

**Spending Smarter:
Knowledge as a Philanthropic Resource**

The Project on Foundations in the Knowledge Economy
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Lucy Bernholz
San Francisco, California
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Table of contents

Introduction.....	4
The Opportunity.....	5
What is Knowledge Management?.....	8
Knowledge Management and Foundations.....	10
Failures of Knowledge Management.....	16
Knowledge and the Philanthropic Industry.....	18
Building Knowledge Foundations: External Changes.....	19
Building Knowledge Foundations: Internal Changes	22
Philanthropic Knowledge Management Strategies: An Early Inventory.....	27
From Ideas to Action.....	31
Conclusion.....	31
Resources.....	32

Introduction

Imagine an organization that routinely gathers data, systematically derives new learning from it, makes decisions based on those lessons, invests both dollars and the expertise that is gathered from the organizations it supports, and you have a new institution: the knowledge foundation. Such an organization relies on a re-valuing of foundation assets to include not only their financial resources, but also their information technologies, knowledge bases, and organizational learning systems.

The thesis of the Project on Foundations in the Knowledge Economy is that the strategic use of information assets, supported by new structural incentives and the judicious application of information technologies, offers foundations an opportunity to significantly increase the impact of their grantmaking.

As foundations recognize the value of their information assets – timely knowledge about social trends, community change, and organizational behavior – they will place the kind of emphasis on knowledge development, management and dissemination as they now do on grant processing. Understanding the role of information assets will benefit from and contribute to current discussions on the added value of philanthropic grantmaking.¹

This paper is a first attempt to redefine institutional philanthropy in this way. We seek to add to the recognized definition of foundations' resources in ways that can unleash more of their potential as change agents. Knowledge fits in at many levels and places in the organization. By better understanding the roles of information and knowledge, foundations can augment their resource base and add to their set of available tools.

One caveat about knowledge as a resource: valuing foundation knowledge neither subtracts from the importance of financial resources nor is it meant to distract foundations from thinking strategically about those resources. Rather, knowledge assets add to the foundation's resources, as they become strategic guides in deploying financial resources, as well as one of the desired returns on those investments.

The development of new ways of using and sharing knowledge will improve the ability of individual foundations to accomplish their missions. It also will improve the ability of the industry as a whole to calculate the overall contributions it makes to society in return for the public trust it holds. Foundations that can manage knowledge and apply it strategically will leverage other private and public funds to their issues and initiatives, and manage more effective partnerships. They also should be able to measure improvements in their internal efficiency and the effectiveness of their staff and board decisions.

This paper considers the current context of institutional philanthropy as both a reason and an opportunity for this redefinition. It also looks at knowledge management in the commercial sector, and considers what those lessons offer in the field of philanthropy – and where they fall short. To avoid putting a square peg in a round hole, we adapt what we know about knowledge management to what we know about philanthropy – and not vice versa. It has been said that

¹ See Michael E. Porter and Mark R. Kramer, "Philanthropy's New Agenda: Adding Value," *Harvard Business Review*, November 1999.

foundations have only the “blunt instrument of money” to bring to the public problem-solving arena. We would propose that the deliberate use of knowledge sharpens that instrument.²

The Opportunity

Foundations are institutions of time and place. The momentous economic and social changes of the early 21st century are having as great an impact on philanthropy as they are on Americans' sense of identity, the pace of modern life, community and family values, and how Americans' view national and global affairs. Foundations are beginning to feel the effects of new information technologies, new wealth creation, growing disparities between rich and poor, an increasingly diverse American populace, and new ways of doing business. Indeed, they are experiencing profound changes as a result of these broad societal shifts.

Three things define philanthropy at the dawn of the twenty-first century: the rate of growth of both assets and organizations, a rapid diversification of participating institutions, and the development of ancillary industries.

The growth of foundations and philanthropic assets is unprecedented. In the last 20 years, the number of U.S. foundations has more than doubled to over 50,000. The financial assets of major foundations have increased by more than 40% in the last two years, with more than \$20 billion dollars in new foundation assets in 1999 alone. In 1999, US foundations managed endowments worth more than \$448 billion.³ While this annual rate of growth is expected to slow in the current economic downturn, the longer-term industry projections are for continued expansion.

In addition to the growth in overall assets, the sheer number of philanthropic foundations is skyrocketing. The years 1997 and 1998 each saw formation rates of new foundations hit six percent, a two-year record. The industry is bifurcated and dispersed. The majority of U.S. foundations (62.5%) have assets of one million dollars or less. At the other end of the spectrum, the 190 largest foundations (.4% of the whole) manage more than 50% of all foundation assets. Their grants account for more than 37% of the industry total.⁴ At the large end of the spectrum, forty-five foundations manage more than one billion dollars in assets. At the other end, almost 30,000 foundations manage assets of a million dollars or less.

Concurrent with this growth in assets, the independent sector is preparing for an unprecedented intergenerational transfer of wealth. Some estimate this transfer will reach more than \$100 trillion over the next fifty years, with estimates of charitable contributions in the range of \$6 to \$25 trillion.⁵

The second defining characteristic of philanthropy is the diversification of structures within it. In the past decade several new organizational hybrids have been created that pull from both the

² Craig McGarvey, Program Director, The James Irvine Foundation, upon receiving the 2001 Robert Scrivner Award for Creative Grantmaking from the Council on Foundations.

³ Foundation Center, *Guide to US Foundations*, New York: The Foundation Center, 2000.

⁴ Ibid.

⁵ John J Havens and Paul Shervish, “Millionaires and the Millennium: New Estimates of the Forthcoming Wealth Transfer and a Coming Golden Age of Philanthropy,” Boston, Boston College Social Welfare Research Institute, October 1999.

commercial and nonprofit sectors and have rapidly amassed enormous financial resources. The industry includes a variety of structures, all of which operate within the same sections of the tax code, but which are otherwise distinct. The mix includes foundations (public, private, corporate, and community), bank trusts, financial service firms' charitable fund products, giving circles, donor advised funds, public grantmaking charities, and e-philanthropy firms.⁶ This is much different from a few decades ago when the major philanthropic categories were only bank trusts and foundations.

Third, the industry has given rise to a significant number of secondary vendors including consulting firms, research institutions, and product firms. The industry is developing both watchdogs and infrastructure support. Some of these organizations represent an increasing lobbying, communications, and advocacy role for philanthropy. Others are dedicated to staff and board development. Some focus on ethical management, and many simply sell customized products or services for which institutional philanthropy is their target market. These developments are important for the culture of philanthropy, as well as for the role that networks and relationships begin to play.

Other important developments in the last decade include:

- Increased public scrutiny of and academic research about the independent sector;
- The proliferation of new philanthropic communities of interest and professional alliances (such as geographic and issue-based networks); and
- The increasing diversity of foundation staff and founders.

In addition, both established and emerging philanthropic institutions are seeking ways to measure their impact, leverage their financial resources, and capitalize on select business practices to improve their work.

This moment presents an important opportunity for foundations. For all their growth and changes, and their newfound place in the public view, foundations continue to struggle to show the effect of their work, the impact of their investments, and the justification for their tax-exempt status. Recent boom times led to a growth in the number and visibility of foundations. The coming decades may well see increased public scrutiny of philanthropy and calls to account for its privileged place in the tax code.

Change in philanthropy will happen within a unique framework of human networks, competition and collaboration, rapid growth and diversification, and the challenges of measuring social change. What this will take is not change on a one-by-one basis, but the deliberate evolution of an industry. For foundations have the freedom – rather, they have the imperative– to work together with peers to achieve their goals. As such, they are in a unique position to create new structures, strategies, and methods of working that can be shared generously and without

⁶ See www.actknowledgeworks.org/ephil “E-philanthropy v2.001: From Entrepreneurial Adventure to an Online Community” for 2001 review of e-philanthropy efforts. Also see “High Tech Hopes Meet Reality,” *The Chronicle of Philanthropy*, June 14, 2001, p. 1, 8-23.

negative consequence. Networks of foundations in cities and regions around the country can adopt deliberate, collective, knowledge-based, networked strategies to achieve shared goals.⁷

The size of the industry sets the stage for considering if and how knowledge plays an important role. Within this sector's growth, individual foundations are seeking ways to differentiate themselves and identify their value.

While nonprofits see foundations as money-printing machines, all foundations have limited financial resources, most of which pale in comparison to the size of the problems they wish to alleviate and even the size of the public budgets dedicated to the same issues. No single foundation has the resources to solve any problem. Increasingly, major foundations are looking for funding partners or ways to leverage other financial resources. It is here that we find a compelling incentive for organizational change. To attract other resources to their issues, to their partnerships, and to their nonprofit partners, foundations must establish themselves as savvy, smart, effective organizations. They must be able to show results. And they will do so by the effective use of *all* of their resources: financial and knowledge. In short, they must spend smarter.

Foundation knowledge assets take many forms and are found in many places. They include community data on key issues, staff knowledge of effective strategies, experience-based information on community leaders, public sector issue data, research reports and analysis, evaluation data, the skills and resources of their reference librarians, and the institutional memories of their long-term administrative staff people. The assets also include community relationships, their convening skills, and their abilities to draw together disparate information and people to address complicated issues. Given the variation in these assets, finding, cataloguing, deploying and valuing them is only possible if the purpose for doing so is clear.

Foundations, of course, have fundamentally different bottom lines than commercial entities. For philanthropy, the meaningful bottom line is mission accomplishment – which usually is linked to social change.

The only way to know if a foundation has accomplished its mission is to know how well its nonprofit partners have achieved their goals. Since nonprofit mission accomplishment does not generate a financial return to the foundation, the currency of this exchange cannot be measured in dollar values. Instead, the appropriate currency to assess this return is knowledge creation and application.⁸

Both the key sources and users of information and knowledge are external to the foundation – other grantmakers, policymakers, and nonprofit organizations. *As such, foundations trying to find and use knowledge as a resource need to rethink where the borders of their organizations are, where they get knowledge from and how they use it, and, most important of all, how using information and knowledge aligns with and can accelerate progress toward the foundation's mission.*

⁷ See Lucy Bernholz, *The Deliberate Evolution*, paper prepared for the Marco Polo Project, October 2000. Available at www.blueprintrd.com/publications.

⁸ A great deal of work is now underway regarding metrics of social return on investment. See the Roberts Enterprise Development Fund (www.redf.org) and The Morino Institute (www.morino.org).

A **knowledge foundation** is a philanthropic institution that views knowledge as a distinct asset and strategically develops, captures, uses, and shares knowledge to achieve its mission. The foundation recognizes that it relies on both external and internal knowledge, and develops strategies that are appropriate to both sources.

What is Knowledge Management?

Knowledge management is not new. It is an age-old practice of finding what you need to know when you need to know it, learning from experience, using what has been learned in new ways, and being able to apply information in ways that make you more effective and efficient.

Many organizations have been doing this informally and well for years. Family businesses that survive across generations rely on some transfer of knowledge from parents to children. They also require that the children apply the old ways fit a new context. Likewise, foundations and nonprofits rely on long-term personnel connections, individual memories, and, sometimes, internal libraries or archives.

A newer, more formal definition of knowledge management is “the organizing and structuring of institutional processes, mechanisms and infrastructures to create, store and reuse organizational knowledge.”⁹ This definition speaks directly to the organizational aspects of knowledge management. Successful knowledge management strategies are about more than just information or technology or people or structures. They integrate them all.

Foundations have long operated within the realm of knowledge and ideas as drivers of social change. Using research, making informed decisions, learning from what happens, and being smarter about their work over time are common goals for many grantmakers. But for most foundations the strategies and systems for doing this have remained temporal and personal. Long-term staff people, founders’ memories, board members preferences, staff and community meetings, evaluation and research studies, and the occasional archive, have, to-date, been the knowledge management tools of most foundations.

These tools are important. However, they are insufficient for helping foundations really capture, catalogue, share, use, and measure what they know and what they are doing. To sustain the work that they fund and to leverage other public and private resources, more systematic strategies are needed.

Core principles

For foundations, knowledge management should start from the same principles that guide copyright laws. As intellectual property specialist Jessica Litman notes in her analysis of copyright laws in the digital age, “Copyright laws in the United States and elsewhere begin with the principle that neither the creator of a new work of authorship nor the general public ought to be able to appropriate all of the benefits that flow from the creation of a new, original work of authorship.”¹⁰

⁹ Kuan-Tsae Huang, Yang W. Lee and Richard Y. Wang, *Quality Information and Knowledge*, New Jersey: Prentice-Hall, Inc, 1999, pp 113.

¹⁰ Jessica Litman, *Digital Copyright*, Amherst, NY: Prometheus Books, 2001, p. 15.

If either party did, creation would cease. Without the right balance, the relationship between creators and users gets thrown off, and one side or the other will suffer to the point of either leaving the market altogether or developing a black market for pirated goods.

The key principles that guide copyright law are that:

- Creators of information need incentives to create.
- Creators need to be rewarded for what they create.
- Users need access to knowledge at reasonable and fair costs.

Copyright laws, then, are designed to protect those who've created something, and those who choose to use it. In addition, Litman notes that "...all authors use raw material from elsewhere to build their works...If creators were given control over every element and use of the works they created, there would be little raw material left for later authors."¹¹

For philanthropists, knowledge management strategies need to start from and always return to these same principles. There must be incentives for people to share what they know. They need to be rewarded for what they contribute. People must have easy access to the knowledge. In addition, new knowledge is built from existing sources, and is a collaborative and cumulative process.

Foundation knowledge management strategies should be customize these principles to fit their particular culture and organizational strengths. Chart One on the following page shows three key phases of this work - designing, implementing and revising – and common tools, barriers and facilitators for accomplishing these tasks.

¹¹ Ibid, p. 15

Chart I : Steps, tools, organizational barriers, and facilitators¹²

Phase	Steps	Tools	Barriers	Facilitators
Designing	Set a goal	Leadership	Not a priority or reliance on traditional data	Introduction to new ideas and time to learn
	Build a shared vision	Early and consistent communication Participatory design	Hierarchical structures	Involve program, communications, research, evaluation, administrative staff in brainstorm meetings
	Identify resources	Knowledge inventories Stakeholder meetings Surveys, interviews	Sense of risk or complacency Performance disincentives	Consulting firms Incremental approach Set aside time
Implementing	Phase in	Timelines Short-, mid-, long-term goals.	Over ambitious plans Too much to do already	Establish benchmarks Use mentors
	Build widespread use	Incentives & performance criteria Training Access to technology	Fear of the new No time to learn Comfort in the known	Eliminate obsolete tasks as new tasks are added Promotions, pay, recognition
	Work across silos	Mutual accountability	Individual expertise	Identify cross-program outcomes
Revising	Plan to customize	Structured reviews & benchmarks	No sense of impact	Feedback loops (internal & external)

Knowledge Management and Foundations

There are key difference between how foundations use knowledge and how it is used in the corporate sector. The driver in the commercial world is profit. For foundations it is social change. The success factor, in other words, is external to the foundation. This influences where foundations get their knowledge, how they use it, what knowledge they generate compared with what knowledge they freely use from peers, nonprofits and the public sector, and how they measure the success of their efforts.

¹² This chart was informed by David A. Garvin, *Learning in Action: A Guide to Putting the Learning Organization to Work*, Boston: Harvard Business School Press, 2000; Carla O'Dell and C. Jackson Grayson, Jr., *If Only We Knew What We Know*, New York: The Free Press, 1998, and Wendi R. Bukowitz and Ruth L Williams, *The Knowledge Management Fieldbook*, Edinburgh: Pearson Education Limited, 1999.

Chart II: Comparing knowledge management in the commercial and foundation sectors

	Commercial	Foundations
Sources of knowledge	Staff, board, public data, private research, vendors, competitors	Staff, board, nonprofits, peer foundations, public sector, private research
Where it can be used to accomplish goals	Internally Possibly shared in joint ventures.	Internally. Externally with nonprofits, other funders, public sector, media, advocates.
Motivators	Competitive advantage	Mission accomplishment
Short-term measures of success	Staff efficiency	Staff efficiency Appropriate use of staff skills
Mid-term measures of success	Increased number of patents, trademarks. Higher valuation of intellectual property	Leveraged others funds More partnerships (public and private) Stronger relationships with nonprofits Stronger reputation in field
Long-term measures of success	Profit	Mission accomplishment

Until now, the ability to capture and use this knowledge has been somewhat under exercised. Nonprofits, of course, have tried to capture 'best practices,' as have many foundations. There have been too few deliberate connections and incentives between knowing what work needs to be done, using that knowledge to develop and implement foundation funding strategies, capturing that knowledge as the work progresses, and reconsidering and reapplying the new knowledge through the grantmaking cycle.

"Any company that depends on smart people and the flow of ideas must choose a knowledge management strategy."¹³ Certainly this applies to foundations. They rely on smart staff and board and the judicious gathering and application of information to guide their program strategies and to assess their impact. How then do they choose a knowledge management strategy?

There are several strategies for knowledge management that have particular benefits for foundations. In one widely regarded review of management consulting firms, two categories of strategies emerged: codification and personalization.¹⁴ Choices between the two were driven by

¹³ Hansen, Nohria, and Tierney, "What's Your Strategy for Managing Knowledge?" pp 111.

¹⁴ Morton T. Hansen, Nitin Nohria, and Thomas Tierney, "What's Your Strategy for Managing Knowledge?" *Harvard Business Review*, March-April 1999, pp 106-116.

whether the firm focused on solving multiple variations of the same types of problem, or whether they tended to work on many different types of problems that required a core set of analytic skills.

For those who work on the same kinds of problems, the best firms could invest heavily in solving a problem once, and then build ways to codify the solutions for quick, reliable, re-use. For the firms that worked on highly differentiated problems, the most effective strategy was to develop ways to learn from each engagement, codify who knew what, and then build a system to find the right colleagues at the right time to address new situations. The first strategy, codification, relies on an economic model of re-using knowledge for multiple projects. The second strategy, personalization, uses a model of assembling expertise appropriate to each situation.

This example is important for foundations. They must determine whether or not they know enough from their past work to codify solutions, or if the more appropriate strategy will be to codify “who knows what.” They must consider how many “problems” they are working on, how useful is the current state of information on what works, and whether or not they can identify “re-usable” strategies for each new grant opportunity.

Given the need for foundations to leverage other resources, the catalogue of effective solutions is best not held within an individual foundation but should be an industry resource that would be freely shared with nonprofit and government partners. At this time, no such resource exists, although much of the raw data may be locked within foundations in reports, research, evaluation studies, and other internal sources. At the same time, personal relationships and experience clearly matter a great deal in philanthropy. Some industry associations have made concerted attempts to catalogue philanthropy’s “human knowledge.”¹⁵ Given this, the personalization strategy augmented by codification efforts seem to fit best with philanthropic culture and existing resources.

Knowledge management strategies in the corporate sector are linked to efficiency and profits. In the nonprofit sector they must be linked to mission accomplishment. What foundations need to consider is how the various tools for knowledge management apply to their organizations.

Several factors will influence these decisions. Many are internal to the foundation – how many staff people work for the foundation? What types of information do they use? Where do they get this information? How does the staff use technology? How does the foundation currently measure its success?

Several important factors in choosing a knowledge management strategy are external to the foundation – how does it communicate with the public? With whom does it partner? How does it work with nonprofits?

¹⁵ The Association of Small Foundation’s “Peer Exchange” is a classic example.

Questions to ask in developing a foundation knowledge management strategy

- How will knowledge help accomplish our mission?
- What types of problems is the foundation trying to solve?
- What information and knowledge sources does the foundation use?
- How does the foundation use information and knowledge?
- What are the organizational barriers and facilitators to changing?

Determining how knowledge fits into a foundation's mission requires at least two pre-conditions:

- A clear mission with articulated outcomes
- Knowledge application opportunities that are explicit enough to be considered as factors in success or failure

The first and last question foundation executives or board members should ask themselves about using knowledge is: toward what end? How will creating or fostering an emphasis on the use of knowledge improve our work help us achieve our mission. All decisions should be made with clear answers to this question in

mind.

Toward a knowledge foundation

Here is an example. The K Foundation is committed to helping children learn and develop into healthy adults. It funds afterschool programs as part of this mission. In addition to research and advocacy, it funds several local programs. In each of these proposals, it notices a budget item for transportation.

After several years, the foundation staff realizes that they have been spending tens of thousands of dollars every year on bus insurance. They know from research on afterschool programs that transportation is key to success. They also know from informal conversations that their peer foundations are effectively funding the bus and insurance companies as well. They also know that the local city government spends millions on public transportation. They decide to see if there isn't a more efficient and effective approach.

The K Foundation's evaluation staff review five years worth of grant proposals and develops a standard means of calculating transportation expenditures. A graduate student researcher is hired to gather the same data from as many of their local foundation peers as possible, and they assemble historical data from twenty foundations, totaling several million dollars annually.

The K Foundation convenes its peer foundations and the nonprofit organizations that were being funded by most of the foundations to run these programs. They share the data analysis and ask the group, "Isn't there a better way?"

After several discussions, the group decides to jointly investigate pooled transportation opportunities. It also proposes several ideas for working with the city to make better use of public transportation facilities. One of the foundations has its research staff analyze the local

public transportation system and budget on behalf of the group, while another foundation's reference librarian identifies model transportation partnerships. The researcher contacts the local newspaper's transportation and city desk reporters for data and past analysis, and to let them know the work is happening. A report is developed and the foundations and nonprofits invite several department heads from the city and school district to review the study and help them develop alternative, cost-effective solutions for transporting the city's children to afterschool programs.

The joint group of foundations, nonprofits, and city leaders identify numerous short and long-term options. They include a private bus pool, safety monitors on public bus lines so parents will allow children to ride by themselves, new public bus routes, reduced bus rates for program staff so they will ride with the children, a public awareness campaign, parent information workshops, and coordinated schedules and locations for afterschool programs.

Some of the short-term solutions are implemented, work begins on the longer-term strategies, the media covers the story, and other cities begin to seek out the lead nonprofit, foundation and department heads for advice.

Over the years, the individual foundations see a decrease in expenditures for transportation and bus insurance. The programs track improved attendance rates, and the city sees an increased use of its public transit without an increase in safety violations. The foundations share their analyses of the joint work with the nonprofits and the public, and new opportunities for helping young people learn and develop are identified.

The simplicity of the example above is intentional. Many foundations executives will read this and say, "Of course, we are already doing this." But the subtleties are important. How often do foundations actually do the syntheses and analyses of grant reports and share that back with a group of nonprofits? How often do they work with community agencies to identify the next round of community education goals to pursue? How often do they tap journalists as data resources? How often do they work to publicly demonstrate how what they are learning is informing their next round of decision-making, or actively seek ways to help nonprofit partners demonstrate the same thing?

Acting the way the example describes would require new types of behavior by most foundations. It would involve a level of participation in the problem definition stage that few foundations open up to the nonprofits. It would require a willingness to reveal what sources and research are being used to inform strategy development. It also would involve foundation staff (or board) sitting at the table, learning from and with nonprofits, local government and journalists; doing some of the heavy lifting (synthesis and analysis), while acknowledging that the nonprofits themselves are the source of the data, the information and much of the knowledge about what families need to access high quality afterschool programs. In this example, the foundation is developing, using and sharing this knowledge.

Such changes require new staff structures and responsibilities. They need new definitions of communications and evaluation. They call for a different role and emphasis in the work of program staff. Many foundations are, in fact, moving on some of these tracks. But the example above requires that these changes be made simultaneously and strategically within each organization.

Changing the ways in which foundations operate so that the subtle differences between the example above and the ways foundations now work requires change across many levels of the organization.

The next section talks about those changes within individual foundations and across networks of funders and nonprofits.

The above example also allows us to consider what we know about knowledge management in light of what we know about foundations. From this we can see five core principles for knowledge management in philanthropic institutions.

Five core principles of knowledge management in foundations

- Missions drive strategies
- Information quality matters
- Leadership and learning are key
- Incentives make change happen
- Measurements must matter¹⁶

Why Now?

The K Foundation example points to many of the reasons this kind of change is now possible. Since foundations are increasing in numbers finding local peers with whom to analyze situations is now easier. Funders have access to public budgets and can share information electronically to streamline analysis. They are aware of the need to leverage private and public funds to accomplish their goals and are finding ways to work together to do just that.

Foundation program assessments typically note the limited potential impact of private dollars. As the overall pool of philanthropic funds grows, however, more individual foundations are questioning how they might assess the impact of their cumulative resources, not just their individual contributions. This is an important first step toward drawing conceptual models for philanthropic knowledge management that recognize networks of foundations, not just stand-alone organizations.

Foundations also are investing heavily in technology, evaluation and communications. These three components are critical to thinking about knowledge in foundations. But they must work together, not separately to make a difference.

The long view

The potential for using knowledge as a deliberate element in philanthropic activity must be tied to what is one defining characteristic of (most) foundation philanthropy. Almost all endowed foundations are established in perpetuity. They are here for the long haul. What is often held

¹⁶ Adapted from J. Bruce Harreld, "Building Smarter, Faster Organizations," in Don Tapscott, *Blueprint to the Digital Economy: Creating Wealth in the Era of New Business*, New York, NY: McGraw-Hill, pp 72-74.

up as an example of the lack of foundation accountability – they can neither be voted out of office and they won't go broke – instead makes them a good fit for learning from their work (and that of their peers) over time. They can, and should, be taking the long view. This perspective calls for learning from what you do, sharing those lessons, and seeking new information, free from the short-term pressures of shareholders or voters.

We are only starting to understand how deliberate knowledge management and application principles can work in the philanthropic sector. But we have an imperative to learn how to do this work better – for even as philanthropic assets have exploded in size in recent years, the social challenges they seek to redress have grown faster and bigger. If we compare foundation grantmaking to energy production (an apt metaphor for California in 2001), knowledge is akin to sustainable, renewable resources. Knowledge is generated from grantmaking as heat is generated from energy production. As we seek to not waste – but instead harness – that heat, we should seek to use that knowledge. Doing so will require new ways of working with partners, new means of distributing what is learned, new ways of structuring organizations and new methods of measuring value and outcomes.

The relationship between knowledge foundations and their nonprofit partners is, effectively, a two-way distribution system. Nonprofits provide foundations with a distribution system for applying their financial resources to social improvement efforts. In return, foundations must become conduits of the nonprofits' knowledge.

Failures of Knowledge Management

Developing and implementing deliberate strategies to use knowledge is neither revolutionary, nor is it likely to vault foundations into a new stratosphere of effectiveness or positive public perceptions. What it can do is position philanthropists to leverage other resources, strengthen their ties to their community partners, and make them more internally effective. It also will contribute to the definition of value that distinguishes foundations from other charitable giving structures that enjoy the same tax benefits. This value definition will benefit the entire foundation community in subsequent upcoming regulatory reviews and economic downturns.

To avoid jumping into knowledge management without truly considering its limits as well as its potential, it is worth looking at several common mistakes.

If you build it, will they come?

One of the great failures of knowledge management has been the mistaken belief that it starts with technology. Technology has changed how we as a society think about information. It has contributed to profound changes in how we work in different organizations as well as the overall economy. However, it is a tool to help people and organizations learn and share knowledge. It is not itself the answer. Planning for new uses of knowledge must start with the people involved, not with the power of technology.

Knowledge management efforts that begin with building new intranets, extranets, email systems, library catalogues, databases, or other technological wonders, will fail. People will not change how they work just because they are told to, or because a new set of computer-enabled

tools is dropped on their desks. The first steps must be setting clear goals and building staff and board support toward a shared vision of the value and purpose of the change effort.

Silos of knowledge

Foundations often organize themselves into program categories that align with the various interests of the board and the functions of running the operation. As soon as they begin to add staff, then, they develop program specialists (e.g. arts, education, the environment) and separate management functions (e.g. finance, legal, operations). These program areas often develop into silos – separated by individual budgets, individual strategies, and individual outcomes. Knowledge gets trapped in these silos. In the worst cases, the education program officer has no opportunity or incentive to share ideas with the environmental program, even though the foundation has an interest in environmental education.

Breaking down these silos is both a challenge for philanthropic knowledge management -- and an opportunity. Sharing knowledge can be the means of building connections across programs. Doing so in meaningful ways requires joint accountability across programs (mutual outcomes, for example) and valid incentives.

Add without subtracting

The nonprofit sector has been a late adopter of almost every management fad to ever hit corporate America. From Total Quality Management to re-engineering, teams to balanced scorecards, nonprofits and foundations often follow in the corporate world's footsteps.

Often these management tools and theories, which meet with mixed success in the corporate sector, fail miserably in the nonprofit sector. One reason for this is the temptation to overlay the new thinking and approaches onto existing structures, without taking anything off of anyone's plate. Knowledge management will meet the same fate if capturing and sharing knowledge simply get added to foundation job descriptions without meaningful restructuring of those jobs, the development of new incentives and performance criteria, and the removal of existing requirements.

Knowledge for the sake of knowledge

Effective knowledge management strategies derive from and lead toward the foundation's mission. Restructuring staff and organizations and dedicating resources to knowledge for knowledge's sake is a temptation for foundations to avoid. Resources are too scarce and foundations already are seen as too isolated and remote.

Instead, investments in learning and knowledge capture can always be made with the foundation's goals and its partners in mind. Including these partners at the table, as advisers, design consultants, or intentional users of the knowledge is critical for developing foundation knowledge practices that are meaningful. While many such strategies focus on changing the internal behavior and structure of foundations as organizations, they are important insofar as they facilitate changing the ways in which philanthropic organizations interact with their partners in pursuit of their missions.

Knowledge and the Philanthropic Industry

Knowledge is a human creation. For foundations, the two key sources of knowledge will be their own people (staff, board and consultants) and their nonprofit and funding partners. As Stephen Denning, Program Director of knowledge management at the World Bank's notes, "The most important thing we learned was that communities were the heart and soul of the whole thing....Organizations will see that the most valuable knowledge they have is not in the minds of their staff but in the minds of clients and partners."¹⁷

How foundation staff are positioned to learn from their colleagues and community partners, to analyze and share data, to apply information to problem-solving, to draw theses and conclusions from disparate sources of information, and to apply that thinking to what they do is the key to using knowledge as a philanthropic resource.

Managing knowledge is, in philanthropy, primarily about managing people. They will be helped by new technology, they must be supported with the appropriate research materials and tools, and they must design and have access to systems that facilitate information and data gathering and sharing. New modes of philanthropy will consider and change the ways in which people enter, learn and thrive in the field.

Learning philanthropy

Foundations already have several informal mechanisms and cultural attributes to facilitate sharing information and learning about the field. The staff and boards of foundations are exceedingly generous with their peers. Executives freely meet with new colleagues. Internal procedures are shared willingly in conferences, one-on-one meetings, and through affinity groups. In the community foundation field, for example, directors, program staff and donor services staff frequently have shared their internal documents for developing fee structures, reviewing grant proposals, or structuring donor agreements. These documents have been so widely shared within the community foundations in California, for example, that they can be seen as the collective knowledge of this part of the industry.

The last decade also has seen an explosion in more formal practices of knowledge exchange within the industry. Some professional associations, such as the Council on Foundations, have been serving the industry for decades. Among the services the Council provides its members is a robust schedule of conferences each of which includes several tracks of professional development sessions for foundation staff and board members. The number of foundation associations has grown, with several new national organizations launched in the last two decades. The Philanthropy Roundtable, the National Center on Family Philanthropy, the National Network of Grantmakers, are some national examples. The Association of Small Foundations (ASF), which serves foundations with few or no staff members, quickly established itself as the largest foundation association in the United States, signing on more than 2000 members in less than five years. As Charles Scott, a small foundation board member, notes:

"The members of ASF are the original peer-to-peer network. They readily share internal documents, knowledge about issues, thoughts on staffing, resources for

¹⁷ Interview with Stephen Denning, "The Knowledge Bank," *Knowledge Management*, June 2001, pp. 24-26.

investment policies, and recommend consultants. What they know, they share; what they don't know they seek from their peers."¹⁸

In addition to industry membership organizations, which include more than 30 regional associations (RAGs) and a growing number of issue-specific associations (e.g. Grantmakers in Education); philanthropy has become a new course of study for executive education programs at universities across the country. Stanford University's Graduate School of Business launched its first program in 2000, providing a west coast alternative to a Harvard-based option launched the year prior. Established foundations themselves are also entering this field. The Rockefeller Foundation launched an educational program for emerging philanthropists in 1995, and the David and Lucile Packard Foundation has considered designing a similar offering.

Two elements, however, are missing from some of these learning exchanges: deep connections to community partners and an external criteria of quality. For most of the one-to-one learning, what is valued is experience. Those who are new to the field seek advice from those who are more experienced. A shared area of interest (education, arts, the environment) often influences who speaks to whom. But because the field as a whole lacks real measures of what works, new philanthropic staff select mentors and peers based not on "who was able to accomplish x goal in the environment," but rather on the basis of "who else is interested in x goals in the environment." Furthermore, foundations need to include relevant nonprofits in their educational loop, as these are leaders of effective strategies.

Odd markets

The marketplace of philanthropy is an odd one, as are the markets for knowledge. The ways in which knowledge is generated, valued, and acted on lead some to argue that there is not a marketplace for it, while others simply see it as a market based largely on reciprocity, repute, and altruism.¹⁹ In philanthropy, competition is either for assets to manage (community foundations and financial service firms) or for the level of brand recognition that can bring other funders to a foundation's table. Friendly sharing of internal policies and active attempts to partner, leverage and co-fund programs also characterize the foundation market. The nature of philanthropic markets is at once competitive and cooperative. They involve both intangibles such as brand and reputation, and tangible financial assets. The philanthropic marketplace operates on personal connections and reputations, as well as professional collegiality and common missions.

Building Knowledge Foundations: External Changes

While much of the work that foundations undertake in designing and implementing knowledge strategies will happen at first within individual organizations, we begin with a consideration of external forces that shape those strategies. Two of these forces -- networks and outcomes -- are critical to helping foundations be effective users and distributors of knowledge.

¹⁸ Charles Scott, President of ASF and foundation board member, author interview.

¹⁹ See John Seely Brown and Paul Duguid, *The Social Life of Information*, and Thomas Davenport and Laurence Prusak, *Working Knowledge: How Organizations Manage What they Know*, Boston: Harvard Business School Press, 1998, pp. 30-33 for two different interpretations of the information markets.

Networks

Foundations are only one part of a networked industry of public problem solving. Others in the network include nonprofit organizations, public agencies, community groups, activists, researchers, and the media. The knowledge of social change lives within these networks and generally outside the actual walls of the foundations. Foundations are neither the creators of most knowledge about social change nor the only beneficiaries of it. Foundations do create important knowledge, through research and evaluation, and in the development of strategies and their own analysis of society's problems and opportunities. All of these knowledge products have value outside of the foundation.

Acting on this recognition is harder than it sounds. If the nonprofit organizations are the ones who know what strategies work to house the homeless, teach art to children, or conserve threatened open spaces, then should they be actively involved in setting foundation strategies, assessing grant opportunities, selecting next rounds of grant recipients, learning from that work, and re-applying it? Commercial entities have learned to involve the customer in both creating and marketing products (this is especially true in software testing, for example, but also can be seen in "design your own" sneaker sales, reader reviews and feedback loops on Amazon.com, and even the ability to order custom mixes of breakfast cereal). To identify and make use of their knowledge assets, foundations will likewise need to significantly re-design how they work to bring in those who actually create, use, and assess the key knowledge assets that apply to the foundation's mission.²⁰

Grantmaking foundations often sit at the intersections of what is known and what needs to be known. Foundation knowledge management strategies therefore should take advantage of the networked nature of the work. This is understood by nonprofits, which have emphasized the value that foundations could play in providing synthesis, analysis, and distribution roles.²¹

Foundations can do more than this. They can develop grant procedures that provide incentives for knowledge sharing among grant recipients. They can provide the forums and tools for nonprofits to do this. They can capitalize on all of their resources and help build powerful knowledge exchanges from within and beyond their existing partnerships that will help achieve the missions they share with nonprofits, concerned citizens and other emerging partners in solving social problems.

Outcomes

First and foremost, knowing what is to be achieved will influence what kinds of knowledge and knowledge sharing are valuable. Second, knowing the desired outcomes of grantmaking will shape the networks within which a foundation situates itself. And, finally, new knowledge itself may be a meaningful outcome of some grantmaking strategies.

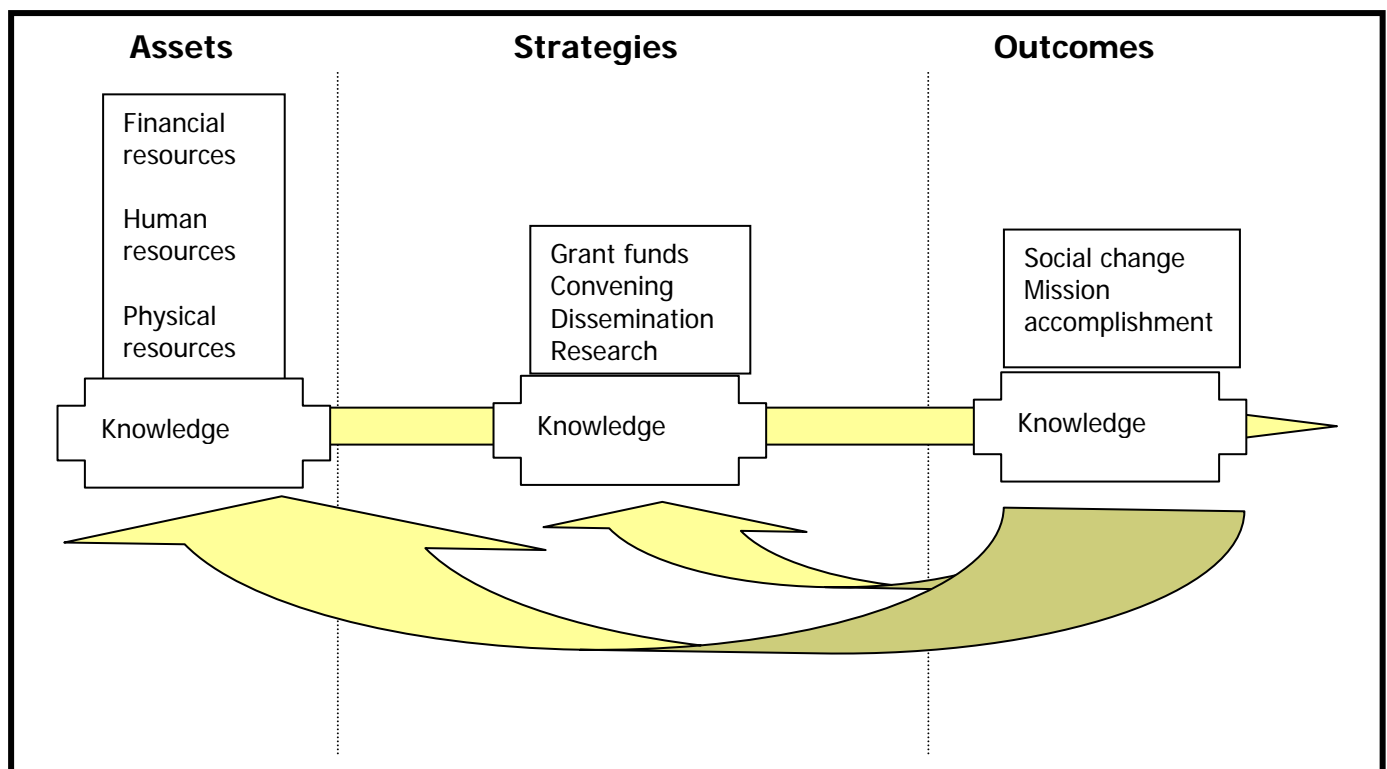
Because missions and outcomes drive the development of knowledge management strategies, powerful strategies for foundations need to transcend the walls of individual institutions. They

²⁰ See C.K. Prahalad and Venkatram Ramaswamy, "Co-opting Customer Competence," *Harvard Business Review*, January-February 2000, pp. 79-87.

²¹ Jacqueline Dugery and Caroline Hammer, *Coming of Age in the Information Age*, The Pew Partnership For Civic Change, 2000.

need to include methods of capturing and categorizing knowledge from external research, evaluations, policy analyses, media reports, community activities, polling data, focus groups and other survey research, and grant proposals and reports. There needs to be an internal process for cataloguing what is known (and/or who knows what) and time and systems to allow it to be used. And there needs to be a means of connecting this internal work to the outward activity of the foundation, including grantmaking, convening, public awareness, and public education, and public reporting.

Knowledge relates to outcomes at all of these stages: strategy development, internal process, grantmaking, and assessment. To make this real, high speed, highly functional feedback loops become very important.



The currency of change

Changing the way foundations interact with their networks will be no small feat. Foundations have been trying to develop meaningful ways to partner with nonprofits for years. In most cases, the power imbalance between those with financial resources and those who need them has hindered these efforts. What is needed is a means of shifting from the sense of nonprofits as 'sellers' in a foundation 'buyer's market'. Recognizing the value of nonprofit knowledge to a foundation's attempts to achieve its mission helps set in motion both a new dynamic between the two and viable new ways of collaboration. The currency in such a shift is knowledge.

²² This section is derived in part from Lucy Bernholz and Gabriel Kasper, *The Currency of Change*, available at www.blueprintrd.com/publications

Using knowledge as a currency of exchange within philanthropy stands to strengthen the power of the networks of change agents while also serving as both a measure of outcomes and an outcome in itself. Sharing knowledge begets new knowledge. When applied collaboratively, the advances of individual organizations build on one another to advance the goals of the whole industry, as well as benefiting constituent members. The real value of knowledge in the philanthropic industry is that if it is used successfully to accomplish the missions of individual foundations and nonprofits it will actually serve to advance the entire social change process.

Building Knowledge Foundations: Internal Changes

Using knowledge more effectively in foundations requires re-imagining key elements of philanthropic structures. This paper is an open call to think differently about the structure of philanthropic foundations. This must be done in ways that recognize the value of the staff and board of foundations in new ways. Indeed, these individuals and their knowledge and relationships are the fundamental difference between foundations and other charitable giving vehicles. Unlocking their potential to put their knowledge to work is the goal of the knowledge foundation.

However, this paper does not profess to have a “one-size-fits-all” blueprint for what the resulting organizations might look like. Experts on organizational restructuring are quick to point out that there is no “design machine” that can select the best option for any given organization. The key for any organizational restructuring is to know why and how undertaking such an effort will achieve better results.²³ Knowledge foundations are evolved versions of existing philanthropic institutions; they are neither separate nor wholly new.

Staffing and performance measures

Foundations come in many sizes, but they fall largely into two shapes: staffed and unstaffed. Foundations with few or no staff are the majority of the industry, accounting for about 47,000 of the 50,000+ U.S. foundations. Two-thirds of American foundations with staff have two or fewer employees, and the average staff size of foundations with more than one million dollars in assets is 5.1 people.²⁴ They are heavy users of consultant support, specifically with regard to investment, legal and tax advice. Eighty percent of the members of the Association of Small Foundations use investment, legal or tax consultants. Nine percent of the consultants hired are used for proposal review or evaluation purposes related to grant making.²⁵ For these foundations, the ability to think across functions is eased by the small number of people involved. It is limited by the overwhelming number of things these people need to do.

As foundations add staff, they tend to develop an organizational structure that uses the same functional divisions described above – management, investment, finance, legal, program. How foundations “grow” over time is an unstudied phenomenon. We do know that in large staffed foundations – those with 10 or more staff people – these functional divisions become quite

²³ Orit Gadeish and Scott Olivet, “Designing for Implementability,” in Hesselbein, et al, pp. 55.

²⁰ Highlights of the Foundation Center’s “Foundation Staffing” Report. New York, NY: The Foundation Center, 2000. http://fdncenter.org/research/trends_analysis/pdf/found_staff_hi.pdf. While a small number, this is more than double that of 1991. This seems in line with general trends showing increasing staff levels during the 1990s, a decade that saw more than a doubling of professional foundations staff.

²⁵ *Membership Survey Report, 2000*. Association of Small Foundations. Bethesda, MD. 2000. p. 7.

pronounced. Program staffs dominate in number. Certain functions, especially legal and investment departments, remain heavy consumers of outsourced expertise even at the largest staffed foundations. Foundations seem to be using grant making and program consultants in increasing numbers, although data on this are hard to find. Several newly large foundations (Gates, Hewlett, Barr) have publicly stated their commitments to manage large giving programs with the fewest possible staff. Even as the overall number of foundations with paid staff increases, the size of these staffs remain small. As of 2000, only 26 foundations in the United States reported employing more than 50 staff people.²⁶

What is often lost in the growth process is the organization's ability to think across functions. Foundation grantmaking decisions are not only made in isolation from many of the legal and investment choices, they are often made in isolation from program to program. As it now stands for many staffed foundations, the work is dominated by the processing of proposals. This can be thoughtful work. But the pressure to meet payout requirements, stay ahead of the 'inbox' curve of proposal, review, report, proposal, often predominates over all else.

The cumulative effect of this current business process is "that wisdom is lost in knowledge, and knowledge is lost in information."²⁷ Efforts to assist foundations with more effective application of knowledge, therefore, must start from the big – how will it improve opportunities to accomplish our goals? – and the small – how do the internal business processes of the organization have to change? Such change calls for deliberate, sustained evolutionary action.

The opportunity that faces foundations, both emerging and established, is to consider their structures in light of the ways they think knowledge relates to their mission. Some foundations have in-house libraries. Others are hiring chief knowledge officers. Some focus on team learning, cross-program initiatives, and shared budgets. Many look to their communications departments as the 'grease' that can unlock knowledge from internal departments, make it widely available internally, and share it with the public. Several foundations have turned to their information technology departments or consultants and said, "Build tools that can help us learn from one another."

All of these are crucial pieces of the puzzle. Knowledge foundations need systems and processes for sharing information internally and externally that take advantage of the skills and capacities of all these functions: program, technology, communications, investment, evaluation, management and finance. In order to do this, foundations need to rethink their organizational charts, job descriptions, personnel performance measures and incentive structures. As one organizational guru puts it, the question to ask is:

"Are the organization's policies for recruiting, selecting, paying, training and developing, and organizing its workforce consistent with the core capabilities it needs to succeed...? In many organizations...the answer is no. Policies have built up like

²⁶ *Foundation Staffing Report, 2000*, The Foundation Center, New York: NY, 2000.

²⁷ See T. S. Eliot, "The Rock," 1934.

deposits in cages, and the alignment with what the organization needs to do is poor.”²⁸

Foundations that are turning to one of their departments, evaluation or communications, or developing individual positions to manage knowledge across the organization, are taking partial steps. Given the networked and public nature of what foundations need to know and use, all foundation staff that interact with the public need to be responsible for knowledge gathering. Since organizations pay for what matters to them, performance measures and job descriptions need to prioritize knowledge development and exchange. The ripple effects of these changes should be considered in the beginning of a knowledge management planning process. Adding work to job descriptions without the right incentives (time, money, and promotions) is a set up for failure.

While staff structures and performance matter considerably to placing an emphasis on knowledge, a real challenge lies outside the staff and rests with the board.

Governance and accountability

Foundations are established in the public trust. They derive from and are shaped by tax law, and are regulated with regard to their expenditures of funds and their public reporting. The first of these regulations, the so-called “payout” requirement, is the subject of much debate.²⁹ It serves as an industry stick and standard for establishing budgets and grantmaking appropriations. The second of these, the public reporting requirement, is the analogous, though much weaker, regulatory tool that guides public reporting of foundation activities.³⁰ Although much debated in its early days, it now causes considerably less concern than the payout requirement. This is important, for as the economic landscape has contributed to the attention on the payout requirement, the rapidly shifting world of communications and information may be useful in directing attention to public reporting by foundations. This reporting now focuses on the financial assets. What if it could be a stronger tool for thinking about knowledge assets?

Foundation boards are ultimately responsible for governing the organizations and meeting these two public requirements: payout and reporting. They are the entities granted power and responsibility to manage the public trust of both the foundation’s financial resources and knowledge assets. The priorities they set drive the actions of staff.

This is true to a greater degree than in commercial corporations. The structures appear the same – both types of boards of directors are charged with fiscal and legal responsibility and usually claim the role of strategy and policy setters. However, foundation boards (90% of which choose to hire no staff at all) tend to be much more closely involved in the actual work of the professional staff than are corporate boards. In general, their meeting schedules (usually

²⁸ Jeffrey Pfeffer, “Will the Organization of the Future Make the Mistakes of the Past?”, in Frances Hesselbein, Marshall Goldsmith and Richard Beckhard, eds., *The Organization of the Future*, The Peter F. Drucker Foundation for Nonprofit Management, New York, NY: 1997, p. 51.

²⁹ The Tax Reform Act of 1969 requires that foundations payout at least 5% of the value of their endowment, on average, each year. This requirement, while set as a *de jure* minimum, has become a *de facto* industry maximum.

³⁰ The Tax Reform Act of 1969 also required foundations to file annual records of their grantmaking (forms 990 and 990 PF for private foundations) with the IRS and to make available public reports of their activities, which has generally evolved into the practice of publishing annual reports.

quarterly) drive grantmaking cycles and they require a significant amount of staff time to support. The result is often a staff emphasis on “managing up,” leaving little time for managing knowledge.

If, then, foundations are to consider new ways of operating, their work will have to start with their boards. The regulatory environment in which foundations operate really only serves to shape the board’s attention to financial accountability and the stewardship of endowments. The opportunity being missed in this is especially ironic, given the growth in charitable alternatives to foundations. The true differentiating potential of foundations when compared to these alternatives is the opportunity to actively develop, apply, and generate knowledge as part of the work of grantmaking. The current priorities and structures are formidable obstacles to capitalizing on that differentiating advantage.

The opportunity to change this lies both inside and outside the foundations. Certainly, new regulatory measures are one option. More amenable, no doubt, would be the use of the industry’s own value on “spending smart” and its focus on mission accomplishment. Some boards also may be amenable to knowledge strategies that can lower costs or leverage other resources to their causes.

Inventories

Foundations need to inventory the knowledge they have and that which they need. Not all of the information and skills for assessing proposals may live, or need to live, in program staff or board members. For example, as foundations see an increasing number of proposals for nonprofit investments in information technology, it may make sense to involve their own IT staff in assessing those proposals. Some foundations have developed consulting relationships with IT specialists to assist with this work.³¹ Melding their technical expertise with an experienced program staff’s perspectives would surely yield stronger analysis of viability, fit and costs of technology-related proposals.

Once this door is open, it also raises the question of where else within a standard staffed foundation does useful program expertise live? Are there legal documents to be produced as part of a proposal, land trust deeds for example? Is the foundation’s legal counsel useful here? Can the finance and accounting staffs develop tools that could help program experts assess financial viability? Unstaffed foundations know which board member to turn to for legal, tax, financial and business planning insights regarding certain proposals. This same type of “knowledge inventory” can be done with foundation staffs of any size – the challenge is to open the box as to whom and what should be included in such an inventory.³²

A foundation’s knowledge base includes technical know-how of process and outcomes, as well as its understanding of its issues and the markets of potential grant recipients and other resource providers. Knowledge sources include the proprietary grant reviews, research reports, public opinion surveys, meeting minutes, and evaluation analyses that they conduct. It is the sum of their individual grant analyses, taken in the context of the larger research reports they

³¹ For example, The W. K. Kellogg Foundation works closely with the Alliance for Community Technology at the University of Michigan.

³² See Andrew Blau, “More than Bit Players,” A report to the Surdna Foundation, May 2001, pp.24-33, www.surdna.org for other ways to think about IT staff and IT proposals.

commission or to which they have access, and filtered through their experiential knowledge of working on certain issues over time.

Knowledge inventories identify what knowledge the foundation uses and where it resides. It will exist in many forms: prior staff experience, reports, videos, interview transcripts, Internet links, internal forms and external professional networks. Such an inventory process immediately reveals the different types of information (both tacit and explicit) that are of value. Strategic analysis of these types – taking into consideration the culture and budget of the organization – should consider how the different resources in the inventory are currently shared internally and externally. These steps need to occur across the foundation, even if the intention is to pilot some new strategies within a certain program or department.

Assets and balance sheets

The need to derive knowledge management strategies from the foundation's mission is both a starting and an end point for this work. None of the work described so far should take place if the foundation can't find a meaningful way to measure the impact of these activities on its mission.³³

Some foundation knowledge assets can be measured in dollars. For example, community foundations have invested heavily in developing new products for donors. This is valuable intellectual property. Managed correctly, foundations that develop these new tools can easily track the return on their investment in terms of new donors and new assets. Given the cooperative nature of community foundations, the real impact of some new services (chartered family foundations or support organizations, for example) could be measured industry-wide.

For the most part, these services and tools were made available to the marketplace without such tracking systems behind them. Financial services firms, on the other hand, are adding information resources and even some professional staff support to the charitable services they provide. As commercial entities they are more likely to be doing so with the full intent of measuring the increased return on these increased investments.

Both of these examples, however, focus on the relationship between information or service development and financial assets under management. While important, this is by far the easier equation to track than the relationships between knowledge application and social outcomes. Individual foundations need to determine how they will measure success before they invest the resources (time, money and intellectual) to develop knowledge inventories, restructure organizational relationships and job descriptions, invest in training, build technological tools, and seek new relationships.

³³ This is not because learning and knowledge are not important in their own right. They are. However, it is the premise of this paper that knowledge should be used to advance the foundation's work, to amplify its grant dollars, and to move the industry forward in public problem solving. It is to prevent foundations from becoming more internally focused than externally focused, a prospect that always looms large.

Philanthropic Knowledge Management Strategies: An Early Inventory

Examples of knowledge management strategies abound in the philanthropic industry. Most of these are quite new, and long-term assessments of their impact on the financial bottom line or the mission achievement of their host organizations are not yet available. They are useful to consider, taking into account that they are currently underway as separate business models within the industry. The challenge will be to develop a means for the industry and its analysts to understand which models provide which benefits and at what costs.³⁴

Managerial approaches

Several foundations have designated chief knowledge officers to oversee all knowledge management functions in the organization. The Charles and Helen Schwab Foundation, for example, recently restructured. In doing so it brought into one organization the grantmaking functions and operating programs of what previously had been two separate family funds. The chief knowledge officer (CKO) will have primary responsibility for developing and implementing ways that this new enlarged grantmaking entity can capitalize on the issue-specific expertise from the former operating fund.

Cross-program initiatives

A number of foundations are trying to encourage and institutionalize cross-program learning and exchange. The Fannie Mae Foundation, which has a considerable library of resources on housing issues and policy, launched a knowledge initiative in 2000 to help program staff who worked on the Foundation's national and local programs use the information the foundation was generating.³⁵ In another example, The James Irvine Foundation has scheduled regular organizational learning days managed by the evaluation department and linked these to foundation-wide priorities. These will promote knowledge exchange across all foundation staff, not just program staff. The Foundation is building an intranet that will first host internal management-related documents as an enticement to get people to use it (expense reimbursement and vacation request forms are likely to draw staff to the system, for example). The goal is to start small, change the culture of where staff members look for information, and then begin using the intranet to facilitate organizational learning across programs as well.

Institution-wide

The Northwest Area Foundation restructured itself to focus exclusively on efforts to alleviate poverty in its eight state area. The Foundation has abandoned the strategy of funding models and trying to get the government to take them to scale. Its new focus is on "producing knowledge that customers and allies can use to reduce poverty."³⁶ The Foundation dedicated

³⁴ Kristin Lindsley, External Relations Manager of the Donors Forum of Chicago, developed a useful brief compendium of knowledge management strategies at several foundations for a panel session at the 2001 Council on Foundations Annual Conference, Philadelphia, PA, May 2001. See www.donorsforum.org.

³⁵ The foundation also sought to define ways that it could make this information useful to its grant partners and act in a more externally focused direction as well. At the time of this writing those strategies were not yet clearly defined.

³⁶ Karl Stauber, "Mission Driven Philanthropy: What do we want to accomplish and how do we do it?" *Nonprofit and Voluntary Sector Quarterly*, 30:2, June 2001, p. 396.

\$150 million over ten years to 16 communities working on poverty reduction. It has allocated \$25 million over ten years to “facilitating access to information, knowledge, services, and other resources that will help communities as they plan and implement strategies to reduce poverty.”³⁷ A third initiative, budgeted at \$25 million over ten years, will focus on developing leadership on these issues in the region.

The Foundation started this work in 1998, and has focused primarily on the first program, community ventures. The foundation has been consistent in setting its structure to match its mission, developing strategies for capturing, using and sharing knowledge, and for driving all of the efforts from a new focus on its mission, “help(ing) communities in our eight-state region reduce poverty.”³⁸ The Foundation has identified knowledge as one of four core resources it can bring to this effort: financial resources, knowledge, products and services. Northwest Area Foundation provides a useful case study for the investing of knowledge as a philanthropic asset.

Cohort learning

Foundations have been funding initiatives for years. As part of these pro-active efforts they often identify opportunities for collaboration among nonprofit partners. Supporting these clusters of grantees, paying for and arranging time for them to share ideas, and providing them with technical assistance support are frequent foundation activities.

More and more, foundations are taking a deliberate look at these clusters as learning opportunities and seeking to support the group work as a substantial funding strategy in and of itself. Some such efforts have yielded the development of common outcomes and joint strategies. Some, such as the Community Clinics Initiative of the Tides Foundation and the California Endowment, have explored their potential as joint purchasers of customized commercial software, and even as investors in the creation of such products. This initiative is also building evaluation tools online so that each of the nonprofit partners will be able to learn from its peers, instead of having the evaluation information simply directed to the foundation.³⁹

Web-based knowledge exchange

Several foundations and groups of foundations are experimenting with shared databases of information. These groups are designing and paying for internet-based shared databases of grantmaking and issue interests. For example, several health care foundations in California created the healthfunders@work extranet. The Funders Network for Smart Growth and Sustainable Communities recently launched an extranet of shared databases on funding interests, community partners doing this work across the country, and policy snapshots (www.fundersnetwork.org).⁴⁰ Even as they have invested in these tools key questions remain regarding how they are to be used, where they might inform action (in the individual foundation users? In the affinity groups themselves?), and whether or not the nonprofit organizations with whom the foundations work should have access to these tools.

³⁷ Ibid, p. 397.

³⁸ www.nwaf.org

³⁹ Etienne Wagner and William Snyder, *Communities of Practice: The Organizational Frontier*, Harvard Business Review, January-February 2000, pp 139-145.

⁴⁰ Other affinity groups are considering such shared databases. An informal survey by the author identified at least early interest among at least four additional formal affinity groups of the Council on Foundations.

Foundation peer-to-peer learning

Some of the most deliberate efforts to share information about philanthropy are the direct results of the growth of the industry. Many new donors have been quite willing to say, “teach us.” Social Venture Partners (SVP), a giving circle approach to philanthropy founded by Paul Brainerd in Seattle in 1995, expanded to include 18 regional spin-offs by 2001. In many of those the SVP affiliates, the partners quickly identified their need for a semi-formal curriculum to learn about philanthropy and the issues they intended to address with their giving.

In San Francisco, for example, the SVP chapter signed up 60 partners in a matter of months. These partners organized themselves into committees. Two of the committees are explicitly focused on learning and knowledge sharing: a curriculum committee which sponsors monthly meetings with local issue experts, as well as with local philanthropic thought leaders, and an information-exchange committee which is charged with developing strategies and tools (online and offline) for sharing information within SVP, with their grantees, the community, and other philanthropists. This last audience is seen as critical, as SVP Bay Area identified the need to leverage other philanthropic resources as a key criteria for its grantmaking. It is, therefore, developing mechanisms to share what it learns “even before we learn anything,” as one partner noted.⁴¹ SVP Bay Area also launched in partnership with the region’s oldest community foundation, recognizing both the cost savings and knowledge gain of doing so.⁴²

Knowledge marquees

Several foundations have taken steps to make explicit and public the lessons they have learned from various grants. The Robert Wood Johnson Foundation hosts a publicly accessible, searchable database of grant evaluation syntheses.⁴³ These are structured in a uniform way, written by a dedicated paid staff, and made available through the Foundation’s web site.

The Annie E. Casey Foundation has funded the KIDSCOUNT project for years, which works with organizations in 50 states to collect and disseminate standardized data on the health and well being of children.⁴⁴ These are two of the strongest examples of investing in the development of knowledge and then sharing it with the public. These models have the opportunity to move to the next level, which is to develop metrics for assessing how their information is being used (citations indices are an easy example), working with change organizations and their partners to collectively analyze the data and information, and strengthening the feedback loops to the foundation on the leveraging impact of these sites.

Many large foundations are beginning to use their websites to make selected research reports public as well. Examples include the Surdna Foundation, the David and Lucile Packard Foundation, the Ford Foundation, The Charles Stewart Mott Foundation, and The W.K. Kellogg Foundation. Sharing this information is a useful first step. Moving beyond static brochures to

⁴¹ Marc Lohrmer, Founding Partner, SVP Bay Area. Author interview.

⁴² See for example, “The New Philanthropy,” *Time Magazine*, July 23, 2000

⁴³ See www.rwjf.org/app/rw_about_our_grantees/rw_gra_grantees.html

⁴⁴ See www.aecf.org/kidscount/ Also see efforts of the John and James L. Knight Foundation, which makes evaluations, literature reviews and data on children available through its websites, www.knightfdn.org and www.childtrends.org.)

structures that can help potential partners use the information and then feed back information to the foundation are ways to take advantage of the interactive qualities of the web.

Information communities

The Donors Forum of Chicago is a regional association of grantmakers (RAG), one of more than 30 nationwide. It is one-year into a strategic planning process that includes a core knowledge management component. The Donor's Forum has been working with consultants from IBM to help them identify, prioritize, deploy and assess their knowledge assets. Sample knowledge assets for an association such as the Donors Forum include explicit information on the number of foundations, size of assets, employment opportunities, joint funder partnerships and state regulations that are of use to their members and the public.

The organization and its staff also know a good deal about the political culture of public-private partnerships in the region, the pressures and key challenges of the local nonprofit community, and other more tacit information about their local constituencies. The association currently dedicates significant human capital to sharing information with its members through a staffed library, as well as online, while also assessing the knowledge generating and sharing roles of its management, communications, and member/program services staff. It is in the process of considering information technology options to help it achieve its newly stated objective of becoming an "information community."

One of the key challenges for a membership association such as the Donor's Forum is to distinguish between the knowledge assets of its own organization and those of its members, to which the association has temporal access by virtue of a committee position, a board seat or a joint partnership.

Another example of an information community is the Los Angeles Urban Funders (LAUF). Founded in response to the Los Angeles riots in 1992, LAUF represents an intentional community for foundation learning, or as it calls itself, "a living laboratory for innovative grantmaking."

From its start with seven foundations, LAUF has grown to include more than two dozen funders. The foundations jointly identified a problem, developed a strategy working closely with three communities, and have sought new foundation members according to the needs determined by the strategy. Each foundation member dedicates funds to LAUF directly, and then also makes grants from its own resources to organizations and issues in the three communities.

The structure is deliberately set up and staffed so that foundations focused on economic development can do what they do best, while also learning from their arts or education funding peers from LAUF. Staff and board briefings, technical assistance opportunities with nonprofits, and the human and information systems to share lessons learned have helped LAUF document its own work as well as changes in the way some of its member foundations operate. LAUF also recognizes the value of its members' knowledge and connections, and counts these into its investment strategies.⁴⁵

⁴⁵ Elwood Hopkins, LAUF Executive Director, Author interview, LAUF program materials, and www.scap.org/lafunders.html.

Ideas to Action

Several models are being used for repositioning knowledge as a philanthropic asset. The overall opportunity is for an industry-wide consideration of these models and their effectiveness over the next few years. This would be a major step toward the deliberate evolution of the industry.

Several actions could constitute such an effort.

- Develop an open resource to encourage exchange among foundations that are trying these strategies. Start with a small group and then expand to include all interested philanthropists to access or contribute to the conversation through discussion papers, model strategies, peer conversations, and conference sessions. Use web-based, industry-wide, and personal networks.
- Adapt principles and strategies to fit across foundation types: independent, staffed, unstaffed, community, corporate, family. This can be done through existing networks and will help inform the entire field.
- Inform thought leaders of the strategies through small group discussions and generate their insights and interest.
- Encourage development of models and sharing case studies that can be tracked and modified over time.
- Organize seminars and other peer-to-peer learning opportunities around these case studies. Structure these as opportunities to create, assess, and share strategies. Make what is learned available to interested non-participants.
- Invest in the adaptation of commercial knowledge management tools for the foundation and nonprofit sector. Existing networks of consultants and management support organizations can be involved in providing these services across the country.
- Create a consulting board with responsibility for considering the implications of these efforts. This board would be available to work with foundations trying new knowledge strategies in exchange for access to the “real stories” of the work. The board would bring its expertise to the participating foundations; in return, the board would have access to several cases from which to learn.
- Invest in several aligned efforts to assess the value(s) of social industry knowledge assets.

Conclusion

Finding ways to unleash philanthropic knowledge as a resource requires changing the work of individual organizations and an entire industry. Many strategies will be needed. Many benefits will be reaped, as grantmakers gain new metrics for assessing social change, can attract additional financial resources to their issues and partners, and can point to their successes as institutions and as an industry.

Foundations are critical players in the public problem-solving network. They have powerful tools to bring to this work – financial and knowledge resources. They are committed to spending their financial resources wisely. As they seek to identify and invest in sustainable strategies for social change, they are developing new ways to manage knowledge to leverage these financial investments and accomplish their individual missions. Doing so will preserve and expand the public trust with which they are endowed.

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