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Knowledge Management for Nonprofits: A Strategy for Organizational Sustainability

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ABSTRACT

The purpose of this paper is to describe knowledge management strategies for nonprofits to promote and support sustainability of the organization. The paper frames knowledge management for a nonprofit within the context of the unique business model employed in the nonprofit domain. This business model sets the stage for the knowledge management strategy by identifying needs particular to nonprofits. Strategies are presented on the basis of identified concepts of sustainability for nonprofit organizations and the types of knowledge pertinent to meet the information needs. Additionally, the paper focuses on the roles of key stakeholders/players for nonprofits in knowledge management. The special aspects of nonprofit business model of revenue generation, volunteer workforce, cost-containment emphasis, leadership model, and importance of image and brand are stressed throughout the paper noting the importance of capturing tacit knowledge in order to sustain the organization for the future.

INTRODUCTION

Many nonprofit organizations are created and led by individuals whom see an unfilled need for the well-being of others. These organizations operate within a very unique business model environment. Nonprofit organizations typically are started by personalities similar in nature to start-up businesses in an entrepreneurial manner. As such, technologies and knowledge management are not considered essential to the vision and mission of the organization. Therefore, information systems are typically considered only for fund raising and the like without a strategy to capture the knowledge of those involved with the organization.

Likewise, the concept of sustainability is not addressed by the typical nonprofit until the size of the organization mirrors that of a well-established business. Sustainability for a nonprofit is critical if the focus and mission of the organization is going to continue beyond initial “splash” launch or a crisis. Both the “splash” launch and a crisis offer a nonprofit limited visibility and stop-gap survival fund raising. Many nonprofits look for appropriate stories of crisis to use for fund raising and volunteer recruitment.

The purpose of this paper is to describe knowledge management strategies for nonprofit organizational sustainability. Section One: Business Model of Nonprofits presents the unique business model of nonprofits to set the stage for the strategy by identifying needs created by the business model. Section Two: Facets of Sustainability describes the concepts of sustainability as applied to this research application. Section Three: Knowledge Management Concepts discusses types of knowledge management pertinent to this paper. Finally Section Four: Strategies for Nonprofits describes the strategies deemed appropriate and beneficial for nonprofits to harness knowledge management for sustainability of the organization.

Section One: Business Model of Nonprofits

While some might argue that nonprofit organizations are not a business, in fact, nonprofits are a most unique business model. The aspects of the business model include revenue generation, volunteer workforce, cost-containment emphasis, leadership model, and importance of image and brand. Each aspect is described in the subsequent subsections.

Revenue Generation

In general, nonprofit organizations create and/or deliver a good or service to a recipient who typically pays, if anything, only a fraction of the cost or value of the good or service. This applies to the gamut of nonprofit goods or services whether meals to the elderly, sanctuary for animals, historic preservation of places, or generic topics of education and environmental issues. The nonprofit must generate revenues to cover the expenses related to the costs associated with creating and/or delivering these goods or services.

The unique and perhaps difficult part of revenue generation is the fact that the revenue must, in a large part, be generated from someone whether individual, corporate, or governmental agency that is not the recipient of the good or service. So, the nonprofit must “sell” this non-recipient on “purchasing” a good or service which will benefit someone or something other than themselves.

For most nonprofits, revenue generation is critical to survival as lines of credit may be more difficult to acquire due to the nature of the business model. Thus, fund raising, as revenue generation is typically referred to in the nonprofit vernacular, is a major focus after the vision/mission of the organization (Kaiser, 2008).

Volunteer Workforce

While for profit organizations have a paid workforce, the nonprofit organizations are unique in the type of workforce employed. Most nonprofit organizations depend upon unpaid, volunteers to do much of the work. As a result, much like the revenue generation environment, a nonprofit must continually attract qualified, trainable, people who are willing to perform unpaid work which for the most part benefits someone or something else. Examples include volunteers who drive and deliver meals on schedule using their own vehicles and gasoline, drive animals to adoption events, perform veterinary services, if qualified, or typically perform technical support for computer systems and devices. Therefore, second only to revenue generation is the aspect of recruiting, training, and retaining a cadre of willing volunteers.

Because the vast portion of the workforce is unpaid, the nonprofit must continually “sell” and motivate existing volunteers on the benefit of the work performed for the vision and mission of the organization. Additionally, the nonprofit must utilize the existing volunteers to assist in recruitment of others to perform the needed functions. Recruits must be trained and must “buy in” to the vision and mission so that they will remain active in the organization giving of both time and monies to sustain the activities of the nonprofit.

Cost Containment

The nonprofit organization must, like other businesses, pay close attention to costs of creating and/or delivering goods or services. Additionally, the nonprofit must pay particular attention to the percentage of administrative costs in order to achieve a good rating for funding by grantors and other donors. This cost containment emphasis relates heavily to the need for volunteers and revenue generation. If the nonprofit has to pay for labor provided by unpaid volunteers, this will increase the need for revenue generation and depending upon the nature of the work may increase the administrative costs to an unacceptable percentage of expenses.

Leadership Model

Founders of nonprofit organizations build the organization by personal touch. Just like in start-ups or entrepreneurial ventures, nonprofit founders and leaders generally retain much control over operations and information. The leader of the nonprofit is the “face” of the organization. Additionally, when the founder is also the active leader of the organization, not only is she/he the “face” but typically the keeper of information much like the village elder (Kaiser, 2008).

With the exception of large scale, national and international organizations such as Red Cross, American Cancer Society, and the ASPCA, most nonprofit organizational leaders are driven by passion for the “cause” rather than a business focus. This focus creates the situation where knowledge and information need to be captured to ensure continuity.

Importance of Image and Branding

Nonprofits more than any form of a business rely on the image and branding of the organization. Based upon observations of the typical nonprofit, the concept of image and branding is not always fully recognized nor appreciated by the nonprofit. For a nonprofit, the ability to generate revenue, i.e. fund raise, and recruit volunteers for the workforce are dependent upon the “sell” of the image and brand over the long haul. Thus, the image and brand must be consistent and pervasive to all activities performed by those representing the organization (Fannon, personal communication, March 19, 2010).

According to Fannon (personnel communication, March 19, 2010), branding is a promise that’s conveyed to all stakeholders of the organization. It goes beyond the font, color of logo. Branding is conveyed by everything people associated with the organization do including social network interactions, communications of all types, and interactions with everyone you come in contact with. This means the reliance on volunteers is even more critical to the nonprofit. The volunteers must convey the brand in all activities.

Unlike an Intel, Microsoft, or AT&T, organizations that can continue in business regardless of problems with products or actions of employees, a nonprofit lives and dies by the image and brand. If a poor quality meal is delivered to the elderly, an animal becomes ill or dies while at a rescue, or a leader is perceived to be spending monies on his/her own activities, the nonprofit suffers immediately. In fact, some organizations may not survive poor actions that portray a poor image and brand (Fannon, personal communication, March 19, 2010).

In summary, the unique business nature of the nonprofit business model makes knowledge management an important aspect of sustainability. All of the facets require managing knowledge so that image and brand support revenue generation and volunteer workforce recruitment so necessary for cost containment. Knowledge management allows for succession planning for leadership roles and presenting a consistent message to the stakeholders of the organization.

Section Two: Facets of Sustainability

Sustainability, as a business concept, spans much more than the narrow focus of going “green” as touted in current publications (NIST, 2011). There are three basic facets of sustainability which apply to nonprofit organizations. These are: create long term value, capacity to endure, and stewardship. Each will be discussed in the following subsections.

Create Long-term Value

For a nonprofit to survive, it must have a mission or focus which is viewed by the stakeholders as having a value spanning a long timeframe (Grayson, et al., 2008). This is particularly true for donors and volunteers. Additionally, the donors and volunteers must see the contribution of their respective participation in creating value for the organization. The donors and volunteers must see that their contributions are making a difference.

Only if a nonprofit can create and/or deliver a good or service with the promise of long term significance will the organization survive (Fannon, personal communication, March 19, 2010; Kaiser, 2008). This is why the nonprofit must be able to tell its story in terms of impact and results. In fact, many major funding agencies including the various United Way organizations are now using outcome based funding allocations. If the nonprofit organization does not have an outcome based approach with a story of impact and results, it will depend upon crisis and heart wrenching stories to generate revenues. Not only will the revenue generation be adversely impacted, volunteers and donors will be constantly changing as the crisis of the day appeals to various supporters. This scenario leads to instability within the organization not sustainability.

Capacity to Endure

An organization must build or create the capacity to function within a variety of economic and social-political environments. From the business model aspect, the capacity to endure means that cost containment must include saving for the proverbial rainy day. This capacity to endure requires the leadership of the organization, whether paid or unpaid, seek revenue streams that are stable and forward looking.

Another characteristic of the capacity to endure is the ability of the leadership of the organization to select and maintain a focus that is relevant to the needs. A prime example of this is the March of Dimes organization which moved from its mission of fighting polio in the early days to a related but longer term view of working to prevent disabling birth defects in babies. Disney is world renowned for its long term view of its mission. Disney is in the business of “the magic of childhood” not entertainment, theme parks or movie production (Fannon, personal communication, March 19, 2010). Such a focus provides the vision and structure to both have a long term view and endure within many economic scenarios. Again, it should be noted that knowledge must be a core part of the organization to convey this message consistently to all stakeholders and the general public.

Stewardship

Stewardship focuses upon taking care of the assets of the organization in a manner which preserves and conserves the organization’s ability to survive and carry out its mission (Grayson et al., 2008). In order to be a good steward, the organization must have a full grasp of knowledge regarding the assets, liabilities, results and outcomes. Stewardship is much more than taking care of the ecological environment, it requires that the organization manage all of its assets including intangibles such as image and branding to create long term value.

In summary sustainability for a nonprofit requires that the organization be focused on long term viability. This requires focus on vision and mission that create long term value. The organization must create a financial environment which can support its activities within a variety of economic, social, and political scenarios. All of these require accessibility to knowledge and information. There must be a shared vocabulary and shared experiences. Thus, knowledge management plays a key role in providing a framework for sustainability of nonprofit organizations.

Section Three: Concepts of Knowledge Management

Knowledge is typically described in terms of two categories. These are explicit and tacit. Generic descriptions of each category along with the concepts of knowledge management systems follow in a subsection. More important than the categories of knowledge to this research is the discussion of the players in the nonprofit knowledge system and the types of knowledge each possesses. That discussion is provided in a subsection as well.

Categories of Knowledge and Concepts of Systems

Explicit knowledge is usually defined as knowledge has become institutionalized so that it is easily transferred to others. The knowledge is easily communicated in traditional formats. Typically, explicit knowledge is internalized and made available to organizational members by use of database technologies.

Tacit knowledge on the other hand represents knowledge which is not easily transferred in traditional formats such as writing. It may be described as “know-how”. Sometimes tacit knowledge is referred to as individual knowledge. This knowledge is intrinsic to the individual

and may range from knowledge of meal recipient's preference for knock rather than doorbell or a cat that won't eat unless it is being brushed.

Nonaka and Takeuchi's 1995 article is frequently used to describe the knowledge management process (Chan, 2009). From their work, Chan describes the key processes of knowledge creation, acquisition, dissemination and sharing, representation, storage and utilization.

The knowledge management process is expanded by Chan to present an integrated model to reflect the relationships of the typical business organization. These bring knowledge management clearly into the business processes of customer relationship management, supply chain management, and partner relationship management. (Chan, 2009) Such a model reflects the needs of a nonprofit as well. Volunteers may be categorized in both the customer and partner relationship systems. Clients are customers whose needs must be met. And, in order to run efficiently, suppliers of procured goods/services must be managed since many vendors provide goods/services at low cost or subsidized prices.

Business processes are described in terms of whether or not these processes reflect how work is actually performed (Vandaie, 2008). To achieve knowledge management, an organization must transition from task-focused to process-focused. Such transition requires that all stakeholders involved in tasks to support the nonprofit vision and mission understand how their tasks impact and fit within the overall strategy of the organization. This is critical to the successful implementation of the vision and mission. (Vandaie, 2008) Therefore, knowledge must be easily and readily available to those stakeholders.

To further enhance the knowledge systems, an ontology describing collaboration of knowledge sharing is used (Leung, Lau, & Fan, 2009). Using Nonaka, Toyama, and Konno (2001), when I locate "SECI, Ba", I find a description of methods to create organizational knowledge. Leung, Lau, and Fan (2009) describe the need for mediation and collaboration in order to "create new tacit knowledge from tacit knowledge embedded in human or organization through experience sharing, observation and traditional apprenticeship." While the presented ontology is utilized to refine library searches, it is applicable to the nonprofit model of providing goods and services to various recipients by a variety of volunteers and employees. For both environments, personal interactions are required to provide understanding, continuity, and consistency.

Players, Roles, and Knowledge for Nonprofits

The players or participants in a nonprofit include the founder, if still alive and available, executive director, other paid employees, board of directors, volunteers, and recipients, if able to communicate. Each has a specific perspective of the vision and mission of the organization. All have personalized or internalized their individual perspective as knowledge.

The founder and/or executive director typically possess critical knowledge about grants, donors, potential donors, and other agency directors. This knowledge is critical to the revenue generation function. Importantly, the founder and/or executive director provides leadership in establishing the vision for the organization. Background knowledge of how and why this vision is established again is tacit knowledge known by only a few.

The board of directors plays a vital role in accepting the vision and mission for the organization. Each board member brings to the table an individualized passion for participation. Such tacit knowledge may or may not be important to the vision of the organization but is critical in “selling” the brand and image.

Paid employees also must “buy in” to the organization through passion for the cause, as nonprofits are not known for high pay. The paid employees who stay with a nonprofit for a long period of time are well versed in how to perform work. This tacit knowledge may not be apparent until the employee has left the organization. It is critical for this tacit knowledge to be captured and available for the future.

Volunteers possess individual passions for the participation. Each volunteer typically self-selects a task or process to perform. As with the long term paid employee, the volunteer creates tacit knowledge about this facet of the operation. And, as with the long term paid employee status, the importance of the work of a particular volunteer may not be appreciated until the volunteer has left the organization. For the future of the organization, tacit knowledge created and developed by volunteers must be captured.

Recipients while participating as players in the organization may or may not be participants in knowledge creation. This role varies from organization to organization. For example, a human recipient may be able to fully describe needs shaping the good or service. However, non-human recipients cannot use language to communicate. The knowledge about the non-human recipient must be created by the volunteer or paid employee delivering the good or service. The same holds true for human recipients who are unable to communicate needs and wants easily or clearly. Because of these limitations, the knowledge must be gathered on the basis of volunteer and paid employee experiences with the recipient.

In summary, the purpose of knowledge management systems is to provide technology supported solutions to capturing, storing, processing, and disseminating multiple types of data/information into knowledge for use by the organization. Suggestions for such technology and framework for strategies to capture and disseminate this knowledge are presented in the final section.

Section Four: Knowledge Management Strategies for Nonprofits

Bringing together the unique business model facets with sustainability factors, the knowledge management strategies for nonprofits should address the transfer of knowledge across six areas. These are (1) branding and image of the organization, (2) creating long term value with measurable results, (3) supporting volunteer and paid workforce, (4) selling the vision/mission, (5) continuity of revenue generation sources, and (6) supporting leadership transitions and transfers. Each of these areas has specific knowledge sources and dimensions.

Branding and Image of Organization

As Fannon noted (personal communication, March 19, 2010), branding is conveyed by everyone who participates in the organization. Therefore, knowledge must be transferred to all. Such knowledge covers explicit knowledge of logos, colors and fonts used in promotional materials,

images and pictures used in organizational presentations, and the like. Since the explicit knowledge can easily be captured and structured, traditional database structures can be implemented for this knowledge.

Branding and image are also conveyed by behaviors of participants. These behaviors are generally tacit knowledge. The knowledge management strategy for transferring tacit knowledge about branding and image must focus on recording organizational stories and artifacts. Telling the story of the organization must be consistent and convey the vision. Multimedia can be useful in collecting this knowledge, much as oral history must be recorded before tribal elders pass away.

Creating Long Term Value with Measurable Results

The knowledge required to support this strategy entails determining what can be measured, knowing how to measure, and capturing the measurement so that it can be used for analysis. Category 4 of Baldrige Criteria for Performance Excellence includes the topic of knowledge management. “The Measurement, Analysis, and Knowledge Management category examines how your organization selects, gathers, analyzes, manages, and improves its data, information and knowledge assets” (NIST, 2011, p. 16). This category also includes the concept of performance improvement by using the knowledge gathered to review and develop continuous improvement and innovation policies. These include sharing of knowledge for lessons learned and best practices. These are typically knowledge artifacts which must be captured to ensure future performance.

It is critical for organizations to recognize the importance of tacit knowledge to long term performance improvement. Interviewing and debriefing volunteers and paid workforce is a successful way to capture this knowledge and transfer the knowledge to others. Structure must be developed to ensure that debriefing and interviewing is consistent.

Supporting Volunteer and Paid Workforce

Knowledge management plays an important role in building a workforce environment conducive to high performance and retention. Volunteer workforce members, by their nature, are similar to virtual teams. It is noted that virtual teams have problems with sharing knowledge and information (Akram, 2010). This problem can be ameliorated by use of coaching to overcome performance issues. Face-to-face interactions, coupled with multimedia instructional materials, can assist.

Knowledge management must capture and make available multimedia instructional materials so that learning by observation and doing can be enhanced. Since nonprofit organizations are so heavily dependent upon volunteers, it is critical that mentoring, training, and reinforcement learning materials be available. This requires capture of the “expert” tacit knowledge about how to perform the task or job in a format which can be reviewed and reused.

A Baldrige criteria notes the importance of organizational culture to workforce engagement (NIST, 2011). The organizational culture for a nonprofit must be captured using knowledge

management technologies including but not limited to database derived information, integration of tacit knowledge into the mainstream knowledge, and support of performance measures to the entire workforce knowledge base.

Selling the Vision/Mission

Knowledge sharing and integration is critical to an organization to sell the vision and mission. Each participant within the organization should be supported with tacit and explicit knowledge about the vision and mission. This should be enhanced by senior leadership sharing presentations and providing materials to the participants. Volunteers especially should always have the knowledge to speak accurately and positively about the actions and impact of the organization. Every participant should have ready access to a mentor to ensure the message accurately reflects the organization. For example, if an animal rescue operation needs supplies or help with adoptions, then each participant should have the knowledge of these needs so that each may advocate for the rescue. Communication and integration of the knowledge from senior leadership should be freely shared. All venues of communication should be available. Additionally, the messages should be consistent and captured to continue the digital story of the organization.

Continuity of Revenue Generation Sources

Knowledge forms including CRM strategies as depicted by Chan must be expanded to cover the spectrum of “customers” of recipients, donors, and volunteers (Chan, 2009). The knowledge required to continue relationships with donors and volunteers whether tacit or explicit must be captured so that actions by representatives of the organization to generate revenue are not at cross purposes. This requires sharing of knowledge, information, and activities. A classic example is for one representative of the organization to be “selling” a small donation amount for an event while another representative is attempting to garner an endowment.

Supporting Leadership Transitions and Transfers

According to the Baldrige performance excellence criteria, leadership is a major component of nonprofit success as measured in several roles. Namely, how the senior leadership sets and communicates vision, values, and mission and how the senior leadership creates a sustainable organization (National Institute of Standards and Technology, 2011). Senior leadership must create a focus on action to accomplish the vision and mission.

Leadership transitions must provide consistency and continuity to the organization. This requires that tacit knowledge be passed from the founder and/or leader to others in the senior leadership ranks. The most efficient and effective manner in which to capture this tacit knowledge of the leader is by mentoring, interviewing, and observing. In order for the nonprofit organization to be a success, the leader must share the culture and habits which promote the vision and mission of the organization. When this tacit knowledge is transferred, the knowledge must be captured by the organization as the cornerstone of the digital story for future usage.

SUMMARY

All nonprofits must operate as a business regardless of the vision and mission. This requires consistent branding and image to promote or “sell” the vision and mission. As a nonprofit it is important that tacit knowledge from senior leadership including volunteers to the organization is conveyed to all. This is critical so that actions and image are consistent and convey the appropriate message reflecting the brand. Nonprofits are typically more vulnerable to actions which reflect poorly on the vision and mission. Revenue generation is critical to a nonprofit sustainability. In order to have a continuity of revenue generation knowledge management integration must be deployed to ensure that the personal touch to recipients, donors, and volunteers reflects the standards of behavior of the organizational culture.

Knowledge management is a cornerstone of the selling of the vision and mission. It provides the bridge for senior leadership transition. All types of media must be included in the knowledge management system. The pictorial and digital media should accurately reflect the tacit knowledge to be passed for sustaining the organization into the future.

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