

# Organization as Strategy

Ken Everett  
Executive Fellow  
Business School  
University of Essex  
Essex, United Kingdom  
ken@n2nhub.com

**Abstract**— If an organization needs a strategy, then a strategy needs an organization. And if strategy is about creating advantage, organization can offer that<sup>i</sup>. Arguably, Wikipedia's primary source of advantage is not its database but the unique volunteer organization that acts as its custodian<sup>ii</sup>.

If organizational architecture determines possible outcomes, what choice allows for an organization with limited resources to be global? And what choice tilts the odds in favor of resilience, innovation and shared leadership?

The networked organization is one answer, one strategy.

**Keywords**--organization, strategy, networks.

## I. INTRODUCTION

### THE NETWORKED ORGANIZATION AS A STRATEGY

In this case study, a Singapore company, with limited resources, a strong product, and regional (if not global) ambitions set out to create a business that would allow the founders, eventually, to gracefully retreat, leaving a sustainable structure in place. The organization that emerged was a networked organization.

In the past, networked organizations were common: think small-town communities. With today's communications technology, global communities are feasible. In this case study, a company with three employees became represented in 30 countries via 300 colleagues. This was probably not possible only 25 years ago.

Expectations of this organization were modest. At best, it was imagined to offer wide geographic coverage at low cost. But as it developed, surprises emerged. It turned out this style of organization could be innovative, resilient and leader-full. These are qualities conventional organizations often strive for—and this, it is claimed, will be the real significance of this form of organization. What also emerged was the need for a different style of leadership: a style more like 'hosting' than 'commanding'.

In short, the network offers attractive strategic options, both in it's own right, and also as a model for more traditional structures. This paper describes a networked organization from foundations through development to emergent qualities.

## II. FOUNDATIONS

The business was set up to be:

- Self-funding
- Self-managing (largely)

- A distribution and delivery vehicle for intellectual property (in the form of executive training programs) throughout Asia/Pacific

Self-funding meant the structure could not afford employees. The result was forming associations with agents known as affiliates.

## III. DEVELOPMENT

It all started with the recruitment of affiliates, which resulted in a set of hub-and-spoke relationships. This structure later emerged as a community, and then a community of communities. A good metaphor is the phase changes of ice to water to steam: the constituent molecules stay the same but they exist in different relationships in each phase, governed by different rules.

The phases can be described as:

- Phase 1: Creating connections
- Phase 2: Crafting community
- Phase 3: Convening coalitions

Phase 1: Creating connections

Phase 1 one is the recruitment phase; finding affiliates who wish to be partners. In our terms, the hub (H) connects with an affiliate (A), and vice versa. Success here produces a simple network. (Fig. 1)

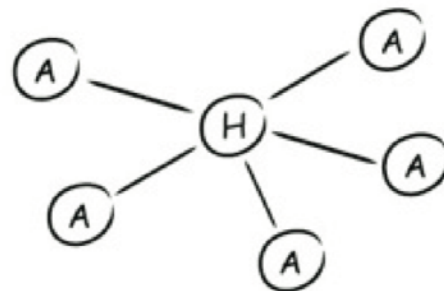


Figure 1. Phase 1: Creating Connections

The Hub—Affiliate relationship is represented as follows. (Fig. 2)



Figure 2. Hub—Affiliate Relationship

It is the building block of the network. The horizontal line signifies the more equal nature of this relationship compared to the traditional, hierarchical (vertical) relationship of a manager (M) and an employee (E).



Figure 3. Manager—Employee Relationship

Expectations of affiliates are different from those of employees.

#### Phase 2: Crafting community

It emerged that a collection of H—A relationships changed as affiliates become connected to each other. Community developed, as did innovation, collaboration, and the sharing of leadership. This required the hub to develop community-building skills. Phase 2 is, then, the crafting of community. (Fig. 4)

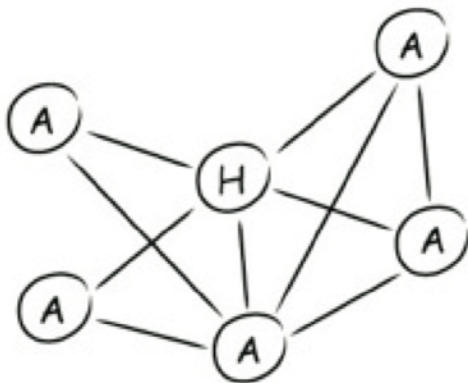


Figure 4. Phase 2: Crafting Community

#### Phase 3: Convening coalitions

The third phase consists of convening a coalition of communities (or networks). What began as informal contact with other hubs became formalized. It accelerated mutual growth. (Figure 5)

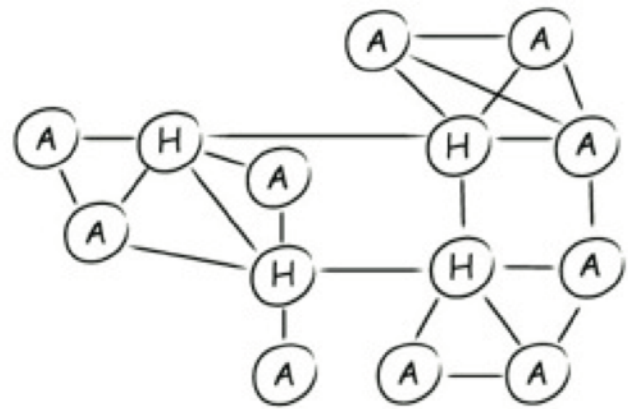


Figure 5. Phase 3: Convening Coalitions

These models summarize the development: from connections to community to coalition.

#### IV. EMERGENT QUALITIES

Emergence may be characterized as the appearance of new knowledge. Surprises (learning) appeared at each stage.

During Phase 1 (*creating connections*), we learned better ways to find affiliates. At the beginning, we'd talked to training professionals. Soon, we realized we were looking for more than training skills; people with business development skills, for example. We also needed people who could work well in a hub—affiliate relationship. This meant (a) they had to be trustworthy with little supervision and (b) have a collaborative mind-set. Today, these latter characteristics are the primary criteria in qualifying new affiliates.

During Phase 2 (*crafting community*) we uncovered an apparent paradox: affiliates want both independence and community. This paradox was resolved via shared interests: for example, it became clear that affiliates shared not only a desire for independence (motivated by prior experience of hierarchies) but also several ambitions. The latter included a desire to excel, the shared sense of pioneering in building new businesses, and common values. We called these shared sensibilities simply *shared stuff*.

Once identified, it suggested our role (as hub) was to be the curator of both independence *and* community, and of the *shared stuff*. Only later did we discover that autonomy, mastery, connectedness to people and to clear purpose explain *Why we do what we do*, as Deci says, or our *Drive*, as Pink puts it <sup>iii iv</sup>.

Essential to this process was finding new ways to meet. We experimented with approaches like Open Space and World Café. We stopped *giving presentations* and started *hosting conversations*. Affiliates not only determined our agendas, they started to run our meetings. They were eager to exchange innovations in marketing and delivery. As they were not employees, attendance at meetings was optional. A bonus for us was that repeat-attendance grew. In traditional organizations, this would be called engagement.

Slowly at first, and later much faster, we abandoned our corporate instincts, including the need to control. It turns out we risked nothing more than our traditional leadership

notions. Through sharing leadership we discovered even greater leadership resources in the network.

We now became hosts for the meetings, acting as custodians of the 'shared stuff'. Traditional leaders might be uncomfortable in this role. Command and control are still high priorities for many.

Working through independent entities means another trade-off: we share revenues. We discovered an unexpected benefit in this approach. Sharing revenue also meant sharing risks and, in particular, the unanticipated ones. Over twenty years, several unexpected events hit us hard. They included the Asian financial crisis in 1997/1998, the 9/11 attack in 2001, the outbreak of SARS in 2003, the financial crisis in 2008, and the volcanic ash over Europe in 2010. The impacts were large; for example, our business halved because of SARS. If this frequency is a guide, businesses should *plan* for a major negative event every few years.

If we now anticipate regular interruptions to business, we should also anticipate how to deal with them. The networked organization is an option. When revenue growth is shared, so is revenue downturn. Between us, we have more degrees of freedom. Each affiliate can adapt according to his or her situation. The larger range of responses, usually are not available in a unitary organization, combine to make our businesses remarkably resilient. It may not be the most *efficient* design (if revenue size is paramount), but it is much more resilient.

The reasons for this are described by Bernard Lietaer and colleagues<sup>v</sup>.

A recent conceptual breakthrough...proves that *all* complex systems...become structurally unstable whenever efficiency is *overemphasized* at the expense of diversity, interconnectivity and the crucial resilience they provide.

In other words, diversity and interconnectedness are the building blocks of resilience. A good example is the internet. An email might not always travel along the most efficient path, but the system is robust. Equally, a networked organization, high on independence, self-organization and community, might not always be the most efficient, but it avoids the brittleness observed in several organizations during the crises mentioned above. If brittleness means bankruptcy, that's not very efficient.

Finally, to Phase 3 (*convening coalitions*): This phase started informally. We had friends in the training business, some of whom were also building international networks.

In Singapore, we found ourselves at the crossroad for those expanding into Asia. We shared information about different countries; about local laws and taxes, about business partners, about copyright, and much more. Then we started introducing affiliates to each other. The results were dramatic. Our largest partners were introduced this way. We came to call it N2N, or network-to-network-networking. N2N turbo-charged our businesses. It is now an independent activity<sup>vi</sup>.

In summary, if we were doing fine with *connections*, we got better as a *community*, and we got better at getting better as a *coalition*.

## V. SUMMARY

There is considerable experimentation today with organizational architectures. Examples include *volunteer organizations* like Wikipedia<sup>vii</sup>, *self-managed organizations* like the Morning Star Tomato Processing Company<sup>viii</sup>, *community organizations* like The Gangplank<sup>ix</sup>, and *results-only organizations* like Best Buy<sup>x</sup>. Each provides a different form of advantage.

The networked organization, in particular, turns out to be an attractor to partners who value independence as well as connectedness to a cause and a community. Even better, it has proven to be innovative, resilient and leader-full<sup>xi</sup>.

If, as Porter suggests, strategy is about creating advantage, then the networked organization offers another strategy.

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**Ken** is chairman of Ken Everett International, a company that distributes the Think on Your Feet® workshop throughout 20 countries. He also heads N2N Hub, an international community of companies in training. Ken's earlier careers were as a high school teacher in Australia, IBM in three countries, and Managing Director of Wilson Learning Australia. He has lived and worked in Singapore, UK, US, Italy and Australia. He has a B.Sc., a Masters in Cognitive Science, and is Executive Fellow of the Essex University (UK) Business School where he leads workshops on Reinventing the Organization. He recently authored *Designing the Networked Organization*.