Knowledge Management at the World Bank: Part 2

Background

As documented in a previously published case, “Knowledge Management at the World Bank,” a new focus on knowledge services was initiated at the World Bank in 1996 by then President James Wolfensohn.¹ This earlier case focused on how senior staff at the Bank, over a thirteen-year period (1996-2009), created the concept of the “knowledge bank” and effectively established the creation and dissemination of knowledge as a key strategic role, value and focus for the Bank.

Promoting understanding and acceptance of the idea that the Bank was not just a lender of financial capital, but importantly also a creator, broker and sharer of knowledge was no simple feat. It had taken thirteen years, leadership from two presidents, numerous initiatives, and more than a few failed/rejected experiments before the original concept was broadly accepted inside the Bank.

Thanks to the leadership of President Zoellick and others, tangible evidence of this acceptance started to materialize in various ways over the past two to three years. In 2009 the Knowledge Strategy Group was created. Then in 2010 a strategy called “Transforming the Bank’s Knowledge Agenda: A Framework for Action” was produced and adopted. That same year the Knowledge and Learning Council, now consisting of all Vice-Presidents and led by one of the Managing Directors of the Bank, Mahmoud Mohieldin, was established with the responsibility to manage and oversee all knowledge initiatives. This newly created Council oversaw the work that created the first systematic review of knowledge services across the Bank in a report titled “The State of World Bank Knowledge Services: Knowledge for Development 2011.”² Perhaps the greatest evidence of recognition and acceptance of the importance of knowledge creation and sharing to the mission of the World Bank is represented in the following statement in the foreword of this report: “The value of the World Bank to our clients, and to the world, is grounded in developing and sharing knowledge. Our financial resources are significant – but they are finite. By contrast, knowledge is potentially unlimited: the more it is shared, the more new ideas develop, and the more improvement is possible.”³ The concept that the dissemination of knowledge has a greater “multiplier

¹ Don Oppenheimer and Laurence Prusak, “Knowledge Management at the World Bank,” Harvard Kennedy School Case Number 1936.0.
³ Ibid., p. v.
effect" on global economic development than the lending of money clearly would have been rejected inside the Bank before 1996, and probably not given a lot of credence before President Zoellick’s term started in 2007.

This second case on knowledge management at the World Bank is focused on the issues and challenges currently facing the Bank as it seeks to define and achieve its knowledge service goals and measure the overall impact to its clients. While it was a major accomplishment to gain internal understanding and acceptance of the value of knowledge to the core mission of the Bank, the next challenge of institutionalizing knowledge management into the daily operations and activities of the Bank will be equally or more challenging. As Ani Dasgupta, Director of Knowledge and Learning appropriately summarized, “the World Bank has always been a knowledge bank, but it didn’t always recognize it.” Now that the Bank does recognize its potential of truly becoming a knowledge bank, the current challenge for management is defining how to deliver on this promise.

Current Situation

According to the Bank’s report on knowledge services, in fiscal year 2010 the Bank spent approximately $600 million on “core knowledge for country clients, global products and internal Bank use.” This included direct spending on such things as economic and sector work, technical assistance, impact evaluations, training, research services and explicit knowledge products. The report also estimated that in 2011, 31% of the Bank’s administrative budget was for core knowledge work.

Using a much broader definition of all knowledge management related activities, including those involving lending operations and client and partner initiatives, the Bank estimated total annual spending for knowledge services at about $4 billion. Less than 25%, or approximately $900 million, of this spending comes from “Bank-managed knowledge,” as compared to knowledge from lending operations, which is estimated at $2.5 billion annually, and knowledge partnerships estimated at $700 million. Furthermore, this $4 billion of knowledge management related spending is a small fraction of what is currently spent outside of the Bank on knowledge related to international economic development.

Given that most knowledge is now being created outside of the bank, the critical question becomes what is the appropriate role for the Bank? As Mr. Mohieldin has stated, “the World Bank is now realizing that it is not the center of the world, that the sources of knowledge are very much different than they were in the past ... we are in a period of the democratization of knowledge.” To address this challenge, the Bank is trying to define three different roles for itself: knowledge producer, knowledge customizer and knowledge convener/connector/broker.

Another challenge facing the Bank results from the fact that much of the key knowledge is created in the field while working with clients as part of actual development projects. For many organizations the primary creator and primary user of knowledge are different, but Mr. Dasgupta realized this is not the case at the Bank: “one of our challenges is to figure out how to make the consumer of knowledge also be the producer.” The Bank’s large,

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6 Ibid.
complex, highly decentralized and geographically dispersed organization also makes guiding and coordinating the knowledge activities in the field a critical, but daunting task.

The 2011 Report also raises another interesting paradox. Surveys show that clients believe the Bank’s most valuable contribution is knowledge services (more than financial resources), but internal Bank managers and staff “see limited internal support for their knowledge work and some of them feel that such work is undervalued.” The report goes on to state that “the main institutional incentives are still related to lending.” Much is being done to address this contradiction, but it remains an important barrier to overcome.

Despite these challenges, many new programs and activities have been implemented that are intended to enhance the quality of knowledge services. Core knowledge activities have been divided into nine “product lines,” and to help make the appropriate connection across the different knowledge products/services, the Bank is working on a framework for “managing knowledge as a portfolio.” As part of this portfolio management approach, the Bank is trying to establish consistent standards for governance and measurement of results across the nine product lines.

Additionally, significant progress over the past few years has been made around making the Bank’s knowledge more “open” (a key initiative and goal established by President Zoellick). The 2011 report specifically identifies initiatives around making Bank data, documents, research tools, and published materials more accessible. Further, the Bank has spent a lot of effort and resources developing and implementing collaboration tools to enhance knowledge sharing.

Much more effort and greater attention in the past few years have also been directed toward partnering or collaborating with external parties to produce and collect knowledge. While the Bank currently does not track outputs from knowledge work done in partnerships, clearly this form of knowledge production is increasing with over 200 different collaboration initiatives known to have existed in 2010. One thing the Bank has done to support the generation of knowledge with external parties was to form six knowledge platforms (broad topic/issue oriented, e.g. Food Security and Nutrition) that bring together researchers and practitioners across organizational and national boundaries. One benefit of these platforms is the creation of more focused communities of practice around core development topics.

Perhaps most importantly the Knowledge and Learning Council was established in August 2010 to strengthen the management, coordination and prioritization of the Bank’s knowledge activities and services. The scope, mission and objectives of this Council are broad, ambitious and still emerging. The Council has been given the role of not only continuing to transform the World Bank into a knowledge bank, but also to develop knowledge services across the Bank in a way that enhances its lending operations. As stated in a recent internal report, “the knowledge bank was envisaged both as the means to enhance the quality of World Bank lending and as an

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10 Ibid.
opportunity to grow a new stream of services to developing countries.” As Mr. Dasgupta appropriately stated, “it is a mistake to think of us as both a lending bank and a knowledge bank because that makes it sound like those are two independent services. Knowledge is needed to support good lending.”

For the Council to fulfill its charter and achieve the promise of becoming a knowledge bank, it is going to have to address critical and difficult challenges and issues in three broad areas: 1) Establishing Vision and Strategy; 2) Redefining Organization and Governance; and 3) Creating New Incentives and Metrics for Success.

Establishing Vision and Strategy

To begin with, a clear vision and strategy for knowledge services is needed. Over the last few years the Bank has started to create this strategy, but more work is needed to answer fundamental questions such as: What are the most important types of knowledge needed by developing countries? What are the distinctive core competencies the Bank has as it relates to producing and sharing required knowledge? What should the Bank’s role be in supporting the economic development community’s need for knowledge? What goals related to knowledge services should the Bank establish for itself? What changes are needed to the Bank’s culture, internal operations, organizational structure, systems, processes and external relationships to help achieve these goals?

The availability of useful knowledge for developing countries has changed dramatically over the years as has the number of providers and sources. The view that the Bank is the only important producer of knowledge for the development community no longer exists. When Foreign Policy magazine published a list of the world’s most important global think tanks, they received 228 nominations. A Financial Times article quoted a former World Bank Vice-President as saying, “the development … of a network of national and regional development institutions, as well as a vibrant global scholarly and policy community to give expert advice is rendering (the Bank) marginal to all but the poorest countries.”

There are many different types of knowledge aggregated into three broad classifications: explicit, embedded, and tacit. Explicit knowledge, which is knowledge that is well codified and documented, such as research reports, structured data analysis and training materials, is easier to value and measure, but is not necessarily the most important or useful knowledge to the World Bank’s clients. Embedded knowledge is typically embodied or institutionalized in an organization’s common practices and processes. Its value is often limited to a specific activity and is difficult to share and leverage. An example of embedded knowledge at the Bank is their collective know-how that is used for loan preparation. Tacit knowledge, which is knowledge that has not been made explicit or documented, is the most difficult type of knowledge to measure, share and turn into explicit knowledge. Until recently, tacit knowledge was undervalued at the Bank. However, many in the Bank currently feel that producing, codifying and sharing tacit knowledge and “know-how” (e.g. lessons learned in the field from the experience of a development project) should be one of the highest priorities in the Bank’s overall knowledge strategy.

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Another important issue for the Bank’s knowledge strategy is defining the appropriate role for the Bank to play now that there are so many parties involved in the creation and dissemination of knowledge related to economic development. In the 1970s and 1980s the Bank primarily viewed itself as a key producer of knowledge. Now, three decades later, in the report on the state of the World Bank’s knowledge services, the Bank’s role has been expanded beyond knowledge producer to also include knowledge customizer (“combining a global perspective with deep local knowledge to support countries”) and knowledge connector/convener/broker (bringing together partners, expertise and knowledge from different sources and places). Given the size and global reach of the World Bank, it could potentially play all three roles. Many, however, are beginning to conclude that this third role of connector/convener/broker may be the most value-added role.

Organization and Governance

The World Bank is an extremely complex, knowledge-intensive organization: Complex given how diverse, multi-functional and geographically dispersed the organization is and knowledge-intensive as proven by how much the Bank spends on knowledge products and services per employee (approximately $4 billion for around 10,000 employees).

In response to the diverse nature of the organization, the Bank over time has created a traditional matrix organization. However, there is a major issue inside the Bank as to whether this structure best works for supporting knowledge services. A recent, 2012, Independent Evaluation Group inside the Bank concluded: “the Matrix system has been highly inefficient...sector silos persist, but regional and network silos are even stronger. The objective of creating a global Knowledge Bank has not been achieved.”

A brief overview of how the Bank is currently organized shows how important it is for the Bank to address governance and organizational issues in order to achieve its knowledge goals. As of 2012, the Bank is divided into six geographic regions as well as having 187 member countries. It has offices in over 124 countries and is currently operating in over 150 countries. Each country also has its own Bank management structure with some independent control over their spending on knowledge and learning activities. In addition the Bank divides its work into six primary networks (functional/issue oriented areas of knowledge), each having their own ways of organizing and operating, and has created ten global expertise teams (GETS). There are also 18 sector groups each having a somewhat independent and differing role and approach to their delivery of knowledge services. Within the sectors there are approximately 79 thematic groups (Communities of Practice), which are voluntary but receive support from sector management boards. In theory, the Knowledge and Learning Council, consisting of 24 Vice Presidents and headed by a Managing Director, is responsible for knowledge policies across all these operations. There are also two Directors responsible for learning - one for training and executive development and one for all other learning activities. Given all of this, it is not surprising that many in the Bank feel the lack of clarity around governance and structure is a barrier that has to be addressed.

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In order to truly realize the promise of the Knowledge Bank, there are a number of different and somewhat disconnected parts of the World Bank’s organization, which need to be better aligned and more collaborative and integrated. Examples include:

- Knowledge Services with Lending Operations
- Networks and Sectors with Countries and Regions
- Research with Clients and Programs
- Knowledge Management with Learning and Training
- Headquarters with Field Operations

Both the importance of and the need for integrating knowledge services with lending operations is widely recognized inside the Bank. One internal report stated, “the interaction of knowledge with its lending operations lie[s] at the core of its specialized role as a key contributor to global development knowledge,” and a second report concluded that “the Bank lacks the ability to efficiently retrieve and share the large volume of embedded knowledge generated during preparation and implementation of lending operations.”17, 18

In the past two decades, there have been many attempts to better capture knowledge that is created as part of the lending process, but with only limited success. The challenge results from the fact that it is inherently far more difficult to capture and share tacit and embedded knowledge than it is for more explicit knowledge. Figuring out an efficient way to capture and share embedded and tacit knowledge, like lessons learned from actual lending and development experiences, is a critically important organizational question.

Inside the Bank there is some consideration for different organizational models than the traditional matrix structure. To address the need for better alignment and integration between networks/sectors and the regions, one alternative model is being currently piloted within the Finance and Private Sector Development Network. This pilot is intended to "gauge the benefits of a more tightly integrated management structure.”19 This pilot is evaluating more specific and centralized knowledge roles, as well as combining the management of the operations, strategy and knowledge activities into one position currently held by Klaus Tilmes.

**Incentives and Metrics**

Since 1996, when some started to believe the World Bank needed to focus more on becoming a knowledge bank, management has struggled with related issues such as: How do we measure success? What kinds of metrics should we adopt to measure success? How do we incent staff and partners to work toward achieving these metrics? These questions, relevant in every organization, are particularly difficult for the World Bank given its overall mission and its current desire to transform the institution from a financial services bank to a financial services/knowledge services bank.

First of all, having complex, broad, and ambitious goals like “working for a world free of poverty,” drives the need to define how to measure the impact that specific ideas, activities and programs have on reducing poverty.\textsuperscript{20} In and of itself this is a difficult task, but trying to measure the impact of the creation and sharing of knowledge is even more difficult. Measuring tangible outputs is by definition easier than measuring less tangible outputs. Financial capital is a tangible product and therefore defining metrics to measure amounts of loans and grants is easier than measuring an intangible like knowledge transfer. Defining appropriate metrics for measuring explicit knowledge is easier than it is for embedded or tacit knowledge. Such metrics as number of research reports, training classes and databases can be used to measure explicit knowledge outputs. It is also more difficult to measure spending on embedded or tacit knowledge. The Bank tried measuring spending in its first annual report on knowledge services, but as admitted in another internal World Bank document, the estimate that the Bank spends $2.5 billion on knowledge embedded in lending “remains dubious.”\textsuperscript{21}

This challenge of being able to measure investment and impact of knowledge services continues to be a huge barrier to achieving success for the knowledge program. For one thing, “lending volume remains the most important metric of success. Incentives and accountability of country directors and sector managers (are) strongest for lending operations and particularly lending delivery.”\textsuperscript{22} One sector manager stated it bluntly: “all that matters is lending; knowledge gets relegated to the tenth place.”\textsuperscript{23}

Another need for the Bank is to figure out how to evaluate and measure the dissemination or flow of knowledge across the community. Leveraging knowledge within an organization requires it to be available in usable format and accessible to the right people, at the right time. As an internal report at the Bank stated, “knowledge is only useful if it is ultimately used for programs and operations in partner countries.”\textsuperscript{24}

This overall need for and challenge of defining metrics and incentives to support the achievement of knowledge service related goals is in no way unique to the Bank. As Caroline Anstey, a Managing Director at the Bank clearly stated: “these impact measures, difficult as they may be to develop, are crucial for us moving forward with our knowledge agenda.”\textsuperscript{25}

\textsuperscript{20} The World Bank Group. Working for a World Free of Poverty.
\textsuperscript{22} Ibid., p. 41.
\textsuperscript{23} Ibid.
\textsuperscript{24} Ibid., p. 48.
\textsuperscript{25} Caroline Anstey, interview by author, Washington, D.C., April 30, 2012.
Study Questions

1. What recommendations would you make to the Knowledge and Learning Council as they work on further developing a knowledge strategy for the Bank?

2. What changes are needed to the Bank’s overall governance and organizational structure to better support its delivery of knowledge services?

3. What metrics should be used to measure the value and impact of various knowledge programs and activities and how can the Bank better incent staff, partners and clients to contribute to the development and sharing of knowledge?

4. How can the Bank more effectively create and share “know-how” internally and with clients?