The ‘Open Enterprise’ Idea

Brief Introduction and Overview

Prepared by Center for Sustainable Innovation

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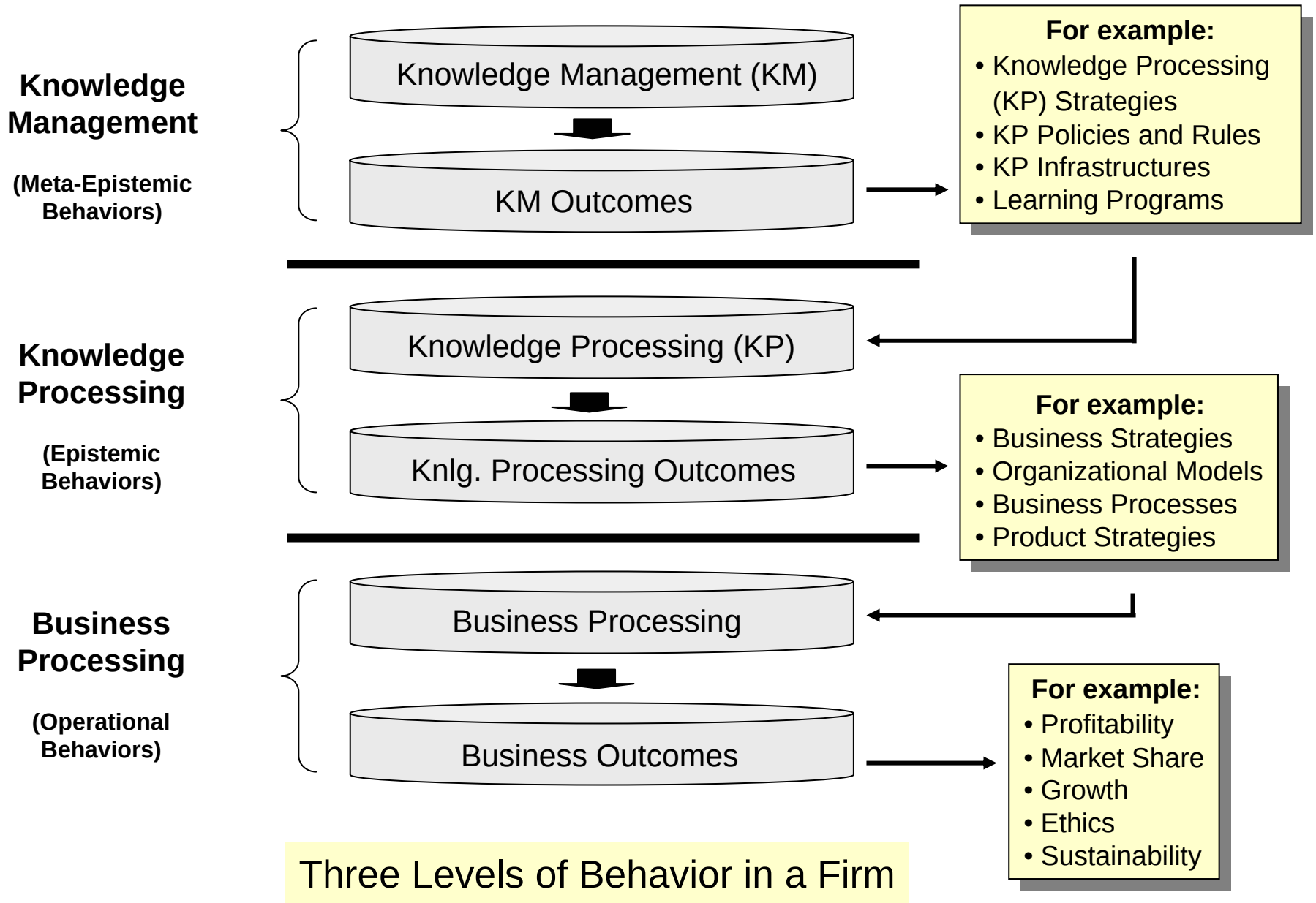
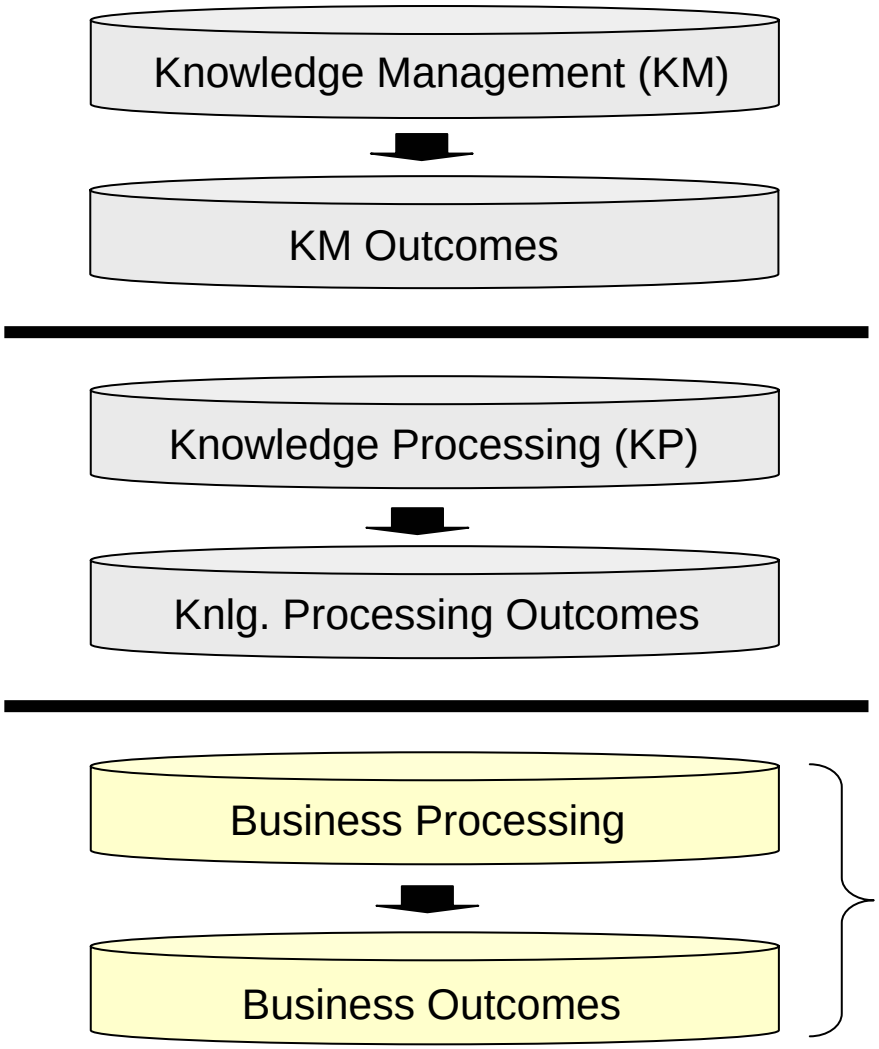
What is the Open Enterprise (OE)?

- An organizational model marked by ‘openness’ in Knowledge Processing
- Openness, in this context, refers to transparency and inclusiveness in the Knowledge Processing affairs of a firm, according to which...
- All stakeholders have access to organizational learning and innovation, but not necessarily 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. Notturno



Three Levels of Behavior in a Firm

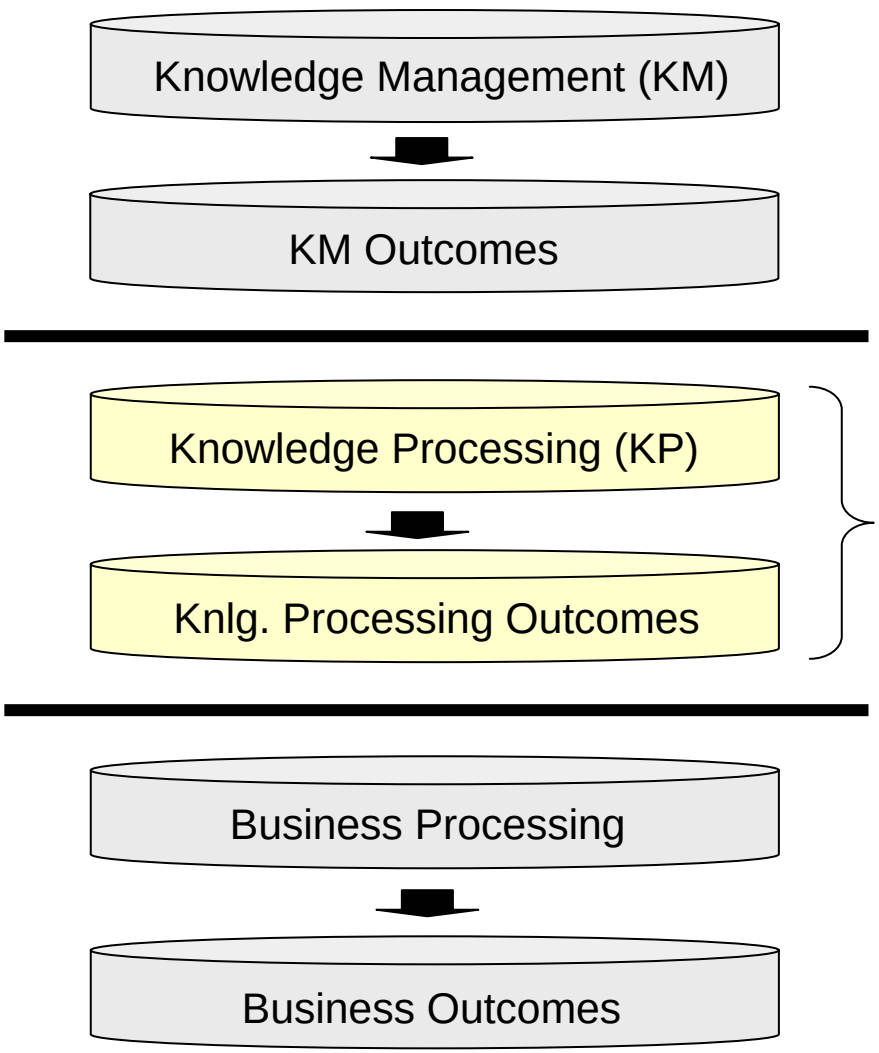


Business Processing Behaviors

- 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, sustainability, etc.
- Business processing behaviors account for business outcomes, but not exclusively so

Examples

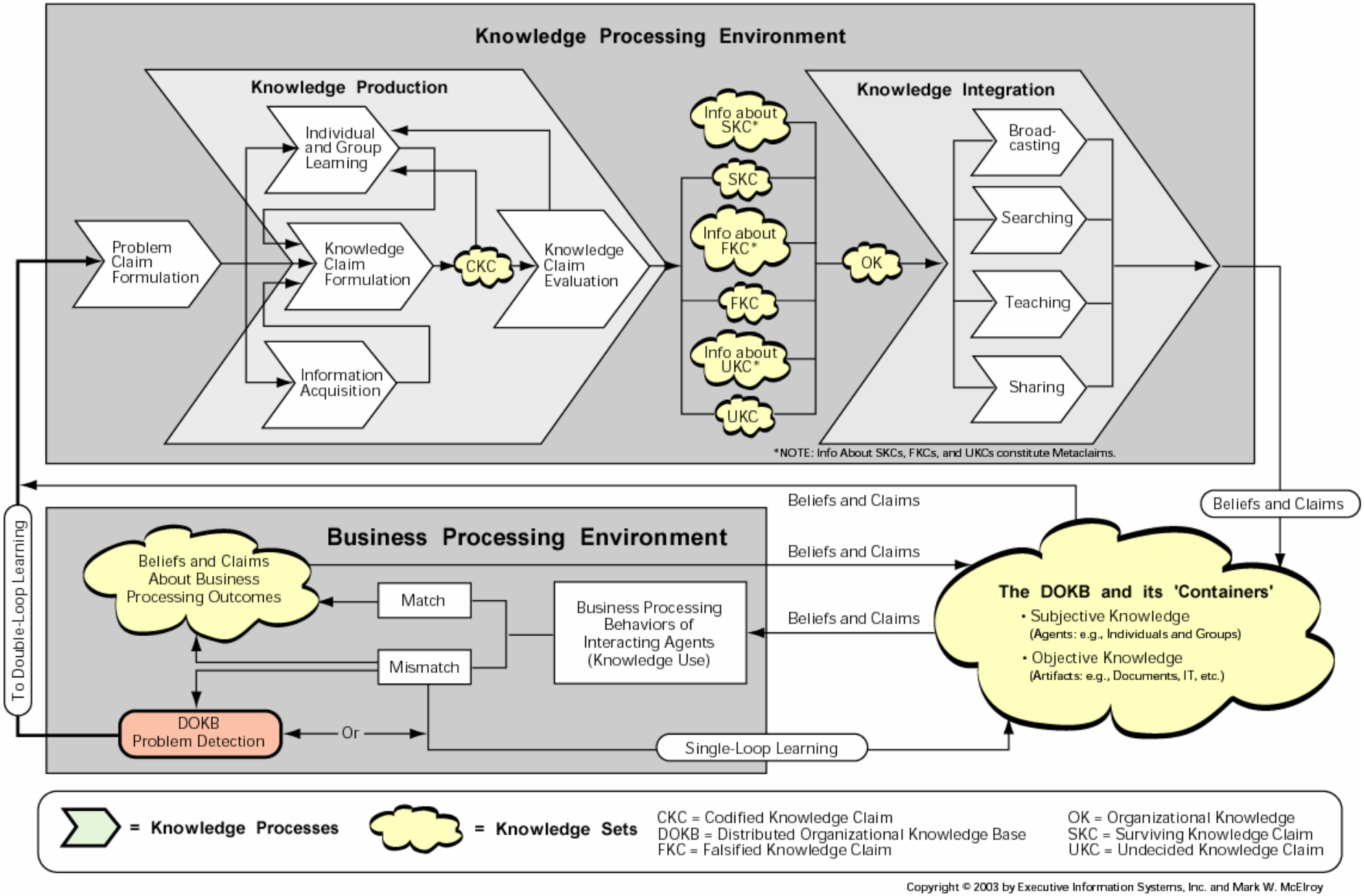
- Business Processing
  - Performing work in an ordinary fashion
  - Conducting the business of a firm
  - Processing business transactions
  - Following established business processes
  - Doing work in accordance with one’s job description
  - Working with customers in an ordinary manner
  - Working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



Knowledge Processing Behaviors

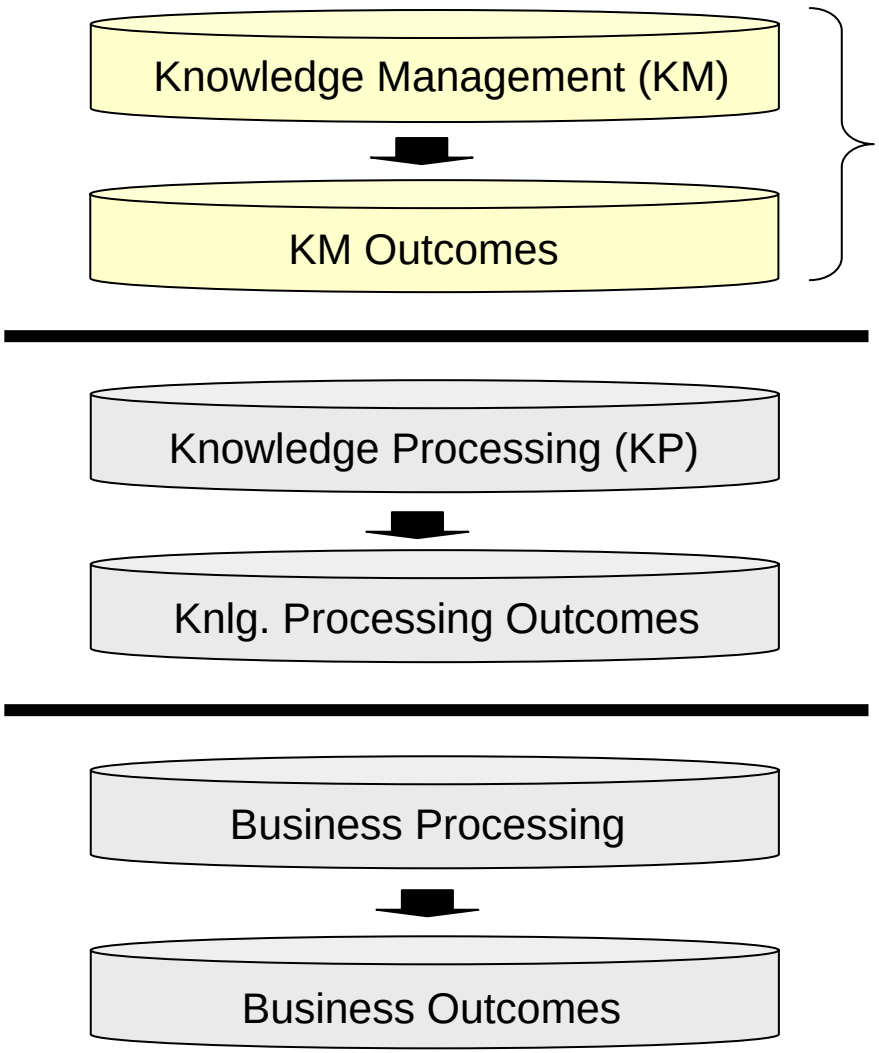
- Learning-related behaviors that produce & integrate knowledge
- Includes problem-solving, innovation, and knowledge sharing
- Is epistemic, not operational or Business Processing oriented
- Is aimed closing knowledge gaps, not gaps in business states
- The source of the knowledge we *use* in Business 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 perform-ance as ‘rate of innovation,’ ‘org’l capacity to learn and adapt,’ etc.
- Takes the form of Knowledge Life Cycles, or KLCs (see next slide)

The Knowledge Life Cycle (KLC)



Examples (cont.)

- Knowledge Processing
  - Attending training programs
  - Conducting research
  - Developing new operating guidelines or procedures
  - Participating in a community of practice in order to create and/or share knowledge
  - Working on a task force to develop strategy
  - Doing R&D
  - Doing Business Process Reengineering
  - Participating in KAIZEN events (in manufacturing)
  - Innovating



Knowledge Management Behaviors

- Behaviors aimed at enhancing Knowledge Processing
- Goal is to enhance knowledge production and integration
- To enhance organizational learning
- To enhance innovation
- 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 either social or technological in form (or both)

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
  - Developing and/or implementing policies and programs that have impact on the degree of transparency and/or inclusiveness in organizational learning and innovation

Discussion

- The KLC in a firm is a social process that can be more or less open to stakeholders, depending on the 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
- In an Open Enterprise, Knowledge Processing is controlled by the governance function, not the executive function

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 authority to make commitments to action (the undisputed province of managers)
    - The latter entails authority to make commitments to, *and challenge*, beliefs and claims (the province of all stakeholders)
  - In the OE, managers continue to manage, but are deprived of their historical monopoly on learning and innovation – more conversations *go corporate*!
  - The OE is not the democratic corporation in terms of management – only learning becomes ‘open’

How is the OE Specified?

- Mainly in terms of policies and programs related to problem detection and Knowledge Processing
- Related policies form a kind of *Knowledge Operating System*® (KOS) that comprises the corporate climate for Knowledge Processing
- KOS climates can either invite or discourage – even penalize – stakeholder involvement in problem detection, solving, and related discussions and debates…in the OE, such involvement is high
- Creating and maintaining an OE is achieved by policy making and enforcement controlled by boards

How is the OE Defined (cont.)?

Three Key Areas of Learning-Related Policies and Programs

- **Background Conditions**
  - Human Characteristics
  - Density and Distribution of Connectedness
  - Criticalist Attitude in Knowledge Processing
  - Knowledge Entitlement
    - Attitudes
    - Behaviors
- **Knowledge Production**
  - Problem Claim Formulation (including Problem Recognition)
  - Individual Learning (including Community of Inquiry Formation)
  - Group Learning (including Community of Inquiry Formation)
  - Information Acquisition
  - Knowledge Claim Formulation
  - Knowledge Claim Evaluation
- **Knowledge Integration**
  - Broadcasting
  - Searching/Retrieving
  - Teaching
  - Sharing

The OE "specification" is expressed and operationalized in these terms!

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 Knowledge Management*)
  - KM function manages the quality and openness of Knowledge Processing 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 re: *quality-controlling knowledge!*

Ten Steps to the OE (for example)

1. Adopt *intellectual diversity* recruiting and retention programs (not *ethno*diversity, but *etho*diversity)
2. Launch ‘communities of practice’ programs that encourage and support group formation and learning
3. Launch programs to enhance person-to-person contact and interaction in the firm
4. Reform corporate training programs to include a major ‘self-managed learning’ component
5. 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.)

6. Broadcast management issues and decisions more aggressively to employees and other stakeholders
7. Actively encourage a “criticalist” attitude in the organization that *holds knowledge accountable*
8. Launch a ‘Free Employee Press’ that makes it possible for employees to critique corporate policies
9. Reform Intellectual Property policies to permit more employee participation in related entitlements
10. Establish ‘New KM’ function to manage Knowledge Operating System®, which reports to the board, not to the executive function

These are just some examples

Methodology – *K-STREAM*™*

- A gap analysis is needed
  - Conduct audit of current policies and programs in the three areas of interest
    - Background Conditions
    - Knowledge Processing
    - Knowledge Integration
  - 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
- *K-STREAM*™
  - An advanced KM methodology taught and licensed by KMCI (www.kmci.org)

*Based in part on the 'Macroinnovation Method'

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 a 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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