

## A Closing **View**

# Knowledge management

comes to  
philanthropy



KEVIN KELLY

**Marla M. Capozzi, Stephanie M. Lowell,  
and Les Silverman**

Foundations are endowed with intellectual as well as financial capital.  
Now is the time to use it.

**P**hilanthropic foundations are knowledge-intensive bodies. Almost everything they do, from identifying innovative nonprofit organizations to evaluating grants and publishing policy-shaping reports, depends on the use of human and intellectual capital. But many philanthropies, fearing that a dollar spent internally is a dollar wasted, have neither the organization nor the systems to manage their knowledge properly. What they fail to understand is that knowledge is a cornerstone of effective philanthropy.

The organizational changes that many foundations are undergoing to improve their performance highlight the need for better knowledge management. Some of them are responding to pressure from donors and the media to demonstrate their impact more clearly. But many must now cope with tighter finances, for over the past few years, falling stock markets have cut the value of many US endowments by an average of 20 to 30 percent, inevitably leading to shrinking grant portfolios or increasing staff cutbacks. In short, foundations are searching for ways to do more with less.

If they follow the right approach, they can tap into their knowledge to improve the long-term effectiveness of their grants, to lower the cost of administration, and to invest in more effective strategies for social change. Just as important to bear in mind, however, is the fact that reorganizing a foundation without thinking clearly about knowledge management will probably bring problems up to the

surface. The experience of the Annie E. Casey Foundation demonstrates these points.

With more than \$2.5 billion in assets and 150 employees, the Baltimore-based Casey Foundation has for over 50 years been a leader in improving the lives and opportunities of disadvantaged children and their families by financing programs, conducting research, and promoting the reform of public-service systems. In 1999, the foundation concentrated some of its grants to launch Making Connections, an initiative to develop comprehensive and integrated social strategies in a few impoverished urban centers. It also set up a strategic-consulting arm to help states and localities make their public-service systems work better for children, families, and communities. These decisions reflected the belief that children thrive when families and communities are strong.

The transformation meant that Casey had to hire about 20 new staff members. In addition, the role of its program officers, known as senior associates, changed: from being national, single-issue experts on subjects such as child welfare and juvenile justice, several became generalists leading cross-functional teams in one or two cities. Two problems, both relating to knowledge challenges, emerged as a result of these organizational moves.

First, since the cross-functional approach meant that senior associates were now working in areas beyond their expertise, they needed more information from colleagues to do their work successfully. Moreover, many new staff members had a limited understanding of the history of the foundation or the best practice it had learned over time. More often than not, they could get this information only by asking their longer-serving colleagues for it. What they needed to know wasn't written down; it had remained in people's heads.

Second, what knowledge management there had been at the foundation was in danger of diminishing. With the experts' time fragmented, no one took responsibility for managing the organization's knowledge in any single area. Meanwhile, senior associates, already busy in their cross-functional roles, were too distracted by requests for information from colleagues to begin generating and applying new knowledge to their grant-making and policy work.

Casey soon realized that if it was failing to share its expertise adequately with its own staff, it must be failing to do so with the recipients of grants and with external policy makers. And if the foundation couldn't readily share its expertise, neither could it fulfill its mission. So in 2001 Casey, well aware that its new approach and organizational structure would require unprecedented levels of knowledge sharing, set out to manage its knowledge better. To this end, a small team went to work classifying everything that Casey had learned, so that people could find what they needed more easily. It became clear that only a fraction of

the foundation's intellectual capital had been captured in an accessible form. Staff members were spending endless time looking for information, and experts were constantly answering the same basic questions, such as "What are best practices in early-childhood education?"

As a result, Casey began to develop processes that would help senior associates set down their knowledge quickly and efficiently. Visits to the sites of grant recipients had long been a rich source of insights, for instance, but too often what was learned there had been shared only verbally. So the foundation created simple templates its associates could use to identify and record findings that might shape its ideas in other program areas.

Developing a comprehensive knowledge strategy and thinking through knowledge management in detail are essential. Casey's program defined the entire process: what knowledge should be harnessed, who should codify it, how it should be maintained and disseminated, and who should receive it. Yet in our interviews at 20 leading foundations, we discovered that although most of their executives believe that knowledge management is vital, few had considered it strategically. As a result, many foundations have pursued knowledge management piecemeal: they might invest in a new technology (such as a searchable database for grant reports) without reflecting on the process (how to catalog a document, who should post it) or the strategy (how to use the database to benefit the whole program).



Casey's comprehensive approach enabled it to implement its strategy more productively. There were other important bonuses as well. By thinking carefully about knowledge management, Casey streamlined its technology spending and reduced duplication, thereby saving thousands of dollars across the organization. Moreover, it had started to build the institutional memory that would support its future works. So Casey's investment in knowledge management, far from detracting from the organization's philanthropic endeavors, has enhanced them. And because the foundation's core value—improving the lives of disadvantaged children and their families—propelled the program, staff members welcomed rather than resisted it.

The Casey Foundation isn't an isolated example. As pressure on foundations to improve their performance grows, so too does the potential impact of knowledge management and sectorwide learning. Philanthropic organizations must start managing their knowledge more effectively to put themselves in a stronger position to do more with less. **Q**

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**Marla Capozzi** and **Stephanie Lowell** are consultants in McKinsey's Boston office, and **Les Silverman** is a director in the Washington, DC, office. Copyright © 2003 McKinsey & Company. All rights reserved.