

# *The Starfish and the Spider: The Unstoppable Power of Leaderless Organizations*

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## Introduction

This book is about what happens when there's no one in charge...no hierarchy. A revolution is raging all around us...Decentralization has been lying dormant for thousands of years. But the advent of the Internet has unleashed this force...The rules of the game have changed. Think "Roland Allen" as you read these notes.

## Chapter 1: MGM's Mistake and the Apache Mystery

The Spanish army defeated the Aztecs in a few years but couldn't defeat the Apaches in 200 years. The Apaches persevered because they were decentralized. Two opposite systems – **centralized** (command and control, rules) and **decentralized** (no clear leader, no hierarchy, no headquarters; open system, distributed power; flexibility, shared power, ambiguity). Geronimo never commanded an army. Rather, he himself started fighting, and everyone around him joined in.

*First principle of decentralization: when attacked, a decentralized organization tends to become even more open and decentralized.* Big record companies suing Grokster – an early version of Napster. P2P (peer-to-peer) service had 8.6 million users in 2005. Big companies have lost 25% of revenue.

## Chapter 2: The Spider, the Starfish and the President of the Internet

In 1995 investors couldn't understand the Internet. They wanted to know who the president of the Internet was.

**Spider** – Centralized. Central body with legs. Cut off the head and it dies.

**Starfish** – Decentralized network. No head. Major organs are replicated throughout each arm. Cut it in half and you get two starfish.

*Second principle of decentralization: it's easy to mistake starfish for spiders.*

One of best known starfish – **Bill Wilson** creator of Alcoholics Anonymous. At AA, no one's in charge and yet everyone is in charge. You automatically become part of the leadership – an arm of the starfish – the moment you join. The one constant = the recovery principle – the 12 steps. Because no one is in charge, everyone is responsible for keeping themselves and everyone else on track...the sponsor doesn't lead by coercion but by example...Bill W trusted each chapter to do what was right...If you feel like it, you can start your own chapter. Members have always been able to directly help each other without asking permission or getting approval from Bill W. or anyone else.

*Third principle of decentralization: an open system doesn't have central intelligence;*

***the intelligence is spread throughout the system.***

AA is flexible, equal, and constantly mutating.

***Fourth principle of decentralization: open systems can easily mutate.***

As soon as an outside force presents itself, the decentralized organization quickly mutates to meet the new challenge or need. Bill W served to catalyze a new idea and then got out of the way. He left his organization without a central brain and, in doing, gave it the power to mutate and continually alter its form. P2P networks are reacting at blazing speed, constantly mutating and staying a step ahead of the music labels.

***Fifth principle of decentralization: the decentralized organization sneaks up on you.***

Because it mutates so quickly, it can also grow incredibly quickly...the starfish can take over an entire industry in the blink of an eye...the Internet changed everything in less than a decade.

***Sixth principle of decentralization: as industries become decentralized, overall profits decrease.*** Introduce starfish into the equation and wave good-bye to high profits.

How to recognize starfish...

1. Is there a person in charge? If you see a pyramid and a CEO you are probably looking at a spider. Hierarchy and clear accountability. Starfish = open system, flat.
2. Are there headquarters? Starfish doesn't depend of a permanent location or a central headquarters. The organization (AA) is equally distributed across thousands of community centers, churches, even airports. AA is found wherever a group of members chooses to meet.
3. If you thump it on the head, will it die? Starfish often don't have a head to chop off.
4. Is there a clear division of roles? In decentralized organizations, anyone can do anything. If a member of AA wants to start a new circle, or if a member of eMule wants to post thousands of new songs, they can. Any and every activity is within anyone's job description.
5. If you take out a unit, is the organization harmed? Units of a decentralized organization are by definition completely autonomous. In fact a severed arm of a starfish might grow an entirely new organization. Isolate an AA circle from the AA organization and both will be able to survive.
6. Are knowledge and power concentrated or distributed? In spider companies, power and knowledge are concentrated at the top. In starfish organizations, power is spread throughout. Each member is assumed to be equally knowledgeable and has power equal

to that of any other member. Each AA circle knows about the needs of its members, and each group can decide how to react accordingly.

7. Is the organization flexible or rigid? Decentralized organizations are very amorphous and fluid. They are constantly spreading, growing, shrinking, mutating, dying off, and reemerging.

8. Can you count the employees or participants? It's not only that no one's keeping track, but also that anyone can become a member of an open organization – or likewise withdraw their membership – at any time.

9. Are working groups funded by the organization or are they self-funding? There is often no central well of money. Individual units might receive funding from outside sources, but they are largely responsible for acquiring and managing those funds.

10. Do working groups communicate directly or through intermediaries? In open systems communication occurs directly between members. No roads lead to Rome because there isn't a Rome.

### **Chapter Three: A Sea of Starfish**

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Other examples of decentralized organizations:

Skype

Craigslist. The people who use the site run it. The categories we have almost one hundred percent were generated by people in the community. The initial idea was Craig's. The rest of it was just listening to people and providing the infrastructure to that. Another thing is a culture of trust that works out really well. The big attraction to the site isn't just free ads. It's community. Craigslist feels like a neighborhood. In an open system what matters most isn't the CEO but whether the leadership is trusting enough of members to leave them alone.

Apache (not the Indians - web development.) Apache didn't have a strategic plan on how to move forward. It was a lot more organic – engineers would contribute, and the good patches would be picked up by other users. No one had a set role; people would just help out in the best way they could. No one was really in charge, and the best ideas were the ones that got used. The software was completely open source – anyone could download it for free and anyone could make alterations. If your patches improved the original software in any way, and if enough people like them, they would eventually be integrated into the main program. Today 67% of all Web sites run on Apache. In the face of open systems – where anyone can contribute and everyone can have the software for free – traditional spider organizations are finding that they have to adapt and become more spiderlike.

Wikipedia. An online encyclopedia developed by users. “Wiki” = quick. Wiki = a

technology that allows web site users to easily (and quickly) edit the content of the site themselves. Has spawned Wiktionary, Wikibooks, Widinews.

***Seventh principle of decentralization: put people into an open system and they'll automatically want to contribute.*** Wikipedia and *Encyclopedia Britannica* are almost equally accurate. It is a virtual neighborhood. Members themselves take on the job of policing the site.

Burning Man. 24/7 decentralized experience. Few rules. Nothing costs money. Gift economy. Everyone becomes a guardian of sorts. When you give people freedom, you get chaos, but you also get incredible creativity.

#### **Chapter Four: Standing on Five Legs**

- Granville Sharp seeking to abolish slavery. He wasn't a Quaker but he worked with them. The Quaker group was organized as a circle, the first of five important foundations of a decentralized organization. Five legs – when all five work together the decentralized organization can really take off.

**Leg 1 – Circles.** Important to nearly every decentralized organization we've explored. Each Apache group resembled a circle: independent and autonomous. Once you join, you're an equal. It's then up to you to contribute to the best of your ability. Until the Internet age, circles were confined to a physical location. Circles can now be virtual. Craigslist has many circles each based in a metropolitan community. Wikipedia – circles are made up of individuals contributing to a particular entry. Some members write the article, others edit it, still others beautify it. Membership becomes highly fluid. When circles take on more than about 14 members the bond breaks down. Circles gain freedom and flexibility when they go virtual, but they lack a degree of closeness and sense of accountability. An AA circle depends on physical contact to keep members accountable to one another. Instead of rules, they depend on norms (AA – norms about confidentiality and support). Norms become the backbone of the circle. Self enforcement. Norms can be more powerful than rules. As the norms of a circle develop, and as members spend more time together, something fascinating happens: they begin to trust one another.

**Leg 2 – The Catalyst.** Leaders of starfish organizations are vastly different from traditional executives. A catalyst is any element that initiates a reaction without fusing into that reaction. In open organizations, a catalyst is the person who initiates a circle and then fades away into the background. They generate ideas and then allow the circle to follow through. They get a decentralized organization going and then cede control to the members. Letting go of the leadership role, the catalyst transfers ownership and responsibility to the circle. The catalyst is an inspirational figure who spurs others to action. Circles don't form on their own. A catalyst develops an idea, shares it with others, and leads by example.

**Leg 3 – Ideology.** Ideology is the glue that holds decentralized organizations together. At AA, the ideology is that people can help each other out of addiction (12 steps).

**Leg 4 – The Preexisting Network.** Quakers had over 20,000 members in England along. They were already well versed in working together in circles and shared a common ideology. Almost every decentralized organization that has made it big was launched from a preexisting platform. But centralized organizations aren't good platforms. Today the Internet serves as an open platform on the back of which a wide variety of starfish organizations can be launched. The Internet is a breeding ground and launching pad for new starfish organizations. Examples: Skype, eMule, craigslist.

**Leg 5 – The Champion.** Abolition: Sharp was the visionary, Clarkson was the implementer. A champion is relentless in promoting a new idea. Catalysts are charismatic, but champions take it to the next level. Catalysts inspire and naturally connect people, but there's nothing subtle about the champion. He is a natural people person and a salesman. Clarkson and Sharp formed a twelve-man circle in which they were two of three non-Quakers. The circle was completely flat; all decisions were made by consensus. Circle members soon began mobilizing other Quakers into action. Champions are inherently hyperactive. Tend to be more like salesmen than organizers or connectors. Whenever he entered a new town, Clarkson helped form an abolitionist circle. Susan B. Anthony (women's suffrage) was the quintessential champion. She traveled the country and spoke in front of any group that was willing to listen. She dedicated her life to the cause.

## **Chapter 5: The Hidden Power of the Catalyst**

- What makes the catalyst unique? Entirely different from the CEO. As a catalyst, it's all about letting go and trusting the community. Jimmy Wales focuses a great deal of attention on maintaining the health of the Wikipedia community. He spends a ton of time writing emails internally, to the community, touching base with people. He empowers people and gets out of the way. Focuses more on ideology than nuts and bolts. Compulsive connector. Josh understood that the way to mobilize people was by sharing inspirational stories. From there, the pattern is familiar. The activists shared a common ideology and created circles, which morphed into other circles around the world.

### **The Catalyst's Tools:**

**Genuine Interest in Others.** To a catalyst, people are like walking novels. Great listeners.

**Loose Connections.** Catalysts have a host of acquaintances.

**Mapping.** How does this person fit within my network? Which people can become advocates? The catalyst's map is a detailed satellite image of an entire country. Constantly making new connections and forming new circles.

**Desire to help.** Wanting to help is the fuel that drives a catalyst's ability to connect people.

**Passion.** Locks onto a target and doesn't waver. Relentless belief in his ideology. Provides the drumbeat for a decentralized organization. The catalyst starts the organization and then takes on the role of constant cheerleader.

**Meet people where they are.** A catalyst doesn't try to persuade people but rather relies on a much more subtle technique: meeting people where they are. Carl Rogers – the client would find his own solution to the problem. When people feel heard, when they feel understood and supported, they are more likely to change. In meeting people where they are, catalysts can inspire change without being coercive. **No persuading, no convincing.**

**Emotional Intelligence.** Tend to lead with emotions. Weaves emotional connections into the very fabric of the organization.

**Trust.** Must trust the network. Flattened hierarchy. Can't control outcomes. All you can control is whether people have personal relationships with each other based on trust.

**Inspiration.** It wasn't because they had stock options, it was because they believed in the big dream.

**Tolerance for Ambiguity.** A decentralized organization is so fluid that someone who needs order and structure would go quickly mad. This ambiguity creates a platform for creativity and innovation.

**Hands-off- approach.** Must be able to get out of the way.

**Receding.** After catalysts map a network, make connections, build trust, and inspire people to act, what do they do? The leave.

**The Catalyst Versus the CEO.** A catalyst interacts with people as a peer. He comes across as your friend. CEOs are powerful and directive: they're at the helm. Catalysts are inspirational and collaborative. Catalysts avoid attention and tend to work behind the scenes. They thrive on ambiguity and apparent chaos. Catalysts do well in situations that call for radical change and creative thinking. They bring innovation. Let them dream and they will thrive.

## **Chapter 6: Taking On Decentralization**

- Animal rights activist: His job , as he saw it, was to get a group on its feet. The members could eventually figure out who fit in, who didn't, and what actions to take together as a group...He/t then form a network that would allow them to collaborate – small circles all over the country working on various hunt sabotages...When other activists across the world heard of the break-ins, they got inspired and came up with their own acts of civil disobedience...ALF was a loose collection of circles, sparked by catalysts like Sky.

They'd cooperate with one another on an informal basis, but circles were free to do whatever they wanted. Circles often got their inspiration and ideas from successful actions undertaken by other circles...Newkirk's book lays out the ideology and provides a step-by-step guide to becoming an ALF activist...ALF is fundamentally more an ideology than it is an organization...

***Eighth principle of decentralization: when attacked, centralized organizations tend to become even more centralized.***

Likewise, al Qaeda is completely dependent on its ideology...Both depend on ordinary people who, when organized into circles and cells, gain immense power..Al Qaeda headquarters doesn't conceive each attack; rather, members adopt the ideology and copy what has worked in the past. Many unaffiliated groups simply take the brand and use it...Circles can communicate with one another through cell phones and email; a cell in Liberia can now easily and regularly communicate with a cell in Kabul, Munich, or New York.

The US government didn't just go after the catalyst, however. It also went after circles. But this tactic is no more effective than going after the catalyst...But starfish are not invincible. Let's look at some concrete strategies to combat a starfish invasion.

**Strategy 1: Changing Ideology.** The only part of the decentralized organization that you can realistically go after is the ideology. Micro lending in Kenya: Jamii Bora changes the ideology from "Life is hopeless, so I might as well join a terrorist cell," to "There is hope – I can make my life better."

**Strategy 2: Centralize them. (The Cow Approach).** Here's what broke Apache society: The Americans gave the (medicine men) cattle. It was that simple. Their power shifted from symbolic to material. Previously they led by example. Now they could reward and punish tribe members by giving and withholding this resource...The power structure, once flat, became hierarchical. What cows were to the Apache, book sales became to AA...At the core of what happened with the Apaches and with AA was the concentration of power...The moment you introduce property rights into the equation, everything changes: the starfish organization turns into a spider. If you really want to centralize an organization, hand property rights to the catalyst and tell him to distribute resources as he sees fit. The catalyst turns into a CEO and circles become competitive...Wikipedia works because it's underfunded and because almost everyone is a volunteer. If coveted pain positions were introduced, turf battles and a hierarchical system might result. **This is exactly what Constantine did to the early church.**

**Strategy 3: Decentralize Yourself (If you can't beat'em...join 'em)**

The best opponent for a starfish organization is often another starfish.

**Chapter 7: The Combo Special: The Hybrid Organization**

**Ebay** represents the combo special. It's neither a pure starfish nor a pure spider, but what we call a hybrid organization... combines the best of both worlds – the bottom-up approach of decentralization and the structure, control and resulting profit potential of centralization. Represents **the first of two types** of hybrid organizations, **eBay is a centralized company that decentralizes the customer experience**...eBay benefits from the “network effect” = the more the network grows, the more useful it becomes, and the more likely customers will stay put...The decentralized user ratings proved to be eBay's biggest competitive advantage...Same with Amazon...user generated reviews...everyone wants to contribute, and everyone has something to contribute somewhere.

**Oprah's book club.** Unintentionally, she catalyzed a network of readers and created a decentralized community with unexpected power. While her production company remained centralized, she had added a decentralized element to her show.

In all of these cases, organizations introduced decentralized elements by giving their customers a role. To facilitate these kinds of decentralized user interactions, in 2005 Intuit launched **TaxAlmanac.org** a Wikipedia equivalent for tax issues...this new wiki already has over eight thousand articles on various topics...Intuit believes that collectively the tax professional community is smarter than any one individual.

Google's architecture is fundamentally based on user input...retrieves sites that other people have found useful.

Instead of competing with the decentralized market entrants, **IBM** supported them. It deployed six hundred engineers whose sole job was to contribute to Linux, and it actively supported the development of Apache and Firefox, the open-source browser that competes with Microsoft's Internet Explorer...

Like IBM, **Sun** has opted to forgo revenues from software sales in favor of making money on auxiliary services and hardware...the open-source movement has thrown the industry into chaos...

Google, Sun, and IBM have put their customers to work, while Intuit, Oprah, and Amazon have given them a voice. But there are other ways for centralized companies to capitalize on decentralization...the second type of hybrid organization: **a centralized company that decentralizes internal parts of the business**. These companies have a CEO and some hierarchy, but they also have starfishlike DNA.

**DFJ** (a venture capitalist company). Rather than centralizing in one or two offices, DFJ has 19 US offices and 23 abroad...the idea is to cast a wide net and leverage each partner's individual network in a given region.

**Dave Cooperrider**, professor at Case Western Business School. Developed process called “appreciative inquiry” which is based on people asking each other meaningful

questions...you realize it is a way of decentralizing an organization. They bring in people from all levels of the company, from the janitor to the CEO. He pairs up the participants, and each person interviews his or her partner. Cooperrider provides the questions, which are designed to encourage people to open up to each other and, in the process, break down hierarchical differences. People begin to see each other as individuals instead of as a boss or a subordinate. After interviewing each other, participants form circles where they are encouraged to dream and brainstorm...every idea is given credence. Out of this emerges the plan for the company.

The combo special requires a constant balancing act...must seek and pursue the elusive “sweet spot”.

### **Chapter 8: In Search of the Sweet Spot**

- Peter Drucker worked with GM but they weren't willing to change. So, he taught the Japanese to embrace the hybrid organization...The decentralized sweet spot is the point along the centralized-decentralized continuum that yields the best competitive position...decentralization brings out creativity, but it also creates variance...The sweet spot that Toyota found has enough decentralization for creativity, but sufficient structure and controls to ensure consistency...the forces of centralization and decentralization continue to pull the sweet spot to and fro.

In any industry that's based on information – whether it's music, software, or telephones – these forces pull the sweet spot toward decentralization...The more security and accountability become the more likely it is that the sweet spot will tend toward centralization.

### **Chapter 9: The New World**

- **Rule 1: Diseconomies of Scale.** Traditionally, the bigger the company or institution, the more power it could wield...Now small size combined with a large network of users results in both flexibility and power...Size matters. **The small rule.**

**Rule 2: The Network Effect.** This is the increase of the overall value of the network with the addition of each new member...Starfish organizations are particularly well positioned to take advantage of the network effect...Starfish organizations create communities where each new member adds value to the larger network.

**Rule 3: The Power of Chaos.** Conventional thinking is that to run an organization you'd better be organized and structured...in the decentralized world it pays to be chaotic...users are free to do whatever they want...Starfish systems are wonderful incubators for creative, destructive, innovative, or crazy ideas. Anything goes...Where creativity is valuable, learning to accept chaos is a must.

**Rule 4: Knowledge at the Edge.** In starfish organizations, knowledge is spread throughout the organization...The best knowledge is often at the fringe of the

organization.

**Rule 5: Everyone wants to contribute.** Not only do people have knowledge, they also have a fundamental desire to share and to contribute.

**Rule 6: Beware of the Hydra response.** Cut off the arm of a starfish and it will grow a whole new body.

**Rule 7: Catalysts Rule.** They inspire people to action...they map out a network...they know when it's time to let go.

**Rule 8: The Values are the Organization.** Ideology is the fuel that drives the decentralized organization.

**Rule 9: Measure, Monitor, Manage.** Look at the circles. How active are they? How distributed is the network? Are circles independent? What kind of connections to they have between them? How is the circles health? Do members continue participating? Is the network growing? Is it spreading? Is it mutating? Is it becoming more or less decentralized? Most catalysts understand these questions intuitively. They care about the members, but they don't expect reports or want control. Managing a decentralized network requires someone who can be a cross between an architect, a cheerleader, and an awestruck observer. In a starfish organization, people will do what they will do. At their best catalysts connect people and maintain the drumbeat of the ideology.

**Rule 10: Flatten or be Flattened.** Increasingly, in order to survive, companies and institutions must take the hybrid approach...what initially looked like entropy turns out to be one of the most powerful forces the world has seen.

## **Some Note Worthy Spiders**

### **And The Starfish Which Defeated**

The Aztec Empire Under Montezuma

Hernando Cortez and 100 men

The Spanish Conquistadors

The Apache Indian Nation in Southwestern US - The Spanish fought them unsuccessfully for 200 years. Couldn't defeat them until they offered the Apaches land and cattle, which then changed the authority structure of the Apaches and gave them something to fight among themselves over.

Encyclopedia Britannica

Wikipedia - a free on-line encyclopedia that is as accurate as the expensive Britannica

LA Times Newspaper Advertising

"Craig's List" - they publish online classified ads with only 18 employees. The LA Times recently fired 50% of its advertising staff. That's a lot of "legs" to cut off!

AT&T

Skype

The CD Music Industry

Napster

General Motors

Toyota - Toyota is succeeding because of a business model that treats every assembly line worker as a partner. Any worker on the line can pull a cord and stop the line if he sees something wrong or something that could be done better. The result is teamwork and soaring quality and a "starfish" organization

United States Homeland Security

Al-Qaieda - The perfect example of a "bad" network. Their leader is living in a cave! They have a shared ideology and value system. Their networks are independently sustainable. The U.S. on the other hand is becoming more centralized with Homeland Security and border fencing, becoming more like a Spider - dependent on the head, with many legs that can be attacked and cut off.

Summary done by John White, House Church Coach, Denver, Colorado