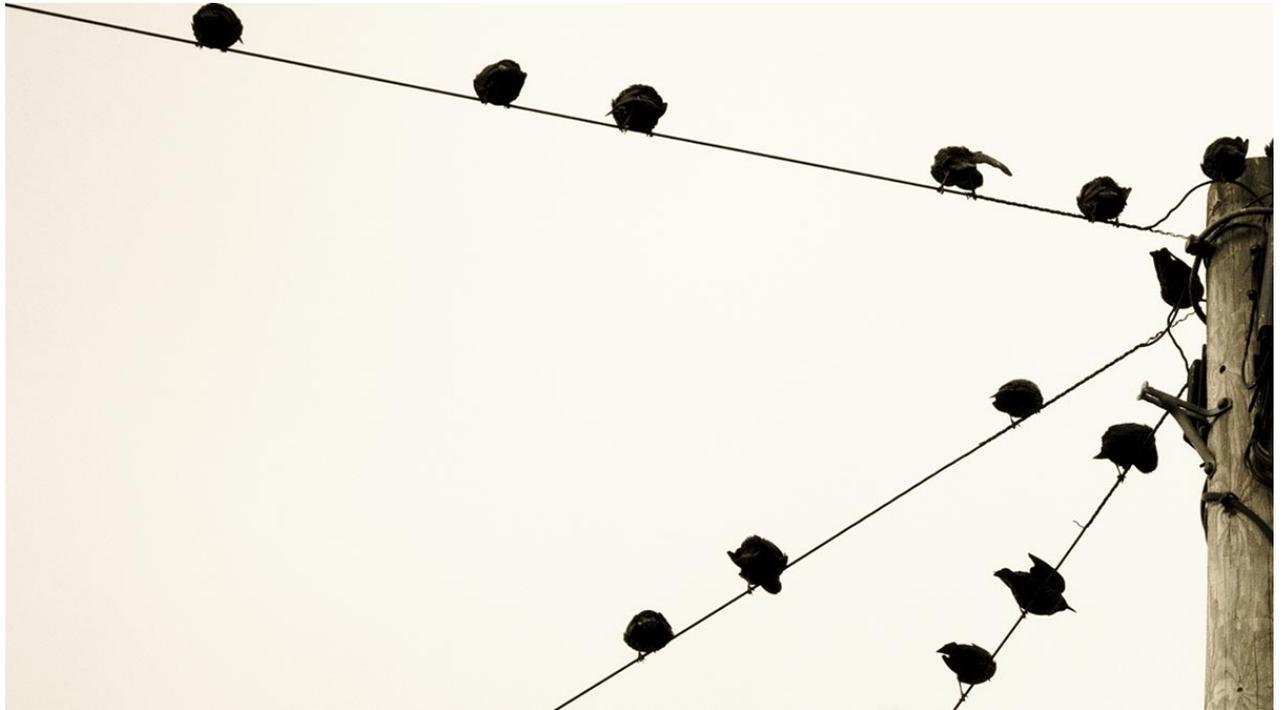


What Makes an Organization “Networked”?

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In 1904, the great sociologist [Max Weber](#) visited the United States. As [Moises Naim](#) describes in *The End of Power*, travelling around the vast country for three months, he believed that it represented “the last time in the long-lasting history of mankind that so favourable conditions for a free and grand development will exist.”

Yet while Weber saw vast potential and boundless opportunities, he also noticed problems. The massive productive capacity that the industrial revolution had brought about was spinning out of control. Weber saw that traditional and charismatic leadership would have to give way to a more bureaucratic and rational model.

Most of today’s organizations were built on Weber’s principles. So much so that we see them as “the way things work” and forget that bureaucracies were once innovations

too. Today, we live in a time of transformation every bit as colossal as what Weber saw a century ago: a shift from hierarchical to [networked organizations](#). Here's what you need to know.

1. If it can fit on an org chart, it's not a network.

Before Weber's bureaucracies became predominant, most enterprises were fairly organic. People shared the work, helped out where they could and all pitched in to get the job done. At the end of the day, they went home and then came back the next morning, ready to tackle a new job, which was often different than the day before.

Yet the increase in scale that the industrial revolution brought about resulted in a difference in the kind of work that was to be done. Jobs would be broken down into small, specific tasks and be governed by a system of hierarchy, authority and responsibility. This required a more formal form of organization in which roles and responsibilities were clearly defined.

As business became more complex, these rigid structures grew increasingly untenable and so management theorists began to look for another way—[matrixed organizations](#). In addition to the hard lines of responsibility and authority, dotted lines were used to denote cross-functional authorities and responsibilities. Yet before long, it became clear that [matrixed organizations also had problems](#). Despite the often mind-numbing complexity of matrixed organization charts, they still could not match the complexity of the marketplace. So matrices, in a sense, led to the worst of both worlds, a cumbersome organizational structure and the inability to adapt to fast changing contexts.

The truth is that networks are informal structures. If it can fit on a traditional org chart, it's not a network.

2. Silos themselves aren't the issue.

The term “network” is often misconstrued. In management circles, it is often used to mean an organic, unfathomable, amorphous structure, but really a network is just any system of nodes connected by links. So, in that sense, any organizational structure is a network, even a formal org chart.

For functional purposes, networks have two salient characteristics: [clustering](#) and [path length](#). Clustering refers to the degree to which a network is made up of tightly knit groups while path lengths is a measure of distance—the average number of links separating any two nodes in the network.

We often hear about the need to “break down silos” to create a networked organization, but this too is a misnomer. Silos are functional groups and they need a high degree of clustering to work effectively and efficiently. The real problem in most organizations is that path lengths are too great and information travels too slowly, resulting in a failure to adapt.

The most efficient networks are [small-world networks](#), which have the almost magical combination of high clustering and short path lengths. So silos aren't the issue—high clustering promotes effective collaboration—the trick is to connect the silos together effectively.

3. Small-world networks form naturally, if they're allowed to.

The idea that clusters of close-knit teams can somehow increase the flow of information on their own, simply through shorter social distances, seems unlikely. Yet actually, small-world networks often form naturally, without design or complex organizational engineering.

In fact, in their [initial paper](#) describing the phenomenon, [Duncan](#)

Watts and Steven Strogatz found the neural network of a roundworm, the power grid of the western United States, and the working relationships of film actors all followed the small-world network pattern. It takes effort to design a traditional organization, but small-world networks form naturally.

The reason why these types of networks are so pervasive in nature is that it takes a relatively small number of random connections to drastically bring down social distance. Over time, most systems will tend to become small worlds if they are left uninhibited. So why do truly networked organizations seem so hard to create?

The unfortunate, but obvious answer is that traditional organizations actively discourage connectivity. They favor strict operational alignment within specific functional areas while doing little to foster links between them.

4. Networked doesn't mean flat.

The latest management craze is flat, [leaderless organizations](#). Much has been made about [Zappos' recent efforts with holacracy](#), but as Tim Kastelle recently [explained](#), the jury is still out whether the effort—and those like it—will be ultimately successful. My own feeling is that flat structures will work for some cultures, but not others.

The important thing is that an organization does not have to be flat to be networked. In his new book, *Team of Teams*, General [Stanley McChrystal](#) explains how he drastically reinvented how his forces operated, but didn't change the formal structure. The changes mainly had to do with informal structure, communication and forging a shared purpose.

General McChrystal's Special Forces command was still hierarchical and clustered into small operating groups. What changed is how they were interconnected. Rather than a

collection of units, they became a **synchronized organization** that acted as one.

So what really needs to change is not how we describe our organizations, but the **role of leaders** within them. Whereas before, it was the role of managers to direct work, in a connected age we need to instil **passion and purpose** around a **shared mission**. The networking, if encouraged and not inhibited, will take care of itself.

Source:

<http://hbr.org/2015/06/what-makes-an-organization-networked>