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**THE NEW ORGANIZATIONAL
WEALTH**

**Managing and Measuring
Intangible Assets**

CHAPTER 5

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Ch 5. Four Power Players in the Knowledge Organization

Companies consisting largely of skilled professionals who use their creativity to solve complex problems for their customers, operate in a special way that reflects the forces which influence and control such organizations, and which the management must be learn to deal with.

These same forces act in all organizations that employ highly skilled people, and their strength increases, the closer one gets to the archetype of the knowledge organization, the consultant firm. Such firms function in similar ways regardless of whether they're in the public or private sector.

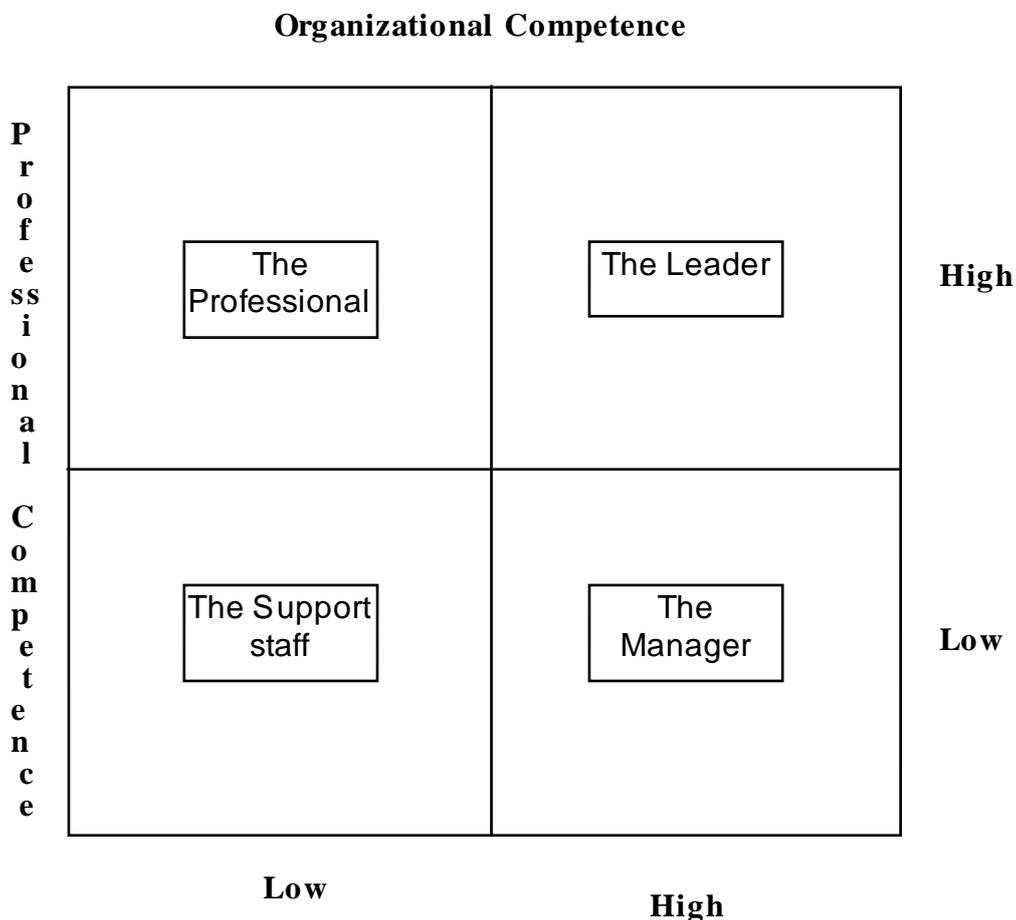


Figure 1. The four personnel categories in knowledge organizations.

Many putative leaders fondly imagine they are running their organizations when all they are doing is allowing them to run themselves. They do not understand the power play at work and are measuring the wrong things.

As mentioned in the chapter Two Traditions: Professional and organizational, the power play generally takes the form of representatives for two knowledge traditions competing with each other.

This chapter discusses the four "players" in the organizational power games; the professional, the manager, the support staff, and the leader. Let us look at the agendas of each of them in turn, beginning with the star player.

1.1.1 The Professional

The professionals are the specialists, the authorities, or whatever they are called. If you happen to meet the elite professionals, the experts, you can't miss them. . .

. . . One strolls in past the reception desk in the morning without giving the receptionist a glance, because he does not remember her name. He walks, not to his own office, but into that of the top professional.

A lively debate ensues. There is much laughter, a quick foray to the kitchen for cups of coffee, the door closes, more loud voices, more volleys of laughter, someone rushes out, grabs a document, and rushes back. Lots of activity on the other side of the door.

The receptionist gazes sadly at the closed door and sighs. "A normal morning" she thinks. "Everyone having fun, except me."

The expert and his mentor emerge, sharing a broad grin. They have just solved an important problem for a customer. It was that problem which had been occupying the professional's mind, when he walked through the door that morning. He had been thinking about it all night; didn't get a wink of sleep. The answer had come to him in the morning. That was why he ignored the receptionist. He was totally preoccupied with the problem and his elegant solution. Nothing else mattered, except what his colleague thought of the idea, and whether or not he held the last pieces needed to complete the puzzle.

1.1.1.1 Focus on the Job

You concentrate so hard when you get out on the rink, it's as if you had a wall around you. You don't think about the spectators, just about what you've got to do. (Thomas Gradin, ice-hockey player in NHL)

Experts focus on their jobs and their professions. Everything else is subordinated to the task at hand; finding a solution to the problem. On another day, our ill-mannered expert might not have come to the office at all, because the answer to his problem would have lain outside the company, with a friend in another firm, in a library, or maybe at home, in a couple of hours+contemplation, or interfacing with his PC.

Naturally he forgets to call the office to say he will not be coming in. So the receptionist who takes his calls, does not know what to say. And our expert receives lots of calls, for he is widely respected outside the firm. When customers call, it is him they want to talk to, not the CEO. He is in demand as a speaker at symposia, and has contacts with professional colleagues all over the world.

In short, our stereotype expert is a leading light in his profession and a highly intelligent, and creative person. But he is hopeless at planning his time, lacks even a smidgen of administrative ability, has no sense of time and place, is rude to those he regards as ignorant, and sometimes his supreme self-assurance comes over as sheer arrogance, like for example when the head of the accounting department asks him about the holiday rota, or his chargeable time for the past week.

"It isn't the time the job takes that matters" he snarls, *"it is the result!"* He is blithely unaware of the frustration he causes in those around him, when he ignores matters crucial to proper functioning of the organization.

1.1.1.2 A Pride in their Profession

Self-assured, skilled professionals can be found in all walks of life; lawyers, police officers, physicians, art directors, architects, strategy consultants, computer programmers, cost accountants, electronic engineers. And they're equally common in craft trades, many of whose practitioners enjoy the status of respected experts on plumbing, painting, carpentry, etc..

They tend to organize themselves in professional associations, like the Law Society, the Society of Chartered Accountants, etc., and to see themselves as upholders of the law, or

guardians of freedom, or the language, with a duty to protect the profession from attack, and to maintain standards of professional ethics.

And professions subdivide themselves. The medical profession, for example, includes hundreds of different specialists. This often results in heated territorial disputes, and battles to secure resources for their own specialist areas. One of the least attractive habits of these professional bodies is their constant effort to restrict recruitment to their own fields, in order to preserve their scarcity. They have been doing it since the medieval guilds (from which unions and professional associations both evolved) complained, in the language of the time, about %cowboy+operators.

The behavior of experts is so familiar and natural that even those who are not experts, copy it. A survey of physicians in England found medical students start acting like "doctors" as soon as their applications for medical school are accepted!

1.1.1.3 A Dislike of Routine

What a professional enjoys most is getting to grips with a thorny problem, whether it be an intricate electrical wiring system, a sophisticated roofing structure, a complicated process of reorganization, a challenging problem of communications, or a difficult diagnosis. What he or she enjoys least is solving a problem the same way as last time.

In their constant efforts to escape the drudgery of routine, professionals surround themselves with assistants. In the research laboratory, for example, "test-tube shaking" is delegated to the %lower+occupational category of laboratory technician, and it goes without saying that "senior" research scientists, consultants and law firm partners all need secretaries.

Professionals are endlessly ingenious in finding rational arguments for this kind of vertical division of labor: assistants are cheaper, they leave professionals free to concentrate on more vital tasks etc.. The problem is, this stratifies the organization, causing needless conflicts.

Furthermore, the assistants require direction and if there is anything professionals are bad at, it is managing other people, so this just creates another source of potential conflict. As a result the modest gains of delegation are invariably consumed by energy-intensive conflicts of interest and administration.

1.1.1.4 The Expert - a Law unto Himself

Experts like:

- complex problems,
- new advances in their profession,
- freedom to seek solutions,
- well equipped and funded laboratories,
- public recognition of their achievements.

Experts dislike:

- rules that limit their individual freedom,
- routine work,
- bureaucracy (which they see everywhere).

Experts care little about:

- pay,
- time off,
- the organization that employs them,
- people who are ignorant about their specialization.

Experts can seldom:

- work through other people,
- lead an organization.

Experts admire:

- people more expert than themselves.

Experts despise:

- power-oriented people (i.e. traditional bosses).

Very few professionals are like this of course and not experts, either. There are very many caring and humane doctors, chimney-sweeps who clean the floor when they have finished, and plenty of conspicuously mercenary experts in areas like finance, and American law.

But although this caricature of the expert is mercifully rare in real life most display some of these characteristics, so it is essential for leaders of companies who employ professionals to be on the look out for them. For it is those professionals, with their distinctive qualities and motivation, who determine how a company dominated by professionals or creative people will behave, when it lacks the right kind of leadership.

1.1.2 The Manager

I define managers as people appointed by superiors to lead an organization towards a defined goal, within a given frame of reference and with given resources. Their role is constrained within parameters defined by a higher authority.

Managers are, in many ways, the opposite of professionals as I have used the term in this book. While professionals work solely with customers using their professional competence, managers oversee the work of others. They are capable of managing and organizing, and have learned to work through people, and enjoy working with different sorts of people. (As we have seen, professionals enjoy working with other professionals). Their main task is to lead activities, with the help of others and they are often functional heads.

Managers work *through* other people, as opposed to professionals who work *with* other people.

The team manager or project manager role is a very important one in knowledge organizations, but there are few dedicated team managers with no expert role at all. *Managers* tend to regard their leadership role as ancillary to their professional function, mostly as *leaders of teams of professionals*.

Traditional industry managers run functional departments, sections or groups. You find them everywhere in industry and the civil service but in knowledge organizations, people who are simply functional managers, are relatively scarce.

This playing down of the functional manager role is a fundamental difference between the traditional manufacturing company and the knowledge organization.

For example, the financial controller of a knowledge organization tends to be the only member of his or her profession in the place, and thus has no fellow-professionals to share thoughts with. In private sector knowledge organizations, moreover, they are often the only

upholders of "law and order", which means they are frequently coming into conflict with the professionals.

In leaderless knowledge organizations the accounting function gets a low status and the controllers tend to be isolated downwards because of their police function and ignored upwards because their methodology is based on the manufacturing company and only measures the tip of the iceberg.

They know little about advertising, law, computer programming or architecture and the professionals know little about performance measuring or administration, and care even less, because they are totally focused on their own professions. Although they live on fees charged for their services, many professionals fail to see why they should bother filling in forms to bill customers or draw their holiday pay.

Controllers and experts seldom have much serious shop to talk about; the dialogue risks being reduced to holiday rosters, time sheets, etc., which is scarcely an auspicious beginning to a mutually meaningful dialogue.

The only option open to a controller in leaderless knowledge organizations that are totally dominated by the values of the experts, is often to leave the company and go to work for a larger industrial organization.

1.1.3 The Support Staff

The support staff are the book-keepers, personal assistants, secretaries, receptionists, and switch-board operators. They know little about advertising, law, architecture (or whatever the object of the organization's business idea is), compared to the professionals. Their function is to assist the professionals and managers. They have no special qualifications of their own to give them status in the knowledge organization.

A well motivated and qualified support staff is essential for the efficiency of the organization and of the professionals. They are essential for servicing the customers. They are also an important element of the glue that keeps the knowledge organization in at least some kind of law and order.

In a leaderless knowledge organization, however skilful a typist or letter editor a secretary is, her or she will not be properly appreciated in a knowledge organization, because the only knowledge that counts, is knowledge relevant to the business idea. A

computer wizard, in an advertising agency, may be on the in-house computer system, but will have no more power than a secretary. Experts are without honor in foreign countries.

The situation is very different if the secretary works for an agency. In this case, secretarial skills are integral to the business idea. Experienced secretaries, in such firms, belong in the professional square of the organizational matrix.

Support staff in leaderless knowledge companies have to put up with bad bosses; perhaps former experts who don't take their management functions seriously, or are not qualified to perform them, or discontented financial controllers, who feel left out of things.

How do people who work for incompetent managers, in companies that do not appreciate them, behave? How will the receptionist in the little tale (see The Expert above) react? She probably gets together with the other support staff, forms groups of malcontents, and develops "underdog" symptoms. The support staff are usually the only ones who take regular coffee-breaks - a quarter of an hour each morning and afternoon, during which shop talk is banned.

They often make modest demands: "We want ergonomic chairs; we need radiation filters for our computer screens; nobody ever tells us anything. Why can't we have an in-house bulletin?"

Even in well managed knowledge companies such complaints are often justified. They are, indeed the least well-informed group in the organization not because of any ill-will on the part of experts or deliberate attempts to exclude them, but . as was discussed in the chapter %What is information?+. simply because informing people is such an inefficient way of communicating knowledge.

The %eal+exchanges of information occur in conference rooms and corridors, in a language only the initiated understand. When two architects meet in a corridor, a thumbs-up gesture is enough for one to let the other know he has won the order they talked about earlier.

The gesture will trigger a number of connotations in the mind of the colleague, like %we clinched the deal, I will have to reschedule tomorrow's work plan+, %oh, I never believed we would, because we were competing against company XX and they are so strong in this field, did we price it too low?+%our competitiveness must have improved!+, etc.

The gesture means nothing to the receptionist, who was not privy to the previous dialogue.

Both get the same message, but only one is informed. For the receptionist to understand the full implications of the gesture she would have to be given a lengthy explanation of what went on in there behind closed doors, which will take too much time to do.

Years of mismanagement in this area have left a potential for improvement in many companies.,

1.1.4 The Leader

Experts are often creative personalities, with all that implies about themselves, and those around them. Such people are not easy-going, uncontroversial types; that is not in the nature of the creative personality. It is hardly their fault, if they do not fit into moulds that were not made for them. Perhaps the fault lies not in them but in the moulds instead?

But one thing is abundantly clear: they do not make life easy for leaders. Theatrical directors, for example, are always accusing actors of being neurotic, stupid, impossible to deal with, complicated, egotistical, insecure or just plain weird. But they say good things, too, about their actors; that they have strong personalities, independence of mind, and artistic creativity. Musicians are said to be unbalanced, and childish personalities, but also proud, and self-assured. When musical and theatrical directors speak of musicians and actors, they seem to speak of wilful children, they both love and detest. They regard this as quite natural, make allowances for it and even take advantage of it, when exercising their leadership.

There are those who say creative people can't be led; that it is impossible to manage companies composed of insufferably egotistical, self-assured people, who do not know the meaning of the word "loyalty". But such companies must be led if they are to move in intended directions, and not align themselves, like compass needles, within the force fields all knowledge organizations spontaneously generate.

Leadership involves two tasks: knowing where one wants to go, and persuading other people to go along.

The first task requires analysis of options and an ability to form a concrete picture of the goal, often called a vision. The second task requires rare communicative ability,

empathy, and energy. ABB's chief executive, Percy Barnevik, claims the first takes 5-10% of his time and the second takes the rest.

I believe altruism is an integral part of leadership. A good leader's desire to lead springs from a desire to better the lot of those he leads.

Leadership also implies movement (guiding groups of people in particular directions), and thus change. Simply put:

A Leader changes - a Manager preserves.

There are many managers who are Leaders, but most are probably not.

Leaders are important people in a knowledge organization, and there are often more than one. A Leader must be:

- motivated by a genuine desire to lead,
- inspired by a vision of where the organization is heading,
- able to unite people in the effort to realize the vision,
- totally emotionally committed to his or her task,
- action-oriented

Leaders in successful knowledge organizations are usually former experts themselves. They belong to the same profession as the experts but they need not be outstanding professionals. It is like in an orchestra or a theater. The conductor is seldom a virtuoso on any instrument, and the director may not be a great actor, but professional competence is essential, if the leader is to bring out the best in the performers.

Leadership in a knowledge organization is largely a matter of giving experts creative freedom within a framework devised by the Leader. To do that, Leaders must, of course, know enough about the field or fields of specialization to be equipped to judge performance in relation to their framework.

The art of leading knowledge organizations, therefore, is the art of handling professionals, particularly the experts, and the task of leadership, in such organizations, is:

<p>to provide the professionals with the conditions in which they can exercise their creativity for the benefit of customers without letting the organization become entirely dependent on them.</p>
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Leaders who are not initiates of the profession, will be at the mercy of the key people, and powerless to get them to do anything they do not agree with it.

In a knowledge company with a leader not accepted by the experts the internal forces are given free rein, and the firm spontaneously aligns itself in accordance with its own internal power structure; in other words, the experts assume control. The result is that the official executives spend their time attending "important meetings", where they make equally important "decisions", while the rest of the company carries on, regardless.

The leaderless company will speedily turn not only inefficient, but a terrible and neurotic place for most people to work. A leaderless knowledge organization can often be identified by the degree of negative strains in the culture that were described above in the chapters above.

If an organization has no customers, because it's an in-house department of a large organization, or because, like so many public-sector bureaucracies, it is shielded from the ultimate customer, other pressure groups move in to fill the vacuum. In some cases it may be the experts and in others, the trades unions.

In many European countries for example, trades unions have taken advantage of the power vacuum in leaderless public bureaucracies to become the most potent power centers.

All true Leaders are deeply committed people. They love their work, they love to lead, they love their profession, and they love the people they lead. Their emotional commitment rubs off on their followers, whose greatest wish is often to share the Leader's enthusiasm.