

Enterprise 2.0 for Board Members

By Theodore L. Dysart and Dominique Turcq

Overseeing the networked organization



Theodore L. Dysart



Dominique Turcq

The networking and collaborative teaming that have long been predicted as the next wave in how companies do their work is finally coming to pass. No mere fad, networking will be as much a part of today's organizations as were the military-style hierarchies of yesteryear or the serve-two-masters matrix

of yesterday. But unlike the clear lines of authority and spans of control that mark hierarchies and matrices, the dispersed nodes of authority and crisscrossed lines of interaction in today's companies can be difficult to see clearly and even harder to oversee. In this new world, board members will have to ask a number of tough questions, either to spur into action those parts of the organizations that have not yet seen the light or—paradoxically—to temper the enthusiasm of those that expect collaboration to deliver too much.

The rise of networks within corporations is of course an extension of networking trends in the wider culture. Think of it as Enterprise 2.0, following the lead of Web 2.0, where individuals log onto social networking sites, consult product forums before choosing products, get their information from Wikipedia and Google, and routinely exchange instant

messages, photos, videos, and movies. Increasingly, they expect to be able to use similar means in the organizations where they work. They push for new policies and new tools that will enable them to tap the formidable reservoir of efficiency and effectiveness afforded by the collaborative potential of networks. Yet board members and senior executives alike may find this new phenomenon puzzling and, given the magnitude of change it implies, they may be unsure how they should respond to it.

Overseeing the beta culture

Building a collaborative culture amounts to much the same thing as implementing a change-management program. It is serious stuff, with important implications for the company's future value, attractiveness to talent, and ability to innovate. But that's no reason why the organization should not be allowed to explore, experiment, and make mistakes. Think of it as beta culture—to borrow a software analogy—where building effective collaborative networks will necessarily entail a certain measure of trial and error.

This transition has two implications for board members. First, they should ensure that the executive team has a plan for tackling the culture change. Second, they should tolerate a certain degree of exploration and piloting—or testing the water in a controlled way—through these potentially stormy seas. Consider, for instance, some of the areas of oversight and the combination of discipline and leeway that board members must encourage in each area and in the senior executives who lead them:

Information Technology. Chief Technology Officers (CTOs) are under pressure from all sides to put in place—or at least to accept that individual units put in place—collaborative tools. However, their responsibilities as the guardians of organizational security and IT systems consistency prevent them from opening the gates. Further, CTOs face a myriad of vendors all claiming to have the perfect solution for a collaborative culture, whereas most such products are still far from perfect. Worse, the needs of corporations in terms of functionality have not been well identified and vary considerably between organizations. The risk of putting in place an expensive piece of software that is not fit for purpose and that no one will use is far from negligible.

Human Resources. Chief Human Resources Officers (CHROs) see the emergence of networking as a means of better leveraging talent as their chance to play a truly strategic role within the organization. After all, in a competitive world where all other things are equal, the ability to attract and manage talent is the ultimate source of competitive advantage. Yet they, too, often are frustrated by the inflexibility and inadaptability of their current processes for making the most of collaborative opportunities. Further, they are often themselves only aware of a fraction of what individuals can—and do—achieve with Web 2.0 tools today.

Business Units and Functions. Whether geographic, functional or product, major units of the organization may acknowledge the benefits of increased collaboration. However, their leaders

are also concerned about their ability to protect their unit's resources, intellectual property, and authority. Individuals operating in networks may see greener grass in other departments and want to move on. They may talk too much in outside forums, giving away IP that unit leaders regard as their area's exclusive property. The leaders may also see their authority undermined as their people wander across organizational boundaries and transfer their fealty to their networks.

Finance. If collaboration creates value, as well as increased effectiveness and efficiency, it seems reasonable to insist on metrics for tracking it. CFOs who request such metrics but are given unsatisfactory data are quick to remind their colleagues that only a few years ago a good deal of money was invested in expensive knowledge management systems that today are largely under-used. However, the correlation of connectedness with financial results is not always obvious, especially because the real impact of a networked culture becomes apparent only at the highest level of productivity, where all of an organization's intangible assets interrelate.

The CEO. Many CEOs see the benefits of this new culture. Yet, while they are often the best informed about its value, they often don't know either where to start or who to put in charge of creating it. The board can be particularly helpful here by making sure that the CEO does not, on the one hand, limit leadership of a change program to a single member of the executive team who may lack the global scope to make it happen, nor on the other hand, ask for a collective effort without assigning real leadership to see the program through. Because any change program touches on all aspects of an organization, from culture and values to structures and systems, it is the CEO who is ultimately personally in charge.

Not all organizations have the same collaborative DNA. Corporate cultures vary

enormously in the degree of collaboration to which they are accustomed. But one thing does not vary: the surest way to fail is to forgo an experimental approach in favor of command-and-control. Beware of senior executives who begin with such attitudes as: "Forums are okay, but they have to be monitored, with all postings carefully controlled." Or they may say, "communities are acceptable, but the membership rules have to be fixed—and controlled—by us." Like it or not, employees will create communities. If the hierarchy or the tools don't allow them to do it within the company's official rules, they likely will create external groups and forums that may then be truly beyond control and, in the worst cases, lead to IP leaks or higher turnover.

Understanding the real issue

Creating a collaborative culture is not a simple IT project. Nevertheless, seeing it as a purely technological issue is a common and serious mistake. Because people, knowledge, and networks/communities lie at the heart of such change, the board should make sure that the key members of the leadership team are involved, with the CEO, of course, championing the effort. The CHRO, who best understands what people expect in terms of their development and their careers, should also be deeply involved. So should the CTO, because behind the apparent simplicity of the technology issues lurk some highly complex considerations. Further, because the culture change potentially allows a much better allocation of resources, mobilization of creativity, speed in execution, and quality of relationship between strategic directions and their implementation, the Chief Strategy Officer (CSO) should help make sure that those goals are fully realized.

The risks in all of this are significant. If individuals feel that the collaborative culture is just one more management gimmick, or if they feel that the new

regime is merely the command-and-control approach in new clothing, they may quickly become discouraged and jump ship, an unwelcome outcome in a talent-scarce world. Collaboration means collaboration—the freedom to develop constructive relationships in order to build IP or solve problems. It does not mean chaos and lack of authority. Innovation and creativity will be achieved neither via fiat nor through chaos, but via trust. For board members, this means making sure that the leadership team is involved and well informed and has a good understanding of the implications of the magnitude, the speed, and the depth of the change required.

Some board members may find this unfamiliar territory. They may be unaccustomed to the new social behaviors and the new tools that have emerged in the wider culture. Their backgrounds may lie in command-and-control cultures or in companies only barely aware of the emergence of the new ways of doing work. These board members will have to adjust by informing themselves about the possibilities of Enterprise 2.0 and by challenging leadership teams about collaborative issues.

Theodore L. Dysart is managing partner, Americas, of the Heidrick & Struggles Global Board of Directors Practice. He is responsible for leading and growing the firm's board practice in North and South America. Over the past three years, he has placed more than 100 executives on the boards of Fortune 500, mid-cap, and privately held companies. He is a regular commentator on the subject of corporate governance, and his comments have appeared in such media outlets as *The New York Times*, *USA Today*, *The Wall Street Journal*, and CNN. Contact him at tdysart@heidrick.com. Dominique Turcq, a former McKinsey & Company partner and INSEAD professor, was until 2004 senior vice president strategy for Manpower Inc., a \$20 billion human resources company. In 2004, he created the Boostzone Institute, a research center for Network-Centric Management (NCM). He is also an independent international consultant, working with CEOs and executive committees of FT 500 companies on world of work, strategic and NCM issues. Contact him at dominique.turcq@boostzone.fr.