

The 'Open Enterprise' Idea

Brief Introduction and Overview

Prepared by Macroinnovation Associates, LLC

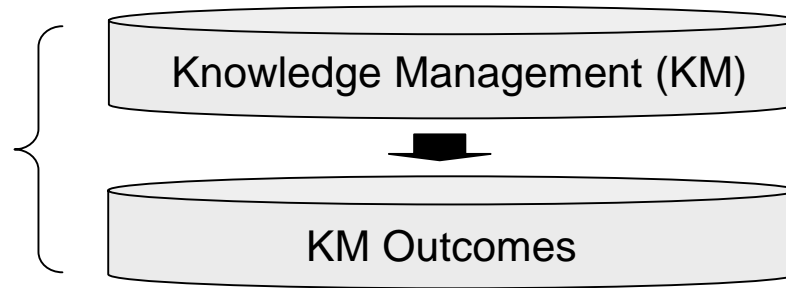
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What is the Open Enterprise (OE)?

- An organizational model marked by 'openness' in Knowledge Processing
- Openness, in this context, refers to inclusiveness in the knowledge production and integration affairs of a firm, according to which...
- All stakeholders have access to the 'Knowledge Life Cycle' in a firm, but not necessarily access to Business Processing control or decision making
- An idea developed through the Knowledge Management Consortium Int'l, with key input from M. McElroy, J. Firestone, and M. Notturmo

Knowledge Management

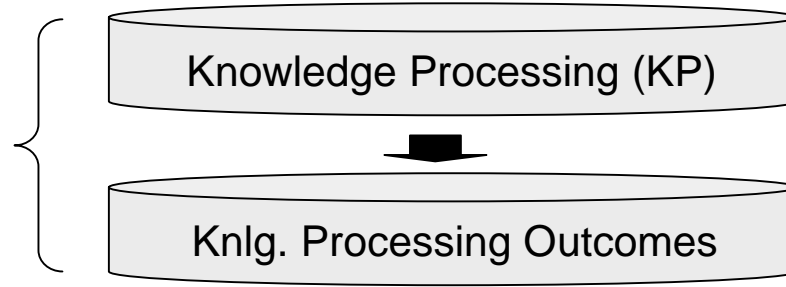
(Meta-Epistemic Behaviors)



- For example:**
- Knowledge Processing (KP) Strategies
 - KP Policies and Rules
 - KP Infrastructures
 - Learning Programs

Knowledge Processing

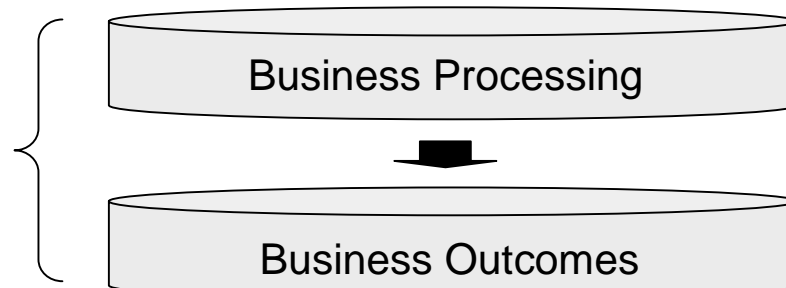
(Epistemic Behaviors)



- For example:**
- Business Strategies
 - Organizational Models
 - Business Processes
 - Product Strategies

Business Processing

(Operational Behaviors)



- For example:**
- Profitability
 - Market Share
 - Growth
 - Evolution

Three Levels of Behavior in a Firm

Knowledge Management (KM)



KM Outcomes

Knowledge Processing (KP)



Knlg. Processing Outcomes

Business Processing



Business Outcomes



Business Processing Behaviors

- Operational re: primary purpose of the business
- Roughly equivalent to business processes in conventional sense
- Often transactional – aimed at closing gaps in business states
- Includes all value chain functions and their management
- Outcomes include profitability, growth, market share, cycle times, customer retention, employee retention, etc.
- Business processing behaviors account for business outcomes, but not exclusively so

Examples

- Business Processing
 - Performing work in an ordinary fashion
 - Conducting the business of the firm
 - Processing business transactions
 - Following established business processes
 - Doing work in accordance with one's job description
 - Working with customers in an ordinary manner
 - Working with co-workers in an ordinary manner
 - Executing the business strategy of the firm

Knowledge Processing Behaviors

- Separate and different behaviors that produce & integrate knowledge
- Includes learning and innovation – knowledge sharing, too
- Is epistemic, not operational or Business Processing oriented
- Is aimed closing knowledge gaps, not gaps in business states
- Accounts for the knowledge we *use* in Business Processing
- Roughly equivalent to what Chris Argyris calls ‘double-loop learning’
- Outcomes include new knowledge, e.g., strategies, business processes, HR programs, mktg. strategies, etc.
- Can also characterize KP performance (e.g., rate of innovation, org'l capacity to learn and adapt, etc.)
- KP takes the form of a Knowledge Life Cycle, or KLC (see next slide)

Knowledge Management (KM)



KM Outcomes

Knowledge Processing (KP)



Knlg. Processing Outcomes

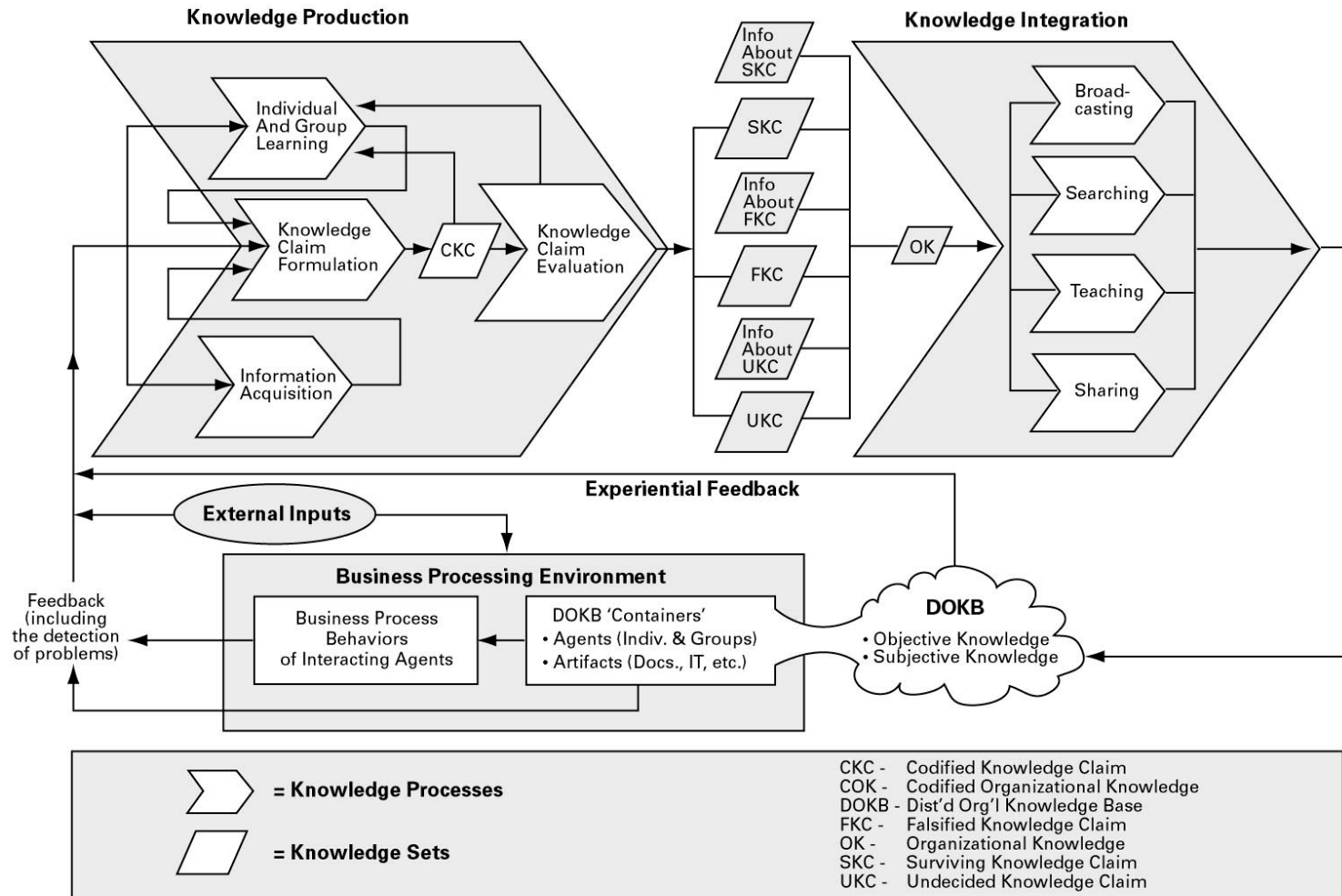


Business Processing



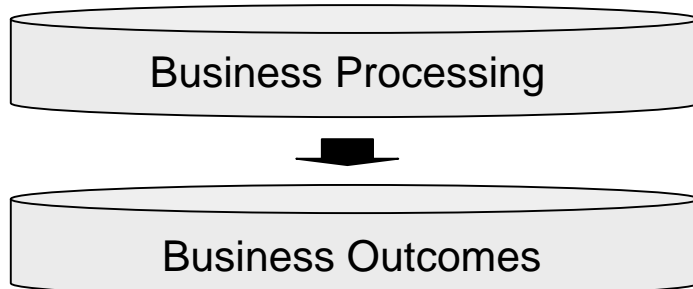
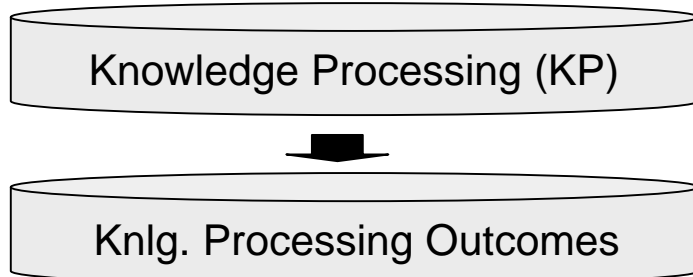
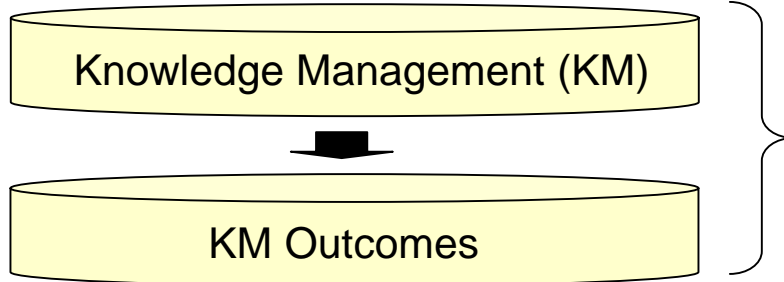
Business Outcomes

The Knowledge Life Cycle (KLC)



Examples (cont.)

- Knowledge Processing
 - Attending training programs
 - Turning to colleagues for advice and counsel
 - Conducting research
 - Developing new operating guidelines or procedures
 - Participating in a community of practice in order to create and/or share knowledge
 - Turning to a 'best practices' system for guidance
 - Working on a task force to develop strategy
 - R&D
 - KAIZEN events in manufacturing



Knowledge Management Behaviors

- Behaviors aimed at enhancing Knowledge Processing
- Goal is to enhance knowledge production and integration
- To enhance organizational learning
- To help guard against malfeasance
- To enhance innovation
- Roughly equivalent to innovation management
- Focuses on enhancing knowledge *making*, not just knowledge *sharing*
- Outcomes include strategies for enhancing Knowledge Processing, learning, innovation, openness, etc.
- Also creates and enhances social and technological infrastructures
- Interventions are usually social and technological in form

Examples (cont.)

- Knowledge Management
 - Creating training and/or e-learning programs
 - Designing and implementing policies and programs for individual and group learning
 - Designing and implementing policies and programs for communities of practice
 - Designing and implementing IT applications and infrastructures that support Knowledge Production and/or integration (i.e, that support Knowledge Processing)
 - Creating innovation incentive and reward plans

Discussion

- The KLC in a firm is a social process that is more or less inclusive of stakeholders, depending on policies and attitudes of those who control it
- The KLC is descriptive of Knowledge Processing in a firm, and it always varies in make up
- In 'closed' enterprises, the KLC is held close to the vest by managers
- In 'open' enterprises, the KLC is inclusive of managers and non-managers alike

Discussion (cont.)

- Benefits of openness in Knowledge Processing
 - Wider participation in problem detection and solving
 - More effective problem detection and solving
 - Enhanced innovation
 - More thoroughly tested knowledge
 - More informed stakeholders
 - More intellectually engaged and fulfilled workforce
 - Lower levels of corporate corruption and malfeasance
 - Makes a positive contribution to the ethical climate in a firm
 - Makes a positive contribution to achieving performance goals related to sustainability
 - Enhanced organizational capacity to adapt!

Discussion (cont.)

- Does openness in Knowledge Processing undermine management?
 - No, there is a difference between ‘decision making’ and ‘knowledge making’
 - The former entails making commitments to action (the undisputed province of managers)
 - The latter entails making commitments to beliefs (the province of all stakeholders)
 - In the OE, managers continue to manage, but give up their monopoly on organizational learning and discussion of issues – more conversations *go corporate!*
 - The OE is not the democratic corporation in terms of management – only learning becomes ‘open’

How is the OE Defined?

- Mainly in terms of policies and programs related to information flow, learning, and dialogue
- Related policies form a kind of *Knowledge Operating System*[®] that constitutes the corporate climate for Knowledge Processing
- Such climates either invite or discourage – even penalize – stakeholder involvement in problem detection, solving, and related discussions and debates
- Creating and maintaining an OE is achieved by policy making and enforcement

How is the OE Defined (cont.)?

- Key dimensions of policy in the OE
 - Structural policies
 - Re: degree of intellectual diversity in corporate membership
 - Re: degree to which information is able to freely flow
 - Re: presence, diversity, and make-up of ‘communities’ in a firm
 - Operational policies
 - Re: degree of independence employees have to manage their own learning programs with corporate support
 - Re: degree of self-determined learning agendas by groups
 - Re: degree to which organizational ideas are open to poly-stakeholder input and evaluation
 - Re: degree to which organizational knowledge is shared
 - Re: degree to which ownership of knowledge is shared

How is the OE Defined (cont.)?

- The OE also has some organizational implications
 - Responsibility for formulating and managing key policies falls to a new style of Knowledge Management (i.e., *The New KM*)
 - KM function responsible for managing the quality of Knowledge Processing in a firm by focusing on
 - Managing policies in the categories specified above
 - Formulating and managing corresponding programs
 - Monitoring impact of policies and programs on Knowledge Processing and making adjustments when needed
 - The New KM function reports to the Board of Directors
 - Why? Because openness in Knowledge Processing has become a fiduciary issue – a guard against malfeasance!

Ten Steps to the OE (e.g.)

- Adopt *intellectual diversity* recruiting and retention programs (not *ethnodiversity*, *ethodiversity*)
- Launch ‘communities of practice’ programs that encourage and support group formation and learning
- Launch programs to enhance person-to-person contact and interaction in the firm
- Reform corporate training programs to include a major ‘self-managed learning agenda’ component
- Specify new business process linkages between individual and group learning and management-related strategy and operations development (2-way)

Ten Steps to the OE (cont.)

- Broadcast management issues and decisions more aggressively to employees and other stakeholders
- Launch a 'Free Employee Press' that makes it possible for employees to critique corporate policies
- Reform Intellectual Property policies to permit more employee participation in related entitlements
- Diversify board membership to include employees and other stakeholders
- Establish 'New KM' function to manage Knowledge Operating System[®] which reports to the board

Methodology*

- A gap analysis is needed
 - Conduct audit of current policies in eight areas of interest
 - Structural policies (and programs)
 - Operational policies (and programs)
 - Formulate new policies and programs of interest
 - Implement new policies and programs and measure impact on Knowledge Processing and related outcomes
 - Adjust policies and programs as needed
- Tools
 - Many exist to help perform audits and ongoing measures
 - Policy Synchronization Method (www.macroinnovation.com)

*Based on the 'Policy Synchronization Method' developed by Macroinnovation Associates, LLC

The Open Enterprise in Action

The Conventional Enterprise

- Senior management governs and controls Knowledge Processing
- Management knowledge is 'true,' not open to criticism
- Primary KM focus is on managing knowledge claims, not meta-claims*
- KM builds 'best practices' databases
- KM prioritizes knowledge sharing and integration
- Employees learn by attending company-prescribed training programs
- Employer holds exclusive title to intellectual property
- Management has binding decision-making authority to direct personnel and other corporate resources as it sees fit

The Open Enterprise

- Knowledge processing is an self-organizing social process
- Management knowledge is 'fallible,' open to criticism
- Primary KM focus is on managing knowledge meta-claims* (and claims)
- KM builds 'worst practices' databases**
- KM prioritizes knowledge making and production, not just sharing/integration
- Employees learn through self-directed, company-funded learning programs
- Company shares title to intellectual property with employees
- Management has binding decision-making authority to direct personnel and other corporate resources as it sees fit

* Meta-claims are records of testing, evaluation, and performance of competing knowledge claims.

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