

COMMUNITIES OF PRACTICE AND THE ROI 1*Is a request for the ROI of COPs legitimate? 1**Is ROI the right measure for CoPs? 2**Do stories support numbers or vice versa? 3**What's the motive behind asking "what's the ROI?" 3**Does the ROI help when it comes to the crunch? 4**The problems of the worst CoPs 4*

Steve Denning has been active on various listservs, including the com-prac listserv – a Yahoo group, in recent weeks.¹ Here is a collection of some of his contributions.

Communities of Practice and the ROI**Is a request for the ROI of COPs legitimate?**

One participant had written in defense of asking for the ROI of CoPs: "I'm a manager, and I do CoP too. I can see both sides of the fence. I can see your stand, and the stand of most people I've met among the "CoP" folks, and I can see the managerial stand. The managerial stand is a very simple and pragmatic one: *why* should I use my energy, time, and yes, money too (last time I check most of the world was still capitalistic *grin*), in an endeavor that I don't know whether it would be useful or not?"

My reply: I'm all for looking at the evidence and the measurements in order to see what makes sense and to find where true value lies. That's why one of my favorite books right now is "*Hard Facts, Dangerous Half-Truths, and Total Nonsense: Profiting from Evidence-Based Management*" (HBSP, 2006) by Bob Sutton and Jeffrey Pfeffer. The book argues - who can disagree? - that it's not a good idea to pursue management practices that evidence has shown to be ineffective or counter-productive. It neatly skewers a large number of manThe piece is not intended to be, and does not purport to be, a full account of what transpired in the whole conversation at com-prac. The views expressed here are my views on a specific set of issues. If you would like to go to the full discussion, join the group and check it out at <http://groups.yahoo.com/group/com-prac/> management practices that are pervasive in business today but known to be ineffective or counter-productive.

My peeve with people who ask, "What's the ROI of CoPs?" is not that it's a request for the evidence, but rather that it's often something else. It's often really a reflex reaction to something that looks a bit strange or new or different, and is posed in the expectation that

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the woolly-headed theorist who is proposing the crazy new idea won't be able to answer it.

That's why such questioners can be somewhat discomforted when the woolly-headed theorist actually comes up with an ROI, and so then the manager has to find some other line of attack, like asking for more measurements, or questioning the professional credentials of the woolly-headed theorist. I've never heard such managers say, "Oh, I see, it's got a high ROI. Great! Let's do it!"

Is ROI the right measure for CoPs?

Whether the ROI is the right measure for CoPs is of course a big question here. In my experience, CoPs are a sine qua non of getting any knowledge sharing going at all, at least in organizations where trust is an issue. So if an organization can see that knowledge sharing makes business sense, then asking whether they should have CoPs is a bit like asking, "Can we really afford telephones? What's the ROI of telephones?"

So measurements are good, but it's important to be using the right measure for the activity at hand. The more relevant measures for CoPs are not ROI but rather cost-effectiveness. How do we make CoPs more effective? How do we lower their costs? How do we increase their benefits? Those are good questions, and they deserve to be pressed, and pressed very hard, in the search of good answers.

If those questions are pressed, then they are likely to lead on to some questions that will challenge the current KM orthodoxy that CoPs are the be-all and end-all of getting value from knowledge. It will lead to the discovery that a lot of high-value ideas don't lie within the CoPs at all, but rather in the "white spaces" between CoPs. So a major practical challenge then becomes how do you get interchanges between CoPs? How do you nurture promising but radical ideas that don't have the backing of an established CoP - ideas that are sometimes of potentially much greater value than the ideas accepted within existing CoPs? How do we get promising new ideas implemented when they have don't have support from the organizational hierarchy and inf fact challenge the basic business model of the corporation?

In other words, in some organizations or listservs, CoPs have moved from being a radical new idea to being a new orthodoxy, and almost an end in themselves, regardless of business value. When this happens, CoPs may remain modestly useful instruments of an organization pursuing continuous improvement, doing "more of the same", only cheaper and quicker and better.

But they don't lead to breakthrough innovations, and major transformations.

In effect, they have become part of the bureaucracy, part of the problem rather than part of the solution. This is one of the reasons that KM isn't always at the forefront of business dialogue these days.

The cutting edge these days is more concerned with: how do we make major innovations happen? How do we get bold new ideas actually implemented, quickly and effectively? KM could be a part of those discussions, but at the KM conferences I get to, I don't get the sense that these questions are usually central. It's generally more about the somnolent recitation of the ongoing orthodoxy. Those more exciting conversations are taking place elsewhere.

Do stories support numbers or vice versa?

A participant also wrote: 'You know what a manager thinks? S/he thinks, more or less: "So stories are wonderful, and we should gather useful ones when we can do so at a reasonable cost, but ultimately their value comes in what numbers they support."'

I guess the participant was expecting me to object to this, but in fact I wouldn't violently disagree with her formulation.

In my experience, stories are generally only valuable in a business context if they are consistent with the known facts, including the numbers. So the numbers and the stories need to be compatible with each other. I might quibble with whether the stories support the numbers or vice versa, but I agree that they have to be consistent. For anyone who actually thinks in numbers, maybe the stories support the numbers. But since most, if not all, human beings think in stories, for most human beings, the numbers support the stories, rather than vice versa. But the participant was absolutely right to suggest that the numbers and the stories do need to be consistent.

What's the motive behind asking "what's the ROI?"

In my experience also, the persistent refrain, "What's the ROI?" is often merely an organizational pretext for taking no action, or an seemingly polite way of making a negative statement. Even when a high, or even an infinite, ROI is produced for some "soft" activity that people are suspicious of (e.g. through lower costs and some benefits), the reaction is often to ask for additional measurements, rather than proceed to action.

Thus when I produced some (admittedly fairly crude) measurements of the benefits of CoPs in the World Bank, it was in response to a kind of fetish for having apparently hard numbers. People would ask, "Have you got numbers?" and I would produce my numbers. But the ensuing discussion hardly ever focused on the numbers.

The ensuing discussion generally focused on whether CoPs "made sense". I would be relating my experience (in a story) to the effect that knowledge sharing was only taking place in the World Bank where CoPs were vibrant and active.

The critics of CoPs were in the grip of an alternative story, namely, that people who sat around yakking all day in something as strange and woolly and fuzzy as a CoP were obviously just wasting time. No amount of hard data had any real impact on this mindset,

unless and until they were willing to entertain a different and more productive story about CoPs.

In some cases, a new narrative emerged by my telling stories about successful CoPs and what they were able to accomplish. In other cases, it happened by the critics seeing a CoP with their own eyes and formulating their own story. And in other cases, the critics simply never "got it": they never escaped from their negative story about CoPs.

Does the ROI help when it comes to the crunch?

I suspect this experience is not limited to the World Bank. A couple of years ago, I was at a workshop where a number of people leading KM in various well-recognized organizations were discussing the utility of hard numbers and ROIs. Some of these organizations had impressively sophisticated ways of measuring costs and benefits. But at the end of the session, somebody asked the embarrassing question: "when the going gets tough, and budgets are being cut, has any of you ever won an argument based on the numbers in these sophisticated measurement systems?" The outcome was that no one in the room could answer in the affirmative. When it came to the crunch, and people were deciding what was going to be cut, the numbers didn't really help that much. The discussion was all about what made sense, and what people felt in their gut about what was going on.

So numbers are wonderful, and we should gather useful ones when we can do so at a reasonable cost, but ultimately their value comes in what story they support.

This certainly is an interesting discussion. As to what are useful measures of CoPs, it never seemed to me in the World Bank that it would be worth the time and trouble to try to calculate the ROI of outputs of a CoP: horrendously difficult and time-consuming to do, and even when you had done it, it would be highly questionable whether anyone would believe the result, or take any action based on it. Skeptics would remain skeptical, and enthusiasts would remain enthusiasts.

What did prove practical and useful in my experience was a simple survey that asked a couple of questions focusing on whether the members of the CoP found the CoP to be useful. The survey was quick and cheap to do, and it provided an instant snapshot of the CoP scene in the organization. We could then move on to ask: what is that the top 20% of CoPs are doing, and share those practices with the other CoPs. And we could focus on the bottom 20% and examine what they were doing, and suggest to the leaders that they learn from the better CoPs.

The problems of the worst CoPs

As to what was going wrong in the bottom 20%, three kinds of problems were noticeable.

A. CoPs where the leadership of the CoP wasn't listening to its members, and focusing activity and resources on issues of low relevance to the members.

B. CoPs where the management of the organization was paying no attention to the insights of the CoPs, who were often those closest to the action. These are situations akin to what is described in David Brooks' interesting column in the New York Times on March 16, 2006, "Rumsfeld's Blinkers", where the Pentagon didn't listen to what people on the ground were learning about Iraq.)

C. CoPs where the management had intruded inappropriately into the work of the community. (In one instance, the management directed the CoP to stop focusing on the innovative issues it had chosen and instead to fix the portfolio of ongoing investments: the members saw this as asking them to do the job of the relevant manager and to assume a managerial function - something that CoP was not equipped to do - and so the CoP promptly evaporated. This might be an example of an attempt to turn a natural CoP into a contrived CoP and the result - as usual - was death.)

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