Chapter 8
Effective Knowledge Management through Measurement

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ABSTRACT
Knowledge is now recognized as the most important factor of wealth creation, meaning there is no clearer way to prosperity than assigning priority to learning and knowledge creation. This is of greater significance to educational institutions because they are the primary drivers in the generation, accumulation, and dissemination of knowledge. As such, the value of an educational institution to society will depend on its capacity to create and share knowledge, which is an unrelenting cycle of discovery and dissemination, or the conversion of knowledge from implicit to explicit. The source of an institution’s value to society lies in its ability to continuously improve that process by developing a strategy for acquiring and effectively and efficiently managing its knowledge base as well as understanding how and why its value is changing. In this chapter, the authors consider how an institution knows whether it is managing its knowledge assets in a sustainable way and whether they have increased or diminished over a certain period by looking at several propositions already in existence. It then proposes its own strategic approach, the Knowledge Management Monitor, to assist in this management process.

INTRODUCTION
Any organization’s, and in particular an educational institution’s, intellectual capital—employees’ knowledge, brainpower, know-how, and processes, as well as their ability to continuously improve those processes—is a source of value and competitive advantage. To become knowledge driven, and therefore better able to foster innovation, all institutions need to undertake a journey of discovery that begins with an understanding of what knowledge is needed to achieve their aims and objectives and what knowledge resides in the institution, which allows for the creation of a shopping list of the knowledge that is missing.
While the shopping is underway the journey carries on with the development of a strategy for managing an institution’s knowledge base, continues by exploring the most efficient and effective ways of managing this knowledge on a daily basis, and comes to an end when the institution learns how to recognize the impact of intellectual capital, and the effective management of its knowledge base, on its value. Will the journey ever end? Probably, but once completed a new journey will begin. More importantly, how will an educational institution know that it is travelling in the right direction insofar as its accumulation and use of knowledge is concerned?

Well, this is really about effective management. In this, measurement is a key device because it provides the information that decision-makers require to accurately monitor those issues related to an institution’s aims and objectives including performance against its knowledge management plans. Measurement also provides data that allows managers, and others, to ask the right questions and make the right decisions based on objective information. So, how do we measure the outcomes of an institution’s knowledge management practices? How can an institution tell whether it is managing its knowledge assets in a sustainable and strategically competitive way and whether they have increased or diminished over a certain period? It certainly is not easy but it is achievable. What is needed are a set of performance reporting tools that demonstrate achievement in this compelling competitive activity.

Ideally, these tools will have a financial base making it possible to explain what knowledge is valuable, show how the acquisition and dissemination process is being effectively managed and identify where an institution may be missing the boat. Ostensibly, this is often considered a whim but Martin (2000) insists that the measurement of knowledge related outcomes is important. He acknowledges that any attempt to do so is fraught with danger, yet understands that there are probably greater risks in doing nothing. Decidedly then, the management of knowledge poses an interesting challenge and, given its relevance to their very existence, one that educational institutions ought to address as a matter of priority. Who will provide the necessary information to facilitate this management activity?

Management accountants are the specialists responsible for providing information vital for operating and strategic decisions and for motivating and evaluating organizational performance. Therefore, they ought to provide a germane solution to this challenge. Using their skill in converting relevant data into information, they are able to evaluate how an institution’s knowledge management objectives might be achieved by quantifying the impact of each alternative available to the decision-maker. This ought to ensure that if not the best, then at least better decisions about action are made (Chapman, 1997). The strength of accounting information is that it allows an easy comparison and trade-off of the various relevant areas that are impacted by the decision at hand. As such, using the science of accounting to identify ways to assist in directing, controlling, evaluating, and reporting regularly on the knowledge collection and transformation processes in an institution seems to be the most appropriate path to tread.

The accounting for, and reporting on, employee knowledge and skills pose the following three principal challenges. First, there is a need for better tools to manage an institution’s investment in people skills. Second, there is a need for some form of indicator that is capable of differentiating between institutions in which the knowledge base is appreciating and those in which it is depreciating. Third, there is increasingly a need to measure, over the long-term, an institution’s return on its investment in people. To meet these challenges, management accountants must have an understanding of how the knowledge and skills embodied in human resources are linked to the overall strategic objectives of the institution, how they contribute to the success of the institution and how they compare to the knowledge