacity development promises much to the learning organization, and should be an activity in which centralized evaluation units have a comparative advantage. Capacity is the ability of people, organizations, and society as a whole to manage their affairs successfully, and capacity to undertake effective monitoring and evaluation is a determining factor of aid effectiveness. Evaluation capacity development is the process of reinforcing or establishing the
skills, resources, structures, and commitment to conduct and use monitoring and evaluation over time. Many key decisions must be made when starting to develop evaluation capacity internally in a strategic way. Among the most important are

- **Architecture.** Locating and structuring evaluation functions and their coordination.
- **Strengthening evaluation demand.** Ensuring that there is an effective and well-managed demand for evaluations.
- **Strengthening evaluation supply.** Making certain that the skills and competencies are in place with appropriate organizational support.
- **Institutionalizing evaluations.** Building evaluation into policy-making systems.

Why development agencies should want to develop in-house, self-evaluation capacity is patently clear. Stronger evaluation capacity will help them

- Develop as a learning organization.
- Take ownership of their visions for poverty reduction, if the evaluation vision is aligned with that.
- Profit more effectively from formal evaluations.
- Make self-evaluations an important part of their activities.
- Focus quality improvement efforts.
- Increase the benefits and decrease the costs associated with their operations.
- Augment their ability to change programming midstream and adapt in a dynamic, unpredictable environment.
- Build evaluation equity, if they are then better able to conduct more of their own self-evaluation, instead of hiring them out.
- Shorten the learning cycle.

Figure 15 poses key questions concerning how an organization may learn from evaluation, combining the two elements of learning by involvement and learning by communication. It

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provides the context within which to visualize continuing efforts to increase value added from independent evaluation, and underscores the role in internal evaluation capacity development. It also makes a strong case for more research into how development agencies, such as ADB, learn how to learn.

**Figure 15: Internal Learning from Evaluations**

![Diagram of internal learning process]

A Learning Charter for ADB

The illiterate of the 21st century will not be those who cannot read and write, but those who cannot learn, unlearn, and relearn.

—Alvin Toffler

The Learning Declaration Group has promoted effective learning and development in organizations for many years. Its 13 signatories, people who have researched and written extensively about effective learning, have isolated the benefits of effective learning for society, organizations, and individuals. Appendix 4 spells out what these are and levels challenges at national policy makers; leaders in organizations; teachers, trainers, and developers; and individual learners. The notable tenets of the declaration include

• Learning reinforces the informed, conscious, and discriminating choices that underpin democracy.
• Learning is the only source of sustainable development.
• Learning to learn is the most fundamental learning of all.
• Learning is the key to developing your identity and your potential.
• Society, and the communities of which it is comprised, survives, adapts, and thrives through developing and sharing learning.
• Regular and rigorous use of learning processes increases everyone’s capacity to contribute to the success of organizations by challenging, reshaping, and meeting its goals.
• Learning expands the horizons of who we are and what we can become.

You must be the change you wish to see in the world.

—Mohandas K. Gandhi

Since the first version of the declaration was launched in 1998, the group has received reactions ranging from “It’s not very radical” to “It’s too radical for us to implement.” Others have decried the communication mode of the declaration—which mixes principles, analyses, and plans of action somewhat indigestibly without stating a purpose—or demonstrated its dominant discourses and assumptions. Too many plans of action are phrased as commands, or at least as a potpourri of directives. Readers are invited to treat it as knowledge that contributes to decision making, albeit perhaps at too many disparate levels. How can national policy makers; leaders in organizations; teachers, trainers, and developers; and individual learners maximize
the learning ability of people by encouraging and supporting individual and collective learning that enables society, organizations, and individuals to change and adapt more effectively? Closer to home, if ADB were to make a statement of intent on learning for change in ADB, what might it say and to what purposes and results? If staff members were to commit to individual actions, what might these be? Figure 16 details articles of a possible learning charter. Appendix 5 presents a holistic vision of how intellectual capital might be generated, captured, and leveraged to learn for change in ADB.

Figure 16: A Learning Charter for ADB

Statement of Intent

• ADB embraces the concepts of the learning organization to work better with its developing member countries and cultivate the talent of its staff members.

Purposes and Results

• To take concrete actions to transform ADB into a learning organization in its policies, strategies, programs, and projects, as well as the business processes and partnerships associated with these, to meet the challenges of the time.
• To support lifelong learning and development by staff members to ensure that ADB is able to attract, retain, and develop the talent it needs in support of its mission.

Commitments to Corporate Action

• Hold a regular caucus on learning (such as a forum on “Learning in Action”).
• Clarify, simplify, and drive governance for human resources management, including learning and development.
• Make clear the roles and responsibilities for learning and development so that there is clear accountability for results.
• Develop learning and development plans in every department and office, and track and evaluate results.
• Establish a minimum annual commitment of funds or time for learning for employees.

continued on next page
Commitments to Individual Action

- Be open to different ideas and ways of doing things.
- Build (and model) an environment where discussion, debate, and questioning are encouraged.
- Look out for good practices and capture and share them as appropriate.
- Investigate and master tools, methods, and approaches that might enrich team discussions.
- Seek regular inputs from clients, and benchmark the services provided against the best in ADB and comparable aid agencies.
- Hold regular team meetings to examine what could be done differently, capture lessons learned, and share lessons with others.

- Participate in communities of practice and other value networks, and encourage staff members to do the same.
- Volunteer to coach and mentor younger or new staff members, and build requisite skills continuously.
- Prepare an individual learning and development plan that incorporates my needs and demonstrates what I will do to support those of others.
- Work with my teams to develop team learning and development plans.
- Cooperate with staff members under my supervision to develop individual learning and development plans that reflect a balance of organizational and personal learning and development needs.
- Provide time and resources necessary to live up to the learning and development needs determined and agreed upon.
- Monitor and evaluate the learning and development activities of staff members under my supervision.
- Take care that I have a diversity of talents, skills, and perspectives represented on teams.
- Ensure that staff members in my unit have the chance to share learning and development experiences with others.
- Resist the temptation to divert learning and development funds to other uses or to use operational requirements as an excuse to delay learning.

Source: Author.
Organizational learning is collective learning by individuals, and the fundamental phenomena of individual learning apply to organizations. However, organizational learning has distinctive characteristics concerning what is learned, how it is learned, and the adjustments needed to enhance learning. These owe to the fact that an organization is, by general definition, a collective whose individual constituents work to achieve a common goal from discrete operating and supporting units. Practices bring different perspectives and cultures to bear and shape data, information, and knowledge flows.

Political considerations are the most serious impediment to becoming a learning organization. However, by understanding more fully what obstacles to learning can exist in a complex organization in a complex environment, one can circumscribe the problem space and create enabling environments for a more positive future. Such environments would facilitate self-organization, exploration of the space of possibilities, generative feedback, emergence, and coevolution. They would create an explanatory framework and facilitate action.

Obstacles are those frightful things you see when you take your eyes off your goal.

—Henry Ford

The bias for action. The organizational context of nongovernment organizations (NGOs) seems to give more value to action than to reflection. An activist culture can lead to quick fixes that, in the long term, can exacerbate the problems faced if the second-order causes of the problems are not recognized and tackled. The forces that favor jumping into “solutions mode” include (i) time spent...
in inconclusive deliberations; (ii) the urgency of task; (iii) the felt need for action; (iv) avoidance of reflective observation, unclear concepts, and uncertainty of outcomes; and (v) fear of failure leading to avoidance of decisions. Figure A1.1 illustrates how these pressures reinforce the bias for action instead of encouraging reflection and inquiry. Process and task must be seen as interdependent, as should reflection and action.

**Undiscussables.** Behind some pressures that reinforce the bias for action is inability to handle anxiety and fear, compounded by the defensive routines that are built in response. People faced with error, embarrassment, or threat will typically act to avoid these, make the avoidance undiscussable, and make its undiscussability undiscussable. They will do so because they assume that their actions will reduce the likelihood of a situation escalating further. Much energy can be wasted in avoiding controversy; however, it is not potential conflict but the avoidance of action to resolve conflict that causes problems. One approach to undiscussables is to invite speculation, perhaps with the help of a facilitator or with simple guidelines: What is the worst thing that might happen? What would happen if it did? The way to remain scared is to not find out what one is afraid of. Table A1.1 illustrates three types of organizational responses to error, only one of which assuages the fear of failure that biases action.

**Commitment to the cause.** The individuals who are drawn to development work acknowledge a basic commitment to reducing poverty. From their perspective, they are altruistic and action oriented. Yet their commitment can become compulsive—the cause is never ending, and if they were to pause and reflect, they may question what they have really been doing. Some keep “doing” and suffer from exhaustion, cynicism, or burnout. They may also allow an element of self-righteousness to creep in. Hard work, high energy, and dedication to poverty reduction are not per se negative or unhealthy at the individual or collective level, but their meaning and purpose and one’s attachment to them must be questioned with an open mind.


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4 The felt need for action may drown discordant information, i.e., learning that challenges organizational consensus or threatens short-term institutional interest, especially with regard to roles and responsibilities.
Table A1.1: Organizational Responses to Error

<table>
<thead>
<tr>
<th>Error Definition</th>
<th>Defeated Response</th>
<th>Learning Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Failure</td>
<td>• A force beyond control</td>
<td>• A source of information</td>
</tr>
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</table>

**Strategic Decision**

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<tbody>
<tr>
<td>• The error is hidden or someone is saddled with the blame.</td>
<td>• The error is talked about in rich detail but no action is taken.</td>
<td>• The error is discussed candidly and corrective actions are attempted.</td>
</tr>
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**Impact on Leadership**

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<tbody>
<tr>
<td>• The leadership is (partly) deceived and thinks everything is going exactly to plan.</td>
<td>• The leadership is left impotent and the organization becomes immobilized.</td>
<td>• The leadership is able to continuously draw on lessons learned.</td>
</tr>
</tbody>
</table>


**Advocacy at the expense of inquiry.** In much aid work, more value appears to be given to advocating a position than inquiring about the view of beneficiaries. This gives little opportunity for new insights and concepts to emerge. Many of the universal practices and behaviors of dialogue and inquiry can help, such as the ability to suspend assumptions, listen to one another earnestly, give voice to what one really thinks, and respect difference. To improve the quality of everyday conversations and make better use of collective spaces for learning, there is an urgent need to develop the art of talking and thinking differently together.

*It is a strange trade that of advocacy. Your intellect, your highest heavenly gift is hung up in the shop window like a loaded pistol for sale.*

—Thomas Carlyle

**Cultural bias.** Western cultural assumptions have shaped development work, perhaps also the debates on organizational learning. They are apt to value outputs and outcomes over process, and show a predilection for linear, predictable causality (evidenced, for instance, by the design and monitoring framework, also known as logical framework analysis). East Asian cultures place more emphasis on discussing the problem at hand, after which those present will know what is needed without feeling locked into a specific decision. The rigidity of fixed assumptions apparent in aid agencies should be tempered by insights and concepts, such as nonlinearity,

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5 Sponsors of organizational learning tend to flag learning as a process. However, how then should one balance the evaluation of process and that of outcome? If learning is emphasized as a process, the fact that an organization is learning at all is, in itself, highly desirable. Conversely, if priority is given to effectiveness in accomplishing outcomes, learning will be ascribed less importance. Rationally, the way forward can only be found in the right mix of emphasis in various situations. For a note on the design and monitoring framework that recognizes the limitations of this planning tool and proposes improvements, see Serrat, O. 2008. Output Accomplishment and the Design and Monitoring Framework. Manila: ADB. Available: www.adb.org/documents/information/knowledge-solutions/output-accomplishment.pdf
edge of chaos, self-organization, emergence, and coevolution. At the village level, tools that have been found useful include storytelling, community theater, and participatory approaches. *Learning Lessons in ADB* specifies other cultural roadblocks in the form of psychological and social factors.

**Practicing what is preached.** Some values and processes that development agencies promote, such as good governance and results-based management, are not practiced internally. At least this raises questions of integrity. If aid agencies reflected on the difficulty of learning in their organizations, they might promote it more sensitively and build absorptive capacity both in-house and elsewhere.

> However beautiful the strategy, you should occasionally look at the results.
> —Winston Churchill

**The funding environment.** Funding that is tied to particular programs or projects—ironically often to capture “lessons learned”—does not encourage creative thinking and innovation. Nor does it pave the way for intraorganizational and interorganizational learning, let alone partnerships in developing countries. Second-order forms of learning can be developed without tying funding to prespecified outcomes, such as looking at the qualities and approaches needed for better learning in programs and projects. Elsewhere, where funding is not tied, the constant pressure to demonstrate low overheads may also dissuade aid agencies from investing other resources necessary for effective organizational learning. Elsewhere still, competition for funding may induce fabrication of success stories and detract from constructive self-criticism and analysis, when it does not exacerbate the trend to “go cheap” and claim unrealistically low operating overheads.

**Thinking strategically about learning.** How responsibility for learning is structured reveals much about mind-sets and assumptions in an organization. Where efforts are made to mainstream it, responsibility will tend to be held by an individual post-holder at the middle-management level. Although this can give organizational learning a profile, legislating for learning is dangerous. Learning may be seen as the responsibility of an individual rather than as core to organizational practice and central to the organization’s identity, values, culture, and worldview. Staff members who are held responsible for organizational learning will also often carry some anxiety about conveying clear statements to others (including senior managers). This could restrict the self-organizing potential of learning. If work on organizational learning is to be structured by the circumstances in which the work is to be performed (i.e., if form were to follow function), an organization may find it more useful to tend existing relationships, create spaces for experimentation and for conversations between people to grow across departmental boundaries, support informal links between and across organizations, offer opportunities and

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support for peer learning, and go where the energy is for as long as that is needed.8 (This entails offering incentives and rewards for learning.) Given the unpredictable nature of learning, any strategy should be flexible, that is, not bound to specific outcomes. Investigations should start with an inquiry into the existing practices of staff members, the roadblocks that they face in context, and their assumptions about learning. From this, calculated responses might then be explored, experimented with, and learned from iteratively. This approach would shape strategic thinking. Figure A1.2 makes out eight means to focus on and reduce learning anxiety, each of which requires dedicated attention.9

8 Interdependent inputs toward these would be a function of the nature of the task, the range of competencies required, the technology (to be) deployed, and the scale of operations.

9 Blaming it on biological determinism, John Cacioppo explains that very early the brain exhibits a “negativity bias,” meaning that it reacts with far more electrical activity to the stimuli of bad news than to good, and that this is seen at the early stages of information processing. Thus, our attitudes are more heavily influenced by downbeat than good news. See Ito, T., J. Larsen, K. Smith, and J. Cacioppo. 2002. Negative Information Weighs More Heavily on the Brain: The Negativity Bias in Evaluative Categorizations. In Cacioppo, J., et al., eds. Foundations in Social Neuroscience. Cambridge, Massachusetts: MIT Press.

Figure A1.2: Overcoming Learning Anxiety

Source: Developed from Schein, E. 1995. Organizational and Managerial Culture as a Facilitator or Inhibitor of Organizational Transformation. Paper presented to the Inaugural Assembly of Chief Executive and Employers in Singapore. 29 June.
Leadership is based on inspiration, not domination; on cooperation, not intimidation.

—William Arthur Wood

The role of leadership. More surprises occur as the result of a failure to act than as the result of a failure to see. Organizations have more to fear from not having strong leadership. It is the leader’s responsibility to live the values the organization espouses, set the right tone, and lead truly by example. Much as they must visibly promote the right culture by rewarding those who lead by example, leaders must strengthen or challenge patterns and norms that limit learning. Their reactions will be amplified by the position they carry. If they encourage staff members to take on work and then question their judgment, or constantly check on them, they will undermine the staff members and reduce creative thinking, innovation, and risk taking. Leaders must be aware that much value exists in communication, which allows leadership skills—good or bad—to show through. It is important that they seek formal and informal feedback on the impact of their gestures and that they be aware that second-order learning, by its very nature, may work against the improvement initiatives they promote. To recap, the principal role of leaders is to create the conditions within an organization through which staff members will first want to learn, then learn to learn, and finally internalize the habit of continuous learning. Figure A1.3 identifies broad measures that leaders can take to create the motive, means, and opportunity for learning.

Figure A1.3: Creating the Motive, Means, and Opportunity


Learning to unlearn. Unlearning may be the real challenge of learning. It may be simply characterized as the process of letting go of what is known, with openness and freshness of mind, to create fresh space for new learning to take root. It involves habits one has carried for many years. Learning is intimately part of the elaboration of a system—indeed, almost synonymous with it. However, in discovering what must change, the greatest difficulties are often found in its structures and patterns. Consciously reading, assessing, and unlearning these will become fundamental. Ultimately, one may have to concede that it is not policies, strategies, processes, tools, methods, and approaches that define the core and quality of development practice but the past, present, and future, and the openness, judgment, intuition, creativity, integrity, and strength that one can muster to face these that do. In large bureaucratic organizations, unlearning also involves risk and requires psychological safety and the trust on which that rests, and both may be in short supply.

Organizational structure. Although Liz Goold never mentioned hierarchical, centralized, or control-oriented structures, by all accounts, such roadblocks to organizational learning are formidable in most bilateral and multilateral agencies. Arguments against strong hierarchies are about the division of labor, office politics, and interpersonal relations. Hierarchical, centralized, and control-oriented organizations are inclined to separate thinking and acting, and entrust strategy and policy making to particular departments, offices, and senior managers. Top-down flows are inimical to teamwork within and across units. What is more, the structure fires up office politics: the priority of staff members is not learning but protecting or advancing their position, unit, or budget. To these, mastery of the operating system is of greater consequence than appreciating the context and probing the quality of a policy or operation. Conformity—not local accountability, flexibility, innovation, or critical reflection—is rewarded. To boot, field staff members find themselves at the bottom of the hierarchy, their views and interpretations overlooked or overruled. Capacity to learn is interrelated with power and authority in the sense that opportunity (time, space, and priority) to learn depends on where one stands in the hierarchy.

The quality of an organization can never exceed the quality of the minds that make it up.

—Harold R. McAlindon

Knowledge inaction. Goold also omitted to mention the inadequacy of information systems. Information overload is common in most aid agencies, but information and communication technologies for collaboration mechanisms, knowledge sharing and learning, and knowledge capture and storage are underdeveloped, under-resourced, or inefficient in all but a few. There is a problem, then, with identifying, creating, storing, sharing, and using quality data and information—synonymous with poor knowledge management. Bottom-up, formal routine reporting in hierarchical organizations has limited learning value. The emphasis is on outputs; accomplishments,
not problems, are brought to light; time frames are too short. Reporting is seen as an obligation rather than an opportunity for ongoing, collective, interactive, and inquisitive conversation and dialogue based on quality data and information. By poor knowledge management, hierarchical organizations create self-supporting systems of misinformation.

False images. Moreover, development agencies may have fallen victim to the false portrayal of their work as quick and simple. Even now, the sometimes surreal expectations of taxpayers continue to be fueled by annual reports highlighting success stories. Despite the high level of uncertainty of development work, there is pressure to be able to predict, if not appear infallible. In opposition, critics argue that development agencies have failed profoundly. With better public education work, development agencies can generate a more insightful understanding of the complexity of the work with which they are tasked (or task themselves).  

(Lack of) penalties for not learning. Additionally, the absence of a market test for aid agencies removes the discipline that forces a business to change its ways or go bankrupt. They do not have profit margins which, ultimately, depend on client interest and satisfaction. (In quite opposite ways, the beneficiaries of development programs and projects often have little voice and choice.) Therefore, aid agencies are tasked with measuring the larger part of their own performance (notwithstanding the small share of operations examined by independent evaluation) and, in so doing, downplay problems and failures. None of this, however, offers a good excuse for not learning; on the contrary, such arguments underscore learning as a necessity and priority. However, sadly, the judgment that an avoidable mistake in development work has been committed cannot always be argued beyond reasonable doubt—this does not ease the formulation of penalties for not learning, at least not immediately. Additionally, if indulgence for learning lessons were not granted and fair penalties for avoidable mistakes were formulated, how much time should one wait before witnessing improvements in performance at individual, team, cross-functional, operational, and strategic levels?

Multiplying agendas. The combined efforts of shareholders and (advocacy) NGOs to make aid agencies do a better job of development (by their criteria) tie them down with procedural requirements and prompt them to expand agendas to build coalitions of support. The circle is vicious; promises are not met, and these parties ratchet up requirements with tighter audits of compliance and the instigation of penalties for noncompliant staff members. In situations of no budgetary growth, the broadening scope of work puts staff members in a bind and undermines (when it does not prevent) learning. Conversely, growing operating costs may reduce demand from borrowing governments.

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*I do have a political agenda. It’s to have as few regulations as possible.*

—Dan Quayle

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Exclusion. Development agencies recruit professional staff members from the international market and local staff members from applicants residing in duty station countries. It cannot be assumed that they share the same space for learning. In 2003, a study of the humanitarian sector found that international staff members accessed about 10 times more explicit knowledge assets from their organizations than their national counterparts. International staff members also attended meetings at approximately 10 times the rate of national staff members. Thus, how national staff members learn and are assisted in their learning and development is of central importance to the effectiveness of their agencies. Conversely, their importance as sources of “real” knowledge (including history) and their ability to approach things the right way are undervalued if not ignored. Only rarely are they seen as worthy of investment, supported, or given incentives. This waste of key knowledge assets is compounded by the fact that professional staff members characteristically move on when projects and programs end.

I know that most men, including those at ease with problems of the greatest complexity, can seldom accept even the simplest and most obvious truth if it be such as would oblige them to admit the falsity of conclusions which they have delighted in explaining to colleagues, which they have proudly taught to others, and which they have woven, thread by thread, into the fabric of their lives.

—Leo Tolstoy

Complexity. Cultural bias suggests why development aid follows a linear approach to achieving outputs and outcomes. That approach is guided by business processes (and associated compliance standards) applied with limited and out-of-date insights on dynamic operational contexts. Any planning process is based on assumptions—some will be predictable, others wishful. If the assumptions are based on invalid theories of change (including cause-and-effect relationships) and on inappropriate tools, methods, approaches, and procedures derived from those, development agencies will jeopardize the impacts that they seek to realize. Yet the cultural perspective draws insufficient conclusions about what complexity thinking should mean for development interventions. How might emerging insights from the complexity sciences and systems thinking, combined with field practice, systemically (rather than through a patchwork approach) reshape assumptions about the design of development assistance, improve reading of signals, and foster appropriate adapting of actions? What might be the implications of a shift from compliance with external standards to investing in capacities for navigating complexity? Figure A1.4 portrays a framework to help make sense of a range of unspecified problems, preferably collectively. The framework has five domains, four of which are named, and a fifth central area, which is the domain of disorder. The right-hand domains are those of order; the left-hand domains are those of un-order.

14 In 2008, for example, ADB employed 2,507 persons, of whom about 1,628 (65%) were national officers and administrative staff in headquarters and the field.
### Figure A1.4: Sense-Making in a Complex and Complicated World

<table>
<thead>
<tr>
<th>COMPLEX</th>
<th>KNOWABLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cause and effect are only coherent in retrospect and do not repeat</td>
<td>Cause and effect are separated over time and space</td>
</tr>
<tr>
<td>Pattern management</td>
<td>Analytical/Reductionist</td>
</tr>
<tr>
<td>Perspective filters</td>
<td>Scenario planning</td>
</tr>
<tr>
<td>Complex adaptive systems</td>
<td>Systems thinking</td>
</tr>
<tr>
<td>Probe–Sense–Respond</td>
<td>Sense–Analyze–Respond</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CHAOS</th>
<th>KNOWN</th>
</tr>
</thead>
<tbody>
<tr>
<td>No cause and effect relationships are perceivable</td>
<td>Cause and effect relationships are repeatable, perceivable, and predictable</td>
</tr>
<tr>
<td>Stability-focused intervention</td>
<td>Legitimate best practice</td>
</tr>
<tr>
<td>Enactment tools</td>
<td>Standard operating procedures</td>
</tr>
<tr>
<td>Crisis management</td>
<td>Process reengineering</td>
</tr>
<tr>
<td>Act–Sense–Respond</td>
<td>Sense–Categorize–Respond</td>
</tr>
</tbody>
</table>

Dimensions of the Learning Organization

At the simplest level, one might consider the critical applications that would allow an organization to recognize its learning orientations and, from there, mark out the structures that affect how easy or hard it is for learning to occur. Figure A2.1 isolates 12 key learning systems from a managerial, somewhat top-down, perspective.

The literature on learning organizations suggests that certain key tasks must be undertaken for an organization to learn effectively. Figure A2.2 presents a set of competencies that might need to be developed to support learning, largely from a functional perspective.

It is also helpful to demarcate some dimensions of the learning organization in terms of adaptive and generative learning, the two most commonly cited distinguishing characteristics of organizational learning. Table A2.1 selects a few attributes of learning primarily from a structural perspective.

Social capital is the stock of active connections among people, that is, the mutual understanding, shared values and behaviors, and trust that bind members of networks and communities,

**Figure A2.1: Dimensions of the Learning Organization:**

<table>
<thead>
<tr>
<th>Dimensions of the Learning Organization: Learning Management Systems</th>
</tr>
</thead>
<tbody>
<tr>
<td>Climate</td>
</tr>
<tr>
<td>Vision and Strategy</td>
</tr>
<tr>
<td>Executive Practices</td>
</tr>
<tr>
<td>Managerial Practices</td>
</tr>
<tr>
<td>Organizational and Job Structures</td>
</tr>
<tr>
<td>Information Flow</td>
</tr>
</tbody>
</table>

Source: Author.
Table A2.1: Dimensions of the Learning Organization:
Adaptive and Generative Learning

<table>
<thead>
<tr>
<th>Strategic Characteristics</th>
<th>Adaptive</th>
<th>Generative</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Core competence</td>
<td>Better sameness</td>
<td>Meaningful difference</td>
</tr>
<tr>
<td>• Source of strength</td>
<td>Stability</td>
<td>Change</td>
</tr>
<tr>
<td>• Output</td>
<td>Market share</td>
<td>Market creation</td>
</tr>
<tr>
<td>• Organizational perspective</td>
<td>Compartmentalization</td>
<td>Systemic</td>
</tr>
<tr>
<td>• Development dynamic</td>
<td>Change</td>
<td>Transformation</td>
</tr>
<tr>
<td>Structural Characteristics</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Structure</td>
<td>Bureaucratic</td>
<td>Network</td>
</tr>
<tr>
<td>• Control systems</td>
<td>Formal rules</td>
<td>Values, self-control</td>
</tr>
<tr>
<td>• Power bases</td>
<td>Hierarchical position</td>
<td>Knowledge</td>
</tr>
<tr>
<td>• Integrating mechanisms</td>
<td>Hierarchy</td>
<td>Teams</td>
</tr>
<tr>
<td>• Networks</td>
<td>Disconnected</td>
<td>Strong</td>
</tr>
<tr>
<td>• Communication flows</td>
<td>Hierarchical</td>
<td>Lateral</td>
</tr>
<tr>
<td>Human Resources Practices</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Performance appraisal system</td>
<td>Rewards stability</td>
<td>Flexibility</td>
</tr>
<tr>
<td>• Basis for rewards</td>
<td>Short-term financial rewards</td>
<td>Long-term financial and</td>
</tr>
<tr>
<td></td>
<td></td>
<td>human resource development</td>
</tr>
<tr>
<td>• Focus of rewards</td>
<td>Distribution of scarcity</td>
<td>Determination of synergy</td>
</tr>
<tr>
<td>• Status symbols</td>
<td>Rank and title</td>
<td>Making a difference</td>
</tr>
<tr>
<td>• Mobility patterns</td>
<td>Within division or function</td>
<td>Across divisions or functions</td>
</tr>
<tr>
<td>• Mentoring</td>
<td>Not rewarded</td>
<td>Integral part of performance</td>
</tr>
<tr>
<td></td>
<td></td>
<td>appraisal process</td>
</tr>
<tr>
<td>• Culture</td>
<td>Market</td>
<td>Clan</td>
</tr>
<tr>
<td>Managers’ Behaviors</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Perspective</td>
<td>Controlling</td>
<td>Openness</td>
</tr>
<tr>
<td>• Problem-solving orientation</td>
<td>Narrow</td>
<td>Systemic thinking</td>
</tr>
<tr>
<td>• Response style</td>
<td>Conforming</td>
<td>Creative</td>
</tr>
<tr>
<td>• Personal control</td>
<td>Blame and acceptance</td>
<td>Efficacious</td>
</tr>
<tr>
<td>• Commitment</td>
<td>Ethnocentric</td>
<td>Empathetic</td>
</tr>
</tbody>
</table>

making cooperative action possible. The social cohesion that results is critical for societies to prosper and for development to be sustainable. The literature on social capital is vast, but the idea of looking at social capital in organizations, not society, is relatively new. Here, the argument is that social capital makes an organization more than a collection of individuals. Charles Ehin offered a comprehensive framework to understand how human nature supports or undermines voluntary workplace collaboration and innovation.\footnote{Ehin, C. 2000. Unleashing Intellectual Capital. Boston: Butterworth-Heinemann.} Figure A2.3 outlines several vital considerations pertaining to the functioning of organizations from a social capital perspective.

Organizational learning must be understood as a pattern in a stream of decisions. How does strategy form in organizations? The various types of strategies uncovered in research can be located somewhere between the ends of a continuum along which real-world strategies lay. The most common might be labeled “planned,” “entrepreneurial,” “ideological,” “umbrella,” “process,” “unconnected,” “consensus,” and “imposed.” The results will either be intended or realized. More interestingly, Henry Mintzberg distinguished deliberate strategies—realized as intended—from emergent strategies—patterns or consis-
Figure A2.3: Dimensions of the Learning Organization: Relating Human Nature to Organizational Context

Innate Human Drives

- Self-Centered
  - Competitive Power
  - Negative Politics
  - Large "Stranger" Groups
  - Domination
  - Dependence
  - Alienation
  - Compliance
  - Slow and Inflexible
- Other-Centered
  - Collective Power
  - Positive Politics
  - Small Interconnected "Friendship" Groups
  - Collaboration
  - Interdependence
  - Commitment
  - Satisfaction
  - Agile and Innovative

Scarce Resources

- Controlled Access
- Shared Access

Concern With
- Rank
- Status
- Discipline
- Control
- Territory
- Possessions
- Fear
- Anger
- Sex

Concern With
- Attachment
- Affiliation
- Care-Giving
- Care-Receiving
- Altruism
- Remorse
- Shame
- Guilt

Self-Deception


tencies realized despite, or in the absence of, intentions. Figure A2.4 reveals how strategy formulation that walks on two feet—one deliberate, the other emergent—can inform strategic learning.2

Ultimately, learning must be customized to the circumstances of an organization and the work it conducts. Each organization is different, but the work styles of any organization fall under four models: process, systems, network, and competence. Figure A2.5 highlights the characteristics of particular work settings and hints thereby at the learning needs of each. In brief, the process and systems models correspond to work settings that are routine and require little interpretation. What is needed to perform tasks is know-how; learning takes place through generalized learning and development training with the help of how-to guides. Evaluation and other reports can help as well. However, the network and competence models call for much higher levels of judgment and depend on deeper understanding and insight, as well as an ability to improvise. Work on policies, strategies, programs, and projects fits in these domains.

2 Still, notwithstanding the intuitive sense of Mintzberg’s approach to strategy learning, failing to grasp thoroughly the influence of power on the strategy-making process can severely inhibit the potential of strategy making as a vehicle of organizational learning. Views of organizations as cohesive entities are unrealistic and unhelpful, and it is vital to recognize the plethora of interest groups that inevitably compete to shape an organization’s direction.
Without denigrating concepts of systemic thinking—since a better appreciation of the whole and the interrelationship between the parts will lead to more pertinent action—development agencies have a long way to go before they reach the ideal of learning organizations. Table A2.2 segregates dimensions of the learning organization based on Peter Senge’s ideal and the reality in the field mainly from a technicist perspective.
Figure A2.5: Dimensions of the Learning Organization: Work Styles Matrices

<table>
<thead>
<tr>
<th>Collaboration</th>
<th>Process Model</th>
<th>Network Model</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Systematic, replicable work</td>
<td>• Improvisational work</td>
</tr>
<tr>
<td></td>
<td>• Highly reliant on formal processes, methodologies, or standards</td>
<td>• Highly reliant on deep expertise across multiple functions</td>
</tr>
<tr>
<td></td>
<td>• Dependent on tight integration across functional boundaries</td>
<td>• Dependent on fluid deployment of flexible teams</td>
</tr>
<tr>
<td></td>
<td>(Methodologies and standardization)</td>
<td>(Alliances and expert teams)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Level of Interdependence</th>
<th>Systems Model</th>
<th>Competence Model</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Routine work</td>
<td>• Judgment-oriented work</td>
</tr>
<tr>
<td></td>
<td>• Highly reliant on formal procedures and training</td>
<td>• Highly reliant on individual expertise and experience</td>
</tr>
<tr>
<td></td>
<td>• Dependent on individual workers and enforcement of rules</td>
<td>• Dependent on star performers</td>
</tr>
<tr>
<td></td>
<td>(Automatization and training)</td>
<td>(Apprenticeships and individual experts)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Individual Actors</th>
<th>Complexity of Work</th>
<th>Routine</th>
<th>Interpretation and Judgment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Collaboration</td>
<td>Complexity of Work</td>
<td></td>
<td>Interpretation and Judgment</td>
</tr>
<tr>
<td>Level of Interdependence</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Individual Actors</td>
<td>Complexity of Work</td>
<td></td>
<td>Interpretation and Judgment</td>
</tr>
</tbody>
</table>

Table A2.2: Dimensions of the Learning Organization: Idealism and Reality

<table>
<thead>
<tr>
<th>The Ideal</th>
<th>The Reality in the Field</th>
</tr>
</thead>
</table>
| **Discipline 1: Personal Mastery**—individual growth and learning | • Operational staff members feel undervalued by the organization; there are few individual incentives for learning.  
• National staff members and local actors are important sources of local knowledge and vital for learning but are often excluded from learning efforts.  
• Southern knowledge is incorporated ad hoc at the tactical, rather than strategic, level. |
| **Discipline 2: Mental Models**—explicit articulation of tacit knowledge (ingrained assumptions) about the organization and how it works in the wider world | • Tacit knowledge is all-important at the field level, with field staff showing a bias toward informal learning and social networking.  
• Explicit knowledge is seldom in the right form or in the right place at the right time—it is always in catch-up mode. |
| **Discipline 3: Shared Vision** and consensus inspiring and motivating staff members | • The aid sector lacks clarity and consensus about objectives, responsibilities, relationships, and outcomes at all levels. This carries through to the reference points and frameworks necessary for understanding and assessing performance, and can diminish staff motivation for learning. |
| **Discipline 4: Team-Based Mastery**—learning through improved communication, and openness to creative thinking through reflective conversation and dialogue | • There is inadequate support for management and leadership in the field. High staff turnover and inadequate procedures result in constantly changing teams.  
• Continual demands from head office for information “from the field” create tensions that make learning difficult in many organizations. |
| **Discipline 5: Systems Thinking**—focusing on interrelationships between parts of an organization | • The learning cycle of reflection before, during, and after activities is poorly developed and unsupported at the field level, which creates problems for systems-based approaches.  
• Most aid agencies make no attempt to learn from recipient populations—a fundamental omission. |

Seeking Feedback on Learning for Change

Organization

(i) There is an inspiring vision for learning and an organizational learning strategy that clearly communicates that learning is critical to organizational success.

(ii) Leaders take an exemplary leading role in creating and sustaining a supportive learning culture.

(iii) The formal organizational structure facilitates learning, adaptation, and change.

(iv) Sanctioned informal organizational structures enable and encourage learning across formal structural boundaries.

(v) Good use is made of communication systems to facilitate the lateral transfer of information and knowledge and to minimize the development of “silos.”

(vi) Adequate resources are allocated for learning in terms of time allocation, specialist support staff, budgets for knowledge management infrastructure, formal and informal communities of practice and other value networks, and learning and development programs.

(vii) A balanced approach to learning that recognizes the importance of both planned and emergent learning is taken.

(viii) Planned learning is addressed through the careful design of strategy, structure, systems, procedures, and plans.

(ix) Emergent learning is encouraged by creating opportunities for informal sharing of knowledge and experience.

(x) Failures and unintended outcomes are the focus of constructive discussions leading to new approaches. When such incidents involve clients, care is taken to protect their reputation.

People

(i) Staff members are required to be reflective practitioners to reflect on their experience, develop experience-based theories of change, continuously test these in practice with colleagues, and use their understanding and initiative to contribute to knowledge development.

(ii) All staff members make frequent use of a range of tools, methods, and approaches for learning and collaborating with others.

(iii) Staff members experience a high level of psychological safety and trust; they can rely on colleagues and are not exposed to unfair negative criticism.

(iv) Teams operate as learning communities in which success and unexpected outcomes are analyzed and in which sensitively expressed dissent, conflict, and debate are encouraged as positive sources of learning.

(v) Staff members are encouraged to look outside the organization for new ideas, trends, and practices and to share what they learn with colleagues.

(vi) Equal attention is paid to developing and retaining staff members at all levels.

(vii) Staff members successfully use a wide range of opportunities for individual and team-based learning and development.

1 The use of a six-point scale from Strongly Agree to Strongly Disagree is recommended.
(viii) Time and effort spent by staff members on learning and knowledge development are recognized as core activities in the organization’s time and performance management systems.

(ix) A wide range of formal and informal rewards and incentives for contributing to organizational learning and knowledge development is used (e.g., career advancement, increased income, informal peer status, additional time provided for study, and public acknowledgment for innovative contributions made).

(x) Leadership (based on the possession of expertise and knowledge) is expected from staff members at all levels in the organizational hierarchy.

Knowledge

(i) There is a widespread recognition that while knowledge is created in the minds of individuals, knowledge development thrives in a rich web of professional networks among individuals.

(ii) Important knowledge is easily accessible to people who need and use it.

(iii) There are creative opportunities for knowledge to be developed and shared with others by facilitating networks between individuals.

(iv) The design and delivery of products and services demonstrate how effective the organization is at applying what it has learned about the nature of good practice.

(v) The necessary systems and infrastructure for knowledge management are in place, understood, and working effectively.

(vi) Evaluations are carefully designed with learning (as well as accountability) in mind. Systems ensure that the outputs of internal and independent evaluations are made widely available; carefully examined; and used to influence decision making and planning, question orthodox thinking, and trigger creativity and innovation.

(vii) Peer assists, drawing on individuals’ expertise and documented lessons learned, are used in planning new initiatives to reduce the likelihood of repeated and unintended negative outcomes.

(viii) The organization has a resilient organizational memory and is not vulnerable to the loss of important knowledge when staff members move to other jobs in the organization or leave.

(ix) Individuals and teams successfully use a range of methods for surfacing their tacit knowledge and making it available to others, for example, by using carefully targeted documentation and collaborative working practices.

(x) Adoption of after-action reviews and retrospects to learn from experience has been successful.

Technology

(i) There is a thorough and shared understanding of the value of information and communication technologies for knowledge management and learning.

(ii) Information and communication technologies facilitate but do not drive or constrain knowledge management and learning in the organization.

(iii) Information and communication technologies are successfully used to create and sustain learning communities.
(iv) Information and communication technologies are successfully used to keep people informed and aware of corporate developments.

(v) Information and communication technologies are successfully used to create unexpected, helpful connections between people and to provide access to their knowledge and ideas.

(vi) Information and communication technologies are successfully used to encourage innovation and creativity.

(vii) Information and communication technologies are successfully used to enable people to share and learn from good practices and unintended outcomes.

(viii) Information and communication technologies are successfully used to enable people to identify internal sources of expertise.

(ix) Creative use of information and communication technologies is high. At least five of the following have been successfully adopted: shared document drives, intranet pages, online communities and networks, wikis and other means of collaborative document production, blogging, online storytelling, lessons learned databases, staff profile pages, online webinars, podcasts, and social network mapping.

(x) Sufficient opportunities are provided for staff members to learn how to make use of available information and communication technologies for learning and knowledge sharing.
A Declaration on Learning

The Challenge

Learning reinforces the informed, conscious, and discriminating choices that underpin democracy.

National policy makers must

(i) Make learning to learn one of the fundamental goals of education and training, and reduce the excessive focus on knowledge and skills that can quickly become obsolete.

(ii) Support and invest in uncertificated learning as much as in certificated learning. Abandon the preoccupation with controls that inhibit learning (e.g., accreditation, inspection, audit, and predefined standards).

(iii) Recognize there is no such thing as a nonlearner; all people are learners. The challenge is to secure the kinds, amount, and pace of learning that benefit individuals, organizations, and society as a whole.

(iv) Encourage and support the self-management of learning (e.g., allowing learners to set their own goals and to choose how and when to learn to meet needs identified by themselves rather than by others).

(v) Create schemes that remove financial obstacles to learning for individuals and socially disadvantaged groups.

(vi) Use participative democratic processes to promote inclusion and cooperation as a basis for learning.

Learning is the only source of sustainable development.

Leaders in organizations should

(i) Commit to, proclaim, and celebrate continual learning as one of the organization’s most valuable capabilities.

(ii) Include the right to learn and develop continually in all contracts of employment.

(iii) Build into the agreed roles of all managers the primary need to focus on encouraging others to learn and reinforce this through personal support, coaching, and mentoring.

(iv) Be a role model for learning, by doing such things as asking questions you do not know the answers to, demonstrating how you have learned from your mistakes, and articulating and sharing your own learning.

(v) Have effective strategies to link individual and collective learning, both within and between groups and organizations.

(vi) Routinely encourage curiosity, inquiry, and diversity of thought as the norm to ensure dialogue about strategy and decision making at all levels.

(vii) Encourage people to challenge, innovate, and experiment.

Learning to learn is the most fundamental learning of all. Teachers, trainers, and developers must

(i) Be role models for effective learning.
(ii) Support learning from live problems and experience, as a central activity of work.
(iii) Encourage and support reflection.
(iv) Encourage everyone to have learning goals and development plans.
(v) Respond to both the complexity of situations and the diversity of learners, and avoid simplistic solutions that fail to create worthwhile learning.
(vi) Ensure that everyone can learn how to learn effectively, and exploit the full range of opportunities available everyday.
(vii) Support people through the discomfort and uncertainty sometimes associated with learning (e.g., through mentoring, support groups, and networks).
(viii) Invest time and effort in bringing people together to learn from one another.
(ix) Empower others to take responsibility for, and to manage, their own learning. Stop defining for others what they need and how those needs should be met.

Learning is the key to developing your identity and your potential. As an individual learner, you should

(i) Take responsibility for yourself as a learner—both in terms of what you seek to learn and how—by setting your own learning goals, actively seeking the conditions or experiences that will help achieve the goals, making demands on the system, and refusing to tolerate obstacles to effective learning.
(ii) Make your learning (both in terms of goals and the means to achieve the goals) as conscious, self-disciplined, and explicit as possible. Routinely review whether you are making progress toward your learning goals.
(iii) Share your learning with others as an investment with a high return in terms of personal learning.
(iv) Learn to exploit everyday experiences as learning opportunities—experiment, try out alternatives, ask others, and invite challenge.
(v) Learn with and through others as a prime vehicle for learning.
(vi) Explore and consciously exploit the wide range of resources for learning (e.g., the internet, coaches, mentors, and colleagues).
(vii) Always seek and learn from feedback as well as inquiry.

**Assertions about the Nature of Learning**

Learning is frequently associated with formal teaching and training that, too often, comes to be seen as irrelevant to daily life and work. Most learning takes place outside controlled classroom environments, and this needs to be recognized—especially by educators and governments. It is unhelpful to link learning solely to the achievement of qualifications where systems of accreditation are often assumed to represent the totality of a person’s learning and can result in unfair discriminatory practices and mere tests of short-term memory.

The critical task for government policy makers and leaders in organizations is to maximize the learning ability of people by encouraging and supporting individual and collective learning. In this way, organizations, communities, and societies can change and adapt more effectively.
Learning can be looked on as a process, for example, reflecting and questioning (which can be made more effective through consciously learning to learn), or an outcome (which may or may not be planned).

(i) Learning is not just about knowledge. It is also about skills, insights, beliefs, values, attitudes, habits, feelings, wisdom, shared understandings, and self-awareness.
(ii) Learning outcomes can be incremental (building gradually on what has already been learned) or transformational (changing ways of being, thinking, feeling, and acting).
(iii) Transformational learning may be a struggle, take time, and involve conflict over aims and outcomes.
(iv) By its very nature, learning is essentially individual but can also be collectively generated in groups and organizations.
(v) There is no one right way to learn for everybody and for every situation.
(vi) We can learn from any experience—failure, success, having our expectations confirmed, or having them confounded.
(vii) Learning processes can be conscious (which helps us exercise our control over the process) or unconscious, and serendipitous.
(viii) Learning processes can be both planned and opportunistic. Combining the strengths of both can enhance learning effectiveness.
(ix) Learning outcomes can be desirable or undesirable for the learner and for others—therefore, learning always has a moral dimension.
(x) Learning (both as a process and an outcome) can be both a cause of change and a consequence of change. There is no learning without change, although there can be change with insufficient learning.
(xi) Questioning, listening, challenging, inquiring, and taking action are crucial to effective learning.
(xii) The learning process occurs inside the person, but making the outcomes explicit and sharing them with others, adds value to the learning.
(xiii) When self-managed, learning becomes more effective.
(xiv) Learning as a process can be subject to obstacles (e.g., social exclusion, lack of resources or confidence), but the desire and ability to learn is hard to suppress.
(xv) Wanting to learn, and seeing the point of learning, is often crucial and makes it more likely that unexpected opportunities to learn will be exploited.
(xvi) Mood influences the quality of learning. While not a prerequisite, enjoyment of the learning process is a significant enabler.

The Benefits of Effective Learning

The following benefits assume that the learning in question is morally acceptable in intent, process, and outcome. (This, of course, leaves open the question of whose morality.)

For Society

(i) Society, and the communities of which it is comprised, survives, adapts, and thrives through developing and sharing learning.
A focus on articulating, valuing, and sharing learning contributes to a more cohesive society where everyone’s contribution is valued.

Individual and collective learning reinforces the informed, conscious, and discriminating choices that underpin democracy.

Learning has the potential to create a society where diversity is valued and everyone can lead more fulfilled lives.

(v) Learning (as distinct from education) helps people become active citizens in a constantly changing world.

**For Organizations**

(i) Regular and rigorous use of learning processes increases everyone’s capacity to contribute to the success of organizations by challenging, reshaping, and meeting its goals.

(ii) Learning from and with all stakeholders enhances and helps clarify purpose, vision, values, and behavior.

(iii) A focus on learning, planned and unplanned, produces a wide range of solutions to organizational issues.

(iv) Learning helps achieve a balance between the pressures of long-term effectiveness and short-term efficiency.

(v) Learning enables an organization to balance the demands of its stakeholders and its environment.

(vi) Learning, when shared, reduces the likelihood of repeated mistakes.

**For Individuals**

(i) Learning is the key to developing our identity and our potential.

(ii) Learning to learn is the key to effective learning.

(iii) Learning enables us to meet the demands of change.

(iv) The capacity to learn is an asset that never becomes obsolete.

(v) Embracing learning helps us understand that learning is a great deal more than just formal education and training.

(vi) Learning increases the range of our options. Learning about our past can help us understand the present and prepare for the future.

(vii) Learning expands the horizons of who we are and what we can become.

(viii) The continuing desire to learn fuels curiosity and progress, and restrains prejudice and parochialism.

**What Certain Key Terms Should—and Should Not—Mean**

An explanation of what certain key terms should and should not mean is given in Table A4.
The Signatories

We never set out to say all there is to say on the subject of learning or to impose our views on others. Rather, we point to the richness and diversity of approaches to learning as an indication of its potential to achieve desirable transformations. Our goals are to stimulate discussion about the importance of learning and to resist the encroachment of narrow, dogmatic approaches that limit learning, in whatever context that they occur.

This declaration reflects the thinking of us all and our passion about the importance of learning. We offer it as a basis for dialogue and action.

We, the signatories, are

(i) Margaret Attwood,
(ii) Tom Boydell,
(iii) John Burgoyne,
(iv) David Clutterbuck,
(v) Ian Cunningham,
(vi) Bob Garratt,
(vii) Peter Honey,
(viii) Andrew Mayo,
(ix) David Megginson,
(x) Alan Mumford,
(xi) Michael Pearn,
(xii) Mike Pedler, and
(xiii) Robin Wood.

<table>
<thead>
<tr>
<th>Term</th>
<th>Should Be</th>
<th>Should Not Be</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lifelong Learning</td>
<td>A learning approach to all life and work experience, using formal education and training as a last resort</td>
<td>Ongoing compulsory formal learning events and monitoring against competency requirements</td>
</tr>
<tr>
<td>Open Learning</td>
<td>User-friendly learning opportunities minimizing constraints of time, place, cost, access, content, and process</td>
<td>Repackaged and recycled correspondence and distance learning packages</td>
</tr>
<tr>
<td>Learning Society</td>
<td>A society in which individual and collective natural learning is a way of life and a major dynamic in social processes, encouraged and supported by formal education and training provision</td>
<td>A monopolistic takeover by the institutionalized education and training industry</td>
</tr>
<tr>
<td>Learning Organization</td>
<td>An organization which promotes learning and sharing, supported by values, processes, and investment, to enhance its capacity to create its own future</td>
<td>An organization that regards training as the only legitimate mode of learning</td>
</tr>
<tr>
<td>Self- and Personal Development</td>
<td>A liberating and emancipating process for individuals as employees and citizens</td>
<td>Self-subjugation, discipline, and enforcement of conformity to corporate and state norms</td>
</tr>
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Learning in Development

Learning in Development tells the story of independent evaluation in ADB—from its early years to the expansion of activities under a broader mandate—points up the application of knowledge management to sense-making, and brings to light the contribution that knowledge audits can make to organizational learning. It identifies the 10 challenges that ADB must overcome to develop as a learning organization and specifies practicable next steps to conquer each. The messages of Learning in Development will echo outside ADB and appeal to the development community and people having interest in knowledge and learning.

About the Knowledge Management Center

The Knowledge Management Center facilitates knowledge management activities in ADB. It plays a critical role in introducing new knowledge management approaches, monitoring the progress of knowledge management, and reporting to ADB Management.

About the Asian Development Bank

ADB’s vision is an Asia and Pacific region free of poverty. Its mission is to help its developing member countries substantially reduce poverty and improve the quality of life of their people. Despite the region’s many successes, it remains home to two-thirds of the world’s poor: 1.8 billion people who live on less than $2 a day, with 903 million struggling on less than $1.25 a day. ADB is committed to reducing poverty through inclusive economic growth, environmentally sustainable growth, and regional integration.

Based in Manila, ADB is owned by 67 members, including 48 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.