The dark side of enterprise silos, may the fusion be with you!

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Summary

Knowledge intensive businesses that are striving to be more dynamic are increasingly becoming hindered by siloed organisational structures. A number of leading enterprises have recognised these constraints and have adopted a network-centric[i] organisational design that is more in keeping with the knowledge economy. But, the vast majority of enterprises are still organised in ways that are deeply entrenched and influenced by yester-years industrial economy.

The organisational silo has singularly become the biggest constraint on competitive and innovative growth. An enterprise silo, by its very nature is a walled garden that engenders protectionism and self-interest type behaviours, particularly in times of stress.

As the rate of complexity, velocity and volatility increases, the more customer and other stakeholder focussed knowledge-based interactions are needed across organisational silos. A significant amount of tacit interactions are through emails, which does not lend itself[ii] to collaboration, knowledge sharing and decisioning. To make matters worse, the fashionable trend to be agile rather than adaptive is creating even more tacit interactions, without necessarily delivering the desired outcomes. In terms of evolution, the survivors to ever changing circumstances are those that are adaptive, where the fastest or the strongest do not necessarily survive.

As we all know, orchestrating tacit interactions across silos incurs high **costs of coordination** and leads to widening gaps between sensing and responding to ever changing circumstances. These 'sense' and 'respond' gaps can lead to lower market and revenue growth, and higher costs and residual risk. In the worst case, these sense and respond gaps can lead to 'unexpected' systemic failure such as the banking industry debacle witnessed over the past few years. Such monumental failure is often associated with poor transparency; the causality is materially attributable to an enterprise being organised around silos.

As the nature of these tacit interactions[iii] become more complex, the greater the stress is applied to silos throughout the enterprise, leading to unintended consequences:

- Slower time to value
- Slower time to respond
- Slower time to innovate

Why does this matter?

A knowledge intensive enterprise[iv], which is organised around silos, weakens competitive and innovative capabilities, and often results in the workforce being in a continual state of stress and unhappiness. If these conditions are the modus operandi at scale within the public and private sector then the Nation State would have stunted growth and bulging costs! Sadly, this is all too familiar across matured economies but let us be clear, this is 'mature' in the context of the industrial and not the knowledge economy. It is time to change, but more importantly it is critical that we change quickly to drive competitive and innovative growth.

What are we doing?

We are initially focussing on the Asset Management sector as it is knowledge intensive. It is also a sector undergoing significant competitive and regulatory change with a widening gap between the top and bottom competitors. The timing for moving our clients towards becoming an adaptive enterprise is now right for the following reasons:

- We have developed a blue-print and road-map called the Sense-and-Respond Maturity and Measurement model™ to guide an enterprise through the required stages to move from a siloed state to becoming truly adaptive. This capability is based upon **Key Sense Indicators** (such as advocacy, behaviours, choices, competition, complaints, crises, delays, dialogue, distress, empathy, escalation, events, expectations, groupings, importance, incidents, innovation, language, learning, likes, needs, outcomes, pathways, preferences, pricing, profiling, renewals, requests, retractions, satisfaction, scarcity, sharing, socialisation, timeliness, transactions, threats, urgency, withdrawals etc.) and **Key Response Interventions** (such as actions, advice, alerts, allocations, alterations, assessments, changes, collaboration, communications, controls, decisions, deletions, educating, escalations, explanations, explorations, filters, foresight, hindsight, ignore, insight, interactions, investments, investigations, isolate, issues, notifications, options, orchestrations, prioritisation, processes, reporting, resourcing, revert, risks, scenarios, suspend, tasks, transact, workflows etc.).
- The announcement by Marc Benioff of Salesforce.com at Dreamforce 2011 to use its cloud platform to deliver the technology to support the Social Enterprise (networked-centric organisation). Their force.com platform is designed to support joined-up working with real-time data, and just as importantly it has a 5GL[v] (5th Generation Language) for the rapid configuration of a knowledge worked solutions focused upon the needs and likes of their clients and other stakeholders.

As a result we have developed an Enterprise Value Management (EVM) application powered by our Sense-and-Respond Maturity and Measurement model™. EVM is designed to share and collaborate around information and knowledge within a networked organisation, delivering a human systems control centre for joined-up working servicing the end-to-end stakeholder.

Moonshot

Bye bye silos, hello to the fusion of experiences

The transition from siloed to adaptive enterprises is urgently required to accelerate competitive and innovate growth[vi]. Adaptability[vii] requires the fusion of all experiences inside and outside the enterprise to sense early and respond quickly[viii] to abrupt changes to customer and other stakeholder needs[ix]. To accommodate this transition the Sense-and-Respond Maturity and Measurement Model is a blueprint and roadmap aimed at helping enterprises transcend above siloed constraints to adapt better to exceptions and the unexpected.

As knowledge is the primary source of new value creation[x] it means a sense-and-respond enterprise is highly dependent upon the way knowledge is captured, applied and used for decisioning within its ecosystem, including stakeholder self-service[xi]. After all, the highest form of knowledge is for making decisions.

Treating knowledge as a working and measurable asset[xii] does mean there is a need to dispel the myth that it is an intangible. Knowledge must be represented as measurable working asset[xiii] [xiv], which is naturally of interest to both internal and external stakeholders.

As market and customer[xv] demands accelerate the rate of change, it is now clear that to retain a siloed organisation is no longer an acceptable risk, as the rising cost of coordination is simply causing too much systemic damage.

Resistance is coming from those with a vested interest in personal gain over and above anything else, including transparency. Those resisting change to move beyond silos could soon be regarded as dinosaurs with their days being numbered as enterprises transcend above the dark side to becoming network-centric for advance forms of collaboration, knowledge transfer and decisioning.

Context

FusionExperience[xvi] was formed in 2008 with the view to bringing new value creation to our clients. We are passionate about developing end-to-end solutions for enterprise adaptability. Our primary focus is the Asset Management sector and other complementary markets. Our purpose is to drive benefit to our clients through the experience we bring and our ability to deliver time to value.

We believe in continual evolution and enhancement of our capabilities through acquisitions and partnerships, bringing together new methods, technologies and skills that can meet the current and future needs of our clients.

Our strategy is to monetise and to accelerate the growth of our Intellectual Capital[xvii] (including Intellectual Property) through subscriptions. The foundation of our Intellectual Capital is a Sense-and-Respond Maturity and Measurement Model™. This model is actively being used to develop an intelligent enterprise platform for joined-up working.   As a result, this Intellectual Capital is stimulating our company growth within a period of severe recessionary conditions.

Triggers

Experiencing the adaptive enterprise

Sometime ago, the adaptive enterprise was reached by the leading banks in Capital Markets – here are just a few of the insights:

- **Time *to* value:** The shortest time a product was on the market before it was withdrawn because the margins were being squeezed was **4 hours**.

- **Time *to* respond:** Algorithmic trading as an early form of artificial intelligence was used to sense early and respond quickly to rapidly changing events within **1 second**.

- **Time *to* innovate:** The shortest time using advanced collaborative techniques to design a product including sign-off was **7 hours**.

Insights learnt from an adaptive enterprise

The early experience of an adaptive enterprise provided the following insights

- **Real-time data** outside[xviii] and inside the organisation is needed as part of the bedrock for becoming an adaptive enterprise

- **Real-time measurements** were needed for Key Sense Indicators and Key Response Interventions.

- **Coordination costs** need to be dramatically reduced or eradicated to sense early and respond quickly

- **Collaboration** outperformed individuals when designed around knowledge sharing and decisioning[xix]

- **Thought Leadership** is essential to foster competitive and innovative advantage through collaboration

- **Knowledge** is critical in the context of the data to make informed and timely decisions.

Overcoming the technology barriers to entry

- The major barrier to entry was the high costs and complexity of technology
- The launch of cloud-based social enterprise platforms in 2011 has collapsed these technological barriers to entry.

Overcoming cultural resistance to change

- Realisation that the biggest risk involved those people with a vested interest in not having transparency – this was not apparent until a pattern emerged in early projects that were being derailed by a plethora of people from subject matter experts to senior line management wanting to protect their hierarchical status.
- Dealing with transparency risk is a far more pragmatic way of overcoming cultural and behavioural barriers to change – hence the focus is now shifted to identifying transparency risk at the start of any programme to move from silos to a network-centric organisation .

Readiness of the Asset Management sector to tackle enterprise silos

- Many asset management companies have commoditised operational efficiency and effectiveness often through third party administration
- The remaining major variable to tackle is the way people work. In other words, it is about knowledge workers and their ability to create socioeconomic value.

Key Innovations & Timeline

Knowledge Exchange

- **1997-1999:** developed a knowledge trading exchange for the trading of Knowledge Assets[xx], which was underpinned by real-time data and micro-finance with similar capabilities as witnessed in Capital Markets
- **2000 – 2008:** pioneered ecosystem of artificial agents that engaged with humans through dialogue[xxi] underpinned by real-time analysis of the dialogue flows and outcomes[xxii]

- **2009 – 2010:** engaged in developing multi-channel and multiple touchpoints persona-based experiences within an end-to-end value stream (customer to best fit outcome)
- **2010 – 2011:** repurposed the knowledge exchange to be part of Enterprise Value Management (EVM)
- **2011:** engaged with the first clients using the Sense-and-Respond Maturity Model with knowledge exchange.

Sense-and-Respond Maturity and Measurement Model

- **2001 – 2004:** developed a model for business adaptability powered by sense-and-respond that involved seven elements (1. Rules of Engagement 2. Contact; 3. Signals; 4. Interactions; 5. Events; 6. Memory; 7. Sense and Respond). This model was sometimes called the Elemental Organisation.
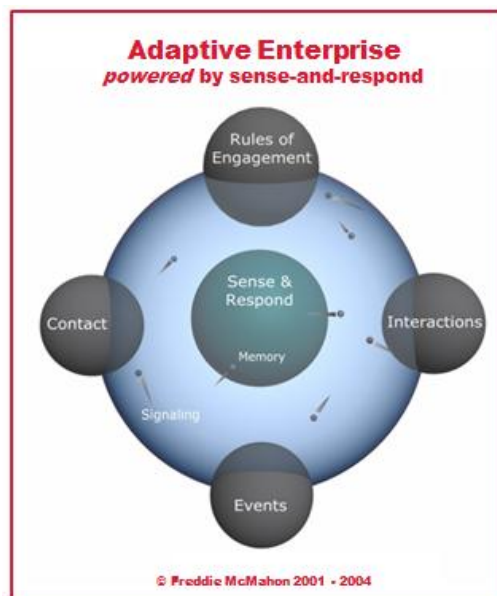
- **2005 – 2010:** applied advanced forms of customer experiences and engagement using all seven elements of the above model
- **2009 – 2011:** developed Sense-and-Respond Maturity and Measurement Model consisting of Level 1 Siloed; Level 2 Network-Centric; Level 3 Demand-Sensing; Level 4 Predictive; Level 5 Adaptive. This model was tested with targeted clients before public disclosure.
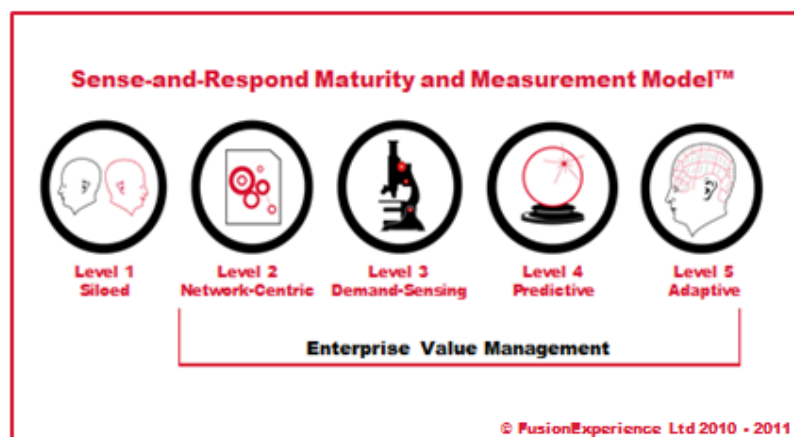
Our Sense-and-Respond Maturity and Measurement Model is a FusionExperience tool designed to assess and evolve the corporation's ability to sense early and respond rapidly to changing events so that new value can be created. The measurements are based on real time lead indicators such as indices, ratios and leader boards designed to support proactive management. The model focuses upon Key Sense Indicators and Key Response Interventions, which are sometimes referred to as When-Do.

●   **2011:** engaged with first clients; adoption of Lead Indicators and Leader Boards; mind shift change from reactive to proactive management; used advanced form of interactive visualisation[xxiii] for demand-sensing; behavioural shift from siloed (Level 1) to demand-sensing (Level 3); adoption services used to accelerate behavioural changes; started the embryonic development of Level 4 predictive; started looking at creating an ecosystem of artificial agents for handling sense indicators and response interventions.

Enterprise Value Management

●   **2011 – onwards:** developed EVM app using force.com; the design is driven by Sense-and-Respond Maturity and Measurement Model, which includes collaboration, knowledge transfer, decisioning and measurements for top-down and bottom-up usage. EVM is an intelligent enterprise platform for joined-up working that:
    •   Embraces the needs and likes of clients and other stakeholders
    •   Unlocks the knowledge from the power of many
    •   Incorporates collaborative decisioning from edge-to-edge (stakeholder-to-outcome)
    •   Uses lead indicators and leader boards for proactive decisioning and engagement
    •   Enables real-time deep transparency
    •   Generates emergent patterns to drive insights and value
    •   Adapts to ever changing circumstances using lead indicators and response interventions.
●   **2012:** launch major campaign.

Average Employee EBITDA

- **2011:** analysed Asset Management sector knowledge worker performance[xxiv], which showed a widening gap between the top and bottom competitors. Using Average Employee EBITDA[xxv], we found that there was a 15.2 times difference.
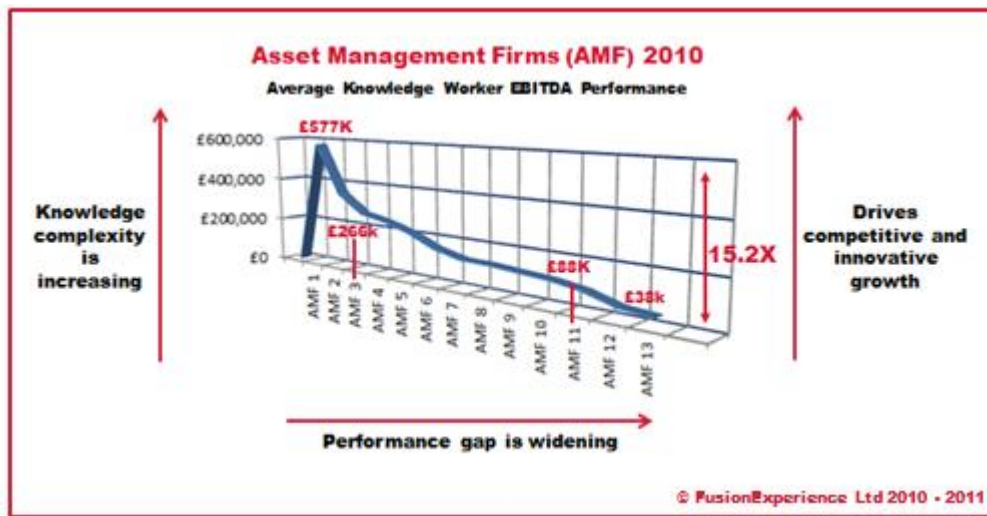
- Important Asset Management Sector insights:
    - Client needs and likes are more demanding[xxvi]
    - Knowledge continues to grow in complexity
    - Knowledge worker performance gap is widening *(15.2X – see above)*
    - Major advances in the real-time 'social enterprise'
    - Market shift underway towards network-centric firms
- Using these insights to engage with the sector re: EVM.

Challenges and Solutions

Understanding the Power of a Universal Measurement

- **Challenge:** resistance of using average employee EBITDA as a single universal measurement for knowledge worker performance – the primary argument is the deployment of different business strategies within the same industry.
- **Solution:** ready acceptance that one singular measurement has strengths and weaknesses; one strength is that it is universal and agnostic to market engagement strategy.

Understanding Resistance to Transparency

- **Challenge:** resistance by those with a vested interest in maintaining poor transparency.
- **Solution:** used the Sense-and-Respond Maturity and Measurement Model to show that remaining at Level 1 is an increasing risk; move conversations to C-Level and find sponsor, champion and steering committee to take ownership.

Understanding the Costs of Coordination

- **Challenge:** enterprises typically do not measure the costs of coordination.

- **Solution:** once cost of coordination is explained it is readily understood. However, a lot more time needs to be allowed to deal with the deep rooted negative emotions that emerge of being unconnected.

Understanding Knowledge Assets

- **Challenge:** enterprises typically do not measure knowledge assets and their usage.
- **Solution:** focus on executive adoption of 'not reinventing the wheel' and 'making the known available by all'.

Understanding Sense-and-Respond

- **Challenge:** requires an executive rethink.
- **Solution:** lots of educative sessions; allow time for people to tell their stories of what it is like to be unconnected; witnessed deep latent frustration and stress about the high costs of coordination.

Understanding 5GL "point & click"

- **Challenge:** there is a paradigm shift in terms of software economics when moving from 3GL and 4GL to 5GL, which removes many traditional technology constraints on the business.
- **Solution:** lots of educative sessions; show rather than tell; understand the threats to traditional IT; sometimes failed because of CIOs want to protect their empire – in frustration produced a video Can You trust Your CIO? http://www.youtube.com/watch?v=37gybMFfy9Q

Understanding the need for Behavioural Change Experts

- **Challenge:** resistance to spending money on behavioural change experts as part of the team.
- **Solution:** win small engagements and use the voice of the employee as evidence.

Benefits and Metrics

- Strategic and tactical investment for high performance working
- Deep real-time transparency for
    - Lead indicators and leader boards
    - Systemic governance, risk and compliance (GRC)
- Reduce the cost of coordination to accelerate
    - **Time** *to* **value**
    - **Time** *to* **respond**
    - **Time** *to* **innovate**
- Average employee EBITDA

NB. Dynamic metrics have been identified, are being implemented in stages and reported on using advanced forms of interactive visualisation to identify emergent patterns and flows.

Lessons

- **The dark side of silos:** enterprise silos are deep routed and are being safeguarded by vested interests that are driven by personal preferences and typically not for the benefit of stakeholders.
- **Latent emotions about being unconnected:** as discussions increase around the barriers that organisational silos create it is like opening a Pandora's Box for knowledge workers to vent their frustrations of feeling isolated and constrained in the way they work. Once collaboration starts to happen at scale then the opposite happens as the 'tyrants and bullies' become isolated.
- **Systemic failures:** an enterprise that retains silos to the detriment of transparency is at risk of being exposed to systemic failure at any time. Sadly many internal and external experts have a vested interest in retaining the status quo as change brings greater sharing of knowledge.
- **C-Levels too easily accept lag reporting:** in many sectors, as a person climbs up the hierarchical ladder they are rewarded with increasing delays in management reporting. Reporting logistics become very stretched by the time one reaches an executive level.
- **Measuring Intangibles:** the most critical intangible is knowledge. This is measurable. The excuse of not measuring intangibles is over. The implications for investor reporting are huge but the major accounting companies are simply too behind the curve.

These lessons have led to many competency-based observations – here are a few of the more 'controversial' opinions:

- **The harm of MBAs:** There is an army of MBAs that have been taught to think the wrong way – helping people think different is a challenge, but it is being made far more difficult because educational establishments and corporate training are typically stuck in the past and indeed work in silos themselves.
- **HR is trailing behind:** new rewards and incentives are needed to recognise meritocracy within a network centric organisation. The emergence of enterprise gamification[xxvii] designed to influence high performance using contextual rewards does require executive sponsorship and eventual backing from the Remuneration Committee. This requires HR (Human Resources) to champion new rewards and incentives in a way that changes job descriptions, performance appraisal and remuneration packages. There are many that feel Human Resources leadership is generally lacking the competencies to lead such change.
- **European CIOs:** there is too few enterprise CIOs that are business first, technology second[xxviii]. However, there are signs that this is changing quickly as business led technologists gain more credibility.

Tags

- 5GL
- Adaptive Enterprise
- Artificial Agents
- Automated Dialogue
- C-Level
- Collaboration
- Enterprise Value Management
- Executives
- Knowledge Exchange
- Knowledge Transfer
- Knowledge Worker
- Innovation
- Intangibles
- Intellectual Capital
- Intellectual Property
- Gamification
- Response Interventions
- Sense-and-Respond
- Sense Indicators
- Siloed Organisation
- Social Enterprise
- Socioeconomic
- Systemic Failures
- Systemic Governance, Risk and Compliance
- Transparency

References

[i] Enterprise Knowledge Networking is referred to in the popular press as social networking. "The Wisdom of Crowds: Why the Many Are Smarter Than the Few and How Collective Wisdom Shapes Business, Economies, Societies and Nations", published in 2004, is a book written by James Surowiecki http://en.wikipedia.org/wiki/The_Wisdom_of_Crowds

[ii] Atos Origin, Thierry Breton, CEO "Email is no longer the appropriate tool. It is time to think differently. Source: French Company to Ban Email http://tiny.cc/rguyz

[iii] The McKinsey Quarterly 2006, Number 2: 'Competitive advantage from better interactions' by Scott Beardsley, Bradford Johnson and James Manyika

[iv] The Nobel Laureate Douglass C. North in his book 'Institutions, Institutional Change and Economic Performance' covers the extent of economic and knowledge change and its impact upon institutions.

[v] 5GL is based on configuration of software using point and click, without the need of writing software code.

[vi] Analysis extracted from the Insead Business School: Global Innovation Report 2009 to 2010; Knowledge Capture and Knowledge Application are critical parts of their rating method.

[vii] 'Adaptive Enterprise – Creating and Leading Sense-and-Respond Organizations' authored by Steve Haeckel and Adrian Slywotzky http://tiny.cc/ihhwg

[viii] Building Sense and Respond Supply Chain Networks' Editorial Staff Supply Chain Digest, 17 June 2010

[ix] Forrester Research study called 'Measuring the total economic impact of customer engagement'

[x] 'Cybercorp – the new business revolution' by James Martin

[xi] For example: Engaging customers using insights to deliver superior experiences – evidence based on Forrester Customer Experience Index 2010 showed top 10% companies actively used loyalty programmes in this way. The Top 10%: **Retailers:** Barnes & Noble, Amazon, Kohl's, JC Penney, Macy's, BJ's Wholesale Club, Costco Wholesale; **Hotels:** Marriot Hotels & Resorts, Hampton Inn/Suites, Holiday Inn Express, Comfort Inn, Hilton; **Financial:** Credit Union.

[xii] Economics Intelligence Unit 'Innovation: Transforming the way business creates' 2007

[xiii] 'Working Knowledge' by Thomas H. Davenport and Laurence Prusak

[xiv] Harvard Business Review, 'Just in Time Delivery Comes to Knowledge Management', Thomas H Davenport and John Glaser

[xv] The Forrester Wave: CRM Suites Customer Services Solutions, Q3 2010; Gartner Group: Magic Quadrant for Web Customer Service, 10th September 2010

[xvi] http://www.fusion-experience.com/

[xvii] 'Intellectual Capital: Realizing your company's true value by finding its hidden brainpower' by Leif Edvinsson and Michael S. Malone

[xviii] Large volumes of outside data have recently been called 'Big Data'. Source: 'Data, Data Everywhere', a special report 27th February 2010 published by the Economist

[xix] McKinsey Research: The Next Revolution in Interactions by Bradford Johnson, James Manyika and Lareina Yee 2005

[xx] A Knowledge Asset has similar characteristics as a book comprising of a Wrapper and Content. This provided the basis for internal commoditisation and measurement of the Knowledge Asset.

[xxi] A recent example of an artificial agent engaging in dialogue with humans is Siri, which was launched as part of Apple's iPhone in 2011.

[xxii] This work was done using tools from Decisionality Ltd called DecisionFlows and DecisionMetrics.

[xxiii] Used Fractal Maps for interactive visualisation as it supported real-time analysis and supported any number of dimensions needed to support a 360⁰ perspective.

[xxiv] The case of using average employee EBITA was referenced by McKinsey Research: The Next Revolution in Interactions by Bradford Johnson, James Manyika and Lareina Yee.

[xxv] EBITDA is an acronym for earnings before interest, taxes, depreciation, and amortization.

[xxvi] FusionExperience White Paper 'A Customer-Centric Paradigm Shift in the UK Pensions and Investment Industry'; Author Freddie McMahon, Published January 2011

xxvii Gamification is a term being used that applies gaming-theory to incentivise and reward behaviour. Most activity has been in the form of new types of customer loyalty schemes, but more recently enterprises have started to adopt gamification principals for their workforce. Source: Forbes 'Gamification Gets Down to Business' 15th September 2011 http://tiny.cc/7tcy4 refers to gamification initiative within SAP.

xxviii Can you trust your CIO? Freddie McMahon Video http://tiny.cc/qpofx