
Creating a Knowledge-Based Organization

By Joy McGovern

Whether a novice lecturer or platform veteran, anyone who has ever made a presentation on leadership is familiar with the skeptics in the back of the room. They inevitably roll their eyes in unison and mutter to each other that this psychobabble about leadership is all meaningless: "Everyone in the real world knows that the only important aspect of leadership is whether the bottom line is met."

Aficionados of this hard-line view are still legion in number. But scientific evidence and popular opinion are converging around the critical importance of how effective leaders achieve goals, particularly in considering the organization's long-term success. Ironically, study after study demonstrates that leaders who focus on developing people are more successful in the long run. Specifically, current research has identified building organizational capability as a critical competency for leaders in the twenty-first century (Conger and Benjamin 1999).

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Organizational capability is the sum of the specific skills, abilities, and competencies that characterize the organization as a system. Organizational capability evolves from experience, individual skills and abilities, structures, processes, relationships, and the shared knowledge of the organization. Since capability resides in the organizational system as a whole and not in specific individuals, it is a unique characteristic of the organization. This makes it difficult to replicate elsewhere and thus, becomes one of the few sources of sustained, competitive advantage in today's marketplace (Ulrich and Lake 1991).

Leaders who build organizational capability are actively involved in developing the intellectual capital of their organizations. It follows that a key component of building organizational capability is enriching the individual learning of organizational members. This is a necessary but not sufficient condition for success. Building organizational capability also requires put-

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ting in place organizational systems and processes that capture individual learnings and make them part of the organization's collective wisdom. Additionally, capability builders need to help differentiate essential from nonessential learning by answering the questions "learning about what?" and "for what purpose?" They do so by creating and disseminating a shared vision and values throughout the organization.

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This article reviews the literature to determine what is known about how effective leaders implement these strategies to build organizational capability. Specifically, this includes:

- How do leaders develop the individual capabilities of the next generation of leaders?
- How do they create an environment that fosters organizational learning?
- How do leaders socialize a shared vision and values throughout the organization?

Developing the Individual Capabilities of the Next Generation of Leaders

For organizational capability to grow, leaders must ensure that they are developing the skills, knowledge, and abilities of the next generation of leaders. The role of the leader in this process is twofold:

1. orchestrating program opportunities for their managers to engage in development
2. serving as a role model for their people by their own involvement in similar activities

Research from the Center for Creative Leadership has identified the types of program activities that are likely to develop future leaders. These include:

- **Feedback-intensive processes.** For future leaders to grow and develop they need to be aware of their relative strengths and weaknesses. Feedback-intensive programs involve multiple sources of data collected through a variety of methodologies (e.g., psychological instruments, interviews, surveys) providing a comprehensive portrait of the

individual. For maximum effectiveness, ongoing feedback should be solicited from subordinates concerning progress in meeting developmental goals. Leaders who engage in this behavior are likely to engender similar behavior in their organizations. Many of our client organizations, including Bristol-Myers Squibb and Johnson & Johnson have successfully implemented such processes.

- **Developmental relationships.** Developmental relationships, such as mentoring or coaching relationships, need to be embedded in the organization's systems and processes to indicate the value that the organization's leaders believe such relationships have. Leaders who model this behavior by having their own executive coach demonstrate to the organization openness to learning by this implicit acknowledgement that they can benefit from the counsel and advice of a coach. Put another way, these leaders communicate by their behavior that they do not have all the answers, and in a manner similar to the rest of the organization's members, need to continue to grow and develop.

Developmental relationships also can be purely a function of observation, as when an individual notices the specific behaviors of positive or negative role models. Again, leaders can reinforce such behavior by illustrating their presentations with examples of those who were role models in their past (McCauley and Douglas 1998).

- **Training.** More and more organizations are recognizing that training that is disconnected from the business environment is unlikely to result in lasting change. Consequently, a more effective action-learning model is adopted. Typically, this takes the shape of teams of managers working on actual business problems that the organization is facing (Conger and Benjamin 1999).

This model is most effective when leaders at all levels of the organization facilitate the training sessions. Tichy (1997) provides several examples of how leaders such as Jack Welch at GE, Roger Enrico at PepsiCo, and Andy Grove from Intel devote a majority of their time interacting, in formal and informal ways, as teachers with their organizations. They also encourage their direct reports to become involved.

- **Job assignments and challenges.** Explicitly assigning future leaders to particular positions because of the developmental potential of the role is another key strategy. Leaders who facilitate regu-

larly scheduled forums with future leaders to discuss their assignments and what they're learning from them provide a critical component for successful implementation of this option.

- **Learning how to learn from experience.** The sine qua non for developing this skill is the ability to reflect on experience and consequently extract the lessons learned from it. Leaders who systematically engage their teams in debriefing projects demonstrate this strategy in action (Guthrie and Kelly-Radford 1998).

To summarize, capability-building leaders:

- are familiar with the range of developmental options and make sure that they are available to the next generation of leaders
- embrace the role of leader as teacher
- personally model this behavior
- reinforce future leaders who demonstrate teaching behavior

Creating an Environment That Fosters Organizational Learning

Defining Organizational Learning

Leaders must first understand how organizational learning occurs and then implement systems that support it. A common misconception is to equate the term "learning" with "schooling." In this context, learning refers to the interpretation of one's experience.

The first step in organizational learning is to widely generate information through multiple methods and by as many individuals as possible. Every organizational member is expected to be responsible for collecting and communicating information. This includes the collection of external data and the internal development of new ideas and processes. The collection of external data might encompass customers, stockholders, competitors, and suppliers, while the internal development of new ideas would involve creating a climate in which people feel free to express themselves, to take risks, and to learn from experience.

The second step is to integrate this information into the organization. Essentially, this means making the information available on a timely basis to as many other members of the organization as possible. Organizations often mistakenly assume that implementing an automated knowledge database for col-

lecting information will, in and of itself, result in organizational learning. Dixon (2000) refers to this as the "build it and they will come" assumption. A knowledge database is a necessary but insufficient condition.

The third step is to provide a forum for the organizational members to interpret the information collectively. The objective of a forum is for the organization to emerge with shared knowledge based on this new information. Examples of such forums include GE's "workouts" and Weisbord's strategic or future search conferences. Finally, the organization needs to do things differently based on this shared learning.

AT&T provides an excellent illustration of how leaders can create a system for organizational learning. Due to technological innovations, the visionary leader of a business unit planned to restructure and downsize his organization at irregular intervals over a two-year period of time. He wanted to ensure the processes he used had as positive an impact on employees as possible. He contracted with our consulting firm to implement "pulse points." Pulse points consisted of focus groups conducted with a 10 percent random, stratified sample of employees at each location and 10 graphic rating scale items. Data on such variables as satisfaction with communication, help from one's boss, and satisfaction with support services was collected and reported back to management in a facilitated open forum. Based on their interpretation of the data, management then made recommendations to improve or refine their implementation strategies. This occurred every three months over a two-year period of time.

Designing Social Architectural Structures

Social architectural structures that enhance organizational learning include any team-based entities that are designed to have team members share information, solve problems, resolve conflicts, and make decisions regarding important business issues, particularly across organizational boundaries. Examples include cross-functional teams and networks. Essentially, any structure that helps create an entity without boundaries enhances organizational learning. Leaders who empower such structures facilitate organizational learning (Charan 1991).

Modeling Personal Openness to Change

Leaders who want to increase their enterprise's organizational learning capacity need to be personally

open to learning. Leaders need to be continually willing to respond to challenges to their cultural assumptions and be open to new ways of doing things and new contexts in which to do them. This usually includes attending conferences or presentations where they meet other leaders, theorists, and academicians (Schein 1992).

Socializing a Shared Vision and Values Throughout the Organization

The explosion of knowledge in today's world makes it essential that leaders develop a shared vision and values to serve as a framework for determining what's important to the organization. Leaders at companies as diverse as Intel, Nordstrom, and Federal Express demonstrate, through their investment in vision and values socialization efforts, their understanding that rapid innovation and adaptation require the aligned efforts of multiple parts of the organization (Conger and Benjamin 1999).

A vision is essentially a goal that beckons. It increases employee commitment by engaging the intellectual as well as the emotional energy and attention of the work force. A shared vision (one that is articulated by the leader but has input from all organizational levels so that it represents the strivings and desires of the organization as a whole) is even more powerful. Essentially, a shared vision creates a shared understanding of the organization and its larger purpose and dramatically increases the behavioral alignment of all organizational members (Senge 1990).

Leaders who build organizational capability do much more, however, than merely articulate vision and values. These leaders:

- actively and on a continuing basis involve the organization in dialogue on behavior that is and is not consistent with the vision and values
- use organizational stories to illustrate these (Tichy 1997)
- host frequent meetings with groups from all parts of the organization, asking for input and reaction to the shared vision
- are aware of the need to be fluid and dynamic
- encourage, rather than resist, input that indicates the vision needs to be revised

Finally, they are vigilant in assuring that rewards and recognition are given only to those whose behavior is consistent with the vision and values.

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