Aleardo Furlani,
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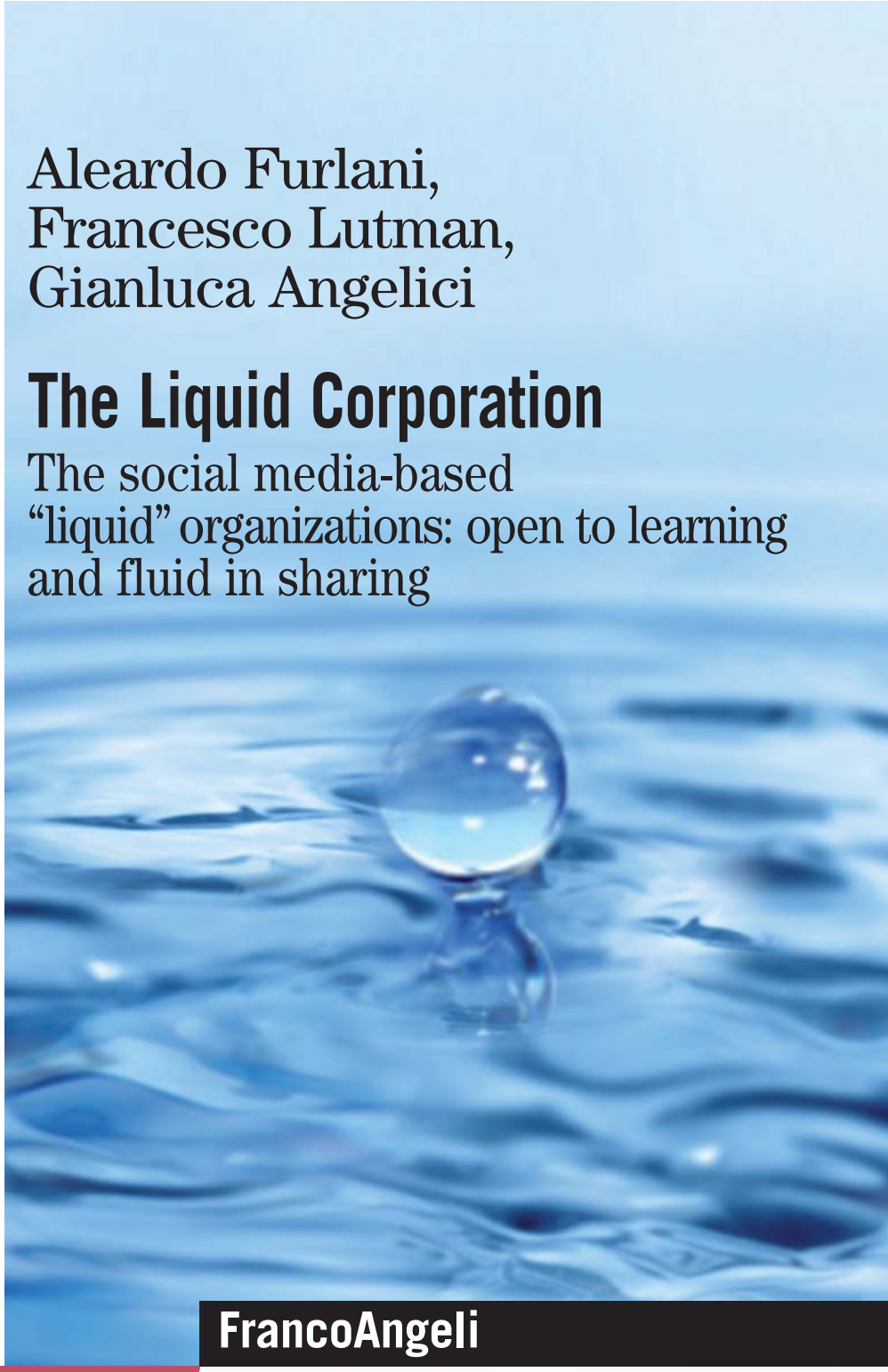
The Liquid Corporation

The social media-based "liquid" organizations: open to learning and fluid in sharing



MANAGEMENT

TOOLS

FrancoAngeli

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MANAGEMENT TOOLS

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Grafica della copertina: Elena Pellegrini

To our loved ones, who shared time and passion, and inspired us
to confront our challenges in the making of this book.

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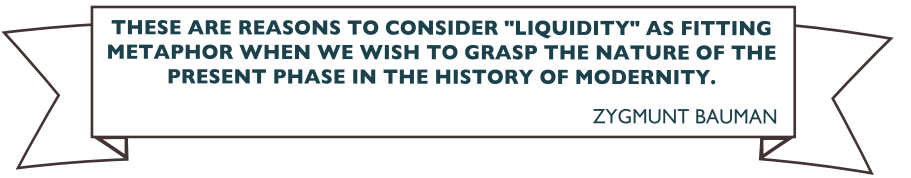
Acknowledgments

This book would not have been possible without the support of a number of people who provided advice, suggestions, and precious insights. Above all, we have to thank the participants to the INSME and RIDITT seminars and training courses held in Italy during 2010, for their valuable comments and feedback. Our thinking and writing about liquid organizations have also benefited a great deal from the daily exchanges with colleagues and friends: we are grateful to them all.

Special thanks go to Alberto F. De Toni, Dean of the Faculty of Engineering of the University of Udine, for his meaningful preface, to Alexandra Tingas for her patience in revising the manuscript's language and providing useful comments and to Elisa Angelici for her care in providing the appropriate editing structure and the inspiring tables.

We also thank other colleagues and professionals who shared their comments and their views: Mauro De Bona, Francesco Ciriaci, Fulvio Miraglia, Marco Cannemi, Gianluca Misuraca, Milena Di Canio, Massimiliano Saladino, Marco Vettorello, Paolo Sperandio, Rina Angeletti, Paolo Peverini, Matteo Moci and Davide Palmisano. Finally, we would like to thank the social media communities, without whom the book would never have been conceived, for the enriching and incredible opportunities to share knowledge and explore new patterns for innovation.


THESE ARE REASONS TO CONSIDER "LIQUIDITY" AS FITTING METAPHOR WHEN WE WISH TO GRASP THE NATURE OF THE PRESENT PHASE IN THE HISTORY OF MODERNITY.
ZYGMUNT BAUMAN

Foreword

We usually think of the economy as a large business and technology container through which a society meets its needs. In reality, this is not so. As W. Brian Arthur recently proposed, the economy is not a container of technologies, but an entity built, by starting with technology; an entity of activities, behaviors and movement of goods and services regulated by its technology.

The economy is an expression of its technologies and technologies shape the economy. In other words, technology can be viewed like the skeleton of the economy, and the rest of the economy represents the muscles, nerves and blood of the economic body. That is to say, the movement of goods and services, investments, strategies, decisions made by different stakeholders and the productive and commercial activities are parts that surround and are shaped by a set of technologies that form the economic structure. The economy is the ecology of its technologies: it is formed by them, but does not exist without them.

This approach has several implications: firstly, it means that the economy develops from its technologies; which not only readjusts when its technologies change, but it shapes and reforms continuously within, meaning that the identity of an economy changes with varying technologies.

We can affirm that the growth of technology creates the structure that contains decisions, activities and flows of goods and services. Thus, an economy arising from its own technologies constantly creates itself, and, based on these technologies, decides which new technologies will become part of it.

Therefore, there is circular causality between technology and economy. The technology creates the structures of the economy and the economy mediates the creation of new technologies - and, thus, its own creation. We do not see this circle of technology creating economy and, in turn, technology in the short-term or in a period of a few years. The economy appears to be fixed, a container of activities. However, when we observe it in perspective, we can see the various

assets and processes which form it arise, interact and disappear. We can see this continuous creation and recreation of the economy in only sufficiently long enough time periods. The economy is always subject to changes; it is in a continuous state of renewal; it exists in a perpetual autopoiesis: the economy continuously regenerates itself.

Since the economy is an expression of its technology, it is a set of structures that evolves with the development of its technologies, and since the economy arises from its technologies, it inherits the autopoietic features of perpetual openness and innovation. Ultimately, the economy arises from phenomena that create technology: the economy is nature organized that serves our needs.

The book by Furlani, Lutman and Angelici is an effective attempt of outlining the economic scenarios in which the new technologies are leading us, in the perspective outlined above, in which the economy is the ecology of its technologies. The text is a genuine gateway to a future that we are building.

The authors take us by the hand into new economic spaces, through the creation of a comprehensive map of the new information and communication technologies and their applications. Within the public administration and companies, these applications have a strong impact on cost performance, time, quality and flexibility of goods and services offered. From a client and citizen point of view, they have an influence on the improvement of the quality of life and the increase in civil participation, and, ultimately, democracy. Communities, Internet of things, social sensors, crowd power, geo-localization, cult of influence are microenvironments, which the authors investigate in depth and successfully exemplify.

The vision of the authors is well summarized in the title of the book: The liquid corporation - The social media-based "liquid" organizations: open to learning and fluid in sharing. Herein lies a second innovative perspective that this agile book proposes: economy of knowledge.

The open innovation models are based on the ability to identify, choose and internalize external knowledge to the organization by combining it with internal knowledge, to create a new being, enhanced in goods and services. In order to do this, the organization needs to be opened, ready to learn and able to share. How? By using a liquid or fluid organizational model. This model needs to be able to take the same shape as knowledge.

We have always been part of the economy of knowledge. However, we were not fully aware of this until a short time ago. Knowledge has always been absent from the analytical field of economic theory, especially from the classical economic theory; in fact, the latter has only examined three resource categories: land, work and capital. This

absence was only theoretical since knowledge has always been part of economy – from the industrial revolution until today. It is a fundamental economic factor.

So, why has knowledge not been considered in classical economic theory? The answer is that knowledge is a "rebel" resource that has a specific diversity. What characteristics does it have? Substantially, it has three. 1. It is multipliable: it does not wear out with use. Rather, the more it is used the more it multiplies. The exchange of tangible goods is a zero, while the exchange of intangible goods such as ideas is at more than zero. Each time there is an exchange of ideas between two people, the resource is doubled. 2. It is shareable: it is produced or used by single individuals, but it is inseparable from the social process that is both upstream and downstream of its production and use. 3. It is reflexive: it is not instrumental; it does not only process its means, but changes the relationships and identity of the stakeholders and changes their aims. Knowledge can retroact aims.

Thus, knowledge is a productive factor sui generis that cannot be attributable to others. For this reason, classic economics has preferred not to take it into examination or has considered it incorporated in men and machines by effectively reducing it to labor or the capital factor. Knowledge is not suited to classical economics since it is the science of "scarcity." In fact, knowledge is a resource that "is not scarce," because it has a reusable cost that is (almost) null, while other resources are scarce by definition since each use deprives them of alternative uses.

Why is it that we only discovered economy of knowledge presently and not 50 years ago? The reason lies in the increasing speed of the propagation of knowledge. The propagation used artisan's tools, then machines, the organization of factories, district territories and, finally, Internet. In the beginning, knowledge was transmitted between individuals, handed down in workshops, written on scrolls or in books, incorporated in equipment and tools and thus conveyed in markets. Then, knowledge started to be spread in factories, expanding in districts up to flowing along the international supply chains. Finally, Internet was introduced and this had a revolutionary effect. With Internet, knowledge was "released" from the need to be incorporated into materials such as machines or the need to be confined to organizational areas such as factories or geographical areas such as districts. Knowledge started to circulate the planet and global economic sectors in real time and interactively via Internet, without material and geographical constraints.

Freed from being propagated by material means (instruments, machines, organizations and territory), the web started to virtually circulate knowledge by relying on software codes and shared languages.

The result was a diffusion basin and the reuse of knowledge has gradually and increasingly widened with powerful multiplier effects that were unthinkable a short time ago. Internet has provided, for the first time, a non-proprietary, immediate and global propagation.

In other words, ICT technologies have exponentially amplified the "rebel" nature of knowledge: it is multiplicative. It does not wear out with use, but rather, it reproduces. Thus, the science of "scarcity" is called on – without delay – to take care of the resource that is "not scarce" par excellence: knowledge.

This book is a contribution towards this direction: the study of knowledge. A knowledge that is obtained with free access to public data, knowledge of clients, workers, communities of practice, citizens, friends, social networks, etc., and that can be shared, recombined and enhanced.

Alberto F. De Toni

1 Rise of the Liquid Corporation

Social media tools are not used just for fun anymore: they are changing the way we work; they are creating new forms of human interaction; and eventually, they are changing our organizations – our businesses. The old, solid organization based on structured work processes, controlled information flows, formalized internal and external communication is in the past. Influencers, Internet of things, geolocalisation, Crowds and Communities, cloud-based IT technologies are creating new "liquid" organizational models. Data and information are flowing in and out the organization, leading to the creation of short-term, agile, focused embryonic organizational forms, where people freely accept to share and divulge their knowledge. This new process can be difficult to control and hard to manage... unless you are part of it.

1. Social media and motivation

Maslow[1] was convinced that when physiological needs and safety needs are satisfied, a third motivating layer arises. You feel the need to satisfy social desires, to connect with friends, affectionate relationships, and the need to be part of a "community." It is believed if you lack all of this, you could become increasingly susceptible to loneliness and social anxieties.

Social media did not exist when Maslow developed his hierarchy of needs (see Table 1), but he would have certainly found additional evidence of his theory, while observing the success of the social media today. The Social media are a communication break-through, but also a key enabler for social change. They are easy to learn and use, what an

1 Abraham Maslow (1954) elaborated hierarchy of needs model which can be divided into basic (or deficiency) needs (e.g. physiological, safety, love, and esteem) and growth needs (cognitive, aesthetics and self-actualization).

individual shares can be important regardless of any social or economic status, and individuals can engage in both work and leisure-related activities, at the same time. And the latter is by far the most important feature, especially for the working people.

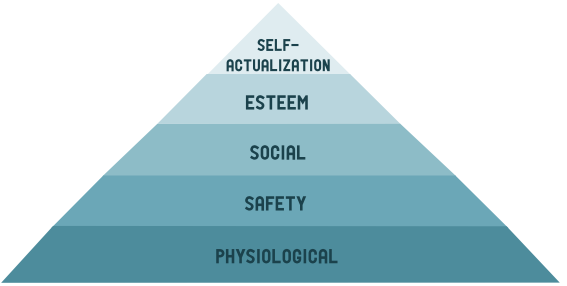


Table 1: Maslow's Hierarchy of Needs

Yes, social media and the participation to social networks satisfy a basic need of human beings: maintaining and enjoying relationships with other human beings, on a peer-to-peer basis. In any business environment, social media satisfy an "original" need in a new way: to share your ideas, your time, your experience with others, and the need to learn from others. People desire to belong to a group; people want to be cared about; and we all know that the quality of our life is a function of the quality of our relationships with the others.

2. Managing Freedom

Maslow' theory has sometimes been criticized, but nobody doubts its impact on management theory. Social relationships are a major human motivation for most people and social media enable the fulfillment of social motivation at work. Old needs, new solutions: Facebook, Twitter, blogs, Youtube, are all idea-sharing platforms, communication and interaction models. Connecting reinforces the personal relationships, the informality, the open exchange of information, and the learning process is enhanced. In an open world, learning is generated from sharing: if you share you learn.

And if you are free to learn, you learn more and better. Social media improve the collaboration with colleagues at work, enhance participation to teamwork, facilitate creativity and speed, and foster the faster identification of opportunities and the identification of new ways to generate the competitive advantage. But the management of a solid organization is traditionally risk-adverse: allowing freedom is not acceptable and managing freedom is therefore unnecessary.

"In the best case, this is a waste of time. And what about the control? How can I allow my employees the freedom to connect with whomever?"

"No, no. I need a solid organization, based on rules, discipline, and formalized, structured processes. Freedom cannot exist in a solid organization."

"Social media are a danger: company's information flowing beyond the boundaries, internal information divulged without control and, let's be honest, having fun during working hours. This is unacceptable. And I do not have time to manage all this."

Not surprisingly, among CEOs of the world's Fortune 500 companies, in June 2012 a mere 20 have Twitter accounts[2]. As social media spread around the globe, CEOs are still lagging behind: social media are a time sink for employees.

But this process cannot be stopped. Freedom is not given or taken by the Company; freedom is given by the technology. Companies can't fully take control of the social media because they can't control the life of "their" employees. The social media technologies change their behaviors, expectancies and needs. "It's the technology!" Rules cannot be imposed on the use of social media. It is the organization that has to change.

3. The Liquid Organization

We all know how important it is to be financially liquid. But now, being liquid is the new organizational mode which incorporates social media technology in processes, in products, and in the modus operandi of the people in the organization. Business and non-business organizations have to adapt or change their approach: smoothing the work processes, allowing the information to flow in and out, softening the control but creating value, a new value. A liquid revolution.

Social media are the technologies that enable the true origin of the Liquid Corporation, as the present book has been titled. The Liquid Corporation is a metaphor of the new organizational paradigm based on social media: the term Corporation here does not refer to the legal definition of corporation, but to all operating businesses and public institutions, which integrate the social media in their value-creation processes, thus becoming somewhat "liquid" in their culture and in their organization.

2 From May 7 to May 21, 2012, CEO.com searched for every Fortune 500 CEO on each of the major social networks.

Michel Foucault's design of Panopticon is the metaphor of the liquid revolution.[3] In Panopticon, the workers are tied to the place and barred from all movement, within guarded walls and fixed to their beds, cells or work-benches. They cannot not move because they are under watch; they have to stick to places which have been assigned to them and they do not know where their watchers are located. The workers "constraint to the place" is the most secure bond of subordination. In fact, the managers' power stands in immobilizing the subordinatesthrough denying them the right to move and through the routinization of their tasks.

The concept of liquidity in the organisations breaks the immobilization rules, implies a sense of rootlessness to all forms of long lasting structures, and suggests new levels of freedom of the people interacting through the social media . Other metaphors can be useful to grasp the concept of liquidity induced by social media. Just remember the concepts of solids, liquids and gases studied at the time we were at our Chemistry classes at school. The properties of an object is determined by how the molecules are assembled or interact with each other in a rigid structure. In a solid, individual molecules[4] normally work in a more or less rigid environment like in an organization. Molecules always tend to stably interact with the same molecules and the relationship with the external world molecules are under the responsibility of the molecules located on the surface of the solid (the Marketing & Sales, the PR and communication, Advertising).

The rest of the molecules in the solid do not interact with the external world; they are not allowed to do so. The internal molecules are kept within the solid and their freedom, creativity, and their way to interact are established by written and informal rules, internal procedures, even office structure design. But the information is kept inside, the knowledge and the behaviors are under control and this cab be interpreted as a competitive advantage. Or, at least it was supposed to be a competitive advantage.

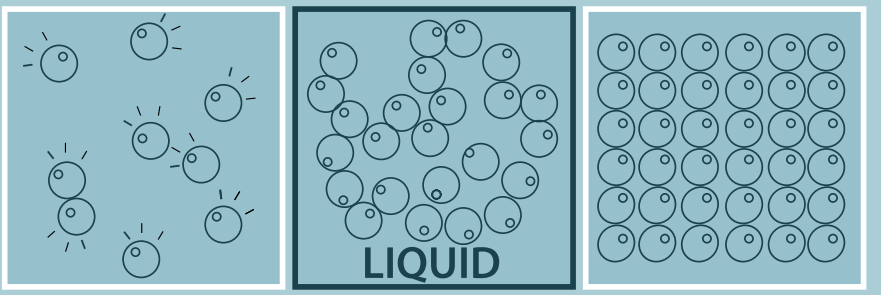
3 Panopticon is a type of institutional building designed by philosopher Jeremy Bentham in the late eighteenth century and then further elaborated by Michel Focault. The design of the building allows a watchman to observe (-opticon) all (pan-) inmates of an institution without them being able to tell whether or not they are being watched.

4 Steven Johnson," 'Where Good Ideas Come From". Riverhead Books, 2010.

Table 2. A liquid has molecules that are loosely arranged[5].

5 http://thescienceclassroom.wikispaces.com and http://jyscience.wordpress.com.

Like molecules in a liquid, the behavior of one individual with respect to the other generates the capacity of the liquid organization to create dynamic flows of interactions among them and produce value in an open and unpredictable way. The unpredictability, the casual association of people, ideas, information leads to a constantly evolving environment and to an enhanced sense of responsibility and motivation.



The risk is removing all boundaries but in this case you end up with chaos – the equivalent of a gaseous state: molecules have a lot of kinetic energy which allows them to fly away in all directions and continuously collide with other molecules.

We do not want the chaos of the gaseous state: we want to govern the new social media trends and incorporate them in our processes; we want to provide people in the public and business organizations with a new motivation to generate value through their relationships and the capability to work using social media at their work place, exploring new ways of interacting with competitors and clients.

Social media have empowered and emboldened the employee; enabling social media technologies are changing the status of employees: employees are not internal molecules in a solid anymore; rather, they tend to be molecules behaving like in a liquid: their ideas and knowledge move around, their interactions are not confined in the "solid" organization in which they work, but continuously flow out towards individuals of other organizations. The relationships established in social networks generate personal and professional ties beyond the control of their supervisors, and as consequence the Company boundaries are thinning. Or – to rephrase it better - the boundaries of Companies, without border guards or walls anymore, tend to expand and incorporate unknown territories. Companies are worried, because participation to social networks implies risks: lower control and more in-