

## Organizational Ecology

### Intangible assets in play within today's enterprise

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*"Their raw materials are of the tangible kind while ours are of the mind."*

*– Micheal Eisner, CEO and Chairman of The Walt Disney Company*

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*"In some areas – and especially in society and its structure – basic shifts have already happened. That the new society will be both a non-socialist and a post-capitalist society is practically certain. And it is certain also that its primary resource will be knowledge. This also means that it will have to be a society of organizations... The leading social groups of the knowledge society will be 'knowledge workers'."*

*– Peter Drucker, Author and Consultant*

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“We now have for the first time in the history of human organizations a confluence of things that says that if you build organizations that are hospitable to people actually being there in the full dimension of who they are – well, they should perform a lot better.”

– Hubert Saint-Onge, Senior VP, Strategic Capabilities, Clarica (a member of the Knowledge Ecology Consortium:



[www.knowinc.com/saint-onge/index.htm](http://www.knowinc.com/saint-onge/index.htm)

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“We are living in a profoundly exciting and challenging time. Humanity as a whole, and each of us as individuals, are confronted with the fact that the ways we have been accustomed to living no longer work for us, or our planet. As we wake up to this, many of us realize we are involved in a difficult, yet fascinating learning process – our own personal evolution and the evolution of human consciousness.”

– Shakti Gawain, *The Four Levels of Healing*

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“It is not easy to move from corporate cultures of de-valuing to communities of valuing. In short, we are going to have to master the principles and values which undergird true valuing, especially if we want to leverage an organization’s intellectual capital and knowledge assets.”

– Charles Savage, author of *Fifth Generation Management*

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Dr. Charles M. Savage, President and Mentor, *Knowledge Era Enterprises, Inc.*, helps companies discover the riches of knowledge era enterprising. He consults and speaks widely in the United States, Asia and Europe. His book, *Fifth Generation Management, Co-creating through Virtual Enterprising, Dynamic Teaming and Knowledge Networking*, is widely acclaimed.

## The new wealth of organizations

As our personal evolution and the evolution of our collective human consciousness shifts, there is an inevitable shift in the very nature of business. Most would agree that what sustained many organizations in the past will no longer guarantee their continued success as we move more rapidly through the knowledge era. With society moving at internet speeds, the knowledge worker has become the new organizational power player. This emerging “blink society” demands a new set of core skills, or core tasks, of the knowledge worker:

- Thinking (as opposed to merely doing);
- Mental, typically non-linear skills (as opposed to physical, usually linear thinking skills);



Click on this audio icon to hear more from Dr. Savage.

- Information as product;
- Creating knowledge (as opposed to merely applying it).

If the new wealth of organizations is defined by the richness of the intellectual capital (knowledge assets) held by their knowledge workers, how has the organizational culture of today shifted to meet this new requirement? The landscape of the traditional organization has changed in a manner not unlike the ways in which the powerful forces of nature transform the environment and ecology of the earth. Many organizations are not even aware of the new landscape that has been sculpted in a matter of a few short years, right before their “eyes”. Like any emerging organism in nature, the knowledge worker requires a delicate environment in which to grow, flourish and create knowledge wealth. Whether it is recognized or not, fostered or not, made explicit or not, celebrated or not, a new, complex ecology has emerged from the foundation of the traditional organization. To foster an organizational ecology rich in its harvest, one must understand the interplay between people, community, systems and structures.

## Organizational Ecology

What then is this new organizational ecology we find ourselves playing in? First, let’s take a moment to step back and play with the definition of the term “organizational ecology”. In this chapter, we will use a fairly standard definition to guide our dialogue together. Broken down, the term “ecology” has two parts. “Eco” means life, habitat or environment, and “ology” means the study of a discipline. Organizational ecology therefore refers to the study of “life” in an organizational habitat.

The wonderful richness of life within organizations is a complex mixture of unseen, intangible relationships – relationships between the people, their emotional intelligence, their values, their ethics, their personal tacit knowledge, and their day-to-day experiences; and the interplay between the people and the policies, values, ethics and practices of an organization.

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“Organizations that place a high value on the minds that produce knowledge will far surpass those that cling to physical assets...the success of any organization depends upon the degree to which it successfully releases its human potential for knowledge.”

*Jim Harris. "The Learning Paradox"*

To better understand the emerging organizational ecology, a quick review of where many companies have come from may be useful. In the 1970s and 1980s, the Total Quality Movement (TQM) played a large and active role in many organizations as the “new wave” of quality moved from Japan across the seas to the United States, Canada and beyond. Companies mobilized and caught the wave to improve and stabilize processes. Quality improvement tools were developed to aid in the effective operation of departments. Systems views became another way to examine HOW an organization operated. Slogans such as the now famous Ford credo “Quality is Job One” and others became the rallying cry under which employees operated.

It was not long before we began to see certifications such as ISO, Baldrige awards and others as highly sought-after medals of honor for many organizations. The TQM movement went a long way to help organizations become more efficient and highly competitive. No doubt it provided a platform from which to see a new vision of the organization...at least for some. So what is the next new wave of challenges that organizations are responding to today? What else is out there to propel companies into the next millennium? Why is it we are now seeing this curious and increasing desire in employees for something more out of their work agreement with their companies?

The organizational ecology is shifting, not unlike the environment of our planet itself. Operating an enterprise with the same model driven by the same values that underpinned the industrial era, and perhaps even the information era, may be missing the mark with many employees these days. Again, we look at the leadership response to the shift. Senior executives seem puzzled by this uprising of personal meaning-seeking within their organizations. Though we have become expert at aligning processes, systems and practices, we are finding that task of “aligning” people is not as linear as are other tangible aspects of the enterprise. What has happened to the organizational ecology?

## The Global Shift

The fact is, it is not only members of organizations who are wondering what is happening; the change is much more far-reaching than it would seem. Organizations only reflect the larger society in which they exist. There is an exciting, rapid global shift occurring, resulting in personal awakenings and a search for meaning. A trip to your local mega-bookstore will likely provide you with more information that you can take in as evidence of this shift. New and expanded sections such as “Spirituality”, “Self-Help”, “Environmentalism” and others have grown over the years as readers thirst for more information to guide them toward something deeper. Have a look too at the expanded traditional “Business” section. You will find books on soul at work, values-based leadership, emotional intelligence, intellectual capital, leading change, diversity at work and more. Why are these books now found in the “Business” section?

Organizations are finding themselves struggling with an ecological transformation occurring all around them. They may be ill-equipped to address their people’s needs, given the strong legacy of successes they have enjoyed in the past. The very achievements organizations have traditionally coveted (such as ISO awards, Baldrige awards, etc.) are in some senses barriers to moving the enterprise forward. Many organizations have reached this pinnacle of “success” from the world view of quality and efficiency.

As a point of consideration, one can never achieve success as a goal. As one achieves a level of success, one tends to see a new level for which to strive; a new goal or vision often appears. Achievement and success are a means to some other end. As many organizations begin to reach their own levels of success and efficiency, a new ecology begins to unfold before them. This emerging organizational ecology requires new approaches underpinned by new values and priorities, enhanced emotional intelligence levels, and a stronger recognition of the intangible assets of the enterprise such as brand and internal knowledge.

What seems to be occurring is more of a dynamic interplay between knowledge creation and knowledge extraction, also known as

knowledge management. Companies, at the end of the day, need to sustain themselves and be profitable and, therefore, do need to find an effective knowledge management system. To do this, they require a process of value extraction from their employees, the keepers of the corporate intangible assets, in a way that is more tangible and visible. Here is where we witness the growth in the patenting of intellectual property, and in the development of new products.

The knowledge worker, however, is seeking an enhanced implicit contract with the company to increase his or her personal experience, know-how and wisdom and to connect at a more personally meaningful level with his or her organization. The knowledge worker is looking to feel valued as a person and as a contributor to the bottom line. When there is a culture of valuing, the knowledge worker will work harder, and grow more. The company gains from this conversion of knowledge from the person to the organization through this sharing, valuation process. This leads us to a useful distinction between two types of knowledge commonly referred to as “tacit” and “explicit”.

## Tacit and Explicit Knowledge

In their book *The Knowledge-Creating Company*, Nonaka and Takeuchi offer one of the best descriptions of tacit and explicit knowledge. They suggest that tacit knowledge is made up of both cognitive and technically-based elements. Tacit knowledge is the mental model of the world as seen by a person. Tacit knowledge is intangible by nature. What a person sees and how he or she interacts within this world is largely determined by the values that the person holds to be true. A person’s values, beliefs and personal meaning help to shape his or her interaction within the world. This refers to the “cognitive” side of tacit knowledge. The other element of tacit knowledge refers to the concrete application of knowledge into an action often referred to as “know-how”. If it is safe to say that each person will filter and apply knowledge in his or her own

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"Look at the probable futures that are unfolding before our world that is built upon energy of the personality, and the probable futures that would unfold before a world that is built upon the energy of the soul...rather than a soul in a body, become a body in a soul"

– Gary Zukav. *"The Seat of the Soul"*

way, then this technical application of knowledge will likely present itself in similar yet individual ways in action. This is knowledge of experience. “Tacit knowledge includes the intuition, perspectives, beliefs, and values that people form as a result of their experiences,” writes Hubert Saint Onge. “Out of the beliefs and assumptions in our individual mindsets, we make decisions and develop patterns of behavior for everything we do. Our mindsets feed on themselves both positively and negatively – we believe what we see, and we see what we believe.” This being said, one’s personal tacit knowledge is very unique and quite powerful when shared dynamically within a team or group.

Explicit knowledge is more objective in nature. It can be quantified as a definition of past events. Explicit knowledge can then be articulated, codified, documented, perhaps patented, archived and shared for future reference when called for. Explicit knowledge is a more sequentially-based knowledge, based more in rationality and declarative in nature. As such, it can be more tangible, given its ability to be codified and saved in procedural manuals and reference books. Still, taken alone, it is of no use until married with a person who is seeking a context for the information, and who is able to apply it to his or her experience. Dynamic interplay between people through dialogue and shared experience, done in a way that taps into their tacit knowledge, is perhaps a key to enhanced corporate sustainability and growth.

Nonaka and Takeuchi suggest: “While Westerners tend to emphasize explicit knowledge, the Japanese tend to stress tacit knowledge. In our view, however, tacit knowledge and explicit knowledge are not totally separate but mutually complementary entities. They interact with and interchange into each other in creative activities of human beings.... [K]nowledge creation is anchored to a critical assumption that human knowledge is created and expanded through social interaction between tacit knowledge and explicit knowledge.” This is a social process that requires the valuing of one another and one another’s thoughts, feelings and knowledge. “Thus, through this ‘social conversion’ process, tacit

and explicit knowledge expand in terms of both quality and quantity” (Nonaka, 1990b).

So, if the growth of individuals, and therefore that of organizations, is so strongly influenced by this “social conversion” process, how well is your company set up to facilitate this interchange? Is it set up for value creation, value extraction or some combination thereof; or knowledge creation; or knowledge management? What leadership behaviors would help facilitate this growth? What values underpin your company to facilitate and align with the direction you have chosen?

### Leadership Values and the Culture of Valuing

A typical pitfall of many organizations is to apply traditional leadership styles in a new environment thirsty for collaboration, co-creation and enriched thinking opportunities. Many cling to outdated management systems and processes that are out of sync with the emerging values and lifestyle realities of today’s knowledge worker. In his book *Fifth Generation Management*, Charles Savage suggests: “We certainly do not lack a vision of what we would like to do. However, we are locked in a constellation of assumptions, principles, and values, our inheritance from the industrial era, that hobble our efforts and keep us bottled up in traditional modes of behaviour.” New leadership behaviours are emerging that facilitate knowledge networking, dynamic teaming, and the consequent growth of the intangible asset worth of the enterprise. These new behaviours are underpinned by a set of priorities guided by globally shifting societal, personal and organizational values that act as the pathways for the valuing and growth of intellectual capital.

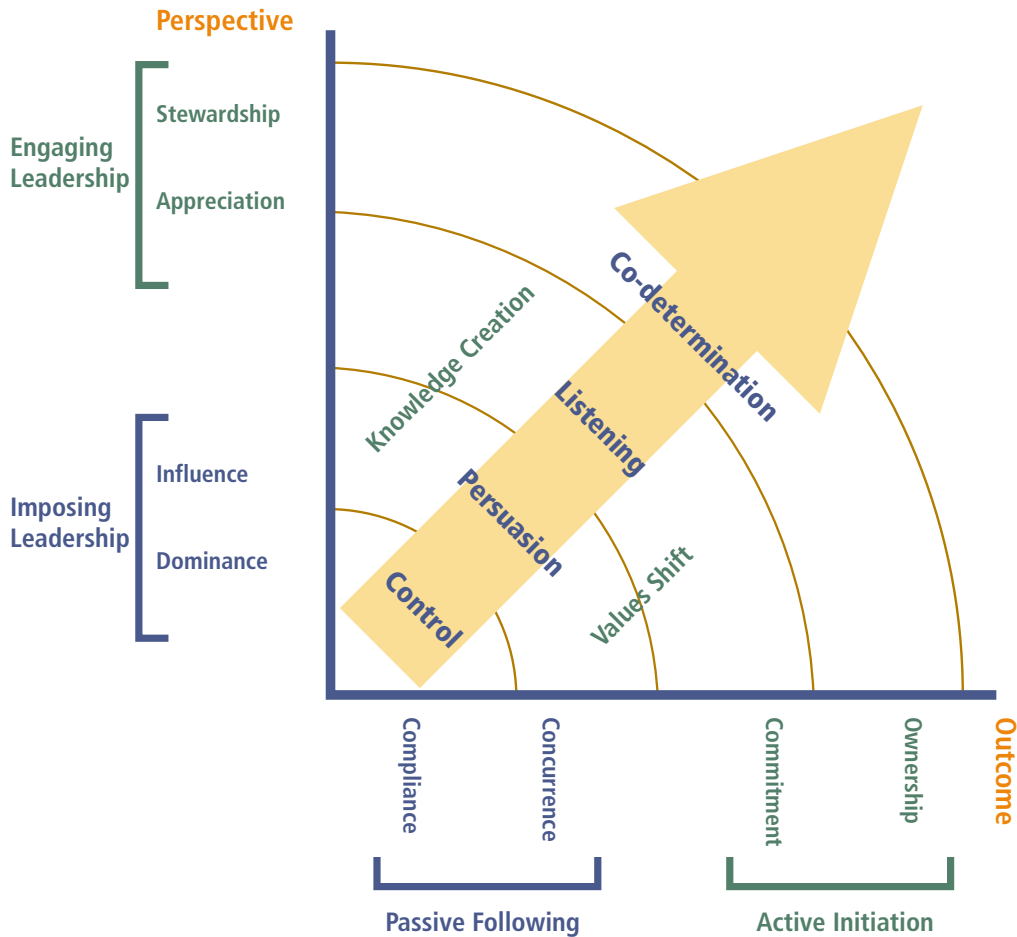
Figure 1 suggests a model that may help elaborate on this idea. In this diagram, the vertical axis refers to the leadership style pervasive, or aspired to, in an organization. The horizontal axis refers to the outcome of that leadership style found on the vertical axis. Many organizations claim, or desire, commitment and perhaps even ownership of a strategy or business plan by the employees.

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“Tangible assets have finite applications;  
intangible assets have infinite applications.”  
Hubert Saint Onge



## A Developmental Model for Leadership



Many are successful in this while others are puzzled why employees seem to lack this commitment. One possibility is to trace the outcome back to the leadership style in action. Let's work through this model for a moment.

A more traditional leadership style will likely lead to compliance by the employees, usually because it reinforces hierarchy and control. Employees will react to "decide-and-announce" type decision-making processes because "it's my job", or because "they" say so. Over time, employees tend to learn to surrender power, and are perhaps less likely to engage in the wonderful interplay of

The brain is a wonderful organ; it starts working the moment you get up in the morning, and does not stop until you get into the office"

– Robert Frost

knowledge sharing and value creation. It may be that the organizational ecology has a low value for the sharing of knowledge and a high value for a linear flow of information from the top down. At times, however, the nature of the work itself requires such a leadership approach, which in some cases may be very appropriate. For example, in emergency situations, the nature of the work is often not conducive to healthy debate and dialogue on the appropriateness of an action. In work groups where emergency discipline is not the common environment, employees may feel controlled and that their contributions are not fully valued. Could this be because, although processes are linear, employees as human beings have never been linear?

Values that underpin this traditional type of leadership style include those of control, order, discipline, productivity, design pattern, hierarchy, order, efficiency planning and tradition. The result can only ever be, at best, compliance behavior by the knowledge worker, given that there is no opportunity, or value, in dialogue and shared knowledge. At the end of the day, employees and managers' self-worth often becomes tied to their work and labour as a result of this type of environment: "A hard day's work for an honest dollar." Pride is taken in accomplishing the task in an orderly, effective and efficient manner. Process design is for fairness and unity.

Another possible outcome of "passive following" is "concurrence". Here senior managers tend to use an influencing management style to persuade employees that the decision is a good one and that "we really need your support on making this a success". Discussions and meetings may occur to present ideas that, for the most part, have been designed and signed off higher up the hierarchy and put forward as accepted strategies with little room to flex. Here, too, employees may feel a bit better about following the decision; however, their personal tacit knowledge is still vastly underused and perceived as de-valued. It is not a strategy or business decision that they will likely fully subscribe to. Still, they will do their job, and most will do it very well. But there is still

something missing from the point of view of the more self-initiating employees.

Although there may be present a more explicit sharing of information, dynamic knowledge sharing still does not take place during the “concurrency” phase. Increased value creation is low. The manager in this case tends still to “manage” the flow of information. The outcome will still be a passive following by knowledge workers as a result of this traditional leadership style. In addition to those values found in the “compliance” phase, values such as unity, uniformity, responsibility, management, duty obligation, competition, communication/information and administration are prevalent. “The organization is a complex bureaucratic hierarchy. Bureaucracy here is a positive word, implying layered management systems with carefully described roles and qualifications for each person in the company.... The co-worker lives in a carefully-prescribed system with rules that need to be followed and rewards that can be anticipated for selective performance” (Hall).

As we move through the model toward the more engaging leadership styles, we begin to see more active initiation within the community. A fundamental values shift occurs within this type of leadership style. This is a significant evolution in culture as the organizational ecology landscape begins to shift. A new world-view emerges...a more open, autonomous, self-initiating environment develops. Knowledge sharing is strongly valued and fostered. A knowledge creation spiral emerges. The key to facilitating this spiral is the underpinning of values congruent with sharing, listening, trust, co-determination, empathy and the freedom to question, in addition to the values that have become fully integrated from the previous two stages. The world becomes a place in which one has a strong desire to participate. The outcome of this type of organizational environment, and leadership style, is one of employee commitment and ownership. “The organization is a learning, collaborative system.... The leadership style is a servant style whereby wise leaders quietly enable others to lead collaboratively, through delegation and assessment of resources, as they enhance the declared values of the system. The institution is based on

an interdependent network of teams, divisions, or groups that are designed and held together by a common consensus value system” (Hall).

As we begin to move to this place of community and engagement, ethical choices begin to be formed by an increased awareness of rights of all human beings. “You find yourself compelled to be more actively critical of unjust organizations in which you are personally participating. Growth at this stage requires careful attention to finding a balance between involvement in organizational development based on humane values, and time devoted to intimacy and solitude, which are truly energizing.... The stance of the leader is that of wise enabler who governs with a team on the basis of values-related goals, objective and norms” (Hall).

This shift in values is also reflected in new and enhanced ways that some new writers refer to as “leading from the heart”. When we overlay effective functioning of emotional intelligence, with values congruent with sharing/listening/trust and the construction of a new order into the landscape, the ecology of the organization shifts yet again to another, richer plane. Decisions are made on the basis of collaboration, empathy, trust and self-awareness and being. When we begin to study the relevance of high-functioning emotional intelligence with integrated values, we need to view the landscape as a continually evolving place. Achieving new levels of success shifts one to see more and richer visions of the future and can drive one still further towards one’s personal development and that of one’s organization. As we grow, and our landscape thereby flourishes, our values priorities shift to new world views, and our emotional intelligence expands to allow us to see ourselves and others in richer ways. Feelings bring flavor to intellect. This begins the culture of valuing.

## Opening Up Your World

The world opens significantly, and refreshingly, when we can attach personal meaning to data and information via a rich process of dynamic teaming and knowledge sharing, underpinned by a shared set of rich, core values, combined with high emotional intelligence functioning by the team and leader. The organizational landscape and ecology becomes healthy, lush and green. Think about a time when you truly felt “valued” and cared for unconditionally, and how this may have opened up your opportunity for free-ranging thought, dialogue and knowledge creation. Let’s put a group together now with this shared valuation ecology and a truly collaborative leadership style. We can begin the move to live within an economy of abundance.

The question I invite you to reflect upon is: are you building or depleting your intellectual capital? How does your awareness and understanding of your tacit knowledge, your values, your emotional intelligence, and these elements within your group, influence your leadership behaviors and thereby the nourishment, sustainment and growth of your own organizational ecology?

### On-Line References:

Karl Eric Sveiby:

Dr. Charles M. Savage, President and Mentor, *Knowledge Era Enterprises, Inc.*

Scott Bristol (for values-related information):

Lance Secretan:

The Global Knowledge Innovation Infrastructure (GKII) is an exciting initiative to build the foundations for creating innovation capabilities that will deliver prosperity in the 21st century knowledge economy.

Hubert Saint Onge

Knowinc.com is an interesting site to visit that relates to knowledge management and intellectual capital.

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There are no evolved organizations – or moral or successful ones for that matter – only evolved, moral, or successful individuals who create them"

– Lance H.K. Secretan.  
"Reclaiming Higher Ground"



[www.sveiby.com.au](http://www.sveiby.com.au)

[www.livinggrounds.com](http://www.livinggrounds.com)

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