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How Networks Of Competence Are Crushing Hierarchies Of Authority

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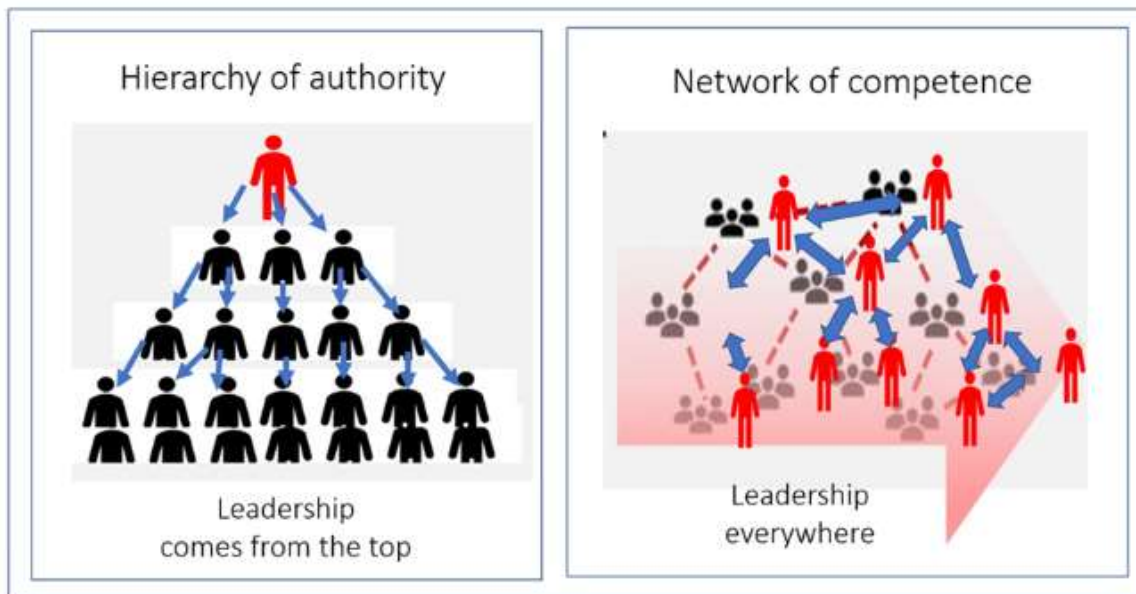
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Hierarchies of authority vs networks of competence STEPHEN DENNING

Around 2016, Amazon created a team to build an app for all its drivers that would integrate all of the information about delivery schedules, weather, traffic, routes, and the eventual delivery sites. No one knew how long it would take to develop the app or how much it would cost. Amazon wanted it done fast so they sent the team far from headquarters—to Minnesota. “Go ahead,” was the message to the team. “Build it. Report back every six months on how it’s going. Here’s 40 staff years. Tell us if you need more resources.” The team had explicit interfaces with relevant sources of information inside and outside Amazon. After a year or so, the team said the work was going well, but asked for, and received, another 60 staff years. The team succeeded in building the app, after intensive testing with actual drivers. The

app was incorporated in all Amazon's vans. The work was highly satisfying. This was a network of competence in action.

After completion of the app, the head of the team left Amazon and went to work for a large health company in Minnesota for what looked like similar work. But the work turned out to be very different. He found himself spending around 70% of his time making forecasts of unknowable future performance and then defending and explaining deviations in current performance from previous forecasts. Thus, there was little time to do the real work he was meant to be doing. The situation was highly frustrating. This was a hierarchy of authority in action.

Although in the 20th century, hierarchies of authority were pervasive, today an increasing number of firms are being run predominantly as networks of competence. Firms that are predominantly networks of competence are now generally growing faster with higher staff engagement than firms that are mainly hierarchies of authority.

Hierarchies Of Authority

As shown in Figure 1, in hierarchies of authority, there is only one genuine leader. Everyone else in the organization is reporting to, and subject to the instructions of, someone in the level above. There is limited, if any, horizontal interaction between the vertical silos. These features can severely constrain the coordination and innovation of such organizations. Around 80% of public firms are still run in this way. Most management articles and conference speakers are implicitly talking about firms that are predominantly hierarchies of authority.

Unlike a network of competence, a hierarchy of authority has no explicit direction, apart from what the one leader at the top might say. The implicit goal is usually the self-interested goal of making money for the firm, its executives and its shareholders. In such organizations, aspirational declarations that "everyone is a leader" or that "the firm has a higher purpose," are essentially fiction.

Hierarchies of authority typically give primary attention to methods, processes, frameworks and directives. Subjective human concerns, such as culture, values, and staff engagement are not totally ignored, but they regarded as "nice to have but not essential." This way of running organizations was successful in the 20th century and led to major gains in productivity.

The spirit of Frederick Taylor ran strong. Even Peter Drucker could [declare in 1993](#) that Taylor was one of the four greatest thinkers of the 20th century.

For the most part, the discussions in conferences and articles about management today take place without ever recognizing the distinction between hierarchies of authority and networks of competence. As a result, most of these discussions and articles are talking about firms that are predominantly hierarchies of authority, i.e. yesterday's management. Endless discussions of low staff engagement, limited innovation, lack of psychological safety, weak teamwork and slowing growth proceed with little if any recognition that these are inevitable consequences of running the firm as a hierarchy of authority.

Networks Of Competence

Meanwhile, something has happened in the last quarter century. The world has changed. The internet has given rise first, to firms with new possibilities for innovation, and then to customers who have more choices, and finally to firms again, the potential of new business models that build on network effects, sometimes exponentially. Firms have begun finding that networks of competence are better adapted to the faster-paced, rapidly changing customer-driven marketplace of the 21st century.

As shown in Figure 1, in networks of competence,

- No one is the subordinate of anyone else. Everyone is interacting with others horizontally, so that **everyone can be, and should be, a leader.**