Knowledge Acquisition Competencies for Non-profit Leaders
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Topic: Human Resource Management
Date: June 2013
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Abstract

Purpose: We synthesise literature on the development of knowledge processes, especially knowledge acquisition. Competencies required for knowledge acquisition in nonprofits are presented and classified by theme, and illustrated by an empirical analysis of data from major performing arts boards.

Design/methodology: To clarify existing leadership competency models for the nonprofit sector, researchers interviewed a sample of CEOs and Board Chairs of nonprofit arts organisations, under the auspices of the Australia Council for the Performing Arts.

Findings: Nonprofit leaders deal with a high level of ambiguity and complexity, requiring sophisticated leadership and knowledge.

Research limitations/implications: While this research uses a purposive sample of key figures from the Boards of major performing arts organisations, more quantitative research will be required to add detail to these findings. This will be forthcoming in a later stage of this research.

Practical implications: The nonprofit sector has lessons for the corporate sector in the acquisition of knowledge under conditions of uncertainty.

Social implications: Specific competencies required for knowledge acquisition in nonprofits need to be classified to benefit the ambiguous environment for nonprofit leaders.

Originality/value: The paper argues for a reassessment of the assumption that the private sector offers a primary source for theoretical and empirical understanding of the role of knowledge creation. Knowledge acquisition in nonprofits can be a more complex task, because of the ambiguous, intangible and often mutually exclusive organisational goals.

Key words: Leadership; nonprofits; knowledge acquisition; competencies; performing arts.
Introduction

Leadership within the nonprofit sector requires a high level of understanding of power (Ridder and McCandless, 2010; Rashman, Withers and Hartley, 2009; Balser and Carmin, 2009). More research into aspects of knowledge processes in this sector would be beneficial, as it accounts for over one third of GDP in OECD countries (Rashman et al, 2009:465). Nonprofits, by nature, invest in people rather than profit (Kong, 2008); therefore it is important to understand how nonprofits develop competencies for acquisition of knowledge. One of the implications of this paper is that it is appropriate to reassess the assumption that the private sector offers a primary source for theoretical and empirical understanding of the role of knowledge creation and organisational learning (Rashman et al, 2009), and to offer an alternative view – that knowledge acquisition in nonprofits can be a more complex task, because of the ambiguous, intangible and often mutually exclusive organisational goals. Therefore, the nonprofit sector has lessons for the corporate sector in the acquisition of knowledge under conditions of uncertainty.

This paper is divided into three sections: firstly, a synthesis of literature and a thematic overview of the development of knowledge processes; secondly, the process of knowledge acquisition is explored in more detail as it is one of the foundational knowledge processes, noting that barriers to successful knowledge acquisition include a lack of management skill; finally, the competencies required for knowledge acquisition in nonprofits are presented and classified by theme, based on empirical analysis of data from key strategic interviewees within the Australia Council for the Performing Arts. The paper concludes with the view that nonprofit leaders deal with a level of ambiguity and complexity which creates a need for highly sophisticated leadership and knowledge requirements. This is a high level, strategic overview, and does not move to issues of implementation, this will be developed in a subsequent paper.

This paper begins the process by which to develop a paradigmatic consensus (Rashman, et al, 2009) on the role of knowledge acquisition as it pertains to the ambiguities inherent in the nonprofit sector. Knowledge acquisition is seen as more of an ontological than an epistemological dimension of knowledge, articulating the background related to human understanding (Tsoukas, 1996:17). In the context of this paper, the epistemological dimension is concerned with the forms of knowledge, while the ontological dimension is concerned with the technical or social interactions which support this process (Akehurst, Rueda-Armengot, Vivas Lopez, Palacios Marque’s, 2011). We illustrate these themes in the nonprofit sector, because it is particularly knowledge-intensive, ambiguous and complex, and can be characterized by high levels of participation, politics and contested areas (Hartley and Sketcher, 2008; Haynes, 2005). Professional staff in nonprofits may also experience conflicting needs between their professional needs and the goals of their organisation (Newman and Wallender, 1978). Knowledge needs to be understood in the context of identity (Gao and Riley, 2010), which is particularly important for nonprofits and their complex environments (Kong, 2008; Bryson, Boal and Rainey, 2008).

Part 1: Thematic overviews of knowledge processes

Five themes implicit in the knowledge literature, across selected disciplines, are illustrated in Figure 1A and summarized in Figure 1B: creation of knowledge; acquisition of knowledge/organisational learning; absorption of knowledge; transfer of knowledge and finally,
management of knowledge. In this paper, the terms “acquisition of knowledge” and “organisational learning” are used interchangeably as we argue that they are two interdependent components within the knowledge process, with the acknowledgement that they may be measured differently in practice. For instance, the quantum of knowledge acquired is more subject to objective measurement that the quantum of organisational learning.

**Figure 1A: Ontology of knowledge management processes**

![Ontology of knowledge management processes](image)

**Table 1B: Ontology of knowledge management research**

<table>
<thead>
<tr>
<th>KNOWLEDGE PROCESS</th>
<th>ILLUSTRATIVE RESEARCHERS</th>
<th>THEMES</th>
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</table>
| CREATION OF KNOWLEDGE | Nold (2010)  
Onions and Orange (2002)  
Parboteeah (2010)  
Pigott (2005)  
Kupers (2005)  
Mooradian (2005)  
Perez and de Pablos (2003)  
Nonsaka and Toyama (2003) | • Particularly relevant to nonprofits, and arts sector, as it is an interdependent process similar to academia  
• Knowledge creation as change management  
• Ontology and epistemology  
• Living models of knowledge  
• Implicit and narrative knowing  
• Role of tacit knowledge  
• Knowledge as a framework of human capital analysis  
• Knowledge creation as a synthesising process |
| **ACQUISITION OF KNOWLEDGE AND ORGANISATIONAL LEARNING** | • This is the knowledge gap most relevant to the arts sector.  
• Need fuller understanding of individual versus group learning versus organisational learning  
• Knowledge acquisition – the development or creation of skills, insights and relationships. Knowledge sharing – the dissemination of what has been learned.  
• Interplay between exploration and exploitation of knowledge, knowledge exploitation as a proxy for knowledge acquisition  
• Role of epistemology versus ontology.  
• dynamic capabilities are potential sources of competitive advantage.  
• Knowledge acquisition – the development or creation of skills, insights and relationships.  
• Knowledge sharing – the dissemination of what has been learned.  
• Knowledge utilisation – the integration of learning so it is broadly available and can be generalised to other situations.  
• Double loop learning and reliability  
• Role of structuration theory  
• Application of complexity theory to knowledge management  
• Tacit knowledge and organisational learning  
• Biological metaphors and the learning organisation  
• Power, trust and the role of knowledge acquisition |
Gupta, Smith and Shalley (2006)  
Rodriguez and Edwards (2010)  
Jones and Karsten (2008)  
Dann and Barclay (2006)  
Lamont (2005)  
Bennet and Bennet (2008)  
Hall (2005)  
Politis (2003) |
| **ABSORPTION OF KNOWLEDGE** | • Absorptive capacity abilities of a firm that prior knowledge  
• provides ‘to recognize the value of new information, assimilate it, and apply it to commercial ends’  
• ACAP as a dynamic capability  
• Leadership has the potential to be a dynamic capability, similar to other strategic capabilities.  
• Knowledge overload, “data paradox; especially in nonprofits, yet are increasingly challenged to provide increased services with increased transparency  
• Refocus of absorbtion and knowledge management  
• The role of user interests in knowledge seeking  
• Tacit knowledge in a bounded environment  
• Knowledge in experimental research |
| Beveren (2002)  
Dervin (1998)  
Mulder and Whiteley (2007)  
Nicholson (1992)  
Tian et al (2009) Knowledge management and knowledge creation in academia: a study based on surveys in a Japanese research institution |
| **TRANSFER OF KNOWLEDGE** | • Passion and expertise in transfer of knowledge  
• Ontology and epistemology of knowledge  
• Implicit and narrative knowing  
• Knowledge can be tacit, can be explicit and can be non-analysable  
• The role of sense-making models of knowledge management  
• Knowledge as power  
• Alternative metaphors – symbolism  
• The role of a taxonomy of knowledge  
• Knowledge and quality |
| Sie and Yahkief (2009)  
Onions and Orange (2002)  
Parboteah (2010)  
Pigott (2005)  
Perez and de Pablos (2003)  
Seufert (2000)  
Ceecez Kecmanovic (2004)  
Muller-Merbach (2005)  
Andriessen and Van Den Boom (2009) |
| Kakabadse (2003)  
Rowley (2000)  
Stevenson (1999) |

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Creation of knowledge, as represented by: Nonaka, Toyama and Komo (2003); Bergman (2005); Chua (2002); Tian et al (2009); and Rashman, Withers and Hartley (2009 can be seen as a synthesizing process, incorporating the influence of social interaction on knowledge creation and as a model of change management, highlighting the ambiguous relationship of leadership, intellectual capital and knowledge.

The second of the five knowledge processes is acquisition of knowledge and organisational learning (Senge, 1990; Nevis, Di Bella and Gould, 1995). Broadly, a socio-cultural view of organisational learning is implicit in a range of conceptual approaches to this theme, including Gupta, Smith and Shalley (2006) who define exploration and exploitation aspects of learning, and Van Beveren (2002) who applies individual learning to human resource management policy to illuminate the interdependencies inherent in cognitive, social, behavioural and technical elements of learning. Some see learning as inseparable from social interactions, while others observe that knowledge acquisition can be seen as the development or creation of skills, insights and relationships, (Nicholson, 1992; Roy and Therin, 2008). Using complexity theory as a framework, Dann and Barclay (2006) describe complex adaptive systems for managers, which are relevant to knowledge intensive environments. DeFillippi and Ornstein (2003) overview project based learning assumptions and psychological perspectives including biological, behavioural, cognitive, socio-cultural and psychodynamic, all of which can help inform aspects of organisational learning, and note the importance of learning from failure both at an individual and an organisational level.

Dodgson (1993) found the role of trust in collaboration and learning was important, while Easterby-Smith, Snell and Gherardi (1998) found that the role of power is often underestimated in organisational learning. Gherardi (2006) then progresses the debate by questioning the reification of knowledge in a social ecology view of knowledge management literature. Hubers’ (1991) seminal work defines knowledge acquisition in five forms: as knowledge available at the birth of the organisation, learning from experience, learning from observing other organisations, generating sources of new knowledge and searching for knowledge about environment and context. Schilling and Kluge (2009) found that ambiguity is negatively related to organisational learning.

The third knowledge process, absorption of knowledge, represented in the work of Cohen and Leviathan (1990), highlights absorptive capacity (ACAP) as a capability of a firm “to recognize the value of new information, assimilate it, and apply it to commercial ends”. ACAP has been reconceptualised by Zahra and George (2002) as a process of acquisition, assimilation,
transformation and exploitation. Both groups of researchers tend to see ACAP as a dynamic capability, and noted knowledge overload, especially in knowledge intensive environments, can be problematic as firms are challenged to provide increased services with increased transparency. These themes highlight the importance of understanding how this capability can be created.

The fourth knowledge process, transfer of knowledge, as seen in Nonaka and Takeuchi (1995) uses a socio-cultural perspective, to view the importance of team learning, where new points of view are created in dialogue, to integrate diverse perspectives. Broadly, knowledge can be tacit, and can be explicit and can be non-analysable. It can be difficult to transfer knowledge efficiently and effectively, especially across a range of units of analysis: individual, group and organisation, and can be socially complex, such as managing talent in mergers and acquisitions and other knowledge-intensive settings. Casal and Fontela (2007) and Whelan et al (2010) view knowledge using this kind of lens.

The fifth knowledge process, management of knowledge, as illustrated in: Rashman et al, (2009); Blackler (1995); Teece et al (1997); Ridder and McCandless (2010); Jones and Karsten (2008); Cecez Kecmanovic (2004); Massingham (2010) and Perez and de Pablos (2003) can be broadly defined as the integration, availability and generalisability of learning. Knowledge alliances and partnerships need to be understood. Stakeholder theory and the resource based view of the firm, and Structuration theory, all theorise the role of the firm as a repository of productive knowledge, suggesting that dynamic capabilities are potential sources of competitive advantage. Consistent with Nonaka and Takeuchi (2006), many see knowledge as invisible and intangible, and can be seen as both a living organism and as a potential process for understanding layers of risk. Because it is not captured well by traditional accounting measures it is not managed on an everyday basis. So, managers can underestimate its value to the organisation, which may, unintentionally and ironically, lead to a reduction in intangible value creation. Therefore, knowledge, as a resource, is worthy of cautious and judicious investment.

Part 2: Acquisition of knowledge in nonprofit organisations

Because of its conceptual and practical importance to the nonprofit sector, we focus on the second of these five themes: the acquisition of knowledge and the process of organisational learning, seen as foundational components of the knowledge process (Rashman, et al, 2009:471). While Nonaka and Takeuchi (1995) note that that organisational learning and knowledge creation need to be seen as different concepts, others distinguish between the process and the content of learning and knowledge (Easterby-Smith and Lyles, 2003). Similar to Cook and Brown (1999:381), we distinguish between the “epistemology of possession” which views knowledge as an item to be possessed, towards a focus on the process by which knowledge is acquired and by which organisations learn.

Knowledge acquisition competencies specific to the nonprofit sector is relatively scant. Politis’ (2003) study on the effects of managerial power and relational trust on the skills and traits of knowledge acquisition, does not emphasise the role of the nonprofit sector. Kong’s (2008) analysis of the role of intellectual capital in nonprofits does not focus on the competencies for knowledge acquisition. To illustrate the breadth and depth of the research in this field, it is useful to compare Van Beveren’s (2002) model of knowledge acquisition, which refocuses knowledge management; and Dervin’s (1998) overview of knowledge seeking, which focuses on user interests, within sense making theory and practice.; with Mulder and Whiteley (2007) who see an important role for emerging and capturing tacit knowledge a methodology for a bounded environment. From more
specific socio-cultural perspectives, Roy and Therin (2008) seek to explain knowledge acquisition and environment in SMEs and Mork et al (2008) discuss the significant questions surrounding conflicting epistemic cultures and obstacles for learning across communities of practice; Chua (2002) identifies the influence of social interaction on knowledge creation; while Seufert’s (2000) view of work based learning and the management of knowledge give an integrated concept of organisational learning. The philosophical role of organisational learning can be seen in Müller-Merbach (2007) and Blackman et al (2004) who asks whether double loop learning creates knowledge which is reliable. Aspects of the changing nature of knowledge and its role in change management can be seen in Rowley’s (2000) articulation of the journey from learning organisation to knowledge entrepreneur and also in Bennet and Bennet’s (2008) view on the role of tacit knowledge in support of organisational learning. Similarly, Schein’s (1995) discussion of Lewin’s change theory in the field and the classroom explores aspects of managed learning, while Senge (1990) notably rethinks leadership in the learning organisation. Metaphors from biology, consistent with systems theory, are used in Hall’s (2005) examination of the biological nature of knowledge in the learning organisation. A broader view is encompassed by Walczak’s (2008) approach to knowledge management and organisational learning; while Yakhelf (2010) highlights enhanced organizational learning.

Acquisition of knowledge in nonprofits – specific competencies need to be identified

Specific competencies to overcome barriers to knowledge acquisition in this sector are not widely understood, and there is a lack of clarity on how nonprofit leaders and organisations can develop specific competencies in the acquisition of knowledge, Kong (2008:282). In his study on the role of intellectual capital in nonprofits, he found that “organisations that accumulate, apply and share knowledge are often perceived as leaders rather than followers and to succeed as opposed to fail in a knowledge-based economy.” Yet, even with the contributions of Abdullah and Date (2009), who provide a generic framework for public sector knowledge management and Cinca et al (2003) on the measurement of intangible assets in the public sector, and the Girard and McIntyre (2010) model of knowledge management in the public sector, questions remain. Ismail and Yusof (2009) challenge knowledge sharing practices and the quality of service delivery, while Edvardsson (2008) highlights the interdependencies of HRM and knowledge management. A broader perspective is seen in Hurley and Green’s (2005) overview of knowledge management in the nonprofit sector, positing a “within and between” approach. In contrast, a more focused view is seen in case studies such as More et al (2009) and Royal et al (2008) on knowledge management and the performing arts industry in Australia. A lack of management skill, or an inappropriate management style, or inaction, can prove to be a substantial barrier to institutionalizing learning experiences (Schilling and Kluge, 2009).

The organisational learning process can be seen via a range of processes: the individual, shared understanding; diffusion and finally embedding (Rashman et al, 2009:476). Researchers such as Nonaka 1994, Crossan et al 1999, Vince and Broussine, 2000, Zollo and Winder, 2002 and Lopez et al 2005 each illuminate strategic aspects of these learning processes. At the individual level, Vince and Broussine (2000) focus on reflection and reflexivity, and on shared understanding in working groups to create and reframe meaning, while embedding is via interlevel dialogue which addresses emotional, relational and political tensions. Embeddedness is seen in the addressing of systemic tensions, political and cultural barriers. Zollo and Winter (2002) view the individual level in the context of generation of a variation of ideas, while shared understanding is seen in internal selection, diffusion is via variation and spatial replication and embeddedness is in retention and routinization. For Lopez et al (2005) the focus of the individual is on the acquisition of
knowledge, shared understanding is achieved via interpretations, diffusion is via distribution among organisational members and embeddedness comes via organisational memory, systems and rules. As noted by Gao and Riley (2010:324), some forms of knowledge are valued for their symbolic or iconic status, which may have the function of distinguishing ‘insiders from outsiders’, and they emphasise that knowledge and identity are intimately connected.

This review of highlights some unanswered questions: How do organisations develop the competencies to acquire knowledge? How does the nonprofit sector, in particular, with its resource constraints and ambiguities, develop these competencies at all levels of analysis: individual, group and organisational?

This paper attempts to answer these questions by classifying specific competencies required to enhance organisational learning in the nonprofit sector. Eliminating barriers to organisational learning does not guarantee successful organisational learning. Schilling and Kluge (2009:356) find that “pulling down barriers is a necessary, but not sufficient, condition for organisational learning”. This is consistent with Popper and Lipshitz’s (2000) and Chen and Huang’s (2009) view that individual and organisational levels of learning are interdependent. The findings from this research, noted below, are consistent with the view that the “organisation which creates the context and the support for individuals to engage in the creation of knowledge, and therefore the process, should be seen as interdependent, and that organisational knowledge creation amplifies the knowledge created by the creative individuals,” (Nonaka and Takeuchi, 1995:59). While some theorists posit that tacit and explicit knowledge are not separable (Tsoukas, 1996), others such as Spender (1996), link back to Polanyi (1962), and argue they can be separated. They find that knowledge management is more concerned with tacit knowledge, as a component of knowledge which cannot be easily constrained with logic or reasoning. This debate is likely to be ongoing; however, it is useful to classify management skills and competencies which are appropriate for organisational learning, incorporating both tacit and explicit knowledge.

Organisational learning and nonprofits: exploration and exploitation

Exploitation, in this context, implies learning within a familiar context, while exploration refers to acquisition of knowledge and learning from distinctly unfamiliar trajectories and contexts (Gupta, et al 2006). These two concepts illustrate the difference between refinement of existing competencies and the experimentation with new alternatives (March, 1991). However, while there is a strong view that organisations need to balance both exploitation and exploration, there is little agreement on how this balance can be achieved (Gupta, et al 2006). Some argue for balance via ambidexterity, defined as a capability for responding to stable and turbulent technological and stakeholder environments; maintaining and changing identity and exploring as well as exploiting knowledge (Bryson, Boal and Rainey, 2008). Other scholars see the importance of balance via punctuated equilibrium, defined as long periods of exploitation interspersed with short cycles of exploration (Gupta, et al 2006). Both are important aspects of the knowledge acquisition process, as exploitation without exploration can lead to dogma and ritual which are stultifying, and, can lead to severe organizational disruption or death (Boal, 2007).

One common element is that adaptive learning, that is, learning in response to a changing environment (Cook and Brown, 1999; Senge, 1990) may need to be supplemented by generative learning, that is, learning based on an understanding of systems which control events. This is broadly consistent with Argyris and Schon (1996) and Senge (1990). However, even within this

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complex debate on the role of exploration and exploitation, the specific competencies required for organisational learning and acquisition of knowledge are not clearly defined. This gap needs to be addressed.

**Part 3: Competencies to reduce knowledge acquisition barriers in the nonprofit sector:**

**illustrative case study**

We now move to examine gaps in leadership development for arts executives in the major performing arts boards in the Australian nonprofit sector, as a way to clarify knowledge acquisition barriers. It draws on an analysis of semi-structured interviews with CEOs and chairs of several nonprofit arts companies to create a clearer understanding of the priorities for developing leaders within this complex and culturally significant sector. Using the institutional theory notion of “world culture” (Boli and Thomas, 1997) and debates on professionalization (DiMaggio and Powell 1983), and drawing on the human capital wheel of Royal and O'Donnell (2008), it is clear that leadership development needs to be consistent other human capital systems and consistent with strategy in order to achieve organisational high performance.

Most CEOs and key interviewees in this sample of the nonprofit arts sector have been local rather than international appointments, but this analysis found that a pipeline of management talent had not been fully developed. This was in contrast to artistic talent, which is well represented in the international basis of the role of artistic director, and ideally also represented at Board level.

Sophisticated skills in financial analysis, business planning and change management are fundamental for nonprofit arts CEOs and senior executives, and need to be considered as a significant component of professional development and succession planning in the major performing arts sector. The three themes of confidence, respect and trust in relations between the Chair, the CEO and the artistic director emerged as vital to ongoing organisational success.

**Methodology**

The competency framework illustrated below represents the synthesis of data collected from the literature on knowledge management in general, and organisational learning in particular (as seen in Figures 1A and 1B). The framework was then clarified using qualitative data from a series of interviews with a sample of nine senior Arts Leaders, incorporating CEOs and Board Chairs. The interviews were conducted either face to face or via phone during April, 2008. Interviews lasted from approximately 25 minutes through to 70 minutes. Due to the small, high quality sample, individual interviews were hand coded, based on the emergent themes listed below. While the interviews were tape recorded, the researchers agreed to protect the confidentiality of the interviewees by not attributing quotes to any specific person or art form.
Table 1: List of Interviewees

<table>
<thead>
<tr>
<th>Role</th>
<th>Organisation</th>
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<tbody>
<tr>
<td>Chair</td>
<td>Theatre Company</td>
</tr>
<tr>
<td>Executive</td>
<td>State Theatre Company</td>
</tr>
<tr>
<td>CEO</td>
<td>Opera Organisation</td>
</tr>
<tr>
<td>Chair</td>
<td>Theatre Company</td>
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<tr>
<td>Chair</td>
<td>Theatre Company</td>
</tr>
<tr>
<td>CEO</td>
<td>Opera Organisation</td>
</tr>
<tr>
<td>CEO</td>
<td>Orchestra Organisation</td>
</tr>
<tr>
<td>Director</td>
<td>Arts Funding Body</td>
</tr>
<tr>
<td>Chair</td>
<td>Arts Funding Body</td>
</tr>
</tbody>
</table>

Based on a thematic analysis of these interviews, Arts leaders prefer a broad and deep range of professional development, as it appears that leadership skills, including financial skills, exist within a narrow band of each organisation. Arts leaders appear to be open to repertoire of learning environments: executive education, round tables, conferences, international influences, and appropriate forms of acknowledgement and a range of other learning experiences. These are all designed to make tacit knowledge more explicit (Nonaka, 1995). In addition to the inferences on specific competencies, as noted in Table 2, broad themes could be derived from the interview process. Using the Royal and O'Donnell (2008) human capital wheel as a framework for analysis, the themes from the interviews were analysed in the context of the nonprofit arts sector. The discussion of the most important competencies highlighted in the interviews appears in the data analysis section below.

Table 2: Arts Leaders’ Competency Model

<table>
<thead>
<tr>
<th>Competency</th>
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<tbody>
<tr>
<td>Theme 1: Focus on Managing Oneself</td>
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</tbody>
</table>
1.2 Self awareness

- Developing a sense of self as a leader
- Focus on transparency in communications
- Assessment of own strengths and weaknesses
- Ability to engage in honest feedback and assessment of own leadership from multiple stakeholder perspectives
- Long term and strategic thinking
- Effective time management and stress management
- Effective crisis management techniques
- Demonstrating integrity, e.g. through acknowledging the work of others
- Conflict resolution skills

1.3 Coaching and mentoring others

- Coaching and mentoring vertically, and horizontally
- Creating systems for ongoing coaching of others, being conscious of “burnout” in self and others
- Follow up on personal learning contracts and other learning methods
- Uses scarce resources wisely
- Innovative systems for rewarding high achieving staff and colleagues

1.5 Impact

- Commitment to ongoing improvements in own contribution to organisational and professional effectiveness

1.6 Repertoire of leadership style

- Conscious and appropriate choice of leadership style: participative, consultative, directive, in the context of organisational change

Theme 2: Focus on the Organisation

Artistic Vibrancy and Financial Success

2.1 Vision: Creative Visioning

- Crafting and communicating a vision, in concert with artistic director, on how the organisation influences society.
- Environmental scanning capacity.
- Enhancing creativity in all appropriate parts of the organisation.
- Gaining credibility from relevant artistic communities, based on experience, formal learning and/or personal commitment.
- Careful crafting of organisational culture.

2.2 Vision: Systems Thinking

- Creating systems to sustain ongoing change, using feedback loops.
- Coordinating systems to sustain change.
- Construct organisational structures designed for flexibility.
- Build networks laterally and horizontally.

2.3 Building high performance teams

- Using team building skills to develop sophisticated approaches to teamwork wherever appropriate
### Data analysis

Table 2 highlights organisational learning competencies which can be classified into three major themes or units of analysis: a focus on managing oneself, a focus on managing the organisation and a focus on managing external stakeholders (existing and potential). The first theme
incorporates self awareness, impact, coaching others and having a broad repertoire of leadership styles. The second theme of managing the organisation includes the competency of financial and risk management, while the third theme includes engaging with potential new stakeholders.

The interview data revealed gaps in current processes of knowledge acquisition, specifically in the following competencies: 2.7 financial and risk management, defined broadly in terms of financial risk, artistic risk, human capital risk and reputation risk, was seen to be significant but not well developed; 3.2 engaging with potential new stakeholders, including adapting to the needs of changing stakeholders and their changing needs and managing diversity, including indigenous issues, were seen to be areas of weakness.

The four competencies where knowledge acquisition is of most importance to this sector are discussed in more detail below.

Competency 1.2 – Self awareness

Several interviewees noted that time management is an issue for CEOs, who are so “loaded up” with day to day activities; they do not have the luxury of time to engage in strategic thinking. Many seem to not have the staff to delegate routine tasks to. Because nonprofit arts organisations cannot pay the same salaries as the corporate sector, people need to be motivated by the art form and that is hard to sustain over the long term. It may also place considerable pressures on Board members to be involved in more micro projects than would be considered standard in commercial Boards.

One interviewee noted that, due to the complexity of Arts leadership, it is not corporates who should be mentoring Arts leaders, but Arts leaders who should be mentoring corporates.

Competency 2.7 Risk management –artistic risk

While artistic excellence is primarily the responsibility of the artistic director, it seems that the CEO and executive teams need to have a strong understanding of excellence in all its forms. Arts leaders need to respect the artistic decisions of the artistic directors, and at the same time, some interviewees noted that artistic directors also need to take account of commercial realities. They may find that they can create innovative programming, but that the timing of those innovations is critical. Artistic excellence appears to be enhanced by a broad range of activities, including visiting international artists, touring and other related activities. Some noted that the difference between being a Board member of an Arts organisation and of a corporate is “chalk and cheese”, as the whole orientation is different. Financial discipline and corporate governance issues are similar.

In some organisations, artistic proposals are presented to an artistic committee, comprising representatives of the executive team, before being presented to the Board. This system has been based on trial and error and works well. If a proposal makes it to the Board level, the artistic director is normally successful in achieving their proposal.

One interviewee noted that in some organisations, in the past, an artistic director would suggest a program and ask the Board to find the money, but many organisations have moved to some kind of filtering process. One noted: “…to some degree, it is about training the artistic director as well. They have got to understand the process…most artistic directors do not like attending Finance
committee meetings, because they are boring, but you have to take them with you...Once upon a time, it felt as if there were two different companies, the artistic and the commercial, and if they happened to meet in the middle, that was super. Today, I think it is much better managed”.

One interviewee suggested that if a corporate Board member was placed on an Arts board, with no understanding of artistic intention, they would just ask for Andrew Lloyd Webber, “...but the reason you are in the subsidized Arts sector is to take risks...to help society develop, not to serve mainstream middle of the road stuff all the time, and to make people think a bit, to make life interesting...to broaden horizons”. It is clear that CEOs, executive team members and Board members all need to share a passion for their art form.

**Competency 2.7 - Risk management – financial risk**

Boards of companies ensure the mandate of artistic innovation is a primary focus of the organisation, scenario planning could be developed as a skill which is both broad and deep in the organisations, to ensure that financial and artistic sustainability are both possible. Board members may also be another underused resource in terms of assisting key executives with specific skills to assist them to meet their business objectives. One interviewee suggested: “Management needs to work out what they can get out of the Board”. Other underused resources may include: volunteers, Friends of the organisation and potentially university students as interns on special projects. Financial resources come from: box office – all organisations are conscious of continuing to grow this revenue stream; government – this requires advocacy; sponsorship – most organisations believe they can do more in this area; philanthropy – this has historically been very strong for some organisations, yet they believe they can do more.

Some observed that more sophisticated skills in business planning, scenario planning and risk management would assist in creating an increased financial buffer to protect against poor box office returns for one or several seasons. While skills in risk management have improved in recent years, there may be additional challenges to this process under tighter economic conditions.

Some observed that it is possible to pay lip service to risk management, but it needs to be a detailed process and become part of the Arts culture, not just attendance at a lecture on not tripping over equipment. Risk management needs to encompass: understanding potential financial, artistic, reputation and political risks; how to identify the risks; how to assess the impacts of the risks; how to assess the probabilities of the risk occurring and how to identify how the organisation can mitigate the risks. As with many corporate Boards, sub-committees on finance and related activities tend to be formed, with a clear focus on activities to ensure organisational success.

Some observed that their art form has a market in major cities only, and not in regional centres, or that touring may not be viable. This creates pressure for every performance to be as successful as possible at the box office.

There is a wide range of financial literacy among executives. Some insist that “any executive, whether senior executive or CEO, should be familiar with the basics of finance for not-for- profits”. Others observed that even at senior levels, not all executives understood financial and accounting principles.
One interviewee highlighted that: “I have met so many people in the arts who have managed to get into important positions, and they have avoided statistics and accounting and have trouble reading a balance sheet and doing journal entries. Without sounding pedantic, if you are unfamiliar with that kind of stuff, it is very difficult to stand in front of a Board and start answering questions.”

One noted that many people would welcome formal courses in finance and budgeting “as they are not very comfortable with it right now”.

**Competency 3.1 – Managing stakeholders**

The relationship between specific arts executives and their Board varies from discussion to dialogue (Senge, 1991). Some suggest that the meetings create opportunities for people to “seemingly openly” discuss their recent wins and losses in terms of box office and sponsorship, but that more detailed exchange of information is possible. This would need to take into account the very limited time which is available. The relationship between Boards and their organisations also varies, and the most successful appear to have respect for each others’ skills as well as extremely clear role definitions. Several of the Boards met every two months as a Board, but the Chairs often met regularly with the CEO, sometimes weekly.

Several interviewees noted that it takes at least one year, and usually two years, to become a productive Arts Board member, as the organisations and their environments can be complex. Some Boards undertake annual reviews of themselves, with individual meetings with the Chair. Most organisations hold annual strategic retreats, sometimes with all stakeholders, (artists, Board members and management) others with selected executives and not artists. One interviewee, who believed in including all staff, including receptionists, noted: …"I like all the staff to feel they have an input, no matter what position they hold."

Where roles are not clearly defined, the resulting ambiguity can create operational problems. Some noted that some organisations cannot afford to have separate CEOs and artistic directors, and so try to blend both roles, but “they are not always blendable…artistic people are not trained to manage money or projects or people”. Some interviewees noted that a Chair needs to be experienced and professional as a Chair, and understands the importance of the relationship between the Chair and the CEO. Some noted that, if the relationship between the Chair and the CEO is not working, then the organisation is not working. This is equally true in commercial enterprises as well. Some noted that without two way respect between the Board and the management team, the organisation will be dysfunctional. Ideally, a CEO needs to be used to managing people and managing projects and timelines.

Some see the role of the Chair to support the artistic vision of the artistic director; others see the role of the Board to support the CEO. Others note that all key elements of business, finance, marketing and artistic talent should all be represented at the Board table. Roles also need to be clearly defined for succession planning purposes, which is one of the bases of this research project.

Recruitment of both executives and Board members appears to be undertaken quite differently in different organisations. In some organisations, the CEO is chosen by the Board, with input of the artistic director. In others, the artistic director has a primary role to play in the selection, followed...
by the Board. One interviewee noted that: “If management has the initiative, they can have an impact on Board member selection”.

There are different views on the role of the Board. Some indicated that Board members should provide specific expertise to the organisation, and act as pro bono consultants, and be willing to either donate money to the organisation or to actively seek donations via professional and/or personal networks. Others view the role of the Board as a professional Board, similar to a corporate environment. This alternative view argues that may mitigate against “really good talent around the board table”. In particular, artistic talent, which should be represented around the Board table, is not well paid, so it would not be appropriate to ask those people to contribute money as well as time to the organisation. Even commercial people, depending on their current circumstances, may not be able to contribute financially.

Some noted that it is not possible to be a “hands off” Board member, as one bad season, or even one bad production can mean the end of the organisation. Also some Board members make information demands which they are used to in corporate life, but which an Arts organisation is not designed to provide, creating difficult Board/management relations.

Some executives assume that the primary role of the Board is to raise money for the organisation. Some Chairs believe the primary role of the Board is to provide a way for the artistic director to realise their artistic vision, and therefore, the Board should provide detailed support to executives as needed.

Irrespective of which model of Board/management relations is used, it is clear from the interviewees that clear and transparent reporting is essential. This means that skills in business planning, scenario planning and financial and artistic risk management need to be highly developed among the executive team members. Over time, reporting to the nonprofit arts board may be extended to include specific skills audits of the executive team, with a budgeted program for ongoing professional development to bridge skills gaps.

The competency model, Table 2 below, highlights inferences from interviewee data, within the frameworks suggested in the literature, as highlighted earlier. This competency model provides the framework for the second stage of this research, the principles by which to develop a curriculum map for CEOs, direct reports and Board members of nonprofit arts organisations.

Discussion

These learning competencies, in particular, are arguably more imperative in the nonprofit environment. For instance, stakeholder management is particularly significant in nonprofit enterprises (Ridder and McCandless, 2010) as nonprofits are accountable to a wide range of entities with different needs, which often conflict, creating nonspecific measures and milestones, and allowing for political pressures from a range of sources. Hall (1990) noted that nonprofits are more vulnerable to conflict between boards and staff as a result of these ambiguities. However, as Ridder and McCandless (2010) conclude, nonprofits are uniquely challenged to involve a range of competing constituencies in order to be successful. Therefore, those who succeed generate lessons for others, including for-profit organisations.

The literature reviewed above notes that the unique context of the nonprofit sector in the organisational learning process is not as well understood as the corporate sector (Rashman et al...
While the contribution of Schilling and Kluge (2009) in identifying barriers to organisational learning is important, they do not provide a detailed classification of competencies required for learning. This context is important to understand, because, as Tsoukas and Vladimirou (2001) and Taylor et al (2009) observe, the understanding of context is intrinsic to the value and use of knowledge.

While much debate has focused on aspects of embeddedness of learning at all levels of the organisation, including the individual (Nonaka, 1994; Crossan et al, 1999; Vince and Broussine, 2000 and Zollo and Winder, 2002 and Lopez, et al, 2005) it is the process of overcoming barriers to learning which needs to be more closely examined, especially in the complex nonprofit sector. Barriers to organisational learning, in have been found to include: a lack of trust in innovation, a lack of employee skills to implement innovation and also a lack of management skills to institutionalize learning experiences. These barriers can take the form of actional/personal, structural/organisational and societal/environmental (Schilling and Kluge, 2009). Barriers can also include the ability of knowledge recipients to unlearn previous practices (Szulanski, 2003). In spite of these broad and deep contributions, there remains a gap in the literature regarding which specific competences are required to overcome barriers to learning. It is appropriate to derive and classify such competencies, particularly as they relate to the nonprofit sector, where managing under ambiguity is critical for success.

By implication, organisational learning requires ambidexterity. While this is relevant to many sectors, it is of particular relevance to the nonprofit sector. As noted, nonprofits operate in conditions of ambiguity and complex and contradictory goals (Ridder and McCandless, 2010). Innovation and learning and knowledge acquisition are required on an ongoing basis in this sector, which is characterized by flux; changing economic conditions make future revenue predictions uncertain; government and commercial sponsorship is not clear and may change; the role of special interest issues may be increasingly important for artistic and commercial endeavours; traditional methods of leadership development have been focused at the accelerated development of the individual rather than the organisational level and the focus of development can be at the mid-level rather than the senior level (Royal, O'Donnell and Fox, 2008). Nonprofit organisations only succeed when they create intangible value above the expectations of sponsors, either governmental or commercial. However, the concept of intangible value is hard to quantify (Meier, 2010; Roos, 2005; Pike and Roos, 2004), particularly when dealing with subjective judgement on service, or on aesthetics, yet, the process of attempting to do so is necessary.

While there are elements of leadership development which are common to other sectors, there are unique factors in the nonprofit sector. These factors include the ontological and contextual issues: they will always be acting and reacting to environmental and social change, changing economic conditions make future revenue predictions unpredictable, and Government support may change, and frequently, special interest groups can emerge to dominate discourse. Additionally, employees appear to have different needs, motivations and reward preferences and can be motivated by nonmonetary rewards, creating a need for differences in strategic human resource management (Ridder and McCandless, 2010).

Ironically, even with this complex context, Parry, Kelliher, Mills and Tyson, (2005) found that administrative human resources (HR) practices and themes are often imitated from the for-profit sector without appropriate consideration for the context of the nonprofit organisation. Dyl, Frant and Stephenson (2000) have observed that less is known about governance in nonprofits, a view supported by Jegers (2009) who observed that corporate governance of nonprofits originated in
the theories on the functioning of for-profit organisations. Indeed, Ostrower and Stone (2006) found that boards of nonprofits are a subtle blend of interdependence of management and board influence, made more opaque because of the lack of economic theory to address nonprofit board functioning. Luckerath-Rovers, Quadackers, L. and De Bos, (2009) noted that at the board level, non-executive directors of nonprofits are less able to adequately supervise management, are less likely to ask critical questions, less likely to interfere and less likely to ask critical questions, while they are typically paid less than their for-profit counterparts. While these authors surmise that this implies they have a less complex task than for-profit nonexecutive directors, the evidence does not support that view, and the opposite case could be made.

It is possible to argue that the reverse should also be true, that is, that the complex and ambiguous nature of the nonprofit sector provides insights on organisational learning and acquisition of knowledge for the corporate sector. In the case of the nonprofit sector, as Jegers (2009) stated, the performance of nonprofit boards found to be “well functioning” require a high level of awareness of the interactions between competing interests, both at a formal and an informal level. This is a competency which is equally of value to the corporate sector, which is being challenged to move beyond profit maximisation models to consider environmental, social and governance as elements of sustainability (UNPRI, 2011). The traditional linear view of optimising resources, which is often a feature of for-profit organisations, in inappropriate for non-linear, complex environments. Paradoxically, a focus on value maximisation will "almost always lead to short term profit maximisation, unless it is linked to efforts to build better causal theories, that is, to learn", Senge (cited by Beer and Nohria, 2000:66).

This is relevant not only for the nonprofit sector, which works within a creative, rather than an optimizing sphere of influence, but increasingly, for the corporate sector as well. One study found that “the belief that private ownership can produce advantages is based on the assumption that private investors have superior knowledge, incentive and capability to direct, monitor, control, remunerate and replace managers than government officials. However, this is not necessarily so…,” (Turnbull, 2002)

Knowledge acquisition in nonprofits can be a more complex task than in the private sector, because of the ambiguous, intangible and often mutually exclusive organisational goals, suggesting that the nonprofit sector can provide insights for the corporate sector in the acquisition of knowledge under conditions of uncertainty.

Alvesson (2011) observes that a critical view of organisations can blend irony with critique, just as contemporary nonprofit organisations are challenged to do (Jegers, 2009). While Alvesson also argues that a critical view could incorporate: non-performativity (opposite to a means/ends inversion); denaturalization (or constructivism) in which the researcher is aware of the social context, and reflexivity, the same level of awareness is required by leaders within the nonprofit sector. With this in mind, it seems that future research on knowledge acquisition frameworks for nonprofits will need to incorporate a broader range of themes than has been the case.

**Summary and future directions**

This analysis gives a thematic overview of the development of knowledge processes and shows knowledge acquisition as one of the foundational knowledge processes, noting that barriers to successful knowledge acquisition include a lack of management skill. Specific competencies required for knowledge acquisition in nonprofits need to be classified as nonprofit leaders deal with...
a level of ambiguity and complexity which creates a need for highly sophisticated leadership and knowledge requirements. The trend in recent literature on knowledge acquisition in nonprofits has been to focus on governance issues of independence and integrity of the boards of directors of listed companies, with initiatives such as ensuring majority representation by independent outside directors, creating independent nomination, remuneration and audit committees, ensuring the absence of CEO and board chairperson duality and linking managerial and director remuneration more closely with performance outcomes of the company (Carver, 2010; Kiernan, 2007). However, as this paper has demonstrated, it is equally important to analyse the management skills required for knowledge acquisition, particularly in the complex environments of nonprofit organisations, where success is often more ambiguous and hard to define than in for-profit environments.

With this in mind, this field may also benefit in the future by incorporating aspects Scott’s (2001) analysis of institutional pillars. These can act on several levels: global, societal, organizational field, organization and sub-organization. These pillars are enforced by a number of institutional agents, political bodies, nation states and professions which create a form of legitimacy (Sethi, 1979; Wood, 1991, Moir, 2001). In the case of the nonprofit sector, the sector itself can become an institutional pillar, and so requires a high level of sophistication from its influential leadership.

Sophisticated technical and strategic level skills are fundamental for not-for-profit arts CEOs and senior executives, and need to be considered as a significant component of professional development and succession planning in the Australian major performing arts sector. This analysis is consistent with some of the themes from institutional theory (Di Maggio and Powell, 1983), that professionalization, in this case, in the form of leadership development as a process of cultural embeddedness, can work to create a stronger organisation. The emphasis on both rigour and relevance in executive education, in particular, are relevant to this organisation. Professional development should not solve short term problems, but create fundamental managerial insights that might shape managerial thinking and action (Tushman, et al 2007). This research has found that sustainable, rigorous and relevant executive education offers two way learning.

The next stage of this project is a broad based organisational survey, based on the competency model of CEOs, their direct reports and Board members of nonprofit arts organisations (O’Donnell, 2009). The survey more closely defines current competencies existing within the arts organisations, and creates a curriculum map of future ideal competencies.

Additionally for the future, a vibrant research agenda could incorporate the process of knowledge acquisition at all levels for nonprofits, and the requirement for generative and adaptive learning, and ambidexterity. This focus may change the nature of the dialogue between researchers, corporate leaders, nonprofit leaders and the general community, so that both profits and nonprofits are more open to learning from each other.
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