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Father Time & The Mother of Invention

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The miniature meter sits on the dashboard of your car and, not unlike a speedometer, its clocklike hand swings upward as you accelerate. Instead of informing you of miles-per-hour, however, the meter's agile hand adroitly alerts you to changes in your current auto insurance rates.

"We think it's actually possible to price auto insurance every 15 minutes, depending on how fast your car is traveling, or where you may be driving," says George Stalk, a senior partner with The Boston Consulting Group's Toronto office. As you exceed certain speed limits or drive into crime-ridden neighborhoods, the meter's hand will jump upward, informing you where your insurance rates are headed, explains Stalk.
"It's a classic strategy play," says the consultant, whose fanciful notion of individuals empowered by a clocklike meter appears to be only a souvenir snatched up during one of Stalk's many sorties into the future.
"Whichever insurance company goes for it will have first-mover advantage in that they will attract all the low-risk drivers looking for lower insurance rates," explains Stalk. By grabbing the lion's share of the low-risk drivers, the insurance company will divert large numbers of high-risk drivers to its rivals, a development certain to damage their financials, he says.

Nearly twenty years after he returned from Japan with an arsenal of insights that became the strategic bedrock of rapid product development, Stalk — once dubbed the "father of time-based competition" — is again looking to mine time's many mother lodes. Without a hint of sarcasm, the BCG senior partner today boldly claims his firm has gained some of the strategic insights required to produce a one-of-a-kind map — one that he says will trace the evolution of technology in reverse, from the future on back.

Crossing the Innovation Divide

"By coming back from the future you can determine what business to build, what to buy, what to develop, whom to partner with, and what to ignore," says Stalk, who contends that his map is dotted with far more than insurance meters.

To be sure, the insurance rate meter is just a notion of a tool that empowers the individual to make sense of available information. It's more the growing pervasiveness of information itself, and the impact it is having on organizations, that has led Stalk and his colleagues to journey to the future and back. It's a journey that he believes may have already yielded some of that for which the entire consulting sector has long yearned: a cadre of strategic insights that could produce the octane necessary to impel business leaders to invite change. They are insights that arguably reside at the core of what a less prudent consultant might have attempted to label "the next big idea."

As BCG's Father Time comes back from the future, armies of technologists are advancing from the present.
"If something is inevitable, whether you like it or not is immaterial," explains Irving Wladawsky-Berger, the Cuban-born technologist who is today responsible for marshaling IBM's efforts behind

what it and much of the computer research community says is the next evolutionary step in the development of the Internet. Known as Grid computing — IBM's next big push is banking on the idea that the business world's information flows are undergoing a vast realignment, where any desktop computer user will someday possess supercomputing potential. By foreseeing the age of "super-empowered" individuals, IBM's Wladawsky-Berger expects to avoid earlier missteps when it arguably forfeited vision to protect its mainframe fortune. "We were hoping to avoid the pain, but it was inevitable. But in '95 we got it right because we recognized the inevitability of the Internet," he says.

This time, Wladawsky-Berger believes that IBM will get it right again, by supporting an open source model in which computer code is openly shared, allowing programmers from all companies to architect systems and software and adopt open standards. It's a strategy unlike those pursued at the operating system level, where proprietary standards still govern users, and one that is expected to boost IBM's growing services fortune in the years to come.

Moreover, it means consultants can now count on IBM to perform some of the blocking and tackling required to remove obstacles now impeding a future where information can be accessed anytime,in any form, anywhere in the world.
"The key issue is how is structure going to emerge in information, and this has very little to do with technology or computing power and everything to do with the adoption of open standards," says Philip Evans, author of the book Blown to Bits, and a senior partner within BCG's Boston office. Evans says cell phones that are now capable of speaking to computers are an example of how open standards have already advanced mutually intelligible technologies.

"When we see players much more willing to give up ownership, structure, power, and hierarchy in order to make something succeed then in fact they increase the possibility of it succeeding," says Evans.
Like builders of the transcontinental railroad, Stalk and Wladawsky-Berger now toil at opposite ends of a great expanse. It's an expanse dotted with the milestones of economic change — one where science yields new technologies that advance into commercial markets, and businesses subsequently adapt and innovate in order to leverage them.

One man is grounded in competitive business models, the other in open standard technologies. With more than a million research hours between them, it could take only one big idea to span the distance.

The Big Idea

The world Stalk has returned from has been transformed by the powers of what he calls infinite bandwidth. More a frame of mind than fiber-optic girth, infinite bandwidth permits people to access information anytime, in any form, anywhere in the world, at zero cost. It's a capacity that's inevitable given the pace of technological innovation, Stalk contends. And it's one whose imminent arrival, he believes, makes it a powerful lever for organizational change — not just for the insurance companies, but for every institution in which information flows have begun to subvert the rigid walls of Industrial Age organizations.

"What I've come to believe is that every business model is amenable to infinite bandwidth, and so one who has an expensive sales force and an expensive service force can not only make them more efficient, but can actually change all they do and create all new businesses," says Stalk.

Yet while the idea of infinite bandwidth may seem ready to float, it must now swim upstream against a current of economic uncertainty and inflated cynicism.

"I think there are very few ideas that you can truly label 'big' or that are capable of moving or transforming businesses," says James Champy, who is often credited with having helped kick off the reengineering wave with the book Reengineering the Corporation (a text he co-authored with

consultant Michael Hammer). While most consultants would today count reengineering among the industry's legitimate big ideas, some consultants, including Champy, believe that the label has in the past been hijacked by consultants more interested in big revenue than in big ideas.

"There is a lot of cynicism out there now among companies, because in the last round consultants told them that they had to be digital or die. And I think we're digging out of a hole at a time when industry needs our help and ideas more than ever," says Champy, who now serves as consulting chief for Perot Systems.

It's a jarring thought — and one many of us may prefer to mull over at a later date — but some of the strategic insights that could provide the means to lift industry's veil of economic uncertainty and cynicism could now lie where we least expect to find them.

September 11, 2001

It's a date that will live in memory for its horror and sadness, and one that will likely prod historians of all ilks to close one chapter and open a new one. So it is, too, with the pages of organizational history, where the fluid dictums of the information economy are alleged to have buttressed the coordination of a ruthless enemy.

"We are just about at the stage where we expect to discover the right organization for the information economy, and guess what organization has demonstrated graphically the distributed network is an effective way to organize?" says Chris Meyer, alluding to the terrorist network responsible for the September 11th attacks. As director of Cap Gemini Ernst & Young's Center for Business Innovation, Meyer has been monitoring how the growing pervasiveness of information has triggered a shift in economic power from institutions to individuals. As Meyer sees it, military power is now experiencing a similar shift from the "institution" or nation-state to the individual.

Meyer is not alone. In his 1998 book The Lexus and the Olive Tree, New York Times journalist Thomas Friedman writes: "Because globalization has brought down many of the walls that limited the movement and reach of people, and because it has simultaneously wired them into networks, it gives more power to individuals to influence both markets and nation-states than at any time in history. Individuals can increasingly act on the world stage directly — unmediated by a state."

These are observations many have echoed since the fall of the Berlin Wall — an event most historians agree marked the end of the Cold War. But just as the fall of the Berlin Wall may have revealed the supremacy of capitalism and its Industrial Age organizations, the events of September 11th now arguably reveal the sluggishness of its organizations to adapt. Suddenly, the promise of individual empowerment through information anytime, in any form, anywhere in the world is as frightening as it is inspiring.

"We are on the threshold of organizational transformation to fit the information economy — and one thing we know for certain about the emerging organization is that it will have more to do with individuals and less to do with industrial structure. The key technology area is one that enables the individual to make sense of data," says Meyer.

He believes that companies are now moving to what he calls the adaptive enterprise — an organizational structure, he says, in which people are supplied tools to help them access information so that they can entrepreneurially make better sense of the world.

Like Stalk and Meyers, Champy also defines the next wave of consulting in terms of information's boundless journey.

"I think that the next big set of ideas will come out of theories and observations regarding connectivity — and here's where consultants need to understand how money, goods, and information are moving in a fundamentally different way and are now able to move around boundaries," explains Champy.

A War of Information

One of the more startling admissions by the U.S. government regarding the investigation of the September 11th attacks is that the government's intelligence files played only a minor role in the swift apprehension of 350 individuals believed to have had prior knowledge of the attack or to have known someone who did.
Instead, the CIA and the Federal Bureau of Investigation depended on information gleaned from a barrage of recent electronic transactions involving credit cards, on-line reservations, telephones, and ATMs.
It was information that was only months or weeks or even days old, but it easily dwarfed the hills and valleys of the CIA's existing information reserves.

"This is not a war of guns and bullets, but a war of information," says Rand Blazer, chief executive of KPMG Consulting. "And it begins with finding out who the bad guys are, where they are, and where they are moving." To do this, Blazer says that the government will need to initiate ongoing surveillances of different information streams that are accessed and then correlate the results with law enforcement and intelligence files.
"The idea is that when there is a person doing A, B, and C, their identity is automatically triggered out of the system," explains Blazer, who says that such a system would need to discern patterns in giant pools of information. It's a consulting opportunity, Blazer injects, that could someday dwarf all others.
"The information explosion is really very serious. … Right now, the offense has the advantage over the defense — that is, the creation of information has swamped the ability to make sense of it," says CGEY's Meyer.
Early last year, CGEY's Center for Business Innovation in Cambridge (MA) invited an eclectic group of business and scientific professionals to do just that. The group, which included a meteorologist, an epidemiologist, and various data miners and strategists, was tasked with studying a number of large data sets from which they were asked to discern any significant patterns.

"A lot of this data never gets looked at or analyzed, and has been crying out for algorithms that can substitute for humans' eyes," says Usama Fayyad, CEO of DigiMine, a supplier of services and business intelligence in the data warehousing and mining arena. According to Fayyad, recent research indicates that the price performance in storage capacity technology now doubles every nine months. What's more, he contends, 11 percent of all coded information was generated in 1999 — a staggering number that he believes will only grow larger as industry looks to empower individuals with information anytime, in any form, anywhere in the world.

The Technology Will Fix Itself

Back in Japan, information-empowered individuals reign supreme. One fifth of the population — 25 million people — now subscribe to iMode, the world's most successful wireless Internet service (owned by NTT DoCoMo). It's perhaps fitting that the Japanese word for cell phone is keitai, meaning "portable." Restaurant reservations, video games, and movies are all now at the fingertips of 39 million keitai owners.

Having helped develop NTT DoCoMo's mobile consumer strategy, Boston Consulting Group's Tokyo office today boasts hefty credentials inside the mobile arena — but not everyone at BCG is convinced that DoCoMo's customers portfolio should expand beyond the consumer sector.
"My Japanese colleagues were not very enthusiastic. They felt that the whole cost of serving business in terms of existing equipment and bandwidth requirements made the economics unattractive," explains BCG's Stalk. The firm subsequently endowed the client with a second team of strategists, one that operates in accordance with the dictums of infinite bandwidth, which today stipulate that no one need question technology's limitations.
"What we're concerned about is the business model. The technology part will fix itself," Stalk muses.
In the end, Champy, Meyer, Blazer, and Stalk all toil on one end of a railway of innovation. Each one

is awaiting the advance of technology. Each one is waiting to cross the innovation divide.

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