



The Compact Enterprise™

A Business-Vehicle Built on Today's Most Explosive Combination of New Era Technologies

Highlights

- The Compact Enterprise™ is a new business-vehicle for owners moving beyond the traditional small company stage
- The vehicle produces immediate advantages in repeatable operations and in easier adaptation for opportunities
- The same key factors driving global business changes make the Compact Enterprise™ affordable, practical, and strategic

Uncertain Times

This is a time of extraordinary changes in business, and many of us find it is difficult to pinpoint the significance for our own business plans. A confluence of trends in economic, social, infrastructure, and technological areas is creating a storm of events that seem disconnected sometimes, but we suspect that they are not. Some of the most important of these very visible trends include:

- The cost to access virtually any information we need in business is approaching zero, think about Google search
- The real incremental cost of executing many business transactions is rapidly approaching zero, think about internet commerce
- The cost to communicate immediately with anyone, anywhere in a rich contextual framework is approaching zero, think about chat rooms
- The opportunity to collaborate and create value with other experts in our fields is rising exponentially as “communities-of-practice” emerge, think about open software developments like the Web Browser, and YouTube downloads
- The readily accessible experts are more effective than the generalists for most tasks, think about product support specialists
- The new era characterized by hyper-productivity can produce great new wealth in a short time, think about the World Wide Web companies and the Cell Phone explosion

But, there are very basic consequences that follow from these trends, and it is important that we understand them. This article will focus on how and why the optimum business style is changing in favor of smaller progressive organizations that have real focus, and on the new business-vehicle that will power them. We call it the Compact Enterprise™. But first, let's examine some of those basic consequences driving changes in business.

Observing Changes

About Size

Ronald Coase (see the reference) first reported that the optimum size of any efficient enterprise is proportional to the cost of its transactions, including the cost of accessing information. Huge self-contained organizations were appropriate when transaction and communication costs were high, for example in the 1940s to 1980's. In general, these kinds of costs are no longer high, and today, being big and self-contained is usually not more efficient than being smaller and more open. Large size may remain viable in certain cases, for example when the wide distribution of commodities or the creation of large infrastructure is undertaken.

Economy of Scale

The supposed "economies of scale" apply only selectively within a large business and not at the level of conglomeration, because there is no cost advantage in being self-contained. The big-business rush to outsource more and more kinds of work is an indication that cheap labor is desperately needed to offset the growing inefficiencies of excessively large size. However, the traditional capitalist urges to expand and grow without limit are still at work, so we see many consolidations and acquisitions for size, even when this makes little real economic sense.

Globalization of Jobs

Jobs are moving from the local economy into the global economy at a rate that alarms many people today. At first this migration was seen in the commodity manufacturing sectors. Experts said not to worry because the local economy was turning toward heavy service content anyway. Now the globalization includes many specialty products, highly technical skill categories, more professional categories including medicine, and we are seeing the commoditization and globalization of many services and service jobs such as product support. It is happening because it can, facilitated by the global networks and the cheap instantaneous communications between people and systems anywhere.

Free Agents

As people in every walk of life begin to absorb the changes in work, and as large enterprises continue to distance themselves from traditional relationships with their employees, in favor of outsourcing, it has been suggested that an age of free agency will emerge. The "social contract" of the industrial age has been abandoned by large enterprises in favor of the idea that employees must take care of their own careers and such needs as health care and retirement. Given this strong push, employees will soon feel much less loyalty to employers, and may look at their work in a larger context than just as a job. They will begin to act as free agents with a new social contract centered on their own community of practice.

Virtual Workplace

It is likely that many more people will conduct their profession or trade from within their own small “organization”. Their enterprise, with a simple organization and a very focused mission, will be built on the new rules of the road. They will probably be a member of a (local or global) community-of-practice. (Refer to Snyder.) It is anticipated that these forms will continue to be very productive, and very fast to create value and bring it to their markets. They will change our concept of competitive advantage from a static idea about assets or practices to a more dynamic idea about rapid adaptation for opportunities.

Process Level Computing

One of the famous quotes from the 1980’s was the comment by Scott McNealy, a founder of Sun Microsystems, who said that, “the network is the computer.” Today’s new business computing will take full advantage of the very powerful engines and the internet highway for “process level computing”. (Today we see the early stages of this in the form of “software-as-a-service”, and “service-oriented-architectures”.) Complete end to end business processes will be automated over the network so that virtual teams, with remote workers or services or systems can all work in the unified real-time processes of the business. The physical places or locations and distances will matter very little in the virtual workplace. The advantages of this model are so great that it will revolutionize how all enterprises operate, but especially the small ones.

Why Now

The reason that all these changes can be happening now is the confluence of two major factors which are extending the global economic village to everyone, and creating a hyper-productive business processing engine at the same time. These two factors are the following: very affordable and amazingly powerful computing engines, combined with the internet – a new global (communications) super highway for people, systems, and processes.

This confluence scenario is similar to the dramatic history of the steam engine and the railroads during the 1800’s. Steam engines were used for special jobs like powering pumps and mills for many years before the locomotive was developed. The engine was interesting, but not a revolutionary development by itself. When the engine was mounted on a wheeled carriage creating the locomotive, and joined with the newly invented railroad (tracks) then it completely changed transportation. That in turn changed much about the way people worked and traveled, and it open up whole continents for business development.

Today’s confluence is having a similar impact on work and commerce. Fewer than 15 years ago the computer and internet were combined to create the World Wide Web. Now the impact is dramatic as business changes sweep around the world. It is revolutionizing the ways most people and businesses work, and opening up the global village for development.

Let's summarize the main points that will certainly influence our next business decisions, and then develop more insight into the new business style we call Compact Enterprise™:

1. Small Is Best --The best size for productive business organizations is getting much smaller than in earlier times, and will approaching just a few people.
2. Virtual Is Practical -- Business participants and experts can be anywhere, for most purposes, without any penalty in their effectiveness – we have unlimited real-time reach across distances worldwide.
3. Communities of Practice – Creative activity is moving to an open collaboration model, no longer trapped inside the monolithic empires, making small organizations more productive than ever.
4. Competitive Advantage -- The only true advantage is a dynamic process, the ability to adapt, change and progress all the time. (The old static idea of competitive advantage based upon assets or product attributes is obsolete.)
5. Process Level Management -- Competitive enterprises of any size will be managed at the process level using automation and controls, real-time reporting, and integrated adaptation mechanisms. . . because the costs are now affordable and the advantages are huge.

Remodeling the Small Business

Now we have enough information to characterize the Compact Enterprise™ and compare it with the traditional small business model. Then we can learn more about what makes the new model tick, and why it aligns so well with the global trends.

<u>Characteristic</u>	<u>Compact Enterprise™*</u>	<u>Traditional Small Biz</u>
Size	Compact Organization	Small Organization
Financial	Any Financial Size	Small Sales
Reach	Global	Local
Work Place	Virtual – Anywhere	Local Place
Systems	Automated End-To-End	Manual Procedures
Controls	Visible, Real-Time	Manual, Delayed
Competitive Advantage	Adaptable Processes	Product Attributes
Owner Preoccupation	Navigation, Opportunity	Operations, Administration
Owner Pitfalls	Partnerships, Cultures	Burn-out, Limited Flexibility
Mind Set	Company Is a Vehicle	Company Is A Place

*The Compact Enterprise™ is, by our definition, a closely unified, systematically automated, and industrious business that undertakes challenging ventures in order to bring very distinctive value to their customer set. The organization is modest and streamlined, and the mission is very clear and concise.



Ambitious, independent business developers will be very interested in the Compact Enterprise™ style. Why? Because the model brings dramatic value for owners and investors:

- Stable automated basic operations and visible controls
- Efficient adaptation or scaling
- Process level computing power needed for growth, and
- Freedom to focus more energy on navigating the journey ahead.

Beyond that, owner-developers can more easily avoid the traditional small business spiral of overwork, over-stress, divorce, and burn-out while they are building a business venture. This is all about streamlining some things, lifting some burdens, and placing new focus on the key strategic roles of the owner-developer. Thus, the Compact Enterprise™ brings invaluable benefits to owners immediately, and it is structurally aligned with the major global trends. That is a well positioned place within the changing business environment, and it brings strategic benefits:

- More autonomy or independence for owners
- Greater company transfer value in terms of market price
- Excellent alignment with emerging global business opportunities

Conclusions

A confluence of trends is creating a new style for small business organizations and operation. We have described this new system-vehicle that we call the Compact Enterprise™. The process level computing it exploits is made affordable by today's new technology infrastructure which includes:

- a) Low cost, very high performance computing engines,
- b) Open source software,
- c) Open standards networking,
- d) Wideband global networks.
- e) Global communities-of-practice.

Ventures based on this vehicle will exhibit characteristics superior to those of traditional small businesses, and most of the larger businesses too. The vehicle will produce huge operating and strategic advantages for their progressive owners.

They will ultimately realize the most important strategic value it brings to them, the ability to design, manage, and control their own evolution. This may be the cornerstone of the coming era, Evolution by Design™ as we like to call it.

More Information Contact the author, Claude Feistel, at 1-512-250-1710, or at cfeistel@integrasphere.com.



The Secret Power of Compact Enterprise™

The Journey
Box 4

Evolution by Design
Opportunities – Captured
Systems -- Adaptable
Management -- Simplified

The Engine

Box 3

Power of Automated Systems
Business-wide Integration
Roles Security and Workflow
Real-time Deployment

Box 2

Adaptable for Changes
Framework for Adaptation
Sure and Safe Implementation
Automated End-to-End Changes

Box 1

Stable Base of Operations
End-to-end Management
Repeatable Processes
Visible Controls and Real-time Status

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