When knowledge takes the helm

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How existing capabilities help leaders better cope with the challenges of a turbulent environment.

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The Global Peter Drucker Forum 2013 in Vienna has clearly concluded that current managerial practices in many organizations are ill suited to cope with an increasingly complex world. Moreover, they make insufficient use of the knowledge of highly qualified talent in their organizations. The many experts and leaders from all over the world agreed that traditional management requires a fundamental rethink to address these issues. Simultaneously participants asked themselves, why current reality in organizations is so far away from these insights and perceived consensus at the conference. Why can't leaders translate that knowledge into action? The intuitive response: managerial principles, invented 100 years ago for the industrial age, are of limited use to support organizations and people in the knowledge era. So, what does this mean for the management practice in organizations?

The results from 10 years of research and the work with many organizations from around the world on these questions show that: 1. detailed insights of the workings of organizations are often missing. This means that organizations often initiate change without the required clarity on the right levers and intervention points. 2. Many organizations have made bad experiences with ineffective change programs, and 3. Leadership development has not delivered on its expectations. These are signs of missed implementation opportunities.

In the new book *The Performance Triangle* readers discover the root causes, and a simple model with a diagnostic tool pinpoints to the areas that need attention. As such, the books serves as a guide for entrepreneurs, managers, and leaders to support their

search for responses to the central question: how do I lead my organization in a turbulent environment – where knowledge leads the way? My response to VUCA is the managerial ability to act.

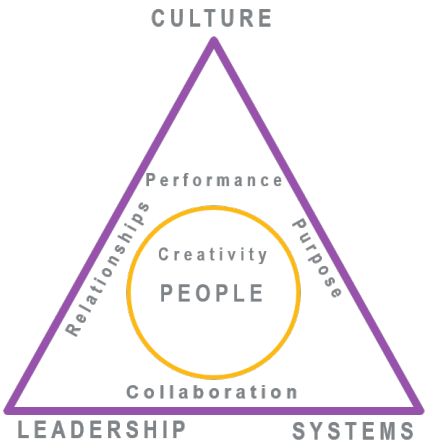
Higher Volatility, more Uncertainty, increasing Complexity, and raising Ambiguities challenge traditional corporate management. Known solutions are often ineffective in dealing with the new environment or are totally out of place. Observations indicate, for example, that 'Management by Objectives' has been translated by many organizations into a tool that has difficulties in coping with fast change with unintended consequences as a bi-product. Often, goals are obsolete once they have been agreed upon. Moreover, it is unfair to ask people to abandon their goals and performance contract in order 'do what is right' for the business when things have changed. As a result, organization lose time, they redo goals, increase costs, they realign objectives, and run risks to find out who knows what is the right goal to aim for? Over the years, such 'viruses' unknowingly and unwillingly creep into an organization's operating system and become part of an 'infected' corporate culture. We know from experience, by simply removing these interferences, the performance of people and the entire organization remarkably increases. Therefore, clarity on the precise intervention point of knowing where to install the 'antivirus program' has first priority on the 'clean-up' roadmap. Its purpose is to 'disinfect' an organization's culture.

Simultaneously, the nature of work has fundamentally changed in the past 20 years. Knowledge work becomes the dominate way to work. Modern technologies provide access to information in ways that was unthinkable years ago. This has consequences for the way we lead our organizations, as Peter Drucker said, «*In times when knowledge is the critical resource, all people are executives*». However, our diagnostic results show that the average organization effectively uses only 67% of the knowledge and talent. Other studies claim that the number is actually even lower. To achieve higher levels of performance, organizations need to find ways to better use the human capacity as a second 'clean-up' action item on their roadmap. The good news is that this anti-virus program and new ways of working require the same intervention and roadmap for both.

How do these capabilities fit the higher challenges of the new era? Modern management principles allow people to use their

heads at work. This means for the ‘inner game’ to allow and cultivate awareness, focus attention, build trust, and make choices as the principles of leadership based on personal responsibility. However, these principles are in contrast with industrial principles of command, goals, control, and detailed instruction. Members of competitive sports teams and leisure sports people have known these mental principles for years. They are natural, ready to use capabilities that can be activated and used to perform at the peak. They also know that the old principles interfere with their knowledge work. As a result, they have learned to isolate these interferences.

To better cope with the demands of the ‚outer game‘, the challenges of the internal and external environment, organizations need to support the ‘inner game’. Or in line with Timothy W. Gallwey «*The greater the external challenges accepted by a company, team or individual, the more important it is that there is minimum interference occurring from within*». (Gallwey, 2000) As such, it becomes obvious that leaders need to create an environment in their organizations that is free of interfering viruses in order to enable peak performance.



Organizations and management for the knowledge era need a design for effectively leading people. As a result, they are fast, agile, resilient and able to act. They enable good decision-making where the work is being done and support the appropriate implementation of decisions. The Performance Triangle serves as the model and bridge between the capabilities of people and the challenges that organizations face. It uncovers the managerial capabilities that organizations need to achieve peak performance levels.

In times of self-organization, a preparatory step towards a higher ability to act of organizations is to gain a deep understanding of future organizational competencies in order identify the required talent, teams, and networks (Anzengruber 2013). In her pioneering work, Professor Johanna Anzengruber shows how

leaders can achieve this early in the process.

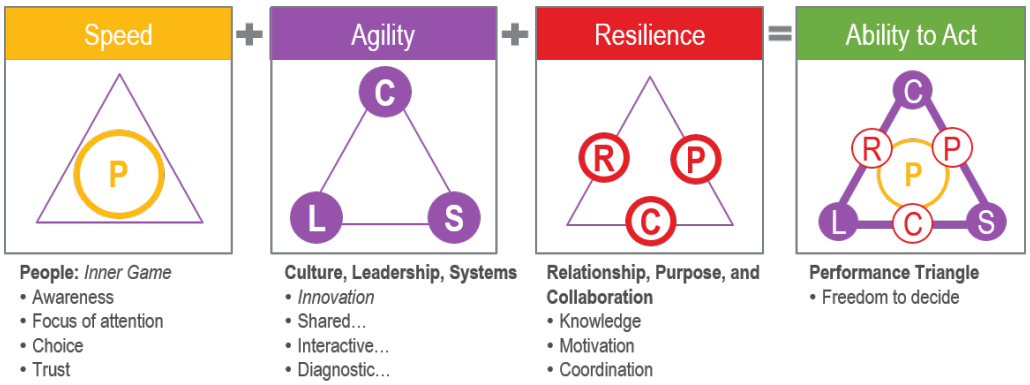
These kind of talents (People in the center) are at the heart of the triangle. Peter Drucker advises leaders to «*accept the fact that we have to treat almost anybody as a volunteer*». As we know from European Humanisms, self-responsibility is the foundation for knowledge work and motivation. The 'inner game' reinforces nonjudgmental awareness, trust in one self and others, and leaves the choice with people. In line with R. K. Sprenger «*trust is the fastest management concept*!» (Sprenger, 1995), the 'inner game' promotes speed in organizations through decisions at the client front, through applied knowledge, and leaders that do not interfere.

Culture, Leadership, and Systems frame the corners of the triangle itself. Superior decision-making and effective actions require a culture that creates shared context. Leadership needs to interact and facilitate the conversation around purpose, direction, and performance. Systems that work diagnostically, direct the attention to those things that matter most and allow for self-directed action on deviations from the chosen path. Shared context, intense interactions, and diagnostic controls make organizations agile. They help people to detect weak signals early, allow for the interpretation of that information, and facilitate the timely action on it. These are the features of an agile organization and the foundation for innovation and growth.

Purpose, Relationships, and Collaboration are the bonding elements of the triangle. For superior decisions, knowledge work requires purpose. Purpose is another dominant source of motivation. Such employees use internal and external relationships to share and expand their knowledge to create value for their clients. Only knowledge that is shared and applied has value for any organization. New technologies facilitate the transfer of knowledge in a way that generates new knowledge. Any knowledge related task in an organization requires more than one individual to complete. It is the combined knowledge and the shared experiences that stimulate creativity, innovation, and growth.

This means that collaboration across boundaries is essential to use the collective intelligence of people and better deal with a turbulent environment. Shared purpose, relationships across networks, and boundary less collaboration are the organizational

capabilities to withstand external shocks and defend against unexpected outside influences. They are the building blocks for a resilient organization as the glue that keeps culture, leadership, systems, and people at the core together.



«*Management is the art to getting things done*». (Eccles und Nohira, 1992) The actions not visions, expectations, or solutions make the difference in organizations. The Performance Triangle combines speed, agility, and resilience into the Ability to Act. Organizations with these management capabilities use the knowledge in networks through people that engage themselves for the organization and simultaneously create the required capabilities to cope with the challenges of a turbulent environment (Anzengruber 2013). It becomes obvious that the use of knowledge and the approach to cope with higher challenges require the same capabilities. Organizations that use the knowledge effectively have the potential required to address the challenges of the new era. A management team with a high ability to act designs its' organization for people. As such, people are at the center of attention.

The 2013 edition of the Global Drucker Forum makes the conclusion that there is a high awareness among participants that management and organizations needs change. It remains the question of why the transformation towards modern organizations is so slow or does not happen at all? The experience with the use of the Performance Triangle and the Agile Diagnostic tool in many organizations has taught us three things:

1 Tips don't work. People learn primarily through their own experiences. There is (almost) nobody that would not agree with the insights that traditional management needs an upgrade. It are the observation points guided by Agile Mentoring that are required to help leaders translate their insights into learning as a self-directed experience. Observation focuses attention and

energy to leave the choice with the leadership team as a deliberate act of individual and collective willpower. For the right design and implementation of change, we recommend to experiment first on a smaller scale, go through the experience, and learn before embarking on the next major change project.

2. It is a transformation. The change towards a people-centric approach to management fundamentally changes behaviors and capabilities. Such projects are a deep intervention into the culture and leadership of any organization and therefore include risks. It transforms the decision-making throughout an organization and requires five distinct choices: (Adapted from Birkinshaw, 2010)

1. How do we engage people?
2. How do we coordinate work?
3. How to we set goals?
4. How do we change?
5. How do we make decisions?

Every one of these questions requires a choice between more freedom or more control. It is not one or the other. It is the combination of a high degree of freedom for people and the ability to gain more control over decisions that will make the difference. The combined answers to the five questions guides the design of management and organizational structures.

3. It takes courage to ‚work on the system'– rather than to continue with more 'leadership development'. It is not the leaders in the middle and lower management that keep the organization from doing things, interferes with work, and cements mediocrity. Most of these managers follow what they have been asked to do. They are dedicated to perform well by 'working within the system'. Modern knowledge work first requires 'work on the system'- the right design of organization and management in order to cope with a complex and uncertain environment. 'Work on the system' initially is the task of senior management. It starts with utmost clarity on the responses to the five questions: the choice of managerial principles that fit the nature of the organization and simultaneously reduce the risk of failure.

The Performance Triangle makes these competencies and experiences visible for a conversation on the right design of management structures. As such, the corresponding

measurement tool creates observation points for leaders to choose the right intervention. As a model, it facilitates the conversation with the leadership team on the question: how do we manage our organization? «*Management is, above all, a practice where art, science, and craft meet*.» - Henry Mintzberg. In line with this, the craft of management for the knowledge age requires the right tools. The design of these tools depends on the specific context and needs of people. Hence, management turns into a 'client-oriented' service with employees as the 'client' and people at the center.

When knowledge takes the helm, leadership must find the right managerial design. As a positive side effect, this facilitates every executive's ability to act appropriately in a turbulent environment. Since every organization only employs the best talent, (most) organizations already have the required capabilities to compete in the new era. It remains the leadership team's act of willpower to lead the way by making changes, unlocking the hidden potential, and activating its talent for the benefit of its stakeholders.

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