

The Death of the Firm
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The firm, as we have known it, is dying. A new one is emerging. The firm, as we will come to know it, is embedded in the ontology of service-oriented architecture (SOA). We stand today in the murky waters between these two states, and as is often the case, confusion confounds things. As we learned in school, the old firm rose with the birth of industrialism, was strengthened with the structures of modernism and came to maturity with computing. We have grown comfortable with this genesis. But now, something is afoot inside us.

To understand this change, consider the lowly caterpillar. The common thought is that a caterpillar transforms into a butterfly. A nice thought, but the real transformation is a bit messier. The caterpillar goes through life with one basic mission: to become fat. As it matures hormonal changes cause the caterpillar to build a cocoon and go dormant. Structures along its underbelly, called imaginal buds, awaken. These buds begin to join together and slowly become the butterfly by digesting the plump body of the caterpillar. In essence, the caterpillar carries, unknowingly, something that will eat it and become the butterfly. Tell that to the children next time they ask.

The firm as we will know it is no longer a set of human activities, with a computing system layered on top. It is rapidly becoming human activity and computing systems clasped together. In effect, mind and machine are cojoining into a new structure which will consume and persist beyond the old. These new structures can form and reform more easily than before, giving random chance, designers of the system, and the invisible hand each a greater opportunity to construct new human/computing solutions at a faster rate.

The firm, as an organizing principle, has long stood as the alternative to the market as an organizing principle. Firms exist to displace the market structure. Firms provide, in some cases, sanctuary from the harsh winds of the market; in others they simply extend feudalism into the 21st century. But how organizations knit themselves together is changing. Rather than constructing a series of human pyramids into a larger competing machine (another caterpillar), we, the people, can now construct flotillas of human/computing architectures not for enduring relationships and mass, but for transitory market advantage, or more bluntly, for short term profit. Some call it the extended virtual enterprise. I call it intriguing.

This is already happening. Many large and small firms no longer tinker with their pyramidal, primate structures just to release a new product. Instead, they form quick partnerships with a variety of suppliers and marketers in a project that has its own, and typically shrinking, lifecycle. SOA easily accommodates this marriage of convenience. Once the market opportunity is sapped, the structure disappears and resources get applied to the next new opportunity. The cycle repeats.

XML-structured information fuels this new world. It accelerates the identification and exploitation of opportunity. As firms bring to market new things, buyers and consumers engage, become informed about art of the possible, and begin to alter their thoughts and their behavior. Firms sense this new behavior and respond again with a cross-sell and up-sell or a brand new widget. In the wake of the last market opportunity, a new one is created, ready to be exploited.

Firms and consumers frolic in this endless wrinkling of the problem space, as each new self-created wrinkle becomes food for the new new thing. The rate of change is merely the rate at which raw data can be turned into action, not the rate at which ideas are transmitted from culture to culture via word of mouth. A little bit of data mining, some process integration glue and a few smart people is all that is needed. Add water and stir. New firms can grow anywhere.

The recent battle cry that “IT doesn’t matter” may be the last gasp of a dying breed. IT is not a railroad. It is a conduit for collective, recombinant thought. IT isn’t a commodity. It is a vehicle for exploiting commodities. The clever melding of information technology and human culture into a new competitive creature is the stuff of competitive advantage. The race will go not to just the fiercest competitor, but the most adaptive.

In this regard, SOA is the necessary reaction that firms must take to stay relevant in their markets. Embedded within this new ontology, however, are considerable cultural implications, some terrific, some terrible, that we are just beginning to face and that we need to discuss.

Are we facing a new era in which the balance of power is shifting away from governments and corporations and towards smart and angry mobs, or reckless or visionary outcasts who dare to oppose them, or individuals with an over-amplified web services electronic voice? Can more radical firms dissect and remake themselves as microcosms of the market? Have some done so already? Do they know they have? Have they sent the employees an email telling them this? Will they? Or will the employees send the employer a reverse pink slip: “I am leaving you. I’m hanging out my own shingle and am going to service other companies. It was fun while it lasted. FYI, I never really loved you anyway.”

Will we soon all be working in an SOA-powered home office in exurbia, acting as powers of one, competing with each other for the right to join with each other in a series of one-night-stand projects, all as 1099 consultants with privatized social security accounts, pilfered from defunct corporate pension plans?

Will a new society of nicely-rewarded enterprising technocrats, emerge, stretched out across rural highways as a series of information worker collectives and communes held together by UDDI, wireless, broadband, blogs and business process patents?

Will the old governments and firms be sitting ducks for these roving gangs of intelligentsia terrorists and capitalistic pirates to shoot at? Will we have three worlds: one controlled by the good (the new, open-network, SOA surfers), the bad (Al Qaida and its closed-network clones) and the ugly (the monolithic organizations and its dissolute and dissolving network)?

Will the old firm go unwillingly into this future that it has unwittingly created?

This may be a silent revolution, but it will not be a bloodless one.

I suggest we all step out of the muddy river, take a look around and ask: “Who among us is the caterpillar and who is the butterfly?”