Module 6 Readings: Next Step of KM in Government

Adaptation for the Knowledge Era

With the advancement of ICTs people welcomed all the accompanying convenience and “freedom” that were brought into social lives and hailed for the approaching of this new information/knowledge era. The dispersive power of ICTs have long held the promise of opening democracies to public participation and shared decision-making. But as Samuel Huntington and others have articulated\(^1\), while information and ICTs are profoundly re-shaping democracy, public management and public policy, they are at the same time driving up and re-defining the public demand for government. In this new era where information is exploding and knowledge is controlling, such new terms and phenomena as “Electronic Republic”, “Cyber Citizens and Smart Communities” and “Digital Leadership” are emerging, which undoubtedly need to be coped with by governments.

Indeed it is becoming widely recognized by governments and policy-makers that in an era typified by the dynamics of techno-knowledge, government institutions and policy-making processes must increasingly be adapted and tailored toward these new characteristics. Adaptation is a dynamic mechanism, based on learning, that depicts the adjustment by actors or groups (and absorbed — tacitly or explicitly - by their operational protocols and sub-routines) to their environmental (social, technical, political or economic) constraints, and thus indeed a knowledge management process on a broad degree. Through many ongoing rounds of information exchange and interaction, the overall government system as well as the individual actors evolve, re-position and are transformed. The actual pattern of transformation depends partly on the capacity of the individual, institution or instrument to be engaged meaningfully in its ‘cognitive space’ or what Barry Wellman and his colleagues have referred to — in McLuhanesque fashion --- as ‘the media space’\(^3\). During this complex process we can sense the full breadth of knowledge, from information and data to creativity.

However, from all these a new problem emerges—the traditional government institution and bureaucratic system are simply not well equipped to deal with this kind of situation. The organizational chart of government is mostly revolved around concrete core government operations. There is no “special figure” with enough authority and resources, and more importantly, there is nobody specifically tasked to overlook at the very top of the organization to supervise this kind of adapting initiatives. Organizations that fail to adapt to changing environments often behave as if the present were a perfect imitation of the past. To make it even worse, the ways that people are hired, socialized, promoted, and rewarded means that when newcomers join the organization, they soon act like imitations of those who came before them. People in organizations that use memory as a substitute for thinking often do what has always been done without reflecting. Even when they realize that a new problem confronts the organization,

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problem solving means finding practices from the organization's past that seem right for solving the present problem.

Undoubtedly this kind of praxis is absolutely intolerable and needs to be modified and change in accordance with this new knowledge era. Essentially this involves the change of organizational culture, which is actually knowledge management in its broad sense. Even though researches indicates that the most efficient way of changing organizational culture is through the bottom-up mechanism, no matter what, some “push” from the top management is also required. We believe that the most logical solution to this, in coincidence with the need from the implementation of knowledge management initiatives, is to create the new Chief Knowledge Officer within large government organizations.

The Leadership of KM

As we mentioned before, probably the single most crucial factor that determines the success of any knowledge management program is leadership commitment within the organization. Organizations do not just simply change. As a matter of fact, most of the time organizations actually find it difficult to listen to those who want to improve what already exists. Radical innovators tend not to be listened to any more inasmuch as new knowledge (or, moreover, a new combination of pieces of knowledge), despite being a source of value creation, is liable to call into question practices that are often fossilized or stabilized. This kind of situation is often described as resistance to change. As a result, in their disappointment at not being listened to, the said innovators may psychologically desert the organization, abandoning the idea of making any new contribution and obediently abiding by the collective norm which means they are no longer under threat. They could be said to be tired of or bored with “pushing” new ideas and new practices—the ones that get nowhere for want of organizational attention. To deal with this kind of situation the whole organization and its knowledge management initiative need to be actively steered by the top leadership through exhibiting organizational commitments so that resistances can be reprieved and new KM related initiatives can be pushed forward. One way to do so, we propose, which is also gradually becoming a standard practice within large private organizations that are actively engaging in series of knowledge programs, is to establish the position of Chief Knowledge Officer (CKO).

Chief Knowledge Officer: Major Roles and Differences between CKO and CIO

Developed with the new information wave, Chief Information Officer (CIO) seems to have already earned its permanent high-ranking status on today’s organizational chart. Yet, in this new knowledge era, establishing another high-ranking position such as CKO within organizations, especially government organizations, is by no means a matter of fashion. The post of CKO has its unique characteristics and functions compared with other traditional top leadership positions.

As sharply pointed out by Bennet and Neilson⁴ Chief Knowledge Officers in the public sector would play a markedly different role than that of a Chief Information Officer.

⁴ Alex Bennet and Dr. Robert Neilson, The Leaders of Knowledge Initiatives: Qualifications, Roles and Responsibilities
While CIOs focus much of their activity on physical computer and network assets, CKOs focus their efforts on an integrated set of activities that address organizational behaviors, processes, and technologies. These activities loosely fall in the areas of: leadership and strategy, outcomes, best practices/processes, knowledge-sharing culture, communities of practice, incentives and rewards, tools and technology, education, taxonomy, and resources etc., which is summarized in the following figure:

Figure 9: Role of CKO in Public Organizations

Generally speaking, compared with CIOs, CKO’s role involves leveraging the “soft stuff” in organizations and is complementary to that of CIOs. CKOs focus on creating a knowledge-sharing culture, championing communities of practice, providing leadership and strategy, and possibly using incentives and rewards during knowledge management related programs; CIOs need to guarantee the safety and functionality of the organizational ICT network as well as to supply ICT infrastructure support for KM programs. Usually CKOs are tough to measure using traditional and generally accepted business metrics and to certain degrees their activities mirror the activities of successful

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5 Ibid.
Chief Executive Officers (CEOs). Maybe it is appropriate to categorize CKOs as visionaries who are able to see the big picture a CEO has in mind and to reflect and facilitate those through knowledge management. It is very hard to say, between CIOs and CKOs, which position is more important to the organization. Usually these two roles should not be combined into one person, not only because both positions involve very complex activities and thus require full-time responsibilities, but also because, unlike CIOs, CKOs are not necessarily technologists by training, although they must also possess a working knowledge of the tools and technologies to leverage the extant intellectual base in organizations.

In sum, the role of CKO is to create and maintain an environment and atmosphere within which all members of the organization will be encouraged to deliver value to the organization using existing and unexploited explicit and tacit knowledge sources. Also they will be in charge of leveraging knowledge for the realization of overall organizational strategies and goals.

The General Traits and Skills and Competencies of Successful CKOs

As one of the top-ranking leaders within an organization, CKOs should certainly require some of the necessary leadership skills just like any other successful top leadership possesses. Due to their specific roles and functions, Bennet and Neilson\(^6\) have listed the following general competencies that are specifically important for the successful and aspiring CKOs: leadership and management, communications, strategic thinking, tools and technologies, personal behaviors, and personal knowledge and cognitive capability. See Figure 10 for a graphical representation of these general skills and competencies.

CKOs must think holistically and strategically and must be able to convincingly communicate the value of KM to skeptical audiences. Because KM is such a “new” concept that combines all existing management tools covering a very broad scope and having the potential of fundamentally change the whole operation process within organizations, the CKOs need to move beyond what Tom Davenport calls “serious anecdote management” (Davenport and Prusak, 1998) and translate qualitative benefits of KM projects into quantitative benefits to win the hearts and minds of not just ordinary members of the organization but also other top leaders such as Chief Financial Officers (CFOs) and CEOs. Otherwise, many KM projects might fall into the management fad category.

In addition to the requisite leadership and management capabilities, and a working knowledge of tools and technologies, existing and aspiring CKOs need to possess an a priori personal knowledge base and cognitive capability set. Without a personal knowledge base and demonstrated personal behaviors, newly appointed CKOs lack credibility and have difficulty “selling” KM concepts to senior management.

Besides all these, one point that should be highlighted as the unique personal attributes CKOs should possess besides passion, patience, persistence, sensitivity, organizational savvy, smart, wise, “thick skinned,” etc. … is that, just like all other good leaders, CKOs should be characteristic of becoming a life-long learner. It should be the ultimate goal of the CKOs to have long-term visions and be more sensitive toward the depth and breadth of knowledge compared with others. To accomplish this, very importantly, CKOs need to

\(^6\) Ibid.
have the mentality of becoming a life-long learner. This can be regarded as the unique personal traits that separate CKOs from other leaders.

**Figure 10: General Competencies and Skills of CKO**

![Diagram showing competencies and skills of CKO]

**Change of Environment and Culture for More Effective KM**

Even though top leadership commitment is undoubtedly the prerequisite of the success of any KM programs, creating a positive and welcoming knowledge environment and culture is equally important, which makes the process much easier for the implementation of KM projects. However the concept of environment and culture is very broad, it is impossible for us to discuss everything about it. In the following section we will first concentrate on discussing three major areas within the concept of environment and culture that we believe are more related to the design and implementation of KM. They are: mental preparedness for change; perception of risk; and management principle for KM. Following this we will recommend some ideas about suitable organizational environment and culture for knowledge management.
Mental Preparedness for Change: The Need for Obliterating Organizational Memory

For individuals the power of precedent usually guides their future actions because memory naturally serves as a substitute for learning. This is actually also true for organizations. Organizations that fail to adapt to changing environments often behave as if the present were a perfect imitation of the past. Professor Barry Staw from the U.C. Berkeley Business School has shown that, at least initially, people and organizations respond to problems by clinging even more tightly to what they know how to do best and have done in the past. At the same time, these external threats cause people to resist trying new things; even when they do try; their anxiety makes it difficult for them to learn. Staw calls this the “threat-rigidity effect” as threats and difficulties cause people and firms to do what they have done repeatedly in the past and, therefore, to engage in even more “mindless” behavior than usual.

The organization’s memory is normally embodied in precedents, customs, standard operation procedures and even stories about how things have always been and used to be. Under many situations organization’s memory becomes to be used as a substitute for otherwise wiser action. Precedent and history can forestall an organization’s ability to learn, let alone to actually implement knowledge in actions and decisions. To make the situation even worse, for such organizations the ways that people are hired, socialized, promoted, and rewarded means that when newcomers join the firm, they soon act like imitations of those who came before them so as to cause people within these organizations to cling even more tightly to old ways of doing things and make it very hard to break from the past.

People in organizations that use memory as a substitute for thinking often do what has always been done without reflecting. Even when they realize that a new problem confronts the organization, problem solving usually means finding practices from the organization’s past that seem right for solving the present problem. This almost mindless reliance on how things have been done in the past means that translating knowledge into action, and to certain extent, any change within the organization is difficult. Although someone might argue that the current common practice of KM by including “best practice” in knowledge repository is actually an active act of preserving organizational memory, the truth is that maintaining a strong organizational memory can be a double-edged sword that could both produce and undermine performance. Organizations should avoid excessive reliance on the organizational memory because doing so means that existing practices are rarely thought about, let alone questioned or examined to see if they make sense in the context of what managers currently know and are trying to accomplish. Even when people know existing ways of doing things, which are borrowed from the past, are flawed, they are often afraid to raise objections or to suggest new ways of working. Suggestions to discard and replace old practices are often ignored or rebuked, or in some extreme cases are even criticized as behaviors of disloyalty.

It needs to be acknowledged that we should not always blame the executives of the organization for this matter. Sometimes the situation is not that they have not realized things need to be changed, rather it is because other members of the organization are

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not willing to. Pfeffer and Sutton⁸ identified a pair of powerful forces that make organization persist on doing what its executives knew it shouldn’t. The first is “social proof”: When people are unsure about how they, or their organizations, should act, they automatically imitate what others do. They are especially likely to imitate people or organizations similar to them. So, confronted with uncertainty about how to develop their own practices, people naturally look to what others and similar organizations were doing, and for the most part, these organizations were following conventional wisdom and hiring for skills and experience rather than for fit. “Pressure for consistency” was a second psychological force that reinforces this ineffective practice. People who behave inconsistently are viewed by others as confused, indecisive, and even two-faced, so we all learn to attempt to appear consistent to others. People also behave in ways consistent with their past actions because it is more efficient. They don’t have to collect new information and weigh the advantages and disadvantages of each course of action. The combined power of social proof (“this is how our competitors do it”) and consistency (“this is how we have always done it”) further reinforces the “power” of organizational memory, and thus create an endless loop of providing an automatic, almost mindless justification for not learning and changing.

Organizational memory always poses a dilemma for managers. It is obviously impossible to revisit every policy and practice continually. Relying on the memory of how things have been done in the past economizes on decision time and effort and, when old ways are the right ways, enhances efficiency and performance. Also organizational memory can act as glue that effectively holds together organizations that are quite geographically dispersed with a very heterogeneous workforce. Because the taken-for-granted way of doing things permits the organizations to coordinate behavior and facilitate interdependent interaction through shared values, goals, and beliefs, rather than through formal, more bureaucratic mechanisms.

But organizational memory also interferes with doing new things or translating new knowledge into action. Although remaking every decision all the time is both unwise and infeasible, the alternative that relies strictly on what was done in the past, can also get people and organizations into trouble if the situation changes or if the past actions have produced poor results. It is quite obvious that one of the characteristics that characterize the current era is the constant and dramatic changes of environment organizations operate in. Therefore, it should be noted that, for effective knowledge management, organizations have to avoid automatically relying on its past without thought. When inappropriately applied, organizational memory will interfere with both the process of learning and of applying knowledge to enhance organizational performance.

Perceptions of Risk

To initiate knowledge management and embody all associated principles and values within the routine operations of organizational lives, for most organizations, especially government organizations, is to bring changes and innovations. However, being innovative means doing new things, doing old things in new ways, and dealing with uncertainties by taking risks. Invariably, innovations will sometimes lead to shortfalls. If this kind of results is severely criticized, managers will avoid being innovative and employees will hesitate to take initiatives. Instead they will go "by the book". Yet it is not possible in a time of rapid change to compile “the book” by constantly re-writing

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⁸ Ibid.
procedures and including all perceivable situations. Nor can we assume that universal rules can be applied equally to all situations. Risk is unavoidable. Thus questions arise: is the organization willing to tolerate risk? Is it able to deal with risk in a productive way? If not, innovation itself may be suppressed and the accompanying benefits will not be captured. In this section we are going to discuss people’s perceptions about risks when they are face new knowledge management initiatives.

**Risk is danger**
Risk is usually defined as uncertainty about the future, or uncertainty of an outcome. More specifically, risk is seen as the possibility that expectations will not be met. It is commonly associated with danger and with the possibly adverse consequences that flow from choices, decisions and actions. When people take a risk, they are betting on an outcome even though they do not know for certain what the outcome will be. The source for this uncertainty lies only partly in the decisions and actions of the people themselves. It also lies in forces and circumstances outside one’s control. This is especially true for government organizations. Due to their unique characteristics mentioned above, before taking initiatives, persons in governmental organizations will make careful internal and external assessments. First, they seek to discover how their superiors or immediate colleagues may feel about a policy or mode of policy implementation. Second, they look to how this policy or mode of implementation will sit with those internal or external forces that can impinge on their professional careers, their economic well-being, or the welfare of the organization itself. Third, they make assessments about what lies in the way of their ambitions, including, perhaps, their desire to make and enforce given policies.

When people realize that certain behavior persistently leads to painful or unwelcome consequences they tend to see such behavior as "risky" and learn to avoid it. When risky behavior leads often to success but occasionally to failure, yet when failure is consistently criticized and reprimanded, people conclude that risk taking is "too risky", and they also avoid it. If the environment and culture does not tolerate possible failure associated with risk-taking, even when on balance, taking risks generates greater overall benefits than avoiding risks, risk is regarded as always being associated with danger and is avoided.

**Risk avoidance: playing it safe**
Because of people’s perception toward risk as danger, they tend to avoid risk of being criticized even for occasional negative consequences of risk-taking. A similar reaction occurs when this criticism is combined with rewards for not taking risks at all. This kind of situation is especially common within government organizations. One of the widely acknowledged “benefits” about joining the government organizations is “job security”. As a government employee one usually believes that he/she will not be fired from the current position as long as he/she does not make critical mistakes. This mentality encourages the culture of risk avoidance within such organizations. Under such situations, action tends to be reactive, not proactive, or prophylactic, but not innovative in government organizations when initiatives come to the step of taking real actions even when they are pushed from the top. Fresh ideas are typically viewed as threats to a delicate equilibrium between internal and external forces. Few people wish to take risk steps that might trigger chain reactions with unknown consequences. Conservatism, not risk-taking, becomes the modal orientation to action.
Risk as opportunity
It should also be noted that risk is not only a potential danger, but also a potential opportunity, a potential for achieving future benefits. If people are persistently discouraged from taking risks, they are unlikely to be innovative to progress.

The nature of innovation is such that it cannot exist without risk taking. In a study on innovative organizations9, managers invariably identified two critical elements for innovation: support for risk taking and change, and tolerance of mistakes. If some error that results from risk taking is tolerated and used as a source for learning, opportunities for innovation are significantly enhanced. But unfortunately it seems that the culture and many of the managers in the public service have failed to learn that risk is an integral part of their profession and leadership. As we believe, in this new knowledge era where changes are constantly required within organizations, public servants and public organizations as a whole, besides needing to take into account the values of accountability, equity, responsiveness, efficiency and fiscal integrity, they also need to be innovative, which inevitably include some risk taking behaviors. The current situation therefore requires that leaders of organizations must not only tolerate risk taking, but must provide proper incentives and rewards for risk taking. In other words, risk taking is no longer an option; it is a necessity even for government organizations.

Management Principle for Knowledge Management: Seeking of Internal Sharing and Cooperation

Implementation of knowledge management requires developing a “sharing culture”. Although learning from others inside the organization can sometimes also be enhanced through formal mechanisms, building a climate in which people talk and interact comfortably, in part because they aren’t competing with each other, is actually crucial to the development and transfer of skills and knowledge. As Larry Prusak, from the IBM Consulting Group has noted10:

Giving people the room and space to talk to each other is also important, because learning is the socialization of knowledge. People like to tell others what they are learning but they do not have the time for it. Companies spend all this money hiring smart people and then overburden them and do not allow them to share their knowledge.

Borrowing from Pfeffer and Sutton’s ideas, we mainly discuss here about why organizations should possibly abandon mechanisms of internal competition as their main managing principle, specifically for knowledge management initiatives, in this knowledge era.

Market economy hails for competition because as an economic system it has apparently gained its success. However competition within organizations does not necessarily copy all the advantages as it has gained as an economic system for organizations. Sometimes it could actually lead to a series of zero sum activities. Specifically for knowledge management programs, internal competition mechanisms are especially dangerous because it might make people reluctant to learn from each other or to share

9 Tushman and O'Reilly (1997), Winning Through Innovation Harvard Business School Press, Boston (p.113)
their knowledge with internal competitors and thus decrease the values of knowledge management.

Management practices that produce internal competition are so common that they seem unexceptional. According to Pfeffer and Sutton\textsuperscript{11}, examples of such practices include (1) forced distributions of performance evaluations, so that only some fraction of people can earn the highest evaluation; (2) recognition awards given to individuals, such as employee of the month or year programs; (3) forced distributions of individual merit raise budgets, so what one person receives another cannot; (4) contests between departments or divisions, units, shifts, or even individuals within units for various monetary and non-monetary prizes; and (5) published rankings of unit or individual performance. Each of these practices creates a zero-sum contest in which the success or rewards of one person or department must come at the expense of another. There can be only one top-ranked person or unit, so for someone to be first, others must be ranked farther down, including last.

Of course there is no doubt that these zero-sum games, to certain degree, can inspire people to work hard, and the individual winners of these internal competitions benefit from their victories. However, the costs of such individual victories were borne by those people, groups, and units that lost the contests. These internal competitions don’t just harm the "losers", they harm everyone who have a stake in these organizations, because these practices undermine the overall ability of the companies to turn knowledge into action.

When an organization’s internal competition mechanism is closely related to its rewarding system, be it for monetary prizes or promotions, it would most certainly backfire and severely undermine employees’ loyalty toward the organization. This is especially true for organizations whose successes depend on the knowledge, skill, contacts, and reputations of its people. Some of the good example would include investment bankers and consulting firms, also certain government agencies like GAO, Internal Auditing etc. falls on the same horizon. In these organizations because the employees have their own expertise and have the capacity of working like free agents, to keep them staying with the organization, in many cases, would mainly rely on their loyalties toward each other as well as the organization. However internal competition adverse consequences of a system that turns people against one another and nothing in competitive environments builds any attachment between people and their organizations, as the result it might create behavior that sometimes even gets out of hand and causes great damage to the organization.

When the form of internal competition develops into a system of providing low base salaries in combination with bonuses that are distributed across teams and units in a forced-curve, zero-sum distribution, it would even cause people to resist helping one another. Because it isn’t just that helping a colleague takes time away from one’s own work, under this kind of atmosphere, helping your fellow worker become more productive can actually hurt your chances of getting a higher bonus. Consequently it would also lead to knowledge and information hoarding, because everyone wanted to be an expert and be seen as more knowledgeable than internal competitors so that learning about what others are doing and how they are doing it is restricted.

Also zero sum activities simply are not the nature of knowledge management. As we have discussed previously, one characteristic of knowledge is that the sharing of which would actually create a win-win situation which benefits both the learner as well as the knower, and during the process the organization also benefits.

Then how should an organization’s environment and culture be for the effective implementation of knowledge management? Our ideas are as follows:

**Building a Sharing, Cooperative and Risk-welcoming KM Culture**

Learning and building and leveraging intellectual capital through KM efforts require developing a culture that promotes sharing and cooperation as well as welcomes risk-taking when it is necessary. In the meanwhile, giving people the room and space to talk to and trust each other is also important, because learning in most part is actually the socialization of knowledge.

Based partly on Pfeffer and Sutton’s writings, we recommend the following organizational environment and culture that we believe would facilitate the effective implementation of KM in organizations.

**Make Organizational Life Interdependence, Not Independence: Fostering Sharing of Knowledge**

Chester Barnard, an early management writer who had been a senior telephone company executive characterized organizations as cooperative systems that depend on the coordinated activities of numerous interdependent actors. "...The willingness of individuals to cooperate with other members of an organization is one of the major determinants of organizational effectiveness and efficiency." In general, the greater the interdependence among various members of the organization, the more difficult it is to measure their separate contributions. Also, interdependence is actually the fact of organizational life. Productivity, performance, and innovation in any organization actually result from joint actions, not just individual efforts and behavior. When even modest levels of learning are required, some interdependence always exists. Also many studies have shown that people are better at learning new things, being creative, and doing intellectual tasks of all kinds when they work together as a team and are not under close scrutiny so that they don't feel as if they are constantly being assessed and evaluated.

**Build up Intolerable Atmosphere for Internal Competition: Increasing Willingness to Learn**

Organizations that are serious about building an internal cooperative and learning culture should take steps of making internal competing atmosphere intolerable. Besides the obvious knowledge and information hoarding situation, internal competitive dynamics can also make learning from others inside the organization more difficult and less likely to take place. As ridiculous as it might sound, people would rather more willing to learn from outside competitors (which is much more difficult and usually more costly) than

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from internal peers. This problem often occurs in organizations where parallel units that perform at varying levels are expected to learn from each other, so that best practices are shared and the worse-performing units can learn from those that do better. This is a case in which there is knowledge in the organization about how to work more effectively, and the goal is to spread this knowledge to all units so that its overall performance increases. This is also an instance in which new behaviors and management practices need to be acquired and thus learning has to happen so that people can replace old, inferior practices with new, superior ways. When learning from others inside an organization is desired, internal competition—especially when rewards and status are based on forced rankings—is likely to undermine knowledge sharing and willingness to learn between parallel units.

The reason why this kind of situation exists is that if some units and someone learn from others within the organization they need to worry about the consequences of demonstrating that another unit or person is superior. However, in contrast, this is not the case of learning from external competitor. Because if someone learns from a competitor, she or he has engaged in the high-status activity of competitive benchmarking in the process of acquiring unique and valuable (because it was difficult to obtain) knowledge and information. In contrast, learning from an internal competitor signals to everyone inside the organization that there is someone else who is better, at least on some dimensions. Therefore, copying others inside the organization could have negative career consequences. As a consequence, there is little internal learning because internal competition for status and management attention interferes with the transfer of better ways of doing things.

Also turning knowledge into action would actually be easier in organizations that have driven internal competition out of the culture. The idea that the stress of internal competition is necessary for high levels of performance confuses motivation with competition. It is a perspective that mistakes internal competition and conflict, accompanied by a focus on “winning” internal contests, for an interest in enhancing organizational performance and winning the battle in the marketplace. In balancing the benefits and costs associated with internal competition, form the knowledge management perspective; it is certainly not a practice that is deserved to be cultivated.

Rebuild Common Organizational Identity: Breaking from the Past
A strong organizational identity gives members of the organization belongingness and accordingly cultivates their loyalty toward organization. However maintaining organizational identity does not necessary translates into holding the past and not willing to change. If the organizational identity leans too strong on its past, people within the organization will inevitably (consciously or unconsciously) carry expectations from the past about what is and isn’t possible, and what can and can’t be done, into the future, which in turn make the organization view anything new as “inconsistent with the past” and not willing to change for the better. So it is important for organizations to rebuild their identities to be consistent with their change initiatives.

To accomplish this, organizations might want to less emphasize on their history and past success, also during hiring process, they should actively promote cognitive diversity within the organization. In The Knowledge-Creating Company, Nonaka and Takeuchi say that bringing together people with different knowledge and experience is one of the necessary conditions for knowledge creation. The differences among individuals prevent the organization from falling into routine solutions to problems, and the new additions
make the organizational memory less visible. Since the organization has no familiar solutions in common and no strong tendency to look into the past, individuals must develop new ideas together or combine their old ideas in new ways. As the result innovations are created and changes are pushed forward.

**Improve Compensation and Reward System: Creating incentive for Cooperation**

Interdependence being the fact of organizational life makes using individual incentive awards for winning some internal competition of questionable value. Herbert Simon, a Nobel Prize winner in economics, perceptively noted:

> In general, the greater the interdependence among various members of the organization, the more difficult it is to measure their separate contributions. ...But of course, intense interdependence is precisely what makes it advantageous to organize people instead of depending wholly on market transactions.\(^\text{14}\)

Organizations can reduce internal competitive dynamics by not using traditional measures and compensation systems that emphasize individual success at the expense of others. Also by linking compensation with knowledge sharing activities, organizations can actually create incentives for cooperation very effectively.

**Be Tolerable to Mistakes: Driving out Fear for Risk-taking and Turing Knowledge into Action**

In building a culture of learning and taking knowledge into action, one of the most critical elements is what happens when things go wrong. Learning processes, even those that are well planned, inevitably entail the risk of being wrong. Learning is actually the extension of “trying”; all learning involves some risk of failure from which one can continue to learn.

Fear in organizations causes all kinds of problems. Greg Brenneman, CEO of Continental Airlines, once noted: “Pressure and fear often make managers do erratic, inconsistent, even irrational things.”\(^\text{15}\) For any knowledge management program, ultimately it needs to be turned into action. No one is going to try something new if the reward of action is likely to be a career disaster. The idea of rapid prototyping—trying things out to see if they work and then modifying them on the basis of that experience—requires a culture in which failure is not punished because failure provides an opportunity for learning. Clayton Christensen, a professor at Harvard Business School, has said, “What companies need is a forgiveness framework, and not a failure framework, to encourage risk taking and empower employees to be thinking leaders rather than passive executives.”\(^\text{16}\)

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\(^\text{16}\) Clayton Christensen, “Forgive Don’t Forget” *World Link*, September-October 1998,47.
For organizations don’t go on missions to find who has erred, but rather attempt to build cultures in which even the concept of failure is not particularly relevant are better able to turn knowledge into action. Such organizations put people first and act as if they really care about their people. So we propose that, during the knowledge management process, organizations need to make it clear that people should not fear for reasonable failure and mistakes.

All in all, maintaining or changing to a suitable organizational environment and culture for knowledge management, by no means is an easy task. It is a long-term process and results can not be expected over night. However if organizations have made up their decision of creating such environment and culture then they have to be consistent with this goal. That includes being willing to fire, not hire, or encourage to leave people who may have talent but whose goals and behaviors are too deviated from the targeted organizational environment and culture. This requires making tough judgments and being willing to act on those judgments.