

A NEW ORGANIZATIONAL FORM: STARFISH ORGANIZATION IN BUSINESS MODEL PERSPECTIVE

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—Abstract —

As we moved into new economy, decentralization is a very powerful strategy day by day. A large number of traditional organizations are decentralized- some of them decentralize a part of the organization, some of them decentralize whole of the organizations- because of being a winner of the competition. As a decentralized organization, starfish organization is a new concept of the organizational science literature.

In this framework, we focus on the starfish organization's structure. The aim of this study is to represent starfish organization, as a new organizational form and a kind of business model of the management literature. Hence, in this study, starfish organization's definition, its difference from traditional organizations, its organizational structure and its working are explained first. Then, some instruction about transforming starfish organization from the traditional organization will be given. Finally some cases will be given about transforming to starfish organization and some suggestion about either the firms in the cases should transform to starfish organization or should sustain to existing organizational structure.

Key Words: *Starfish Organization, Decentralization, Business Models, Zero Hierarchy*

JEL Classification: M

1. INTRODUCTION

Nowadays organizations are moving to non-hierarchical, leaderless structure day by day. As well as, zero hierarchy is mostly used in many organizations. (Brickley, Dark, 1987) Hybrid organization, fractal organization, virtual organization start evolving traditional organization, but starfish organization goes a step further. (Zikmund, 2007) Many organizations work in intense competition environment, in this situation turning to starfish organization is an option to the winner of the competition. The concept of starfish organization is explained both the organizational structure and the business model literatures in this study.

A hybrid organization is an organization that combines elements, value systems and action logics of various sectors of society. (Menard, 2004) Starfish organization is a kind of hybrid organization organized in a disorderly and a chaotic situation. In addition, starfish organization has not a leader and a hierarchical structure, unlike the other traditional organizations. (Combs, Steven, Castrogiovanni, 2009)

This organization's name comes from starfish, an animal living in the sea, because of similarities between starfish organization and starfish organism structure. Starfishes have not got a central nervous system. When starfishes are damaged, they sustain their lives easily. Even if a starfish was splited into two parts, two parts would replicate themselves. Hence, a starfish's every cells can replicate themselves and manage whole of the organism, two parts sustained their lives. Starfish organization's structure is similar to starfishes, especially decenralization. (Brafman and Beckstrom, 2007)

Nowadays, the base of the competition is shifting from manufacturing new product to creating new business models. Business models are developed from firms' strategies. Business model is a model which shows how value is created and how cash flow is sustained. (Osterwalder et al., 2010; Donmez&Ozevren, 2009) It is

different from strategy, because business models are implemented on firms as a model. On the other hand, strategy is unique for the firm.

Business model defines “*the manner by which the business enterprise delivers value to customers, entices customers to pay for value, and converts those payments to profit: it thus reflects management’s hypothesis about what customers want, how they want it, and how an enterprise can organize to best meet those needs, get paid for doing so, and make a profit*”(Teece, 2010) In the business model framework starfish organization is a kind of business model.

2. STARFISH ORGANIZATION

2.1. Feature of the Starfish Organization

Starfish organization is a concept developed by Brafman and Beckstrom from Stanford University. Even this concept covers many other organizational concepts in the organization science literature, it is different from the other organization types described before. At the root of the difference is Brafman and Beckstrom’s explanation of organizations. They describe the organizations two distinct types-centralized and decentralized organizations. Centralized organization is called spider, decentralized organization is called starfish organization by them.

A spider and a starfish are animals that are similar but distinguishing features. For example, a spider has legs and a head, but a starfish has legs without a head. If a spider’s one of leg is cut, a new one grows up. In the event that a spider’s head cut, it dies. If a starfish’s one of leg is cut, two pieces of starfish replicate themselves. So you can get two starfishes. Now that a starfish has not got a central nervous system, its every cell can replicate itself and generate a new starfish. Due to these features of two animals, Brafman and Beckstrom classify organization as the spider and the starfish. They think the spider’s functions as a centralized organization and the starfish’s functions as a decentralized organization. (Brafman, Beckstrom, 2007)

Brafman and Beckstrom characterize decentralized organization as six principles. One of them indicated before, there is no manager/CEO in the starfish organization. In addition to that everyone, existing in the organization, is in

decision making process. Transformation from spider to starfish organization needs much effort. That is the second principle of decentralization. Third of them is about starfish organization's intelligence. It needs an open system that does not have central intelligence, "*the intelligence is spread throughout the system*". (Brafman, Beckstrom, 2007) Decentralization's fourth principle is about mutation. Starfish organization needs open systems that can readily change. (Moody, 2001) Decentralized organization set up suddenly is the fifth principle of decentralized organization. The last principle of the decentralized organization is about profits. If an organization transform from spider to starfish, its overall profits will probably decrease. In addition to six principles of decentralized organization, to learn an organization whether the starfish organization, ten questions could be asked. (see Appendix) These questions are defined by Brafman and Beckstrom.

2.2. Structure of Starfish Organization

A starfish organism resembles a starfish organization especially about sustaining their lives. It is indicate before that starfish organization has a decentralized organizational structure. Brafman and Beckstrom defined five legs that are the building blocks a decentralized organization. Circles, the catalyst, ideology, the pre-existing network and the champion are the Starfish organization's five legs. (Brafman, Beckstrom, 2007)

2.2.1. Circles

Hierarchy is one of the organizational structure concept that is named as circles in decentralized organization. The reason for using word of "circles" is to demonstrate how members from the organization communicate each other. Communication and interaction between members is spiral, not vertical direction. Just as zero hierarchy, all members are at the same level in the starfish organization. In addition, each member contributes to the best their abilities voluntarily.

Without hierarchy, it is difficult to make the rules and enforce members to do something. Hence, decentralized organizations depend on norms instead of rules. The circle is aimed at creating trust and open communication, so members accept and share the norms. If a member violates the norms, other members will warn his/her about the existing norms. (Hochschild, 2006)

2.2.2. The Catalyst

In chemistry, catalyst is a substance that starts reaction and occurs the reaction more quickly. Just as catalyst in chemistry, there is a catalyst in the starfish organization. “A catalyst is a person who initiates a circle and then fades away into the background.” Catalysts are, for example, Jimmy Wales in Wikipedia, Zennstrom in Skype. In the following table, you can see difference between the catalyst and the CEO.

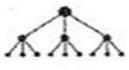
 CEO	 CATALYST
The Boss	A Peer
Command-and-Control	Trust
Rational	Emotionally Intelligence
Powerful	Inspirational
Directive	Collaborative
In the Spotlight	Behind the Scenes
Order	Ambiguity
Organizing	Connecting

Table 1: The difference between the CEO and the Catalyst (Brafman, Beckstrom, 2007)

2.2.3. Ideology

Why members take part in the starfish organization and make effort to contribution? This question is answered by ideology.

Microsoft is a centralized organization where employees work in teams. These teams are working together to develop some new products or services in exchange for money. On the other hand, Wikipedia is a decentralized organization where members contribute their information to the organization voluntarily. Microsoft's employees work full-time, but Wikipedia's members contribute information to organization whenever they want. That situation are explained not only sense of togetherness or belongings but also altruism, trust and norms of reciprocity. (Giles, 2005)

Most of the starfish organizations do not have a powerful ideology. Because of this weakness of the ideology, other players stand in for the catalyst. (Stuart,1985)

2.2.4. The Pre-existing Network

This leg is about transforming spider into starfish organization. It is easier to transform spider into starfish organization than to establish a new one. Now that, the organization's products, customers, value chain etc. are visible and accessible. These properties are defined before, so suitable circles are set up easily. Decentralized organization is designed considering centralized organization's properties.

2.2.5. The Champion

Catalyst establishes the starfish organization but champion takes the organization a step further. Catalyst inspires the members to connect each other whereas champion creates options to sustain the organization. Champion is the only one person working full-time and he/she always develop new ideas about the organization. While catalyst has charismatic, champion has visionary leadership.

2.3. Examples of Starfish Organization

Some virtual organizations can be examples of the starfish organization -Apache, Skype, Wikipedia, Napster and P2P. All of these organizations are transformed

centralized to decentralized organization.(Brafman, Beckstrom, 2007) Nowadays Facebook, Twitter and LinkIn are the way of starfish organization.

3. CONCLUSION

Many organizations work in intense competition environment, in this situation turning to starfish organization is an option to the winner of the competition. However starfish(decentralized) organization is not a good choice for every spider(centralized) organization. For example, starfish organization is not suitable for hospitals and airlines. Nevertheless, most of the sectors are ready to transform decentralization. For that reason, organizations should forecast their sectors' future and define their strategies according to their prediction. Whether transforming to starfish organization or not is a vital problem for many organizations.

The concept of starfish organization is explained both the organizational structure and the business model literatures in this study. Business model is a model which shows how value is created and how cash flow is sustained. In addition, business models are implemented on firms as a model. In the business model framework starfish organization is a kind of business model.

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Appendix:

1. Is there a person in charge?
2. Are there headquarters?
3. If you thump it on the head, will it die?
4. Is there a clear division of roles?
5. If you take out a unit, is the organization harmed?
6. Are knowledge and power concentrated or distributed?
7. Is the organization flexible or rigid?

8. Can you count the employees or participants?
9. Are working group funded by the organization, or are self-funding?
10. Do working groups communicate directly or through intermediaries?