

# Knowledge Management Challenges in the Non-Profit Sector

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## INTRODUCTION

The concept of knowledge management is rooted in cognitive psychology and organizational theory. Knowledge management is concerned with the creation, storage, and distribution of knowledge by groups, organizations, and communities. Two theoretical frameworks are instrumental in shaping the knowledge management discourse: organizational knowledge creation (Nonaka, 1994) and organizational knowledge (Spender, 1996).

Widely cited in the literature is Ikujiro Nonaka's (1994) explication of the epistemological and ontological dimensions of organizational knowledge creation. Michael Polanyi (1966), makes a distinction between tacit and explicit (codified) knowledge in the epistemological dimension, whereas social interaction is the foundation of the ontological dimension. Over the years, the term knowledge management has been conflated with organizational learning and memory. Realizing that knowledge, memory, and learning are all interrelated, John-Christopher Spender (1996) proposed a knowledge-based theory of the firm. The knowledge-based theory of the firm is primarily concerned with the collective capabilities of generating, combining, and applying knowledge.

Given the advances in computing and telecommunications technologies, scholars have considered how information technologies can be used strategically to facilitate knowledge management (Alavi & Leidner, 2001). For example, wikis, blogs, content management systems, and the like provide dynamic infrastructures that support the creation, transfer, and application of knowledge. More importantly, these tools enhance organizational memory that can subsequently be shared across time and space. However, a knowledge friendly culture (Davenport & Prusak, 1998) precedes an effective knowledge management program.

The purpose of this article is to explore the challenges that arise in nonprofit settings, particularly the ways in which knowledge is stored and transmitted through an

organization's culture. We propose two key challenges that influence organizational culture: acceptance of change and leaders' ability to develop a knowledge friendly culture. We conclude with a discussion on the role that these factors played in constraining a knowledge friendly culture in two case studies.

## BACKGROUND

While the historical definition outlines knowledge management traditionally in firms where knowledge workers possess and share knowledge that is critical for the firm to capture, nonprofit organizations, in principle, benefit from some of the same goals. The goals of knowledge management in for-profit firms include competitive advantage, greater innovation, better customer experiences, consistency in good practices, and facilitating organizational learning. Although competitive advantage may not be a worthy goal for a nonprofit organization (NPO), consistency in good practices and facilitation of organizational learning are. Addressing the key knowledge management goals and challenges in a nonprofit setting has its own set of unique challenges.

Nonprofit organizations range from small, diverse community-based organizations that address local issues and rely primarily on volunteer labor, to large, nationally-based organizations such as the Red Cross. Nonprofit organizations consist of such groups as arts and culture, education and research, health services, social and legal services, religion, fraternities and sororities, civic and social services, and foundations. As such "their knowledge capital is heterogeneous, widespread, rarely formalized, and unstable" (Lettieri, Borga, & Safoldelli, 2004). These groups depend on temporary volunteers to help them work on specific projects (Boris, 1998). Yet some NPOs use paid labor. These workers can be classified as part- or full-time employees or consultants. Employees usually occupy a leadership position such as executive director and consultants and lead specific projects

based on their expertise such as technology infrastructure. Because nonprofits do not offer high salaries and are more strongly linked to a cause, they may not attract people with strong leadership skills. The lack of strong leadership and permanency pose a problem for knowledge management.

The above goals and challenges of nonprofit knowledge management are rooted in organizational culture. Organizational culture can be thought of as patterns of problem solving and ways of thinking that must be taught to new members (Schein, 1988). We argue that the culture of nonprofit organizations poses challenges for knowledge management. Challenges such as acceptance to change and leadership compromise consistency in good practices and facilitation of organizational learning. Knowledge management, therefore, must first be integrated into a nonprofit organization's culture.

## **CHALLENGES WITH KM IN NONPROFIT ORGANIZATIONS**

In this section, we outline two cultural factors within nonprofit organizations that lead to challenges in knowledge management. One of these two factors also serves as a point for analysis in one of the two case studies examined in the next section.

### **Acceptance of Change**

Two perspectives dominate the literature on organizational change: episodic and continuous (Weick & Quinn, 1999). Changes in personnel or technology trigger episodic change, whereas improvisation, learning, and adaptation trigger continuous change. The leader's role shifts from a change agent, creating change in the episodic view, to redirecting change in the continuous view. Each perspective illustrates a role for leadership and the subsequent importance of first modeling change in order to facilitate changes in the culture of the organization. Accepting change is a challenge in nonprofit organizations because values and norms do not support social structures and relationships that enhance knowledge management. Social structures that enhance knowledge management include heterarchy (instead of hierarchy) (Hedlund, 1994; Schutt, 2003) and knowledge sharing among the dynamic relationships of groups and individuals (Alavi & Leidner, 2001; Gilbert, 2002; Hurley & Green, 2005; Sahay & Robey, 1996; Schutt, 2003; Snowden, 2002).

In addition, volunteer culture complicates nonprofit social structure. Reliance on volunteers makes knowledge management a key challenge because new volunteers entering a nonprofit organization need to know just enough to get a job done. However, recurring volunteers may come in once or twice a month and need to know if anything has affected

their task since the last time they volunteered. Volunteer turnover is also a problem for knowledge management. Volunteers working in a nonprofit setting may last only a few months, and without a knowledge management program, the knowledge they gain leaves with them. This constant change of incoming and outgoing volunteers poses challenges for managing volunteer knowledge.

Furthermore, for both volunteers and staff, organizational learning and socialization can enhance acceptance and sustainability of change (Farooq et al., 2005; March, 1991; Sahay & Robey, 1996; Schein, 1986, 1988). This socialization occurs as a result of organizational learning where mutual learning can be used for the development of knowledge in organizations. Organizational learning must be sustained (Farooq et al., 2005; Merkel et al., 2005) as part of routines that support the dynamic relationships of groups and individuals. Knowledge management can enhance sustainability, but NPOs must recognize the need for change as part of the organizational culture. As part of accepting change and supporting knowledge management, nonprofit organizations can explore knowledge management technologies.

Knowledge management technologies that are more likely to fit into the culture of NPOs are knowledge sharing technologies rather than knowledge application technologies because knowledge application technologies are domain specific and take more resources than most nonprofits have to dedicate to technology. Knowledge application technologies include expert systems and case-based reasoning systems. Expert systems capture knowledge and apply that knowledge to problems in a domain, resulting in a solution. On the other hand, case-based reasoning systems use knowledge from past experiences or cases to solve new problems. Because these systems take an enormous number of resources to design, develop, and maintain, such systems are beyond the financial scope of many nonprofit organizations. Yet, the scope of problems, for example, expert knowledge applied to fundraising problems, that nonprofit organizations face might be addressed using a knowledge application technology.

Knowledge sharing technologies, however, are already used by nonprofit organizations. Technologies such as the e-mail, search engines, document management systems, and databases store and allow users to share knowledge. Both knowledge application and knowledge sharing technologies must support the dynamic flow of knowledge and fit into the complex ecology of knowledge in organizations (Snowden, 2002). Technology acceptance occurs in the context of organizational culture that supports knowledge management initiatives through socialization and organizational learning. Accepting and sustaining a knowledge management culture remain key challenges for nonprofit organizations.

The goal of a business organization is to earn a profit, whereas the goal of a nonprofit is to provide a service. Structure and survival motivate change in for-profits. Competition

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