

CONTINUOUS CHANGE  
AND COMMUNICATION IN  
KNOWLEDGE MANAGEMENT

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# CONTINUOUS CHANGE AND COMMUNICATION IN KNOWLEDGE MANAGEMENT

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United Kingdom – North America – Japan – India  
Malaysia – China

Emerald Publishing Limited  
Howard House, Wagon Lane, Bingley BD16 1WA, UK

First edition 2021

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**British Library Cataloguing in Publication Data**

A catalogue record for this book is available from the British Library

ISBN: 978-1-80117-034-5 (Print)

ISBN: 978-1-80117-033-8 (Online)

ISBN: 978-1-80117-035-2 (Epub)



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INVESTOR IN PEOPLE

# CONTENTS

*Foreword* ix

## PART I: THEORETICAL BASIS

1. Communication and strategic change leadership	3
Learning outcomes	3
Introduction	3
What is an ambidextrous organisation?	7
What does Beer's theory of viable organisations consist of?	9
<i>System 1: The operative level – What the organisation is designed to do</i>	10
<i>System 2: The coordinating system</i>	13
<i>System 3: here-and-now leadership – middle manager function</i>	16
<i>System 4: 'an eye to the future'</i>	16
<i>System 5: The overall decision-making system</i>	21
Conclusion	22
Case study: Strategic change leadership in a Norwegian company – An example	23
<i>What have we learned from this case study?</i>	26
Assignments relating to the case study	27
References	28
2. Management, control and communication in strategic change leadership	33
Learning outcomes	33
Introduction	33
Management systems in strategic change leadership	36
Various types of control systems in strategic change leadership	40

A general control system in strategic change leadership	43
Indicators	46
Critical success factors	48
Conclusion	50
Case study	50
Assignment based on the case study	51
References	51
 PART II: LEADERSHIP TOOLS AS COMMUNICATION  	
3. How can we reduce resistance to changes within organisations?	57
Learning outcomes	57
Introduction	57
Decision-making under uncertainty	58
Framing	61
Rules of thumb (heuristic assessments)	63
<i>Anchoring</i>	63
<i>Availability</i>	65
Specific measures that the leadership team can implement	67
<i>Decision-making under uncertainty</i>	67
<i>Framing</i>	67
<i>Heuristic assessments</i>	68
Conclusion	69
Assignments	69
References	72
4. Leadership tools to increase the motivation of knowledge workers	75
Learning outcomes	75
Introduction	75
Historical context	77
<i>Assumptions concerning knowledge workers</i>	77
Focus on the primary task	79
<i>Explanation</i>	79
Practical leadership tools. How can we focus on what the organisation is designed to do?	80

Result orientation	81
<i>Explanation</i>	81
<i>Practical leadership tools. What can I contribute that makes a difference?</i>	82
Innovation orientation	83
<i>Explanation</i>	83
<i>Practical leadership tools. How to design an organisational leadership to?</i>	84
Recognition for knowledge-sharing	84
<i>Explanation</i>	84
<i>Practical leadership tools. Information analysis</i>	86
Self-management and self-organisation	86
<i>Explanation</i>	86
<i>Practical tools for leadership. Strength analysis</i>	88
Continuous development of skills	89
<i>Explanation</i>	89
<i>Practical tools for leadership. Skills and competence analysis</i>	91
Conclusion	92
Assignments	93
References	95
5. Communication of global change processes	103
Learning outcomes	103
Introduction	103
Infostructure	108
Modular flexibility	111
Global competence clusters	113
Conclusion	116
References	117
<i>Chapter on concepts</i>	123
<i>Index</i>	139

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# FOREWORD

By knowledge management, we here mean governance, control and communication in social systems. Governance is here related to sustainable leadership. Control is linked to information processes and goal creation. Communication is related to the statement: Who says what over which channels with which effects.

We are developing a new understanding or paradigm in knowledge management. This new paradigm is here understood as a social system perspective on knowledge processes where we consider knowledge management from an epistemological hierarchy consisting of the philosophical perspective (Johannessen, 2020a), the political economic perspective (Johannessen, 2020b), the ethical perspective, the social side of knowledge management, knowledge management and communication and various aspects of knowledge processes in the global knowledge society. With this new paradigm, we lift knowledge management from the more organisational understanding that the subject has had up to now and up to a societal level where knowledge processes in the knowledge society becomes the focus in this new paradigm.

Until now, change leadership has lacked a theoretical basis for use by leaders as a starting point when implementing change processes. The aim of this book is to fill this gap. Our theoretical framework for planned change processes takes Stafford Beer's Viable System Model as its starting point. In addition, we refer to Prospect Theory, which was developed by Daniel Kahneman, winner of the Nobel Prize for Economics 2002, as the theoretical basis for our strategy for reducing opposition to change within organisations.

This book is in two parts. In the first part, we consider our theoretical basis. In the second part, we describe the leadership tools we have developed for use in change processes. We have designed a leader's toolbox. This toolbox consists of *18 leadership tools*. These can be used by any leader to ensure the effective communication and implementation of planned change processes.

## REFERENCES

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Johannessen, J.-A. (2020b). *The political economy of knowledge management*. Bingley: Emerald.

# PART I

## THEORETICAL BASIS

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# COMMUNICATION AND STRATEGIC CHANGE LEADERSHIP

## LEARNING OUTCOMES

1. Students will gain knowledge and understanding of, and be able to describe, the concept of the ‘ambidextrous organization’.
2. Students will gain knowledge and understanding of, and be able to describe, Beer’s Viable System Model.
3. Students will gain knowledge of and be able to describe why stability is a necessary precondition for change.
4. Students will gain knowledge of and be able to describe the theoretical basis for strategic change leadership.

## INTRODUCTION

Analogously, the tightrope walker has to constantly change the position of his/her arms and legs to remain ‘stable’ on the tightrope. The point of this analogy is to show that stability depends on change and also that change depends on the existence of a stable core. If everything is in a state of flux, the result will be chaos. If everything is stable, the result will be rigidity. Rigid systems will collapse if there is the slightest change. Meanwhile, chaotic systems use all their energy to maintain stability. This is the insight that we have built on further to develop our theory of strategic change leadership.

In order to design a stable core that can be used in any change process, both planned and emerging changes, we will integrate Stafford Beer's Theory of Viable Systems (1979, 1981, 1995), with James G. Miller's *Living Systems Theory* (1978), and Russel Ackoff's thinking about interactive planning and the circular organisation (Ackoff, 1981).

Leaders often experience something that we can call *funfair management*. This refers to a situation when leaders think they are steering the organisation when they make many decisions (like a child 'steering' a car on a funfair roundabout). However, nothing seems to happen further down the ranks of the organisation. The leader sees that there are reefs further out at sea, and wants to steer away from them, but nothing happens in the individual departments, because they have not understood the signals, do not know how to respond to them or because they oppose the changes that are needed.

The worst thing that can happen is that the leader receives confirmatory responses from the various departments, such that he/she believes that his/her decisions have been implemented. However, in reality, no action has been taken. We might also envisage some middle managers working directly against the decision to implement changes. As a result, the ship may flounder on one or many reefs, and everyone becomes a victim of the shipwreck.

The helmsman should have complete control over both the rudder of the boat, the ship's engine and the crew who are to perform the tasks that will bring the boat safely from one port to another.

Strategic change leadership is defined here as the science of management, control and communication in organisations or the science of effective organisation.<sup>1</sup>

The leader of an organisation should always have knowledge of the two main systems in the organisation, that is, the information system and the production system. This applies both to classical industrial enterprises and to knowledge and service-producing organisations. We know what is the production system in an organisation by asking the question: *What is the system designed to do?* or *What is the purpose of the system?* (Beer, 1979, 1981, 1995).

The answer to these questions will tell us what are the actual tasks of the system and what it is meant to do. If the organisation mainly does other things than what it is intended to do, we have a problem. Either we need to reorganise the system, or we must reformulate the original purpose of the organisation.

In the ship analogy above, the helmsman should have an overview of the following information systems and should at all times be able to retrieve information from:

1. *The telegraphist and radio*. The main task is to receive and send information to and from the ship.
2. *Communications officer*. The main task is to keep an eye on various instruments, such as the radar, and to keep the helmsman up to date on changes in procedures.
3. *Log books*. The main purpose of these is to serve as the memory for the system, so that the helmsman can at all times retrieve information in relation to events on previous trips, courses, ocean currents, etc.
4. decisions and must be consulted when the helmsman's competence is insufficient. The captain also has contact with other systems on land as his main task.

The above information systems may be found in all kinds of organisations. First, someone has the primary responsibility for information exchange with the surroundings. Second, another person has the daily responsibility for internal and external communication. Third, someone must ensure that the organisation's information is stored in such a way that it is easy to access. Finally, there is always a supreme decision-making unit or person in an organisation, no matter how the system is organised and structured.

Imagine that we are on a large ship, and the ship encounters a storm. We alter course in order to mitigate the effects of the wind on the ship. If the helmsman does not have the instruments necessary to establish the current position compared to the original position, it does not help much that the destination was ever so carefully plotted. The example reflects much of what is happening in organisations today, where the global winds of change are blowing at storm strength. The 'destination' (goal) may be clear and well-defined, but the enormous turbulence that surrounds the organisation means that its leaders may not know their 'ship's position in relation to its intended course. In addition, today's organisations are encountering not only increased turbulence, but they must also deal with more complex surroundings. Both these factors – increased turbulence and increased complexity – require organisations to have organisational instruments that can either return the system to its original course or set a new one.

Strategic change leadership is based on four main principles (Beer, 1995; Miller, 1978).

First, the systems of an organisation must have the ability to capture and detect important changes in the environment.

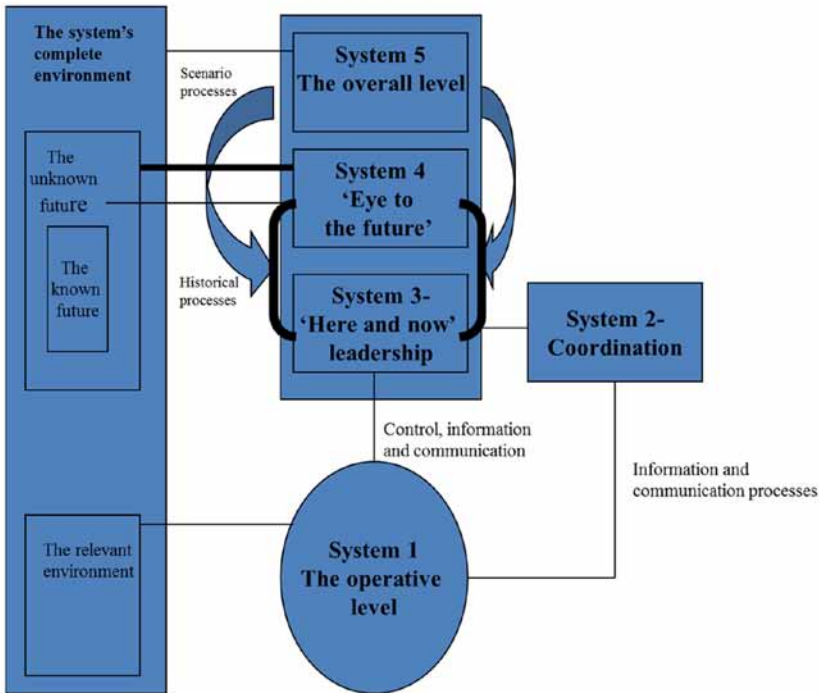
Second, they must be able to relate this information to the standards and values that govern the systems.

Third, they must be able to detect significant deviations from the normal state.

Fourth, communication and control systems must be able to implement corrective measures in behaviour when deviations are detected.

In this chapter, we will explore the following question: How can we design an ambidextrous organisation that can be applied in strategic change leadership?

An overall model of the various subsystems in relation to strategic change leadership is shown in Fig. 1. In the introduction, by way of analogy, we used the metaphor of the steering, control and communication on a ship in an attempt to explain the five elements of the model, that is, the various subsystems.



**Fig. 1. The Various Subsystems in Relation to Strategic Change Leadership.**

This chapter is organised in the following way: First, we explain what is meant by an ambidextrous organisation. Second, we examine each of the elements in the figure.

## WHAT IS AN AMBIDEXTROUS ORGANISATION?

Traditionally, organisational structures have only to a limited extent focussed on the co-existence of operational management (exploiting ‘the now’) and innovation (exploring ‘the new’) (Maier, 2015). Although projects have certainly been initiated with this idea in mind, this work has been little institutionalised and has generally been too constrained by existing structures. This was noted by Tushman and O’Reilly as early as 1996. The concept of an *ambidextrous organisation* was first applied by Duncan (1976). However, it is March (1991) who has been credited with developing the concepts of ‘exploring’ and ‘exploiting’, which correspond with what is meant by ambidextrous organisation. The unique characteristic of an ambidextrous organisation is its ability to adapt to changes in external conditions while at the same time generating its own future by means of, among other things, improved performance, growth and innovation. Ackoff (1981) developed a method whereby organisations could simultaneously adapt to current conditions and create their own futures.

Ambidextrous organisation may be understood in at least three ways. The first perspective is linked to the development of two structures, one focussed on exploiting and the other on exploring the new (Adler, Goldoftas, & Levine, 1999; Nadler & Tushman, 1997; Tushman & O’Reilly, 1996). The second perspective is known as contextual. This perspective applies behavioural and social mechanisms in an effort to integrate, at an organisational level, the exploration of the new and the exploitation of existing resources (Gibson & Birkinshaw, 2004; McCarthy & Gordon, 2011). A third perspective is an increasing focus on the role of management at both team and organisational levels in ensuring organisational ambidexterity (Cao, Simsek, & Zhang, 2010; Jansen et al., 2006; Rosing, Frese, & Bausch, 2011). This third perspective was also highlighted in 2004 by O’Reilly & Tushman as one of the major challenges for management.

After studying how 85 companies structured their innovation efforts, O’Reilly and Tushman (2004) found that an ambidextrous structure resulted in the best performance within existing operations and was the most successful in promoting innovation. An ambidextrous structure means an organisation is able to manage the leadership and control of daily operations, on the

one hand, but also that opportunities to explore new ideas are encouraged and given autonomy, on the other hand.

Of the 85 businesses examined in the research project, some opted for a functional design, with project teams integrated into existing organisational structures. Others employed cross-functional teams, with team members operating within the established organisational structure but outside the existing management hierarchy. Yet others formed *unsupported teams* that operated outside existing organisational and management hierarchies. And others opted for an ambidextrous structure, with project teams that were autonomous yet still operated within the framework of the company as a whole. All of these teams had their own processes, structures and cultures.

The findings of O'Reilly and Tushman (2004) were overwhelming. Regarding the launching of radical innovations, they found that none of the cross-functional or unsupported teams and only a quarter of the teams with functional designs were able to produce radical innovations. However, among the ambidextrous organisations, 90% were successful in producing radical innovations. Empirical research has shown that this type of organisational design is best for producing both incremental and radical innovations (O'Reilly & Tushman, 2004; Thota & Munir, 2011).

An ambidextrous organisational structure has also been found to have other benefits in addition to producing successful innovation. Organisations with an ambidextrous structure show an improved rate of growth. A study of 41 businesses (Gibson & Birkinshaw, 2004) and a similar study of 34 high-technology businesses showed a higher rate of growth in businesses with ambidextrous structures (Chandrasekaran, Linderman, & Schraeder, 2012). There are many examples of businesses where an ambidextrous structure has resulted in success, for example, Apple, General Radio, Nordstrom and British Airways (Tushman & O'Reilly, 1996).

It is important to emphasise, however, that an ambidextrous structure is not favourable in all circumstances. As a rule, one can say that in situations where there is rapid change, significant turbulence and very dynamic and complex external circumstances, an ambidextrous structure will be preferable (Jansen et al., 2006). In other cases, the advantages of an ambidextrous structure are more debatable (Raisch & Hotz, 2010).

Interest in ambidextrous organisational design has been growing ever since the publication of articles by Duncan (1976), March (1991) and Tushman and O'Reilly (1996), and especially since the publication of O'Reilly and Tushman's article of 2004 (De Wit & Meyer, 2014; Maier, 2015; Reinmoell & Reinmoeller, 2015).