

Knowledge Value Added: Theory, Implications, and Applications

By

Tom Housel, Ph.D.

Professor

Naval Postgraduate School

tjhouse1@nps.navy.mil

Intellectual capital embodied in corporate management, employees and systems, is the engine of growth in the “Knowledge Age”. The key to success in this age is “out-knowing” the competition. To accomplish this, managers need to account for the utilization of corporate knowledge resources—a key purpose for the knowledge value added (KVA) methodology.

There will be two presentations—i) a 50-minute theoretical discussion and overview followed by ii) a 2-hour workshop to provide in-depth illustration and application of the KVA techniques. I will review the KVA as a methodology and discuss its theoretical grounding. The first presentation will review the theoretical foundations of KVA and present an illustrative example of how the methodology is operationalized in practice. It will conclude with my current research focused on developing an objective approach for measuring the value added by managers within the KVA framework. The second presentation will expand the earlier discussion and provide more detailed examples of KVA applications, such as estimating the ROI on IT. General implications for allocating revenue at the subcorporate level will be discussed.

In its essence, KVA measures the outputs of all process assets in common units. It is a methodology that can be used to allocate revenue to the outputs of knowledge assets. As such, it provides a means to establish the price per common unit as well as the cost per unit of output. This data can be used to generate performance ratio information that provides managers and investors with a common language to understand how much leverage companies are exerting from their knowledge resources. Armed with this performance information, managers can make intelligent decisions about how to allocate their resources to produce the most leverage. Investors also can gain greater transparency and insight into the internal productivity of corporations without the need to become knowledgeable about the unique ways in which companies go about leveraging their intellectual capital.