

Starfish & Spiders (3)

In the last couple of e-mails we have looked at **The Starfish and the Spider** by Ori Brafman and Rod Beckstrom. The book is all about the notion that centralised **Spider** organisations die when the head is cut off, but decentralised **Starfish** organisations actually replicate themselves when they are cut in two.

The book shows how the internet has accelerated the balance of power between centralisation and decentralisation, but also demonstrates the enduring power of decentralisation through the ages, starting with Aztecs and Apaches. Last time around we added Moguls and Mandarins, and we finished with the challenge about how enterprises can organise successfully in the internet age when they have stakeholders, shareholders, thisholder and thatholder keeping them busy through ever-proliferating corporate governance structures risk-managing them into oblivion (I am not against risk management and corporate governance, but you get my point).

The answer for Ori and Rod is about finding the "sweet-spot" on the centralisation-decentralisation spectrum. If you have ever played golf or a racquet sport you will know what hitting the sweet spot is. It's where you make the perfect connection with the ball, it goes exactly where you planned, and it all seemed so effortless! The problem is that even though we know exactly where it is located physically on the club or racquet, it's so elusive to find in the heat of battle!

Sweet-spot organisations are hybrids, somewhere between starfish and spider. General Electric under Jack Welch was the one we mentioned last time. Let's look now at Toyota, e-Bay and Apple.

Ori and Rod pay homage to Peter Drucker. His seminal work **Concept of the Corporation** saw ideology and decentralisation as keys to the historic success of General Motors. Just like the Apaches and Geronimo. GM had been the world's number one car manufacturer since 1931. Its passion to excel and the empowerment of its Divisions (decades ahead of General Electric) were its key characteristics. GM in the 1940s however thought it didn't need to change in line with Drucker's ideas. The Japanese on the other hand took Drucker's insights to heart and companies like Toyota learned to innovate constantly while GM was more resistant to move on the centralise-decentralise continuum.

As far back as the 1980s Toyota members of the assembly line were considered a team, each team member an important contributor and each had a high level of autonomy. Can you guess the percentage of worker suggestions that got implemented by Toyota? 15%? 50%? Try 100%. Just like Wikipedia edits, each and every suggestion was implemented. And just like Wikipedia, if someone's suggestion proved counter-productive another employee would make a suggestion to undo the prior suggestion.

Back in the 1940s GM was way ahead of the competition. It was a hybrid organisation but then failed to explore how to become even more decentralised. Toyota on the other hand continually strove to find the ideal balance between starfish and spider systems.

History now tells us GM remained the world's number one car manufacturer for 76 years. Pretty impressive really and still testimony to the power of the hybrid organisation. But it was overtaken in 2007 by Toyota. And there are no prizes for guessing which of the two has been leading the world on industrial organisation development thinking.

Apple and e-Bay are 2 more companies who have found the sweet-spot. Take e-Bay first. They weren't the first on-line auction house. Onsale were the biggest at the time. They held and sold inventory like other vendors, but sold through auction. E-Bay never held inventory, and took the massive decentralisation step of allowing anyone to buy and sell through them as intermediary. Their model doesn't allow them to do quality control over the goods, so they give the control to the users via user ratings and they run verification checks on e-mail addresses to ensure there can be no anonymity. They have created sufficient accountability and trust for people to be constantly buying goods sight unseen from complete strangers. Extraordinary when you think of it.

As for Apple. Remember the Supreme Court battle by the recording industry giants against Grokster? Peer-to-peer music sharing had been made possible by Napster, and a succession of increasingly anonymous P2P entities had decimated revenues for the music industry giants. So if punters wanted a particular song they could either choose to buy the album and nothing but the whole album if they went to the Spider enterprises like MGM (and feel ripped off), or they could download for free from the illegal Starfish sites (and know they were pirates). Then along came Apple with iTunes, selling individual songs and making it all perfectly legal, for less than a pound or a dollar. Plus they created a cool MP3 player you didn't need a PhD and magnification glasses to operate.

Unlike your favourite golf club however the sweet spot in business never stays in the same place. Ori and Rod issue the warning that Apple, e-Bay and Toyota may be sitting on the sweet spot today, but there's no guarantee the sweet-spot won't shift tomorrow. They define it as "the point along the centralised-decentralised continuum that yields the best competitive position". They conclude the chapter **In search of the sweet-spot** with the words;

It's hard to tell where the decentralised winds will blow, but it's always wise to chase that sometimes elusive sweet spot.

The internet has let the genie of decentralisation out of the bottle. And there's no way back. And whatever your enterprise, whether you are in business, public service or the voluntary sector, there are simply no exceptions.

Where are you on the spectrum?

Roger Greene