

Chapter 104

Measuring Knowledge Management Capabilities

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INTRODUCTION

As business professionals know, creating awareness of a problem and its impact is a critical first step toward the resolution of the problem. That which does not get measured, does not get managed (Redman, 1998). In fact, measurement is a precursor to improvement. This is true for knowledge management (KM) capabilities of an organization. “In today’s knowledge-based economy,” Alan Greenspan recently said, “70% of organizational assets are knowledge assets.” Knowledge assets are intangible capabilities, and there is a recognized need to “make a greater effort to quantify the value of such intangible assets” (Teece, 1998b). How does one measure the worth of an organization’s knowledge assets? What does one mean by knowledge assets anyway?

In this article, we afford some formal structure to the idea of measuring knowledge management capabilities of an organization, with the ultimate goal of improving business performance through better management of knowledge assets. We describe a large-scale effort at Intel to assess such capabilities with a view to enhance them. This project started in May of 2002. We describe the different types of knowledge assets identified, the potential capabilities associated with managing knowledge assets, the metrics devised for their measurement, and the assessment methodology that is being standardized across the corporation. We also provide results of the initial validation of the instrument and its ability to ascertain KM capabilities correctly. Hundreds of knowledge workers (Davenport, 2003) have so far participated in this study to benchmark KM capabilities of their units. Some units are already planning the next steps for improving their KM capabilities.

BACKGROUND

WHAT IS KNOWLEDGE?

The direction required to quantify the value of knowledge assets begins to come into focus when one realizes their diversity in an organizational setting. Some knowledge assets are “grounded in the experience and expertise of individuals,” that is, tacit knowledge, while others can be stored as knowledge objects that exist on their own, that is, explicit knowledge (Fahey & Prusak, 1998; Teece, 1998a). Therefore, to describe knowledge assets that exist across organizations, domains that encompass knowledge work and can be studied for improving on-the-job productivity must be identified. For this reason, we start with classifying the whole gamut of knowledge residing in an organization into a knowledge-asset framework.

We categorize institutional knowledge assets into four areas: expertise, lessons learned, knowledge documents, and data. This categorization resulted from the realization that knowledge in each area has a unique (a) mix of tacit and explicit content, (b) method of transfer and contextual value, and (c) life cycle (creation to application), including its shelf life. To contrast the unique nature of each knowledge area, its characterization along these three dimensions needs to be understood.

Expertise

Expertise is high in tacit knowledge. Individuals in an organization are often considered experts within a particular domain. The transfer of expertise occurs via consultation, collaboration, mentoring, and observation, that is, through personal interaction. The shelf life of this type of knowledge depends on the currency of the knowledge in the context of its application, and it can be extended by renewal and learning. The availability of experts and the ability of an organization to locate required expertise for a given situation quickly

can result in performance improvement (Dooley, Corman, & McPhee, 2002).

Lessons Learned

Lessons learned are the essence of learning from past successes and failures. They represent highly specific knowledge gained while completing a project or task. They lie toward the tacit end of the tacit-explicit continuum. Undocumented lessons are in the heads of people who learned them. To the extent lessons are documented, their transferability is improved (in a networked organization), but their applicability remains highly contextual. Recognizing the similarities between the characteristics of the current task with those of an earlier one from which the lesson was learned is an important step in their application. This type of knowledge is created when one recognizes that something substantial of recurring value has been learned. The shelf life of a lesson depends on its generalizability and the persistence of the context. The more generalized a lesson, the broader is its applicability and the longer its life. Organizations that exploit this type of knowledge have reported substantial cost savings (O’Dell & Grayson, 1998).

Knowledge Documents

Knowledge documents represent explicit knowledge such as project reports, technical reports, policies and procedures, research reports, publications, pictures, drawings, diagrams, audio and video clips, and so forth. Knowledge documents encompass internally generated as well as external information (Zack, 1999). Market research reports and operating manuals of complex machinery are good examples. Knowledge documents contain the background knowledge that can be referred to by a knowledge worker to educate themselves—to increase their awareness and understanding—about an area that they work in. Well understood taxonomies and archives, as well as the ease of access of relevant documents,

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