Case Number 1936.0

Knowledge Management at the World Bank[1]

Background

The World Bank was first conceived in 1944 at Bretton Woods by the 44 governments participating in that conference and then was formally established by a group of 28 Allied countries toward the end of 1945 after the Second World War had ended. Initially, the United States and Britain assumed most of the responsibility for acquiring the needed funds and getting the administrative functions up and running. The Bank's initial mission was to both help in the recovery of Europe and Asia and to stabilize the world's strongly disrupted financial structures by offering loans to assist in rebuilding the countries that had most suffered during the war. The Bank's first loan was to France in 1947 for post-war reconstruction.[2]

It wasn't long, however, before another very critical focus emerged to reduce and eliminate the terrible poverty afflicting South America, Africa and Asia. This newer role became tied in with the Cold War aims of keeping these regions from joining with either the Soviet or Chinese Communist spheres of influence. The Bank made its first development loan of $13 million to Chile in 1948.[3] As the Bank increased the number of development loans to third world countries, other countries were beginning to pay back their reconstruction loans. In fact, by 1952, the two largest of the defeated nations, Japan and Germany, actually became members of the Bank.[4]

Today, the Bank is far bigger and more complex than its original manifestation. Perhaps best thought of as a cooperative owned and operated for the benefit of its 185 member countries, it has become a "Group" that includes five closely associated development institutions: the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the

[1] All quotes in this case were taken from discussions and interviews conducted by Laurence Prusak, a former consultant to the World Bank, in January and February 2009. Information about the World Bank Knowledge Management practices are based on Laurence Prusak's knowledge in his role as a consultant to the World Bank.
[2] The World Bank, *World Bank Group Historical Chronology 1944-1949*, available at: http://web.worldbank.org/WBSITE/EXTERNAL/EXTABOUTUS/EXTARCHIVES/0,,contentMDK:20035657~menuPK:56307~pagePK:36726~piPK:437378~theSitePK:29506,00.html [accessed March 22, 2011].
[3] *Ibid.*
[4] The World Bank, *World Bank Group Historical Chronology 1950-1959*, available at: http://web.worldbank.org/WBSITE/EXTERNAL/EXTABOUTUS/EXTARCHIVES/0,,contentMDK:20035658~menuPK:56315~pagePK:36726~piPK:437378~theSitePK:29506,00.html [accessed March 22, 2011].

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International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA), and the International Centre for Settlement of Investment Disputes (ICSID).[5] Over the years, the World Bank Group's mission has greatly expanded to meet the increasingly more difficult political, economic and social challenges involved in reducing and eradicating global poverty in a much larger and more complex world than existed in 1945. The Bank currently has over 10,000 employees and relies on consultants for short and long-term assignments.[6] While still acting primarily as a financial institution, offering customized loans and grants across a wide range of sectors in some 100 countries, it has increasingly become involved in developing, storing, and transferring knowledge requested by its clients for project and other development work. As early as 1955, the Bank recognized the potential for knowledge sharing and established the World Bank Institute, which is devoted to external teaching capacity building, as well as convening conferences across different audience groups, including parliamentarians, journalists and civil society groups.[7]

There is currently a growing interest and demand for the sharing of Bank knowledge and its more formal knowledge-based advisory services. Many of the more advanced middle-income countries have graduated from the Bank's development assistance programs, but still want to have access to the Bank's knowledge capital, whether this is in the form of cross-country evidence, informal policy notes, or specialized advisory services. It is against this background that the Bank and its shareholders are grappling with the question of how best to combine and leverage its knowledge capabilities along with its financial resources.

Prior Attempts at Knowledge Management at the Bank

In October 1996, as Knowledge Management (KM) was becoming a popular management trend in the private sector, the former Bank President, James Wolfensohn, announced at the Bank's annual meeting that he viewed the future of the Bank as a "knowledge bank."[8] This new direction was going to be a cornerstone in his new vision for the Bank. Not surprisingly, this new motto was greeted by a combination of high expectations and curiosity within and outside of the institution.

The groundwork for Mr. Wolfensohn's vision had been developed by others prior to him going public. As is the case with other similar groundbreaking, transformative concepts, the creation and selling of the idea was primarily driven by a passionate individual. In this case that individual was Steve Denning. Mr. Denning, who had earlier served as the Bank's Director for the South Africa Department, had identified Knowledge Management (KM) as critical to the World Bank's future. He had begun to study how private

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[5] The World Bank, http://web.worldbank.org/WBSITE/EXTERNAL/EXTABOUTUS/0,,pagePK:50004410~piPK:36602~theSitePK:29708,00.html [accessed March 22, 2011].
[6] *Ibid.*
[7] The World Bank, *World Bank Group Historical Chronology 1950-1959*, available at: http://web.worldbank.org/WBSITE/EXTERNAL/EXTABOUTUS/EXTARCHIVES/0,,contentMDK:20035658~menuPK:56315~pagePK:36726~piPK:437378~theSitePK:29506,00.html [accessed March 22, 2011].
[8] The International Monetary Fund, Summary Proceedings of the Fifty-First Annual Meeting of the Board of Governors, available at: http://www.imf.org/external/pubs/ft/SUMMARY/51/index.htm, p.29, [accessed March 24, 2011].

sector firms were putting these ideas into place and what value they expected from their implementation. Mr. Denning set to work propagating this idea through his varied contacts and connections within the Bank, as he continued to attend more general Knowledge Management conferences and seminars. Mr. Denning was then joined by another early convert, Jean-Francois Rischard, a Bank Vice-President who was championing new approaches for engaging with the private sector. Together, Mr. Rischard and Mr. Denning discussed how to present their ideas to Mr. Wolfensohn. In contrast to the rest of the senior management team, who, for the most part, remained highly skeptical, Mr. Wolfensohn was interested in exploring and adopting new ideas and found the idea of sharing knowledge an intriguing concept.

Once Mr. Wolfensohn announced the new strategy, a small group dedicated to putting KM ideas into practice at the Bank was quickly established and Mr. Denning was chosen to lead the initiative. Among his first actions, Mr. Denning established a bank-wide Knowledge Management Board to help him build consensus for making this idea a reality. Mr. Denning reported to the Bank's Chief Information Officer and spent his first few months trying to both disseminate the new ideas and practices behind KM, as well as getting the budget and approval needed to hire a small core team. By being part of the Information Technology (IT) Department, Mr. Denning also had to fight against the perception that KM was little more than a technology-driven concept and not a core capability that drew on the Bank's rich implementation experiences. For marketing purposes, IT vendors at this time were jumping on the KM "bandwagon" and telling organizations that KM was a subset of IT and that the needs for KM were easily satisfied with some technology-based solution.

By the middle of 1997 a budget of approximately $55 million was approved to develop KM resources and capabilities at the Bank and the Knowledge Management Board had been established to help develop and guide the KM program and to help communicate and sell the value of KM throughout the Bank. Then in 1998, the Bank's Board of Directors approved a mission statement that declared the purpose of the World Bank was to reduce and eventually eliminate global poverty by providing financial resources and by sharing knowledge.

Unfortunately, while the next two to three years resulted in some enhanced KM practices and helped generate a buzz on the outside, it never matured to the point where it transformed the organization and fulfilled the broader knowledge sharing mission envisioned by Mr. Wolfensohn. Many viewed the creation of Thematic Groups as one of the main accomplishment of the KM initiative. These groups were formed for the purpose of organizing people around areas of interest to share ideas, stories, vocabularies, tools and concepts. These types of collaborative knowledge sharing groups are often called "communities of interest" or "communities of practice." In 1999, at their peak, the Bank had created 125 of these groups. Each group was given a small budget for technology, meeting expenses and publications and many were relatively independent, self-directed groups – a concept that was rather new and different inside the Bank's otherwise highly structured, bureaucratic organization. Although many such groups, such as the Rural Water Supply Thematic Group or the Fiscal Decentralization Community, still continue to operate, the loss of sponsorship, financial support, and clear focus have limited their potential. A few other KM-based practices survived this period at the Bank, primarily in the areas of internal training and staff development.

There are many possible explanations for why KM did not realize its promise. For Klaus Tilmes, one of the three people currently leading the knowledge strategy efforts, understanding the lessons from this early episode is crucial. A first shortcoming lies with senior leadership. According to Mr. Tilmes, many at the top of the Bank equated KM early on with various IT-based initiatives, such as the Global Distance Learning Network or the Development Gateway. As a result, leadership never fully appreciated the peculiar characteristics of knowledge at the Bank or its deeply social aspects. Mr. Tilmes stated that, "the whole Knowledge Bank concept was viewed by staff as a shock to the system -a top-down effort that lacked buy-in and input from middle managers and operational staff."

Further reinforcing the perception that Knowledge Management was simply a component of a larger technology strategy was the fact that the KM program under Steve Denning reported to the CIO. Although this mistake was belatedly recognized, the repeated reshuffling of the KM-core team to the Department for Operational Policy and then to the World Bank Institute further weakened its focus on helping operational teams.

Another explanation for the original failure of KM, given by a Bank Vice-President, is that the concept of KM was relatively well received, but ultimately didn't achieve its potential because the commitment from the top was not sufficient enough to sustain the effort. Agreeing with this perspective, Mr. Denning explains that "the layer of manager below the President didn't support knowledge management and over time this eroded, needed money, support and leadership." Mr. Tilmes further cites as a root cause that "the whole initiative was not accompanied by meaningful incentives or embedded in a broader change process. It ended up as a temporary bubble."

One additional explanation for the failure of the initial effort is that instead of trying to incorporate and institutionalize best practices in Knowledge Management into the daily work and activities of the Bank, it was seen more as a separate administrative function. This was not a unique issue for the Bank, for in the early 1990s organizations of all types often made the mistake of viewing KM as a new, centralized function that somehow could push KM into the organization from the top. Ten years later, most organizations had learned this lesson and now had as their main goal to institutionalize KM practices into their day-to-day work.

Current Strategic and Knowledge-Related Challenges

From a strategic perspective, there are several critical issues facing the World Bank today that are crucial for understanding the desire to restart a new Knowledge Management initiative. Chief among them is the recognition that the external environment and client demands for knowledge products and services have changed in fundamental ways compared to just ten years ago.

Democratization in the production and consumption of knowledge is occurring on a global scale. IT inputs into services and manufacturing are increasing exponentially, as the cost of storing, processing and transmitting information approaches zero. Faster processing speeds, powerful search tools and instant feedback through internet platforms are opening up entirely new modes of collaboration and are fundamentally transforming the delivery of knowledge. Yet, the Bank remains strongly inward-oriented and insular in its knowledge activities. This is ironic, because the Bank was long seen as a generator and a repository of knowledge and its findings, cases, and advice were rarely questioned. It has global leadership authority in many fields, and it continues to attract and employ some of the finest and most accomplished social scientists to work in its various divisions. As noted by one of the Bank's Knowledge Management consultants, "the Bank operations are exactly the opposite of the open-source movement in software; until very recently, the Bank predominantly relied on its own knowledge rather than opening the institution up for broad-based collaboration with other knowledge centers."

The Bank's clients have diversified and include graduated countries, middle income countries, IDA countries and fragile states. They demand customized, higher quality and more diversified knowledge products and services – with a premium on timeliness, cross-country evidence, and tailored implementation. The entry of new actors has made the development arena increasingly contestable and highly dynamic. Today, hundreds of development organizations have valuable expertise to offer.

This credibility issue and resulting impact on the Bank's position as a leader in development matters has been further exacerbated by the debate over the effects of globalization. The growing interdependence between countries and institutions requires collective responses to development challenges that need to be integrated into programs at community and national levels. Global and local issues are deeply intertwined and are challenging our understanding of the development process.

The emergence of global concerns and the current financial crisis are likely to increase debates on development policies and challenge existing paradigms, requiring sound analysis and openness to a plurality of views, rather than reliance on established models. Even the view that all "useful" economic and development knowledge comes from a select group of developed nations is no longer the case. Many countries now have institutions that produce development knowledge of all types.

Another key challenge, which is one that many organizations face, that are heavily dependent on distributed knowledge and especially know-how, is that the institution wouldn't exist if it was unable to leverage its knowledge and expertise. In the Bank's case, of course, it is its knowledge about finance and economics in developing countries. As Graeme Wheeler, a Managing Director of the Bank and the key champion behind the current knowledge initiative has boldly and accurately stated recently, "knowledge is the key to development effectiveness. It is the driver for a successful development institution. Without its knowledge, the Bank has no value-it cannot lend, it cannot advise, and it can not convene. .. It is our core DNA."

The Bank provides knowledge services in four distinct ways. One way is as a convener of dialogue and debate. This entails being the force that shapes and convenes the world's discussions on development. It holds and hosts many conferences, seminars, programs, and task forces that usually result in an output that can be codified and published and distributed. The second method is as a publisher of development statistics, cases, ideas, and theories. While this has traditionally involved dissemination in print mode, more material is now becoming available in electronic format, and this type of information and data is also being produced and distributed by think tanks, NGOs, national governments and private foundations. Some of these sources represent a broader and more diverse set of perspectives, which challenges the pre-eminence of any single organization to define a prevailing development paradigm.

A third knowledge-based service provided by the Bank is through the development and sharing of its analytics. Through assumptions, codified formula and analytical methods, the Bank is able to intelligently model economic impacts and make informed decisions around the allocation of financial capital and resources. These tools are often embedded in systems and routines that are specific to a particular Bank practice and can be seen as one of the main resources of the Bank. In the past, this capability was difficult to replicate, but with the increasing access to data and information, further enabled by inexpensive computing, these resources too are becoming less of a discrete and exclusive product and more of a commodity.

The last form of knowledge, and perhaps the most important, is "know-how." Know-how is the type of understanding that comes from years of practice and learning in a specific area. It manifests itself in expertise and skills. Its outputs are better, quicker and more innovative decisions. It is more tacit and contextual than the more widely understood forms of codified knowledge and only comes to an individual or group after years of practice and learning. It is not something one can buy and sell and is difficult to quantify and measure, but in many cases is the most valuable form of knowledge. In many ways it is this last form of knowledge – know-how– that the Bank excels in. The Bank has traditionally had a low turnover rate and high levels of investment in human capital, which makes its practice base so rich and robust. Since this is an expensive and time consuming way to develop knowledge, there are few other organizations that can afford to make these forms of investments. Therefore the Bank faces somewhat fewer challenges in this area as long as the value of this particular knowledge is acknowledged and understood by all – internal and external to the Bank.

Furthermore, the Bank's "know-how" is, as most good knowledge tends to be, local in nature, as well as very contextual and difficult to transfer and translate. An ongoing challenge for the Bank is to figure out a way that the Bank's senior leaders in Washington, D.C. can develop strategies, policies, methods, incentives, and programs that can help its field-based staff in some 120 country offices leverage this know-how in their daily work.

Current Initiative

On October 10th, 2007, Mr. Robert Zoellick, the current President of the World Bank, gave a talk at the National Press Club in Washington, DC in which he laid out his vision as to where he thought the Bank needed to go in the next five years. He had been in office for 100 days and had used this occasion to discuss in detail the plans and priorities he had for the Bank's future.

In this speech, Mr. Zoellick outlined six broad strategic themes for the Bank to pursue. One of the six themes was specifically focused on knowledge and learning. Mr. Zoellick explained that "while the World Bank Group has some of the attributes of a financial and development business, its calling is much broader. It is a unique and special institution of knowledge and learning. It collects and supplies valuable data. Yet this is not a university, rather it is a brain trust of applied experience that will help us address the five other strategic themes," specifically to (i) help overcome poverty and spur sustainable growth in the poorest countries, especially in Africa; (ii) develop a competitive menu of development solutions for middle income countries, involving customized services as well as finance; (iii) address the special challenges of states coming out of conflict or seeking to avoid the breakdown of the state; (iv) support those advancing development and opportunity in the Arab world; and (v) play a more active role with regional and global public goods on issues crossing national borders, including climate change, HIV/AIDS, malaria and aid for trade.[9]

A few weeks after this address, Mr. Zoellick met with the Bank's Governors to gain approval and support for these initiatives and to establish small groups to develop strategies for turning these themes into viable and institutionalized processes and operations. Accordingly, a small Knowledge Strategy Group was set up to focus on the knowledge and learning theme. The team is led by Christian Delvoie, a straight-talking Director with thirty years of operational experience, and includes two other senior Bank employees, Klaus Tilmes and Aniruddha Dasgupta, who were chosen not only for their analytical skills, but also for their strong links to operations and familiarity with past knowledge initiatives. The group reports to Graeme Wheeler, a Bank Managing Director with a strong interest in and understanding of the value of knowledge, as has been identified earlier in this case. The three of them were chartered with developing and implementing a coherent plan and strategy for knowledge at the Bank.

At present there is an emphasis on six specific building blocks to put in place:

1. Rejuvenate the practice groups (the Thematic groups mentioned above as well as some other newly developed pilot groups called Global Excellence Teams) to mobilize the organization's best talents in

[9] The World Bank, http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:21504682~pagePK:64257043~piPK:437376~theSitePK:4607,00.html [accessed March 22, 2011].

response to client requests for policy advice. These newly formed teams are intended to mobilize the Bank's best talents and be managed as a practice, led by an acknowledged thought leader and formally linked to external subject matter experts and networks.

2. Modernize the IT infrastructure to better support knowledge activities as distinct from information and data. The Bank has approximately 2,500 web sites supported by 500 part time staff with little coordination and strategy and minimal focus on providing easy access to key and relevant information and knowledge. The plan calls for much stronger web consolidation, development of knowledge collaboration tools and repositories, as well as formalized global linkages and networks.

3. Take a fresh look at the knowledge products and research program. The research produced by the Bank is not always timely and, at times, perceived as too theoretical to effectively influence the development agenda. It is currently unclear how the research is tied to the direct needs of the practitioners. The Knowledge team will look at governance structures for these activities as well as establishing a common understanding of knowledge and research as a public good.

4. Connect in new ways to the Bank's extensive network of external knowledge partners. The Bank currently has over 270 global partnerships of various types, and they are considered indispensable for conducting bank business. The Knowledge Strategy Group will focus on new collaborative approaches with partners, think tanks and practitioner networks with specific local knowledge. This is in line with the understanding that a lot of valuable knowledge resides locally and it needs to be more effectively brought into the Bank.

5. Create knowledge development and sharing incentives. The current incentive structures reinforce an individualistic culture that rewards individual achievements and activities. Since it is understood that knowledge development and transfer is primarily a social activity, these incentives can work against a knowledge-sharing agenda. In addition there are little mobility and incentives to collaborate across regions and sectors. The Knowledge Strategy Group will garner HR support for the new Global Excellence Teams as well as new incentives for sharing, collaboration and mobility. They will work for the establishment of technical and global career paths as well as redefining knowledge mentoring as part of a new integrated talent management framework, which will establish a link between performance and knowledge activities. There is also a large effort in HR focused on learning, which has become highly atomized with over 2,700 training courses but no core curriculum, as well as a desire for the Knowledge Strategy Group to refocus learning programs at the Bank.

6. Work with the World Bank Institute (WBI) to help achieve the knowledge agenda. The KM Strategy Group will assist the WBI to take on a leadership role in partnering with external groups for knowledge exchanges, global dialogues, and the incubation of innovative ideas.