Chapter 3

Knowledge Management: Realizing Value through Governance

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ABSTRACT

Knowledge Management (KM) governance is the implementation of authority through a framework to ensure the delivery of anticipated or predicted benefits of KM strategy development and implementation in an authorized and regulated manner. KM governance also relies on measurement and evaluation of the effectiveness and efficiency of all aspects of KM, particularly the outcomes of strategy implementation to ensure that strategic benefits are realized. This paper examines the results of a global survey of people involved in the development and implementation of KM strategies. Responses came from 34 countries across every continent. Using descriptive and inferential statistics, this paper finds clear evidence of the measurability of KM outcomes through KM governance. These research findings strengthen the proposition that KM governance supports the capacity of KM governance to realize and reveal the value from, or the return on investment (ROI) of KM strategy development and implementation; the selection of KM tools and techniques is less of a consideration in this regard.

INTRODUCTION

In information-based economies, knowledge is the key organizational resource and competitive differentiator (Grant, 1996; Zack, 2003). Organizations therefore need to leverage knowledge to compete for success and viability. The management of organizational knowledge is a necessity and is initiated as an intelligent imperative by forward-looking strategic leadership.

In this paper knowledge management (KM) is understood as a broad concept that addresses the full range of processes by which the organization deploys knowledge. These processes involve the
acquisition, distribution and use of knowledge in the organization. These processes include interpersonal, social-technical and technical modes. Knowledge exists in both explicit and tacit forms and therefore differing strategies are required to leverage and deploy it effectively (Amidon & Macnamara, 2003; Becerra-Fernandez, Gonzalez, & Sabherwal, 2004; Davenport, 2005; Davenport, De Long, & Beers, 1998; Dixon, 2000; Holsapple & Joshi, 2000). The problem is that many KM strategy implementations are troubled by obstacles. Among these obstacles is lack of understanding of the means for evaluating return on investment on KM (Cummings & Bing-Sheng, 2003; DeLong & Fahey, 2000; DeTienne, Dyer, Hoopes, & Harris, 2004; Zyngier, 2001).

This paper examines the results of a recent survey into KM practices and processes. The research question is “What are causal factors in the realization of value from KM strategies?” To this end we investigate what tools and techniques organizations are using to implement their KM strategy. The capacity to measure those outcomes is achieved through the implementation of KM governance mechanisms. These findings strengthen the proposition that KM governance supports the capacity of KM governance to reveal value of KM strategy development and implementation. KM governance is an effective means that ensures the delivery of the strategically managed benefits of KM in an authorized and regulated manner (Zyngier, 2005, 2007; Zyngier, Burstein, & McKay, 2005, 2006). KM governance supports the development of policy to align KM with the strategic aims of the organization. It underpins these policies through the authorization of KM activity, risk management, measurement or evaluation and review, and through the exercise of fiduciary care in relation to financial support for those activities.

This paper is structured as follows. The next section examines the concept of value as return on investment (ROI) and of measurement in KM. It then explores existing research into governance of KM as a structural mechanism to ensure the realization of anticipated benefits from leveraging organizational knowledge resources. We take examine the relationship between KM governance and the alignment of KM with business strategy. Finding a coherent basis for measurement and evaluation of KM strategies is disclosed as being obscured by the varied aims and objectives given by respondents – many of these being only indirectly related to a hard fiscal return on organizational investment. We disclose evidence that KM governance fills a gap in capacity to deliver a basis for measuring or evaluating the return on investment. The research methodology is described and the findings on value realization through a global survey of 218 KM practitioners are presented and discussed.

EVALUATION AND MEASUREMENT OF KNOWLEDGE MANAGEMENT STRATEGIES

Evaluation systematically and objectively determines the effectiveness and impact of KM activities. The criteria used varies from this process relating to specific KM strategies to success in terms of strategic alignment of KM strategy success and these same elements in relation to achievement of corporate aims and objectives. That is a strategy might be considered as moderately successful in its own right but highly successful in relation to organizational aims. IT governance (IT Governance Institute & COBIT Steering Committee, 2000) and Project Management governance (Blomquist & Muller, 2006; Project Management Institute, 2004) mechanisms assess the realization of organizational benefits from the implementation of that strategy. Knowledge Management should similarly enact evaluation not as a once-off practice but an ongoing tool that permits the realignment of strategy to correct problems, that is, where outcomes are found to be ineffective or less appropriate than expected in the planning