

Knowledge Management and the Non-Profit Sector

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Research and practice over the last twenty some years has increasingly formalized knowledge management (hereafter “KM”) as both an accepted business operating protocol and an academic discipline in its own right (Wiig, 2003; Schwartz, 2005; Cohen, 2006). But, except for the occasional enlightened organization, KM inquiry and practice has not been found among non-profit enterprises; as one indicator, several recent tracts on strategic and effective management aimed at non-profit audiences lack any mention of knowledge management *per se* (Collins, 2005; Herman & Associates, 2005; Edwards & Yankey, 2006; Crutchfield & McLeod Grant, 2008). Rather, most of the knowledge management research and practice (like that of information and communications technology, or hereafter “ICT”) has been centered in commercial enterprises, fueled by for-profit willingness to pursue new organizational approaches leading to enhanced performance and leverage the ever-more-sophisticated applications of computing and network technology. The historical gulf between KM-savvy commercial enterprises and KM-agnostic non-profits, however, is beginning to shrink, for reasons this essay will discuss. And though some of the interest and adoption of KM practice by non-profit organizations is not necessarily tied to any strictures of the charitable and “do-good” world, some dimensions of its emerging practice in that sector are indeed more particular to its character and form. What follows also discusses this, and looks ahead to some of the emerging practice of KM in non-profit organizations.

We begin our discussion with the predictable qualification about definition and scope. The non-profit sector (also called, variously, the citizen sector, social sector, et al) is an exploding phenomenon in its own right, with 1.5 million now accounting for more than \$1 trillion in revenues in the U.S.; during the past 15

years nonprofits grew faster than the overall economy, with thirty thousand new organizations created each year. Worldwide growth is also increasing, with global expenditures on this sector accounting for nearly 5 percent of combined global gross domestic product (Crutchfield & McLeod Grant, 2008, pp. 2-3). The range of kinds of organizations is dizzying, from rich foundations to just-scraping-by neighborhood associations to educational institutions, to environmental boutiques to global health and human services providers to professional associations to job training to youth leadership to...the list goes on and on. Needless to say, generalization about millions of different organizations in this sector have to be accepted for what they can only be—broad thematic indicators of representative concepts and practices.

On the surface, most non-profits would seem to be obvious candidates for the strategy, processes, and technology of knowledge management. Devoted to a particular purpose, mission or cause, non-profit organizations usually don't manufacture or make anything, or build wealth, but rather strive for some kind of social or economic change—and the main assets that they bring to bear are typically knowledge. Though not normally described as “knowledge-based organizations,” that's what most of them are, to the core: consider for example Habitat for Humanity (<http://www.habitat.org>), whose mission of providing affordable housing depends on acquiring and putting into practice the knowledge of how to build decent, inexpensive houses; or the Red Cross (<http://www.redcross.org>), whose emergency response depends on the knowledge of treating victims and providing supplies and relief services; or the United Way (<http://www.liveunited.org>) whose knowledge of local communities and needs, as well as fundraising procedures in corporations allowed them to build the largest private charity in America; or Ashoka (<http://www.ashoka.org>), whose 25 years of experience in researching, selecting, and developing socially entrepreneurial leaders has given them the ability to spread social innovation across 60 countries in multiple path-breaking programs; or Teach for America (<http://www.teachforamerica.org>) whose pioneering approach to reforming education has been based on increasingly refined knowledge of selecting,

training, and supporting high achievement young teachers in underperforming urban schools.

One major sub-segment of the non-profit sector might on the surface seem like a major exception to the “knowledge-based organization” premise: private foundations, which are typically known primarily for the financial resources they bring to fostering change by funding a wide variety of social programs through grants (Fleishman, 2007). Though no one should deny the importance of money in what foundations do, a number of these institutions would claim always to have been focused on not just dispensing grants but also on bringing knowledge to bear on to whom and how to make their grants, and indeed many foundations are now beginning to focus explicitly on managing knowledge and increasing their organizational learning on the basis of what has resulted from specific grants (see below).

Non-profit organizations are also obvious candidates for pursuing KM because of another core process on which so many of them depend—taking a particular innovation, or practice, or societal-changing idea “to scale,” i.e. bringing best practice to greater impact by replication, transfer to other locations or domains, or otherwise increasing the reach of its mission-driven reform (Bradach, 2003). United Way began as a movement as more and more communities followed the original idea born in Denver in 1886 to enable citizens to help themselves through volunteer association, enhanced by multi-faith organizational collaboration (Brilliant, 1990; Aft & Aft, 2004). Everyday Democracy (<http://www.everyday-democracy.org>) is an organization that thrives on collecting and sharing the lessons learned of citizen engagement in one community and sharing that with other communities so that the best practices can spread; the charter school movement that took root in the 1990s in the United States now continues to spread as local support organizations and its national advocate, the National Alliance for Public Charter Schools (<http://www.publiccharters.org>), increasingly works to bring the best practices and lessons learned of starting and developing a charter school to other interested districts. The American Association for Retired Persons (<http://www.aarp.org>) has become a global organization on the basis of sharing its learnings about serving elder populations with other like-minded

associations in other countries. Teach for America seeks to expand its learnings and methodologies to more and more schools. In case after case, the mission of a non-profit impels it to grow to scale and share and exchange best practices.

Mission and the culture of mission-led organizations in fact define a third major reason that non-profits are well-positioned for knowledge management strategy and processes (Drucker, 1990; Pinchot, 1998). As so much research and practice has shown, some of the major barriers in effecting good knowledge management in any organization are so-called cultural ones—the lack of leadership, organizational incentives and everyday behaviors that support organizational learning and the disciplined capture, codification, and sharing of knowledge (Cohen & Prusak, 2001; Davenport, Prusak, & Strong, 2008, March 11). In theory—and very often in practice—the mission focus of non-profits provides a shared mindset and commitment to collaboration among all members of the organization; when all believe and are dedicated to a common purpose, the working environment can be so much more supportive of sharing knowledge than in typical, hierarchical and task-focused commercial organizations (Drucker, 1998). A healthy and effective non-profit, with staff and volunteers all working towards the same higher goals, can be the ideal organizational model for supporting the capture and sharing of knowledge in support of those ends.

However, despite the several reasons inclining non-profits towards adopting state-of-the-art knowledge management, formal programs and strategies are only in their infancy in the sector; and the sector has generally lagged behind commercial organizations that helped create the KM revolution in the 1990s. This is not to say that non-profits have had nothing to do with knowledge or knowledge processes, as the discussion above has already highlighted both an orientation to, and various case examples of non-profits interest and even practice in knowledge-oriented work. But few organizations have taken an explicit, disciplined and planned approach of the sort that would characterize knowledge management in the leading commercial organizations. Some explanation of why that has been the case will be helpful in understanding the nature of the minor KM revolution that is now beginning in earnest in the sector.

Before turning to that, it may be helpful to look briefly at a similar—and some would say directly related or even broader—paradigm of sector and organizational change, ICT. Scholars and practitioners have noted how ICT and more generally “the network economy” has dramatically changed (and continues to change) the practice of business, with shifting roles, collapsing paradigms and new opportunities based on evolving “asymmetries of information” (Kanter, 2001; Porter, 2001; Sunstein, 2006; Tapscott & Williams, 2006). Some of this thinking has been directly applied to non-profits, analyzing and predicting new threats and opportunities in their traditional roles of providing “private goods” to consumers (e.g. daycare, education, training); provision of “public goods” (e.g. conservation, public art, parks, public safety, etc); and provision of public services through government financing (e.g. health and human services, education and other contracted services); fruitful discussions have also sketched various strategic and future scenarios based on how ICT changes the economics of markets and institutions such as non-profits in a broader eco-system of society, including but certainly not limited to fundraising and philanthropy (Hansmann 1987; Ben-Ner, 2002; Te’eni and Young, 2003; Te’eni and Kendall 2004). Useful analysis has also probed how the changing manifestations of information is changing non-profits via new, network approaches to audience reach, content richness, and personal relationship development and management (Te’eni and Young, 2003).

Knowledge Management within organizations—and indeed also across non-profit organizational boundaries—might be looked at similarly for its transformational potential of asymmetrical information within a given “mission-led” population, and indeed if KM practice continues to evolve in the sector, there will be much innovation to observe and interesting research to be done. For now, however, and at the most fundamental level, the sector is barely at the starting line of KM—plagued by a lack of funding, skills, and competence, and thus an overall inability to even “get the flywheel moving”—in many ways parallel to its more general inabilities and funding for ICT (Te’eni and Young, 2003; Salamon, 2005). Though the two arenas of ICT and KM are not one and the same, the commercial

sector has shown that the major portion of KM investment in mature organizations is in fact often technology (Skyrme, 2008).

There are however some more subtle reasons to explain the lag of KM in non-profits, beyond the important but obvious lack of resources, skills and infrastructure. Some historical perspective may point the way here. Because non-profits—by definition at the level of the tax code—are not businesses, and because traditionally they have been founded and developed to advance causes not handled by markets and are not driven by the profit motive, many have long operated with a general culture of not only “non-business” but to a large degree also “anti-business” (Collins, 2005). Though this mentality, and the corresponding boundaries separating non-profits from for-profits, has been steadily eroding in recent years (see below), among many mission-led organizations there has often been a strong suspicion and even distaste for seemingly business-driven approaches to work. Since KM practice was born in commercial organizations, and advanced by consultants and thoughtleaders who served or came out of business, there has been perhaps some reluctance of non-profit leaders to embrace “yet another MBA-type idea.”

Consistent with the suspicions about business concepts was another barrier—the unwillingness among non-profits to invest business-level resources to pursue a formal knowledge strategy. Since, so many non-profits live hand-to-mouth in maintaining basic operations, the idea of siphoning off precious overhead-supporting funds to new and experimental approaches in working—such as KM—has seemed very foreign to many citizen sector organizations. (In general, few of the business innovations seen in such places as the *Harvard Business Review* are taken up by non-profits.) Even though many commercial organizations (especially those with minimal dedicated KM technology) might protest that the relative costs of KM is not a substantial part of operating budget, the leanness of non-profit budgets has made even minimal investment in such strategies and programs difficult. So, to make the distinction with a previous point—the obstacle to pursuing KM is not just absolute lack of resources (including also skills, infrastructure, etc), but also lack of institutional will to put whatever resources one has against new opportunities for organizational innovation and value.

Non-profits faced a further challenge when one considers their historical “road not taken” regarding KM. That is the often decentralized and network-style organizational models they represent. Though some non-profits are relatively centralized and tightly run as single or multi-location organizations, many are more like “movements”, made up of several relatively autonomous but loosely aligned entities, or spread across multiple regions or even countries with relatively weak ties among themselves. Knowledge management was born in commercial organizations with rallying cries such as “if we only knew what we collectively know”, often driven by the belief that in a bounded and coherent organization, there is both opportunity and imperative to leverage the collective intellectual asset (Bryan and Joyce, 2007). In very decentralized and fragmented organizations, or network style enterprises, it is that much more difficult to develop and execute holistic knowledge strategies. Indeed it is only relatively recently that KM research and practice in such organizations has really advanced.

Perhaps the single largest barrier to non-profit pursuit of KM has been the historical lack of performance orientation within the sector. The code words for this in much of the non-profit literature of late is “accountability” and “impact”—the need to ensure that a non-profit organization actually delivers results, and not just good intentions (Crutchfield & McLeod Grant, 2008). A whole sub-industry of assessment has evolved within the sector to measure as quantitatively as possible the impact of programs and strategies, and more and more organizations are now developing “donor scorecards” and methods to report to their stakeholders about the value they are delivering (Flynn & Hodgkinson, 2001). Until that becomes as disciplined and regular as financial results reporting in the for-profit sector, the perceived need to improve performance—with such things as KM—will still remain not a “must have” but rather a “nice to have” for many non-profits.

Not surprisingly, the systemic trend towards more accountability in general, and the rising expectations of all stakeholders towards non-profit organizations is exactly one of the forces now driving greater interest in non-profit knowledge management. Because knowledge management at its best is always clearly aligned with performance improvement (Manville & Foote, 1996), and because most non-profits are indeed fundamentally knowledge-based organizations, it

stands to reason that increased focus on leveraging the core asset would start to move to center stage.

We should imagine the rising interest in KM in the social sector as part of the broader shift towards more business-like accountability on multiple fronts. First has been the demand of more and more funders (e.g. foundations and private donors) to tie their grants and donations to expectations that grantees will have a disciplined business plan to pursue their strategies (Fleishman, 2007, pp.89-146; Foster, 2008). Second has been the revolution within the non-profit sector itself of so-called “social innovation” and “social entrepreneurs” who seek to make more impactful change with business models and strategies adapted to social ends, including more strategic use of IT (Bornstein, 2004; Dees, 2007). At the same time, emboldened by the idea that their skills can in fact be useful to non-profits, and amidst an increasing population of aging baby-boomers seeking outlets to “give back to society,” more for-profit executives are volunteering or joining social sector organizations—and bringing with them experience of business performance, including better use of knowledge and intellectual capital (Tierney, 2006). A similar focus on performance—and thus increasing the appetite for leveraging knowledge for results—is seen in the related trend of “venture philanthropy” in which investors pool resources –and expertise--to support new or (typically) young non-profit organizations, and in which they take an active hand in management to increase the likelihood of desired and tangible results (Bishop & Green, 2008, 88-97).

Furthermore, two other trends are stoking the opportunities for more KM thinking and practice in civil society organizations. First has been an avalanche of new thinking and research about the power of social networks, and cross-boundary organizational processes—more than ever suited to the world that defines many non-profit movements and organizations (Tapscott, 1999; Cross & Parker, 2004). Second, and related, has been the evolution of open-source and low cost information technology, which allows information sharing and collaboration via free access over the internet, or at minimal license and usage cost, often subsidized by new generation foundations whose wealth was built on technology fortunes, and whose founders now seek social change by

disseminating various kinds of IT for the “common good.” The historical need of earlier generation organizations pursuing KM to make substantial IT investment, building up and upon costly and complex infrastructure has now given way to “cloud computing” and more “democratically” available capabilities for information capture, transfer, and sharing (Tapscott & Williams, 2006; Shirkey, 2008).

The convergence of these changes and new forces are driving more non-profits to at last “ask the KM question”—how do we more strategically and programmatically capture and use the knowledge of our organization—or our networks—to advance our mission. In the last few years, more and more non-profit organizations have begun to at least codify knowledge of their organization, and make it available on simple websites or information-sharing portals; a few others are doing the same using the increasing functionality of CRM systems which were originally implemented for sales and donor management purposes.

For example, the United Way recently initiated a system-wide knowledge base—supported by new collection processes, community contests, and other initiatives—to codify the increasing array of best practices it wanted to promote to advance its new strategy of “community impact” (<http://dir.unitedway.org/soe>). The National Alliance of Charter Schools (<http://www.publiccharters.org>) has begun a program to more systematically collect and disseminate best practices via its website in such things as leadership and school management; social innovation organizations such as Ashoka (www.ashoka.org) and Root Cause (<http://www.rootcause.org>) are moving aggressively to collect and package their experience with social entrepreneurship via CRM systems and dedicated “knowledge brokers” within their organization, to advance their missions related to the new generation of social change. The Partnership on Quality Medical Donations (<http://www.pqmd.org>)—a consortium of NGOs and pharmaceutical companies dedicated to quality medical standards for drug and device donations to the developing world--has begun to develop a center of excellence to codify its knowledge, and similar initiatives are underway at the Boys and Girls Clubs (<http://www.bgca.org>) and TechnoServe (<http://www.technoserve.org>), dedicated to improving economic development in

the third world through support of improved agricultural processes. The Bridgespan Group, one of the leading consulting organizations serving non-profits has built up a dedicated knowledge sharing capability to support not only its clients but the broader sector(<http://www.bridgespan.org>). The Gerson-Lehrman Group (<http://www.glgroup.com>), which pioneered the idea of packaging expert networks for sale to knowledge-seeking organizations, has recently begun building network expertise for selected non-profit issues and topics.

On the funding side, there is similar interest in moving beyond simply giving grants. In the last few years the Rockefeller Foundation (<http://www.rockfound.org>), Wallace Foundation (<http://www.wallacefoundation.org>), Bill and Melinda Gates Foundation (<http://www.gatesfoundation.org>), and Anne E. Casey Foundation (<http://www.aecf.org>) have all undertaken or begun to develop significant efforts in knowledge management or related efforts to improve their grant-making from more focused efforts to manage the knowledge resulting from their “core business.” One interesting new dimension of knowledge management is so-called open source innovation contests in which social problems are posted and anyone anywhere is invited to propose possible solutions for funding and/or implementation. The Rockefeller Foundation’s partnership with the online innovation contest organization, Innocentive, is one such example (<http://www.innocentive.com/notforprofit.php>); similar in intent is the Ashoka “Changemakers” site (<http://www.changemakers.net>), which not only runs contests for its parent organizations—all the while leveraging the knowledge and experience of the far-flung population of Ashoka Fellows—but also provides the “knowledge contest capability” for other organizations interested in using the social technology to advance some of their own missions and strategies.

All this said, however, knowledge management—as a formal discipline and strategy—is still relatively young in the non-profit sector. There are few “chief knowledge officers” in non-profit organizations, and knowledge management investments and staffing are not common line items in most non-profit budgets. Nor are there the kind of sophisticated conferences or publications devoted to

the topic that can be found for for-profit audiences. But given the forces for change in the social sector, we should expect more and more manifestations of KM in mission-led organizations, though as is always the case even in the for profit world, the labels for programs, and titles of relevant players may be something very different than “knowledge management.” It is revolution, though overdue, that is very much needed, and few would argue for the long term benefit if more social sector organizations could increase the opportunity and performance of their most precious core asset.

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