



Scaling

Excellence:

Adaptive Systems for Knowledge Transfer

When most people think about scaling a business, they think about acquiring more of a certain tangible resource: talent, capital, partners or supply chain arrangements. While these can all form part of a successful growth operation, there is one crucial component to scaling that often doesn't receive attention until it's reached a critical stage. Scaling our knowledge.

And when it comes to competitive advantage, we know that knowledge or organisational 'know-how' is one of our greatest assets. By effectively generalising and transferring this knowledge across an organisation as it grows, we are able to maintain our competitive advantage. Conversely, if the knowledge remains tacit or siloed, the organisation can lose what initially drove its success. This is what some researchers have called "[the Problem of More](#)" - how to spread excellence across an organisation from pockets of strength.

Organic growth is highly sought after by organisations, with [research showing](#) that two thirds of value is created when a company scales up to further penetrate their target market. However, only [one in five businesses](#) succeed in scaling following an initial success. Again,

there can be a number of issues encountered at this stage, but what we also see time and time again is a dissipation of know-how and, thus, competitive advantage.

Take, for example, the precipitous fall of an organisation like Pie Face. Once decorating every street corner in the CBD, the Australian bakery grew its operations at an enormous rate in the 2000s reaching 80 stores across Australia and the United States. Operating on a franchisor model with some business-owned stores (which adds a further layer of complexity), it was clear that [knowledge was not generalised](#) around conditions for profitability including the risk of cannibalisation between stores, feasibility of overheads such as rental prices and how margins on specific products entered into profitability.

By 2014 the organisation was forced into voluntary administration and, while some stores can still be found if you search enough, it has never been able to reach a fraction of its earlier success. The focus on material scaling over scaling the understanding about what makes a store successful and profitable, ultimately led to its collapse. Let's examine, then, the potential for scaling excellence.

Scaling Excellence

Professors of Entrepreneurship Dean Shepherd and Holger Patzelt [define scaling](#) as "spreading excellence within an organisation as it grows." This is a shift in focus around scaling from just physical growth to understanding what knowledge framework has made the organisation a success thus far, and what needs to be transposed across the burgeoning business. With this definition in mind, Shepherd and Patzelt have developed a knowledge transfer model of scaling. Shepherd and Patzelt describe four "drivers" to scaling:

- Accumulating Knowledge
- Communicating Knowledge (the "how")
- Relocating Knowledge (the "where")
- Connecting Knowledge (the "catalysts")

At Performance Frontiers, we work with organisations of all sizes, from small not-for-profits to major corporates. What we often see for smaller organisations who have gone through periods of significant growth is that they reach something of a "mid-life crisis".

Following organic growth, from a start-up stage to a more mature market position, there is a sense of "losing control" of what made the organisation special and successful. The founders are no longer able to be involved in day-to-day operations and personally steward the decision-making. Questions of ways of working, culture and identity become significantly more complex as head counts rise. They wonder: how can excellence be maintained and how can we scale it effectively?

Certainly, this is not a unique experience for organisations. But the solution is more complex than just writing information down. In all matters of organisational networks, we take a whole systems approach. This teaches that every living system has four characteristics:

1. **Divergence**
2. **Dynamic Relationships**
3. **Convergence**
4. **Self-Integration**

We see organisations as living systems emulating all four of these attributes. Looking at knowledge transfer through this lens, there are a number of key lessons we can take away for scaling excellence across a growing organisation.

This paper examines each of these four dimensions and ways we can embed **adaptive systems for knowledge transfer**.



Divergence: Knowledge Shared is Knowledge Created

Divergence speaks to each node in a whole system as being different, just as each team member in an organisation is an individual agent. We come to organisations with a wealth of unique skills, viewpoints and lived experience. It's in this difference or "divergence" that lies one of the greatest strengths of whole systems and organisations. We are constantly rejuvenating and innovating the system by exploring, uplifting and treasuring our diversity.

One of the most fascinating aspects of knowledge sharing is that sharing knowledge actually creates new knowledge. In the human organism, it is almost impossible to simply transfer a piece of information from one person and replicate it identically in another. The process of sharing, by virtue of the receiving person's different experiences and pre-existing set of knowledge, creates a new piece of knowledge. This hybrid information then adds further to the wealth and abundance of the organisation.

What is important here is that we lean into divergence in knowledge sharing. We can do this by:

1. Embedding space and time for knowledge sharing (and, thus, knowledge creation), and
2. Embedding mechanisms for feeding back, amplifying, and leveraging the new knowledge we create

It's easy in the demands of the organisational day-to-day to both avoid knowledge sharing completely (unless it is absolutely essential), and then, never follow up on the value-added perspective of others.

A common misconception is that knowledge transfer is easy, but it can be time consuming. We need to be making knowledge sharing a priority in onboarding, horizontally and vertically in our organisations. Small investments up front will produce significant dividends and efficiencies down the line.

It is crucial that we are then checking in with the recipients of knowledge sharing to deeply understand their perspective and what has come together for them. This can be done through a variety of modalities, whether those be meetings or interviews or technological touchpoints.

We need to be creating a mindset and culture of deep listening. We might think that those who have recently joined the organisation should be the ones listening. However, this way of thinking misses one of the greatest opportunities for knowledge creation – diverse, new voices.

We also need to think about ways in which we can incentivise this process. For example, Gupta and Govindarajan have conceptualized knowledge transfer as being impacted on by five elements:

1. The perceived value of the sharer's knowledge
2. The motivation of the sharer to provide that knowledge
3. The availability and quality of transmission channels
4. The motivation of the learner to receive the knowledge, and
5. The capacity of the learner to receive the knowledge



What we can glean from this knowledge transfer schematic is the identification of multiple dimensions for each person's relationship to the knowledge transfer. We need to think about transmission channels, but also motivations on each end to participate in the process.

Consider how we can energise this motivation and then facilitate the transfer. For example, it can be as simple as establishing mentor-mentee connections and then collectively recognising and appreciating both parties for

their participation. Or, even better, connecting knowledge transfer or mentorship to performance goals.

What's clear is that knowledge management systems are important, but not sufficient in and of themselves. This is because they are static and, even with the best intentions, struggle to stay contemporary and leverage new learnings. We need to be maximising the human system, not just the technological.

Dynamic Relationships: Trust and the Tacit

Relationships in living systems are dynamic and constantly evolving. They are certainly more complex than just a line connecting two points - instead, they are characterised by various dimensions of connection: social, emotional, organisational. What's interesting for our purposes is that the nature of our relationships impact on our capacity to transfer knowledge.

In organisational knowledge transfer, we talk about two different types of knowledge: explicit and tacit. Explicit knowledge is information that is easy to write down - straightforward processes, procedures and equations. Tacit knowledge is more complex, often learnt through experience, requiring intuitive perceptions and allowing for solution finding amongst diverse or multilayered data.

Tacit knowledge is very important because it is often linked to competitive advantage, as it is socially complex and difficult to reproduce in another organisation. This characteristic which makes it so valuable to organisations also makes it difficult to generalise, even within the same organisation.

One of the most significant learnings coming from the literature around organisational knowledge transfer is that tacit knowledge transfer is optimised in relationships and cultures of trust. Research has shown that while explicit knowledge is easy to share via information technology, tacit knowledge is best shared through inter-personal interactions. Because of this, the degree to which tacit knowledge is being shared is often heavily impacted by trust, sociability and strength of relationships.

This means that creating cultures of trust and sociability are not only important for team member wellbeing but are actually crucial for scaling excellence across your organisation. As an organisation grows, maintaining the identity of the group and enculturating new starters can be a challenge. Again, it is something that may take a back seat to more immediate operational demands.

As leaders we need to be focussed on embedding time for strengthening social capital and team culture. We also need to be modelling culture horizontally and vertically in our interactions and how we live and breathe our organisational values. In this way, our highly valuable tacit knowledge will circulate freely and, so too, excellence.

Convergence: A Collective Journey of Change

Convergent whole speaks to the way we come together as a unified collective and the impact of that for our success, or otherwise. As we unite in a collective, our value surpasses individual contributions. We can appreciate that each group or part of our organisation will bring different skills and capabilities to our work. They also bring different mindsets for collaborating and problem solving.

Bain and Company describe three “communities” of people in organisations who need to align and collaborate in order to scale innovation:

- Disrupters
- Scalars
- Executors

Disrupters are the those who generate the ideas, seeing opportunities for change, disturbance and improvement. Scalars connect the dots between the idea and a useable and reproducible product or service. Executors then put the plan

into practice and make it all happen. We want these three groups of people to be working in rhythm, united in the purpose of growing while maintaining our sense of identity.

We can see an example of these different communities in the role of founders, who often occupy an interesting position in the scaling process. Founders are by their nature often disrupters, pioneers, and innovators. They have broken into existing markets through a vitality and freshness in their approach. The skills and mindset required to do this can vary greatly from the skills required for scaling and standardising what has worked. By creating a unified and purpose-led vision and accessing the different “types” of scalars we have, we can bring each member of the team together and leverage their skills for better outcomes across the whole.

In many ways knowledge transfer is a process of influencing changes in practice and ways of thinking across a whole organisation (by moving an optimal practice from a small region to the broader group). When we at Performance Frontiers are working with organisations around transformational change management, there are four key principles which are central to our approach.



1. Storytelling

Every change starts with a story. As leaders the greatest tool we have available to us for motivating change, placing it into a human context and bringing people along for the ride, is to provide a narrative framework for why something is occurring. By using storytelling around how we are connecting, why it's important to share information and how it will raise us up as a collective, we will furnish the intrinsic motivation for action.



2. Influencers

If we want to shift the whole system, our knowledge transfer should be connecting into the nodes of influence within the network. By focussing on energising certain influencers with mentoring and training, they will then lead the transfer(mation) more broadly. These are people who the remainder of the team will naturally turn to for information and creative problem-solving.



3. Energy

Breaking habitual behaviours in favour of new approaches is no easy task. Often this is the greatest hurdle to change as people cling to previous ways of working, stymied by their immunity to change. That is why our focus needs to be on energising people for this change.

A large part of generating energy is about incentivising and reinforcing the model behaviour, as we aim to create a desire to learn and get people's hearts into sharing of their expertise. Recognise the excellence of those with the all-important tacit knowledge and it will in turn motivate others to absorb it. Then, introduce reinforcement mechanisms, both formal and informal, to consolidate the new behavioural practices.



4. Purpose-led

The most important part of the shift though is about being purpose-led, which is core to our way of working at Performance Frontiers. James Bilefield, from the founding management team of Skype, described as key to the organisation's rise to dominance focusing on joint values and principles, as they worked to achieve the collective goal of becoming "a verb". Find your organisation's excellence goal and align the team to achieve it. In turn, sharing and collaborating to reach this vision will become natural.

Self-Integration: Formalisation vs Improvisation

Self-integration is understanding how we can balance convergence with divergence as we integrate into the whole system. One of the tensions in knowledge transfer is around building consistency in approach versus allowing for local variation. Put another way, it is the polarity of formalisation vs improvisation.

We want to be energising transfer of knowledge as much as possible. However, we also want to have teams who are feeling empowered to adapt approaches to meet the demands of the moment.

In fact, there is a fundamental imperative today for any organisation to have a test and learn culture. Knowledge isn't forever, and in our rapidly changing modern world, sometimes it isn't even for long! While facilitating knowledge transfer across our system, we need to also be keenly aware of continuing to iterate and build on what's working, and letting go of what's not.

We also want to remain agile in our approaches. For example, [McKinsey reports](#) that corporates take on average 65 days to hire someone, whereas a start-up takes 14 days or fewer. In growth, it is important to be conscious of

avoiding overly bureaucratic processes and stagnations through formalisation.

There are two ways we should be thinking about this:

1. The first is around leadership and management style and the way that the team is empowered, supported and encouraged to problem solve autonomously. This empowerment is on an interpersonal level but also organisationally in terms of delegations of authority.
2. The other way to think about this is around the tools available for accessing knowledge. There are a number of common tools for knowledge transfer including tasks, templates, instructional and process guides. We are able to engineer these tools to provide freedom within a framework and create the space for improvising when it's necessary.

If we lean into this polarity, we can find the middle-ground which adapts our organisation's excellence to diverse circumstances.

Whole System Scaling

By bringing a whole system approach to knowledge scaling, we can see a number of key focal sites for optimally scaling excellence during periods of growth. Rather than just following a knowledge mapping procedure, we need to be looking more deeply at:

- Our mechanisms and motivations for knowledge sharing and knowledge creation
- Our organisational culture and how we can strengthen social capital, trust and connection
- Our approach to bringing a diverse collective together through the growth change
- Our balance between formalisation and improvisation in an evolving world

And with that, we can steward our wonderful, innovative organisations into a greater more abundant future.

Further Reading

Dean Shepherd and Holger Patzelt, *Entrepreneurial Strategy: Starting, Managing, and Scaling New Ventures*. Palgrave Macmillan 2021.

Robert Sutton and Hayagreeva Rao, *Scaling Up Excellence: Getting to More Without Settling for Less*. Crown Business 2014.



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