A Validation Study on Knowledge Sharing, Collaborative Culture, Beneficiary Participation, on the Nonprofit Effectiveness of Malaysian Nonprofit Organizations

Nurul Hidayana Mohd Noor¹
Siti Hajar Abu Bakar Ah²
Mohd Awang Idris³

Department of Social Justice & Administration,
Faculty of Arts & Social Sciences, University of Malaya, Kuala Lumpur, Malaysia¹²³
nurulhidayana@yahoo.com¹, shajar@um.edu.my², idrma@um.edu.my³

Abstract

The objective of this study is to validate and explain previous empirical research findings on the influence of three important component of intellectual capital (IC) that are knowledge sharing, collaborative culture, and beneficiary participation on the effectiveness of Malaysian nonprofit organizations. Using a semi-structured interview, this study aims to explain these outcomes as well as to verify the empirical model. This study begins by extracting data collected from six key informants and data were analyzed using a combination of deductive and inductive approach. The findings were presented based on the identified and derived themes. Based on a survey response from 271 participants, knowledge sharing and beneficiary participation have a positive influence on both external and internal effectiveness, except for collaborative culture. The findings confirmed the empirical model and provide some explanation on the insignificant effect of collaborative culture. In addition, among the major finding is the identification of leadership as enabler in fostering the relationships between knowledge sharing, collaborative culture, beneficiary participation, on nonprofit effectiveness.

Keywords: Knowledge sharing, collaborative culture, beneficiary participation, nonprofit effectiveness, validation study

Introduction

In the organizational behaviour literature, there is a continuing interest in how intellectual capital (IC) is used as a value-added in achieving a competitive advantage. As emphasized by a resource-based view (RBV), certain internal firm resources could be utilized as a basis for developing organizational competitive position. Stewart (1997) defines IC as a knowledge component which involves a variety of organizational
resources such as information, intellectual property, and experience that can be utilized to create wealth for an organization. On the other hand, Edvinsson and Malone (1997) define IC as the possession of knowledge, applied experience, organizational technology, customer relationships, and professional skills that could help to strengthen the organizational position. Generally, IC can be characterized into three categories which include (1) human capital (e.g., tacit knowledge, experience, competencies, and skills), (2) structural capital (e.g., databases, process, strategies, organizational culture, publications, and copy rights), and (3) relational capital (i.e., the relationship with any stakeholders) (Stewart, 1997).

Previous research also indicates that IC is positively associated with numerous organizational benefits such as (1) improving performance (Hsu & Wang, 2010), (2) supporting strategic development (Kong, 2008), (3) providing competitive advantage (Kong & Prior, 2008), and (4) promoting learning process (Kong, Jenkins, & Ardagh, 2009). For instance, Ling’s (2013) study on a sample of 146 respondents from Taiwan companies, confirms that IC positively links with the organizational global performance. Then, Yu and Humphrey’ (2010) study reveals that IC toolkit nurture all aspects of collaborative decision processes in small and medium enterprises (SMEs).

Despite its significant impacts, several deficiencies in the literature have been discovered. First, many studies devoted too much attention to the application of IC among private and public sector organizations, whereas lack of studies conduct within the context of nonprofit organizations. Second, IC studies in Eastern nation including Malaysia are not as rigorous as the West. Third, even though several studies have found a positive relationship between IC and organizational effectiveness, most prior research has examined the relationships only based on the perspective of financial performance. In this case, current research needs to consider both financial and non-financial metrics in investigating the impact of IC on organizational effectiveness.

Therefore, the purpose of the present study is to explain and validate the outcome of the prior study (the influence of IC components on nonprofit effectiveness). Employing a single approach would not be sufficient to examine and explore the influence of IC components and a qualitative approach is necessary in providing an understanding of the study context. The most significant contribution of this study is to confirm the proposed IC component (beneficiary participation) as an important component to represent the relational capital. Traditional relational capital metrics are inadequately incorporated into the nonprofit context. Even though numerous scholars have devoted considerable attention to the measurement of IC, very few of them have focused on the nonprofit context when developing IC metrics. Finally, based on the validated empirical model and the specific insights derived, this study also highlights a number of strategic implications for nonprofit organizations. Since nonprofit organizations are not closed systems which operate within clear boundaries, they depend
on several resources such as funds, volunteers donations, and community supports from their external environment. However, many players are aggressively competing in obtaining those resources, therefore, nonprofit organization requires a unique set of traits and this can be achieved by focusing on its own IC components. IC could help to determine the value and competitiveness of an organization (Kong & Prior, 2008; Ling, 2013).

The paper is organized as follows. The next section briefly introduces and explains the previous empirical model. Then, the research methodology undertaken to validate this model is described. This is followed by the results and discussion section and ended with a conclusion, which includes identifying the research limitations and suggestions for future research.

**Literature Review**

**Intellectual Capital (IC)**

Intellectual capital (IC) term was first being used in 1969 by an economist, John Kenneth Galbraith (Bontis, 1998). However, it was only well-known and explodes in the early 1990s when it was highlighted by Stewart (1997) in a cover story in Fortune Magazine. According to Stewart (1997), IC refers to a sum of knowledge, information, intellectual property, and experience that can be utilized in order to achieve competitive advantage. Initially, IC is a part of three vital element of organizational resource (i.e., physical capital, financial capital, and intellectual capital). IC term sometimes refers to intangible resources that can help to create value to the organization (Stewart, 1991). These intangible resources can further be split into three main components namely human capital, structural capital, and relational capital (Stewart, 1997).

First, embedded in employees, human capital refers to the collective capability owned by the organization’s workforce such as skill, knowledge, innovativeness, attitude, commitment, wisdom, and experience (Cuganesan, 2005). Abeysekera (2007) further denotes human capital as training and development, entrepreneurial skills, equity issues, employee safety, employee relations, and employee welfare. On the other hand, structural capital (or organizational capital) refers to the knowledge that is embedded within the organization (Stewart, 1997). Previous scholars further summarized structural capital into two forms. First is the innovation capital which includes organization intellectual property such as patents, trademarks, copyrights, databases, and others. Second is the process capital which includes organizational processes, organizational culture, information technology systems, and others. The structural capital is usually derived from the management of human capital which usually involves group processes. In the other words, the knowledge is not only owned by an individual employee but also belongs to the organization (Carson et al., 2004). Finally, the relational capital refers to
the organizational relationships with their own external stakeholders such as suppliers, communities, customers, intermediaries, employees, suppliers, regulators, creditors, investors, and other constituents (Bruton, Dess, & Janney, 2007). The relational capital is very crucial in order to supports growth and it provides a medium for knowledge sharing within the organization (Kang & Snell, 2009).

In addition to above discussion, the previous studies also discover that all three components actually complement each other. For example, Welbourne (2008) observes that relational and human capitals are connected because it is people within an organization that usually create, maintain, and nurture the organizational relationships. Then, Wang and Chang (2005) argue that the combination between IC components could strengthen the organizational resource composition. This argument is also supported by social capital theory which stresses on the importance of intangible assets of individual employee in order to boost competitive position of the organization.

**Nonprofit Organizations and Intellectual Capital (IC)**

Nonprofit organizations generally are a part of third sector actor which also includes numerous kinds of organization such as self-help groups, social enterprises, networks, private service providers, and others. Based on general acceptance definition provide by Salamon and Anheier (1997), nonprofit organizations share five common characteristics:

> Firstly they are organized, i.e., they possess some institutional reality. They are private, i.e., institutionally separate from government. They are non-profit-distributing, i.e., not returning any profits generated to their owners or directors. They are self-governing, i.e., equipped to control their own activities. They are voluntary, at least in part, i.e., they involve some meaningful degree of voluntary participation, either in the actual conduct of the agency’s activities or in the management of its affairs (p.9).

In Malaysia, nonprofit organizations are either charitable organizations or societies. Nonprofit organizations with revenue of more than Ringgit Malaysia (RM) 1 million must be registered with the Companies Commission of Malaysia (CCM) and is held accountable by the Companies Act of 1965. On the other hand, for nonprofit organizations with revenue less than RM1 million, they must be registered with the Registrar of Societies of Malaysia (ROS), within the Ministry of Home Affairs, and are held accountable by the Societies Act of 1966 (Arshad et al., 2013). Throughout the world including Malaysia, nonprofit organizations have act as the important actor for the society development and they are now equally significant as private and public
organization (Liu, 2010). Nonprofit organizations also started to adopt business-like techniques as they are becoming increasingly confronted with many challenges such as reduction in fund, pressure for raising efficiency and effectiveness, competition from social enterprises, decline of public support, and others (Dolnicar, Irvine, & Lazarevski, 2008). Therefore, in addressing these challenges, this study proposes the utilization of IC components in order to help them to remain effective. Although IC is first utilized in for-profit organizations (Roos, Bainbridge, & Jacobsen, 2001), it is also significant for nonprofit organizations since the ability of nonprofit organizations to achieve their objectives are largely depend on its intangible assets such as knowledge, skills, and experience of the employees and volunteers (Kong, 2008). By focusing on the development of IC components, it could help nonprofit organizations in maintaining their organizational survival (Benevene & Cortini, 2010). For instance, Kong’s (2003) study on strategic management approach within the nonprofit context revealed that IC acts the most crucial strategic approach for nonprofit organization function. Therefore, the consideration for IC development is important in order to help nonprofit organizations to survive.

Intellectual Capital (IC) Empirical Model for Nonprofit Effectiveness

Inspired by the identified research gaps, a conceptual model incorporating three main components of IC was developed (see Figure 1). During the first phase study, a cross-sectional survey and a structured questionnaire have been employed and the final valid data consist of 271 participants from Malaysian nonprofit organizations. The constructs in this study were measured using Likert scales drawn from existing studies. Structural equation model (SEM) was employed in order to assess the relationships between the constructs. Figure 1 depicted the final empirical model derived from the SEM analysis. Based on the findings, knowledge sharing and beneficiary participation positively predicted the external and internal effectiveness. However, in discussing the result on the impact of collaborative culture (insignificant effects), the study does not reach the same conclusion as the previous studies. Therefore, a second phase study needs to be done in order to explain these findings.
Methodology

Sample

Using a purposive sampling, key representatives from participating nonprofit organizations were selected in order to validate the findings of the survey data. The key representatives are those who are relevant in helping to answer the research questions. These include leaders, experts, managers, and experienced staffs. After approval, six key representatives willing to participate for the validation stage. Coding was used to define each key informant in order to protect their identities. Therefore, the first informant is identified as A, the second informant as B, the third informant as C, the fourth informant as D, the fifth informant as E, and the final informant as F.

Data Collection and Procedures

For the present study, the semi-structured interview was chosen as a central instrument. The participating nonprofit organizations from the quantitative study first were contacted to inform the intention for the qualitative study. They also were asked to help in promoting any names that suitable for the second phase study. After getting response, time and place were confirmed either by email or by phone. Upon request, all interviews were conducted in Malay. Every interview was held individually and face-to-face in order to establish some connection with the participants. During interview, an interview guide was used to maintain the direction of the conversation. The interview guide was developed based on themes derived from the survey data. Its purpose was to ensure that the data collected from this phase was consistent to those obtained from the previous study which enable a more precise validation of the empirical model.
Validity and Reliability of the Interview Protocol

Prior to performance of a full-scale study, validity and reliability issue need to be addressed in order to reduce the research bias. Validity in qualitative study is a matter of trustworthiness, utility, dependability, and also holistic as well as ever-changing (Creswell, 2009). Therefore, to guarantee the validity of the interview protocol, the interview script was issued first to the experts in order to comment on any unclear and obscure interview statements. Next, for attaining the reliability in qualitative study, the researchers need to ensure the soundness of the research in relation to the application and appropriateness of the methods undertaken to reach for the final conclusions (Rofle, 2006). Thus, the interview procedures need to be carried out in a fully systematic manner. Following are examples of guidelines that were used in this study:

- Interviewees should be provided with a scope to express their opinions.
- Interviewer should be non-judgmental and neutral during the interview.
- Interviewer should be respectful, natural, and nonthreatening.
- Interviewer should create rapport.
- Interviewer should not interrupt (Morse et al., 2002).

Data Analysis

As mentioned earlier, the interview script was deductively structured based on the quantitative theme that derived from the survey data. After the semi-structured interviews were conducted, data are then, were analyzed using inductive approach. This is a research technique involving the identification of theme derived from the interview (Liamputtong & Ezzy, 2005). The software of NVIVO 10 was used to store data and the results were displayed in form of verbatim quotes.

Findings

This section presents the findings of the interview data which accordingly were displayed based on the specified and emerged themes.

Knowledge Sharing

The first theme focuses on the understanding knowledge sharing behaviour among the employees of the participating nonprofit organizations. Interviewees first were asked to explain on the process of sharing knowledge that exists within their organization and to elaborate its implications. All interviewees believed that knowledge
sharing is very important to their organization and knowledge sharing has been associated with numerous positive outcomes. For instance, Informant E stated that knowledge sharing use to facilitate and organize information within their centre. In a similar vein, Informant F believed that sharing information could assist the delegation of work within their association. These findings showed that knowledge sharing provides more precise insights and the interactional process help the employees to extract ideas from others which could help them to improve their working capacity.

In addition, the researchers also discovered that there were many different types of knowledge sharing method that were used by the participating nonprofit organizations. Some organizations may use technology in facilitating knowledge sharing and some of them may use a simplistic approach such by means of informational discussions. For example, Informant D stated that their organization encourages their employees to prepare a report and to share it during a formal meeting. On the other hand, Informant C mentioned that they employed several innovative ways of sharing knowledge such as graphical form, checklist, and drawing technique. Therefore, the researchers assumed that organizational orientation influences the way knowledge is being shared within the organization. Following are the examples of the verbatim quotes:

“Staffs need to share any knowledge related to their task. Without knowledge sharing, the organization is not healthy...Knowledge sharing allows smooth delegation of task. In our association, when new information exists, all staffs will receive it. We also have ICT officers that will disclose any information to our staffs” (Informant B, Membership Association, January, 15, 2015).

“In our centre, at least once a month, we will have a meeting where staffs can share information... When one staff attends to any training or external learning session, once they come back, they are required to prepare a full report and share what they had learnt” (Informant D, Centre for Disabled, January, 22, 2015).

“Sharing knowledge is a must for our centre. I encourage my staffs to share knowledge by implementing several innovative mediums such as diagram form, checklist form, and others. These mediums are very important to assist several disabilities and limitations face by our staffs. For example, since our hostel warden cannot read (illiteracy problem), I have create a graphical form to help him to share any information about our resident as well as the information about our facilities. Disabled residents are unpredictable; sharing any kinds of information are vital
within this society” (Informant C, Centre for Disabled, January, 16, 2015).

Collaborative Culture

For the second theme, which is the organizational culture, the interviewees were asked to describe their main organizational culture. It is found that each nonprofit organization has different main criteria that defined their organizational culture. Therefore, organizational culture is not totally absolute, instead it is flexible accordance to the organizational composition and orientation, principles, policies, and values. For example, by playing a very important role in community safety and criminal justice in Malaysia, Informant A’s organizational culture focused more on integrity value since their main core values emphasize more on responsibility for ethical conduct and behaviour. On other hand, some organizations such as children-based centre and disabled-based centre put more focus on the culture that support its employees in considering customer needs and satisfaction. Following are the examples of the verbatim quotes:

“Our staffs need to have the highest level of discipline and integrity since our core business is crime prevention. This culture helps to direct our staffs towards promoting public awareness in crime prevention at all times. Integrity is our main consideration” (Informant A, Public Service, December, 30, 2014).

“Our centre operates primarily based on a client-oriented and concerned culture... Staffs mainly focused to provide service that tailored to the needs of the residents (i.e., disabled person)” (Informant C, Centre for Disabled, January, 16, 2015).

“I can conclude that all my staffs are very committed and honest... In promoting sense of honesty, I always inculcate religiosity and spiritual value. This is very crucial for empowering the characteristics of good teaching” (Informant D, Centre for Disabled, January, 22, 2015).

Next, when the interviewees were asked to comment on collaborative culture, most of them agreed that this culture existed within their organization. In a collaborative environment, every employee at every level and department will be involved in managing organizational routine and practice. By encouraging people to work together, the employees will able to perform their task since it will make their jobs easier and this will help the organization to improve its performance. Following are the examples of the verbatim quotes:
“We only have 12 staffs and disabled person are unpredictable. So, the collaboration is crucial in this society. Everyone is treating each other like a family... For me, collaboration requires a dynamic support where the employees share a common goal which could help us to improve our service delivery” (Informant C, Centre for Disabled, January, 16, 2015).

“Collaboration level is high because we usually hired staffs that we already notice and recognize such as friends and their relatives. In this case, our recruitment process is quite different from others...Since, we only have few staffs, I believe that collaborative culture help to facilitates our centre operation as well as to improves our decision making process” (Informant E, Centre for Children, January, 26, 2015).

Beneficiary Participation

The third theme focuses on the understanding the practice of beneficiary participation. Based on the interviews, each nonprofit organization has focused on maintaining the relationships with their beneficiaries which is important for their organizational effectiveness. However, the participation process is only on the surface level. For instance, they only used basic mechanism such as feedback survey and invitation to be involved in the annual meeting. Therefore, true participation does not exist since the beneficiaries are not involved in all phases of nonprofit projects or activities. Following are examples of the verbatim quotes:

“Teachers (members) can participate with us in making and implementing the policies. We always perform a survey study in order to gather teacher’s feedback on our current and upcoming projects and programs” (Informant B, Membership Association, January, 15, 2015).

“Our beneficiaries are invited to attend our annual meeting and convention, and they are also encourage to provide any feedback and suggestion” (Informant F, Religious-Youth Association, January, 30, 2015).

Nonprofit Effectiveness

The forth theme focuses on understanding the criteria that define organizational effectiveness of participating nonprofit organizations. Since each organization has different sets of objective and mission, each nonprofit organization will have different effectiveness criteria. Following are examples of the verbatim quotes:
“For me, the effectiveness of this foundation is defined when many members showing their commitment in helping us... At this moment, many peoples still don’t know what our role is” (Informant A, Public Service, December, 30, 2014).

“Effectiveness is achieved when we able to fulfil our mission statement. We aim to give and create job opportunities for the disabled person. When more residents are employed, it shows that the training process and teaching within this centre is effective” (Informant C, Centre for Disabled, January, 16, 2015).

“Our centre is effective when we able to provide love and care as well as to help the needed children to grow and survive once they go out from our centre. We don’t want these children continued to stay with us. This centre should be only a last resort for them” (Informant E, Centre for Children, January, 26, 2015).

In addition, when the interviewees were asked to validate the survey findings, majority of them agreed that knowledge sharing, collaborative culture, and beneficiary participation are vital for their organization. Therefore, the interview data reflect the survey findings. Following are the examples of the verbatim quotes:

“All variables within your study are important... I believed without these variables, one institution might be collapsed” (Informant D, Centre for Disabled, January, 22, 2015).

“I believed that all variables are significantly important but it also depends on the intention of the founder. If the founder only aims for generating fund or donation alone, perhaps she or he doesn’t value the function of those variables. However, if the intention of the founder is for the sake of the children well-being, I believed he or she will appreciate those variables” (Informant E, Centre for Children, January, 26, 2015).

Leadership

During the interviews, leadership has been repetitively mentioned. Therefore, leadership emerged as a new theme derived from the qualitative data. The informants have pointed out that no matter how well the systems are implemented, without a strong leadership, the organization will unable to adapt to the complexity and dynamic demands of their working environment. Leadership itself represents a powerful
intangible asset and it could impact other intangible assets. In this study, other intangible assets include knowledge sharing, collaborative culture, and beneficiary participation. Strong leadership can help the organization to boost up its IC components in order to achieve the desired goals. Following are the examples of verbatim components:

“To conclude, there are three elements that defined the success of Malaysian nonprofit organizations. First, leadership in which the leaders must have the highest integrity level, and they must be a dedicated person, and must possessed strong characters. Second is accountability and transparency. Third is the willingness to adapt and change” (Informant A, Public Service, 30, 2014).

“For me, the effectiveness is depends on the leader. The leader must act in a fair and neutral manner...” (Informant B, Membership Association, January, 15, 2015).

Discussions

Overall, the qualitative data help to further understand the relationships and explain the findings of the quantitative study. Based on the interview data, the study first discovered that different nonprofit organizations has they own cultural strength. In this case, certain nonprofit organizations are practicing different approaches of collaborative culture. Perhaps, the metrics used to measure the collaborative culture is inconsistent with the actual practice. In addition, even though, the data were collected across different categories of nonprofit organizations, however this study did not made any comparison on it. As debated by the previous nonprofit organization scholars, categories might influence the way nonprofit organizations operate (Ebrahim, 2003). Previous scholars also believed that culture is influences by many factors such as history and ownership of organization, technology advancement, missions and goals, size, location, management and personnel, and external environment (Greenberg, 2011). For instance, Gupta’s (2011) study in examining the culture of 32 Indian organizations from seven industries indicated that there were significant differences in term of the organizational segmentation.

Second, similar to culture, this study also discovered that nonprofit organizations have different main criteria that define their effectiveness. For example, according Informant C, their main effectiveness criteria is mission fulfilment, while for Informant A; their main concerned is on their organizational image and reputation.

Third, interestingly, leadership appears as new theme that derived from the interview data. In this case, the researchers concluded that leadership is very important
as an enabler and as revealed by the previous scholars, leadership has a great influence on staffs’ attitudes and behaviours (Northouse, 2010). Leadership also acts as a critical factor in managing the complexities of nonprofit organizations (Anderson, 2003). For example, employing in-depth interviews strategy, Anderson’s (2003) study found that leadership qualities, behaviours, and attributes help to transform nonprofit organizations in adapting with numerous external and internal forces such as new technology, financial problems, turnover, changes in the operation of the organization, and others.

As managerial implications, nonprofit organizations need to focus in managing their own IC components by creating an environment that supports the development of its IC components. First, nonprofit organizations could utilize the use of technology since it has been proved by the previous scholars as a best approach in helping nonprofit organizations to transform (Teng & Song, 2011). For example, Eimhjellen’s (2014) study discovered that nonprofit organizations that engaging with the usage of the Internet have higher probability of achieving organizational growth than those who do not.

Second, nonprofit organizations are encouraged to boost some motivational aspects since their employees are naturally and intrinsically motivated to join nonprofit organizations (Salamon & Anheier, 1997). By doing this, IC components especially, human capital could be developed and enhanced. For example, in order to promote knowledge sharing culture, American Management Systems awarded their excellent knowledge contributor with an annual ‘Knowledge in Action’ award (as cited in McDermott & O’Dell, 2001).

Finally, since leadership emerged as a new theme, nonprofit organizations need to focus on the role of leadership in helping to foster IC components. For example, in developing the existing leadership skills, Save the Children Alliance had established a set of self-measurable leadership standards in order to encourage learning and self-improvement (Hailey, 2006).

To conclude this section, the findings generate from the qualitative study validate the findings of survey instrument that was used to collect data from a larger population. Both data are then, were synthesized in order to provide some strategic implications for nonprofit organizations. These implications are very important in order to help them to sustain their organizational effectiveness.

**Conclusion**

The main aim of this study is to validate and to understand the findings of the previous empirical model. The results from the semi-structured interviews with six key informants have provided several important implications. First, the present study
confirms the empirical model of IC components that shows the significant impact of human, structural, and relational capital on organizational effectiveness. Therefore, future researchers can explore this reliable set of metrics for further studies. Second, the study also reveals that leadership is important enabler in fostering IC components. As supported by Tsai’s (2011) study, leadership has an impact in creating and maintaining the organizational function. Third, by utilizing the qualitative study, this study provides in-depth explanation on the impact of IC components on the effectiveness of Malaysian nonprofit organizations.

While this study works to provide several research and practical implications, there are several limitations that need to be noticed by future research. First limitation is the fact that this study was conducted in a single country (Malaysia). Hence, it does not allow generalized findings. It would be useful to replicate the investigation in the other context. The second limitation is this study only focuses on three IC components which could limit our knowledge on the determinants of nonprofit effectiveness. Thus, future studies need to extend the proposed model by include other IC components. For example, since leadership has been repetitively mentioned by the key informants, perhaps future research could include leadership style as a part of IC metrics. Third, even though this study include all categories of nonprofit organizations, no comparison has been made. Perhaps, a comparative study need to done in order to examine this matter. Finally, the sampling of this study is small and limited since it largely depends on the quantitative data. Therefore, more qualitative methodologies such as case study, focus group discussion, observation, or content analysis should be undertaken in order to provide a wider perspective to the present study.

References


