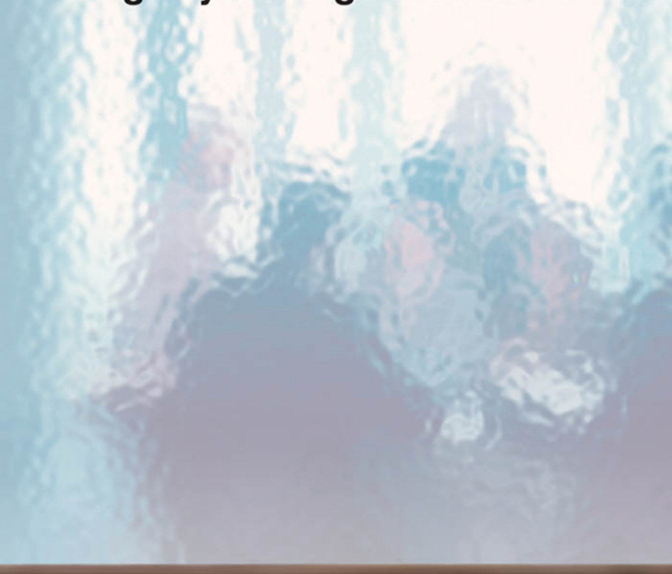
ZERO SPACE

Moving beyond organizational limits



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An Excerpt From

Zero Space:
Moving Beyond Organizational Limits

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Preface

No more limits. Can it be true? We believe it is. Take a look around you. We are witnessing the end of the organization as we know it. We are moving toward a time when organizations mean . . . well, nothing. Just as knowledge flows faster than business's ability to capture it, so innovative businesses evolve faster than their managers' ability to imagine new and more suitable organizational forms.

We are moving into an age when zero rules. In the old economy, zero meant nothing; in the knowledge-based economy it means everything. We talk about zero stocks, zero lead time, zero response time, zero emissions. For many companies these terms define the future; for others, they pose a seemingly insurmountable threat to the very foundations of business thinking. Cutting-edge Internet companies say the revolution has already been won; companies still anchored in traditional business environments ask themselves who these upstarts really are. Enthusiasts say the future is already here; skeptics feel they are being forced to leap before they have had a chance to look.

Change, it would seem, is not only far more rapid than at any other time in business history but also far more radical. Much of today's change is due to new insights into the true wealth of a company. Tangible assets—the bastions of the old economy—are becoming less important and there is a new awareness of the significance of intangible assets. The value of a company no longer derives from stocks, machinery, and buildings but rather from knowledge, competencies, patents, and client focus. This shift is clearly illustrated by the growing disparity between declared book value and the value the market places on a company. When Steven Spielberg, Jeffrey Katzenberg, and David Geffen started DreamWorks the company had declared assets of $250 million, but the market valued the company's shares at $2 billion.[1] Successful companies—those valued highly in the markets of the world—are realizing that they must not only gain value in physical space but also create wealth in virtual space.

In the knowledge-based economy, however, nothing is black and white. There is no clear demarcation between the real and virtual worlds. Even the most dedicated virtual operation must at some time enter the real world. Most goods and services remain tangible products, and ultimately they must reach real-world customers. The true challenge for managers is to understand the changes and approach them with an open mind, in every aspect of their business.

All-Brain, No-Body Organizations in Action

Donna Dubinsky, coinventor of the Palm Pilot and founder and CEO of Handspring (www.handspring.com) says: "Our company outsources as much as it possibly can—all manufacturing and distribution, for example, gets done elsewhere—in order to keep its innovative core as small as possible. When I joined Apple in 1981, I was employee number 2,588, and we were doing just over $200 million in annualized sales. At Handspring, we hit $200 million in annualized sales with about 250 employees. In other words, today you can do the same business with one-tenth of the staff."[2]

It's the all-brain processes that add value to a company. They are the intangible assets that make up a company's weightless wealth.

And just as organizations will have to exist in less tangible, less prescribed forms, so will our thinking. We have traditionally allowed ourselves to think in boxes, in compartmentalized, sealed territories. Unless we clear our minds of such ideas—ideas that cage us into the past—we can never hope to spread our wings and fly.

Before Memory

In Zen no meaning is great meaning, and great meaning is no meaning. We call this zero mind. I go around and ask, “Is zero a number?” One time in London I asked this, and somebody said, “Yes, it's a number.”

So I said, “If you say zero is a number, you can do everything. Let's look at this: 9 x 0 = 0. Then, 9 = 0/0. OK? If you say it's a number, then 0/0 = 1. So 9 = 0/0 = 1, and 9 = 1.”

Then he said, “Ah, zero is not a number; that's not possible. To get 0/0 = 1 is not possible.”

“OK, not possible is OK. Then, 9 x 0 = 0. That means 9 = 0/0. And 10,000 x 0 = 0. Then 10,000 = 0/0. Then 0/0 means 0/0 = 10,000 and 0/0 = 9. So 9 = 10,000.

“Zero mind can do anything. If you say zero is a number, that's OK. If you say zero is not a number, that's OK. It doesn't matter. Zero is everything; everything is zero. This is Zen mathematics. So zero mind is very interesting. If you keep zero mind, then you can do everything.”[3]

Why We Wrote This Book

When the dot-com bubble burst, managers and entrepreneurs stopped talking about the distant future and started talking about “just” tomorrow. Gone was the desire to make grand plans; instead, managers became content to dream small dreams. They allowed themselves to return to business as usual, in the sense that they reached for the management tools they had been using for decades. The result was centralization, concentration, owning, and “hire-and-fire” policies. In our opinion, this was a vast step backwards.

So we developed a concept to help managers move forward once again. The concept, which we call *zero space*, allows people to leave their comfort zones and get past the limits in organizations.

- They will understand the complexity of today’s organizations and their limitations to continued success.

- They will reexamine preconceived notions about what makes an organization successful.
- They will go beyond the quick fix on organizational issues and focus on the architecture of the organization, its boundaries, and its people.
- They will design and imagine an organizational approach that suits them and their business.

Audience

This book is intended for CEOs, managers, and consultants who are constantly challenged to move beyond organizational limits—create less interference, demolish "walls," and eliminate barriers in order to (dis)organize for success. Only when people are challenged and move outside the comfort zone—and break through to the other side!—can they operate confidently and successfully in zero space.

Acknowledgments

We are grateful to many people. First and foremost, we are indebted to Raymond Yeh, Keri Pearson, and George Kozmetsky, whose zero time concept inspired us to ask ourselves the crucial question: "Just how zero-minded can you get?"[4] We had to clear our minds of all barriers and take a giant step.

Yeh, Pearson, and Kozmetsky paved the way for twenty-first century companies to become zero time companies: "Just being faster is not enough. To win, we must see differently and act instantly. We must operate in zero time."[5] But we believe that our concept of zero space provides a more achievable step toward an integrated perspective on new organizational forms for company success. Apart from adding some—in our view fundamental—"zeros" to the zero time concept, we have made an attempt to create a transparent model that can be applied today.

In our journey into zero space we were extremely lucky that Jonathan Ellis—an outstanding professional and a true confidant—was willing to join us and be our guardian angel in our quest to "boldly go where no man has gone before." It is rare to come across a person as unique as Jonathan.

Our thanks must also be extended to Jim Lee of CTTS Information Services, Los Angeles, who helped with our section on the emergence of Internet communities in chapter 15.

Many others helped in the preparation of this book, including our colleagues at KPMG Knowledge Advisory Services, the incomparable Joie van Tilburg-Rose, Pepi Rozendaal, and many other colleagues. We especially thank our friends in KPMG's IRC unit for actively chasing down the information, articles, and other references that we needed.

We dedicate this book to our partners Petra and Marie-José, who provide us the caring, sharing family community that we need to thrive in zero space, and our children Hidde, Siebe, Jeroen, Marlies, Matthijs, Ceder, and most recently Wicky, who continue to enrich our lives. We also wish to remember Piet van Rooijen of Noordwijk, the Netherlands for his lifelong friendship.

Finally, we are indebted to our agent Hans Ritman, our publisher Steven Piersanti, five critical reviewers, our editor Sandra Beris, and all our friends at Berrett-Koehler for their creative and constructive but sometimes frustrating suggestions.

We have benefited from the writings of other observers of the business scene, whose efforts are annotated in the text. It is truly inspiring to work among such great professionals and innovators.

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Amsterdam, The Netherlands

Part I

The Power of Zero Mindedness

1

Zero Rules

Marketplaces are changing. Even our definition of doing business is changing. And unless organizations change too, their chance of success decreases by the minute. This is something fundamentally different from the reorganizing that many companies did too much of in the past. The focus is now on sustainable growth and unlimited potential.

Moving the Organization into the Knowledge-Based Economy

Traditionally, a company involved a number of employees who worked in a series of corporate buildings and supplied a product or a service in a well-defined marketplace. Today, that is no longer how companies are defined. They are in constant flux, looking for new ways to add value anytime, anyplace, anywhere. And it is obvious that this new fluidity cannot be put into an old organizational bottle.

The most significant reason for this change is the move to the knowledge-based economy. Knowledge-intensive companies are no longer the exception; they are the norm. And knowledge companies find that they cannot hem themselves into traditional buildings and rigid organizational structures. Today's business possibilities seem endless—and so do the work possibilities. With the rapid dissemination of IT, professionals are no longer bound by time or space. The twenty-four-hour economy has made the former archaic; working on-line or off-line has made the latter meaningless. Mobile phones, laptops, Internet access, e-mail, these are far more important in the knowledge-based economy than are buildings or desks.

Although some people thrive on such unlimited possibilities, others—perhaps most—feel threatened by them. They are afraid that they will lose their sense of belonging, that they will soon be working for a company with no true identity. They fear that they will simply float across some endless, uncharted sea. The fear of isolation increases, and they have nothing tangible on which to rely. The boundaries that have long prescribed their world are disintegrating. The traditional divisions—insourcing and outsourcing, lines of authority and responsibility—are becoming so vague as to be virtually irrelevant.

Some fear that if the boundaries are removed, the company will cease to exist. For, they maintain, boundaries define the company. But today's business environment does not allow for comfort; boundaries must be constantly questioned, redefined, and transcended. So the question that must be answered is this: Where does an organization start and where does it end?

As former labor secretary R. B. Reich wrote, the challenge for management today is to turn old-line companies into on-line companies.[1] The Greek philosopher Heraclitus once said that you could never step in the same stream twice. Today, the stream of business is becoming a torrent, sweeping companies forward. They may not know where they're going, but they do know there is no benefit in trying to fight the currents.

For many years, management concentrated on the business of relations: *customer relations, public relations, employee relations*. All were aimed at one thing: maintaining the status quo. Any disturbances—whether internal or external—had to be eliminated, any turbulence had to be calmed. Reich calls those who manage these relations *heat shields*.

"Think of them as heat shields," he writes, "who dampen, deflect, or moderate the demands coming from inside and outside the organization, telling the company that it has to change. In the knowledge-based economy, heat shields, who think that they are the company's staunchest defenders, become the company's worst enemies—by protecting it too well from demanding customers, clients, and constituents."[2]

Heat shields, like boundaries, can no longer be tolerated. Although it may have been possible for them to protect a company's tangible assets, they have little effect on intangibles. Knowledge, information, ideas, and concepts all flow freely, ignoring artificial barriers.

Yet if companies traditionally gained their identity by setting up boundaries—between themselves and the competition, between one marketplace and another, between one department, division, or even business unit and another—and guaranteed their ability to function by creating rigid organizational structures, how will they work in a world in which the very scaffolding of structure is being dismantled?

A True Shift?

The industrial revolution occurred when we stopped using agrarian models to run the agrarian and industrial sectors. However, the industrial model did not push the farmer model off the stage. Rather, it merely joined the agrarian model in the limelight.[3]

In the same way that technologies evolve faster than a business's abilities to absorb them, businesses evolve faster than their managers' abilities to develop new and more suitable organizational forms. And so we repeat the question: Where does an organization start and where does it end?

The answer is in *zero space*. In zero space, all matter—whether tangible or intangible, large or small—is linked. Value networks exist at every level. Such networks—fluid, adaptable, changeable, challenging—replace the rigid structures of the old industrial thinking.

So is zero space a void, a vacuum, in which there is a total lack of control?

M. J. Hatch uses improvisational jazz as powerful metaphor to describe empty space in organizations. Although there is a harmonic structure, it does not restrict the performers but rather frees them. It is a structure that supports but does not specify. Jazz musicians never accept the status quo; the structure is there for them as a guideline but they want to investigate the freedom, not the restrictions. In jazz, *not* playing structures—just allowing the structures to remain implied, a basis—creates the space a musician needs to improvise in.[4]

Quantum Thinking: Vision Thinking in Practice

"Quantum thinking is creative, insightful, intuitive thinking. It is the kind of thinking with which we challenge our assumptions, break our habits, or change our mental models, our paradigms. It is the kind of thinking that invents new categories of thought, that creates new patterns and new language. . . .

"Quantum thinking has the capacity to question itself and to question the environment. It is called into play when the unexpected happens, in situations of crisis or opportunity when our rule-bound and habit-bound thinking can't cope. It is being able to see that existing categories don't work, being able to put those categories on hold, and then being able to create new categories, some of which involve new meaning. It is our ability to do this kind of thinking that makes us *truly human*, and it arises from the deepest recesses of the self. But using this ability requires that we step outside our usual thinking or usual paradigm. It requires that we gain a further perspective from which we can see the thinking behind our thinking."[5]

For companies in the knowledge-based economy, structure or organization must become implicit rather than explicit. There must be room for intuitive thinking, for a spontaneity that enables organizational members to anticipate and proactively sense the opportunities that depend to a large extent on their ability to improvise. The organization must create space that allows for flights of fancy and creativity. Creativity is a natural function of the mind, as natural as breathing.[6] Thinking outside the box, where there is room for surprises and creativity, will determine the structure; strategy, which largely depends on a strict plotting of events, will no longer be something planned in advance but rather something that evolves naturally. After all, how do you chart a path through unknown territory?

According to Richard D'Aveni, professor of strategic management at Dartmouth College, "Say Lewis and Clark want to go West. They know there is a general direction of progress for their industry. That's all they know. So they climb the first hill and when they get to the top they look around and point to the next hill in the general direction and say to themselves: 'That looks reasonably easy to climb,' and they set off in that direction. Is it the most efficient way to move? To find a path from one hill to another? Most probably not. But in the end they stumble onto things that they most probably wouldn't have come across if they had got a map and planned the shortest path from A to B."[7]

In today's rapidly changing times, we sometimes feel that we are not only in uncharted territory but also surrounded by a thick mist. Signposts loom up before us; we must be flexible enough to change direction at the shortest notice. But that is virtually impossible if our companies are straitjacketed into strict, formal hierarchies.

Zero space offers freedom of movement, freedom of operation, freedom to allow fantasy to take us into new territories where we can achieve our business goal of adding value.

Sharing Space

Just as organizational boundaries are becoming increasingly blurred, so too are the boundaries between market areas. Companies no longer compete in clearly defined market areas but rather in abstract space. The old concepts of personal space, of invading space, will be relegated to the past. In their place must come the awareness that no company will ever again be able to dominate one area of business space. No company can "own" space; all have to learn to share it. Mahanbir Sawhney, professor of electronic commerce and technology at Northwestern University, and David Parikh, management consultant at PRTM, Silicon Valley, write, "The Net has destroyed the old lines dividing businesses, markets, industries, and geographies."[8]

As companies transform themselves into zero space organizations the true challenge is not just to exist in that space but also actively to share it. Intangibles—knowledge, ideas, concepts—are the new corporate assets. Ideas have never recognized borders. Concepts have always leaped continents. And knowledge is more swiftly disseminated throughout the world today than at any time in our history.

Any organizational structure must recognize this free flow of ideas. While ensuring as much as possible that these intangibles first add value to the company's own operations (that is, after all, the very reason for being in business), it must also eliminate the constraints that can impede the flow between people operating in the same space.

Many companies have been persuaded that networks, whether electronic or personal, are the answer to all their problems. And indeed, networks can engender a feeling of belonging. But if they are to be successful, they must be accessible to everyone. The danger that we are constantly seeing is that such networks are used to *share* an experience rather than to create a *shared* experience. The difference is not just a play on words; it is a fundamental attitude that must be addressed very seriously indeed.

Zero space organizations operate independently of time, geography, and matter. They help define the shared space in which knowledge, people, and technology can constantly combine and recombine. They provide ever-changing, ever-evolving connections that are the basis for a shared experience.

Zero Real Estate: The Platform of Space

Michael J. Young is managing partner of global real estate programs for Accenture, a global provider of management and technology consulting services and solutions. He writes: "We no longer think of real estate. We think of creating the platform of space, technology, and services that people need. Work is not where you are, it's what you do."[9]

2

The Currency of Zero Space

Two friends meet for a drink. As they leave the bar, one of them realizes he has no cash on him. His friend gives him $10 for his cab fare home. So now that friend has $10 less while the other has $10 more. During their evening together, the two shared a lot of thoughts. One friend told the other about an idea of his, and the other did the same. Now both friends are one idea richer, but neither is an idea poorer.

Sharing knowledge enriches people, and it also enriches companies. It is a situation in which one plus one is always infinitely more than two. So companies must allow ideas and knowledge to move freely, for then this knowledge can multiply and add value.

But many managers still believe that knowledge withheld is power. So companies in which knowledge is shared freely must prove that they have the advantage over those that hoard or hide it. Furthermore, they must understand when to share and when not to share knowledge.

Sharing knowledge is a critical business success factor because it raises the level of quality thinking. But in any organizational setting—whether off-site or on-site, off-line or on-line, physical or virtual—the longer knowledge has been around, the less valuable it usually is. The so-called decay factor makes knowledge stale, out of date, obsolete, superseded, or even incorrect.[1] Every individual's knowledge is strongly challenged by the decay factor. The sell-by date of certain professional knowledge (about stocks, information technology, people) is extremely short. That's why a brain-connecting approach that focuses on freely communicating valuable knowledge can inspire and persuade people to share their views and their knowledge.

Four Types of Companies Today

The potential for adding value is a crucial ingredient for success. We call this the knova (knowledge value) factor. It is determined by two factors: a company's knowledge intensity and the service level it provides. As shown in Figure 1, we have defined four broad categories of companies today: the industrial production company, the service-providing company, the knowledge-creating company, and the value-adding knowledge company.

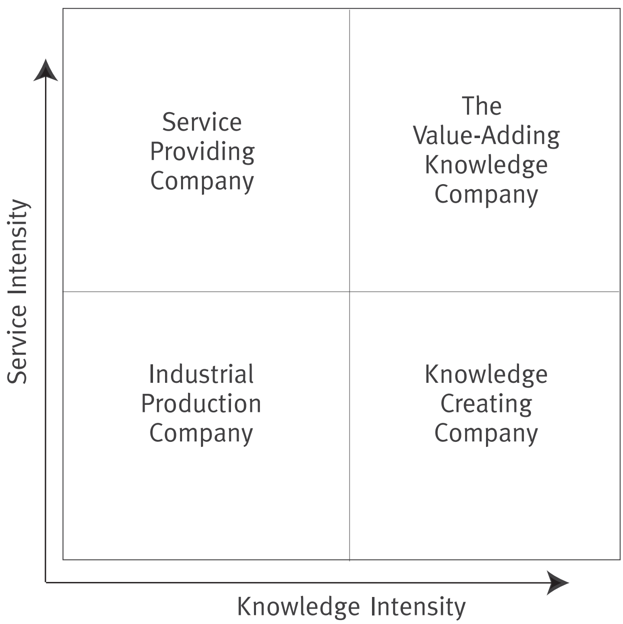

Figure 1. ***The Knova Factor***

Source: R. Tissen, D. Andriessen, and F. Lekanne Deprez, *The Knowledge Dividend: Creating High-Performance Companies Through Value-Based Knowledge Management* (London: Financial Times/Prentice Hall, 2000), p. 9.

Industrial Production Companies

Examples of old-style industrial companies are getting increasingly difficult to find. Even producing a simple beer can require an enormous amount of knowledge.[2] So even production companies are having to get more knowledge-intensive.

Service-Providing Companies

A typical example of a service-providing company is an employment agency. These agencies originally emerged to satisfy the need of many companies for additional staff. It was often time consuming for companies to recruit temporary staff by themselves, so they avoided the hassle by turning to an agency. This was particularly true when staff was needed for only a limited period—to take over work from an employee on holiday or maternity leave, for example—and therefore could not be offered a full-time contract. However, contingent workers can be useful in a number of less traditional ways. Nowadays, there is part-time work, temporary employment, employee leasing, self-employment, insourcing, outsourcing, and home-based work. Virtually any work arrangement that might differ from the commonly perceived norm of full-time salaried job falls under the rubric of contingent work today. However, agencies do even more than provide these different types of workers. They have recognized that a high level of service is vital in what is becoming a highly competitive industry. How they supply staff has thus become more flexible; they may be offered for temporary work but also for longer periods on a contract or even for permanent employment.

The market for employment has become more transparent. It is easier for potential employers to reach potential employees than ever before. The Internet is proving particularly suitable for bringing together employer and employee. The agencies are under pressure; their traditional services are no longer enough to guarantee them future stability. So in order to continue adding value for their customers, they too have had to become more knowledge-intensive—that is, have a greater knowledge of both the candidates and the vacancies so a perfect match can be made. For this, increasingly sophisticated information systems are being used. In addition, many agencies are increasing the services they offer their clients by introducing training for the candidates, organizing seminars, and even establishing schools and academies for potential candidates.

Knowledge-Creating Companies and Value-Adding Knowledge Companies

I. Nonaka, H. Takeuchi, and K. Umemoto write: "Creating new knowledge is . . . not simply a matter of learning from others or acquiring knowledge from the outside. It has to build on its own, frequently requiring intensive and laborious interaction among members of the organization. . . . Western managers need to 'unlearn' their old mode of thinking that all knowledge is explicit and can be acquired and taught through manuals, books, or lectures."[3]

In their groundbreaking book *The Knowledge-Creating Company*, Nonaka and Takeuchi stress the importance of knowledge creation in modern companies.[4] But as the knova factor indicates, this is not enough. Companies are not in business to create knowledge but to add value. The knova factor shows that for a company to be successful in the emerging knowledge economy it will not be enough to concentrate on increasing either service levels or the knowledge intensity of its activities. Rather, both the level of service and the level of knowledge content need to increase to allow a company to move to greater success.

For many years, Amsterdam's Schiphol Airport has been nominated by international travelers as the best airport in the world. On the surface, the airport provides the same facilities as airports anywhere in the world: runways, terminals, service areas. Its success is the result of an ongoing determination to put the customer first. Management has the ability to see service and business through the customer's eyes. Attention has been given to matters such as signposting, space, light, convenient transfer support, train connections, and just plain fun. Passengers in the terminal can enjoy a wide range of facilities, including shops, offices, hotels, showers, restaurants, even a casino. The Schiphol Group, which manages the airport, knows how to create and exploit airport cities. It has successfully transferred its unique experience and expertise to other international airports, such as JFK in New York and Brisbane Airport in Australia. It is a value-adding knowledge company that not only services its customers best but exploits its unique knowledge and experience on a worldwide basis.

Owning Versus Sharing Knowledge

As knowledge becomes something that is shared, how can companies gain a strategic advantage, even for a short period of time, from the core knowledge they have at their disposal? When we break down the organizational barriers impeding the exchange of knowledge, we also destroy the barriers that protect our core knowledge from our competitors. Is there any way to maintain a strategic advantage when knowledge is freely available to everyone?

For a company to add value successfully, it needs access to knowledge that it can use to its own advantage. Already many companies are discovering that patents and copyrights are a profitable source of income. These intangible assets—once simply considered a means for production and protection—have become increasingly valuable because of the potential they offer companies to add value. But the protection of patents is short-lived and under pressure. Copying is just a click away and cannot be controlled.

Traditionally, many companies invested a considerable part of their income in fundamental research. In a closed industrial age environment, such investments were essential. Speed was not as important as technological in-house knowledge. Progress was made slowly, at a pace dictated by technology rather than by customers.

Today, that has changed. Markets lead. Successful companies anticipate or follow as swiftly as possible. Therefore, strategy and strategic thinking is “in” and not “out.” Cor Boonstra, former CEO of Royal Philips Electronics in The Netherlands, was wrong: strategy does not equal market demand. It is no longer a question of supply and demand, but rather of demand and supply. Companies cannot wait for knowledge; they must have instant access to it. And they must have access to exactly that knowledge which they require at this specific moment. Not tomorrow, but now. Instantly. In zero time.

Thus, companies must not only have access to knowledge but actually own it, even if only for a short time—the time they need to get a head start on the competition.

To do this, they must adopt a policy of constant change. Acquisitions, joint ventures, knowledge alliances, and partnerships are no longer undertaken to expand a corporate empire but rather to acquire knowledge that complements existing in-house knowledge and can increase returns.

The drive to own knowledge, however, should never become an end in itself. A company's success is not measured in the amount of knowledge it owns but rather in the way it uses that knowledge to add value. Being able to use knowledge is far more important than being able to create knowledge. In fact, some of today's leading companies are witnessing a glut of knowledge. Jennifer Brown, vice president of Fidelity Investments, an e-business company, confesses that the company has more good ideas than it can handle. "We have so many good ideas here—truly innovative ideas—that sometimes our people get a little frustrated that we can't act on more of them," she says.[5] Nor is this situation confined to smaller operations; e-commerce innovators—think of eBay, Amazon.com, Microsoft—all generate more ideas than they are capable of using.

Creating knowledge and owning knowledge must become secondary to using knowledge to add value. A successful company will own assets, and know how to make the most of them.

But there is another side to all this: the assets a company owns determine its strength in a competitive marketplace. A company that owns assets becomes an attractive partner in an alliance. When knowledge is up for grabs, the strongest party will win the prize.

All this implies a totally new way of conducting business. The focus of a company's business must shift constantly. Everything must become more pragmatic—here today, gone tomorrow. It will become increasingly restrictive to harness oneself into a single business, even if it is based on a core competence that has been carefully nurtured for many years. A core competence must be seen as an enabler rather than a definer. Sony, for example, is no longer an audio equipment manufacturer but rather an entertainment provider.

Reinventing Sony: How the PlayStation Became Sony's Ticket to the Digital Age

Ken Kutaragi, an obscure Sony researcher, got his company to join the digital economy almost single-handedly. The PlayStation is the only Sony product that the company can point to as a pure example of software-hardware synergy. The problem, as Kutaragi saw it, was that Sony's historical strengths lay with analog technologies, the sort found in televisions, VCRs, and tape players. Meanwhile, the company was behind in three of the hot new digital markets: personal computers, cell phones, and videogames. Kutaragi lobbied senior management tirelessly: 'I convinced them that computer entertainment would be very important in the future. Sony had established itself as an analog provider, but it had to convert itself into a digital, information-based company in the future. No one realized that.'

"Kutaragi threatened to leave the company if he wasn't allowed to proceed with his video game project. And he made an outrageous promise: if the company would fund his R&D efforts, he would create a platform for Sony's future growth. Kutaragi kept his promise. Launched in Japan during Christmas 1994, the PlayStation was the first thirty-two-bit game machine on the market. As sales shot skyward, Sony Computer Entertainment (the group that developed the PlayStation) was awarded divisional status inside Sony. In 1999 Kutaragi, the onetime outcast, became CEO of the division. By the end of fiscal year 1999, Sony had sold 55 million PlayStations worldwide and 430 million copies of videogame software. Sony Computer Entertainment racked up $6.5 billion in revenues, with a mouthwatering 17 percent operating margin, compared with 5 percent for the company as a whole. It was the company's second largest business, ahead of music and movies, trailing only Sony Electronics."[6]

In sum, a company that defines itself in products rather than customer requirements is doomed to fail. A company whose core competence is manufacturing doors is less likely to succeed than a competitor that sees its competence as "entrance technology."

In other words, what a company does is less important than what it *can* do. This means leaving options open. It means being able to move through uncharted territory until a signpost looms up in the fog, and then changing direction instantly—and profitably.

As companies move from one alliance or partnership to another, what they do becomes less important than what they know. Cutting-edge companies no longer develop knowledge in order to manufacture a product; rather, they innovate in order to make themselves attractive to potential partners.

With more attention being placed on co-ownership, comakership, and codevelopment, suppliers are no longer being told what to produce but rather what customer problem to solve. As product life cycles grow shorter, solving new problems becomes more important than supplying products. Manufacturing—the very heart of successful industrial age companies—is now little more than an afterthought. In fact, it has transformed itself into what we might call *mind*facturing. Even the great industrial giants are realizing that it is no longer necessary, or even advisable, to do everything in-house. Outsourcing to specialized contractors—companies that own specialized knowledge—provides a degree of flexibility that is of far greater value in a market where customer satisfaction is the most important thing. The traditional "not invented here" mentality must be replaced with "proudly invented elsewhere."

Employee share ownership plans can help increase the company's eventual success in business by inspiring everyone to think and act like owners.[7]

Intangible assets are the new commodities. Which intangible assets do you need at this specific moment in your company portfolio? Where do you find them? Which partner can offer you the greatest complementary benefits? It is no longer a question of knowing something but of knowing where to find—where to acquire—something. Just as a financial investor constantly shifts his interests from one stock to another, so a zero space company will acquire and sell its intangible stock. Ongoing reevaluation of how best to meet changing customer demands will no longer be seen as a sign of indecision but rather as an indication of strength.

Go Forth and Multiply

Sharing knowledge means increasing knowledge, but many people have difficulty in verbalizing or writing down what they know. A zero space company will never share indiscriminately. Instead, it will share to increase the effectiveness and competitiveness of the knowledge it will acquire in return. And it will know what *not* to share. It will understand which knowledge is needed to allow things to multiply.

It is all about acquiring complementary knowledge. This is totally different from the traditional strategy of acquiring more of the same, building up gigantic monoliths to showcase success to the outside world.

Successful companies will not construct vast cities; instead they will become the nomads of industry. They will be hard to target because they have little physical infrastructure to focus on. They will move unfettered from place to place, drinking at one oasis one day and another the next. They will stay on the alert for the next signpost. They will see, move, arrive, do business, and then move on.

The challenge for managers is enormous. It is much easier and more comfortable to concentrate on the well-known than to remain on the lookout for the unknown. But in zero space, there is no final destination; moving along the road is everything.

How often have we used the phrase *a meeting of great minds*? But how often do we think of applying it to business? Traditionally, companies aimed for mergers, for acquisitions. The need to own, to embrace, to grow bigger was behind many such moves. “If you can’t beat them—buy them” seemed to be the battle cry. Of course, tangible assets can be combined—by integrating production facilities, centralizing manufacturing, streamlining logistics—but how do you combine intangible assets? Frankenstein experiments—transferring brains into bodies—are as frighteningly impossible today as they were in Mary Shelley’s time.

A meeting of great minds. Find a companion with whom you can walk a short distance, exchange ideas, share experiences. And then part company and move on in other directions. This is the way companies operate in zero space.

The Manager's Changing Role

How can a manager plot a path through uncharted territory? Is it possible to set a course and then follow it blindly? Of course not. Yet the traditional role of the manager is to control, to coordinate, to manage.

But this is not the role of the manager in the knowledge-based economy. Today managers must be directors, conductors. They must orchestrate activities so that teamwork results in adding value. Managers no longer work in banking, marketing, manufacturing, IT, or advertising, but rather *between* these areas.

Certainly with the changing role of professionals—and their desire to move freely from one challenging position to the next—it is vital that individual qualities be harnessed into a coherent performance. Reprising the jazz analogy introduced earlier, business is becoming similar to jazz, where session players meet, make music together, and then move on to play with other professionals. The director—or leader of the band—must understand which forces are required at any given moment, and must know where to find them. It is no good hiring a bass player to play a trombone score.

No live performance is ever perfect. That is not the way of the world. Yet an exhilarating performance, one that captures the imagination, depends on the ability to commit to a team for the moment. The band leader must possess the "quiet drive" to let others shine, inspire the band to work together, and give their best. But ultimately, the music is made by the band.

The Improvising Organization

"Examining different groups of musicians, and contrasting those practicing in a symphony to those practicing in a jazz quartet, yields the following insight. The coordinating and integrating mechanisms in a symphony orchestra are the musical score and the conductor. These musicians operate in a professional capacity, meaning, for most individuals, they don't have to like one another. By contrast, jazz improvisation requires a high degree of trust and mutual respect; these musicians self-integrate and are often good friends."[8]

In zero space, managers must be able to direct the whole chain of activities. They must be able to think in processes, to ensure that each process meshes seamlessly with the next. They must be able to concentrate on directing all the processes, and then leave the execution to the team. They have to co-sense and co-create the future.[9]

Hands-on management is not possible when you are dealing with intangibles. Hands-off direction is the new management creed—at least for those hoping to succeed in zero space.

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