KAO: An " in transition" case of a hypertext organization

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The case of KAO shows a company moving from traditional model to the modern, hypertext structure. This example suggests a fit for creating knowledge continuously at organizational level.

Hypertext Organization

A hypertext organization combines the stability of the bureaucracy with the dynamism of the task force. It also combines the creation and accumulation of knowledge as in a bureaucracy with the effective sharing of knowledge needed in a task force format. Ideally, a business organization should have a nonhierarchical, self–organizing structure working in tandem with its hierarchical formal structure.

An example of an organization that is successfully building the hypertext model is the Japanese company KAO, a leading household and chemical products maker established in 1887. KAO is still "in transition" from a matrix organization to a hypertext organization. In a matrix organization, the members engage in specific projects, while at the same time report following the formal business hierarchy. In addition, a matrix organization is not oriented to knowledge creation. KAO is still structured as a matrix organization, but it qualifies as hypertext, as well. That is because it utilizes three different layers and encourages information sharing and direct employee interaction. KAO has a divisional, business-system layer as flat as possible. In addition, special product development or organizational problems are dealt using project-team approach. Finally, KAO has a technological and philosophical knowledge base that works to support and promote organizational knowledge creation.

Business–System Layer

KAO is a bureaucracy, but with a very flat structure so that its members are placed on equal footing. New knowledge is created through direct interaction; at KAO it is believed that direct communication and interaction among employees of different divisions generates creative ideas.

There are several mechanisms within the business-system layer for active information sharing, and direct interaction. These are, as named at KAO: “free access to information”,” open floor allocation”, “open meetings”, and “ fluid personnel change”.

“Free access to information” uses a common database and a computer system covering all offices in Japan. Anyone in organization has full access to this explicit knowledge about sales, marketing, production, distribution, and other corporate information.

“Open floor allocation” is a floor setup that removes both physical and mental walls. The division and functional groups are structured around a large, central open space - the “decision making room”. All meetings or discussions take place at round tables and common desks located in this open meeting place.

“Open meetings” favor information sharing and employee interaction. At KAO, any meeting is open to any employee; they can attend the relevant part of meeting and provide feedback. For example, the R&D conference, held every quarter, is regularly attended by some 1,800 people (out of a total of 7,000 employee).

“Fluid personnel change” system ensures interaction among members with different experiences, by assigning “whoever is needed, wherever he or she is needed” basis.
All above mechanisms and systems become the basis upon which tacit knowledge is shared or converted to explicit knowledge, and vice versa.

Project –Team Layer

KAO daily work is organized in traditional manner, division by division, each division being an independent profit center. However, when it comes to new-product development, marketing innovation, and human resource management issues, the divisions co-operate in a horizontal manner. There are three “horizontal” committees to deal with cross-divisional strategic issues: Division Strategy, Marketing Innovation and Human Resources Management. These committees are not

outside of the business system; a committee member is in both business-system layer, and the committee at the same point in time. That makes KAO an "in transition" structure.

All three committees have regular meetings, participants are from management levels, various divisions, or R&D and production departments. They tackle several issues, according to specifics of the committee, develop recommendations, take decisions, or are responsible for implementation of special projects. Still, the members of committees are never committed solely to a project or a team; after the meetings are over, they come back to business units they belong and continue regular responsibilities.

Explicit And Tacit Knowledge Layer

The activities from the two layers create knowledge that is conceptualized and recontextualized in the corporate knowledge base. Explicit knowledge is captured and structured under the "Five Scientific Areas", and the tacit knowledge is accumulated and shaped in the philosophical principles proposed by top management.

The "Five Scientific Areas" provide KAO with directions regarding new markets for the future. These areas are vital to their current technologies and closely related to historical business development. These scientific areas are fat and oil science, polymer science, biological science and applied physics. Knowledge created in the business-systems and project-team layers can be recategorized in these five scientific areas. That allowed KAO to move in markets that, at first glance, may seem distant from core business. For example, using this approach, KAO moved from cosmetics to computer floppy disks, applying the surface science.

Regarding tacit knowledge base, everything starts from top. The CEO Yoshio Maruta is called the "philosopher executive". That is because he is a devout student of Buddhism, and expresses openly his philosophy on how to guide an organization. His three principles are:

1. Contribution to consumer
2. Absolute equality of humans
3. Search for truth and then unity of wisdom.

These principles provide the context for corporate culture and affect the behavior of each employee. Knowledge gathered from organizational members is stored, as well, in the tacit knowledge base, and altogether serve as the key driver for company values. (January, 2001)