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**HOW CAN I BE EXPECTED TO UNDERSTAND  
ALL THIS?**

A discussion around the role of business education in shaping  
business responsibility in the knowledge economy

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## Introduction

Looking at the subject of the responsibility of business in a knowledge economy, it is first important to define 'knowledge economy'? The phrase *knowledge worker* was arguably coined by Philip Drucker in the mid 1960s and features heavily in many of his works, commonly to reference the production shift between manual work and knowledge work, where manual work is a physical act based upon some craft or skill, and knowledge work is the use of information and technology.<sup>1</sup> Throughout contemporary discussion, this idea has been expanded further to combine Drucker's idea of *knowledge worker* and common understanding of *economy* and has thus reached use in the common vernacular. Through the past 30+ years of use, three ideas have emerged as drivers of this new *knowledge economy*; globalisation, information intensity and connectivity.<sup>2</sup>

Across these subjects much discussion has unfolded around the use and protection of information technology systems, the shrinking of boundaries of the business environment as data is instantly available throughout the globe, and the increasing necessity to manage cultural differences and diverse laws which drive and regulate the development and use of the information. In general these discussions direct focus toward the conventions of the 'organisation,' 'society,' 'technology,' and other constructs which while descriptive, and used in the common vernacular, are ways to push the conversation away from the individual.

The suggestion by default is that the subject is beyond the realm of the individual understanding or responsibility. Additionally, these become conversations which address technological development and information availability through the servers and information systems in a corporation, and not the subject of knowledge, which is obtained through education and experience and is contained within the minds of individuals.<sup>3</sup>

This discussion will therefore focus on the personal aspect of this knowledge economy, specifically the knowledge now required to lead today's complex businesses, and knowledge which must be provided differently from the past in a format which conveys the awesome responsibility, not privilege, of leading in today's business environment.

Discourse will begin by addressing the shifting cultural framework of the modern organisation to outline the importance of communication and knowledge sharing. Next, it will address the change in business complexity which has necessitated a conceptual shift in the fundamentals of the business environment. Then, it will discuss the personal drivers of knowledge to outline the increasing importance for corporate knowledge retention. Additionally, it will discuss the changing obligation of the leader in adjusting to this increasingly complex environment. Finally, it will suggest with whom the overall responsibility lies in conveying this obligation shift to the future leaders of our businesses.

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<sup>1</sup> Drucker (1971)

<sup>2</sup> Wikipedia

<sup>3</sup> Oxford Advanced Learner's Dictionary (1992)

## The cultural context

With any ethnic culture, artifacts, stories and traditions are passed to future generations and thereby create the framework by which future generations base their behaviour; such is the development of a corporate culture. In great detail, writers such as Rob Goffe and Gareth Jones have discussed the concept of the corporate culture, and how important it is to the effective operations of the firm, and conversely how damaging it can be to a firm when the internal culture is misaligned with changes in the business environment, or with the changes through new leadership.<sup>4</sup>

Key to any cultural development is its sustainability, essentially its ability to pass history to subsequent generations.<sup>5</sup> With the substantial increase in information gathering, storage and transfer which has occurred in this *information age* one would assume that more information is being saved and passed to future generations, with less deterioration in quality than was capable in the past. Additionally, the availability of information would seem to be a reducer to barriers between various groups as individuals are exposed to a wider variety of material which could help remove stereotypes and prejudices towards others.

It has been suggested, however, by Alexander Stille that rather than increase the acceptance of others, including one's existing culture, this increase in information separates, as people pick and choose what messages they would like to hear. Where once, as Stille suggests, newspapers were obliged to provide readers with a wide range of information because they needed to appeal to a diverse audience, now via the Internet the consumer is given the ability to read only what they want to read, thereby reinforcing not the collective opinions and interests of a culture, but the specific opinions of the individual. This, as further suggested by Stille, reduces the overall cultural acceptance of individuals by reinforcing the most extreme points of a given position.<sup>6</sup>

As applied to the modern corporation, this idea is supported by Goffe and Jones who suggest that the increase in information may not be strengthening the corporate culture, but may be eroding it as individuals within the organisation are able to galvanise around specific data, rather than have discourse in which alternative views are debated. Additionally, advanced communication techniques have allowed individuals to physically interact less frequently with others, thereby reducing knowledge and interest sharing and the personal contact which builds relationships and strengthens the cultural bonds of the corporation, and which further allows the individual to maintain a knowledge base which is separate from the firm.<sup>7</sup>

It has been suggested that business as we know it today is not primarily about what a company makes, or what service it offers, but how it makes that product or provides that service better, more

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<sup>4</sup> Goffe and Jones (1998)

<sup>5</sup> Goffe and Jones (1998)

<sup>6</sup> Stille (2003)

<sup>7</sup> Goffe and Jones (1998)

uniquely or more attuned to the customer's desires, that provides the distinctive edge in a competitive business environment.<sup>8</sup>

Thus, the most elaborate information infrastructure in the world is worthless unless the organisation puts it to effective use, and that can only be accomplished through knowledge of the historical context of the organisation, its mistakes, and its successes - essentially its culture.

## The conceptual base

It is obvious that business is, to coin a phrase, "not what it used to be." The subject of globalisation and the information age has been addressed in due complexity by contemporary writers such as George Yip and the idea of paradox explored fully relative to business interaction.<sup>9</sup> Yet through many of these explanations, the organisation is continually treated as this enigmatic, enlightened enterprise which is somehow, with all its databases, supposed to possess some supra knowledge to know about and manage these paradoxes effectively.

It had been shown, however, through numerous corporate scandals, that the enterprise itself contains the correct information, but because of mismanagement or misunderstanding, key decisions are consistently taken which are destructive to the value of the corporation and its business environment. This destruction, with benefit of hindsight, could have been avoided if only the decision makers understood the complexity of the contemporary business decision and their role in understanding that complexity.

Having come from a small town and a run a small town business, the complexity of the issues on my daily agenda was, I would assume, significantly different from the daily agenda of a figure like Bill Gates from Microsoft, yet even so I had to learn certain methods and stretch my conceptual understanding of my business environment before I became effective. Companies such as Microsoft have only been global for the past 20 years, and the technology and knowledge of the environment required to successfully run businesses of the past was, I would suggest, much less than what is required today.

Thus, the development of the leaders of today's complex business machines has come from information gained only in the past few years and is based from knowledge of simple business environments and personal learnings. With the extraordinary proliferation and availability of data in the past 20 years, is it realistic to assume that a modern CEO has been able to conceptualise these changes. The history of modern business is available to virtually everyone through the Internet, books and journals and therefore everyone could theoretically learn these skills - but independently many are unable to add that learning to their daily interactions and are unable to understand truly how complex the increased flow and immediacy of information have made the current business environment.

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<sup>8</sup> Hendry (1995)

<sup>9</sup> Yip (1992)

## The knowledge retention paradox

With the transition from a simple, manual labour or semi-skilled workforce to a highly technical, service driven economy, companies can no longer disregard the costs of obtaining and retaining quality employees. While a tough employment environment exists for many semi-skilled jobs, careers in the new knowledge economy are plentiful, partially as a result of a failure of corporations to transfer internal knowledge and train for the future.<sup>10</sup> Thus good employees are highly sought after and today's corporation is subject to the difficulty of not only retaining that good person, but retaining the knowledge and experience they have developed.

It would be appealing to think that many people choose to undertake a search for knowledge for intrinsic purposes, but with all pragmatism it is more realistic to assume that people have an economic drive based upon belief that with education one can garner higher wages.<sup>11</sup> Thus, for truly economic reasons, an employee will take advantage of training to become more valuable to the organisation, which means higher wages and better opportunities for promotion.

While this education benefits the individual and the organisation it also makes the employee more attractive to the business community and therefore more likely to become headhunted by a competitor. Thus a paradox is introduced in which proper training increases the value of the employee to the corporation and builds an internal knowledge base, while simultaneously increasing the value of the employee to the market and creating the potential for knowledge loss should they leave.

As with old football teams or baseball teams, the team spirit and local culture had a significant impact on the player, often more than the player's meagre salary. Players used to play for their team and their city as the latter day employee worked for their company in their town. Thus, while for economic purposes an employee may undertake education and training, for cultural reasons they may be inclined to remain in the long-term with the organisation.

## The new leadership dimension

It has been suggested that culture and the subsequent knowledge retention is key to an organisations ability to learn and adapt to the new knowledge economy, and as the most senior individual, the responsibility for the formation of this culture and retention of this knowledge must be the leader. The leader as possessing leadership traits or skills inherent to the individual is a concept which first became popular in the 1950s<sup>12</sup> and through various other opinions, came back in favour in the 1990s, albeit under a different name and different focus.

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<sup>10</sup> Bradley (1992)

<sup>11</sup> Bradley (1992)

<sup>12</sup> Buchanan (2004)

Where the trait theory focused on the inbred traits of the leader, implying that if the traits were inbred they couldn't be taught, the contemporary thinking around Emotional Intelligence focuses on the development of the leader through education and self-awareness and that *any* person is able to develop their emotional intelligence and in so doing become a capable leader.<sup>13</sup>

Thus, the suggestion is that the current leader can, and must be, taught to understand the importance of their position. Then, they must focus the company's vast resources on building a strong corporate culture and attracting and retaining quality employees, who in turn are taught an expanded array of skills which include the added dimensions of ways for the company to interact seamlessly to its changing environment. This process of training, if begun at the start of employment, would at worst expose people to the vastness of the area of influence and responsibility of modern business, and at best would retain the organisational knowledge and produce exceptionally high-quality individuals as natural successors for the company.

It is important to understand that this modern CEO is not portrayed as omnipotent, but as the person in the most senior position, and is a well-trained, well-educated individual who understands themselves, and the sacrifice they must make to respect and understand the great charge they now must bear. This new charge would include understanding of every issue surrounding the knowledge economy.

Issues which include: in-depth understanding of globalisation; information intensity and connectivity; political movements; social shifts; resource sustainability and environment management. Leaders could not, by definition of the impact of these items on the company, neglect or avoid successful accounting for these additional subjects.

## The role of education

It is suggested the answer lies with the leaders, but from where should they receive their knowledge, as it has been previously suggested that a step change in complexity has occurred in only the past 20 years, which leaders cannot automatically be expected to conceptualise? The answer is simple: leaders aren't born, they are trained and that training must be provided by the historical trainers – schools. A wealth of data is currently available for all to see. However, the learning and experience associated with deciphering that data and recognising the business shifts is contained in the individuals who have had the opportunity to study and test the situations, and have the breadth of knowledge and experience to distil the vast amounts of data into meaningful, relevant material.

In today's knowledge economy, business education must focus on personal development skills, build the ability to conceptualise and convey the gravity of the responsibility of leadership. Perhaps, as with careers in medicine, this would discourage the faint hearted or unlike minded from attempting the daunting task of becoming skilled in the science of business.

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<sup>13</sup> Goleman (1999)

Perhaps the criterion of business education would necessarily change to build the conceptual skills into the curriculum by requiring finance, marketing, operations and technology to be combined with psychology, sociology, politics and environmental studies, thereby exposing students up front to the complexity of business in today's society.

This is a major change in thinking, and the responsibility for this change would be shared equally by educators, business leaders and students and it is improper to think otherwise. The shift to focus on responsibility and integration of disciplines is fraught with difficulties and controversy, from simple items such as, which educational department receives funding, to the historical precept that each business (including the schools) is driven by financial results, to the motivations of the average student who feels that *business is business* and the teaching of non-financial criteria is ill-suited to the real world.

It does not however mean that it cannot be accomplished. The idea is to have the vision in the first place, then try to achieve that place, even if it is far fetched, impractical, improbable or financially unfeasible. Thus in this the role, of education in shaping today's knowledge economy is instrumental. Educators are the holders of knowledge and they have the skills and the diversity of disciplines to understand and conceptualise the complexities of the modern business environment and to guide tomorrow's leaders to a full understanding of the awesome responsibility, not privilege, of leading.

## Conclusion

The discussion around business responsibility may be complex and the implementation equally as challenging, but the answer is simple. The responsibility of business is the responsibility of business schools. During the past 20 years there has been a step change in the complexity of doing business and therefore business education must make the same step change.

The proliferation of information assisting this drive in complexity has allowed unchallenged separation and polarisation of opinions and abdication of individual responsibility thereby weakening corporate cultures. The increased complexity and education required for modern business operation creates a situation where the inability to retain corporate knowledge has weakened the ability of the corporation to continue to learn, and has further weakened ability to conceptualise the increasingly difficult prospect of leading a modern business.

The role of the leader has changed such that the requirements on leaders can no longer be likened to the past, but must adapt and improve to meet contemporary challenges including geo-political movements and global resource sustainability. While it is frequently portrayed as 'just business,' it is much more complex and those who want to run a modern business must be educated by business schools at a level which does not yet exist.

Thus, while it is up to individuals to make the decisions, the business schools must drive the codes and methods of conduct just as is done to become a doctor. And like doctors with their Hippocratic Oath, business schools must institute an oath which provides the consumers with the trust in business to first, do no harm. With this shift from 'provide return to shareholders,' to 'do no harm', future leaders would be required to look at new criteria for development. Societies would benefit at a result of sustainable, rather than short-term, development and individuals would benefit from better standards of life for themselves and their children.

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