

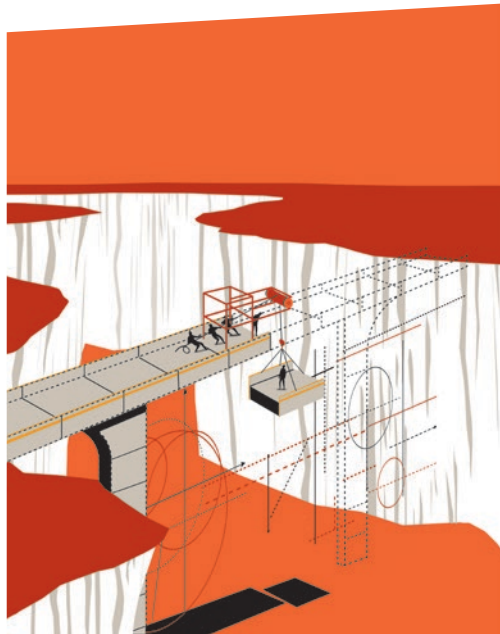
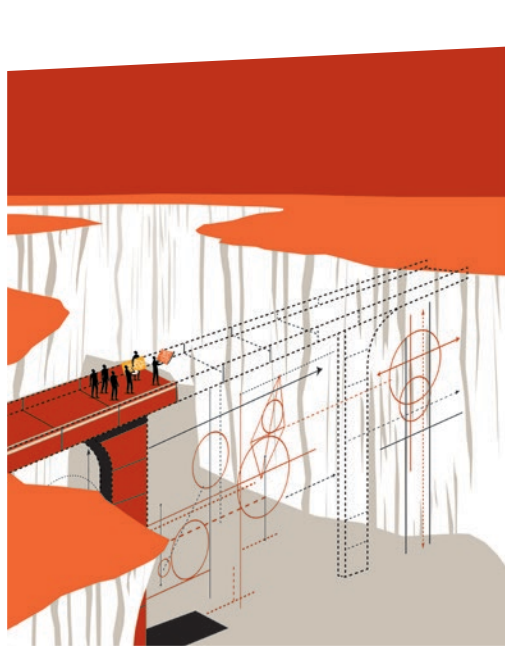
The Unorganization

Design to Disrupt

Report 5 of 4



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Peter Smith



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UNORGANIZED

In our previous *Design to Disrupt* reports, we spoke of a journey through the ‘Valley of Death’ to ‘The New Normal’ which promised, for organizations that can navigate their path to the other side, competitive strength and anti-fragility. Like a well-designed bridge in the physical world, the path forward should span the Valley of Death and avoid the perils of the journey, providing safe passage to the other side. This metaphor echoes in boardrooms of successful organizations around the world. The notion that the gap to reach ‘The New Normal’ was wide, deep and fraught with risk is widespread. The Big Bang disruptions of emergent players and the potential disruptive effect of new technologies such as Blockchain not only struck fear in corporate leadership teams, but they also seemed to really enjoy these kind of stories. These teams elaborated on even darker future scenarios themselves, explaining why, how and when their organizations were going to die.

This form of boardroom masochism sharply contrasts the explosion of capabilities that allow the organization to grow and expand. From these capabilities, we are told to expect no less than ‘A New Golden Age’, at least according to the predictions of so-called experts and, in large part, they are correct. Disruption economist Carlota Perez explains that digital disruption is not a troublemaker in a previously well-ordered economy, but a phenomenal locomotive on top of the digital ‘tracks’ that have been laid in the past decades.

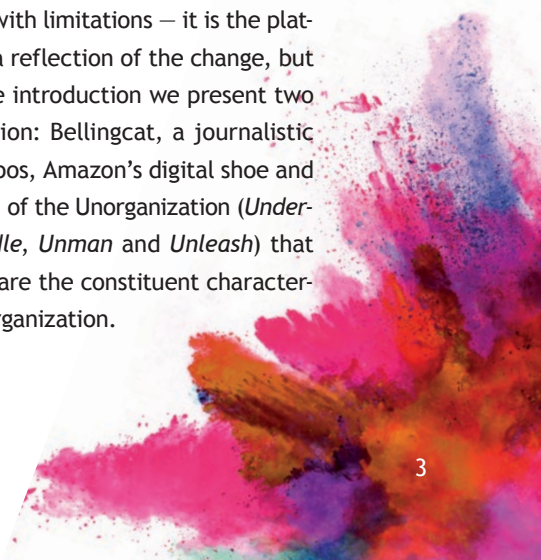
The numerous discussions around these topics since the beginning of our research have inspired this additional report. A frequently heard observation is that the current organization, and methods of organizing, is ‘stretched to its limits’ and unable to accommodate the necessity of this journey and the reality of the New Normal. If one thing is clear, it is that ‘with the current model’ – whatever that may be – we will not succeed. Customers have sky-high expectations and it is difficult to keep up with the speed of technological change and the associated

customer expectations. Simply put, many are asking ‘What do we have to do to keep the speed of transformation in line with technological innovation?’

Paradoxically, this disruption, that thoroughly tests the capabilities of current models, also offers tremendous opportunity to reinvent the existing organization and create new models and strategies. For example, by applying two-sided market principles where previously matters were dealt with unilaterally; cooperating in ecosystems; or implementing principles of self-organization.

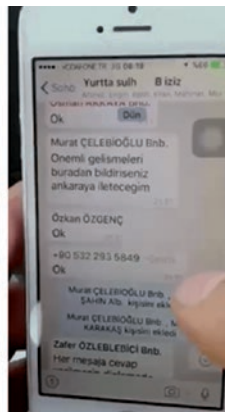
Regardless of perspective, the analysis of what the organization of the 21st century must look like, starts with looking backwards to what has been built up until this point. Is the vertically integrated, hierarchically and bureaucratic organization really the pinnacle of what we can achieve organizationally? New organizational constructs thrive in models where network effects and platforms emerge as paramount. To achieve this, new frameworks have to be constructed, but the old must also be demolished. This is nothing more than the organizational application of what Joseph Schumpeter theorized in his thoughts around ‘creative destruction’. The *Unorganization* embraces the New Normal and thrives in the business models of tomorrow.

We present the Unorganization in this report as a set of opportunities to stretch your organization. In this context, technology plays two roles with limitations – it is the platform for change as well as a reflection of the change, but not the change itself. In the introduction we present two Unorganizations as inspiration: Bellingcat, a journalistic citizens’ initiative, and Zappos, Amazon’s digital shoe and clothing shop. The five ‘Uns’ of the Unorganization (*Understand, Unorganize, Unbundle, Unman* and *Unleash*) that we describe in this report, are the constituent characteristics of the successful Unorganization.



1 INTRODUCTION

The twenty-five year old Christiaan Triebert sits in his room with a sea view as he follows recent developments in Turkey, where a military coup is taking place. Someone posts a video to Twitter of a coup leader who has been taken prisoner. Triebert watches the video and notices that someone took the telephone from the coup leader and scrolls through WhatsApp discussions while the camera watches. At that moment he decides to take action and record the names of the people in the WhatsApp group message. The WhatsApp group in question is named 'Yurtta sulh', and is a Turkish reference to former President Mustapha Kemal Atatürk, the first President of Turkey and founder of the Republic of Turkey. Triebert uses social media like Twitter, Facebook and Google Maps to research the details of the WhatsApp messages. Triebert receives help via Twitter with the translation of the texts and discovers via tracking down their license plates which military units the tanks rolling the streets belong to. He also learns that the WhatsApp group contains two Brigadier Generals, eleven Colonels, two Lieutenant Colonels, three Captains and one Lieutenant. Below is a screen shot of the dialogue from the video and a tweet from one member of the crowdsourced community who helped trace the license plates.



 **Aldin Abazović**
@Ald_Aba

 Follow

Most of the armored vehicle in #TurkeyCoupAttempt in Istanbul had serial that starts with 117 number.. #TurkeyCoup

1:48 PM - 17 Jul 2016

 40 28

BELLINGCAT

Bellingcat is a platform for citizen journalism that was established on 15 July 2014 by Eliot Higgins with initial funding from a Kickstarter project. For the self-developed research method, Bellingcat makes use of public material that is available via social media. Bellingcat earned a reputation for these analyses with the publication of an investigation into the crash of a civilian airliner, Malaysia Airlines MH17. Bellingcat concluded from social media data (mainly the Facebook accounts of Russian military personnel) that Russia was behind the attack.

A week later Triebert publishes a detailed report of his findings based on the information contained in the WhatsApp messages and provides the world with a spectacular insight into the mechanisms of the coup, but also with an insight into the journalism of the 21st century. Through his effort we are able to see who gave orders to open fire on citizens; see images from security cameras; and find coordinates of helicopter landing pads. We read about a wedding in which many members of the military command were abducted and see orders directing the army to surrender. Finally we see an urgent request to wipe the phone of incriminating information.

Triebert doesn't work for a newspaper and was not paid for his reporting or analysis. Moreover, he does not speak a word of Turkish and at the time of the coup he was 8300 kilometers from Istanbul. Instead, he leads this investigative pursuit from his home in Kuala Lumpur, with the help of many others who offered their help via Twitter. Triebert is part of Bellingcat, an open source organization that carries out research on the basis of social media.

Bellingcat is an 'Unorganization': an organization that differs on many points from traditional organizational constructs. Their approach is open source. There are no managers. Everybody is an entrepreneur. And they are all close to the action.

Zappos is another Unorganization. This digital shoe and clothing shop was founded in 2009 and is currently owned by Amazon. The company achieved sales of a billion dollars per annum in 2015 and employs 1500 people.

Tony Hsieh, the CEO of Zappos, sent an extensive email to all their employees at the end of April 2015 explaining that they were going to be a company that organizes differently. The world changes quickly and business has become too unpredictable. Hsieh therefore wanted to prepare his organization for this digital era. He wants to put an end to old-school management, at least the last remains that were still present at Zappos.¹ He said that everybody at Zappos must be adaptive, flexible, inventive and creative. Take actions for themselves. In the email Hsieh announced that they would continue, from that day forward, without managers.

'As of 4/30/15, in order to eliminate the legacy management hierarchy, there will be effectively no more people managers.'

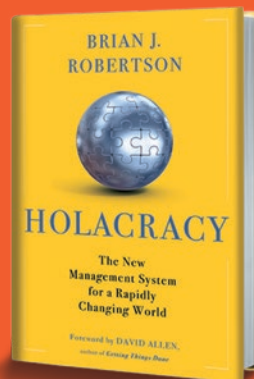
Self-organization was already a pillar of the organizational culture at Zappos, but Hsieh's ambitions went even further in implementing the so-called 'Holacracy', a self-organization methodology² introduced in 2007 by the HolacracyOne company.

The data indicates that this self-organization works, says Hsieh.³ The inspiration comes from, among other things, his study into urban development.⁴ Cities are *resilient* and self-organizing. Holacracy enables resilient and flexible organizations. Hsieh views the fact that 88 percent of the Fortune 500 companies have fallen off the original list during the past several decades as convincing evidence that traditional organizations are not sufficiently resilient.

HOW HOLACRACY WORKS

'The traditional hierarchy is reaching its limits, but "flat management" alternatives lack the rigor needed to run a business effectively. Holacracy is a third-way: it brings structure and discipline to a peer-to-peer workplace.'

(Source: www.holacracy.org)



Holacracy is an approach to distribute leadership in the organization. The approach was developed by HolacracyOne, an organization founded in 2007 by former software engineer Brian Robertson. The 18 minutes long TEDx Talk⁵ by Robertson provides a clear picture of his ideas. Social relationships and emergent behavior form an important basis for the circle structure. According to the Holacracy philosophy management in traditional hierarchies is unable to feel (*sensing*) what is going on, but it is still responsible for decision making, even though it often cannot interpret the signals correctly or respond quickly enough.

1 <https://newrepublic.com/article/122965/can-billion-dollar-corporation-zappos-be-self-organized>

2 'Zappos' CEO says this is the biggest misconception people have about his company's self-management system', <http://uk.businessinsider.com/zappos-ceo-tony-hsieh-on-misconception-about-holacracy-2016-2>

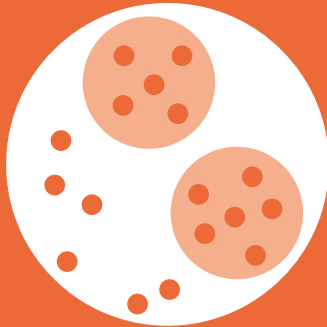
3 <http://knowledge.wharton.upenn.edu/article/zappos-tony-hsieh-holacracy-right-fit/>

4 In particular, the book of Harvard Professor Edward Glaeser: *Triumph of the City: How Our Greatest Invention Makes Us Richer, Smarter, Greener, Healthier, and Happier*.

5 'Holacracy: A Radical New Approach to Management | Brian Robertson | TEDxGrandRapids', <https://www.youtube.com/watch?v=tJxfJGo-vkl>

Holocracy versus Hierarchy

Holacracy takes powers traditionally reserved for executives and managers and spreads them across all employees.



SUPER-CIRCLE

One that contains sub-circles. This could be Marketing

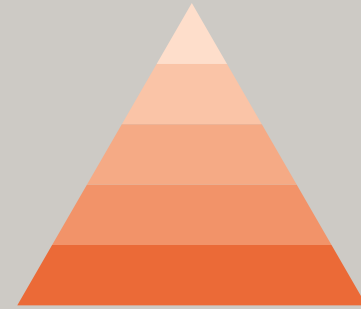
SUB-CIRCLE

Each is dedicated to a function. This could be Digital Advertising.

ROLE

A task related to a function. This could be Social Media Producer

In a **traditional hierarchy**, layers of management establish how products are approved and monitored.



CEO

UPPER MANAGEMENT

MIDDLE MANAGEMENT

SUPERVISORS

STAFF

Holacracy versus Hierarchy: layered decision-making in a bureaucratic system is replaced by decision circles and the power for the staff to make decisions. The organization model looks a lot like the tribe and squad structure that ING Bank (following the example of Spotify) is implementing and that we describe in our last *Design to Disrupt* report.⁶ The German Internet company Zalando has also embraced Holacracy. They call it 'Radical Agility'.⁷

'With our core values and culture as the foundation for everything we do, I'm personally excited about all the potential creativity and energy of our employees that are just waiting for the right environment and structure to be unlocked and unleashed.'

Tony Hsieh

Employees can collect badges when they achieve certain results: milestones in their own career plan. Even intermediate stops, such as reading a book about modern management, can earn points. For example, reading *Reinventing Organizations* from Frederic Laloux at Zappos is worth a badge. Additionally, Zappos has developed special apps that employees can use themselves to reg-

ister these activities and track their progress. Zappos ultimately wants to share this badge app and other supporting apps with the community of companies that operate according to the Holacracy principles.⁸

Hsieh emphasizes that due to Holacracy there is now actually more hierarchy and believes the greatest misperception with Holacracy is that it leads to chaos and the lack of structure. Hsieh, with regard to their new management model, speaks of 'a hierarchy of purpose'.

'It's easy, though, to just read the headline of "No managers" and assume that this means no hierarchy. It's actually a hierarchy of purpose.'

⁶ Design to Disrupt: Mastering Digital Disruption with DevOps.

⁷ [https://tech.zalando.de/blog/building-a-self-organized-team-in-a-radically-agile-company./](https://tech.zalando.de/blog/building-a-self-organized-team-in-a-radically-agile-company/)

⁸ The book *Reinventing Organizations* by former McKinsey employee Frederic Laloux is based on an organizational theory called 'Spiral Dynamics'. For those who are interested in Holacracy, the book by Laloux or *Spiral Dynamics: Mastering Value, Leadership and Change* by Don Beck and Christopher Cowan can certainly be recommended.

New design principles

Although Zappos and Bellingcat are completely different organizations, they still have a number of common characteristics:

- They graft the organization onto the digital opportunities of the 21st century.
- They operate like a biological organism — as one cell or in cells.
- Leadership is distributed.
- Reinventing what ‘an organization’ is, or can be, is central to their philosophy.
- Organizing work effort is not dictated by managers, but rather by the employees themselves.

Bellingcat and Zappos see vigorous opportunities to stretch their organizations. Bellingcat has an almost unlimited amount of resources available. Citizens can contribute across the world via social media. And Zappos, by ‘unleashing’ the energy of the employees, has tapped into a new source of innovation. The seven principles from eminent management activist, Gary Hamel, show how Zappos and Bellingcat operate. He makes a distinction between the old management paradigm and a far more *human-centric* model.⁹ In summary he presents both models next to each other as follows:

the old model:

Institution ► Individual ► Profits

the new model:

Individual ► Organization ► Impact



According to Hamel, the precepts of the new model are as follows:

- *Decentralize wherever possible.*
- *Break big units into small units.*
- *Ensure transparency into decision-making.*
- *Make leaders more accountable to the led.*
- *Align rewards with contribution, rather than with power and position.*
- *Substitute peer review for top-down review.*
- *Steadily enlarge the scope of self-determination.*

No doubt, these are noble precepts for any company, but Hamel questions whether organizations are able to rediscover themselves without great calamity and exist according to these seven rules. He admits this requires a great deal. Not only a completely new organization model, but also a completely different mental model for incumbent market leaders. Hamel’s response to the question of whether organizations can effectively reinvent themselves is ‘a tentative “yes”’.

⁹ G. Hamel, ‘Empowered Individuals and Empowering Institutions’, The Wall Street Journal, 20 April 2010, <http://blogs.wsj.com/management/2010/04/20/empowered-individuals-and-empowering-institutions/>

2 THE FIVE 'UNS' OF THE UNORGANIZATION

'So much of what we call management, consists of making it difficult for people to work.'

Peter Drucker

In many respects Unorganizations are the opposite of the classic organization: limited versus unlimited, managed versus unmanaged, egosystem versus ecosystem, silos versus platforms, *purposeless* versus *purpose driven*. Many of the organizations that we described in our four earlier disruption reports, are Unorganizations. Uber, the Dutch Thuisafgehaald, Peerby and Airbnb,¹⁰ for example, all have characteristics of the Unorganization. Just like Blockchain, the distributed computer network that has no owner, these companies thrive in unorganization.

ORGANIZATION

Everybody needs a boss. Bosses have their own office. Strategy is top-down. Quarterly targets dictate investment and action. Management is a career. Employees track what they do so others can account for the work being done. Technology is a tool for efficiency and cost reduction.

UNORGANIZATION

The Unorganization thrives in 'New Normal' business models. It needs to go faster and does so naturally. The distance to the customer is shorter. They have a story that binds employees. The offices are open and collaborative. Silos don't exist because they don't add value. Managers do not impede innovation. Technology is a platform for disruptive change.

In the following paragraphs we sketch the holistic image of the Unorganization. The five pillars through which we introduce the Unorganization begin with *Understand* – and in particular understanding the shift from one organizational era to the other – followed by *Unorganize-ing*, *Unbundle-ing*, *Unman-ing* and ultimately *Unleash-ing* – to allow the organization to grow by redefining what it means to organize.

- 1 **Understanding** how the drivers of growth work in a networked society is a primary condition. Here we examine the latest insights about the rise of the platform economy where *demand economies of scale* play a crucial role.
- 2 **Unorganize** as an activity is a twenty year old concept that focuses on management rationalization: less management consequently leads to 'zero distance to the customer', as described in a recent *Harvard Business Review* case study. Nowadays we see Unorganize as an activity that has become known in ever-wider circles as 'Business DevOps' where self-organizing teams become the driver of growth for the entire organization.
- 3 **Unbundle**. Unbundling is the driver of growth for start-ups. Bundling is the manner in which existing organizations have grown. Unbundling and re-bundling with combinatorial innovation is the driver of growth of the Unorganization.

¹⁰ You can read more about the self-managing teams and the management culture at Airbnb here: <http://readwrite.com/2014/06/05/airbnb-engineering-management-mike-curtis-interview/>



UNDERSTAND
the new engines of growth

UNLEASH
imaginative and real boundaries

UNORGANIZE
existing management

UNMAN
the autonomous organization

UNBUNDLE
business processes

4 **Unman.** ‘Software is eating the organization.’ The design of the organization depends on the further progression of the technological possibilities: automating in more (and especially other) places where, until now, people did all the work.

5 **Unleash.** Free, open and unrestrictive mental model and method of working; access to resources outside the organization, cooperating with, what were previously, competitors and products. New opportunities come to life via adjacent possibilities and combinatorial intelligence and synergy leading to a ‘whole’ that is greater than the sum of the parts.

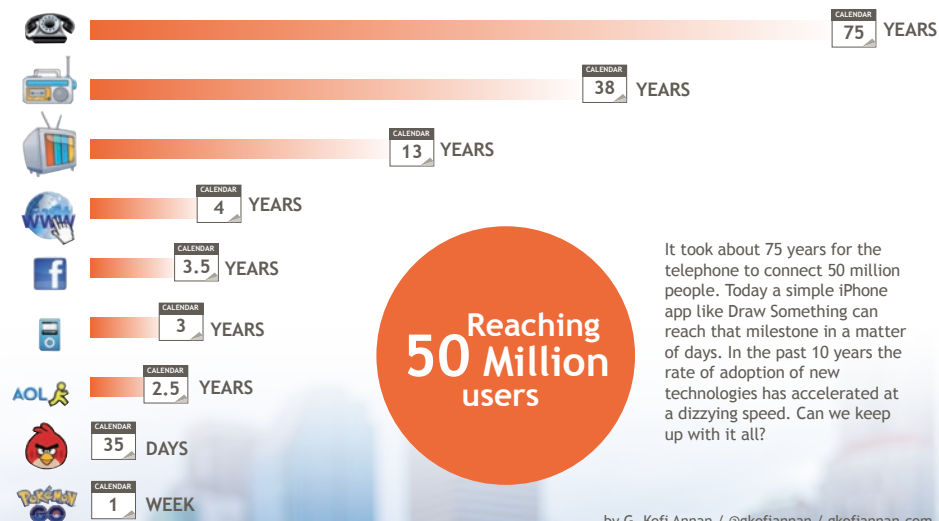
Finally: **Unlearn.** There are bookcases full of books about the learning organization. But how organizations ‘unlearn’ and dispel old customs and operating models is a lot less well-known. The tenacity of old customs can be explained by a phenomenon that is referred to as

‘memetics’. A term coined by Richard Dawkins in his highly acclaimed book, *The Selfish Gene*. Memes are ‘viruses of the mind’ and spread themselves just as viruses in the physical world. Meme literally means ‘imitator’ or ‘replicator’. These memes multiply themselves in the organization just as genes multiply themselves in the body. Both inside and outside the organization these thoughts gain ground and once established as ‘conventional wisdom’ it is difficult to get rid of them. Bureaucratic regulations and constrained mental models can become epidemic, but nobody knows when, where, by whom or why the original decision was made. The best antidote, as we learn from the change management literature, is the creation of a new ‘compelling story’. Storytelling activates new memes that can combat the old viruses of the mind and culture. We hope that the stories in this report seed a new corporate story for your Unorganization, to finally remove the imaginary barriers that stand in the way of organizational success.

3 UNDERSTAND: THE NEW DRIVERS OF GROWTH

Speed is the new business imperative, 'The New Normal'. This point was, again, highlighted in the recent release of Pokémon GO, an augmented reality game that sends players to the physical world to catch Pokémon. The speed with which new technology is adopted has only accelerated with time, and is exemplified in the following figure.

Where it took the telephone, the radio and television, on average, around 40 years to reach 50 million users, Pokémon GO, which launched in July 2016, did this in just one week. The stock market value of Nintendo, one of the companies behind this new game, appreciated in value as a result of this success by ~6 billion (\$USD) during July 2016. Valued at \$14.6 billion on July 1st, it

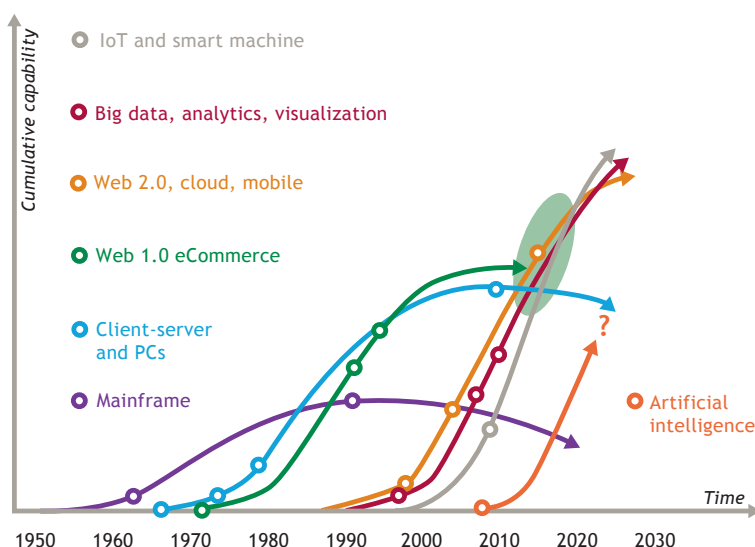


became a \$20.9 billion dollar company by August 1st (as measured by market capitalization). It is a wonderful example of the Big Bang effect (and the Shark Fin adoption curve) described in our earlier reports. In this case, technologies (such as the smartphone and the cloud) that ingeniously cooperate and lead to this enormous acceleration and are core to its' success. Gartner speaks of the 'Nexus of Forces'. A recent report from the World Economic Forum speaks about the combinatorial effect of all these new technologies. Hal Varian, Chief Economist at Google, spoke in 2003 about the power of combinatorial innovation. The combinations that we are discussing today are known under the acronym SMACT (Social, Mobile, Analytics, Cloud and Things) that we described comprehensively in earlier reports. Machine Intelligence (or Artificial Intelligence, AI) is rapidly developing as the sixth driving force, as can be seen in this graph from the World Economic Forum.

This increasing acceleration is described by Rita Gunther McGrath, professor at Columbia Business School, in her article 'The Pace of Technology Adoption is Speeding Up', which argues that speed has become synonymous with competitive advantage. In other words: speed is the new differentiator. This hyper-adoption has a leverage effect on the innovation effort. The economic and technical costs and risks to reach a large group have decreased. The low-risk innovation of the digital world, as opposed to the high-risk innovation in the analog world, is, literally, a world of difference.

But there is more going on. New competitors, at least the most feared (such as Uber and Airbnb), operate as platform organizations and know exactly how to make use of these combinatorial effects to organize things differently: working differently between customer and supplier, capitalizing on new business models, investing in

The pace of change is accelerating through the 'combinatorial' effects of transformation



Source: World Economic Forum, 'Onward and Upward: the transformational power of technology'.¹¹

non-traditional partnerships across the sectors and value chain components. This platform change calls for acceleration on all fronts: from strategy, leadership style, organizational structure, and culture through to fundamental business models. This is explained by platform experts Peter Evans and Annabelle Gawer in their book *The Rise of the Platform Enterprise*.¹²

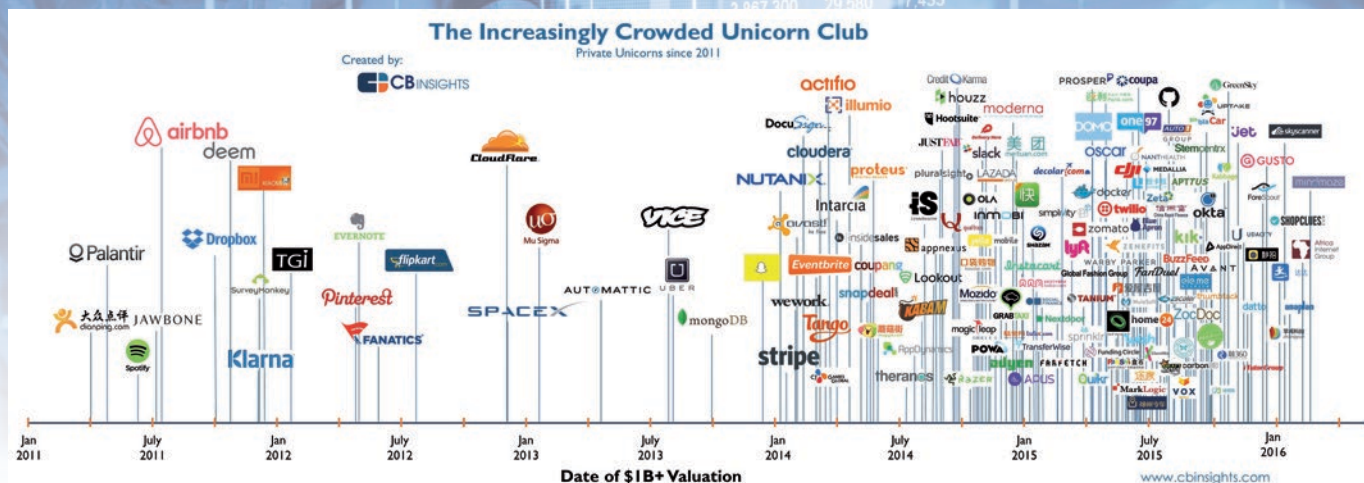
'Platforms change what it means to lead organizations, forcing them to re-think their strategies, business models, leadership, organizational structures, and approaches to value creation and capture systems.'

Peter Evans and Annabelle Gawer

Competitive advantage thereby changes from a static to a fluid concept: 'design to last' becomes 'design for change'. The Venezuelan economist Carlota Perez has carried out extensive research into the changes and the

¹¹ <http://reports.weforum.org/digital-transformation-of-industries/onward-and-upward-the-transformative-power-of-technology/>

¹² P.C. Evans & A. Gawer, *The Rise of the Platform Enterprise*, 2016, http://thecege.net/wp-content/uploads/2016/01/PDF-WEB-Platform-Survey_01_12.pdf



The number of start-ups with a market value of more than 1 billion dollars (so-called Unicorns) is growing explosively. Most of these are platform organizations that serve two-sided markets. Around 253 Unicorns have been identified since 2011.

(Source: <https://www.cbinsights.com/blog/increasingly-crowded-unicorn-club/>)

characteristics of this new era. In her book *Technological Revolutions and Financial Capital* (2002) she describes how the history of the economy is characterized by consecutive fluctuations, each of which, in turn, is precipitated by the introduction of a new General Purpose Technology (GPT). These are technologies that are so powerful that they interrupt, accelerate and transform the normal course of economic progress. GPTs have three common characteristics: they are comprehensive because they can be used in many sectors; they are continuously improved, and are, therefore, less expensive; and they serve as a basis for all kinds of new combinations of innovations, leading to an entirely new paradigm.

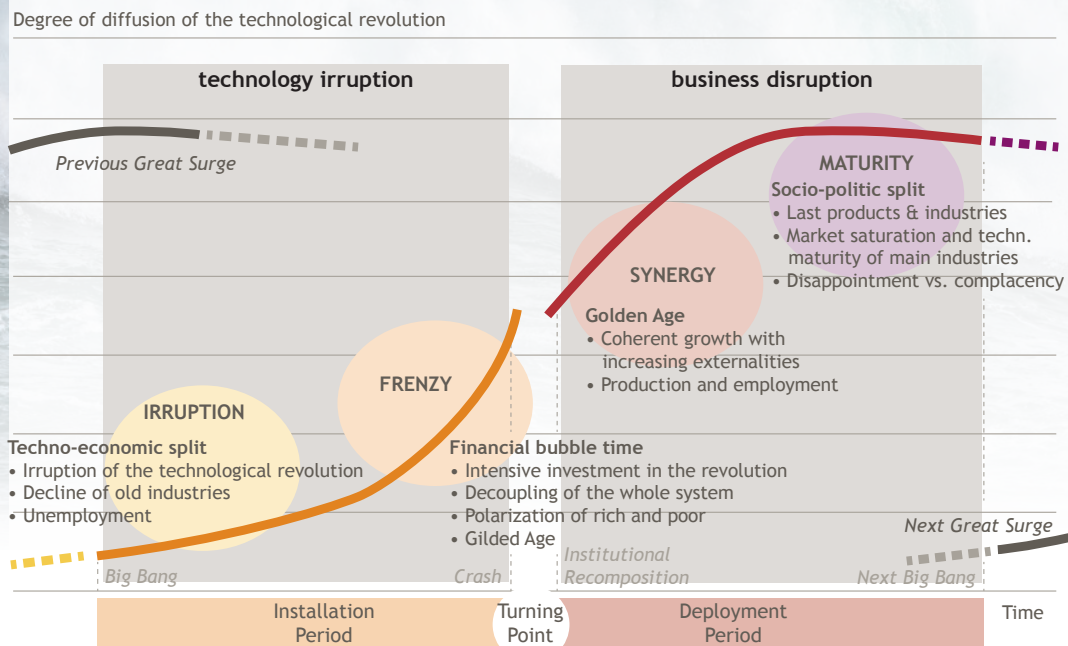
From candlelight to the Internet of Things

‘We will make electricity so inexpensive that only the rich will burn candles.’ With these words and the flick of a switch Thomas Edison introduced the firstly commercial viable light bulb in 1879. Lighting that could be turned on and off at the touch of a switch was a revelation at the time. Cabling the world very quickly turned out to be a tremendously lucrative business for Edison and his Electric Light Company (the predecessor of the current General Electric) and sales exploded as a result

of these endeavors. After the first homes were provided with electrical wiring, something completely unexpected happened: people realized that electricity could be used for many purposes other than powering a light bulb. New applications, such as the refrigerator, the washing machine and the vacuum cleaner were invented. Completely new categories of products and industries were launched which fueled a period of unprecedented wealth and prosperity. It unleashed an entrepreneurial revolution that dramatically changed the world.

These household appliances – from the thermostat to the washing machine – are now connected to the Internet and create the conditions for a new wave of industrial entrepreneurialism. General Electric and other industrial players go from candlelight to electricity and from electricity to virtuality. As the digital customer experiences evolve, the boundaries between sectors fade away. Smart devices become suppliers of entirely new services. For example, in the United States, Google’s smart smoke detector partners with Liberty Mutual and American Family, two insurance companies. Under the motto ‘Stay safe and save money’ insurance customers receive the device free of charge. In addition, they receive a bonus discount if they

Recurring phases of each great surge in the core countries



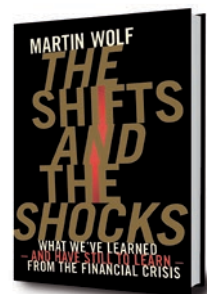
Source: Perez, *Technological Revolutions and Financial Capital* (2002)

also purchase sensors for theft and flooding. But ‘Stay safe and save money’ also applies for the insurer that carries less risk and achieves a lower loss ratio.

Growth and the great confusion

Since the first industrial revolution Perez distinguishes five fluctuations, so-called Kondratieff waves, that occur every forty to sixty years: water, steam, steel and electricity, oil and ICT. Each fluctuation follows a number of patterns and passes through two phases: the installation phase from the construction of new techno-economic structures and the roll-out phase during which everybody fully utilizes the possibilities of the new infrastructure – the so-called Golden Age. Every aspect of the old system is revised because the General Purpose Technologies make possible a completely different way of working. Perez calls it ‘decoupling of the whole system’. Working differently provides more efficiency, effectiveness and returns, but the ‘frenzy’, as Perez calls it, the confusion in which organizations and institutions find themselves, must first be broken down. Only when the ‘synergy’ is searched for and seen, will organizations and institutions overcome the problems that the frenzy has caused.

Institutional confusion, confusion about how the economy operates, and confusion about how organizations are organized, are closely connected with each other in this ‘shift’ theory. Martin Wolf, the economics commentator of the *Financial Times*, writes in his book, *The Shifts and the Shocks*, that the economic crisis has taught us that the visions on the inner workings of the economy have been shown to be ‘nonsense’. In *Creative After the Crisis*, sociologist Abraham de Swaan makes the same argument – discussing the heresy and quackery of conventional economic wisdom. By comparison, Schumpeter’s theory got away without much criticism. It is now, more than ever, particularly about being creatively destructive. De Swaan bases his insights on his interviews with Martin Wolf, Thomas Piketty, Mariana Mazzucato and other socio-economic polemicists. Wolf refers to the situation in which we now find ourselves as an intellectual crisis. Perez talks about a ‘frenzied’ confusion, that is, a void in which new experiments can arise and new ideas prosper. It is a precursor to



Shifts or *Shocks*, in Wolf's terms. In the old mental model, shareholder value and the bonus culture were unassailable and concepts such as basic income were not open for discussion. Now it is the bonus culture that is under fire. The underlying question of what actually motivates people is, again, being asked. Is it income, opportunity for self-realization, meaning in work? More evidence suggests that it is not income that motivates, and a new crop of economists support historically controversial notions of guaranteed basic income. Similarly, organizations with sales in the billions, such as white goods giant Haier and ING Bank, implement self-organization on a systemic scale, bucking the prevailing management theory of the last century. In accepting these new paradigms, specifically in defining the final destination of the organization of the future, we can pinpoint the breaking point with the past. That is what we are currently experiencing. We have now entered the synergy phase and are struggling to extricate ourselves from the *frenzy* and make sense of this new reality.

Platforms point the way to the new growth

Growth in this new era is reserved for those persons who first realize how they can adopt the rules of the game of the platform economy. Platform experts Geoffrey Parker, Marshall Van Alstyne and Sangeet Choudary (authors of the book *Platform Revolution*) and Peter Evans and Annabelle Gawer (authors of the book *The Rise of the Platform Enterprise*) provide the ingredients for the new growth factors.

NEW DRIVERS OF GROWTH

construction phase	roll-out phase
supply economies of scale	demand economies of scale
inbound	outbound
pipes	platforms

From supply economies of scale to demand economies of scale

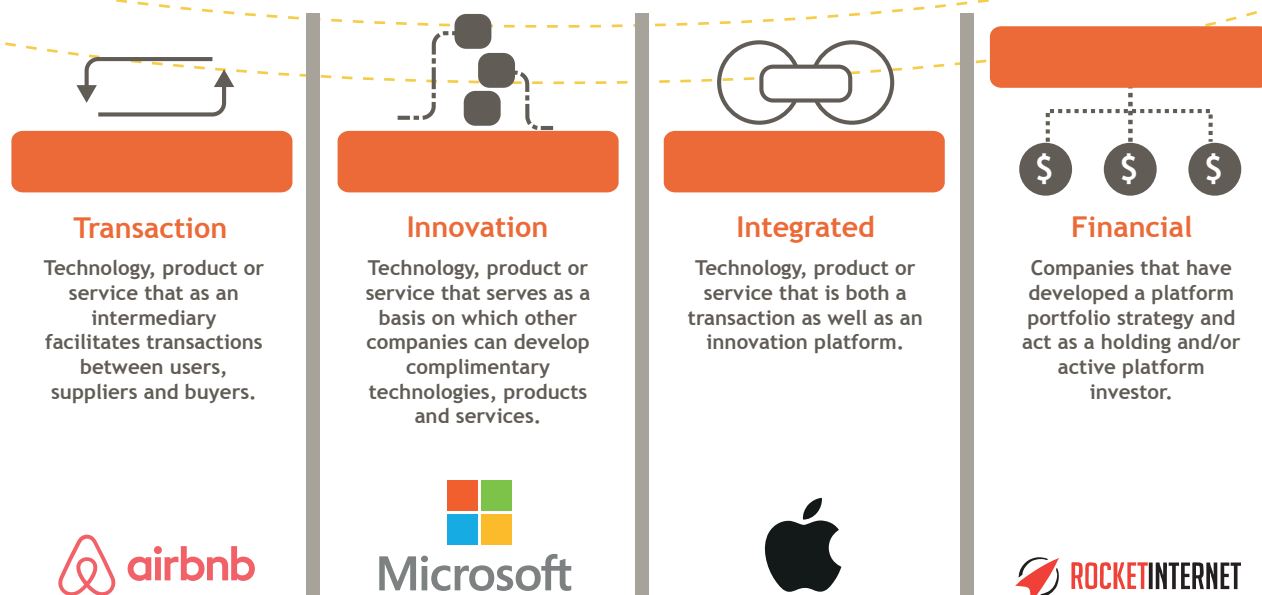
In the book *Platform Revolution: How Networked Markets Are Transforming the Economy and How to Make Them Work for You* the authors, all active at MIT, explain how, today, competitive advantage is achieved through very different economies of scale. In prior eras, supply economies of scale determined the growth. Which is to say that, by scaling production, enterprises are able to achieve a lower marginal cost of production than their competitors, eventually leading to runaway advantage. In the new era, the economies of scale on the demand side are more important. Which is to say that network effects, fueled by customer-centric platforms, create inherent accretive value through the development of enveloped ecosystem apps, broad social networks and other phenomena. This makes larger networks increasingly valuable for the user, creating a runaway effect.

'In the world of network effects, ecosystems of users are the new source of competitive advantage and market dominance.'

Geoffrey Parker, Marshall Van Alstyne
and Sangeet Choudary

From outbound to inbound

'Platforms invert the firm', from push to pull and from inside to outside. Parker, Van Alstyne and Choudary see this inversion as the fundamental change. Inbound and outbound are concepts in marketing and then mostly concerns how the 'call center' factories operate. With outbound the message is sent from organization (transmitter) to the customer (receiver). With inbound this process is exactly the other way around: listening to and watching the customer behavior and then drawing conclusions. But the 'inversion' of the organization is active



Source: Peter Evans and Annabelle Gawer, *The Rise of the Platform Enterprise: A Global Survey* (2016).

on all fronts: not only marketing but also strategy, ICT and the organization's view of the world shifts — from inwards to outwards.

'In the process, the firm inverts — it turns inside-out, with functions from marketing to information technology to operations to strategy all increasingly centering on people, resources, and functions that exist outside the business, complementing or replacing those that exist inside a traditional business.'

**Geoffrey Parker, Marshall Van Alstyne
and Sangeet Choudary**

The control of internal resources which, for many companies, has long been the basis for the execution of their strategy, changes into an orchestration function of external resources. In this circumstance, an additional role of facilitating these communities outside the organization and keeping them invested in the shared outcome, is often needed.

From pipes to platforms

We have known about pipes for a very long time, they form the dominant market model. Wired Magazine had the headline in 2013 'Why Business Models Fail: Pipes vs. Platforms'. Existing business models therefore are under fire in the transition from linear value chains to holistic customer experience platforms. Historically, companies (pipes) develop things, ship them and push them to the

shops, where they reach the consumers. Value is created upstream and consumed downstream. The course is linear and not cyclic or iterative as with platforms. While the word 'platform' and Airbnb and Uber have almost become synonymous, it is important to realize that there are different forms and kinds. The framework above has been produced by Peter Evans and Annabelle Gawer, who have been conducting research in the platform phenomenon for many years (Gawer is Professor of Digital Economy and Evans is Research Director at the Center of Global Enterprise).

What all these platform variants have in common is the network effect. The network effect arises, as with Facebook or with the telephone, because users attract other users. The more friends on Facebook, the greater the utility of the network and the more people who ultimately want to participate. This effect can also occur if the growth on the demand side strengthens that on the supply side and vice versa. The more hosts there are on Airbnb, the more attractive the platform becomes for guests. These kinds of two-sided markets provide new business models where the company can earn from two sides and even sometimes from several sides ('two-plus-X, three or multi-sided markets') if, for example, advertisers can also gain access.

Evans and Gawer distinguish between *innovation platforms*, such as Microsoft, that offers a platform on which organizations can give shape to their innovations and

integration platforms, such as Apple, that facilitates both transactions as well as innovations. Simply put: Apple brings customers and suppliers of apps together on its iOS platform, just as Airbnb does with houses. But Apple is also an innovation platform for banks, retailers and other companies that realize their innovations by adding apps in the App Store. Apple is therefore an integrated platform.

Lastly there are the financial platforms. This does not concern the kick-start organizations that prefinance innovations, but conglomerates of platforms that jointly exchange knowledge, experiences or software infrastructure. Take for instance the Priceline Group, that owns Bookings.com, Rentalcars.com and OpenTable.com. Or Rocket Internet, that has the ambition to conquer the world with platforms, at least in all countries outside China and America. They invest in clothing companies, hotels, labor market organizations and taxi companies, as long as they are platform organizations. They train managers and then rotate them between the various organizations.

‘All of this must be done recognizing that the platform leader is orchestrating free agents rather than directing employees in a hierarchical command-and-control structure.’

Peter Evans and Annabelle Gawer

From success to failure

Demand-side economies of scale or multi-sided markets do not guarantee success, however. Below, Van Alstyne, Parker and Choudary, in a *Harvard Business Review* article from the spring of 2016, provide insight into the six ways a platform can fail. What is clear from these failure factors is that organizing in times of platform competition clearly requires a different view on cooperation with customers, partners, competitors and developers.

1 FAILURE TO OPTIMIZE OPENNESS

The level of openness for consumers, suppliers and others is crucial for success. Platforms have to benefit from the value that participants provide with their participation. Too open can have the disadvantage of loss of quality or misbehavior. If the platform is too closed, then it is less attractive.

2 FAILURE TO ENGAGE DEVELOPERS

It is not sufficient to just set the table and wait until the guests arrive. Enticement, evangelism, support with the right resources, rewarding and providing feedback get the engine going.

3 FAILURE TO SHARE SURPLUS

If the balance tips too far to one side of the platform market, then things go wrong. This happened, for example, to Covisint, a platform set up by the automobile industry to bring suppliers and automobile manufacturers together. The suppliers were squeezed too much and left the platform. The platform was ultimately sold for only 7 million dollars after it had cost more than 500 million dollars to set it up. Since then, Covisint has learned from this lesson and reinvented themselves as an Internet of Things platform, serving a variety of industries in a two-sided business model.¹³

4 FAILURE TO LAUNCH THE RIGHT SIDE

The Google Health platform is a good example of where things went wrong. Consumers could easily join with their details, but the care sector had no wish to share their details. It only works if both sides participate and there is a successful strategy on both sides.

5 FAILURE TO PUT CRITICAL MASS AHEAD OF MONEY

PayPal has beaten its old competitor Billpoint (who still remembers it?) by first and foremost concentrating on expansion. The ease of use and the giving away of vouchers by PayPal finally won over the far safer, and financially more attractive, variant of Billpoint.

6 FAILURE OF IMAGINATION

Whoever does not understand the platform and keeps thinking in terms of the old products, will not succeed. It happened to Sony, HP, Garmin and Nokia. A simple app as Waze succeeds against the Garmin navigation device. The smartphone combined with the benefits of the App Store wins over the platform free variant. Sony's Walkman lost from Apple's iPod and iTunes. HP's calculator is now a calculation app.

'Aiming to become a platform leader entails a vision that extends beyond one's own firm [...] And just as any "team captain" would have to, a platform leader must maintain some degree of neutrality and benevolence over its business partners, failing which, it would damage its own legitimacy.'

Peter Evans and Annabelle Gawer

In conclusion

How should we interpret the current economic situation? Which organizations prosper the best in the new paradigm? This is what we must *Understand*. On the one hand it concerns the economy of the old world. Old market mechanisms are under fire and are even dismissed by some, such as De Swaan and Wolf, as 'nonsense'. The active demolition of the old is what Schumpeter meant with his 'creative destruction' as long as it is followed by the creation of the new. In the frenzy of which Perez speaks, there is room for organizations to continue their transition, but the drivers of growth, in this *ICT roll-out phase*, are driven by other, new mechanisms. Supply economies of scale are replaced by demand economies of scale, which requires an (extremely) outward focus from organizations that were, historically, inwardly focused. Also, with old upstream-downstream models, organizations cannot capitalize on new opportunities. Individuals are networked, society is networked and networked organizations, in the form of platforms, are the natural continuation of this.

4 UNORGANIZE

The term and activity 'Unorganize', as an enterprise organizational construct, was first used twenty years ago by Simon Buckingham. On his website unorganise.com (the website no longer exists), Buckingham explored the possibilities and potential if organizations were to do things differently. Not through disorganization or disorder, but by organizing to reflect and leverage new technological capabilities. Buckingham provides three reasons for existence for the Unorganization:

- 1 dissatisfaction with the value creation in hierarchies that do not respect people's talents;
- 2 the possibility, due to the decreasing costs of telecommunication (as Buckingham formulated this in 1995), to allow individuals to operate independently and autonomously;
- 3 outsourcing opportunities of the value chain from within to outside the organizations.

WHEN TO UNORGANIZE?

Organizations expand as long as the costs to organize internally are lower than the costs to outsource the work to the market. According to Nobel Prize winner Ronald Coase these organization costs are the reason why companies exist. That is what he describes in his pioneering article from 1937, 'The Nature of the Firm'. Coase brings these organizational costs together under the name 'transaction costs' and says that it concerns the following three variants

- search and information costs that must be made to determine that the required good is available on the market, which has the cheapest price, etc.;
- the costs that must be made to coordinate: how you allow people to work well together so that everything runs efficiently;
- the costs of drawing up the contracts: price negotiations, salary negotiations, registering intellectual property, etc.

Uber reduces the costs of searching for a taxi in a city, the costs of coordination between the driver and the passenger and the costs associated with possible price negotiations. The coordination costs of a taxi company cannot constitute a strategic disadvantage relative to direct coordination between passenger and driver.

Twitter makes the 'pop-up' initiatives of Bellingcat possible through self-organization via social networks.

Investigative journalism is carried out by the crowd. People self-organize via Twitter hashtags, without the need for managers. It is perpetually self-organized.

The Blockchain makes decentralized 'trust' networks possible without third parties, so that the costs for searching, coordinating, drawing up and negotiating contracts are dramatically reduced. Indeed, even the costs of accounting for such transactions and analyzing the underlying sales detail, may be dramatically reduced or eliminated in some cases.

Oliver Williamson (another Nobel Prize winner) elaborated on the transaction costs theory and added, among other things, a human quality: people in organizations make decisions based on the amount of time that they have – they prioritize. Williamson calls this phenomenon 'bounded rationality'. We look for information as long as we can and put off making a decision or until we think we know enough. In the era of information overload this is a good survival mechanism, otherwise we would not take action and simply collect more information.

Watson of IBM and other forms of Machine Intelligence are unaffected by information overload and are able to process it faster than any human. What do organizations look like if more search, coordination and negotiation activities are carried out by Machine Intelligence? Do entire departments, such as accounting or procurement, cease to exist?



Buckingham is a serial entrepreneur who in those days was fascinated with SMS and the idea of distributed networks. He anticipated that organizations through the emergence of these technologies could break down their structures and ‘Unorganize’ the organization. This includes downstructuring: the conscious break down of structures, systems, procedures, habits, functions and roles. Buckingham was far ahead of his time. SMS had just arrived. In 1995, the average cell phone user only sent 0.4 text messages per month. Today, 3 billion people share hundreds of messages, photos and videos via WhatsApp, WeChat, Messenger and other chat platforms on a daily basis.

By definition, traditional companies that produce physical goods are more expensive than an alternative in the digital world. A collection of dynamic contracts between people – from value chain to value network – offers better and less expensive alternatives. The conclusion from this transaction cost advantage is that instead of being inwardly focused, the organization must now be focused outwards on all fronts. On the edges of the organization, tasks are carried out by persons who are not employed by the company and by software that they have not developed themselves. Words such as ‘crowd-sourcing’, ‘API economy’ and ‘gig economy’ are added to the organizational lexicon. The application programming interfaces (APIs) and the little jobs (or performances), the gigs that are carried out by external software or persons, therefore become part of the Unorganization. In this context, the organization becomes a conglomerate of related services that form to create the most compelling customer offering.

Buckingham anticipated this in some senses, but he was talking about SMS and distributed telecom networks which hardly amounted to much at the time. Today, plat-

forms with network effects reach far further. The rapidly emerging possibilities of artificial intelligence and Blockchain technology promise even more changes – further lowering transaction costs on all three fronts making unorganizing economically attractive, strategically viable and operationally natural.

BusDevOps, common sense and Rendanheyi

The prevailing command-and-control leadership style and culture in many organizations is at odds with the above thought processes. The statement is well-known: ‘Culture eats strategy for breakfast.’

How culture should be addressed is a difficult question. However, it is clear that these new strategies will fail if the underlying culture is not addressed. The increasingly popular BusDevOps (a new bottom-up manner of working in organizations with a high level of automation) supports the notion that culture has an increasingly higher priority as it relates to organizational strategy. In sectors where there is a high administrative burden, such as in health care, or where the Internet of Things makes new business models possible, such as consumer products, inspirational examples can be identified. We outline three divergent unorganize practices: the BusDevOps approach of ING Bank, the ‘common sense’ approach of Buurtzorg, a Dutch home care organization, and the Rendanheyi philosophy of the Chinese ‘white goods’ company Haier.

‘It is the unchallenged tenets of bureaucracy that disable our organizations – that make them inertial, incremental and uninspiring. To find a cure, we will have to reinvent the architecture and ideology of modern management – two topics that aren’t often discussed in boardrooms or business schools.’

Gary Hamel¹⁴



BusDevOps at ING

Under the name Business Development Operations (BusDevOps) ING is implementing an ‘agile way of working’ on a large scale and it is, above all, a cultural change. ING is an organization with 52,000 employees worldwide and in 2015 booked a net profit of 4.2 billion Euros. In our fourth *Design to Disrupt* report – *Mastering Digital Disruption with DevOps* – we described the ins and outs of (Bus)DevOps and the ING practices. At its core, it concerns management innovation. In this new model, managers give way to tribe and squad leaders and multidisciplinary, autonomous and self-managing teams replace the classic department structure of marketing, operations and IT. Being attractive again for young talent is one of the key objectives (ING positions itself as a modest number two behind Google as having a culture in which engineers feel at home). But even more important for ING is the need to satisfy the wishes of customers far faster than in the past. The teams therefore operate independently and the direct feedback from customers feeds ING’s innovation agenda. The music service Spotify (2 billion (\$USD) in sales) works with tribes and squads in a model of self-managing autonomous teams. Spotify is a great source of inspiration for ING, but also for many other organizations that work with DevOps and Agile.¹⁵

15 The following two videos show how the bottom-up engineering culture works at Spotify:
https://www.youtube.com/watch?v=Mpsn3Wal_4k,
<https://labs.spotify.com/2014/09/20/spotify-engineering-culture-part-2/>

16 S. Nandram, *Organizational Innovation by Integrating Simplification: Learning from Buurtzorg Nederland*, 2014, <http://newsroom.nyenrode.nl/leren-van-buurtzorg-nederland>

Buurtzorg: ‘Unorganized’ with common sense

Two thirds of all visiting nurses in the Netherlands work at the home care organization Buurtzorg. Following its opening in 2006, Buurtzorg has grown into an organization of 9300 employees, with sales of 260 million Euros and a healthy financial position. Buurtzorg has no managers that control the nursing staff. The bureaucratic time keeping procedures, which resulted in the nurses having to account for everything that they did, have disappeared. Many of the employees who now work at Buurtzorg have left an organization where a command-and-control culture still prevails. Buurtzorg works with self-organizing teams of eight to twelve nurses. They are completely responsible for the care of their patients and determine for themselves what care is required. There is a simple IT system for cooperation and no place for bureaucratic administrative systems. Sharda Nandram, associate professor at Nyenrode Business University, carried out extensive research into the Buurtzorg method of working.¹⁶ She calls their approach ‘integrating simplification’, for which three principles form the foundation:

- a *needing* principle: consistently identify yourself with the needs of the client and ask the question ‘what does the client need?’
- a *rethinking* principle: continuously ask the question ‘how can this be done simpler and how can it be done better for the client?’
- a *common sensing* principle: with the question ‘how can I put it into practice, what do I need?’

You could also call it the ‘common sense’ approach. For this vision, Jos de Blok, the founder of Buurtzorg, was chosen entrepreneur of the year five times in a row and even received the prestigious Albert Medal from the Royal Society of Arts (Stephen Hawking and Tim Berners-Lee preceded him). De Blok is proud of the fact that no policy is made at the head office. His aversion to policy comes from, among other things, his experience with mergers in the care sector. The immediate goal of his simple vision was far removed from daily practice, however, where health professionals could no longer effec-



National coverage of Buurtzorg care teams.

tively do their job due to overwhelming bureaucracy. De Blok finds strategy to be a 'clumsy' tool, that 'only hinders our way of working'.¹⁷ He also does not see value in 'a spot on the horizon'. De Blok does not manage; the teams determine the course for themselves. All he does is write blogs, directed to the employees. The self-organization is also carried through in the customer's ability to live independently and do as much as possible for themselves. Ernst & Young calculated what the effect of a Buurtzorg approach would be in the United States and estimated an annual cost reduction of 49 billion dollars. It is very possible that this will happen and that the Buurtzorg approach will become a Dutch organizational export product. Buurtzorg teams have already been set up in Japan, the United States, Canada and Sweden.

'Reinventing giants' with Rendanheyi

On September 19th, 2015 Zhang Ruimin, CEO of the household appliances giant Haier, addressed the audience during the Haier Rendanheyi 2.0 conference. This conference was held on the tenth anniversary of the original Rendanheyi organization model launch. *Rendanheyi* stands for bringing the employees (*ren*) and the users (*dan*) closer together. Because 'the Internet will ultimately win', says Ruimin, you can therefore better ensure

BACK TO WORK

Lars Vollmer, author and management consultant, concludes in *Zurück an die Arbeit*, that there is no longer any real work. The meetings, annual reviews, budget negotiations, reports, setting up remuneration structures and monitoring each other make such a circus of the company that sight of the ultimate objective – the real work that must be delivered – has been completely lost. David Graeber, anthropologist at the London School of Economics, outlines a comparable image in his flyer 'On the Phenomenon of Bullshit Jobs'.¹⁸ The real work comes under pressure through administrative functions and rules from the company lawyers.¹⁹



that you reap the benefits of this by bringing employees and customers closer. Ruimin explains in his speech that building an ecosystem with entrepreneurs was the objective of Rendanheyi 1.0.

'Max Weber's hierarchical bureaucracy is a pyramid-like structure adopted by the traditional companies, military and government organizations. Here at Haier, we are building an ecosystem for entrepreneurs. There are no hierarchies, only three categories of people.'

Zhang Ruimin

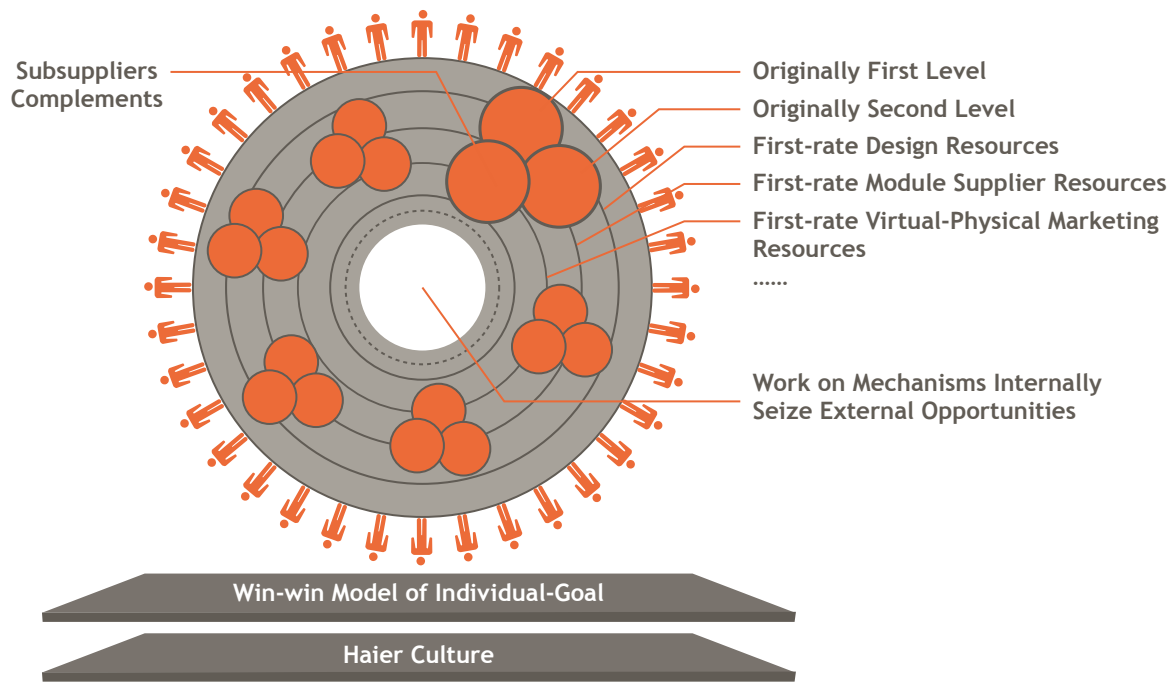
With sales of 32.6 billion dollars and an annual growth of more than 10 percent since 2009, Haier is regarded as one of the most important case studies for organizational change. More than 17 Harvard Business School case studies have been dedicated to the Chinese company. Bill Fischer, innovation professor at IMD in Lausanne, describes the secret behind the success in his book

¹⁷ <http://managementscope.nl/magazine/artikel/835-jos-de-blok-buurtzorg-besturen-is-flauwekul>

¹⁸ <http://strikemag.org/bullshit-jobs/>

¹⁹ In his book *The Utopia of Rules: In On Technology, Stupidity and the Secret Joys of Bureaucracy*, Graeber describes the power structure behind the bureaucratization of society. According to Graeber it is particularly the pact between governments and business and the associated financial flows that explain the ever-encroaching bureaucracy.

* *The three categories of people are: platform owner, micro-enterprise owner, employee-turned-entrepreneur.*



The work at Haier is organized in small cells that are called ZZJYTs (*zi zhu jing ying ti*, independent operational units). The success of these cells is directly linked to the compensation of the employees and forms the basis for the win-win model.²⁰

Reinventing Giants: How Chinese Global Competitor Haier Has Changed the Way Big Companies Transform. Zhang Ruimin, the CEO of Haier, closely follows all new Western management philosophies. He is fascinated by the new management practices of the retailer Zappos, but considers their approach 'not radical enough'. Ten years ago Ruimin was still busy with mapping out a strategy and checking whether his managers complied with the agreements they had made. Haier made far too little progress, fired 10,000 managers, changed the monolith into a sum of micro-organizations and left the management to the teams. This was a necessary step to be able to construct a network organization. The 1.0 version from 2005 was about creating self-managing teams and reducing the distance to the user of the sold products. The platform strategy is central in the 2.0 version of Rendanheyi. The organization must operate in networks to be able to find new sources of opportunity. Haier defines the networked organization as:

- 1 A border-free enterprise
- 2 Manager-free management
- 3 A scale-free supply chain

You cannot be successful as a platform player if the organizational model is not adjusted. Ruimin: 'Our challenge is to transform from a cascade process to an interconnected ecosystem.' The management turnaround from command-and-control to self-organization is a condition for Haier to prepare the company for the platform economy.

'Building a platform based business is the necessary condition of our model. If we don't reinvent the old organization model, we won't be able to implement the new model.'

Zhang Ruimin

According to Bill Fischer Haier is now busy with 'de-Haierising': letting go of the past in the conviction that the Internet era will always continue to demand new things. The message that Fischer gives in his book is that *change*, and specifically *big change* of companies with multibillion turnover, initially begins with introspection. Fischer calls it 'purpose driven' introspection. The difference between 'obvious' and 'optional' begins, according to him, with searching for the organization's

²⁰ C. Liu, 'Taking customers to a Haier ground to serve them better', China Daily, 26 August 2013, http://usa.chinadaily.com.cn/business/2013-08/26/content_16920089.htm

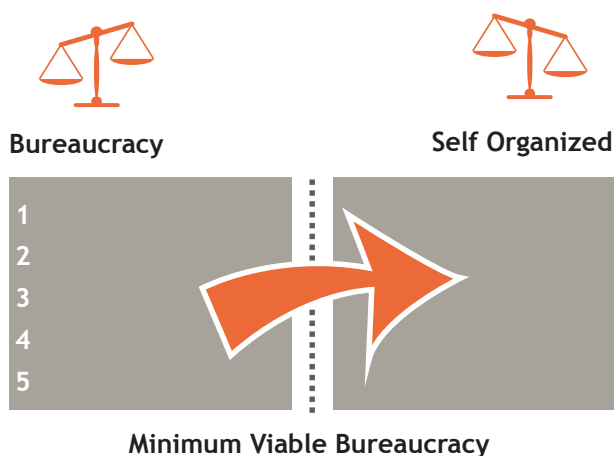
reason for existence. This approach, therefore, forces Haier to redefine and reinvent so they are prepared to take an unavoidable route where what worked in the past no longer works. You can wait and do nothing with the certainty that you will not survive, but, of course, it is better to do something and fight for your existence. According to Ruimin, his role as CEO is changing also: as long as there are organizations, there will be a management role, but it will probably no longer be called 'CEO', but something like 'designer for the organization'.²¹ Ruimin's task is to allow Haier to be successful in the Internet era and, to achieve this, he is dedicated to working on the network organization that is open for the external world. Read what Haier's website says about this:

'The advent of the Internet Age has disrupted the development mode of traditional economies, while the basis and operation of the new mode finds expression in networking, with the market and enterprise demonstrating features of networking.'

The new origins for innovation at Haier are the six ecosystems that are organized around specific product categories. A 'diet ecosystem' for the development of new refrigerators for instance, and an 'atmosphere ecosystem' for new air conditioners. Ideas from customers form the basis for new product development. A social media action for which 30 million reactions were received and where 670,000 people joined the conversation, led to a new air conditioner. The simple question 'What do you want in air conditioning?' led to the suggestion that it be 'Cool, not cold'. This is a literal quote from one of the customers. It not only reflects what customers want, but also informs the technical product development and became the go-to-market slogan when it launched.

Finally: define your Minimum Viable Bureaucracy

Unorganizing as an activity sounds like a risky operation. Transfer of control tasks from management to the employees would surely lead to chaos, right? Not necessarily. Buurtzorg, ING and Haier are well organized organizations that pursue a minimum of bureaucracy and management. The step from bureaucracy to self-organization, from command-and-control to bottom-up 'coordinate and cultivate', is not viewed as a choice for the companies we reference. Rather, it is considered a bitter necessity. ING unorganized to increase acceleration, Haier unorganized because with collective entrepreneurship it can seize more opportunities and be more innovative. Buurtzorg unorganized because without unorganizing, the work that actually needs doing, cannot be done. Inspired by the practices of music service Spotify who, in the description of their culture,²² pursue a *Minimum Viable Bureaucracy*, consider the opportunity that will reveal itself if you achieve this. Which departments, processes, agreements, working methods and procedures can be scrapped if you leave the responsibility to the employees themselves?



21 A. Hill, 'After 17 Harvard case studies, Haier starts a fresh spin cycle', Financial Times, 25 November 2015, <https://next.ft.com/content/4afb31b0-91eb-11e5-bd82-c1fb87bef7af>

22 Also see <https://labs.spotify.com/2014/03/27/spotify-engineering-culture-part-1/>

5 UNBUNDLE

‘Organizations only know two ways to earn money: by bundling or by unbundling.’ This statement comes from Jim Barksdale, former CEO of Netscape, in a conversation with former colleague Marc Andreessen (now cofounder and general partner of the famed Silicon Valley VC Andreessen Horowitz) organized by the *Harvard Business Review*.²³ Andreessen is the king of unbundling. He finances startups that, very smartly, only offer a small piece of the total product of the larger organizations. In the music industry we see this happening with the emergence of iTunes and Spotify, whereby it became possible to just buy one song instead of an entire CD. Closely associated with the concept of unbundling is the principle of ‘un-own’. Spotify has no studio or record label, just as Uber has no automobiles and Alibaba, one of the world’s largest retailers, has no inventory. Andreessen finances well-known companies such as Airbnb, but also lesser known examples such as DogVacay, an Airbnb for dogs. A hotel for dogs for a day or a couple of weeks, can be quickly arranged on this marketplace with persons who want to care for your dog. PetSmart, on the other hand, is a pet store that has bundled all its services. You can buy dog and cat food, adopt animals or have your dog trained, it provides veterinarians and, in addition, has a hotel for dogs.

Traditional organizations, that often became very large through their bundling activities, do not usually see unbundling as the new driver of growth. *College Disrupted: The Great Unbundling of Higher Education* from Ryan Craig sounds like bad news for many universities. Craig is the managing director of University Ventures and, just like Andreessen, invests in the unbundling of the market. Educational programs that can take years are divided into all kinds of shorter versions and offered as a Massive Open Online Course (MOOC). Courses from Stanford, MIT and many other top universities can be found for example on the Coursera platform. Most the courses from MIT are incidentally free of charge. Thousands of MIT programs are also offered directly via MIT Open Courseware (OCW).

From cd to songs, from newspapers to articles

If you can compare college with music, then courseware for the education market is what Spotify is for the music market. Another unbundling supplier, now in the market for newspapers and weekly magazines, is Blendle. ‘Why would you buy an entire newspaper if you only want to read one article?’ is the idea. The young company is active in the Netherlands, Belgium, Germany and the United States and currently has around one million users. Founder Alexander Klöpping has the objective with his company to put quality journalism back in the digital store window. In a world where numerous links are just ‘clickbait’ or stories with an exciting heading but with content that does not fulfill the raised expectation, Blendle offers quality articles from renowned daily papers and weekly magazines for a few cents, depending on the length of the story. The growth of the service results from Blendle’s capacity to continually improve predictions about which documents a reader will want to buy, on the basis of his historical behavior. This is much more difficult for ‘normal’ newspapers because they only see someone’s reading behavior in regard to their own media. Every morning an algorithm



23 ‘How to Succeed in Business by Bundling – and Unbundling’, <https://hbr.org/2014/06/how-to-succeed-in-business-by-bundling-and-unbundling>



The unbundling of the pet store, among others by DogVacay, the Airbnb for dogs.

(Source: <https://www.cbinsights.com/blog/disrupting-petsmart-startups/>)

generates a personal newsletter for each subscriber and sends out articles specifically curated for them.

***'The greatest fear of every startup is that Facebook, Amazon or Google will destroy you. We have a major benefit: we only focus on one thing.'*²⁴**

Alexander Klöpping, CEO Blendle

Finally: How to Unbundle

The unbundling of the organization is a standard module in Alexander Osterwalder's well-known Business Model Canvas method.²⁵ In the Unbundle section of his book *Business Model Generation*²⁶ his advice is to first search for the core of your organization. Marketing consultants Michael Treacy and Fred Wiersema²⁷ envision there to be three generalized 'cores' — operational excellence, product leadership and customer intimacy. The Unbundle chart in the canvas addresses these areas but reclassifies them as infrastructure, product innovation and customer relationships. The process of Unbundling can naturally lead to the question 'What are we actually very good at?'

A question that, perhaps unsurprisingly, is more easily asked than answered. For example, Airbnb asks itself what they can do with the world's largest collection of interior photos that they have now collected. They have photos of the kitchen, the bathroom, the lounge suite, the linens, etc. for every listed residency. 'Perhaps we should do something with this', said Even Heggernes, Nordic country manager of Airbnb, when we asked him what Airbnb can actually do and what their plans for the photos are. Determining what the core is and then 'extending' it is the approach of disruption professor Clayton Christensen. In his webinar 'How to survive and thrive on disruption' he closes with the question 'What can you actually do?' Christensen gives two possibilities: 'disrupt yourself' and 'redirect your legacy business'. His advice is to unbundle the organization by identifying all the tasks that are carried out for the customer. The thought being that, with a 'jobs to be done' design method it is easier to identify improvements in all these tasks. At that point you decide whether you must disrupt yourself and take on these tasks or have them carried out by other unbundled service providers.

²⁴ 'Blendle breekt door: 1 miljoen gebruikers' (Blendle breaks through: 1 million users), de Volkskrant, 12 August 2016.

²⁵ An explanation in 53 minutes from Alexander Osterwalder about his tools for the development of new business model can be found here: <http://ecorner.stanford.edu/videos/2875/Tools-for-Business-Model-Generation-Entire-Talk>

²⁶ A. Osterwalder & Y. Pigneur, *Business Model Generation: A Handbook for Visionaries, Game Changers, and Challengers*, 2010, <https://www.amazon.com/Business-Model-Generation-Visionaries-Challengers/dp/0470876417>

²⁷ M. Treacy & F. Wiersema, *The Discipline of Market Leaders*, 1995, <https://www.amazon.com/Discipline-Market-Leaders-Customers-Dominate-ebook/dp/B00CW0H27A#nav-subnav>

6 UNMAN: THE AUTONOMOUS ORGANIZATION

According to anthropologist Yuval Noah Harari the company is one of the ‘most ingenious inventions of human beings’. ‘It is a collective illusion. You cannot point to it, it is not a material object, but it exists as a legal entity. Just like you and I, it is bound by the laws of the countries in which it operates. It can open a bank account and own property. It pays taxes and it can be accused and even prosecuted, separate from the persons who own it or work there.’ Harari describes this illusion in his book *Sapiens: A Brief History of Humankind*.

The corporation as we know it today is not only ingenious, but also a recent invention. In 1886 the United States Supreme Court determined that the fourteenth amendment of the American Constitution was also applicable to organizations and American companies, in large part, got the same rights as US citizens. This personification of companies, acquiring *personhood*, is a product of the first industrial revolution. Risky projects, such as the laying of railway tracks, which involved a lot of money and several organizations, could now be easily started. Companies could drag other companies and citizens before the courts and were, thereby, a legal construct that was recognized by the courts to have many of the same rights as an individual citizen. But companies are not people – we know that.

The idea that machines could, someday, acquire human rights is perhaps just as inconceivable now as was the idea that companies would acquire human rights. However, if one follows the rationale that an organization is a collection of people, then the conclusion may not be as strange as it first appears. Similarly, an algorithm is a specific behavior programmed into machines by a collection of people and they behave in an increasingly more human manner. Following a similar rationale, it is not unreasonable to think that someday algorithms, and the machines they power, will also be viewed as legal entities on the same level as a corporation. The *personification* of technology, assigning human characteristics to machines, is becoming increasingly normalized with Siri from Apple, Cortana from Microsoft, Alexa from Amazon

and Watson from IBM (also read our last report about Machine Intelligence, *The Bot Effect: ‘Friending Your Brand’*). So, the first observation is *that* machines are becoming more human. The obvious extension to that is that they will begin to act as if they are people, eventually gaining ‘agency’, as it is so eloquently put. The agency of driving an automobile is such an example. Digital assistants that are going to negotiate and act for us on the Internet, can also fulfill an agency function. Just as we have done for organizations, why wouldn’t we also bestow personhood on algorithms? After all, it is only a matter of time before algorithms, such as Watson, receive voting rights in the boardroom of organizations.

Let us momentarily return to Harari. Language plays an important role in his anthropological reflections. Language is not only a means of transferring information about things that exist in the physical world, but also about things that only occur in our imagination. According to Harari, language has made an imaginary reality possible, a reality in which – along with legends, myths, gods and religions – corporations also exist as an independent entity. With the introduction of the computer, people have thought up a new language (the programming language) whereby, along with the physical and the imaginary reality, a third reality – the virtual reality – is added to our existence. With this new language, that is only intended for computers, the machines can create their own reality within which they may operate independently, may communicate with each other and may even pay each other for services rendered. The impact of the virtual reality, in the abstract, due to its extremely scalable character, has an even greater impact on the physical and imaginary reality in which we live. By definition, in the digital world the transaction, communication and marginal costs are almost zero.²⁸ The (digi) language according to business guru Venkatesh Rao is even the mother of all disruptions, as he argues in his blogpost of the same name *The Mother of All Disruptions*.

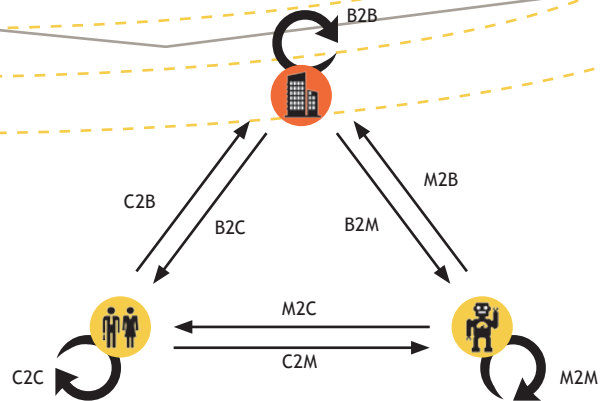
²⁸ Also read *The Zero Marginal Cost Society* from Jeremy Rifkin.

'For the first 150 years after the industrial revolution, machines and organizations had to make do with human language (and employ human translators) for their thinking and communication needs. Now they've found a technology that serves them better, and they're switching.'

Venkatesh Rao

Organizing autonomously

How can such a vision of a new type of organization take shape? In our report on Blockchain we presented the ideas of Mike Hearn, former core developer of the crypto currency Bitcoin. One of the organizational forms as he imagines it, is about emancipated automobiles that conduct business on their own. In his theoretical experiment Tradenet, Hearn assumes that self-driving automobiles will become the norm in the future and people will no longer own their own automobile. Access is more important than ownership. If these self-driving taxis are not owned by a big company but operate completely autonomously, then the rides will obviously become cheaper and affordable for everyone: 'We can program the automobiles so that they can make a small profit. In this way we can make our machines the most moral and social-feeling capitalists ever.' Hearn emphasizes that although they operate completely autonomously, the automobiles have no consciousness. They can, for instance, be programmed to update themselves. They can also use the money they have earned to hire human software developers to modify their code or to pay for maintenance or refueling. The automobiles can even collect their 'savings' together to buy new automobiles – to acquire 'children'. Automobiles produced this way, have to pay a portion of their income to their 'parents'. You could see this as a kind of birth loan that the automobile has to pay back to its parents before he can be fully independent. According to the same principle death is also included in the system, in order to remove obsolete models from the street or to respond to a changing market. If there are more automobiles than taxi rides, then automobiles can remove themselves from circulation for



Business-to-business and business-to-consumer become completely different, when machines become the business, get personhood and can act independently.

a longer period. According to Hearn, superfluous automobiles can also move to other cities in search of work.

Conclusion

Regardless of application, it is clear that autonomous capacities of technology radically change the organizational landscape. These are unprecedented opportunities and expansions of the organization that, with all its restrictions, is now failing to capitalize because of organizational and mental model gridlock and/or storage and handling capacities of the existing systems.

Blockchain is the future operating system for transacting between various parties. Machine-to-Machine ('M2M') transactions are a natural evolution of that. Together they form the ingredients for organizing more autonomously which, in turn, extends the possibilities of the organization. It also makes it clear that our traditional view of 'the organization' is quite different from what a Blockchain, Machine Intelligence ('MI') or M2M organization looks like. It raises some significant questions about what M2M and M2H(uman) communication will look like in the future.

Personification of technology: call center agents – the human version – have a lousy memory in comparison to the computer version. The robot in the call center, however, has 'deep learning' capacities and can use these for 'deep customer satisfaction'. The intelligent Watson doctor, which is up to date with the latest scientific research in every field, helps the doctor to make far more accurate diagnoses. Blockchain, Machine Intelligence and other technologies will require a different organizational structure and a different way of governance. These forms of unman-ing will have profound impact on the success of future corporations, also known as 'unorganizations'.

7 UNLEASH PEOPLE, ASSETS AND THINGS

The doors to the adjacent opportunities – new revenue models, partnerships, co-creation – are slowly but surely being opened. It is a creative exploration of the question of which roles customers, products and other assets can fulfill along with the value chain, and what new value chains can be created as a result. What if a customer is no longer an active transacting customer, but is still in daily contact with you through the Internet of Things in your product? What if vloggers and prolific tweeters make marketing departments unnecessary? What other, unconventional value chains exist that you haven't tapped into?

For instance, at Haier, Rendanheyi acknowledges the reality that customers become product specialists and products become experiences. This is the trigger for them to open new doors. One of Haier's own micro-enterprise experiments with a co-creation workspace for their new products and the experiences with this new business model are then subsequently shared across the rest of the organization. This creates adjacent possibilities where existing barriers disappear and legacy mental models give way to new ones. When Blendle applied their Unbundle strategy, they discovered that they get to know the reader of the newspaper better than the producers of the newspaper and, perhaps, even the reader themselves. Adjacent possibilities will no doubt be discovered and further developed. For inspiration we outline three brief examples below.



WHERE GOOD IDEAS COME FROM

In his book *Where Good Ideas Come From* (2010) the author Steven Johnson describes how to develop new insights by exploring uncharted areas, which will subsequently lead to considering new opportunities. Johnson calls this 'the adjacent possible'. The 'boundaries of the adjacent possible' are constantly shifting as they are being explored. The adjacent possible is still an untapped potential of 'what might be'. In his book, Johnson uses the metaphor of a house that expands magically with every door that is opened. The start is a room with four doors that all lead to another room that you have not visited yet. These four rooms are the adjacent possible. However, as soon as you open one of the doors and enter the room, three new doors appear, each leading to a brand new room that you could not have reached from the original starting point. Keep opening new doors and eventually you will have built a palace.'

Unleash the sharing economy

Ten years ago Elon Musk presented his first master plan, he launched his second plan in the summer of 2016.²⁹ Part of this plan is to make all Teslas self-driving and then simply make them a part of the sharing economy. Just sign up via the Tesla app on the smartphone and the automobile starts to generate income for the owner. If you want to drive a Tesla, just order one and the automobile closest to you that is free will come your way. This will make the Tesla cheaper and increase the number of 'test drives' by people that do not yet own a Tesla.

► ADJACENT POSSIBILITIES

Other ways to reduce the total cost of ownership for customers. Sharing assets as a strategy.

29 E. Musk, 'Masterplan, Part Deux', 20 July 2016, <https://www.tesla.com/blog/master-plan-part-deux>

Unleash the Pokémon GO Neighborhood Watch

The police in Schiedam, a city in the Netherlands, use Pokémon GO players as a neighborhood watch.³⁰ In areas with high rates of burglary and bicycle theft, the police place *lures* for Pokémon. These lures attract players as Pokémon will come to these places. The point is not that players identify and arrest criminals, but that they scare them off by their presence. Community police officer Cor de Jong in Vlaardingen will be the first police officer to do this. For 100 Euros he has purchased 180 lures, which he can activate at the desired spots.

► ADJACENT POSSIBILITIES

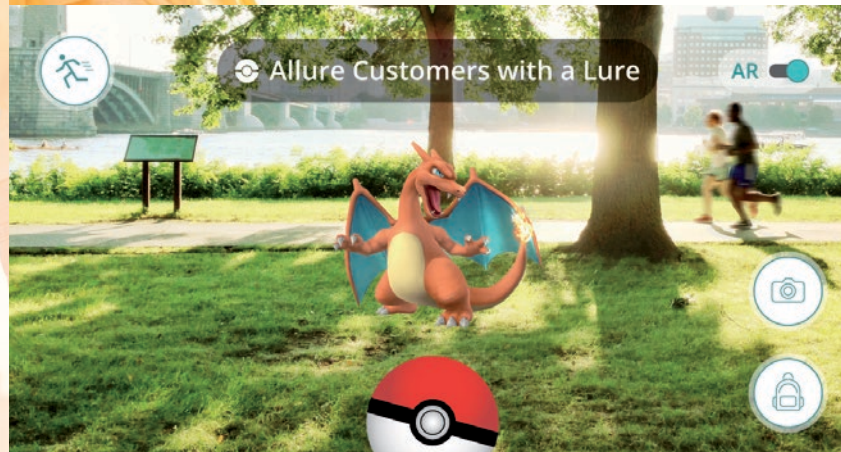
A strategy to increase the virtual attraction of your physical locations can give a new boost to your business. See for example 'How to Lure Pokémon GO Players to your Business'.³¹

Unleash your marketing budget

Lilly Singh, aka Superwoman, is one of the most important marketing assets for the Estée Lauder cosmetics brand. She has 9 million followers on her beauty vlog and gives advice on which make-up women should use. Sales increased by 4 percent (turnover of 11.2 billion US dollars) last year, mainly thanks to the use of this form of social media 'marketing'. According to Estée Lauder CEO Fabrizio Freda, social media are becoming increasingly important and he will continue to focus on the selfie culture. Department stores are closing their doors and cosmetic advisors in retail reach fewer and fewer people. Their advisory role is being taken over by the vloggers.

► ADJACENT POSSIBILITIES

Can the selfie culture generate more income, as is the case at Estée Lauder? Which tasks in your sector are taken over by social media?



³⁰ <http://www.rtlnieuws.nl/nederland/politie-zet-pokemon-go-spelers-als-buurtwacht>

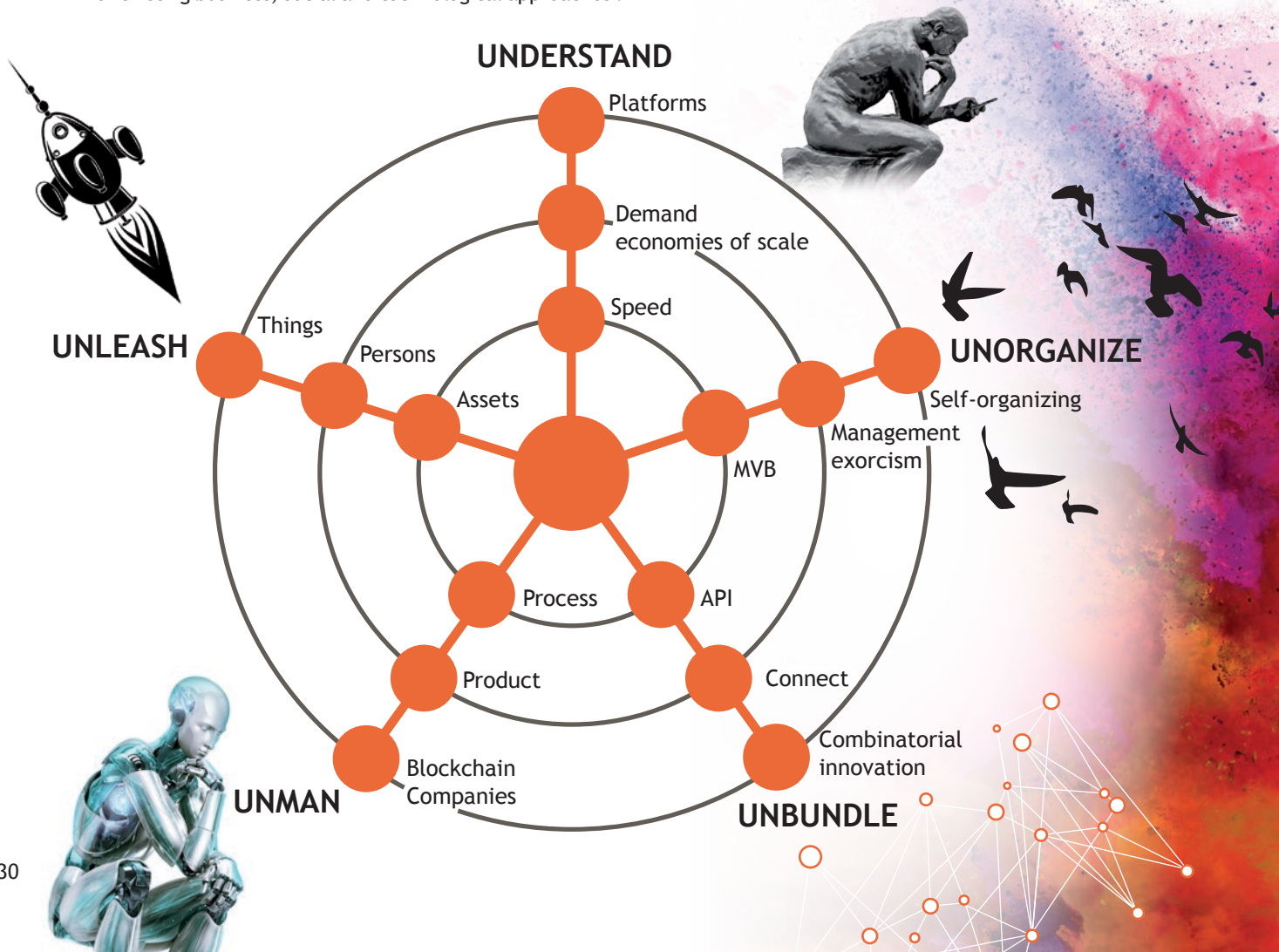
³¹ <https://splashmedia.com/digital-marketing-blog/lure-pokemon-go-players-business/>


8 THE UNLEASH MODEL

How can one make the adjacent possibilities part of corporate strategy? A new design thinking methodology – Speculative Design – aims to craft good ideas (specifically groundbreaking ideas) so they can be applied in business environments. How to design a good idea and how to turn fiction into a plan is spelled out in *Speculative Everything*, a book written by Anthony Dunne and Fiona Rabby (both professors of design and emerging technology). Their assumption is that if we speculate more, things become more malleable. The endorsement of the book by Tim Brown, CEO of design company IDEO, says: ‘In a period where existing systems are reaching their effective limits [...] speculative design can stimulate debate and reveal choices that are beyond the constraints of existing business, social and technological approaches’.

Going beyond the constraints of existing business is exactly what is needed in response to digital disruption. Coming back to the title of our series on digital disruption, *Design to Disrupt*, we are pleading for more radical design thinking, not only in designing products and services, but also for the organization itself. In fact, ‘everything’. What speculative design implies, is taking new and uncommon ideas into serious consideration. Asking the question ‘what if’ rigorously and repeatedly. What if we could change? What if things were different?

We suggest you ask these questions as they relate to the five pillars of the Unorganization that we have presented





in this paper. It should be seen as a way of structuring your organizational speculation and as the first step in your organization's change journey. Speculating what digital platforms you can bring to market. How will self-management play out? How will unbundling or unman-ing impact your value chain? How will you connect new competencies, things, and people to create new products and organizational strength? This is all part of the process of changing your organization.

Understand: *inverting and acceleration of the organization*

What if you could make better use of the demand economies of scale? Of course avoiding the seven mistakes of a platform strategy. What would happen if you could focus on *inverting* your organization's marketing department or IT operation? What if you could put the upstream-downstream model aside, and get started on the ecosystems and platforms? What would it mean if you could establish an orchestration function for human platforms, where access is more important than the hierarchical command-and-control?

Unorganize: *introduce a Minimum Viable Bureaucracy*

What if you could define your Minimum Viable Bureaucracy (MVB) in order to become agile again? Who would approve, who would find this idea ridiculous? What if you removed management layers — management exorcism — to achieve 'zero distance to the customer'? How would it change the way you interact with customers? With self-organization in teams you can reintroduce the necessary structure. What if you succeed in that? Would you be able to go from a command hierarchy to a purpose hierarchy? What if the time, energy and innovative power of the employees were unleashed?

Unbundle: *in search of your own core and extending it*

Consider: Work on your own unbundling and create new combinations of services. Find out what customers really value and how you can compete and cooperate. What if your primary value came from that very small bundle? Investigate: Infrastructure, product innovation and customer relationship form the three strategic levels for unbundling. What if all were autonomous and all were connected by Application Program Interfaces (APIs)? What if you search for new combinations of cooperation in platforms and by doing that, redefine who your competitor is?

Unman: *more autonomy for algorithms in the organization*

What if you could give processes, products and the organization more autonomy? Or entrust more to technologies such as the Blockchain or Machine Intelligence? It could mean that the institutional and human limitations are removed, thus creating new organizational possibilities. Can trust protocols shed a new light on compliance issues? Machine Intelligence eliminates the bounded rationality that was at the basis of the organizational forms in the past decades.

Unleash: *give actors other roles*

Customers, partners, assets and products, as mentioned in the previous paragraph, can fulfill non-conventional roles. What if you could build a strategy solely around that idea? In the upstream-downstream value model the relationships were clear. In ecosystems where the value is created through numerous matrixed actions and transactions, many new connections can be made: customers as co-producers, competitors as partners and citizens as researchers.

SOME FINAL WORDS

In closing, we are reminded of the introspect Hamel posed — ‘Is it possible for an organization to reinvent itself?’ To this, he cautiously replied — ‘yes’. The evidence presented in this text, as well as earlier editions of the *Design to Disrupt* series, shows that this is achievable. However, we have not yet discussed the conditions under which a cautious ‘yes’ becomes a convincing one. We have only outlined the opportunities gained when the organization is stretched and the behaviors that will lead to this reinvention. Practically speaking, you may be of the opinion that it is a bridge too far. An effort too great. After all, your organization is structured to its core to continue doing the same, incrementally better. There are substantial rules, regulations, policy, bureaucracy and cultural barriers that stand in your way, not to mention the fiduciary responsibility to your shareholders — often measured on a quarterly basis. The Minimum Viable Bureaucracy sounds great in concept, but the reality is that there are numerous barriers to achieve the defining characteristics of the anti-fragile Unorganization. The challenge also raises many questions. How do self-organizing teams effect these changes initially, and sustain them on an ongoing basis? Which team members will take the charge and be evangelists of this cause? And so on ...

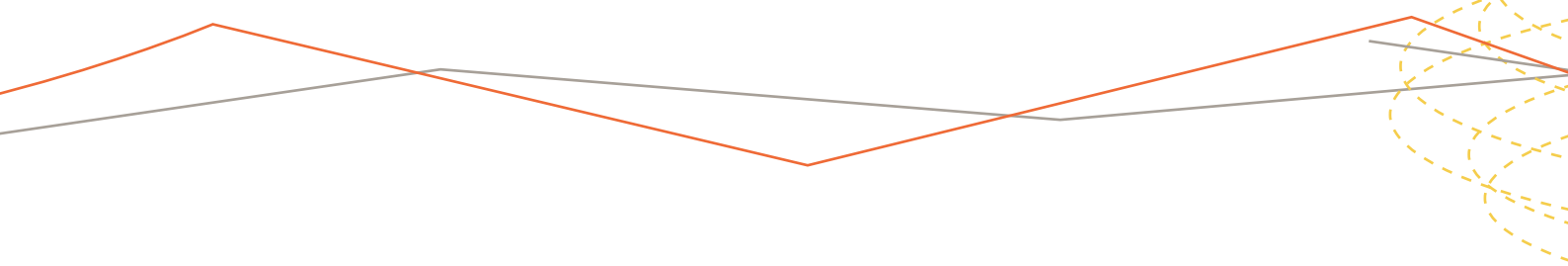
Our response is that the adjacent possibilities only present themselves once the doors have been opened. The place where good ideas come from lies in the future, in the experiments with Unlearn, Unorganize, Unbundle, Unman and Unleash. It is a creative journey. Some say it is a far too dangerous journey, especially when you consider the dramatic changes companies like ING and Haier are continually making. The key to achieving major transformations in large companies is by starting small. Allowing for small investment in these practices and observing the outcome will reveal the optimal strategy and go-forward approach. The power of a new compelling story of your business should not be underestimated. It starts with the people. Good people and employees want to

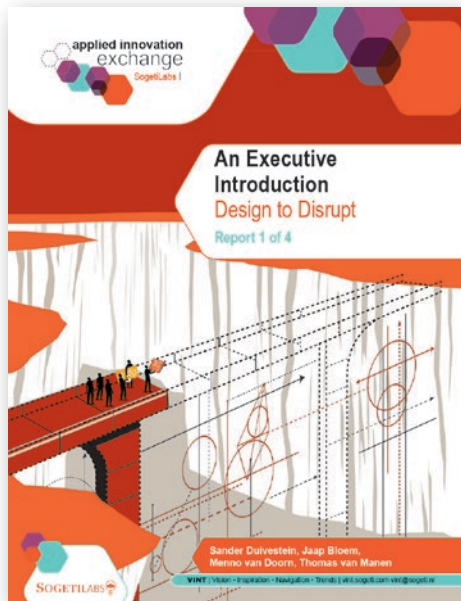
work in a culture that is unorganized, that allows autonomy, and control of one’s destiny. Like the aforementioned network effect, empowering these people and building an organization that supports them, is the first step to creating a self-perpetuating culture of the Unorganization.



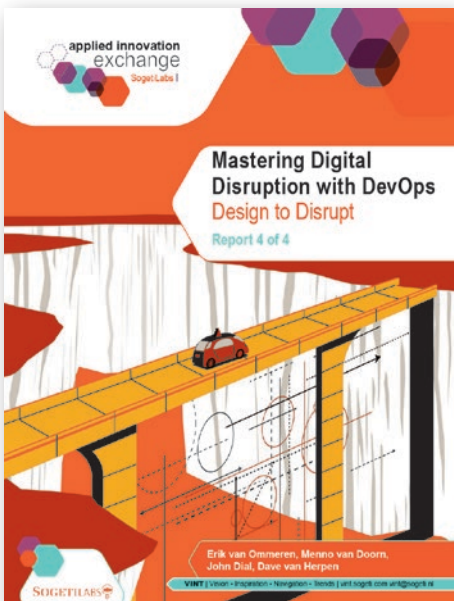
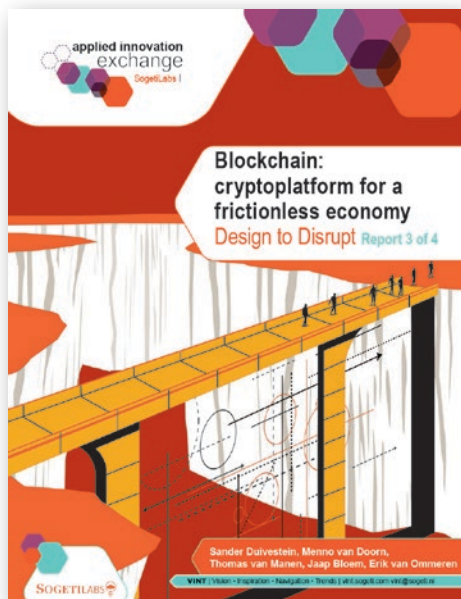
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