
Knowledge Management in UK Third Sector Organisations

Voluntary Sector and Volunteering Research Conference, New Researchers' sessions 2014

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Date submitted: 04/08/2014

Abstract

Knowledge Management (KM) is an emerging management discipline, not yet widely embraced by third sector organisations (TSOs). Pressures exist to adopt more 'commercial' management practices as competition from various sectors increases. This research examines KM practices and elements of KM infrastructure, specifically leadership and culture, tools and structures that support KM, and highlights barriers to successful implementation, to expand understanding of KM as a strategic concept within UK TSOs. A review of current literature led to a two phase research approach – online survey followed by case study of three organisations through semi-structured interviews.

Key findings included that KM is not well-recognised amongst UK TSOs, nor commonly incorporated into organisational strategy. Examples of knowledge practice were evident, but often occurred in isolation. ICT as an enabler was often problematic. Success was evident where strong leadership encouraged a sharing culture and strategic implementation of KM. The lack of expertise identified suggests more should be done to build management capacity and understanding of KM as a management discipline.

Paper

Background

UK third sector organisations (TSOs) are facing pressures to demonstrate continuous improvement and quality of service within a context of reducing financial resources. They are expected to adopt and implement traditional 'for profit' commercial practices, such as performance measurement, in order to compete in an environment that includes both for-profit and not-for-profit organisations. However, many traditional commercial practices do not easily translate to the third sector. Whilst for TSOs the mission driving their very existence is not financial, sound financial management is key to their sustainability (Poffley, 2010). There is also a need to focus on *outcomes*, rather than *outputs*, which can be costly, confusing and complicated.

Strategic management has evolved and changed considerably since the scientific management theories of Taylor (Anheier, 2005). A *knowledge-based view* has emerged, proposing that knowledge has become the most important strategic asset of an organisation (Grant, 1996). In the for profit sector, concepts such as 'Knowledge Economy' and 'Intellectual Capital' are common. Many TSOs are rich in knowledge assets, albeit in specific spheres, but perhaps do not understand their value, and even less how to manage them. They may be too focused on the mission to divert attention to business concepts such as Knowledge Management (KM) (Hume et al., 2012). TSOs need to understand how to harness and manage existing knowledge as well as discover new knowledge that is relevant to them - this enables innovation and increases competitive advantage (Stewart, 1997).

A major issue, particularly for smaller charities, is lack of funding for what is viewed as 'back office' work. Contracts are not won for how well knowledge is managed, although it seems logical that a more knowledgeable workforce should deliver a better quality service.

Why manage knowledge?

Knowledge Management encompasses several activities (KM processes), involving creation, storing, sharing and application of knowledge. KM can develop employees, improve customer service, reduce cost, reduce learning time for new employees and improve practice and procedures (Roman-Velasquez, 2004). This helps to motivate staff and improve retention, and contributes to improved organisational performance (Dalkir, 2011; Stewart, 1997).

Key to supporting these processes is the KM infrastructure – the tools, systems and supports organisations implement to promote and embed KM. For many non-profits, this would be addressed by implementing a 'KM System' – an IT based solution. However, the financial and resource investment in such infrastructure is likely to be considerable. In addition, research has shown that Information and Communications Technology (ICT) enablement in TSOs is likely to be lower than in for profits (Riege, 2005; Hume et al., 2012), and that KM based on ICT systems alone are seldom possible or practical for the non-profit sector (Renshaw & Krishnaswamy, 2009).

Well managed knowledge assets can enable organisations by:

- Improving service delivery
- Evidencing successful outcomes and impact
- Presenting organisational achievements more confidently in relevant arena
- Attracting funding
- Gaining competitive advantage in tenders/ bids

- Enabling more productive participation in policy matters
- Motivating staff
- Encouraging staff retention
- Avoiding duplication of effort and replication of resources
- Removing barriers (real or perceived) between functional areas

Value of this research

Whilst KM as a management discipline is well researched and more common practice in for profit organisations, there are gaps in specific research into the non-profit sector. As competition with other non-profit organisations as well as for-profit organisations increases, research into KM practices and experiences will contribute to the wider understanding of KM as a management discipline, particularly within UK TSOs.

Literature Review

As KM is a relatively new discipline, emerging in the 1990s, theory is still emerging. Research by Timbrell et al (2005) identified at least 18 KM theories. There are varied approaches and definitions that can make the information confusing.

There are many different definitions of KM, but the Gartner definition encompasses both technological and human perspectives and is relevant to this study:

“Knowledge management is a discipline that promotes an integrated approach to identifying, capturing, evaluating, retrieving, and sharing all of an enterprise's information assets. These assets may include databases, documents, policies, procedures, and previously un-captured expertise and experience in individual workers” (KM World, 2012 [online])

An extensive review of relevant literature showed that there is insufficient research and literature on KM in TSOs generally. The Australians lead the way in this area. Available literature has focused primarily on knowledge sharing processes. In general, the literature revealed that there was a general lack of understanding of the concept of KM as a management discipline within the third sector, and that it was not commonly practiced or understood.

Knowledge Management generally incorporates 4 stages (processes):

- Generation, creation or recognition
- Storing
- Sharing
- Applying

KM as a strategic initiative recognises the importance of considering both the phases of managing KM Processes and the need for an appropriate KM infrastructure – the *support systems* and *structures* that facilitate knowledge creation, storage, sharing and applying of knowledge. There are a number of elements to consider and there is interplay between the human and structural elements.

There is little research into the relationship between organisational culture and KM infrastructure, and there is disagreement over definitions of KM infrastructure. The majority of literature focused on the KM processes, mainly knowledge sharing or knowledge transfer.

Knowledge can further be classified as:

- Explicit - able to be written down (codified)
- Tacit – personal, context-specific, difficult to communicate in writing/pictures
- Implicit – incorporates “how to” do something

The evolution of knowledge from the tacit to the explicit forms the basis of many KM studies, probably the most well-known of which is that of Nonaka and Takeuchi (1995) undertaken in Japan. They developed the concept of the ‘knowledge spiral’ that theorises how knowledge is amplified through an organisation. They developed a 4 phase model:

- Socialisation S
- Externalisation E
- Combination C
- Internalisation I

Whilst their SECI model recognises the movement of knowledge from the individual to the organisational, and provides a framework to manage different stages, in reality it is likely that several of these stages are in action at any one time. In addition, Japanese are often with one organisation for life, where a spiral such as this is more culturally conceivable than in a culture where people change jobs regularly.

Intellectual Capital (IC) can be defined as “knowledge, experience, expertise, and associated soft assets, rather than hard physical and financial capital” (Klein, 1998, p1). IC is a broad concept, commonly split into 3 categories (Stewart, 2002) as shown in Table 1:

Table 1: Elements of Intellectual Capital

Human capital	Knowledge, skills, experience of employees. This links to the culture of an organisation, e.g. it includes attitudes and competencies of employees.
Relational capital	External factors that contribute to an organisation’s success, (e.g. brand, image), or the relationships an organisation has with its external stakeholders such as suppliers or purchasers and the way it is perceived by them.
Structural capital	Knowledge that remains within an organisation (e.g. specific procedures, learning materials). This supports the human capital.

Performance measurement systems incorporating IC are being developed; however they are not in common use within the UK third sector.

As external environmental issues are key influencers of TSOs, knowledge initiatives should be expanded to consider external stakeholders too. An external focus can help TSOs build their relational intellectual capital, and the benefits of this emerged in the literature (e.g. enhancing brand image, improving staff retention and morale).

Previous research shows that leadership and culture are highly significant factors in successful KM. Literature on the relationship between culture and KM focuses primarily on knowledge sharing, e.g. a positive correlation has been demonstrated between successful knowledge sharing and cultural qualities such as trust, openness, ability of staff to participate in decision-making and the opportunity for reward for engaging in KM (Al-Alawi et al., 2007). Organisations should develop a

'knowledge mindset' – i.e. employees should be encouraged to understand how what they know could be of value to others, how it can be passed on, utilised, and links to other sources of expertise within the organisation.

Thus an open culture where sharing is encouraged is the basis for successful KM. There is a lack of literature regarding the relationship between organisational culture and the other KM processes (creating, storage, application).

A 'Chief Knowledge Officer' can assist organisations to begin implementing KM. This person should be a senior leader with recognised authority to lead and implement KM initiatives and any cultural changes required, as well as having the operational overview across various functions of the organisation (Stewart, 2002; Tiwana, 2000). The identification and appointment of 'subject matter experts' in relevant areas to provide a focal point for expertise and knowledge dissemination (Rao, 2013) was also found to be important. Rao further highlights that good communication about these experts' location and function saves time and duplication of effort where staff are pursuing a particular strand of knowledge (ibid.).

It is vital that any KM initiative is linked to overall organisational strategy. An effective KM strategy can help drive innovation and effectiveness by facilitating smoother decision-making, encouraging social interaction and providing opportunities for new ideas to be discussed and critiqued by a range of staff before significant investment (Rao, 2013). It also encourages lifelong learning which drives employee satisfaction and engagement (Hudson, 2011).

Literature on barriers to implementation of KM initiatives identified lack of expertise, financial restrictions, ICT capability, cultural issues and geographical spread (Hume et al., 2012; Rao, 2013; BenMoussa, 2009) as being the most common issues.

The literature review consolidates views that successful KM does not rely on only one part of a business working – e.g. it does not merely rely on an ICT-based knowledge capture system. It relies on understanding and planning in all business areas – systems, people, culture and strategy. Successful KM must include planning for all levels and functions of the organisation – managing knowledge should be part of everyone's role. However, key to any success is expertise and good leadership as well as evaluation. There needs to be recognition, use and good management of knowledge as an asset that can be levered in order to improve organisational performance and sustainability.

The Research

Specific research objectives

- Objective 1:* Determine the level to which UK TSOs employ formal KM strategies and practices integrated to overall organisational strategy
- Objective 2:* Determine the relevance of leadership and culture in successful KM
- Objective 3:* Identify structures and tools that facilitate and support successful KM
- Objective 4:* Identify barriers that inhibit successful implementation of KM practices

Following an extensive literature review, further research was carried out in two phases:

- An online survey
- Case study by semi structured interview

The sample population for the first phase was an online network, Personal Assistants to Charity Chief Executives (PACE). The survey population was non-random and purposively sampled. There was also an element of convenience sampling (Biggam, 2011), as email access to the sample population was available, as well as permission from the network moderator.

The main purpose of the survey was to identify comparable organisations with KM practices to obtain a suitable sample for interviews that would form the basis of case studies relative to the research objectives.

The online survey was piloted, refined and then issued to the PACE network during November 2013.

Interview candidates were selected based on survey results to target organisations with more advanced KM practices to identify common themes, structures and tools employed. It also enabled identification of organisations where KM was not well developed, providing an element of comparison (Saunders, 2006). The data thus generated a sufficiently wide range of facts relating to KM practices to meet the research objectives. Interviews were structured around themes from the research objectives and emerging from the survey.

The case studies were undertaken through semi-structured interviews, allowing themes to emerge and enabling probing of specific points. Interviews were carried out with three respondents, two of whom had well-developed KM initiatives in place and one who did not. The organisations were demographically similar:

Table 2: Demographic information for case studies

Case Study Organisation	Annual income	No. Staff	No. Volunteers	Operating sphere	Primary Funding Source	Activity
A	> £1 million	201-500	200	Across UK	Contracts	Refugees
B	> £1 million	101-200	200	Across UK	Membership fees	Mental health
C	> £1 million	> 500	1-10	Scotland	Contracts	Mental health

Findings

Survey responses were received from 33 out of 200 (16.5% return rate). Whilst low, the results were considered valid within the population for this exploratory research. The limitations placed by the group moderator were severe, e.g. there was no opportunity for advance information on the topic, nor opportunity to follow up with a reminder to complete the survey. Both of these techniques have shown to improve response rates (Sue and Ritter, 2007).

The pilot highlighted that test respondents were not familiar with KM as a discipline. This was an important finding. Despite sending information to the PACE network outlining the research project and including an explanation of KM, it is likely that a low response was received because potential respondents did not fully recognise the subject matter. This links to findings in the literature that KM is not well-recognised or understood across the third sector.

The majority of respondents said that KM was not part of their overall strategy, yet 71% of organisations had specific group structures to enable knowledge sharing, and 61% had an overall organisational information-sharing structure in place for staff.

Only two respondents stated that they had a formal 'Chief Knowledge Officer' role within their organisation.

93% of respondents claimed that their staff 'just knew' who to turn to for expertise in specific areas. This correlates with findings in the literature that there is little movement to harness and formalise knowledge in TSOs (Hume et al., 2012). It also creates issues, for example if that specific colleague was not available, or when these people leave an organisation, in that their explicit knowledge is not available when other employees require it (Burnett, 2012).

Exploration of ICT capability revealed that whilst 63% of respondents had an online space for sharing knowledge, and 75-100% of staff/ volunteers were *able* to access this regularly. However, *actual* use of the space was estimated to be only 25-50%.

Interviews were structured around themes from the research objectives as well as those emerging from the survey. During interviews, in addition, performance management was discussed by all three interviewees. The themes emerging from the interviews are outlined in Table 3.

Table 3: Relevant elements emerging from case studies (interviews) by theme

	A	B	C
Leadership/ Culture			
Knowledge as part of organisational strategy	No	Yes	Yes
Leadership values and rewards knowledge sharing and leads by example	No	Yes	Yes
Board effective	Not mentioned	Yes	Not mentioned
Has 'Chief Knowledge Officer' role	No	Yes	Yes
Regular strategic planning, involving staff input	No	Yes	Yes
Organisational structure			
Organisational structure type	Bureaucratic, Decentralised	Post-bureaucratic, Centralised	Post-bureaucratic, Centralised
Structure altered to support/ facilitate KM	No	Yes	Yes
Specific area/ team to focus on knowledge	No	Yes	Yes
Geographically diverse	Yes	No	Yes
Performance Management			
Organisational PM/ Quality system	No	Yes	Yes
Individual performance management	Yes	Yes	Yes
Individual PM linked to organisational objectives	No	Yes	Yes
PM facilitated by IT	No	Yes	No
Use knowledge to evidence quality	No	Not mentioned	Yes
Tools/ Structures facilitating KM			
Specific groups and structures to facilitate knowledge flow	No	Yes	Yes
Records Management good	No	Yes	No
Intranet/ Extranet	Yes	Yes	Yes
ICT system facilitates communication and knowledge sharing	No	Yes	No
ICT requires investment	Yes	No	Yes

In summary, the data from both the survey and the interviews demonstrated:

- KM is not widely practiced as part of organisational strategy in UK TSOs
- Very few respondents formally practiced KM as a management discipline
- Very few respondents had a 'Chief Knowledge Officer' or similar role
- Whilst many respondents had an online space they could use for sharing knowledge, access and usefulness were often perceived as limited
- The link of knowledge management to performance measurement was not well understood, but where they were integrated this had a positive influence
- Leadership and culture appear to have significant impact on KM, as does the integration of KM into overall organisational strategy
- Organisational structure appears to be a factor that supports or inhibits good KM, in particular the flow of knowledge across an organisation
- Investment in ICT systems that support communication and knowledge sharing had a positive effect on the flow of knowledge
- Strategically supported groups to support knowledge management had a positive influence
- Barriers to successful KM included *inter alia* lack of investment in ICT systems, lack of leadership understanding and support of KM, a decentralised organisational structure

Summary of findings and conclusions

KM is not well integrated into organisational strategy within UK TSOs. It does not appear to be well understood as a management discipline and there is a lack of expertise in this area.

Leadership and culture play a highly significant role in successful knowledge management in TSOs.

Formal knowledge structures (e.g. Communities of Practice, Knowledge Groups), can be beneficial in embedding and supporting KM. However these groups need to be adequately resourced, supported by leadership, and their activity monitored to ensure alignment with overall strategy, e.g. link to HR/ Training strategy. ICT systems play an important role in underpinning communications and facilitating the transfer of knowledge across an organisation and providing online space for storage of knowledge.

Financial restrictions, lack of investment in adequate ICT systems and geography may be considered barriers against successful KM; however the most significant barriers relate to lack of expertise, lack of recognition of the value and importance of KM, lack of strategic integration (and lack of senior leadership focus) and an organisational culture that does not lend itself to a knowledge mindset.

It is clear that KM could be beneficial to many TSOs. Being able to harness and share knowledge can lead to greater efficiency and ultimately aid competitiveness and sustainability, as well as provide improved outcomes for beneficiaries and improve staff retention. A successful KM initiative will be led from the top but be actively implemented and engaged with from the bottom up. Reasons for introducing a more formal approach to KM must be made clear to all stakeholders, and must link to overall business strategy. Appropriate evaluation and measuring systems should also be considered as part of the overall design.

More than any other factors, the conclusions of the research highlight the significance of cultural influences and leadership support for and engagement with KM on a strategic, holistic basis.

Recommendations

Specific recommendations are outlined below.

- Identify experts within the sector
- Raise awareness of KM
- Research barriers to KM
- Develop management and leadership skills
- Integrate Knowledge into Performance Management Frameworks
- Develop KM toolkits

Identify experts within the sector

As identified in the literature, the identification of subject matter experts or champions assists with knowledge transfer, and this would be a suitable paradigm to employ in order to understand and promote KM within the sector. It is recommended that further research be undertaken to identify and examine TSOs with established KM strategies. These 'knowledge leaders' could take the lead in establishing knowledge communities within the third sector as sources of information and good practice.

Raise awareness of KM

The first conclusion found that UK TSOs do not focus on KM as part of overall organisational strategy. TSOs would benefit from broader understanding of KM concepts in order to enable them to formalise knowledge processes and integrate these isolated practices into overall strategy. Thus the relevance and potential benefits of KM need to be more widely understood across the third sector. Promoting understanding of KM would enable leaders to build third sector capacity for knowledge management as strategy and practice. It is recommended that regulators, umbrella bodies and third sector think tanks make information on this topic more widely available.

Research Barriers to KM

It is recommended that further research into potential barriers (real or perceived) to KM be undertaken, as this would assist senior leaders in their planning initiatives of the future. Further research into the ICT capability of the sector would enhance understanding of its use as an enabler of good KM. Whilst there are various ICT platforms available that support KM, these can often be financially beyond the reach of many TSOs, yet open source systems may be available that could be used to good effect by TSOs. For example, use of wikis could facilitate improved knowledge sharing. More information about the availability and potential of these systems could improve the sector's uptake of them, and enable better KM as a result.

Develop Management and Leadership Skills

The research uncovered that there were knowledge practices occurring in isolation within organisations, but a lack of integration into overall strategy. It also identified the importance of strong leadership and the relevance of cultural issues. Third sector leaders need to acquire and refine the required skills to establish and encourage a knowledge-minded culture within their organisations. By encouraging the harnessing and use of existing knowledge, TSOs can maximise use

of resources, improve staff retention and deliver improved outcomes for beneficiaries. This requires to be strategically led, with organisational support for any structures and systems put in place to support it.

Integrate Knowledge into Performance Management Frameworks

The need for organisations to adopt more commercial practices and increasing demands for performance monitoring and evaluation has been demonstrated. The inclusion of knowledge measurables in evaluation frameworks would assist in building understanding of how KM can benefit organisations, funders and beneficiaries. An example of this type of link would be the integration of practice development into overall performance monitoring. In addition, further research into Intellectual Capital as a measurement tool, and development of firm models and frameworks applicable to the UK third sector, is recommended.

Develop KM toolkits

KM models and frameworks are still emerging. Whilst 'KM Toolkits' do exist, they have thus far been restricted to for profit contexts, and are largely based on costly ICT systems. The development of a KM Toolkit applicable to the particular needs and environment of the third sector in the UK is a further recommendation from this study.

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