

# encouraging knowledge flow

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Cultivate a culture  
in which employees  
can share knowledge  
and develop valuable ideas.

**I**n June of 2000, the combative Durk Jager resigned as CEO of Procter & Gamble after a tenure that had lasted only seventeen months. When he left P&G, its stock had declined 50 percent, it had lost \$320 million in the most recent quarter, half of its brands were losing market share, and the firm was struggling with morale problems.

Jager was replaced by a quiet and thoughtful P&G veteran named A. G. Lafley. Although Jager had questioned the competence of many P&G employees, Lafley immediately assured them that he knew they were capable of restoring the marketing powerhouse to its former greatness. Lafley's long career in marketing had taught him how to glean insights by listening to P&G's customers. Now he sought to do the same by listening to P&G's employees. Lafley turned

to Jim Stengel, heir apparent to the chief marketing officer, and asked him to conduct a survey to find out what employees thought should be done.

Although senior managers were considering several new business initiatives at the time, P&G's employees felt something different was needed. They wanted a renewed commitment to marketing, more time to listen to customers, the results of programs to determine rewards rather than the quantity of programs launched and more disciplined market planning.

After P&G implemented employee suggestions, the number of employees who strongly agreed with the statement "We're on the right track to deliver business results" soared from 18 percent to 49 percent in just twelve months. And in a little more than two years after

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taking over from Jager, Lafley restored P&G to profitability.

Lafley turned P&G around in part because he increased the cultural element I describe as voice. The expanded term for this element is knowledge flow. Since leaders who increase knowledge flow within their organizations benefit from it and those who don't risk failure, you might ask what you can do to ensure that knowledge flow is maximized in your company. The following are several steps I recommend.

#### Knowledge-flow sessions

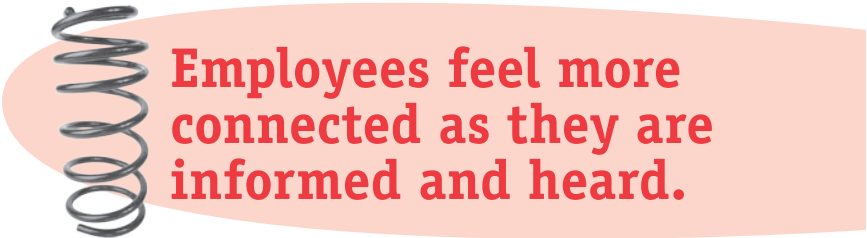
Hold ongoing knowledge-flow sessions. Leaders stimulate knowledge flow by regularly holding sessions with employees in which they share information about important issues facing the organization and near-term action plans they are considering. The leader encourages employees to share what they believe is right, what's wrong and what's missing

an environment in which participants feel safe to share their ideas and opinions.

Results from knowledge flow sessions are shared with all participants, and valuable ideas arising from the sessions are executed. Employees feel more connected and become more fired up as they are informed and heard. Because few leaders do this well, it is wise for most to get outside assistance to design and implement the knowledge-flow session process as well as see it modeled.

#### Accessible information

Use your intranet to make information easily accessible. The benefit of making information widely available will far outweigh the risk of information leaking to external sources. Leaders will gain from having more knowledgeable employees who feel that leaders respect, value and trust them enough to make important information available to them. The Charles Schwab Corporation makes an



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from his or her thinking. The frequency, length and size of these sessions can be tailored to particular segments of employees. Sessions are conducted at all levels of the organization.

Unlike the typical staged town hall meeting in many organizations, the knowledge flow session is characterized by honest dialogue. Key to its success is

extensive number of strategy and competitive-analysis reports available to all employees on the firm's intranet platform dubbed the "Schweb."

McKinsey & Company is another firm that makes an abundant amount of information available to employees. The firm maintains a database of previous reports generated by its con-

sultants. Potentially sensitive contents about clients have been removed before the reports are posted to the database. McKinsey also maintains a database of experts throughout the firm that can be sorted by area of expertise and by office.

seek to understand their business, client attitudes and competitors' actions so that they can bring informed dissent to the organization's decision-making process. General Electric does this by thinking of and describing itself as a "learning



**Increase the diversity of participants.**

This practice leverages the vast unwritten knowledge and experience of McKinsey's people.

#### Culture of responsiveness

Promote a culture of responsiveness. McKinsey & Company has an informal rule that everyone should return telephone calls within twenty-four hours. It enables a person who needs knowledge to identify someone who might hold it, contact him and have a response within twenty-four hours. This practice is a powerful way to leverage knowledge that might otherwise go unused for the benefit of the firm.

#### Inquisitive attitude

Ask people to be inquisitive. Better-informed employees are more likely to identify critical pieces of information to solve business problems and spot opportunities. I like the term Peter Drucker once gave the contributions of educated employees who shared an opposing point of view. He called it "informed dissent." Leaders should ask employees to

company." Among other things, GE encourages employees to recognize best practices outside the company and in other business units across GE, all for the purpose of continually strengthening their businesses.

#### External awareness

Encourage external awareness. When Andrew Grove of Intel made the bold decision to exit the DRAM memory business and focus on microprocessors, much of the information that aided his decision came from external sources noted by Intel employees. They compiled quality data on Japanese-versus American-made memories, Japanese manufacturing practices, and other industry-related operations because they wanted to understand their competitive position and how it might change in the future.

Leaders will benefit by encouraging employees to consider what external knowledge might be valuable and to seek it out. This practice will help protect the company from what Harvard Business



## Great leaders have embraced experimentation as a way to find ideas.

School professor Clayton Christensen has called “disruptive technologies” (new offerings that change your industry’s paradigm). It will also help your company discern opportunities to be the instigator of disruptive innovation.

### Participant diversity

Increase the diversity of participants. People with diverse knowledge, experiences, abilities, thinking styles and temperaments see things differently. Leaders can improve the creativity in a group’s problem identification and solution seeking by including people with diverse backgrounds. When holding knowledge flow sessions with groups of employees, be sure to include a mix of people from different departments and professional backgrounds, and make them aware that you are counting on them to offer fresh perspectives.

### Openness to other views

Seek other views and reward those with the courage to speak up. Leaders must encourage employees to express their points of view, especially when they see things in a different light from leaders or the majority of their colleagues. Typically, individuals who hold views not aligned with those held by leaders or by the majority of their colleagues are

punished and thought of as trouble-makers. Socrates, Sir Thomas More, William Wallace, Martin Luther King, Jr., Mahatma Gandhi, Alexander Solzhenitsyn, Nelson Mandela and many, many other courageous heroes openly expressed their views and were imprisoned or killed for doing so.

Machiavelli wrote in the sixteenth century that nothing is more dangerous than trying to bring about change. According to research on group conformity, individuals within a group consider dissenters to be less competent than people who hold the majority view. That’s why we fear to speak out and do so only in an environment where trust and honesty are highly valued. For these reasons, great leaders must not only tolerate the expression of all differing viewpoints but also encourage it. Leaders would be wise to follow the example of Andrew Grove, who celebrated people for spotting strategic inflection points on the horizon. Openly admitting that “no one has a monopoly on good ideas” and asking people to share what they believe is “right, wrong or missing” from your thinking is a badge of wisdom and courage, not a sign of weakness.

### Culture of experimentation

Promote a culture of experimenta-

tion. From the many ideas generated in a diverse and open culture, it is not always clear which angle, idea or course of action is superior. Great leaders have embraced experimentation as the way to find ideas that turn out to be the most effective in practice. By creating pilot projects to test new ideas, leaders benefit from the additional knowledge brought by experience.

The wisdom of experimentation reminds me of the story of Thomas Edison performing an extraordinary number of experiments as he sought



## Insensitive communication styles impede knowledge flow.

to develop the light bulb. It is said that as his assistants grew frustrated with mounting failures, Edison calmed them by sharing this perspective: “Yes, it’s true that we have worked long and hard and haven’t found what we’re looking for. But the results of our work have been excellent. We have a list of fifty thousand things we know won’t work.” We don’t expect leaders to experience Edison’s high rate of failure before achieving success. However, to an extent that’s the attitude a leader must take: we as an organization learn with each completed experiment, and we must strive to take into account the insights from our failed experiments so that we may improve our batting average on future decisions and courses of action.

### Relational connections

Safeguard relational connections. It is important in all communications to be sensitive to the feelings of other people. Politely asking someone to do something is preferable to giving orders. Using a respectful tone is better than talking down to someone. Insensitive communication styles impede knowledge flow because people will naturally react in a defensive manner. Individuals who regularly show insensitivity should be made aware of it and coached to change their behavior. People who

are insensitive in communicating with others may be unaware of it. Although they may not like hearing it, once they see proof of the reactions on the part of their colleagues, they will begin to appreciate the need to change. **D**

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