

## Chapter 6.34

# Outcomes of Knowledge Management Initiatives

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### ABSTRACT

*Establishing criteria for knowledge management (KM) is important because criteria help to establish a basis for assessing the value and evaluating its results. Literature review has revealed that widely accepted criteria and performance measures have not been developed for KM. Delphi Technique and survey-based research, using a questionnaire targeting KM professionals as respondents, were aimed at establishing criteria for assessing KM success for different types of organizations. The results show what organizations consider important outcomes of a KM initiative. Contributions from this research effort should support government, non-profit, and for-profit organizations in making decisions about KM initiatives and measuring KM efforts. Future research efforts can focus on developing these KM outcomes into detailed measures.*

### INTRODUCTION

The continuous progression of civilization is a testimony to its ability to develop, learn, and share knowledge. Recent advances in information and communication technologies have made it easy to develop, store, and transfer knowledge. Globalization, increasing international competition, and a free market philosophy are driving forces for these advances in technology, and many organizations have realized that the creation, transfer, and management of knowledge are critical for success today.

The increasing gap between the book value and the market value of some business entities indicates the increasing importance of knowledge-based intangible assets (Marr, 2003) and knowledge management (KM). However, the dimension of KM has not received adequate attention (Holsapple & Joshi, 1999). Also, the

KM concept is still understood as information management and is associated with technological solutions, such as intranets and databases (Marr, 2003). It should be understood that the primary focus of KM is to utilize information technology and tools, business processes, best practices, and culture to develop and share knowledge within an organization, and to connect those who possess knowledge to those who need the knowledge.

Several organizations are attempting to use KM to improve organizational performance, but commonly accepted KM principles are yet to be developed. KM's lack of focus (Fairchild, 2002) and absence of commonly accepted KM principles (Stankosky & Baldanza, 2001) are some of the gaps in this discipline. Among the commonly accepted KM principles or references that are missing are the criteria for measuring success associated with KM. In this article, a research effort is presented to address this knowledge gap from the practitioners' point of view and leading to identifying expected outcomes of a KM initiative in organizations.

## **BACKGROUND**

Improving organizational performance by using a KM initiative is an investment decision; we must therefore have an understanding of its outcomes. While discussing approaches to building KM systems (KMS), Jennex and Olfman (2004) contend that the measurement of a KMS is crucial to understanding how these systems should be developed and implemented. They cite several reasons for measuring success of a KMS, including three from Turban and Aronson (2001): to provide a basis for valuation, to stimulate management's focus on what is important, and to justify investments.

However, inherent intangible characteristics of knowledge assets make them difficult to measure (Ahn & Chang, 2002). Unlike materials or equipment, the core competencies and distinctive

abilities of employees are not listed on balance sheets (Austin & Larkey, 2002). As a result, factors that contribute substantially to a firm's success elude traditional means of quantification, thereby presenting significant challenges to KM performance measurement.

Bassi and Van Buren (1999) suggest that the lack of understanding of how to measure and evaluate impacts of intellectual capital is a major obstacle to turning investments towards promoting intellectual capital into a source of competitive advantage. Similarly, Ernst & Young's Center for Business Innovation survey identified measuring the value and performance of knowledge assets as the second most important challenge faced by companies, behind the challenge of changing people's behavior (Van Buren, 1999).

Instead of trying to measure knowledge directly, which may not be possible, a different approach is to measure its contribution to business performance, which is still considered a major research agenda (Ahn & Chang, 2002). Major consulting organizations agree that measuring KM effectiveness and contributions is a key concern for consulting organizations (Wikramasinghe, 2002).

Some studies have suggested non-traditional KM measurements. A survey of 100 FTSE (the index used by the London Stock Exchange and Financial Times) companies attempted to establish levels of engagement with KM, the organizational implications, and evidence of impact on performance (Longbottom & Chourides, 2001). The survey results suggest that performance measures are not well developed and these measures should be linked to balance scorecard frameworks. According to Fairchild (2002), KM activities are considered integral to other management activities and processes; measuring KM is about how and when KM is integrated into organizational activities, which can be measured. Thus, it is important to identify these activities and determine KM contributions to these activities. The study suggests that organizations should require less

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