



## Intellectual Capital

“We have moved from an economy of hands to an economy of heads.”  
~ Business guru, Gary Hamel

How are you managing the ‘heads’ of your organization?

The growing power of ideas – as manifested in innovative programs, policies and processes – is the key differentiator for a successful nonprofit organization.

This means that the most important resource in your nonprofit is not your donor database, or your special event... it’s the heads that walk through your door every day. These heads make up the differentiator known as Intellectual Capital.

Building your organization’s Intellectual Capital has become a science that has been shown to propel programs, services and fundraising, to higher standards of success.

To raise Intellectual Capital in your nonprofit in today’s competitive environment, create a culture that encourages creativity, innovation – get that good stuff out of those heads- and one that keeps your best heads around.

What are some signs that you are not leveraging the Intellectual Capital of your organization? Thomas Stewart, early proponent of the concept of Intellectual Capital through knowledge management states “like Lyme disease, knowledge management problems have symptoms that sometimes mimic other problems.” Each of these symptoms indicate that people in the organization are not finding knowledge, moving it around, keeping it refreshed and up to date, sharing it, or using it. (Zurbuchen, 1998)

Here is what to look for to determine where your organization stands in nurturing Intellectual Capital:

- Same Mistake – seventh time.
- Duplicated effort
- “Silos”
- Someone is out, and work comes to a halt
- Consistent loss of materials and information for routine projects and processes
- Goals and Objectives consistently not met
- Poor customer feedback on performance
- High turnover of excellent performing staff
- Declining values: Financial, Performance, Membership
- Poor Employee Morale



This list is not exhaustive but you get the picture, it's a great illustration of the environment experienced by nonprofits that have not yet placed knowledge management of Intellectual Capital as a core business function.

Growing and retaining Intellectual Capital requires strategy, plan and measurement.

## Growing Intellectual Capital

Some steps to take in growing Intellectual Capital:

- Make sharing knowledge easy: Create an organizational Wiki, a place for staff to enter learned concepts and share information or ideas.
- Encourage online communication: Organizational bulletin boards where your brightest can test theories through communication
- Reward innovative thinking: Most organizations are risk averse. This translates into new processes and programs meeting significant pushback. Flip your model of operating around to encourage, embrace and reward new processes and programs.

## Retaining Intellectual Capital

Findings from the 2012 national Nonprofit Employment Trends Survey conducted by Nonprofit HR Solutions indicate that three-quarters of nonprofits do not have any formal strategy for retaining staff. That's money out the door.

What are the key factors in retaining your Intellectual Capital investment? Surprisingly, in repeated studies of the nonprofit sector, rate of pay is not as important to retention as you may think. Here is what is important:

- An environment that encourages and rewards autonomy. That means self-direction, flexible work hours and environment (work from home, café, beach) and a results only measurement model. Innovative people like innovative work styles.
- Frequent, positive and meaningful feedback on work results. Especially with our newer generation of rising stars, Millennials thrive on feedback. This is a generation that, for good or bad, had helicopter parents, teachers and coaches, giving direction, encouragement and correction at every step.
- A role that requires diversity of talents, skills and functions. Many of the most successful people I know, have an entrepreneurial attitude about their work, even if they don't own the company. Unlike multi-tasking (doing many things at once), multi-talenting is using a variety of talents, learned experiences and ideas in the execution of your work.



- Collaborative work. As a society, we have gained an addiction to tribal-ness: the desire to be affiliated and interrelated in our communication, experiences and work efforts. Collaboration also has the benefit of growing your Intellectual Capital through knowledge management. It needs to be encouraged.
- Work that is meaningful. Your creatives, your innovators and those who are bringing the most Intellectual Capital to your organization, want to know that the results they are accomplishing actually are feeding into higher levels of success. Show them the corollary in an authentic and factual way.

Intellectual Capital is a key driver for competitive advantage in today's environment for the nonprofit sector. He who grows the brightest and holds them, wins. Therefore, Intellectual Capital is an important, if not THE important, resource that nonprofits need to develop in order to gain sustained strategic advantage increasing their effectiveness in serving their constituency and funding their mission.

Sondra Lintelmann-Dellaripa, President of Harvest Development Group