

The Decentralization Continuum

New Organizational Designs for the 21st Century

Technology is making easier for people to connect with one another. This change will push organizations further down a continuum of decentralization. Organizations will experiment with new forms of design. These designs will take the form of federal organizations, lattices and even starfish. This article outlines those decentralized designs as well as provides examples to better understand the changing nature of organizational designs.

It was Charles Handy¹ (1989) who stood at the threshold of the new century and made predictions about how the changing world would change organizations. Handy's ideas were decades ahead of their time; they were also decades ago. Today, a myriad of new trends are converging at the outset of the 21st century that will affect how business is done. Technology is forcing companies and leaders to be more open and collaborative (Li & Bernoff, 2008; Li, 2008)². A new generation, the millennials, are entering the workforce with new attitudes and aspirations (Alsop, 2008)³. Even the very nature of work is changing, from left-minded processing and operations, to right-brained creative and design work (Pink, 2006)⁴. These trends are combining to form a perfect storm that is redefining business as usual. From structure to strategy and even to incentive compensation, many organizations are changing their designs in order to remain competitive in this new environment. Of these changes, three designs in particular are thriving: federal, lattice and starfish organizations.

Federal

The concept of a federal organization was first identified by Charles Handy (1989), in which subsidiary organizations join

together in order to gain the benefits of scale. In a federal organization, coordination and vision come from the leadership but initiatives are made by the component subsidiary organizations. Federal organizations are one solution that companies are using to deal with the dilemma of power and control. According to Handy, the federal organization structure provides a framework that enables autonomy and releases corporate energy for people to do things in their own way, so long as it is in the common interest. While federal organizations are easily recognized in government, from the United States to the European Union, many companies are beginning to experiment with federalization as well. Dutch-Anglo multinational, Unilever is one of the more famous federal organizations. It benefits from the sheer scale of its organization, despite its various subsidiary companies and products as diverse as Dove soap and Hellman's mayonnaise.

¹ Handy C. (1989). *The Age of Unreason*. Boston: The Harvard Business School Press.

² Li C & Bernoff J. (2008). *Groundswell: Winning in a World Transformed by Social Technologies*. Cambridge: Harvard Business School Press; Li C. *Open Leadership: How Social Technology Can Transform the Way You Lead*. San Francisco: Jossey-Bass.

³ Alsop R. (2008). *The Trophy Kids Grow Up: How the Millennial Generation is Shaking Up The Workplace*. San Francisco, CA: Jossey-Bass.

⁴ Pink D. (2006). *A Whole New Mind: Why Right-Brainers Will Rule the Future*. New York: Riverhead.



Lattice

Lattice structures take the idea of decentralization one step further. The lattice organization is completely devoid of any traditional hierarchy (Hamel & Breen, 2007)⁵. It is called a lattice because each member of the organization is connected to every other member. Individuals enter the organization without a formal assignment. Instead they rotate through jobs that interest them and then choose to commit to a particular project. This structure allows individuals to really connect with everyone in the organization and to experiment until they find a project their strengths can contribute to and a team that needs their strengths in order to become more well rounded. Leaders emerge when individuals have new ideas for products, services, initiatives or other movements and recruit others to follow them. Once a certain number have followed, the organization blesses them with the title, leader. The most well-known example of an organization following the lattice structure is WL Gore & Associates, whose founder Bill Gore also founded the lattice design. Gore has leveraged the lattice idea to create innovative products such as Gore-Tex fabric. The company also attribute its unique structure to it being ranked in Fortune's "100 Best Companies to Work For" every year since the list's inception (Manz, Shipper & Steward, 2009)⁶.

Starfish

The Starfish organization refers to a system where decision making is distributed throughout the entire organization. It represents the end of the decentralization continuum. In a starfish organization,

individuals self-organize around a movement or idea. The organization itself remains devoid of formal leadership, often the only resemblances of leaders are catalysts, who serve to motivate the tribe but quickly fold back into the group once a direction is decided. Most starfish organizations take the shape of informal movements or formal nonprofit organizations. However, many companies have found a middle path, able to stay decentralized yet still bring in a profit. One such company is eBay. eBay has a core group of full-time employees who handle the framework of the site, monitor it, market it and are involved in operations similar to a traditional company. However, the attraction of the site is its marketplace. Users can create auction listings and buy from each other. Users rate sellers and buyers in order to provide good users with references. Other than the optional PayPal payment system, the marketplace is completely decentralized. The attraction of buying on eBay isn't eBay; it's the starfish. It's the fact that it is a decentralized marketplace where people can get great deals on DVD players or unload that unused, out-of-date iPhone.

Conclusion

The world is changing. Technology is making it easier for people to connect with each other. As individuals find ways to connect and share ideas, they'll push organizations further down a continuum of decentralization. As they do, organizations will experiment with new forms of design. These designs will take the form of federal organizations, lattices and even starfish. The connective power of technology isn't just changing who we do business with, but also how we do business. 

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⁵ Hamel G & Breen B (2007). *The Future of Management*. Harvard Business School Press, Boston, MA.

⁶ Manz C; Shipper F; & Steward G. (2009). Everyone a Team Leader: Shared Influence at WL Gore & Associates. *Organizational Dynamics*, 38(3), 239-244.

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