



Book The Leadership Triad

Knowledge, Trust and Power

Dale E. Zand
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Recommendation

Dale E. Zand's book effectively reviews the key elements of organizational leadership in the new management era. He intelligently discusses three major components of leadership - knowledge, trust, and power - in great detail. He uses straightforward examples to reinforce the principles presented. This is a valuable book for leaders who have experience in traditional management, and want to understand how and why they need to change. *BooksInShort.com* recommends this book to managers on any level who need a non-guru approach to leadership in the knowledge economy.

Take-Aways

- The Leadership Triad of the new knowledge economy is comprised of knowledge, trust, and power.
- The knowledge economy requires different management skills than the old "directive factory" economy needed.
- Well-educated workers characterize knowledge organizations.
- The cornerstone of knowledge organizations is distributed knowledge.
- The world is starting to be made up of knowledge societies; the businesses that operate in these societies are becoming knowledge-processing organizations.
- The key to finding knowledge in an organization is releasing existing information.
- Effective leaders periodically conduct organizational knowledge tune-ups.
- Leaders use effective questioning to trigger the growth of knowledge in an organization.
- Trust affects a leader's ability to make decisions and the quality of a leader's decisions.
- Today's complex organizations require leaders to consult more than ever before, because knowledge is distributed throughout the organization.

Summary

Harnessing the Leadership Triad

The leadership triad is comprised of knowledge, trust, and power. Effective leaders harness these three forces in running an organization. You can harness knowledge by knowing "how to gain access to the knowledge of others," though you must then "convert that knowledge into action." To harness trust, earn it first by "fairness in...dealing with others." Leaders earn trust by "disclosing relevant information, sharing influence, and competently using knowledge." To harness power, "use...power appropriately." Leaders must know how to give orders, delegate, review, evaluate, and guide.

“Competent leaders avoid two types of behavior that can undermine their effectiveness as teacher-learners: ignoring knowledge and punishing new knowledge.”

Effective triadic leadership is often revealed in business strategy decisions. The creation of Allstate Insurance by Sears Roebuck is an example of such triadic leadership. In 1930, Robert Wood, chairman of Sears Roebuck, was playing cards during a morning commuter train ride with his old friend Carl Odell, an old insurance agent. Odell casually suggested that Sears should sell insurance by mail. Wood investigated the idea with his staff of mail order retailers. They determined that U.S. ownership of cars would dramatically expand despite the depression. They determined that mail order sales could be accomplished at a twenty percent cost advantage over competitive prices. Sears' Board of Directors initially declined to accept Wood's proposal, citing insufficient consumer demand and the company's lack of experience with insurance. Wood persisted. By the end of 1930, he got the approval of Sears' board, and in 1931, Sears began selling insurance by mail under the Allstate brand.

“The old effective factory approach to leadership is no longer effective.”

Allstate became the world's second largest insurance company, starting with mail order sales and expanding into Sears' retail stores. In 1993, Sears spun Allstate off as a separate company. In 1995, Allstate had a market capitalization of \$14 billion. Wood had parlayed a casual conversation into a multi-billion dollar company. Along the way, he used the leadership triad. He used his knowledge "to make a wise strategic decision - to move into insurance using Sears' mail order and merchandising capabilities." He used his power appropriately and earned trust by consulting with and obtaining concurrence from the board and Sears' management as he developed Allstate.

Knowledge

Organizational knowledge is no longer housed in power-centered leadership. Distributed knowledge is more common today because of fundamental workplace changes regarding employee recruitment, information management, and the nature of work. Employees today are well-educated and tend to have more specific knowledge than their leaders. They are also more diverse than in previous generations. Knowledge itself is more uncertain and, due to technological advancements and globalization, less stable. Management has responded by distributing knowledge through new information systems. Knowledge employees have greater control over their activities because of these changes. Thus knowledge is distributed, so that it goes where it is needed and leaders manage differently today than in the 1960s, 1970s, or 1980s. Today, you must provide not only daily operational management, but also on-going, long-term strategic vision.

“Effective leaders understand that as they increase the learning and knowledge components of work they subject people to multiple, severe sources of stress.”

This change in organizational knowledge is mirrored in the global society. Industrial nations are "becoming knowledge societies, and the businesses that operate within them are becoming knowledge-processing organizations." A knowledge-processing organization has several identifiable features:

1. Knowledge becomes the leading edge of the competitive effort.
2. The company's ability to apply knowledge to products and markets determines the size of the production work force.
3. The number and influence of knowledge workers increases in relation to production workers.
4. Production workers depend on knowledge workers to generate work.
5. Leaders need to guide others into acquiring and using knowledge to foster organizational survival and growth.

“Effective leaders harness three forces - knowledge, trust and power.”

The key processes for a triadic leader is to insure the effective distribution of knowledge throughout an organization. A leader who fails to develop these processes will be deemed ineffective and will be unable to maintain support of knowledge workers.

Developing effective processes for distributing knowledge in your organization depends upon finding knowledge and turning it into action. Finding knowledge means reducing barriers of communication in organizational networks and fostering relationship learning. You can play a key role in finding knowledge by, "asking relevant, incisive questions in ways that encourage people to search and learn and systematically probe unexamined assumptions." Turning knowledge into actions means transforming knowledge into products and markets. To do this, pose critical questions and be relentless in finding answers. For instance, ask, "How well do these actions meet customer needs? Fit company goals? Improve productivity? Fit overall plans? Meet social obligations? In finding answers to these questions, effective leaders seek early involvement of relevant knowledge workers across the organization. This also allows you to preemptively manage boundary conflicts and to assess the competency of coordinators.

“Effective leaders synthesize knowledge, trust, and power to develop and implement a strategic vision.”

A final aspect of effective knowledge leadership is learning. Leaders learn by continually "putting themselves in situations that stretch their knowledge and thinking." As a leader, your role in the learning process is guiding the growth of nonhierarchical learning. This is accomplished through four conditions. First leaders must support creative deviance. Second, leaders must develop a mastery of existing knowledge. Third, leaders must promote unstructured, non-routine time for workers. Finally, leaders must use creative thinking techniques to foster new perspectives on products and markets.

“To compete, leaders need to move knowledge from where it is to where it can be used to define and achieve appropriate goals.”

Trust is a critical element in the leadership triad because it enriches relationships and fosters cooperation, creativity, and commitment. Effective leaders use trust to increase their access to knowledge and cooperation. Trust "consists of a willingness to increase your vulnerability to another person whose behavior you cannot control, in a situation in which your potential benefit is much less than your potential loss if the other person abuses your vulnerability." Leaders communicate trust "by how they disclose information, share influence, and exercise control."

“Although leaders have the right to give orders, as in old production organizations, their effectiveness now depends on the knowledge and trust of subordinates, coworkers, and superiors.”

Personality and training underlie trust. Leaders must understand these factors to improve their effectiveness. Lee Iacocca of Ford and Chrysler, for example, grew up in an open, trusting family environment. His business personality reflected this childhood foundation. Harold Geneen of ITT, however, was abandoned as a child. He practiced a closed, controlled management style, which he applied from his training as an accountant. Other, more obvious factors also affect trust, including competence, openness, supportiveness, reward systems, and intentions. Competence refers to trust being task-specific. Openness refers to a person's ability to share information. Supportiveness refers to acceptance, tolerance for disagreement, and constructive use of people's openness. Reward systems refer to a company's collaborative, integrative win-win system, a better approach than a competitive, distributive, win-lose system. Intentions refer to people's beliefs about the leader's best interests in pursuing a declared objective.

"Trust consists of a willingness to increase your vulnerability to another person whose behavior you cannot control, in a situation in which your potential benefit is much less than your potential loss if the other person abuses your vulnerability.&q

A leader must understand and effectively apply several "laws of trust." The first is "Mistrust drives out trust." Trusting people "demonstrate their trust by increasing their exposure to others, disclosing relevant information, and expressing their true judgments and intentions." People who mistrust do the opposite. The second is that trust increases cohesion in groups which are working toward a common goal. Trust reinforces the group members' necessary, mutual confidence. The third is that groups in which members mistrust each other will self-destruct. Mistrusting group members tend to be those who are looking out only for their own interests. Fourth, trust stimulates productivity. When you have confidence in your co-workers, you take the steps necessary to achieve the group's goal. The fifth axiom is, rapid growth masks trust. Rapid growth gives leaders opportunities for increased power, responsibility, and promotion. During these periods, leaders often discount or brush aside the need for trust.

“Without knowledge workers, the production workers will have no work. Leaders sense that they need to guide others in acquiring and using knowledge if the organization is to survive and grow.”

You can build trust using three complimentary methods, which take into account the laws of trust: integrated reward systems, reciprocal increases in trust, and relationship analysis. Integrated reward systems build trust by establishing a non-competitive reward system for all employees. Reciprocal increases in trust build trust when a leader demonstrates that trust is being developed incrementally, until a trust threshold is crossed. Relationship analysis builds trust by continually providing feedback so workers can evaluate their performance and trustworthiness.

“To be politically safe, subordinates may conceal essential knowledge and resign themselves to powerlessness.”

Power Power is the "ability to influence others to do or not do something." Leaders have legitimate power to "determine the process by which decisions will be made." Leaders use legitimate power in four fundamental ways: commanding, consultation, concurrence, and consignment.

Command power is the power to make a decision and initiate action. For this power to work, three requirements must be met:

1. Subordinates must believe that the leader has the need to make this decision. Without this understanding, subordinates will interfere with implementation through various means - including stalling.
2. The leader must also have sufficient knowledge and problem-solving skills to make a good decision.
3. The decision must be consistent with legal and ethical standards and with the organization's goals.

“Status quo leaders are inclined to underestimate competition.”

Consultation power "enables leaders to clarify different aspects of a complex situation." The goal of consultation power is to bring together widely dispersed organizational knowledge. The broad-based consultation process is accomplished by "bringing together a group with a cross section of relevant specialties and posing open-ended questions." Ineffective leaders accomplish the opposite. They bring in a limited number of knowledge workers and ask specific factual questions. Workers assume that those leaders already know the answers they seek and consequently provide very little solution-generating knowledge.

Concurrent power is a means of developing a group's decision-making authority. Leaders and subordinates combine their efforts to define the problem and generate solutions. This power is used when subordinates have greater knowledge about solving a specific problem than the leaders, or when subordinates have great discretion in how to implement a decision.

Consignment power is transferring power to another person, while continuing to oversee that the power is used competently and responsibly. This is not easy. Be aware of two common pitfalls. Subordinates tend to underestimate the nature and degree of oversight. They tend to believe that they are being left alone to solve problems and that the leader will not interfere. Clarify this at the time you consign power. Subordinates also tend to believe that delegated power is not revocable. You must clearly communicate that you are transferring power only subject to performance. These issues make consignment - although very useful in nurturing leadership talent - a difficult tool to use successfully.

Leaders also wield other key powers:

- Agenda power is "navigation power," the power to design strategies to achieve organizational goals. This power is particularly visible when change is major and rapid.
- Staffing power is the ability to select, develop, and motivate management team members. A leader's success is often determined by the strength of the management team.
- Review power permits leaders to interrupt and alter the path of an organization during changing economic and competitive conditions. You can use the three components of review power - individual, operational, and strategic - to change the course of the organization.

About the Author

Dale E. Zand is a professor of management and the former chairman of the department at the Stern School of Business at New

York University. He is a management consultant to major corporations and a director of the Newfield Exploration Company. He is the former chairman of the Organization Development Division of the Academy of Management and was a Ford Foundation Fellow at the Harvard School of Business.
