## Value Assessment

As the story of Custom Gene Factory illustrates, the challenge in putting a value on a Knowledge Management initiative is that traditional value measures don't reflect many of the advantages ascribed to such a program. For example, current rules for financial statements specify that intangible assets such as brand names and copyrights are recorded as assets only when they are purchased from another company, not when they are created internally. The relationship among ROI, benchmarking, and balanced scorecard methods of assessing the value of a KM initiative are explored here.

### Why Not Return on Investment?

Return on investment, the tool most commonly used to evaluate business performance in terms of earnings returned on a capital investment, is a generic concept that is calculated as:

ROI = Return/Capital Invested

Where "Return" is the profit, income, or gain, and "Capital Invested" is the amount of capital invested during a specified period to produce the return.

The major capital investments in a KM implementation—people, processes, technologies, and infrastructure—appear in the denominator of the ROI equation. People-related KM investments employ management, knowledge workers, consultants, programming, training, and sales. Process-related KM investments include reengineering, back-end functions, and license arrangements, while technology-related investments include hardware, software, maintenance, security, and customization. Similarly, infrastructure investments include network hardware and software, facilities, and communications.