

## Starfish & Spiders (2)

In the last e-mail we looked at how the internet has changed forever the balance of power between centralised and decentralised organisations. **The Starfish and the Spider** by Ori Brafman and Rod Beckstrom captures brilliantly the notion that centralised **Spider** organisations die when you cut off the spider's head, but decentralised **Starfish** organisations actually replicate themselves when they are cut in two.

Thanks to Mike Talalay who brought to my attention after the last e-mail a book written by historian Paul Kennedy in 1989 called **The Rise and Fall of the Great Powers**. Here Kennedy tries to answer why, after 1500, a rag-bag (my words not his) of small and relatively impoverished states in Western Europe came to dominate the world rather than the far richer and more sophisticated Chinese and Mogul empires. The answer was decentralisation. Kennedy writes;

*"...the basic fact was that there existed no uniform authority in Europe which could effectively halt this or that commercial development; no central government whose change in priorities could cause the rise and fall of a particular industry; no systematic and universal plundering of businessmen and entrepreneurs by tax-gatherers, which so retarded the economy of mogul India."*

This Starfish and Spider stuff has a history stretching way beyond the internet. Now we can add Moguls and Mandarins to the Aztecs and Incas. The point about the internet is that now there is an all-pervading general-purpose technology that enables starfish to proliferate far faster than at any time in history. Web 2.0 developments are taking it even further in re-balancing the power between consumers and suppliers. If you don't know what web 2.0 technologies are doing in your business sector you had better find out quick!

So if the Starfish model of organisation is enduring, the next question is **how to lead it**.

Ori & Rod find one of their models in an unlikely setting. In 1935 Bill Wilson was an alcoholic who had been told he had 6 months to live by his doctor unless he stopped drinking. He had tried experts' remedies and shrinks, but they were useless to him. His breakthrough was realising he could get help from other people in the same predicament. Alcoholics Anonymous was born.

When the group became a huge success and people all over the world wanted to form their own chapters, Bill faced a decision. He had established the principles of AA. He could now try and control what people could and could not do. Or he could get out of the way and trust the AA recovery principles (the 12 steps) to carry the mission in each chapter. He let go. And there are now countless former alcoholics who are thankful he did.

Bill had the same mind-set as Geronimo. Like an Apache Nant'an. Remember what we said about Nant'ans last time;

*The Nant'an led by example and held no coercive power. Tribe members followed the Nant'an because they wanted to, not because they had to.*

Starfish organisations are bound together by ideology and principles. The people in them do what they do because they believe in what they are doing.

Ideology is the glue that holds decentralised organisations together. It is one of 5 key characteristics of successful decentralised organisations. Ori & Rod describe the other 4 as;

- Circles; once you join or are accepted, you are an equal.
- The catalyst; the person who initiates the circle and then gets out of the way, ceding control to the members and allowing them to be guided by the enduring principles.
- Pre-existing networks; this could be a movement (e.g. the Quaker movement for the abolition of slavery) or a technical platform (the internet for Napster)
- The Champion. Someone who is relentless in promoting the idea and takes the catalyst's initiative to the next level.

I guess this is where I depart slightly from the Ori & Rod line, because these are not characteristics of leaderless organisations. The **catalyst** and the **champion** are distinctive leadership roles and styles that enable starfish organisations to flourish. But hey, I'm splitting hairs.

What about accountability and governance you cry! The real life pressures of tomorrow's Audit Committee or Shareholder AGM just won't allow any loss of grip or control.

This is where hybrid organisations come in. Take a look at Jack Welch in General Electric. In 1981 GE was valued at \$12bn. Not exactly small change. It also happened to be highly centralised and a world-class brand. Living proof that centralised command and control is best. Or so you might think.

Welch separated GE into different units that had to perform as stand-alone businesses. Each had its own profit & loss account. Each was given independence and flexibility. Each unit even paid the other the full market price if they traded a product between them. Each unit was held fully accountable for its position.

Welch's GE had 2 business rules;

- be number one or two in a market or get out
- generate high returns on investments.

25 years later GE was valued at \$375bn. Over 31 times higher than in 1981. GE had changed from spider to a sea of starfish through Welch's commitment to decentralisation, the imprint of his leadership DNA, and the application of 2 simple business rules to each starfish.

Welch didn't create GE, so he wasn't a catalyst like Bill Wilson. But he was utterly relentless in taking the company to a new level through strategy and decentralisation. He found the sweet-spot on the leadership continuum.

In fact Ori & Rod see the "sweet spot" on the centralised-decentralised continuum as the Holy Grail for companies in the internet age. But that will have to wait for next time. Or buy the book!

**Roger Greene**