CCLFI.Philippines

Issues and Perspectives in KM Measurement

APO Study Meeting on KM Measurement
17-20 November 2009; Taipei, ROC

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Philippines

Outline

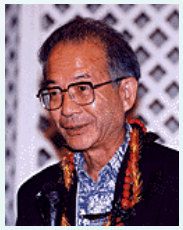
1. What to measure
   - Knowledge → Action → Value Creation
   - Surveys of KM measurements: Skyrme and APQC
   - Issues and examples
2. KM measurement in various sectors and types of organizations
   - Market sector perspective and examples
   - Development sector perspective and examples
3. Issue of standards
   - Work in progress

What to Measure?

"Knowledge" in KM Practice

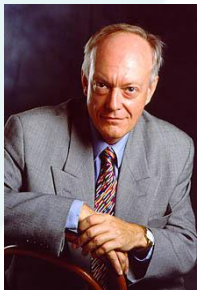
"Knowledge is information that changes something or somebody — either by becoming **grounds for action**, or by making an individual (or an institution) **capable of different or more effective action**." — Peter F. Drucker, in: The New Realities

"Justified belief that increases an entity's capacity for **effective action**." — Ikujiro Nonaka, Organization Science 5(1):14-37 (1994).



"I define knowledge as a **capacity to act**."

— Karl-Erik Sveiby, in "The New Organizational Wealth: Managing & Measuring Knowledge-Based Assets", 1997



Ingredients of Effective Action (n=856)

Source: Talisayon, S. "Some Stories about How Personality and Culture Come into Our Knowledge Management Practice." Conference on Innovation in Managing Knowledge for the Competitive Edge Kuala Lumpur. International Islamic University of Malaysia and Paradigm Systems Bhd, Malaysia, June 30 - July 2, 2008.

Human Capital

Your character, attitude
Your knowledge, skills, experiences
Your health, recreation
Human capital of your colleagues
Self-motivation

Also called:
Internal Capital
Process Capital

Structural Capital

Access to information (internal)
Business processes
Training, innovation and learning processes
Structures, tools, guidelines and support systems
Vision and direction; fair, caring and empowering policies

Also called:
External Capital
Stakeholder Capital
Customer Capital

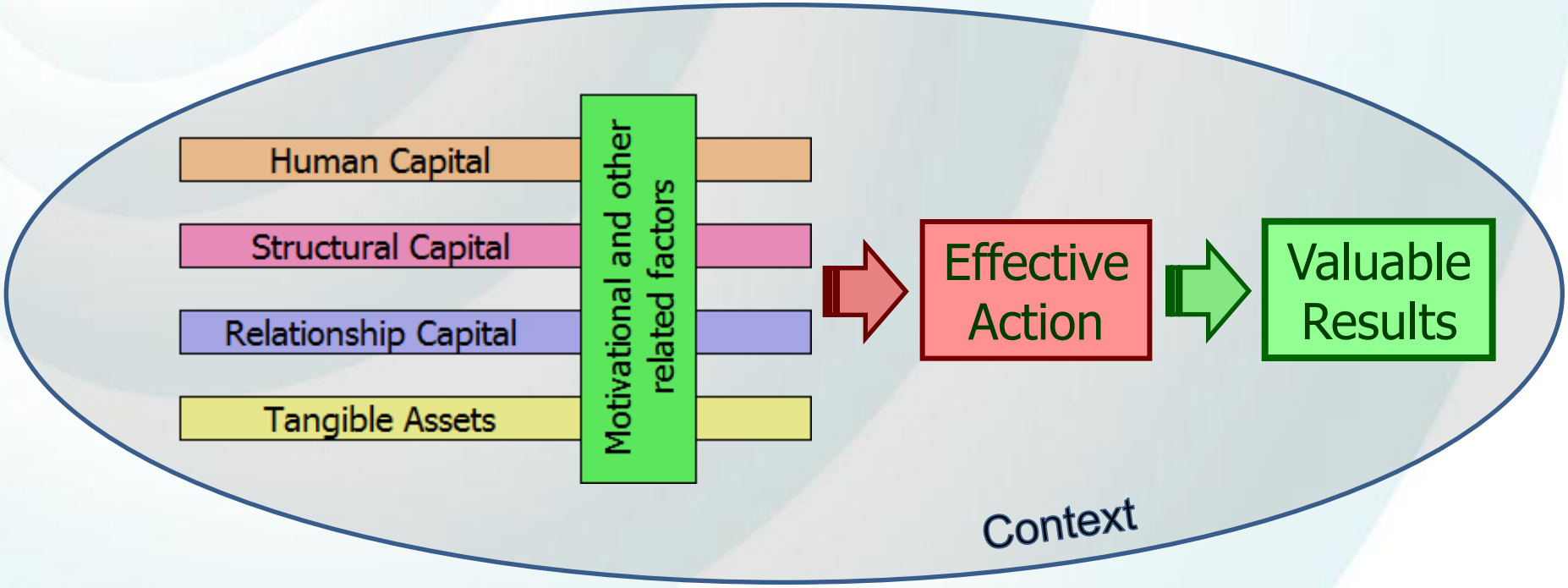
Relationship Capital

External linkages: partners, customers, suppliers, government support, Internet
Brand, reputation
Support from peers, teamwork, morale, cooperation and interpersonal relationships
Support, inspiration, recognition and trust from superiors
Support from family, friends and community

Tangible Assets

Technology, equipment, facilities, books and other commercial information
Financial resources
Physical Accessibility
Conducive workplace
Good pay, benefits, incentives, perks

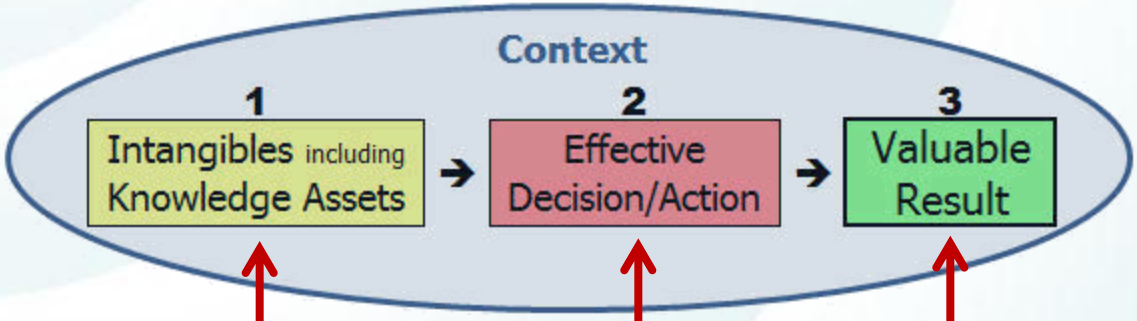
KM Model of CCLFI



Source: Talisayon, S. Monitoring and Evaluation in Knowledge Management for Development. 2009. European Association of Development Training Institutes

What to Measure?

Skyrme: various KM measurement methods fall into 4 categories:



1- measuring knowledge assets

2- measuring action or performance

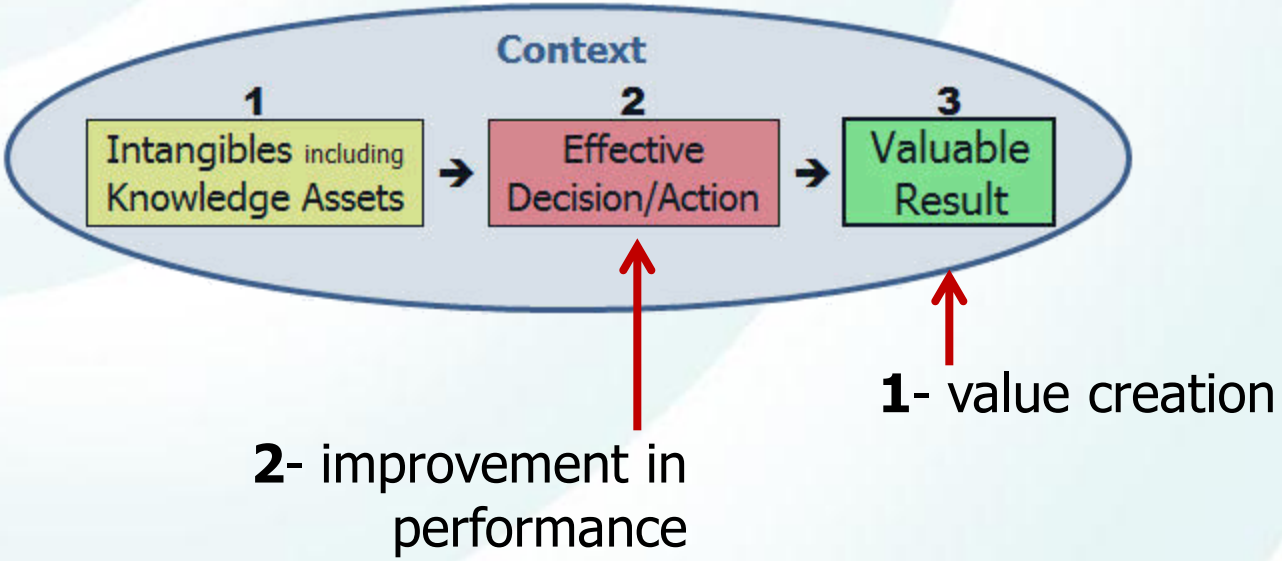
3- measuring benefits

4- measuring baselines for periodic comparisons

Source: Skyrme, D. Measuring Knowledge: a Plethora of Methods. 1997, revised 2005.

What to Measure?

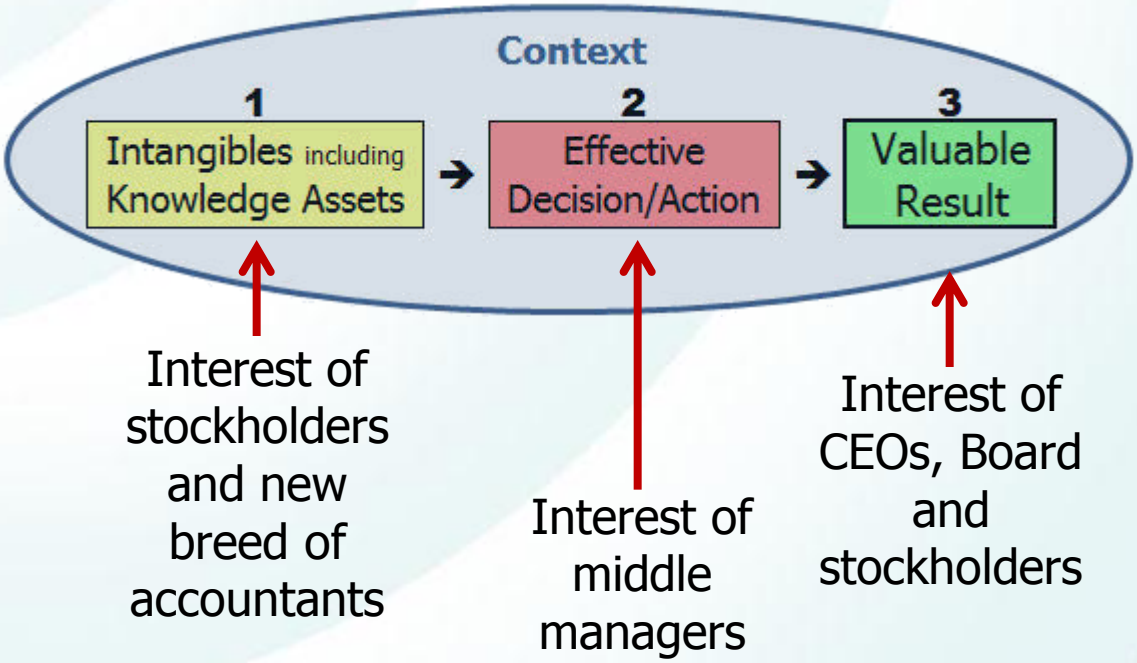
APQC: Best practices in KM measurement are mostly along 2 types:



Source: Vestal, W. Measuring Knowledge Management. APQC, 2002.

What to Measure?

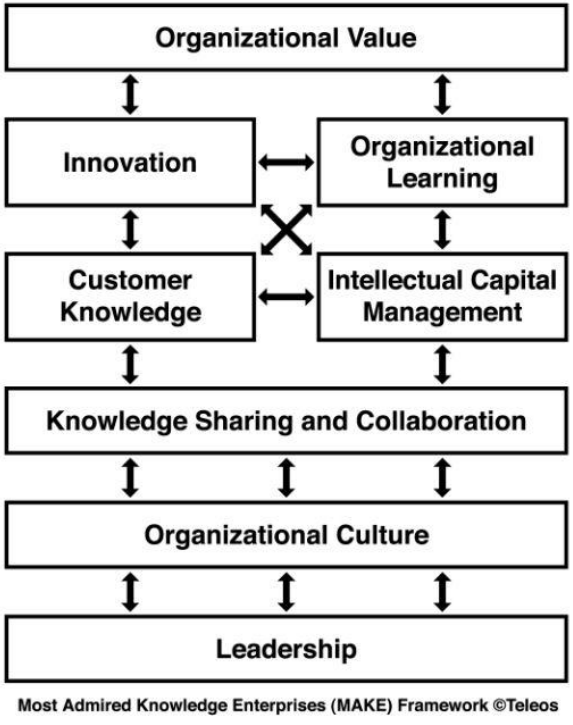
Who is interested:



Issues

- Measuring inputs and processes: intellectual capital accounting (e.g. MAKE, BSC and KM diagnostics)
- Interactivity: Attribution and separability of impacts
- Value creation: market and non-market substitutes

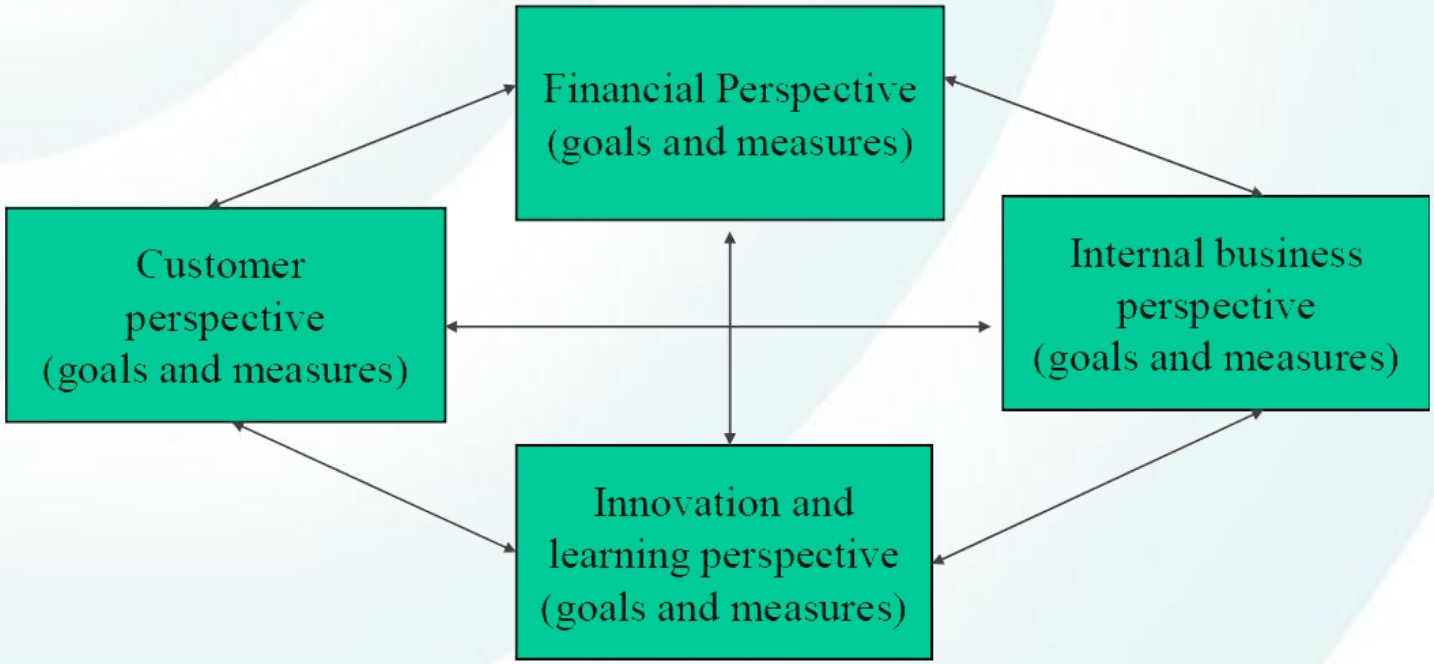
Measurements of Inputs and Processes: MAKE



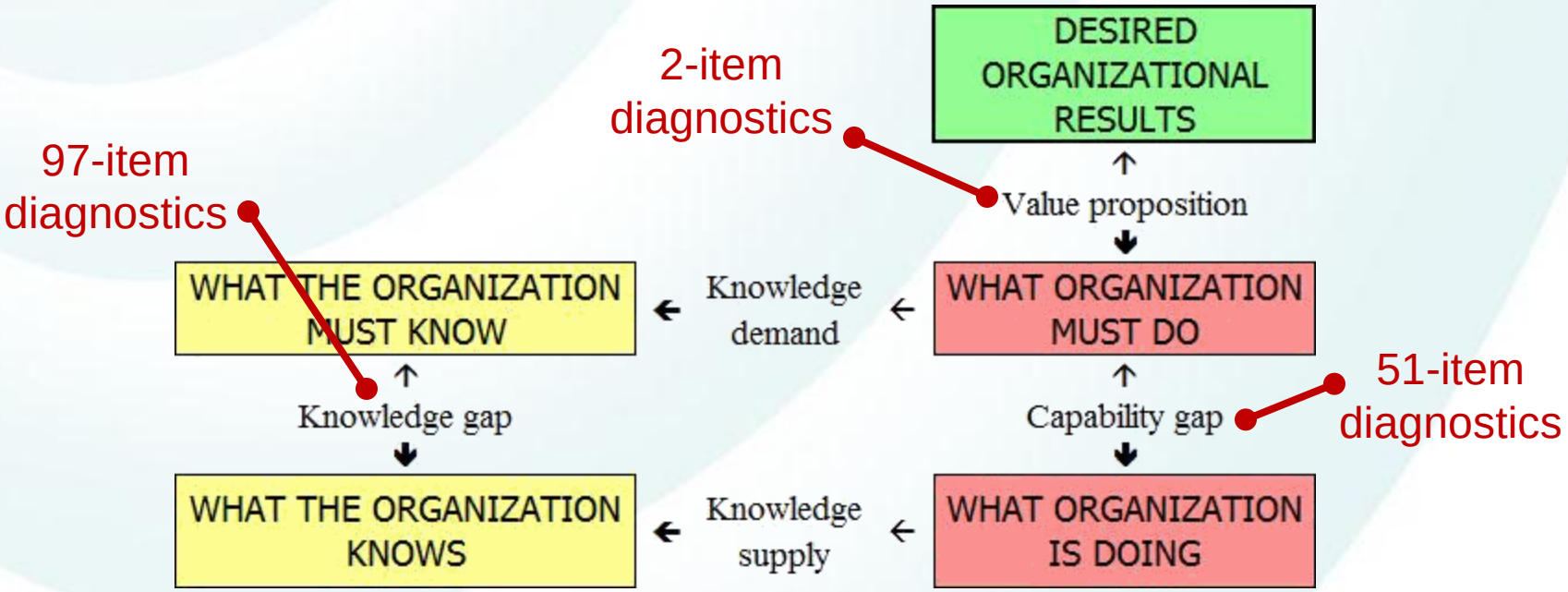
Dr. Rory Chase, CEO of Teleos which manages MAKE and Chief Editor of Journal of Intellectual Capital

Source: Chase, R. "Global Knowledge Management Trends" From Productivity to Innovation: Proceedings of the Second International Conference on Technology and Innovation for Knowledge Management, p. 44. Asian Productivity Organization, Tokyo, 2009.

Balanced Scorecard:
Monitoring of Tangible and Intangible Assets



KM Diagnostics of CCLFI: Measurements of Gaps in Inputs, Processes and Value Creation



Valuation of a Company's Intangible Assets

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Net Operating Profit										
add Depreciation										
minus Capital Expenditures										
minus Change in working capital										
FREE CASH FLOW	-	-	-	-	-	-	-	-	-	-
Weighted Average Cost of Capital	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Discount Factor	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
PV of Free Cash Flow	-	-	-	-	-	-	-	-	-	-
Terminal value:	-									
- growth	3%									
- Return on Investment	1%									
PV of Terminal Value	-									
OPERATING VALUE	-									
Marketable Securities										
Non-operating assets										
ENTITY VALUE	-									
Debt										
EQUITY VALUE	-									

Issues

- Utility of measuring inputs: intellectual capital accounting and KM diagnostics
- Interactivity: Attribution and separability of impacts
- Value creation: market and non-market substitutes

Separability of Impact

Enhancement of company intranet

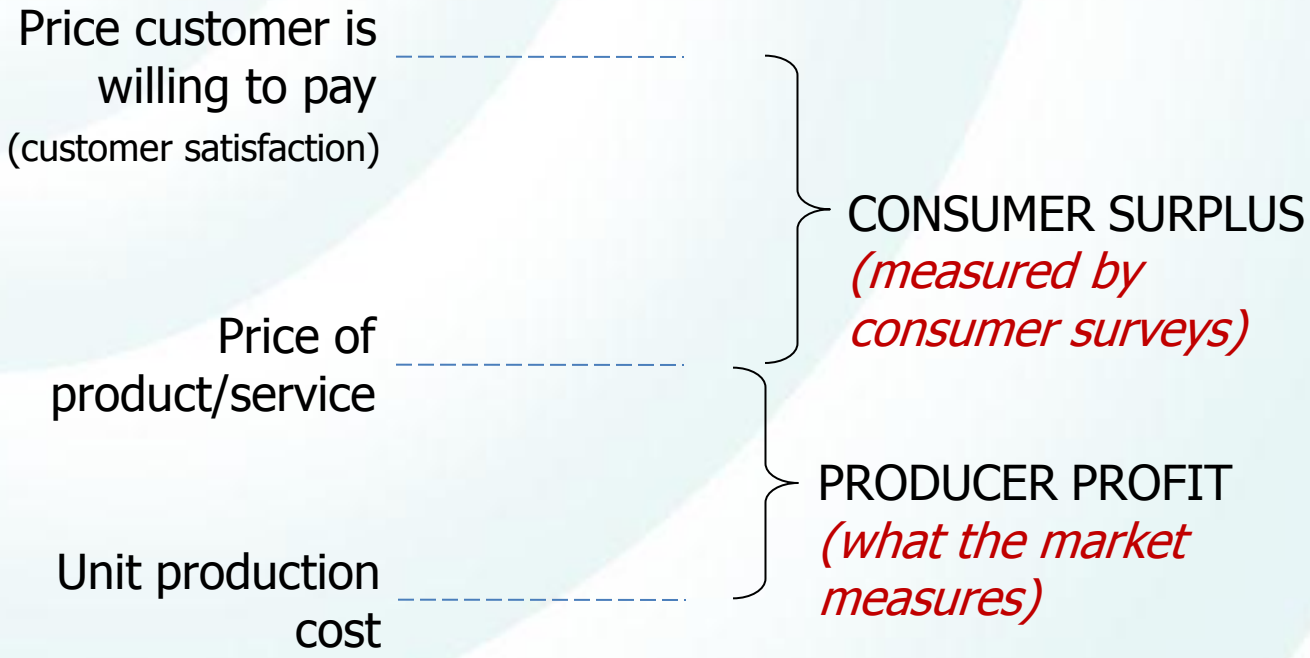
- Changes in intranet software
- Skill of staff
- Motivation: staff is empowered by permission to manage content

- Less time wasted in hunting for information (X months per year)
- Equivalent to savings + extra productivity from time gained

Issues

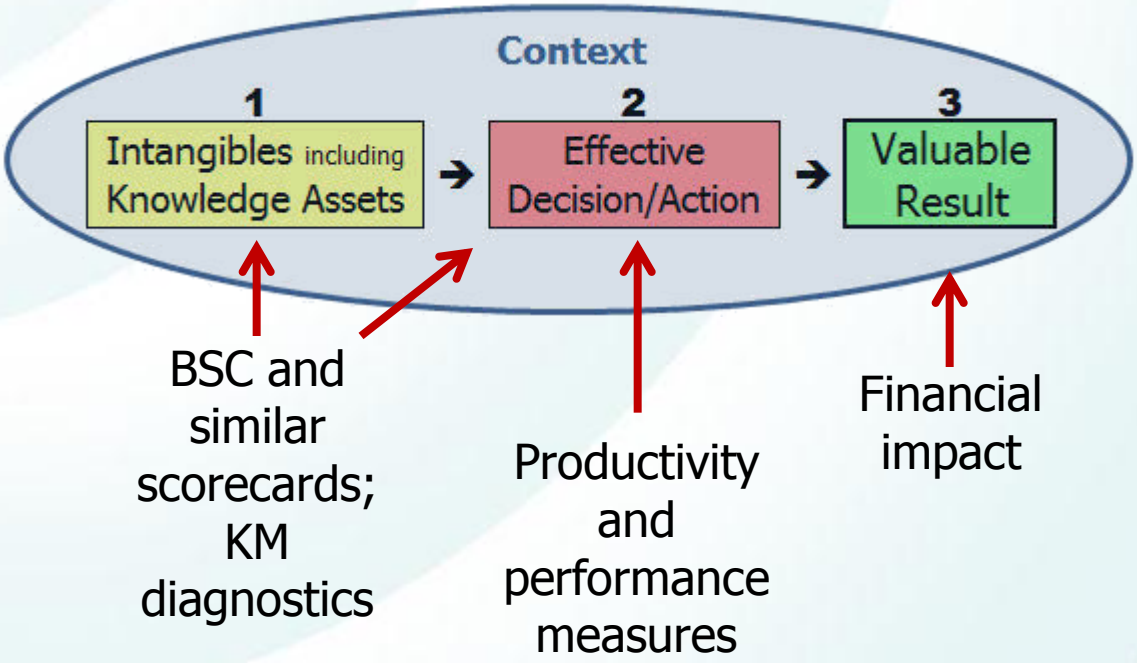
- Utility of measuring inputs: intellectual capital accounting and KM diagnostics
- Interactivity: Attribution and separability of impacts
- Measurement of value creation: market and non-market situations

Value Creation per Sales Transaction



KM Measurement in Various Sectors and Types of Organizations

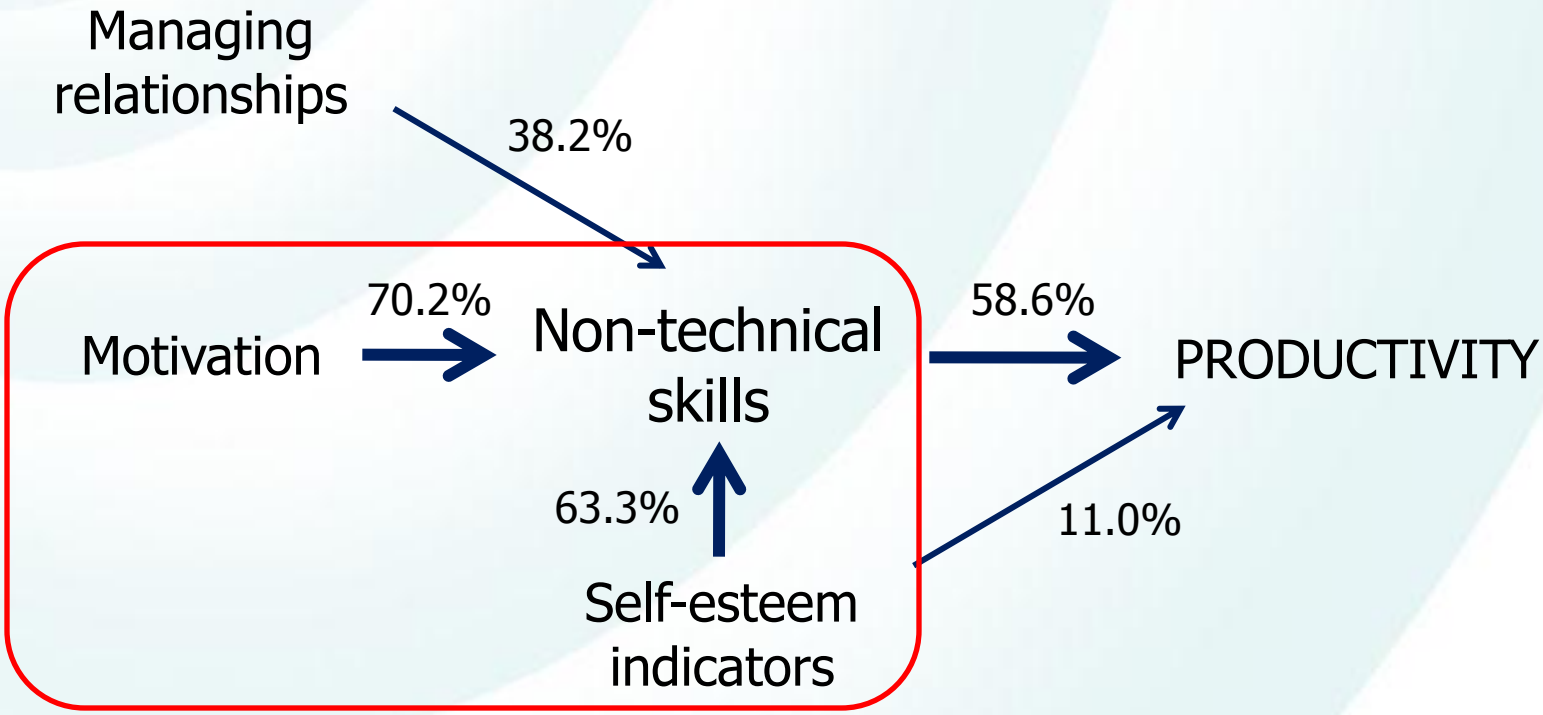
KM Measurement
for Manufacturing or Service Companies



Examples

- Impact of new intranet:
  (small Philippine service company)
  Savings = Decrease in time used in looking for information (months/year) x monthly payroll (pesos/month)
- Multivariate statistical studies between productivity and behavioral indicators
  (multinational manufacturing & service company)
  2/3 of productivity variation accounted for by non-technical skills
- KM Diagnostics
  (127 companies, mixed multinational and Philippine)
  Most frequent: Feedback from internal/external customers for process improvement or innovation

Non-Technical Skills and Productivity



Two Separate Paradigms and Discourses

Sustainable Development

Foundational idea:
Development along *economic, social and environmental* dimensions.

Discourse largely among:
Social and economic development planners

Status of measurement:
"Triple bottom line" is very partially developed
Unit of analysis: nation, community

Knowledge-Based Management

="knowledge management"

Foundational idea:
Market values are created more by, and consists more of, intangible assets (knowledge and other assets) than tangible assets

Discourse largely among:
Corporate sector

Status of measurement:
Various IC tracking/accounting systems
Unit of analysis: organization/corporation

Knowledge-Based Development

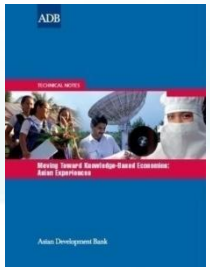
Sustainable Development

Rio Summit, 1992

Knowledge-Based Economy

World Bank, 2002-2005

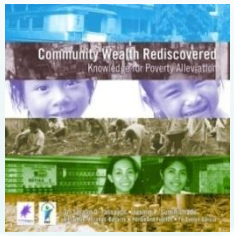
KAM: Knowledge Assessment Methodology



Knowledge-Based Development

NATIONAL LEVEL

Asian Development Bank, 2007

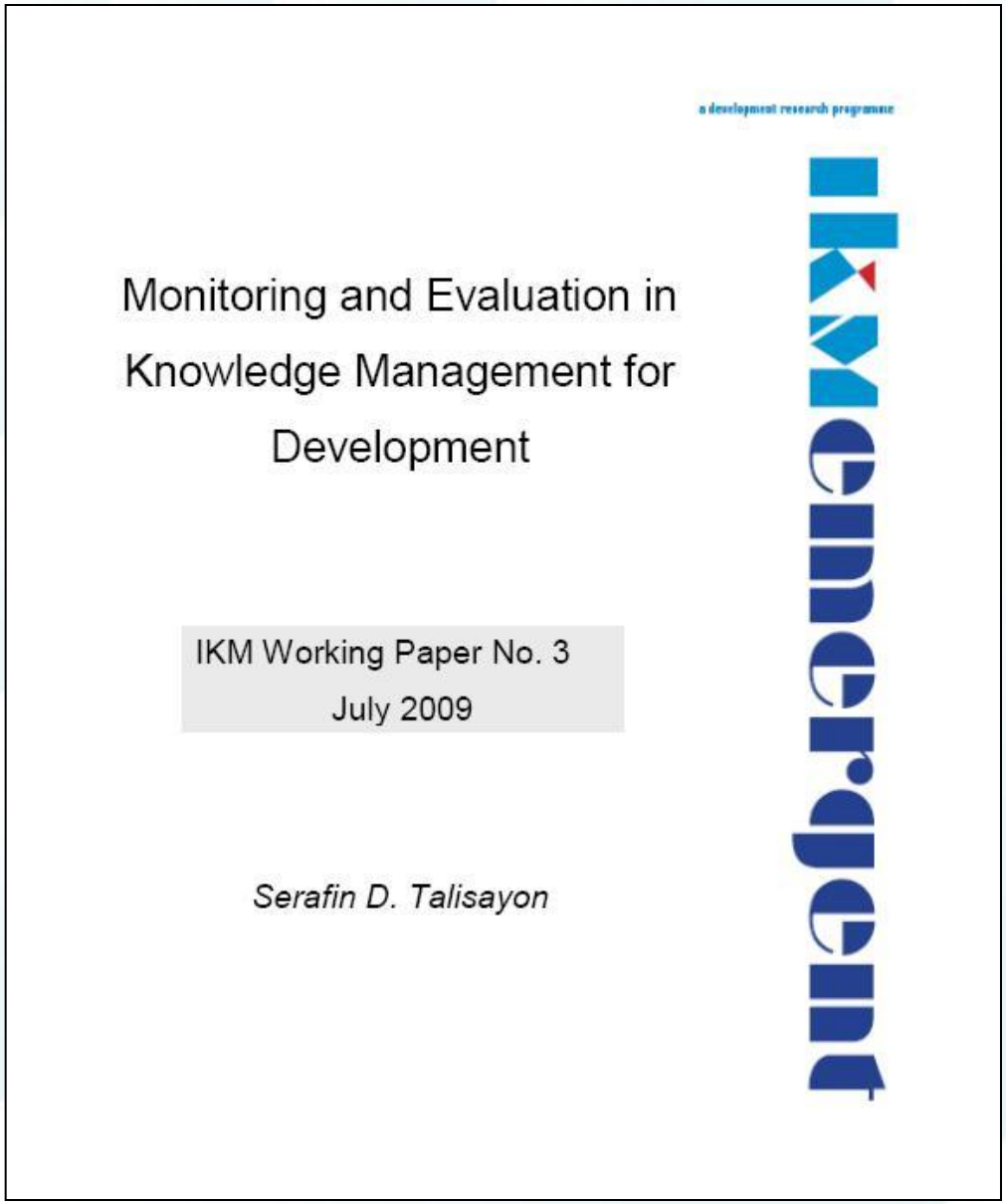


Knowledge for Poverty Alleviation

COMMUNITY LEVEL

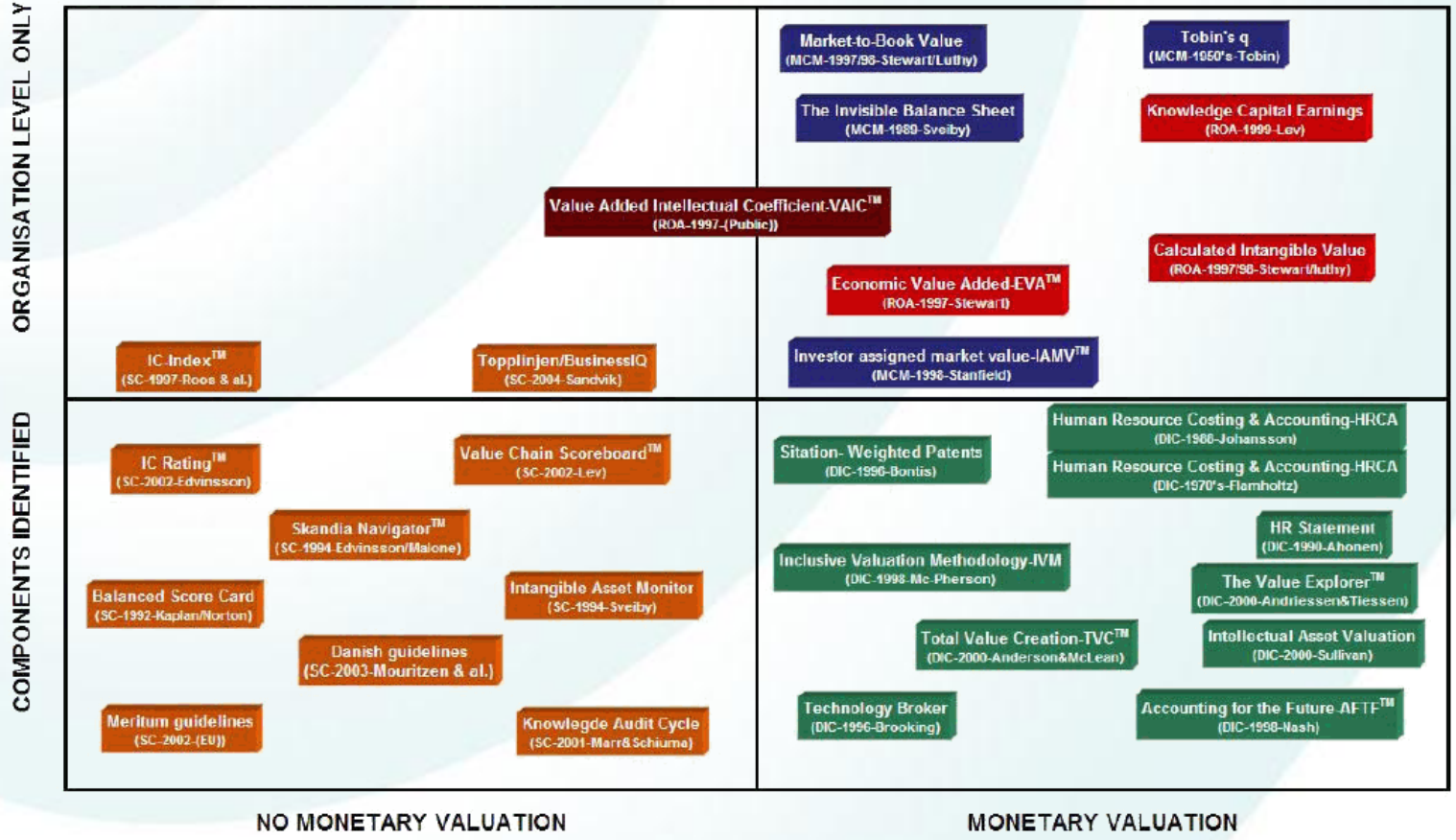
CCLFI and PEF, 2008

Various "Triple Bottom Line" methods being developed


a development research programme
IKMemergent
Monitoring and Evaluation in Knowledge Management for Development
IKM Working Paper No. 3
July 2009
Serafin D. Talisayon

Issue of Standards

Plethora of IC Measurements



Source: Sveiby, K. E. "Intangible Assets Measurement Models." 2004.

Standardizing IC Measurements

- World Intellectual Capital/Assets Initiative (WICI)
  - Since 2007
  - Aim: develop a generally accepted framework for business reporting of IC worldwide
  - Members: METI (Japan), Enhanced Business Reporting Consortium (US), Waseda University, University of Ferrara (Italy), OECD, European Financial Analysts, Society of Knowledge Economics (Australia)
- Knowledge Capital International Union
  - Started 2009 by Beijing's World New Economy Research Institute

Intellectual Capital Accounting vs. Triple Bottom Line

Scope of IC/KM
(mostly corporate applications)

Human Capital

Stakeholder Capital (=External Relationship Capital)

Missing: Internal Relationship Capital

Structural Capital

Note: Tangible Assets are treated separately from IC which are part of Intangible Assets

Scope of "Triple Bottom Line"
(mostly developmental applications)

Human Capital
Indigenous Knowledge

Stakeholder Capital: Bridging (across communities) and Linking (community with government) Social Capitals;
Access rights: traditional or legal
Bonding Social Capital
(within a community)

1- Social Capital

Missing: Structural Capital

2- Ecological or Natural Capital

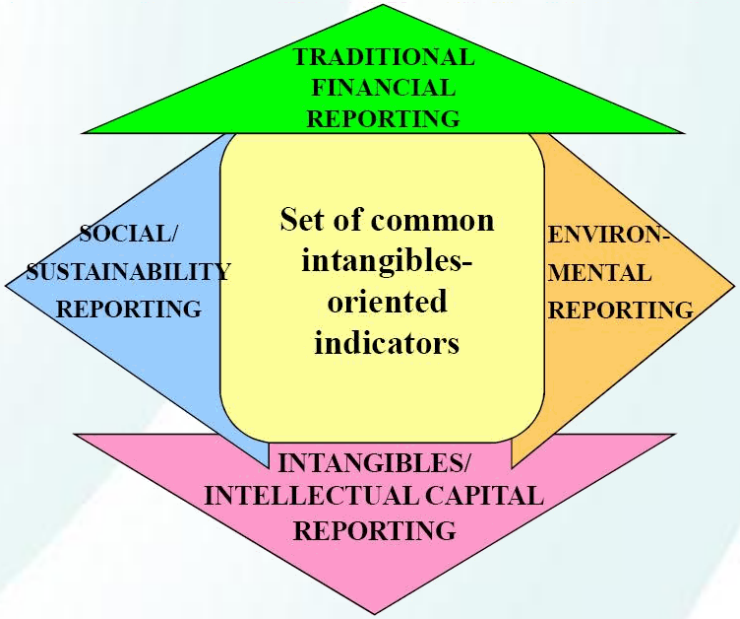
3- Tangible Assets: Financial Capital plus Physical Infrastructures

Source: Talisayon, S. and V. Leung. "An Expanded Intellectual Capital Framework for Evaluating Social Enterprise Innovations." 6th International Conference in Knowledge Management. Hong Kong, 4-5 December 2009.

Expanding IC Framework

ISO 26000 Working Group on Social Responsibility, to develop new reporting standards incorporating 2 additional dimensions:

- Social
- Environmental



Zambon's Model
(University of Ferrara, Italy)

Source: Zambon, S. "The Value of Intellectual Capital in the International Economic Environment." First Global Intellectual Capital Summit. World New Economic Research Institute and Areopa, Beijing, 2009.

Expanding IC Framework

AN EXPANDED INTELLECTUAL CAPITAL FRAMEWORK FOR EVALUATING SOCIAL ENTERPRISE INNOVATIONS

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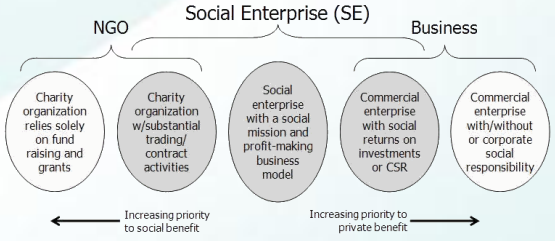
Abstract: The intellectual capital framework (IC) commonly used for private corporations is not appropriate for social enterprises (SEs), which are social innovations that lie between for-profit corporations and non-profit non-government organizations (NGOs) and charity organizations. This paper proposes an Expanded IC Framework and applies it in evaluating SEs through a checklist-type Value Creation Scale. Evaluating SEs would be required if new forms of "social stock exchanges" would be adopted for efficient capital allocation for more socially and environmentally responsive forms of production. This proposed framework retains the value creation objective but (a) expands the unit of analysis from corporations to society at large, (b) expands the scope of relational or stakeholder capital to relationship capital and (c) proposes the concept of "metacapital" to embrace forms of capital not covered by the corporate IC framework.



Thank you

Short Meeting
(8-830pm tonight)

- Mr. Jun-Young Jeong (Korea)
- Dr. Ganesan Kannabiran (India)
- Mr. Atsushi Kaneko (Japan)
- Dr. Melinda Lumanta (Philippines)
- Dr. Jann Hidajat Tjakraatmadja (Indonesia)
- Ms. Kunchuda Disyabutra (Thailand)

Purpose:

- To plan for Session tomorrow on "Select Country Paper Presentations"
- To identify specific subtopics in selected country papers relevant to Group Workshops on Wednesday and Thursday