

# ABAS: ANNALS OF BUSINESS ADMINISTRATIVE SCIENCE

Vol. 2, No. 3, July 2003

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Non-Profit Organizations in Japan

# ANNALS OF BUSINESS ADMINISTRATIVE SCIENCE

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ANNALS OF BUSINESS ADMINISTRATIVE SCIENCE is published quarterly in January, April, July, and October, by Global Business Research Center, Marunouchi, Chiyoda-ku, Tokyo, JAPAN. <http://www.gbrc.jp>

# The Clarification of the Tacit Knowledge to Assess Non-Profit Organizations in Japan

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**Abstract:** A support center for non-profit organizations is a kind of intermediary focusing on the information and consultation in non-profit sector in Japan. This paper examines organizational assessment to Japanese non-profit organizations with the explicit knowledge transferred from the tacit knowledge in one grant-making foundation, The Nippon Foundation. In particular, while such evaluations are based on the more explicit evaluation criteria of (1) the characteristics of the organization and (2) the characteristics of the leader from evaluation data of 24 support centers in Japan, the more tacit and critical evaluation criteria of (3) planning ability and (4) organizational capability determine the total evaluations. This paper concludes that self-business approaches are important for the autonomic growth of non-profit organizations.

**Keyword:** non-profit organization, organizational assessment, discriminant analysis

## 1. Introduction

The Nippon Foundation is one of the largest grant-making foundations in the world. Since 1993, Department of Community Services of the Foundation has made grant aids to many projects applied by non-profit organizations. Throughout the period, Department of Community Services staffs

(hereafter referred to as Community Services staffs) screened issues on each grant programs organically and came up with a rule of thumb on assessment to non-profit organizations.

It's striking that their criteria to non-profits were expressed by the metaphor *jiritsu* which could be interpreted as both independence and autonomy.

Nonaka and Takeuchi (1995) say that figurative language, such as metaphor and analogy, is prominent to articulate institutions and insights, while ambiguity and redundancy are essential to enhance knowledge-creation process. In short, Community Services staffs have shared some sort of tacit knowledge throughout the screening process. In the course of the discussion, it is proved that they wished to make a grant aid which would promote autonomic growth of non-profits. Consequently, this research on their tacit knowledge will provide some clues to the autonomic growth of non-profits in Japan.

By the way, The Nippon Foundation still emphasizes organizational assessment on the practical level though they have not aided non-profits on organizational basis but on project basis. Organizational assessment has certain advantages. For instance, organizational assessment will avoid *katte-shugi* (Tao, 1999), which means arbitrary doctrine; the unique tendency hating intervention of a third-party in voluntary organizations, while project assessment faces it. Werther and Berman (2001) stress organizational assessment as making organizations function better.

However, there are not many studies on organizational assessment. Cutt and Murray (2000) proposed the application of Balanced Score Card (BSC), and Mie Community Institute for Evaluation (a non-profit organization existing in Mie Prefecture, <http://www.hyouka.org/>) developed organizational self-assessment tools. Other studies are generally

mere classification or feature extraction of non-profit organizations rather than organizational assessment (e.g., Inada & Kosaka, 1998; Kojima, 1998a, 1998b). There will be much less studies on tacit knowledge of external assessment to nonprofit organizations.

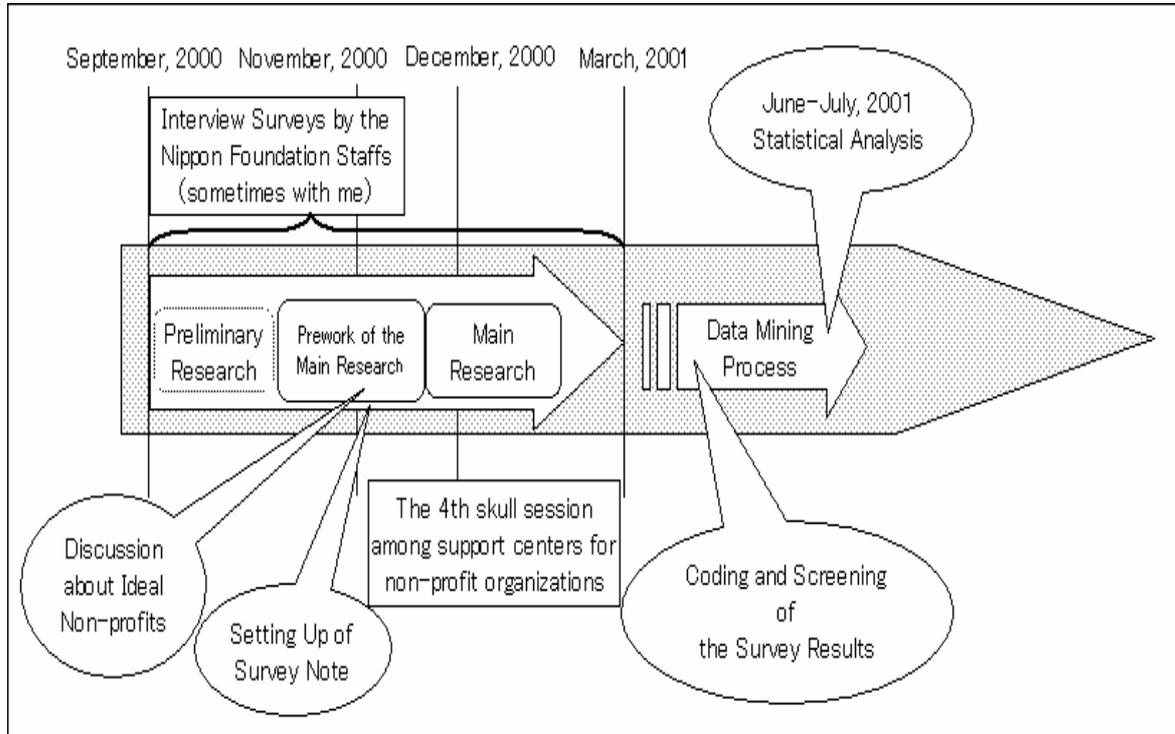
After all, the purpose of this paper is to investigate organizational assessment factors of non-profits through the process transferring their tacit knowledge into explicit knowledge and to discuss the ideal non-profit organizations toward autonomic growth on the basis of Matsumoto and Takahashi (2002).

Concretely speaking, this research deals with 24 support centers for non-profit organizations. A support center for non-profit organizations is a kind of intermediary focusing on providing information and consultation with non-profit sector in Japan.

## **2. Clarification of the Tacit Knowledge**

External stimuli are useful for knowledge creation within groups (Sasaki, 2002). Setting up a place in a group is one of the important phases in knowledge creation (Nonaka, 1990). Thus, we conducted researches including some participant observations shown as in Figure 1. At first, according to Community Services staffs, ideal non-profits were expressed by the key word *jiritsu* as have mentioned. This word in Japanese, however, has two meanings, that is, independence and autonomy. In fact, Community Services staffs seemed not to define themselves fully what this word meant. It, however,

**Figure 1. Flow Chart of Research**



has emerged that they hoped for non-profits to be independent toward autonomic growth after the long participant observation and discussion with them.

Thus, we asked Community Services staffs to note any features after they have researched 24 organizations to set up a new grant program. Nonaka and Takeuchi (1995) say that there are four different modes of knowledge conversion; (1) socialization, (2) externalization, (3) combination, and (4) internalization. According to Nonaka and Takeuchi (1995), socialization is to share experiences and create tacit knowledge of a group, externalization is to transfer tacit knowledge into explicit knowledge, combination is to combine individual explicit

knowledge and create common explicit knowledge, and internalization is to embody explicit knowledge into tacit knowledge. This operational process corresponds to externalization which is to transfer tacit knowledge of organizational evaluation into explicit knowledge.

As the result of the operational process, 16 items could be extracted from discussions with Community Services staffs basing on the notes. They were relatively conscious of eight items (Table 1). These eight items are classified into two axes; (1) “characteristics of organizations,” and (2) “characteristics of leaders.” The staffs shared explicit knowledge because they have experienced numbers

**Table 1. Conscious Items**

| Characteristics of Organizations  |
|---|
| D1. Not more than 4 years since the establishment (1=Yes, 0=No)                         |
| D2. Establishment without proposal by public administration (1=Yes, 0=No)               |
| D3. Annual fiscal scale is not less than 30 million yen (1=Yes, 0=No)                   |
| D4. Annual self-sponsored funds less than 50 million yen (1=Yes, 0=No)                  |
| Characteristics of Leaders  |
| L1. Planning Skill (1=Yes, 0=No)  |
| L2. Personal Magnetism (1=Yes, 0=No)  |
| L3. Communication Skill (1=Yes, 0=No)   |
| L4. Office Skill (1=Yes, 0=No)  |
| Note: Community Services staffs have been conscious of the two axes of the eight items. |

**Table 2. Unconscious Items**

| Planning Ability  |
|---|
| A1. Experience of public fiduciary business (1=Yes, 0=No)                                 |
| A2. Experience of joint hosting with public administrations (1=Yes, 0=No)                 |
| A3. Activity in the information service (1=Yes, 0=No)                                     |
| A4. Activity in the advocacy (1=Yes, 0=No)  |
| Organizational Capability   |
| O1. Not less than 3 members of full time staff (1=Yes, 0=No)                              |
| O2. Less than 55 years-old leader (1=Yes, 0=No)   |
| O3. Full-time leader (1=Yes, 0=No)  |
| O4. Apparent less than 40 years-old full-time sub-leader or successor (1=Yes, 0=No)       |
| Note: Community Services staffs have been unconscious of the two axes of the eight items. |

of discussions among them, and the eight items correspond to it. In other words, they made the progress on their own to externalization and combination as in Nonaka and Takeuchi (1995).

On the other hand, as the interaction between tacit and explicit knowledge works on the real organizational knowledge creation, they must make the progress to socialization and internalization (Nonaka & Takeuchi, 1995). As a result they are relatively unconscious of the other eight items (Table 2). These eight items are classified into two axes; (3) “planning ability,” and (4) “organizational capability.” This tacit knowledge has been formed through common experiences.

In addition to the extraction, all 16 items are

investigated and checked in each of 24 observations. For example, when an organization is three years old, D1=1 (Yes) is noted.

While 16 detailed items are checked, we also gained the total organizational evaluation. The evaluation consists of three measures, such as good, bad and neither to say. There were two patterns of organizational evaluations. One was an individual evaluation combining the results determined by four staffs. Another was a collective evaluation determined after consulting four staffs from the viewpoint of the adequacy of the granted organization.

First, we applied discriminant analysis on individual evaluation with 16 components (Table 3).

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**Table 3. Discriminant Analysis 1**

| Actual status | Classified as |        |     | Total |
|---------------|---------------|--------|-----|-------|
|               | Good          | Others | Bad |       |
| Good          | 13            | 1      | 0   | 14    |
| Others        | 1             | 6      | 0   | 7     |
| bad           | 0             | 0      | 3   | 3     |
| Total         | 14            | 7      | 3   | 24    |

Note: misclassification probabilities are 8 %.

**Table 4. Discriminant Analysis 2**

| Actual status | Classified as |        |     | Total |
|---------------|---------------|--------|-----|-------|
|               | Good          | Others | Bad |       |
| Good          | 4             | 0      | 0   | 4     |
| Others        | 0             | 18     | 0   | 18    |
| bad           | 0             | 0      | 2   | 2     |
| Total         | 4             | 18     | 2   | 24    |

Note: misclassification probabilities are 0 %.

**Table 5. Misclassified Probabilities**

| Type of Discriminant Analysis | Targets of Discriminant |                  |
|-------------------------------|-------------------------|------------------|
|                               | Conscious Axes          | Unconscious Axes |
| Individual                    | 25.0 %                  | 16.7 %           |
| Collective                    | 16.7 %                  | 25.0 %           |

**Table 6. Discriminant Analysis 3**

| Actual status | Classified as |        |     | Total |
|---------------|---------------|--------|-----|-------|
|               | Good          | Others | Bad |       |
| Good          | 11            | 2      | 1   | 14    |
| Others        | 2             | 5      | 0   | 7     |
| bad           | 1             | 0      | 2   | 3     |
| Total         | 14            | 7      | 3   | 24    |

Note: misclassification probabilities are 25 %.

It is striking that total organizational evaluations are determined even by four individual staffs. It implies certain common tacit knowledge among them because the total evaluation was based on individual judgments.

Second, we applied discriminant analysis on collective evaluation with 16 components (Table 4). The collective organizational evaluation is fully discriminated by 16 items. This fact proved the possibility of mechanical reconstruction of the organizational assessment using 16 items.

On the other hand, there are two conscious axes and two unconscious axes in 16 items. Which is

more critical to the total evaluation? Discriminant analysis applied to the total evaluation only by each two axes in the same way. The misclassified probabilities in the research come down in Table 5.

The comparison of misclassified probabilities seems to suggest no difference between conscious axes and unconscious axes. In fact, conscious axes take both 'good' for 'bad' (■) and 'bad' for 'good' (■) in individual evaluation in spite of the absence of such radically incorrect prediction in other cases (Table 6), and Chi-square value of this cross table is 16.829: the least value in all the cases. Therefore, it implies that unconscious axes are a little more

**Table 7.** Principal Component Analysis

| 4 axes of<br>16 items | Component |           |
|-----------------------|-----------|-----------|
|                       | 1         | 2         |
| D1                    | 0.028743  | -0.068249 |
| D2                    | 0.183075  | -0.422375 |
| D3                    | 0.300470  | 0.231611  |
| D4                    | 0.014409  | 0.257792  |
| L1                    | 0.301401  | -0.294187 |
| L2                    | 0.263086  | 0.157531  |
| L3                    | 0.165168  | -0.036690 |
| L4                    | 0.369207  | -0.008357 |
| O1                    | 0.400202  | 0.128237  |
| O2                    | 0.315576  | -0.172386 |
| O3                    | 0.039924  | 0.447862  |
| O4                    | 0.018691  | -0.151912 |
| A1                    | -0.102192 | 0.323239  |
| A2                    | 0.198065  | 0.418861  |
| A3                    | -0.018358 | 0.185075  |
| A4                    | 0.489708  | 0.007878  |
| Eigen<br>Value        | 3.01901   | 2.07702   |

Note:      when absolute numbers are greater than 3.

**Table 8.** Two types of non-profit organizations

| Type                      | Movement                       | Business                   |
|---------------------------|--------------------------------|----------------------------|
| Actional<br>content       | Social appeal<br>Social change | Offer of<br>social service |
| Main source of<br>revenue | Fee or<br>donation             | Business<br>income         |
| Relationship to<br>needs  | Regardless<br>of needs         | Needs are<br>essential     |

In addition, the first component can be named “organizational advocacy,” and the second component can be named “business adhered to administration.” What do the two components imply? We need to think of some facts as follows to clear the question.

At first, in Japan, many people may have felt the change of the third sector’s movement. It was the transition from “citizen’s movement” to “civil activities.” In origin, citizen’s movement was associated with a negative expression, which refrained from, opposed and fought against some target. Today there are non-profit organizations to solve the problem in the society and bear useful public goods. Also frequency of usage of the word civil activities in the media has apparently increased in the 1990s (Nakamura, 1999).

Secondly, Yamaoka (2000) pointed out correspondingly that non-profit organizations have two types of movements and businesses (Table 8). Yamaoka also says, “non-profit organizations will be

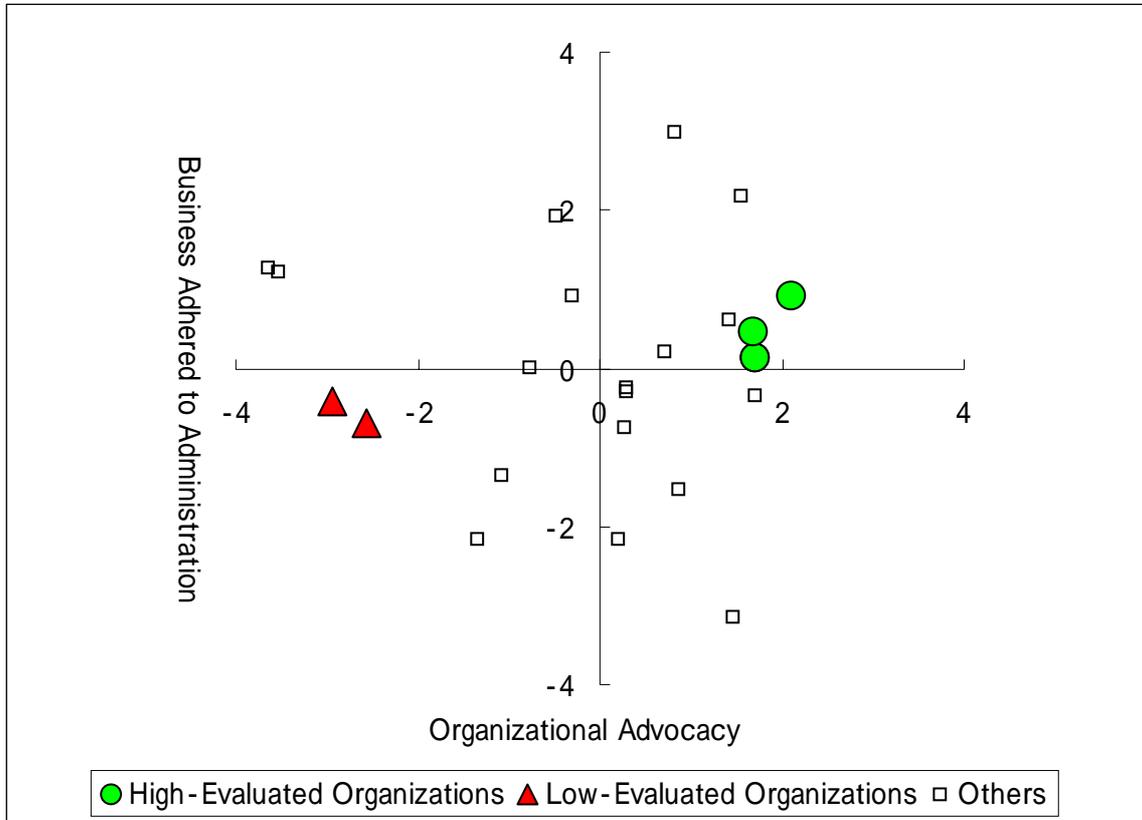
critical than conscious axes so as to predict the total evaluation.

### 3. Toward the Autonomic Growth

According to the above-mentioned research, it was proved that four axes of 16 items could reconstruct the total organizational evaluation. It, however, is not enough to understand the feature of ideal non-profit organizations. It is required to clarify their knowledge of the organizational assessment including the tacit knowledge such as unconscious axes.

Thus principal component analysis was applied to the data which consist of four axes of 16 items. The result of the analysis is shown in Table 7.

**Figure 2.** Plots of the Principal Component Scores



more and more business-oriented along the time even if they are set up as movement-oriented. A movement-oriented non-profit organization will become business-oriented in the long run.” In the United States, many similar cases are reported such as commercialized non-profit organizations, socially-oriented businesses and development of community businesses (Tanimoto, 2000).

Above-mentioned matters impress us that the result of the principal component analysis implies two types of movements and businesses. The Nippon Foundation, however, may not simply hope that a

movement-oriented organization shift to a business-oriented one. In fact, Figure 2 is designed on the basis of the scores of the two principal components, so the top four ranking organizations show higher score in the first principal component “organizational advocacy,” nevertheless, not as higher in the second principal component “business adhered to administration.”

In short, they hope for non-profit organizations not to become business-oriented organizations adhered to administration, but to develop into self-businesses. Thus it is desirable that

“organizational advocacy” types non-profit organizations develop into self-businesses.

#### 4. Conclusion

The clearer the tacit knowledge of assessment in non-profits, the clearer the image of ideal non-profits toward autonomic organizations. At first, “planning ability” and “organizational ability” are more important and essential for non-profits to be independent toward autonomic growth. Secondly, support centers for non-profit organizations are inquired to make self-businesses develop in remaining “organizational advocacy.”

On the other hand, many people in the non-profit sector are likely to form horizontal organizational structure rather than hierarchical structure. It is doubtful that such an attitude toward management would bear “planning ability” and “organizational ability,” which would lead to true autonomic growth.

Non-profit sector is called “independent sector” in the United States (Imamura, 1993). Perhaps, non-profit organizations are expected to be fully independent from both state and for-profit organizations. Genuine independence cannot be realized unless non-profits have proper ability with organizations management and businesses.

#### Acknowledgement

This study owes much to the cooperation of The Nippon Foundation and Professor Takahashi Nobuo, University of Tokyo. I wish to express my thanks to

both. I am also grateful to all support centers for non-profit organizations who allowed my presence with The Nippon Foundation staffs to listen to them together.

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[ Received May 13, 2003, accepted June 2, 2003 ]

