

Knowledge: the Infinite Resource



To realize these possibilities, leaders must adopt a more humble role of nurturing rather than commanding.

THREE CONFUSING BUT exciting management heresies are revolutionizing organizations:

1. **Complexity requires internal enterprise.** Success is no longer achieved by planning and control—but through entrepreneurial freedom among people at the bottom.

2. **Cooperation is economically efficient.** Economic strength does not come from power and firmness—but out of the cooperative flow of information within a corporate community.

3. **Progress flows out of knowledge and spirit.** Abundance is not the result of material riches—but of understanding the subtle workings of an infinitely complex world.

Defining Internal Enterprise

One of the least understood aspects of the new management is the way autonomous business units, cross-functional teams, intrapreneurship, internal customers, and other entrepreneurial features are now energizing organizations. If we intend to avoid the top-down disadvantages of hierarchy, a different system is needed based on principles of enterprise. This leads to forming complete "internal market economies."

Rather than think in hierarchical terms of departments and divisions, business units are defined as "internal enterprises" or "intraprisers." Like all enterprises, the key to success is clearly agreed-upon standards of accountability, the widest possible entrepreneurial freedom, and the support of corporate systems and leaders. You then have all the advantages of markets: accountability for results, entrepreneurial freedom, incentives for achievement, rapid

response time, customer focus, and creativity. The internal market concept facilitates other practices, such as networks, alliances and virtual relationships.

There are no perfect designs—internal markets incur the same disorder, risk, and general turmoil of external markets. Wise executives will try varying degrees of control and freedom to find that mix that best suits their organizations.

Forming Cooperative Communities

Today's strategic alliances with suppliers and business partners are being



extended to include collaborative relations with employees, customers, and government. If cooperation with business partners is a good idea, the logical conclusion is tightly knit "corporate communities" that join the interests of all stakeholders into productive coalitions.

Gerald Taylor, CEO of MCI, explained how cooperation creates value out of diverse interests: "No company has all the needed capital, resources, talent, or products to compete across all geographies. Competing globally means forging alliances, joint ventures, and partnerships. Ensure that each partner brings something of value to the relationship. The strength of an alliance is measured by the net economic value it creates."

The Information Revolution is shifting the critical factor of production from capital to knowledge. The cost of duplicating knowledge is trivial and its value increases when shared, making cooperation economically advantageous to all parties.

Leveraging Knowledge

The value of various knowledge assets rose from 38 percent of corporate assets in 1982 to 62 percent in 1992. Human capital alone, the value-producing power of employee know-how is estimated to account for 70 percent of all wealth in modern economies. Adding in intellectual property, brand names, and other forms of knowledge brings the total to more than 80 percent of corporate assets.

Raymond Smith, CEO of Bell Atlantic, notes: "In the Information Age, wealth is a function of information, vision, and other properties of the mind. Unlike raw materials, knowledge can't be used up. The more of it you dispense, the more you generate. Economics used to be ruled by the law of diminishing returns. Now we can enjoy expanding returns."

To use knowledge effectively, an intelligent infrastructure is needed to unite these collaborative enterprises into a total learning system. It is now possible to combine high-performing information networks and dynamic structures to produce an unusual capacity to amass raw information from diverse sources, store it in common databases, distill the data into valuable knowledge, and allow units to retrieve it from any part of the network. The principles of enterprise and cooperation provide the management system, and a distributed network of PCs operating on an intranet provide the information system.

An intelligent infrastructure consists of a corporate-wide information system and a web of close-working relationships connecting entrepreneurial units to common pools of shared knowledge. The result is a "central nervous system" that "leverages" ordinary learning to powerful new levels forming an intelligent organization. Each individual becomes a node in this network, which forms a "corporate brain" possessing powers of mass intelligence.

The need for internal enterprise systems is clear. Enterprise, cooperation, and knowledge are the principles that govern organizations. Companies will soon be designed and managed as shifting clusters of internal enterprise units and self-managing teams. They will be connected together by interactive information networks into a dense web of alliances, including close working relationships between employees, customers, suppliers, competitors, and governments to form a seamless global economy. And this entire economic infrastructure will focus its energies on the pursuit of knowledge to advance social progress.

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