

Creating Corporate Instinct



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Creating Corporate Instinct

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What is Corporate Instinct

Imagine yourself at a fancy Japanese steak house — the kind where 8 to 12 people sit around a sizzling stove top table. Now hold your hand out in front of you about six inches off of the hot tabletop. Close your eyes and imagine how the dissipating heat would feel.

You are a metaphor for your company. Your hand is the company's ability to sense a new market or a shift in the market. The heat is the intensity of that market shift. Slowly begin lowering your hand and stop when the heat is intense enough for the company to take positive action.

How close did you get? Five inches? Two? Barely touching the surface? Some companies need to smell burning flesh before they take action, and even then, the action may be to form a committee to figure out what the smell is!

Why is it that some companies react while others are rendered helpless, numb? How can companies feel the heat before it's too late to take action? Before their competency fades into complacency? There are companies, like Microsoft, that do react swiftly, time and time again. These companies are imbued with certain qualities, tools, attitudes, that enable them to unlearn as quickly as they relearn, pushing aside their own best ideas for new ones that meet the rapidly changing markets they inhabit.

It's easy to say that these companies have been innovative. But after the turmoil of the 1980s and 1990s, every astute manager recognizes the need for constant innovation. Recognizing the need, however, is only a diagnosis, not a prescription for change. Still missing is a concrete

set of tools and a unifying framework that enables organizations to react and reform on a continuous basis.

From Information to Instinct

Few of us would argue that information and knowledge are basic assets of our organizations. You don't need a manifesto on intellectual capital to see that it has become the greatest asset of any organization. Yet there is more at play in today's organizations than the accumulation of information. When we look back on the

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second half of this century, the revolution will clearly be identified as the increasing momentum towards borderless communications. Walls that separate people, departments, divisions, and corporations are disappearing, in no small way due to the evolution of standardized communications technology — from such simple tools as e-mail and groupware, to the more complex, such as workflow and intranets.

We are witnessing the evolution of organizations whose synapses, both internal to the organization and external to markets are finally firing in a synchro-

nized and timely fashion. This universal connectivity is creating the basis for Corporate Instinct, and it in turn is leveraging the intellectual resources and knowledge of organizations to respond to continuously changing market environments.

Corporate Instinct is a company's collective sixth sense regarding its ability to respond instantaneously to market opportunity, customers, and competition. It is an intuitive ability to react in the right way — fast.

The concept of Corporate Instinct seems counterintuitive said one senior manager when first approached with the idea. "The only truly instinctive behaviors that I've ever observed [in an organization] are those of lemmings to the cliff, sharks to blood, and wolves on the lone deer." Indeed, we are not accustomed to thinking of companies as having instinct. Yet they absolutely do.

The concept of corporate culture, which is now so widely acknowledged, took time for people to digest. In the same way, Corporate Instinct is a new and disturbing idea. When corporations act instinctively, they are acting beyond the confines of rational control or systematic analysis: they are creating strategy from reflex. It is precisely this type of instinctive strategy that led a small upstart called Microsoft to become the central player in the computer revolution. And it is the same instinct which has allowed them to survive threats from newer upstarts, such as Netscape.

Just as importantly, Corporate Instinct is the ability to overcome process memory: the deep ingrained culture that inhibits, shackles and anchors corporations to the past. When market cycles were measured in decades or longer, process memory was an important asset. If nothing else, it suppressed constant procedural questioning.

People who hoped for lifetime employment contracts did little to change the process memory; they passed it on as unspoken gospel to the next generation of workers. But in today's corporation, if corporate memory cannot be constantly and consistently altered, it is a liability—and a dangerous one too during times of frequent change in markets and people.

One way that many organizations are challenging their corporate memory, in order to create instinct, is through a constantly changing set of skill libraries. According to Jay Tanna, CEO of Altris Software, Inc. "A skill set library that is static will simply not work—whether it is online or not. You have to start from a base skill set, but you must also be able to change it constantly. You do this by creating an interactive dialog between workers and the skill libraries. This profile of the user's skills is a starting point, but it will change daily. As a result, you create an instructive environment in which each worker knows that as he or she learns more, the profile will change as well."

Why You Need Corporate Instinct

Over the past 30 years, the rate of change for products has become exponentially faster, observes Jeffrey Miller, President of Documentum, Inc., a Xerox spin off that is focusing on complex document management applications. "The problem," says Miller, "has become managing the process of innovation and production in the light of this constant change—while providing quality. Bound policies and procedures are close to useless and the risk of losing the knowledge embodied in the people is a constant threat to the intellectual capital of the organization."

Miller suggests creating a knowledge chain which captures the process knowledge, at least a significant part of it, in virtual documents. These are living documents that literally change over time. Miller believes that "the knowledge chain should be a 'virtual chain, a living chain'

through which an organization sets up a methodology at any time it is needed. Everybody in the organization knows what's there, what's approved, what's released. There's also a process to appropriately change that living chain, to make improvements as we discover new things. Hopefully, we're doing that all the time."

How do organizations create a



ONLY 2% OF COMPANIES COMPLETING THE DELPHI GROUP'S CORPORATE INSTINCT SURVEY USE A STRUCTURED KNOWLEDGE BASE TO TRAIN NEW PEOPLE.

SOURCE: THE DELPHI GROUP

knowledge chain or a skill set library? Technologies such as workflow, groupware, and document management, if properly applied, can work to change the mentality of an organization and accentuate its Corporate Instinct by allowing the company to react immediately to stimuli, internal or external. They provide the technological foundation for becoming a learning organization. Change becomes part of the organization, no longer a crisis response every few years. Organizations, like people, grow because they continuously learn and reuse their knowledge in new and innovative ways.

If indeed an organization can be likened to a human being, then the nature of change within the organization is like the changes continually acting upon the cells of the human body as it constantly renews itself. Every day your skin, blood and organs replace cells, yet you are still yourself. In the same way,

people move in and out of an organization, yet the organization remains. Does a pathology remain or can the organization be renewed as it recreates itself?

This process of renewal goes beyond the simple transfer of information. Today's highly networked organizations are fairly adept at that. "Corporate Instinct," says Larry Bohn, president of PC DOCS, Inc. "is about the ability to make decisions, and the ability to execute quickly based on those decisions. True, a part of Corporate Instinct has to do with access to information. But we all have way too much information. The real question is, how do you provide a level of certainty and belief in the information you are using for your decisions? That has a lot to do with how your organization has structured itself so that it can both capture information internally, and respond to customer and market input. It is these internal

and external response mechanisms that really define instinct as opposed to simple information management."

In large part, instinct becomes a function of the tools organizations use to manage unstructured information—namely their documents. Although it may appear mundane, the lack of sound document management can severely hinder an organization's ability to react to even the most simple market shifts. At BankBoston, a PC DOCS client and now one of the nation's largest banks (formed from the recent merger of Bank of Boston and Bay-Bank), document management fuels the electronic customer file process. Despite heavy investment in electronic technologies, BankBoston employees still manually stored much of their client information in paper-based files with no viable way to automate credit approvals or the credit file process. The barrier this created between the customer and the bank discouraged the customer intimacy needed to create true permeability between internal and external awareness—something that, as we will see, is essential to developing corporate instinct.

Creating Corporate Instinct

In studying companies that have embraced the principles of Corporate Instinct we found striking similarities. The most salient characteristic is the dynamic adaptability of their people and processes. This is an ability that goes beyond information management. Adaptability stems from four definitive attributes—building blocks that determine the uniqueness and longevity of any organization. They are the factors that allow instinctive organizations to mutate successfully, even while extinction claims their competitors. These four attributes are shown in the diagram as intersecting categories of an organization's instinct.

The four intersecting cells represent an organization's ability to fully develop its internal and external awareness and responsiveness. In any organization and industry, success is ultimately measured by the ability to best meet the requirements of Cell #4, External Responsive-

ness. In each cell, however, you will find specific tools, methods, organizational structures and qualities that support or impede external responsiveness. PC DOC's Bohn believes that this responsiveness will be "the rule in industries that are knowledge-based, where intellectual capital is the real currency of the business, and where the velocity of infor-

to understand itself. It is not only having your house in order, but also knowing what order your house is in. In a simple sense, using a groupware, document management, workflow or Intranet technology to share information facilitates communication of how best practices are being applied within a large organization. This awareness is



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mation is defying the ability of people to garner intelligence from it." What's needed are tools that not only digitize and store information but which also facilitate the connections between the information, people, and practices that create reusable knowledge.

INTERNAL AWARENESS: Corporate Instinct is foremost about organization-internal awareness—an organization's ability

like a sensory input without which quick responses are of little value. Many companies over-react to their insensitivities with crisis reengineering initiatives. Instinctive organizations, on the other hand, are 'wired' with sensitivity to changes across the organization. High levels of awareness and perception permeate all levels and functional areas of the organization, enabling it to draw much closer to the market and to other parts of itself.

EXTERNAL AWARENESS: External awareness represents an organization's ability to understand the market's perceived value of its products and services as well as the changing directions and requirements of its markets. External awareness, when coupled with internal awareness, can lead to the discovery of successful new markets.

INTERNAL RESPONSIVENESS: Awareness of an organization's competencies does not provide a clear path to successful products or services. Many organizations are well aware of their strengths and market demand yet have not be able to adequately effect internal change quickly enough to meet market requirements. In our Corporate IQ Survey, 50% of all respondents stated that a good idea had more chance of resulting in a new start-up or ending up at a competitor before their own organization took action on it. The streets are littered with good ideas that have sprouted wings and left the nest—lest they starve in the corporate bureaucracy!

AN INSTINCTIVE ORGANIZATION IS:



CHART: THE DELPHI GROUP

TECHNOLOGIES OF AN INSTINCTIVE ORGANIZATION

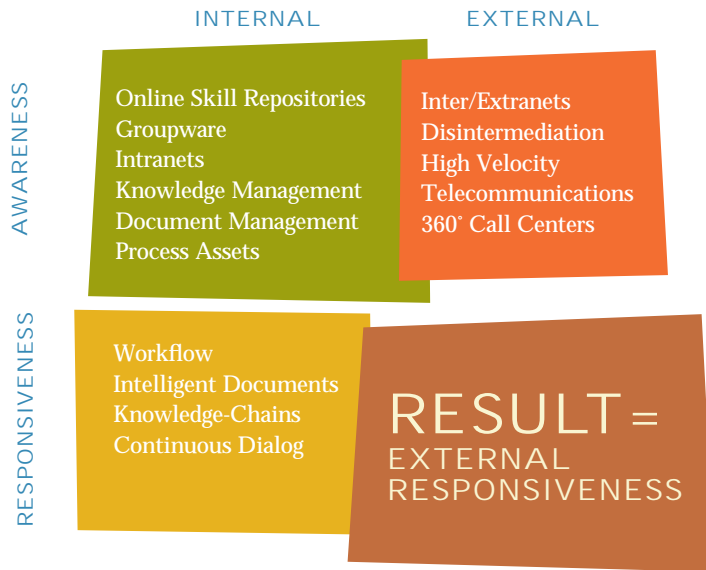


CHART: THE DELPHI GROUP

EXTERNAL RESPONSIVENESS: When all is said and done, it is the ability of an organization to outplay its competitors in external responsiveness that determines success. Corporate Instinct is ultimately about the ability to not simply weather but fly through the turbulence outside of the organization. This often requires making decisions without being able to coordinate all the factors ordinarily considered in a complex business and market environment. To succeed, organizations

that is significantly faster, based on better connections between their resources and markets.

In each of these cells are specific attributes, tools and technologies, skills and methods that enhance Corporate Instinct.

This Corporate Instinct matrix can be used to describe why an organization may have weak instincts. The organization chart, for example, is a poor method of creating internal awareness. Hierar-



Jay Tanna, President, Altris Systems — “You have to start from a base skill set, but you must also be able to change it constantly. One way is to create an interactive dialog between workers and the skill libraries. As a result, you create an environment in which each worker knows that as he or she learns more, the profile will change as well.”

must set their strategy in terms of broad goals and guidelines and rely on their ability to ‘turn on a dime’ when the crosshairs of the organizational environment come into focus with the requirements of the market. The faster market conditions are translated into actions, the more likely the organization will respond as a market leader. This is the essence of Corporate Instinct — a level of responsiveness to environmental conditions

chies no longer serve their intended command and control purpose. They are rarely indicative of much more than prescribed relationships for the purpose of measuring pay for performance and are poorly adapted to the volatility of fast changing job responsibilities and teams. Technology now plays the role previously filled by people on lower levels of the information organization — sensing, communicating and filtering information

about the environment, freeing-up the people who previously played this part to become decision-makers.

It strikes many as odd when we suggest that the formal organizational structure itself may be disappearing. If not yet formally on paper, in practice it is. Consider how well your e-mail traffic maps to your organization chart. Over the past 20 years, information technology has become the de facto method of ensuring

Corporate Instinct presents a set of management and technology tools that enable organizations to reevaluate their organization's culture and core competencies in keeping with the accelerating pace of change.

cross-organizational communication and synchronization of effort in most companies, even those which officially still cling to more static communication methods and organizational protocols.

How does this impact the effectiveness of an organization? Altris' Tanna recalls the experience of the London Underground, an Altris client, where access to organizational intelligence of this sort empowered a nimble project manager to make a quick decision to move one railway crossing 60 feet. That single decision saved some \$4 million dollars and eight months labor. Across the Atlantic at Entergy, a nuclear facility with three plants, Altris' workflow technology is behind the ongoing definition and redefinition of skill set libraries describing how tasks are to be performed. This process information is being used by day-to-day managers to facilitate split-second key decision-making under both normal and unusual circumstances.

Already, this corporate knowledge has enabled the facility to delegate decision-making to appropriate surrogates when a supervisor is away, significantly minimizing risk in crisis situations.

Within the instinctive organization, rules do not stand still. Defining static workflows has value for strict regulatory or production applications where little changes on an ongoing basis. But in volatile processes and industries, a static workflow is unnatural because by the time you engineer or re-engineer a process, it is probably obsolete. Instinctive organizations tend to engineer knowledge processes as they go along, trusting in the people and their skills to do that. Today, the satisfaction that one garners from being a knowledge worker is that processes are not completely predefined, allowing individuals to create as they move along.

The Mythical Team

The team is one of the most prevalent notions of self-organizing companies. The fundamental obstacle to team creation and cohesion is team permanency. In a job-for-life work world, teams bonded and created an intense understanding of each other's

skills and competencies—to the point that job definitions were irrelevant. Most team management practice has come from this notion of the team. Today, however, teams are more like the cells of a human organ—replacing themselves continuously while the organ as a whole remains functional and intact. Achieving alignment and cohesion in this new work environment requires the equivalent of a corporate DNA which can be shared with each new member of the team.

Corporate Instinct makes it possible to structure organizations to change at the rapid rate demanded by today's markets. To a great extent, the key is found in cultivating and capturing the valuable intellectual capital of an enterprise. Where knowledge management was once only a function of managing people,



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today it involves the challenge of managing the intellectual property of people who are continuously moving inside and outside of the enterprise. Simply managing information cannot achieve this objective. Documentum's Miller has heard many companies say: “We already have all this information. It's in all these file cabinets. Hell, we know where it is! So what's the problem?” His answer is, “No, you—the collective you—don't know where it is. Capturing information in a way that makes it possible to access, manage and control it in an enterprise manner, is not trivial. Coupling that information with the skills and the processes that it is a part of is even more challenging.”

Knowledge Refinery—a sophisticated set of software agents that know how to sift through the morass of information available to the collective organization.

When you were holding your hand over the imaginary grill at the outset of this article, the real question you should have been asking was, “What tools am I using to sense the heat?” Jeff Miller advises organizations first take a “heal thyself” attitude. “Before you go off and conquer the world; before you go off and become more responsive to your customers,” says Miller, “you need to become more responsive to your own organization.” That only happens if the tools are in place to create the instinct and awareness needed to respond—time-

and-again. Many technologies and methods can be used to create and preserve Corporate Instinct. Here are some of the most important.

INTELLECTUAL ASSET ACCOUNTING: The ability to fully appreciate the many dimensions which make a manufacturing or white collar process

successful, leads to the creation of viable intellectual assets which populate the repositories of knowledge about how and why a business is successful. These process assets are dynamic, adaptable to new industries or new situations. They can be modified to meet the changing and unrelenting demands of customers and markets. Finally, they become products themselves that can be sold off or licensed to other organizations with similar requirements. Process assets will give entirely new meaning to core competency and competition.

VELOCITY AND RETURN-ON-TIME: Within the instinctive enterprise, return-on-time (ROT), instead of assets or sales, becomes the unit by which return on investment is measured. Given the pace



40% OF RESPONDANTS TO THE CORPORATE INSTINCT SURVEY SAID THE PRIMARY REPOSITORY FOR CORPORATE KNOWLEDGE IS THEIR WORKER'S HEADS.

SOURCE: THE DELPHI GROUP

Consulting firms provide rich examples of the need for managing intellectual assets. John Clippinger, past director of Intellectual Capital at Coopers & Lybrand and CEO of Boston-based Context Media, has developed one of the industry's leading knowledge repositories. Called CLIC (Coopers & Lybrand Intellectual Capital), the system will provide 10,000 worldwide Coopers & Lybrand employees with access to not only information, but more importantly, the connections among the information items that represent the knowledge of the organization. Clippinger calls this a

Corporate Instinct at Work

John Brown Engineering, a major engineering and construction client of Documentum, is about to put out a billion-dollar bid to manufacture and build an offshore oil rig for Shell off of the Coast of Borneo. The challenge is not so much building the plant as it is winning the bid. First, John Brown needs to re-use as much information on past projects as possible by going to other engineering sites around the globe where it has worked on projects of this type. This involves coordination with John Brown's global engineering groups—the one in India who designed a pump, the UK group who has rigging diagrams, and the U.S. group coordinating the bid. Some components will be close to what is specified in Borneo; others may be exactly what is needed. Access to this information enables the builder to limit custom work to just 20% of the overall project design, and saves having to recreate the whole project as they would have done in the past.

The John Brown Company will also want to determine the extent of past relationships with Shell. Have they bid a plant for them previously? If so, they already have established specifications and regulations to follow. They may also be able to show that they have previously bid on plants in the same geographic location, and are therefore familiar with anticipated regulatory issues, EPA permits, and so on.

Once the project is procured, this knowledge becomes part of the project plan. As new experience and knowledge are added to it, the knowledge chain is perpetuated as a repository for future bids. The value chain has been extended too. The structured nature of the knowledge base now becomes the information to run the plant, or perhaps the knowledge-base that the customer provides to EDS for facilities management. Knowledge shared in this way, through technology, becomes a quantum enabler for all participants of the knowledge chain, and a cornerstone of an instinctive organization.

of change in a globally competitive economy and the rapid obsolescence of new technologies, ROT may well be the key to long-term success and enduring competitive advantage in the future.

METASKILLS: Corporate Instinct refocuses companies on the development of 'metaskills'—skills which enable it to continuously evaluate, modify and build its own key skills. Crucial to this is a culture that fosters continuous questioning of implicit assumptions and a preparedness to make changes to even the most basic tenets of the organization should conditions demand it.

PROCESS VISUALIZATION: Decades of industrial era mechanization and over-emphasis on Adam Smith's ideas on the division of labor have led to an over-specialized workforce that often cannot see the forest through the trees. Instinctive organizations rely on visualization methods to ensure that everyone in the enterprise understands its processes. Visualiza-

tion methods help by not only conveying the role of the individual in the process but also by delineating the interrelationships of process tasks and the connection between a process and the rest of the organization.

INFORMATION SENSORS: Instinctive organizations recognize that success and timeliness can only be achieved if the right information gets to the right people. Personalized patterns of work and information access will be an essential part of Corporate Instinct. Most corporations today still widely distribute information to all workers whether they need or want it, exacerbating information overload. In stark contrast, information sensors reverse the flow so only the information necessary for a task is 'pulled' to the worker. Information sensors free workers to receive only the information they know they need and eliminates the extraneous information that interferes with responsiveness.

Awakening Corporate Instinct In Your Organization

Unlike physical resources, knowledge is an effectively inexhaustible resource. Knowledge-based innovation is expected to be the engine of continued rapid growth of economies and companies in the 21st century. The universe of future opportunities open to a company is limited only by the bounds of its intellectual assets and its ability to translate them into business advantage. Honing Corporate Instinct will be the most crucial challenge for tomorrow's organizations.

An organization's information is useless if it cannot be transformed into an awareness of itself and its market. When the heat of the stove became intense, you instinctively pulled back. Muscles and mind were coordinated as one. The walls that have blocked the nervous system of organizations from truly connecting with themselves and their markets are being replaced by open technologies that help build this awareness, connectivity, and Corporate Instinct.

Corporate Instinct is captured not in the command center of the organization, but in each employee, in his or her knowledge, experience and inherent ability to take action. Liberating this knowledge and sharing it will provide a new, sharper corporate nervous system and an empowered, committed and intelligent workforce. This is where the real power center for change lies, and where the work is really done in the instinctive organization.

About the author: Thomas M. Koulopoulos, president of The Delphi Group, is considered one of the leading voices in the industry for his work involving document-based information strategies over the past decade. As part of the research for this special section and the book, *Corporate Instinct: Building a Knowing Enterprise for the 21st Century* (Van Nostrand Reinhold, 1997), Koulopoulos surveyed more than 300 corporations and interviewed senior executives for their perceptions of Corporate Instinct.

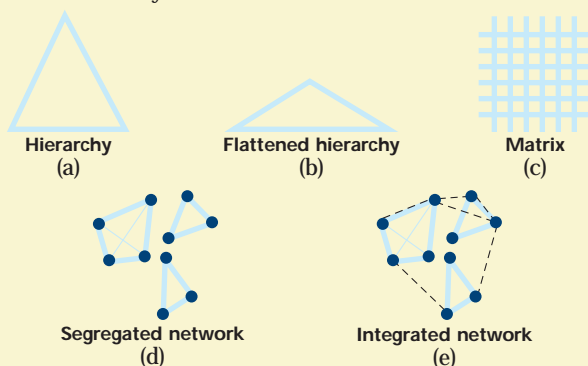
You can take the Corporate Instinct IQ test at Delphi's website: <http://www.delphigroup.com>.

The Corporate IQ Test

A PRODUCT OF THE DELPHI GROUP

INSTRUCTIONS: The complete Corporate IQ test consists of more than 50 questions. Here is a sampling to help you determine your rough Corporate Instinct Quotient. You can take the complete Corporate IQ Test at The Delphi Group's website, <http://www.delphigroup.com>.

1. Which of the following diagrams of organizational structure most closely resembles the way your organization actually works? Please circle one:



2. How flexible is your company's organizational structure, i.e., can it be adapted easily to meet the needs of changing circumstances?



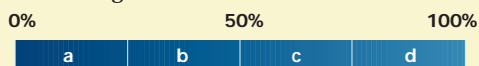
3. What is the most important function of the organizational structure in your company? Please select one:

- (a) To simplify communication
 (b) To filter information for decision-makers
 (c) To control workers
 (d) To provide a single strategic direction

4. How important is innovation as a factor in your company's success?



5. What percentage of the people in your company could be described as "knowledge workers", i.e., people who work with information for the purposes of decision-making?



6. Give your company a score (1-5) inside each block for the attributes described in the following matrix (Refer to the preceding text for an explanation of this matrix.)

KEY: 1=Extremely low; 2=Low; 3=Average; 4=High; 5=Extremely high

	INSIDE COMPANY	OUTSIDE COMPANY
AWARENESS	INTERNAL AWARENESS (a) Score: ____	EXTERNAL AWARENESS (b) Score: ____
RESPONSIVENESS	INTERNAL RESPONSIVENESS (c) Score: ____	EXTERNAL RESPONSIVENESS (d) Score: ____

7. If a really good idea exists at the lowest ranks of your company, what is the most likely fate it will ultimately receive? Please select one:

- (a) It will be ignored
 (b) It will be ridiculed
 (c) It will be smothered by bureaucracy
 (d) It will be taken seriously and stand a good chance of implementation
 (e) It/or its promoters will end up as a start-up owned by your company
 (f) It/or its promoters will end up as a start-up with no ties to your company

8. Which of the following is the primary repository for corporate memory in your organization? Please select one:

- (a) Paper documentation
 (b) Electronic documentation
 (c) Electronic knowledge base
 (d) The brains of the workers

Answer Guide

- a,1 b,2 c,2 d,2.5 e,3
- a,0 b,1 c,2 d,3
- a,5 b,2 c,-1 d,2
- a,-1 b,2 c,3 d,4
- a,0 b,1 c,2 d,4
- add your scores in each box
- a,-1 b,-3 c,-3 d,3 e,5 f,1
- a,1 b,2 c,5 d,3

Above 38 You have great Corporate Instinct and invest heavily in tools, methods, and people's ideas.

28-38 Average to above average Corporate Instinct. You probably

scored high in many areas. Look at the areas in which your scores were low and consider the technologies and methods that would help.

18-28 Below average Corporate Instinct. Focus on one or two of the areas in which you scored low as a start. It is likely that addressing one or two issues, such as corporate structure, will have a radical impact.

Less than 18: Borderline extinction! It's amazing that you're still in business. If your score on question 6 was high, it may be that your industry is due for a new benchmark.

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