
Building Organizations that leap tall buildings in a Single Bound

The Leaders Guide to Corporate Culture as Competitive Advantage

by Ron Wiens, Ken Suddaby and David Perry

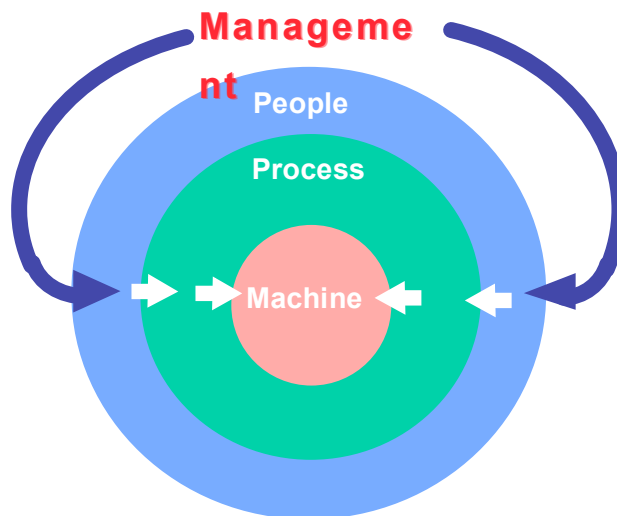
Every once in a while the human race has a technical breakthrough that provides it with an exponential enhancement in capability. One example that we are all familiar with is the industrial revolution. Here the breakthrough was the steam engine, which led to the mechanization of work. Associated with a significant capability breakthrough is a radical change in what provides competitive advantage to organizations. In the case of the industrial revolution, initially it was the machine itself that provided competitive advantage. If you didn't have one you couldn't compete and you were out of business. But soon businesses found that they were in competition with other businesses that also had machines. So managers worked to make their machines more efficient. Yes, they built better machines but they also did something else. They surrounded



their machines with process. For the first time in history, across a wide array of organizations, structured ordered processes (i.e. standardized work activities) were introduced. The purpose of these processes was to allow the uneducated farm workers who were pouring off the fields into the factories not only to work the machines but to work them so as to maximize their output.

work the process. Outside of all of this was management. Only management had the big picture understanding of what was happening. Managers were the only ones with the prerequisite knowledge and education for this understanding. It was management's will that drove everything. It was management's will that drove people to work the processes that served the machine.

So with the industrial revolution, we had the machine at the center of what was important to an organization. Good managers then surrounded their machines with good processes in order to maximize their return and then brought in the uneducated masses to work the processes. The machine was king, process existed to serve the machines and people existed to

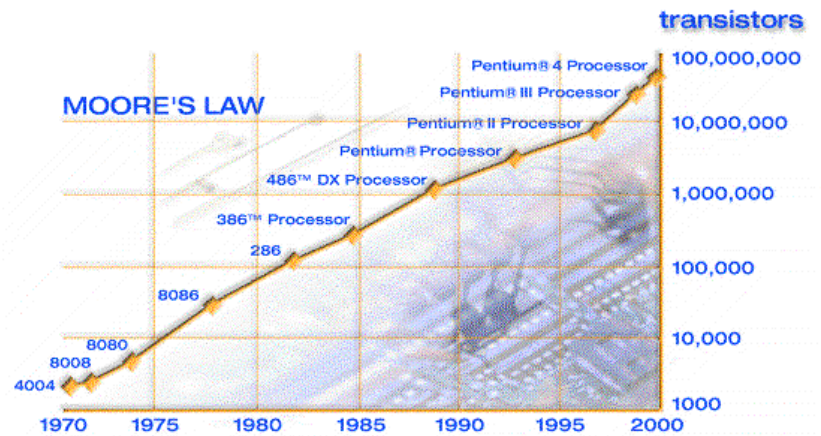


In the intervening time since the start of the Industrial revolution not a whole lot has changed in the way that organizations are managed. But something has changed. The human race is now in the middle of the

first technical breakthrough since the advent of the steam engine that is providing it with an exponential increase in capability.

To understand this breakthrough you need to go back to 1965 to the work of Gordon Moore who was a young engineer working in an obscure little firm called Intel. Moore made the observation that the number of transistors per integrated circuit was doubling every 18 months. He then made the prediction that this trend would continue for another 10 years. This prediction has come to be known as Moore's Law and what an incredibly wild prediction it must have seemed at the time. A doubling of capacity every 18 months represents exponential growth. To predict that exponential growth would continue for another 10 years can only be called incredible. Well, what is even more incredible is that this exponential growth has continued now for close to 40 years and shows no signs of abating.

So the obvious question is – “So what?” Moore's law may be of technical interest.



Some of the nerdy group may even get right down excited by it, but – “So what?” What is its relevance to business? Does it have any relevance to how we shape and run our organizations? Well, hold on to your hats, for this simple little techie law on circuit board capability has just reshaped what constitutes competitive advantage and as a result it is reshaping how we manage our organizations

Moore's law has provided the raw processing and storage capacity that has enabled the World Wide Web. Moore's law is taking us to an electronically connected world. In the world that is emerging, people are connected not only to each other but also to each other's

knowledge. The impact of this connection can be best summed up by the following observation made by Dr. Nick Bondtis from McMaster University:

“In the 1930s, the cumulative codified (i.e. written down) knowledge base of the world doubled every 30 years...In the 1970s, the cumulative codified knowledge base of the world doubled every 7 years...By the year 2010, the cumulative codified knowledge base of the world will double every 11 hours!”

So what has changed? ***Well, we now work in a world in which knowledge is growing exponentially.*** But knowledge equals opportunity. So this means that ***we now work in a world in which the opportunities available to us and***

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our organizations are growing exponentially. And because everyone is connected to this knowledge everyone is connected to the opportunities. So if your company is not pursuing the opportunities and the competitive advantage that is contained in this exponentially growing knowledge base you can rest assured that somewhere in the world one of your competitors is. Competitive

advantage today lies in an organization’s ability to exploit this explosion of knowledge and see the opportunities before anyone else does. Those companies that can consistently do this faster than their competition will thrive and prosper while the competition withers on the vine.

There are several interesting by-products of this knowledge explosion. The first one is that the days of the all knowing, all seeing manager are over. It is now the norm for the knowledge worker to be more aware of the new opportunities than those who are managing them. Managers have not gotten dumber. It's just that there is so much new knowledge being created on a daily basis that managers can no longer keep up. If they can't keep up with the emerging knowledge and the opportunities embedded therein then one of two things must occur. Either they burnout as they attempt to digest the knowledge required for quality decision making or they slow down the organization in order to digest what they need to know. Either way the competition wins. Hold on, aren't all companies in the same boat? If managers in one company can't keep up then wouldn't that be the case in other companies as well. The answer is yes. So who exactly is winning here? The answer is those businesses that are able to move decision making downwards within their organization.

I said that managers have not gotten dumber. No, but employees have gotten smarter or at least better educated. Our organizations are now filled with highly educated knowledge workers. That is a key difference between now and 200 years ago when our current management systems were invented. Now isn't this nice. We have an explosion of knowledge and at the same time we have a growth in the capability of an organization's employees to understand and make use of that knowledge. The winning organizations are those that have woken up to this fact. So what does waking up to the fact mean? It means a fundamental change in how organizations are managed.

Our approach to management, by enlarge, was created when organizations came on mass onto the scene – 200 years ago at the start of the industrial revolution. Managers knew everything and those who worked for them knew nothing or at least very little. As well, as previously pointed out, the machine was king. The mechanistic approach became the model

around which management practices were molded. What did this mean? Well it meant that work was broken up into a series of small pieces or tasks. The beauty of this approach was that an organization could make use of large numbers of poorly educated workers. Because the pieces of work were small and clearly defined it was easy for the worker to get his or her head around the task. All the worker had to do was focus on successfully delivering their piece of the puzzle. And if all of the pieces were successful then the whole would be successful. This is certainly a self-evident truth. In fact many managers today would probably make the case that this was and still is a fundamental law of something (i.e. the whole is equal to the sum of its parts). Anyways, under this fundamental law the manager's job became first, breaking the work up into a number of logical bite size pieces and secondly, making sure that each worker successfully delivered their piece.

[Historical note: the industrial revolution is responsible for the creation of a management style that is still immensely

popular today. The style is referred to as *gofer management*. In this style the manager is very careful not to pass on any big picture knowledge to their employees. Work is assigned out as a series of tasks, the results of which are assembled by the manager according to some greater design of which only the manager is aware. This greatly reduces the need for employees to have to think on job. Consistent vigilance is required on the part of the manager however as Henry Ford so eloquently put it "I pay my workers to bring their bodies to work and the bastards insist on bringing their minds"

This management style has served us well for 200 years. Well, it served the organization. It is questionable if it served the workers. The style certainly did little to make work life an enriching experience. Hold on this is starting to sound like tree-hugger talk. The employees got paid for their work and had a much better life as result. If employees want enriching work then maybe they should join the clergy. I have a business to run. I am interested in what

contributes to the bottom line, to my organization's success. This is where it now gets real interesting. What drives bottom line success has just gone through a quantum shift. The knowledge explosion has taken us into a new universe and the laws are different here.

How different? Well the answer to this question takes us to the second interesting by-product of the knowledge explosion - the importance of organizational culture. (Several, very successful, manage by numbers management pioneers have just turned over in their graves!) Knowledge is everywhere. Ah there is the rub. It used to be that if you saw a better way, then this insight, this knowledge would probably have provided you with some sort of competitive advantage over a sustained period of time. Hence the expression knowledge is power. If you had knowledge you didn't share it, you milked it for all it was worth. It might have taken you years to figure out how to deal successfully with your organization's suppliers and clients. This knowledge

reflected directly in your performance, it gave you competitive advantage over your colleagues as well as with the competition. So sharing your knowledge was out of the question. Self-interest prevented you from doing so.

Well something has changed and that something is the shelf life of knowledge. It is near impossible today to hold onto knowledge and to keep its benefit for yourself. The knowledge explosion means that whatever insights you have gained today the rest of the world will know of next month. So the long-term value of knowledge has just taken a nosedive. Knowledge is still power, it's just that the longevity of that power has been dramatically reduced. Thus, today, true power comes from the ability to acquire / build new knowledge on a constant basis. Wait for it – here is the quantum shift. One of the most effective ways of creating new knowledge is for two or more people to combine their existing knowledge to produce something entirely new. This is the basis of creative thinking. Mix existing pieces of knowledge over heated

and excited discussion and there is no telling what will emerge.

So, the ability of people to work together, to openly share their knowledge, to leverage off each other insights, to create something new and wonderful on an ongoing basis is today's competitive advantage. How people work together, how they interact goes to heart of what organizational culture is all about. Culture, a culture that facilitates this ongoing creation of new knowledge, a culture that is about people building and creating together has become today's competitive advantage.

So what is the most important asset of the organization today? No, it's not people. Any company with money in their pockets can buy people. Enron went out and bought the best that money could buy and then promptly dumped them into a very sick culture. The most important asset of an organization today, the center of its universe is a culture in which people are building and creating together. Building and creating together, nice phrase, what

exactly does it mean? It means people sharing ideas, thoughts and knowledge with other people. It means people are listening intently to what their colleagues have to say, people are eager for their colleagues opinions and insights. It means people being totally open with each other.

Now back when the machine was the centre of the organization's universe the role of management was to surround their machines with process and then to use their will to get people to work the process to serve the machine. Today management's job is to surround their people with an environment that gets them working and building together, an environment that allows people to leverage each other's creativity and knowledge.

This is starting to sound complex or at least circular. But it's not, complex that is. There are a three things that the manager needs to do and do well to build such an environment.

The first is to help their people to believe in themselves. Today's winning organizations are ones in which its employees are taking it to new places. They are trying new things. They are making mistakes, learning from these mistakes and moving on. When they get stuck or go off into the weeds the employees of these winning organizations are the first to recognize it and they freely put up their hand and ask for help. The degree to which people believe in themselves is a measure of the organization's **Emotional Intelligence (EI)**.

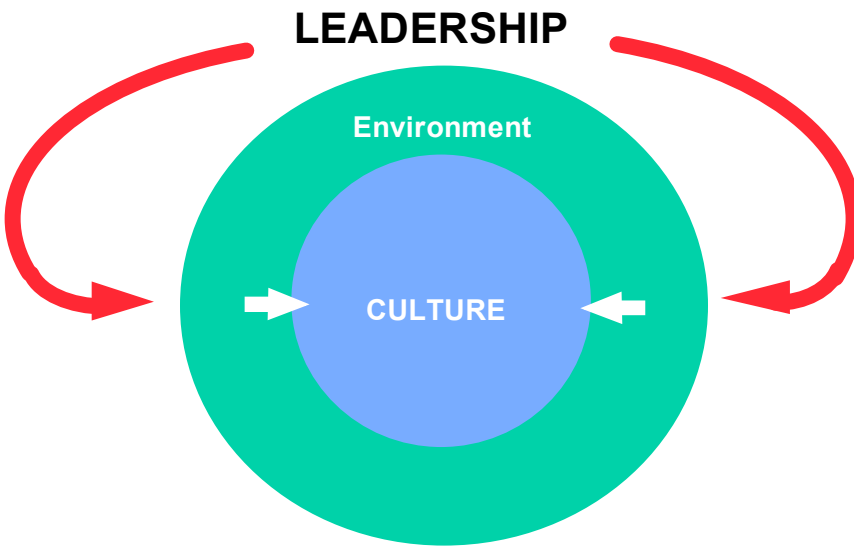
The second thing that the manager needs to do is to build an organization in which people care about each other. Ok, now I am certain this is a tree-hugger's book. How can caring produce a culture that gives me a winning bottom line? The answer was most eloquently articulated by Jean Autry the former CEO of the Publisher Group when he said 'I need to know that you care before I care to know what you know.' Caring is the basis of trust. If I know that you care about me

and my success then I can trust you. If I can trust you, I can speak openly and frankly with you. If I can speak openly and frankly with you we can solve problems together. If we can solve problems together, then we can leverage each other's creativity and knowledge to build competitive advantage. The ability of its people to trust is a measure of the organization's **Relationship Intelligence (RI)**.

The third environment-building thing that a manager has to do is to instill common cause. In winning organizations employees have a deep and common understanding of the organization's desired future. But not only do they understand the organization's goals and objectives, they believe in them. Achieving them is meaningful. The strength of attachment of its people to its desired future is a measure of the organization's **Corporate Intelligence (CI)**.

Two hundred years ago, the all knowing, all seeing managers used their will to get

their people to work the process to serve the machines. Today's managers build an environment that allows their people to achieve the organization's objectives, not because someone is beating them on the head but because they want to. They not only understand the organization's goals, they believe in them. They believe in themselves and there is a deep-seated trust throughout the organization. Managers today are environment builders not people pushers. This is leadership. This book is about how leaders use **EI**, **RI** and **CI** to build an environment that produces a winning culture.



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