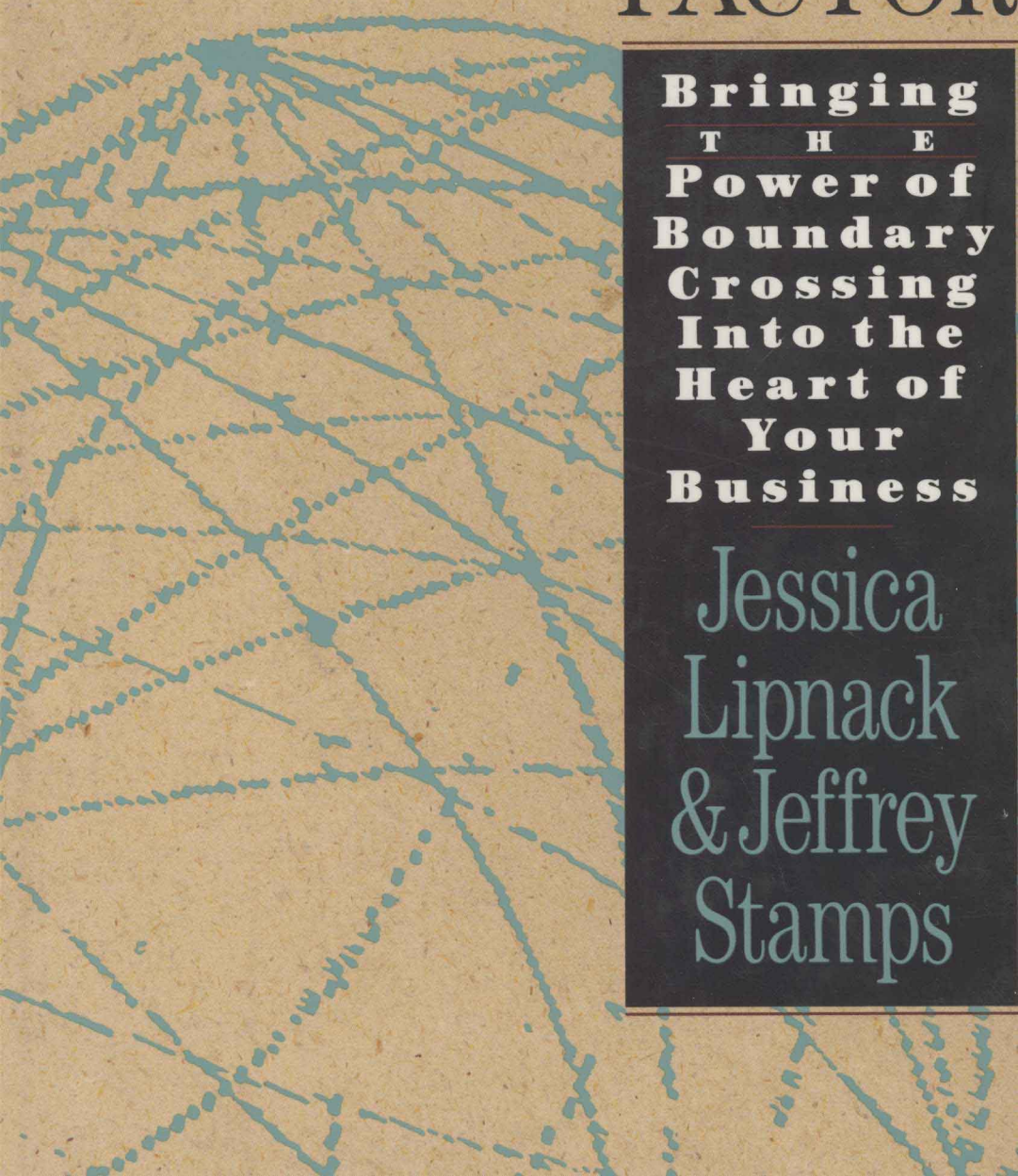
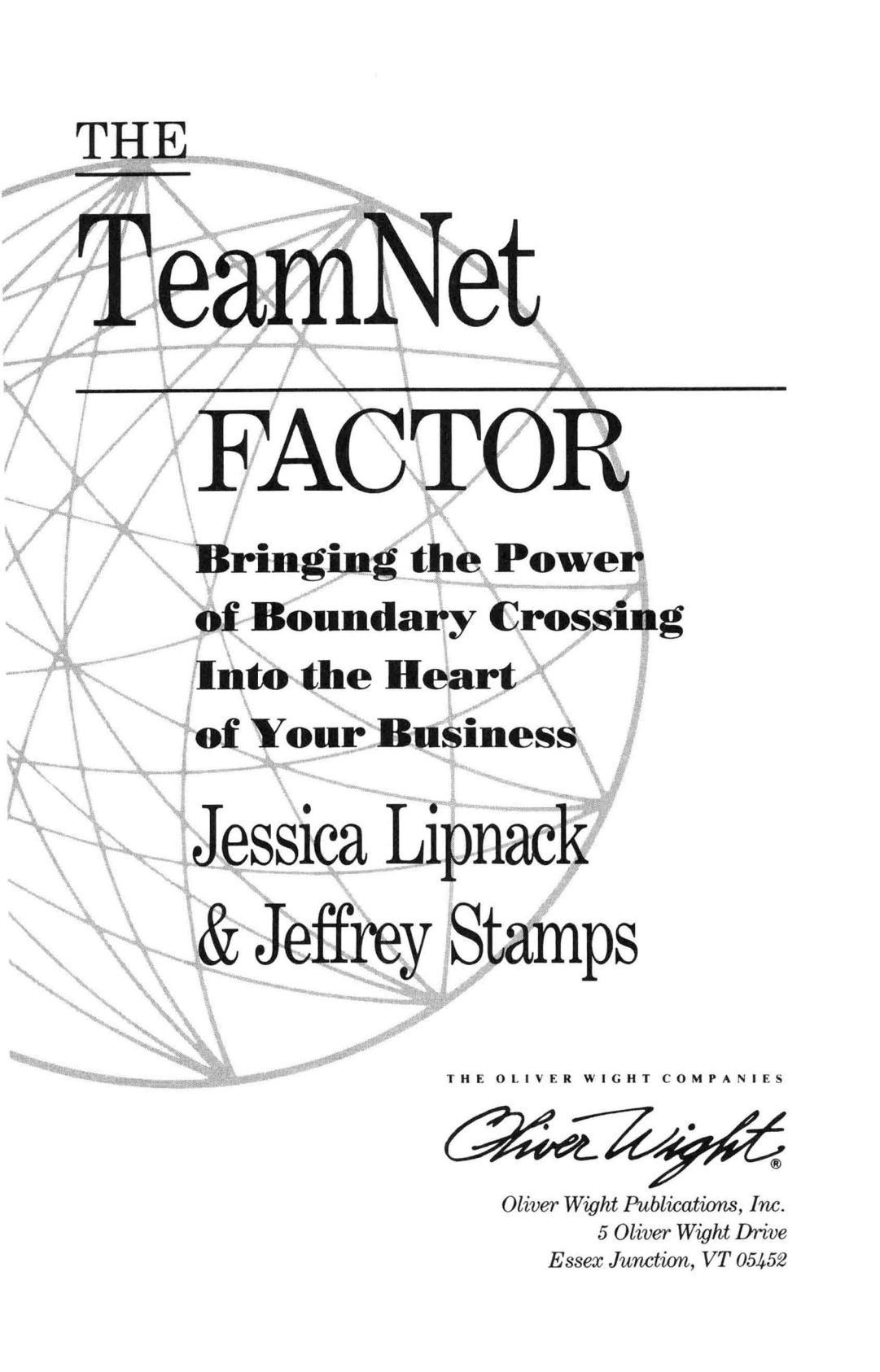


The background of the cover is a textured, light brown paper. Overlaid on the left side is a complex, abstract pattern of thin, blue, hand-drawn lines. These lines crisscross and form a series of interconnected, irregular shapes, resembling a stylized map or a network diagram. The lines vary in thickness and density, creating a sense of movement and depth.

THE TeamNet FACTOR

**Bringing
THE
Power of
Boundary
Crossing
Into the
Heart of
Your
Business**

Jessica
Lipnack
& Jeffrey
Stamps



THE

TeamNet

FACTOR

**Bringing the Power
of Boundary Crossing
Into the Heart
of Your Business**

Jessica Lipnack
& Jeffrey Stamps

THE OLIVER WIGHT COMPANIES

Oliver Wight®

Oliver Wight Publications, Inc.
5 Oliver Wight Drive
Essex Junction, VT 05452

Copyright © 1993 by Jessica Lipnack and Jeffrey Stamps

Published by Oliver Wight Publications, Inc.

All rights reserved. This book or any parts thereof may not
be reproduced without permission from the publisher.

Library of Congress Catalog Card Number: 92-085207

ISBN: 0-939246-34-1

Printed on acid-free paper

Manufactured in the United States of America

10 9 8 7 6 5 4 3 2 1

Acknowledgments

In the beginning, there was our literary agent, Mike Snell. When we first contacted Mike, we had more of a desire for a book than a fully formed idea for one. With his help, the idea became this book. Mike shepherded us through the proposal process, discussing ideas, and reading drafts. Then he found us our incomparable editor, Jim Childs at Oliver Wight Publications.

What a handoff. Jim belongs in the Editors' Hall of Fame. He taught us how to write (not insignificant, given that we already thought we were writers); encouraged us to tell stories; convinced us to speak our own ideas; and maintained his sense of humor through numerous long phone calls. Thank you, Jim. You are one-of-a-kind.

Before the writing began, Jean-Pierre Pellegrin materialized in our office and pointed us toward the extraordinary business developments among small companies in Europe. His afternoon visit turned into two chapters of this book, and led us to meet many people who've assisted us in writing the "flexible business network" story: Gregg Lichtenstein, Stuart Rosenfeld, Anne Heald, and Bob Friedman. They led us to the folks who are making it happen in Arkansas: Sandra Miller, Jim Benham, Chuck Myers, Clayton Franklin, Brian Kelley, and Bob Graham.

As we finished drafts, two people really pitched in, both spending hours with us on our porch, going through the manuscript on a line-by-line basis. Pam Johnson occupies a special place in our hearts: as a top engineering manager at Digital Equipment Corporation, she sponsored two years of our research on how groups can become smarter using technology. Roy Rezac, now at the Protocol Division of Zycad Corporation, was a longtime colleague at Digital who implemented many of our teamnet ideas in his software group.

Charles Savage, another Digital colleague and author of *Fifth Generation Management*, receives the most-prompt reader prize.

He was the first to return a fully marked-up manuscript, loaded with good ideas. Another Digital manager, John Manzo, read the how-to chapters in detail, and told us how-to. Bob Gloriosio gave the first half of the book a thorough reading through the eyes of the executive who built Digital's first mainframe. George Metes has been a longtime conspirator on many of these ideas (his *Enterprise Networking* book, written with Ray Grenier, led Jean-Pierre Pellegrin to us). Ulf Fagerquist is a tireless visionary who included us in many fascinating projects where we tried out ideas.

The last shall come first at Digital: Bill Johnson, who originally introduced us to the company, sponsored project after project, year after year. He was the first executive we met who understood the value and power of networking in all its dimensions. All words but these fail: Keep the faith, B.J.

Elizabeth Lorentz, the grand doyenne of resource exchange networks (so grand that she did two books about them with Seymour Sarason at Yale), has been a godmother of sorts. She encouraged us month after month, line-edited the manuscript, sent us new material, and called every few days to bolster our spirits as we approached the end.

Two men with similar names probably are our mentors of longest standing. Robert Kirk Mueller of Arthur D. Little reviewed the whole manuscript and made helpful suggestions in regard to areas that would trouble CEOs. Thanks, Bob, for many years of serving as informal chair of our nonexistent Advisory Committee. Robert Muller, Chancellor of the UN University for Peace in Costa Rica, and former Assistant Secretary General of the United Nations, guided us to "decide to network."

Ron Cordes, architect of TeamFlow, read the practice and tools sections in detail, providing several valuable ideas that make those chapters flow. Steve Bennett, Rick Berenson, Josh Hyatt, Andrew Young, and Phil Halstead also positioned certain key ideas in unique ways for our consideration. Nick Gall found a critical piece of information just in time. Bob Randolph, an old friend from our Oxford days, helped with the Afterword.

David Ryder of CSC Index engaged us in a challenging project

that put our ideas to the test while we were writing them, then helped us improve the manuscript.

Lisa Carlson of MetaSystems Design Group, a truly talented networker, highlighted the importance of “messiness” in teamnets, and encouraged us to write more boldly about it.

Dana Ducharme taught us that the ability to navigate electronic highways has nothing to do with physical sight. With a sophisticated voice recognition system, Dana tracked down hundreds of articles in no time at all.

Debra Church-Smith of The Networking Institute helped launch this book before giving birth to her second child, then came back to help us bring it to a close. Thanks, Deb, for sharing the vision. Judy Woods, our newest employee at TNI, is a prodigious information finder, who can locate the fastest answers to the oddest questions. Kim Hogan, a psychologist in the making, showed up at precisely the right moment full of energy for keeping our family functioning.

Family members—extended and immediate—have encouraged us for more than the length of this book: Judy and Irving Bazer, Emilie Farnsworth, Priscilla Harmel and Alan Shapiro, Erwin and Marianne Jaffe, Lucrecy Johnson, Tom and Emily LaMont, Eric Lipnack, Jack and Mary Merselis, Jimmy and Holly Morris, Carole and Guy Page, Judy Smith, Ann Stamps, Jim and Joan Stamps, Susan Stamps, Andrea Rogers and Avery Hall, and Kate and Ben Taylor. Who bring us to our two favorite people, our magnificent daughters, Mirmy and Liza, eternal sources of excellent advice, knowledge, love, amusement, and the endless parade of teenagers through our house. Your first response to the idea for this book was to sit down together that very morning and start to write a teenage version. You two are just what the world needs.

Do any authors ever thank themselves? Maybe we can because there are two of us, a little teamnet. Thank you, Jeff, for the snow plowing. And thank you, Jessica, for wallpapering the dome with confetti.

Jessica Lipnack and Jeffrey Stamps
West Newton, Massachusetts
January 1993

Introduction

In many ways, we started this book 25 years ago at 46 Leckford Road in Oxford, England, where we met as American students in 1968. We shared a vision that seemed like a dream in the 1960s: a world that works. For all the nightmarish interludes that continue to plague the world, we still hold to our original inspiration.

“A World That Works”

We believe the teamnet factor can help solve the world's problems.

To paraphrase Archimedes, “Give me a lever and a place to stand on, and I will move the earth.” Our teamnet lever increases people's ability to do things together. By improving how new horizontal organizations operate, we complement the traditional prescriptions of vertical hierarchy. By offering new tools to manage change, we help people tackle all kinds of problems and opportunities with greater effectiveness.

Piecemeal solutions to urgent crises are monstrosly time consuming. In the end, they are ineffective because real problems don't come one-by-one. Problems are messy creatures. They appear in untidy clumps, hooked to other quagmires near and far.

Problems cross boundaries. While distributed across places and situations, they also interconnect. With a big enough view, you ultimately can tie together most problems in business as well as in every other important part of life.

Together, we stand in many places. Together, we can move the world with the teamnet lever. The fulcrums we use are the multiple interconnected opportunities for constructive change. You know about some of these points of possibility in your own

world. You have your own special contribution to make with teamnets.

Teamnets meet the need to work faster, smarter, and more flexibly to solve problems and gain competitive advantage. The need for boundary crossing organizations dovetails with expanding technological capabilities. With new ways to connect continuing to explode throughout the 1990s, people who work apart are becoming increasingly productive.

Teamnets offer an *organizational advantage*. It's available to be reaped by all sizes of companies:

- Today, no company can go it alone all the time. It's too complicated and too expensive. Right now, it means missed opportunities. Tomorrow, it means going out of business.
- The right organization gives you the right edge—the power of partners, speed of multiple decision-makers, and flexibility of voluntary links.
- Teamnets are networks of teams. They're the new organizations that companies use to do business across boundaries—inside and out. Teamnets are about *crossing* boundaries.
- Co-opetition is key to future vitality—when companies cooperate and compete at the same time.
- Successful teamnets have fewer bosses and more leaders. Hierarchies limit the number of power seats. Teamnets increase them.
- Use teamnets to shrink hierarchies and replace bureaucracies.
- Teamnets between companies—sharing costs and pooling talents—create business. More business means more jobs. Teamnets can drive economic development.

The TeamNet Factor is 20 years in the making. We have lived teamnets as well as studied them. We have endured and delighted in them, created and buried them. And we have learned, practiced, revised, and revisited teamnet ideas as a full-time job for the last decade.

The Road to Teamnets

When we returned from Oxford, we took a path we hadn't anticipated. Instead of taking jobs in big companies or universities (or moving to a farm to grow organic vegetables), we started our own business, simply by developing and selling our expertise. Our first foray was in the field of cable television. It appealed to us because of its promise for distributed, two-way communication. In 1971, we bought a computer—and so many since that we could start a museum—that radically changed our ability to process information. With this programmable calculator, we developed an econometric model that assessed the viability of cable television franchises. We found ourselves competing for contracts against RAND Corporation and Mitre, and when we sometimes won, we realized that we were in the consulting business.

It's been more than 20 years, and we're still in the consulting business. We've always been self-employed, and we've always had to face the same problems other small business people have. Fortunately, our parents and grandparents on both sides of our families also owned their own small businesses, which gave us certain advantages. We knew from family experience what it was like to have employees, worry about cash flow, satisfy customers, and do the books. This life education was very different from what we learned from our Oxford tutors.

Through an unpredictable series of extraordinarily lucky, often last-minute, breaks (one dear friend describes our lives as "The Perils of Pauline"), we've had the chance to work on some very large-scale projects. In the mid-1970s, we worked for three years as consultants to the U.S. Department of Commerce Fire Administration's new effort to develop a fire prevention education program throughout the United States. This gave us the chance to think about solving national problems while working in such diverse localities as Dade County, Florida; Tulsa, Oklahoma; Salem, Oregon; and downtown Chicago.

In the meantime, our consulting business flourished, but grew simultaneously boring and frantic. Then, one day, we saw the results of our research on another project used for purposes that clashed with our ethics. Burned out, within a few months (the same time as the birth of our first child) we stopped all consulting, and retreated to our house to rethink our purpose. We studied systems theory, finished a doctorate (and had it published), wrote some articles (and a book that was never published), and generally anguished over what would come next.

About a year later, we began to write a book about networks—informal, peer-based, horizontally structured organizations. We started our research in 1979 by writing to one person whom we knew to be interested in the idea. Robert A. Smith, III, who died in 1990, was our first network correspondent. Having recently retired from NASA, Bob then was living quietly in Abbeville, Alabama, but his network reached around the world. Using letters as his primary medium of communication, Bob had a network unlike anyone else's: at one time or another, he sent us Ted Koppel's and Alvin Toffler's home addresses, put us in direct communication with Warren Bennis and Norman Cousins, and led us, literally, to a list of people that numbers in the hundreds of thousands.

Bob responded to our initial inquiry by sending us the names of nine other people. We wrote to them, and six wrote back, suggesting more people to contact. We followed up on those names, and within 18 months, we received the names of 50,000 people around the world interested in networking. We wrote to 4,000 of those people, and 1,600 wrote back, a remarkable 40 percent response rate. (In the midst of all this, our second daughter appeared.) Those were the people whose organizations we chronicled in our first book, *Networking: The First Report and Directory* (New York: Doubleday, 1982). Since that time, people in more than 70 countries have contacted us about their networks.

The reaction to our first book astonished us. Although we did our initial research largely in the grass roots and counterculture, our response came from the mainstream, particularly corporate America. With hindsight, this does not now seem surprising. Published

the same year as *Networking*, John Naisbitt's best-seller *Mega-trends* had identified "Hierarchy to Networking" as the 8th global megatrend and cited some of our early research in the area.¹ A decade later, this trend is no longer the stuff of future prognostication. It is the shape of fundamental change happening now.

While leading-edge thinking pointed to the emerging organizational form of networks, little was known about what makes them work. Even less was known about how to manage them. After *Networking* came out, our core mission became to learn what makes networks tick and how to improve them. Late in 1982, we started a business again, The Networking Institute, Inc. Soon we were back into full-time consulting, this time with Fortune 500-type clients. We became small business people who lived in the big business world.

One opportunity came in 1984 when we served as faculty at the Western Behavioral Sciences Institute's executive management program in La Jolla, California. Among the students were executives from a number of high-tech firms, including Bill Johnson of Digital Equipment Corporation, the vice president who led Digital's computer networking effort for many years. He saw a fit between his company's products and our work. For the next eight years, we worked closely with Digital, both on internal projects and with Digital's customers, among the world's largest users of computer networks.

Another 1984 surprise came when Japan's Economic Planning Agency translated our book; Toppan Printing Company, the third-largest publisher in the world, printed it; and President-sha, one of Japan's largest houses, published it. The book caused a small group in Japan to form the Networking Research Society. Supported by the Toyota Foundation, the country's largest philanthropy, they started study groups throughout the country using *Networking* (also its title in Japanese) as the study guide. Their mission was to understand a first in the country's history: the sudden spontaneous appearance of thousands of small independent voluntary associations all over Japan. Over the next five years, the group surveyed thousands of groups and hundreds of municipal governments. *Asahi*

Journal, the Japanese weekly magazine comparable to *The Atlantic Monthly*, published 200 consecutive stories about the country's networking movement.

In 1989, Toyota Foundation invited us to keynote the First Japan Networkers' Conference along with numerous other gatherings. During that tour, we met people from all walks of Japanese life—disability rights activists, farmers, artists, students, teachers, journalists, business executives, doctors, lawyers, and government officials. In Kanagawa Prefecture, Japan's second largest "state," we met Governor Kazuji Nagasu, described to us as "Japan's Mario Cuomo," who said, "We use networking to run the Kanagawa government."

Businesses and institutions in many other parts of the world also are taking great strides with the idea. For the past 10 years, we have worked on one project after another developing networks in large companies in North America, Europe, and Australia. At the same time, we've accumulated voluminous files of information about small companies' achieving success, particularly in Europe, by working together in "flexible business networks."

In the fall of 1991, we began work in earnest on this book. In December of that year, Jean-Pierre Pellegrin, a French official at the Organization for Economic Cooperation and Development (OECD) in Paris, visited our offices at The Networking Institute in Boston. On leave from OECD at the time, he was doing research at the Kennedy School at Harvard. Jean-Pierre had a very strong message to deliver: pay attention to flexible business networks. More accurately, he pounded the table and demanded that we start writing immediately about this little-reported breaking business story. As a result of Jean-Pierre's urging, we have connected with scores of business people and policy makers actively engaged in networks in both Europe and the United States.

At a time when business looks bleak, jobs are dwindling, and even the world's powerhouse economies are in recession, successful business ideas are very good and very welcome news. Flexible business networks of companies of all sizes are doing very well. Successful businesses create jobs. Jobs provide income to meet

people's needs. Full stomachs enable full minds. Creativity flourishes. Cutthroat competition gives way to compassionate cooperation.

On Thanksgiving Day, 1989, an editorial entitled "Networking Concept" ran in *The Daily Yomiuri*, Japan's largest newspaper with a circulation of 10 million. Its message is pertinent to business.

Today, we have almost endless problems. . . . It is sometimes difficult if not impossible to properly tackle problems within the framework of existing isolated organizations. . . . Networking emphasizes horizontal human relations among those who share common values, beyond ideological differences and geographical locations. . . . This new concept was introduced seven years ago in a book titled *Networking*, coauthored by an American couple, Jessica Lipnack and Jeffrey Stamps. . . . Networking aims at rejuvenating the spirit of mutual help among people unknown to each other and linking diverse groups together.

A quarter of a century after our Oxford vision, we see a world that works rising above the horizon.

Contents

Acknowledgments	vii
List of Illustrations	xxi
Introduction	xxiii

SECTION I

Understanding Teamnets and What They Can Do

Chapter 1

Teamnets: The Great Competitive Advantage of Boundary Crossing	3
Dateline: Denmark	4
Crossing the New Frontiers	7
• Benefits of Boundary Crossing	
Co-opetition: When Competitors Cooperate	11
• Caution: Paradigm Shift Ahead	
• What Is a Boundary Crossing Teamnet?	
Teaming Inside and Out	14
• “Small Is Bountiful”: Teamnets Among the Little People	
• Teamnets Solve Some Big Problems for Little Companies	
Can We Partner?	20
• Problems in Paradise	
• Building a New Plane in Many Places	
Barbecued Sushi and Competition Among Nations	26

Chapter 2

Seeing the Obvious: Five Teamnet Principles	29
The One-Page Project: When Everything Clicks	31
A Handful of Principles	34

- The Dynamic Balance of Competition and Cooperation
- 1. Clarify the Unifying Purpose
- 2. Identify Independent Members
- 3. Create Voluntary Links
- 4. Recognize the Power of Multiple Leaders
- 5. Stay Connected at All Levels

Chapter 3

Linoleum, Furniture, and Electrical Systems: Three Different Boundary Crossing Teamnets	53
Armstrong: How the Linoleum Company Became a Leader in People Networks	54
• Globalizing the Business	
The Philadelphia Guild: The Tale of the Five Woodworkers	57
• Midwifing the Birth	
Asea Brown Boveri: Turning Contradictions to Advantage	61
• Design for Organizational Advantage	
Three Cases in Point	67
• Levels Within Levels Within Levels	
• Calibrating Co-opetition	

Chapter 4

In It Together: Crossing Boundaries in Groups	75
David and Goliath Have Common Interests	76
This Is a Way to Run a Railroad	77
Meet the Lattice: The Free-Form Organization That Makes Gore-Tex	80
• Stump Speech to the Tribes	
• The Lattice Behind the Façade	
• Vow to Avoid Bureaucracy	
A Teamnet for Every Occasion	84
• The Team as Hero	
• Boundaries: Get a Grip on a Point of Reference	
• Teamnets Across the Levels	
Teaming with Life	91
• P&G Pioneers in Groups, Not Just Soap	

• How “Made in Japan” Came to Mean Quality	
• The Executive Washroom Team	
The Synergy of the Large Organization	97
• Toyota’s Quality Invention: Cross-Functions	
• Empowered Clusters	
• Mining Digs Up Sociotech Systems	
 Chapter 5	
Inside-Out Teamnets: Crossing Enterprise Boundaries	
Fortune 500–Style	105
Big Blue to Baby Blues?	106
The “Global Network” Company: “A Work in Progress”	108
• Corning’s Internal Drive for Quality	
• Corning and Its Partners	
Enterprising Teamnets	113
• Kaizen: “Ongoing Improvement Involving Everyone”	
• Internal Markets Replace Bureaucracy	
• The Spider’s Web: How Teamnets Deliver Service	
• Core Firms, Not Hollow Corporations	
Teamnets in Alliance	121
• “Trust One Another”: The Key to Joint Ventures	
• Partnering as a Matter of Strategy	
• On the Small Business Frontier	
Teamnets on a Grand Scale	127
• Keiretsu: Not Just Japanese	
• Voluntary Geographies of Places and Ideas	
• Developing Economies	
How Fast Is Your Environment?	130
• Pace of Change Affects Organization	
• Not Only Father Knows Best	
 Chapter 6	
Small Giants: How Grass-Roots Companies Compete	
with Global Corporations	135
How a Bolt Maker “Did a Denmark”	137
Business Networking in Small Towns and Big	139

New Ideas in the Old South	142
• Born in Atlanta	
• A Symbol of Hope in Arkansas	
• North Carolina's Successful Pilots	
• An Association Becomes a Network	
• A Teamnet in a Teamnet	
• An Encyclopedia of Flexible Networks—in Hypertext	
Five Principles of Flexible Business Networks	152
• 1. United by the Competitive Purpose	
• 2. Independent Sovereign Companies	
• 3. Linking Sovereigns	
• 4. Multiple Leaders, Private and Public	
• 5. Plugging In at Many Levels	
Watching a Paradigm Shift	157
 Chapter 7	
Instead of Layoffs: Saving, Improving, and Creating Jobs	161
What About Jobs?	162
Small Business on a Large Scale	165
• The New Italian Renaissance	
• Into the Land of Lego: Denmark's Story	
• How Controversy Raised the Volume	
• Made in Denmark	
• Results to the National Bottom Line	
• Small Can't Do the Job Alone	
• And Elsewhere in Europe	
• Oregon's Networking "Laws"	
• Auntie Trust	
No-Frills Government Strategies	181
• The Business Justification: Meet the Need	
• Treating Many Firms as One	
• Link and Learn	
• Strange Bedfellows	
• Always Begin with People	