Chapter 10
The Complex Issue of Measuring KM Performance: Lessons from the Practice

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ABSTRACT
Most companies that are deeply investing in Knowledge Management (KM) initiatives encounter substantial difficulties in assessing the effectiveness of these programmes. Actually, measuring the impact of KM projects is still a puzzling problem both at the conceptual and operative level. However, measuring their performance is necessary for monitoring their progress and for successfully managing and allocating resources, as well as to maintain the support and commitment by the top management. Although several KM performance evaluation approaches have been proposed in literature, they are still far from becoming an established practice. The chapter aims at discussing this issue by placing it in a business context. First, the literature on KM performance evaluation is briefly reviewed, and the main methods currently used are classified. Then, the practical experience of a multinational company is discussed, with the purpose to describe the problems that practitioners face in their daily experience, and provide insights into the possible improvements of KM performance measurement.

INTRODUCTION
An often-cited maxim says that you can’t manage what you can’t measure. This sentence well represents one of today’s greatest challenges to knowledge managers. While more and more companies are deeply investing in Knowledge Management (KM) initiatives, driven by alleged promises or actual business advantages (Chua & Goh, 2008), they generally encounter considerable difficulties in measuring the effectiveness of these programmes. As the current practice clearly shows, how KM outcomes can be effectively measured...
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is still a puzzling problem (Kim, 2006; Zboralski & Gemünden, 2006) both at the conceptual and operational level. This can be related to the substantially intangible nature of knowledge (Bose, 2004) and of KM projects (del-Rey-Chamorro et al., 2003), as well as the long-term horizons of their impacts.

Nevertheless, trying to measure the performance of KM programmes is absolutely necessary, not only for monitoring the effectiveness of KM-related activities but also for successfully managing and allocating the resources that are needed. Measurement is also required to demonstrate the results achieved, which is essential to maintain the support and commitment by the top management. It is indeed common that the executives who feel that KM investments do not pay off tend to prematurely cut those initiatives (Bose, 2004; Desouza & Raider, 2006). In short, as affirmed by Chong & Chong (2009), without proper measurement even a successful initiative may be abandoned or, conversely, an unsuccessful program may be continued without corrections.

This is the reason why there has been an increasing interest in the area of KM performance measurement. Even though several methods and approaches have been proposed in the literature (Chen & Chen, 2006; Grossman, 2006), they are still far from becoming an established practice with standardised methodologies (Kim, 2006; Chua & Goh, 2008). In particular, they are very heterogeneous. They normally derive from techniques formerly developed for other goals (for instance: traditional accounting, capital budgeting, decision making, etc.), and combine general and specific “ad hoc” elements. In addition, they are often poor in usability, and some of them are very complex and involve different kinds of metrics. In point of fact, at present there is no consensus on a standard approach (Grossman, 2006; Kim, 2006). Open questions are therefore the following: is there a “best method” to measure KM performance? Why it is so difficult to find one? And what implications can this have for the research and practice of KM?

The purpose of this chapter is not to give an ultimate answer to these questions (which, considering the current state of knowledge, may appear pretentious), but rather, to contribute to the discussion by shedding light onto some central aspects. In particular, we debate such issues by placing them in a business context, and propose the findings of a case-study. Indeed, the controversial picture of measurement methods has not discouraged companies from attempting to measure KM performance, as testified by the experiences mentioned by the literature. Consequently, the analysis of the current practice can help us to identify and discuss the main issues that companies face for choosing and using appropriate measurement approach.

The case of a multinational consulting corporation (Ernst & Young), which is one of the pioneers in KM, is presented with the purpose: a) to illustrate the variety of methods that have been considered necessary by managers to measure the KM initiatives even in the same organisations and for measuring similar aspects; b) to discuss pros and cons of each method implemented and, by doing this, to formulate hypotheses about the reasons that led knowledge managers to develop and use different methods; c) based on the previous points, to draw useful lessons on the managerial issues of KM measurement and, more generally, on the actual problems of developing standard KM performance evaluation methods in business.

The chapter is organised as follows. The next section offers a brief review of the literature on KM performance measurement and on the main methods that are currently used, with the twofold aim of stressing their key features, and showing that there is no clear consensus on the superiority of a specific technique or approach. In the third section, the practical experience of Ernst & Young is examined and discussed. The last section highlights the main findings and lessons which emerged from the study, and provides insights