

**The Future Arrived Yesterday**  
**The rise of the Protean Corporation**  
**(and what it means for you)**

*Michael S. Malone*

**A précis of the book by Pete Laburn**

In 1992 Michael Malone and Bill Davidow predicted the rise of the Virtual Corporation, and released a book by that name detailing their ideas about an adaptive organisation, driven by technology with a global reach. At the time – before the Internet - their ideas seemed far out, yet today the Virtual Corporation is a widespread phenomenon, with telecommuting, global work teams, technology-based marketing and sales and inverted organisational charts standard features of work life in much of the world.

A lot has happened in the last 2 decades since then and we now live in the age of Web 2.0, global wireless, intelligent cell phones and the pending arrival of a billion new consumers, and the revolution they predicted in the corporate organisation is largely complete in the developed world. But technology and society around it move on at an ever faster pace. Every trend in the corporate world – technological, managerial, financial and cultural is pushing companies toward ever greater virtualisation, the dismantling of every traditional organisational structure, to be replaced by networks of free agents. At the same time, mounting evidence is warning us that this model does not work.

While institutions have, philosophically stood still, the world around them and the people within them have been transformed in some very important ways, and the fit between company and people, the employer and the employed, management and labour is becoming less secure. We need bold, new ideas and ways of thinking about organisations that reflect the changing reality of the people who are part of them. Our society has undergone enormous changes over the last twenty years, while business – the place where we spend much of our adult lives, and the source of our economic health and the wellspring of the many products and services that improve our lives – has yet to catch up with those changes. Today's companies no longer reflect who we are now.

Michael Malone suggests that these new ways of thinking are incorporated in the Protean Corporation. Protean Corporations use the latest information processing, communications and social networking technologies to become shape-shifters, constantly restructuring themselves to adapt to changing circumstances and new opportunities. Protean Corporations (which will eventually include non-profit organisations and governmental agencies) – behave like perpetual entrepreneurial start-ups, continuously changing their form, direction, even their identity in order to respond to the rapid changes in the market place. By the time the revolution to Protean Corporations is complete, business itself will be profoundly, changed creating the world's first truly entrepreneurial society where the dominant ethos is innovative, risk-taking, amnesiac, opportunistic, and thoroughly independent and individualistic.

Protean Corporations will be a dynamic place with a workforce scattered around the planet, linked virtually. Among current institutions the closest comparisons are movie studios, international relief agencies and travelling entertainers. In each case a group of talented professionals quickly aggregates around an idea or a business opportunity, forms a workable internal structure, expends the necessary time to create and deliver their products and services, then distributes the rewards and goes their separate ways. Like the entrepreneurs that populate them, Protean Corporations will appear to be risk-takers, with their constant shifts and turns, but they are in fact risk-averse, changing their form and direction in order to minimise risk. With a global market so vast with ongoing technological changes and with competitive challenges coming from every direction, every company will be under continuous assault and in order to survive they will have to change their nature over and over again, not once a decade, but every few years.

Successful companies of the future must find a way to continuously and rapidly change almost every one of their attributes (products, services, finances, physical plant, markets, customers and tactical and strategic goals) yet at the same time retain a core of values, customs, legends, and philosophy that will be little affected by the continuous changes taking place just beyond its edges. The challenge will not be how to create these two parts, but how to marry them together and make them work harmoniously.

At the heart of a successful Protean Corporation is what seems like a contradiction between the rapid technological changes pulling the company apart, and the human forces pushing the organisation together. The forces pulling the enterprise apart are called centrifugal forces and those drawing the organisation together are centripetal forces. We discuss them further here:

**Centrifugal Forces** are technology, culture and demographics. In technology, the rise of the broadband World Wide Web, powerful personal and laptop computers, Blackberrys, iPhones and other intel processors and Wi-Fi coverage has taken away the need for workers to travel to a traditional office in a large building at some centralised location. Also, on any given day tens of thousands of virtual work teams, their members scattered in offices and laboratories in every time zone around the planet, meet online or via satellite video links. In the modern virtual global corporation, work is almost 24/7/365 offering a competitive advantage no local company can match.

Technology, including virtual workstations, broadband intranets, online corporate gatherings and new forms of team building, organisational transformation, including decentralisation, de-massification and the destruction of hierarchies as well as telecommuting, global work-teams and real-time enterprise networking are all contributing factors in the building of the Protean Organisation of the future.

In developing nations, such as India and China, talented knowledge workers are being pulled away from work at a local company to work for companies based half way around the world, empowered by the internet. Also in the developing world, in both the cities and villages, cheap cell phones are enabling budding entrepreneurs to connect and reach out to the global marketplace for very little cost. In the face of this, no enterprise can compete unless it expands outward almost boundlessly.

Culture may be an even more important centrifugal force pulling companies apart. Our current generation mix no longer has the traditional notion of a single job at a large company for thirty years followed by a gold watch and a pension. We are moving into an employment base that defines work more as a fluid experience of moving from job to job, project to project, operating out of cubicles, coffee shops and from home.

In addition, the rise of a new generation of Generation Y's (born between 1980 and 2000) who are distinctly different from the generations before will demand the development of a business model that they want to work in. They are the first generation born in the computer age and many have parents who have worked from home and have little interest in ever taking an office job. Gen Y's expect their jobs to change as rapidly as the rest of their lives.

Demographics is the most centrifugal force of all. Decreasing birth rates in most industrialised nations means that in 25 years time these population will be diminishing and elderly. Companies looking for new consumers will need to look to the 2-billion brand-new consumers emerging from the developing world right now, but these new consumers live far away meaning that companies will have to send staff to these new

places to do business there. These outlying employees will need to be empowered to make critical decisions, based on their own judgement, making them even less attached to the company. All these forces are pulling companies apart, atomizing their traditional operations and challenging their employee's loyalty and identity to the organisation.

**The Centripetal forces** drawing the organisation together are the human needs for socialisation, commitment to a larger purpose, continuity and constancy and a sense of legacy. Most of the centrifugal forces are external and deal with large sweeping global trends while the centripetal forces are mostly personal, small and local and deal with human nature in its most intimate manifestations.

The rise of virtual corporations over the last 15 years has enabled companies to mass-customise their products and services, free their workers from the office and the traditional organisational chart, and empower them to make more decisions. However, these accomplishments did come with a price. Telecommuting employees experience a sense of isolation, abandonment and of being left out of the crucial events of the company. In addition, telecommuters are often seen to be losing loyalty to their companies as they work in coffee shops along side competitors. The entrepreneurial lifestyle is not for everyone. Some people seek stability and commitment as defining elements of their character. This 20% of people is being left out of this great organisational restructuring as they long for the traditional work environment of 20 years ago. To dismiss this group would be foolish for their talents are absolutely vital to your company's future success. This 20% of risk-averse, steady, corporate types are most of the people who maintain the corporate culture, serve as the institutional memory and maintain structural cohesion and integrity.

The structure of the virtual corporations of the last 15 years offered workers the prospect of escaping the limitations of time and space. Virtual companies had dealt with the centrifugal forces at work on the modern company and built shape-shifting corporations, but without a core. It sounded good in theory but it did not take into account the feeling of isolation and unconnectedness felt by tele-commuters. A company without a stable centre also does not have a way to draw its employees, partners, and customers toward it, decreasing company loyalty and making it easy for stakeholders to move on to another opportunity. Their mistake was to focus on the scientific side of the organisational model and not the human side. They failed to deal with the centripetal forces at work in their own hearts and the hearts of their peers. They got the cloudlike nature of the future corporation right but failed to appreciate that for such an enterprise to have any presence and attraction, it also needed to have a small, hard core around which that cloud swirled. This is the only way that the

future corporation can solve the essential paradox of being permanent but transient, a shape-shifter with an enduring identity.

This paradox between centrifugal and centripetal forces will cause a tension that will need to be constantly monitored, managed and kept in equilibrium within a Protean Corporation. But the companies that succeed will enjoy unprecedented success.

The word protean means something or someone that easily and regularly changes its appearance. In popular use the word has come to mean not just the ability to change shape, but also to adapt to change, to be flexible enough to meet any new challenge with the right skills, attitude and goals. Protean comes from Proteus, a figure of Greek mythology who was a shape-shifter. He was also able to foretell the future and answer any other question put to him; the only problem was that in order to ask him your question you first had to catch him, which was a very difficult task as you never knew what form he took at that time.

The myth of Proteus helps to expound our definition of a Protean Corporation. He was the most transient of creatures, yet whatever form he took, he still retained his self. There was something elemental beneath all the many shapes, some core identity that remains eternal and true to Proteus and it is this core identity that enabled him to see the eternal and the future. The lesson from the Proteus myth is that if you want the future, you must learn to wrestle and control the rapidly changing, shape shifting world around you. Deep beneath the shape-shifting surface of the Protean Corporation needs to lie a small, solid core that is unchanging, fundamental and human. Achieve this and you will be able to control your company's destiny.

The model of the Protean Corporation is based on the atom described in quantum theory. The atom has a solid nucleus composed of subatomic particles, surrounded by a probability cloud of orbiting electrons. This cloud grows denser the closer one gets to the nucleus as the inner rings of electrons are more tightly bound to the core than the outer ones, where the electrons can be stripped away or shared in bonds with other atoms.

With this model we can describe a Protean Corporation as an enterprise that features: an amorphous external form that uses technology to rapidly adapt to changing situations with regard to market, customers, competition, finance and ownership, and a slowly evolving internal centre that uses interpretive tools to maintain the identity and continuity of the enterprise over time. The ever-changing external 'cloud' contains the majority of the individuals connected to the enterprise, including full-time and part-time employees, contractors, consultants and other stakeholders. These stakeholders continuously migrate between greater or lesser attachment to the enterprise according to the level, duration and intensity of their commitment to the enterprise. The majority of these individuals migrate across the surface of the company, provide their

contracted services and move on. Cloud employees are rewarded for their contribution.

At the centre of the Protean Corporation is a solid 'core' that contains a comparatively small number of permanent employees, from all levels of the traditional organisational chart. These individuals bear the task of maintaining the Protean Corporations core identity, philosophy, standards, stories and legends, as well as relationships with strategic partners and investors, intellectual property and public image. Core employees are mostly rewarded for their commitment.

The truth is that there is a point in the virtual world beyond which human beings cannot go. A purely virtual organisation simply does not work in the real world. Real human-based organisations need some kind of structure. They need a purpose, they need an identity, they need direction and goals and they need an organising philosophy that manifests itself as a culture. They can only do this, and still remain sufficiently agile and adaptive to cope with the rapidly changing world if some part of that organisation remains permanent, enduring and committed to the overall health of the organisation itself.

For a company to succeed in this new world, it will have to accelerate its activities, and stretch and twist and fold its operations in an endless attempt to stay competitive. But somewhere in that organisation, something has to remain clear, calm and unchanged. And that centre will have to spend its days worrying not about the latest new product or market thrust but about the meaning of the company, its rules or behaviour, its values and its goals and provide the tools to help employees to reach those goals.

The company's CEO is not the core and is not even necessarily a member of the Protean Corporation core. The CEO of a company is not necessarily the heart of the company (unless they are the founding CEO who started the enterprise and has been there ever since) but is only a part of the cloud and has limited access to and control over the core. This is a very different set-up from the traditional model but is beneficial in that these days most CEOs zigzag from one company to another learning different skills and managing different types of teams along the way. But this high flying CEO probably does not have a good knowledge of the culture of the company including its philosophy, history etc. The core body of individuals whose understanding of the company's culture is unmatched and their enduring commitment to the firm stands in contrast to the comings and goings of transient CEO's.

The role of the core in a Protean Corporation is to establish standards of behaviour in the company, preserve the company history, and nurture and grow the company's culture. Its primary operating task is to advise and consent on all cultural decisions made by the company CEO and management. Its secondary task is to maintain and upgrade the company statement of purpose, corporate objectives and all other

documents, regulations and standards reflecting the company's culture and philosophy. The core reports directly to the Board of Directors and indirectly to the CEO.

In other words, the core of a Protean Corporation is a group of employees, representing no more than a small fraction of the company's total employment, who, as a result of their experience, knowledge of the company's history and culture, are rewarded with a unique and influential role in the company – one that guarantees them unmatched influence, permanent job security and considerable honour. They are protectors of those unchanging or slow changing features of the company in an otherwise rapidly evolving and changing business environment.

Here is the list of characteristics that make up a potential core member:

1. A company veteran who has been with the firm for most of its history;
2. A survivor or key player, in at least one of the major crises in the company's history;
3. Synonymous with the company. When you think of a person who 'bleeds the company colours';
4. The go-to person at the company. If you need to know how something is done in the company, where corporate resources are, how to circumvent company bureaucracies – this is the person to go to;
5. Connected, often at levels far higher or lower than his or her pay-grade. The VP who is friends with the guys in the tool shop or the secretary who can talk directly with the CEO;
6. Generally seen as irreplaceable, who is so embedded into the organisation of the company that it is almost impossible to imagine the place without him or her being there.

They may not be the kind of people you would normally consider for great advancement or power. A person who wants to spend a lifetime with a company, who feels a great sense of personal responsibility for that company's success and who is willing to make personal sacrifices out of a deep and abiding loyalty to the company and is likely to have a very different personality to that of a modern career oriented entrepreneurial executive.

Overall, you already have these unique individuals embedded within your organisation and they are critical to your organisations success. What you need to do is identify them and protect them because if you have your core, anything is possible.

The cloud is where the real action is going to happen in the Protean Corporation. It is the cloud that determines whether the company remains competitive and successful in the new economy. The cloud is not entirely chaotic or completely amorphous. Instead

it has structure and rules governing its behaviour. Like nebular clouds, the cloud of a Protean Corporation is denser toward the centre – this is the inner ring which is essentially the traditional corporation, and contains those infrastructural operations found in nearly all companies: manufacturing and product management, finance and payroll, advertising and public relations, sales and marketing, corporate communications, research and development and administration and resources. These full-time employees need to spend time acting as conduits and intermediaries to the ever-growing numbers of other workers whose connection to the company ranges from full-time contracts to occasional piecework – managing them, training them and showing them the company’s way of doing things.

Members of the inner ring will be the equivalents of full-timers in today’s organisations. They will work for a salary and in return earn the benefits for that commitment in the form of profit-sharing, health insurance, education, pension and employee facilities. Some will work from home while others will be required to work at the office or factory. All will show their commitment to the company through longevity, job performance and promotions and in so doing will migrate closer to the core. Future members of the core will be recruited from the innermost regions of the inner ring.

Within the various department of a Protean Corporation there will be individuals not part of the inner ring but who have a much looser and more tenuous relationship with the company than today. They might even be people generally found quite high on the organisational chart – including attorneys, sales people and even product managers. These professional hired guns choose to establish their own entrepreneurial ventures and contract their services – often for extended periods – to corporate clients.

Another group which will be part of the Protean Corporation is the near-majority of employees who are not traditional employees at all. These could include part-time, permanent part-time, contractor, full-time contractor, consultant, on-site nonemployee, off-site employee etc. This list is going to get more complex and subdivided in the years to come.

The three main tasks of the inner ring will be to recruit, control and communicate with the outer members of the cloud. With the outer members of the cloud constituting anything from 60-98% of the company, and with monthly turnover rates of up to 50%, this is not going to be an easy job and it will not be done in the ways traditionally undertaken currently in traditional business. What is important to note is that if the thousands of alternative employees scattered all over the world, speaking and acting in your company’s name, are not well-trained in your company’s culture, philosophy, and rules of behaviour, they could make deals, break laws and damage the company’s reputation and cost millions in litigation. Only the presence of the core and

the inner ring in a corporation can establish rules for, and maintain relative control over, the behaviour on the company's outer fringes.

So where is the Protean Corporation going to get its new business ideas from in order to move and change with? What business has learnt over the past 30 years is that great business ideas come from entrepreneurs and entrepreneurs want to start their own companies. But there is a limit to the number of new companies that can be created in a given year. What established Protean Corporations are going to need to do in order to survive is to be able to mobilise themselves to respond when a hot new idea emerges. Most established companies are paralysed by their existing business models and strategies rendering them unable to run with a new great business idea and this inability to adapt will slowly thin their ranks until they all but disappear.

Forward thinking companies will need to learn to either germinate great new business ideas within their organisations that they can run with, or follow the top talent in the industry and try to bring them into your company. Companies will need to keep that talent inside the company, but in the outer ring of the cloud. Your challenge is to identify these people and reel them in under the banner of your company while still giving them autonomy, investment capital, access to talent, technical resources and ownership. Protean Corporations will not only support fully the creation of new entrepreneurial enterprises within their corporate operations, but even take the next step of basing their corporate strategy on the presence of these internal start-ups. They need to be able to make giant leaps from market to market, forever abandoning past success and pursuing new opportunities, no matter how incongruent to the company's current business.

At the heart of most entrepreneurs are two intense desires:

1. To take control over their own destinies, and to do so successfully;
2. To avoid risk.

Traditionally entrepreneurs will build start-up teams from people they know and run the gauntlet of investors, venture capitalists and banks – losing ownership as they go – in order to scrape together the money they need to start a business because it is the best deal they can get. However, today's corporations need to see that entrepreneurs are not wed to this traditional business start-up model and that given a better deal they would jump at it. Established corporations need new fresh ideas and entrepreneurs are looking for a way to take their ideas to market, while still remaining independent and owning their idea. This is where there is an important role for corporations to play in this process, if they can abandon their prejudices against true intrapreneurship, they present a viable alternative to the existing entrepreneurial financing model and they offer entrepreneurs a better package of support and rewards than current strategic partners and investors.

Malone suggests that the Protean Corporation would be able to offer a number of advantages that venture capitalists would have a hard time matching including: a database of the best talent in the industry from which to build an excellent product development team; access to corporate research and development laboratories and technologies; funding in the early stages of development on better terms; expertise in the form of wisdom and experience in the running of a successful business; branding, positioning and marketing expertise to take the product to market; distribution networks; and funds for liquidating and going public. Corporations need a change of attitude from opposing entrepreneurial activities inside the organisation to encouraging intrapreneurship.

There is a new figure unique to the Protean Corporation who will soon be the most important figure in the new economy. Like the CEO, who moves between the core and the cloud, this individual will move between the inner and outer rings acting as the first real-life example of an ‘intrapreneur’, or a competence aggregator. They are company builders within the organisation, producing new market thrusts, new products and services. They keep the company competitive and vital and will be responsible for a sizeable fraction of the new job creation in the global economy. These individuals will be highly sought after and become the most powerful and wealthy figures in the corporate world.

The intrapreneur of tomorrow will likely link themselves close to their company of choice, acting as a scout for new opportunities or projects, putting together the right team from the outer reaches of the cloud and acting as intermediary to the company while keeping a piece of the action. For true entrepreneurs, becoming a competence aggregator will be exciting work: independent, creative and with the potential for both fame and riches, exactly what is available only through stand-alone start-ups today, but they will never have to settle down, become bureaucratized or take on the long term burden of managing their creations. A great competence aggregator of the future could have spent a half-century at two or three companies creating 40 successful enterprises and becoming a billionaire in the process, but getting better with age.

Michael Malone’s book tries to show the development of the Protean Corporation as the natural outcome of trends already at work in society today. Some of the forces influencing the development of the Protean Corporation already arrived. The second billion consumers are now already on the scene, bringing with them the hundreds of millions of new members of the middle-class around the world. The third billion is waiting in the wings. Half of them will have entered the global economy before your company completes its next 5 year plan. The parabolic curve of technological innovation will also continue unabated.

Entrepreneurs are the new cultural heroes creating most of the innovation, new jobs and new wealth in society today. There are literally hundreds of examples showing how everyday people have abandoned structured organisations, institutional rules and mass movements and embraced the kind of individualism, independence, self-management, self-employment and higher risk lifestyles that we typically equate with the entrepreneur. There is no going back now and any company that attempts to restore the traditional model risks an exodus of its best people.

Overall, the Protean Corporation offers the best scenario for companies to be able to move more quickly, adapt to rapidly changing marketplaces and attract the talent of its increasingly entrepreneurial workforce. However, the Protean Corporation will still remain a real – as opposed to virtual – organisation, with an identity, a history, a purpose and an actual culture that is demonstratable, enduring and measurable for the first time. No other organisation can match the Protean Corporations performance and still remain an organisation.

All we need for the Protean revolution is already here. All the technology needed for companies to make this transformation is already widely available. The cost of transforming an information-based company into a Protean Corporation is almost nothing, but it will demand something more than cost: a change of attitude. This transformation will not rely on technology, but will rather be a humanistic revolution, led by tough minded leaders who are attuned to their people and who realise that people-orientated management is a competitive advantage in the market. Young companies will probably change before the old, smaller before the larger and the entrepreneurial before the bureaucratic. Mostly, it will be the courageous before the timid.