



# Book Birth of the Chaordic Age

Dee Hock  
Berrett-Koehler, 1999

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## Recommendation

Dee Hock interweaves his experiences growing up and founding VISA with his thoughts about how to address the decline of community and of modern institutions. He perceives a general breakdown in the social order, fueled by an overemphasis on monetary values and greed, and perpetuated by institutions committed to old methods derived from ideas about machines and structure rooted in the Industrial Revolution. Now, businesses need a more dynamic, flexible organizational structure based on a clear sense of "purpose". This purpose should be rooted in contributing to the community. It must be based on ethical principles and values. This process involves developing "chaordic organizations," those which balance chaos and order. Hock uses examples from his life and from the development of VISA to show how this process works. This is an excellent, thoughtful book. Hock's fascinating story about founding VISA provides a good context for his meditations about the modern need to develop more chaordic, flexible organizations. At times though, his writing can become somewhat ponderous and wordy, particularly when he tries to express fairly complex or abstract ideas.

## Take-Aways

- The command-and-control organizations are increasingly irrelevant in today's complex, diverse society.
- All complex, adaptive systems "exist on the edge of chaos."
- They have the ability to self-organize to create order.
- New types of chaordic (balanced chaos and order) organizations should be based on a shared purpose that draws out "the higher aspirations of people."
- Forming a community starts with purpose.
- Six elements - purpose, principles, people, concept, structure, and practice - allow those creating an organization to examine why it is needed and how it might develop.
- Leaders can guide this process, but they cannot control it.
- A chaordic organization cannot have making a profit as its purpose. Profit may be an objective or necessity, but the focus has to be a purpose that benefits the community.
- The organization of relationships within a community stems from thinking about governance, ownership, rewards, rights, obligations and community service.

- Organizations need to be more responsive to rapid change and more spontaneous.

# Summary

## The Nature and Development of Chaordic Organizations

The Industrial Age has been characterized by the rise of hierarchical, command-and-control organizations that dominate all areas of society from our political and social life to our commercial institutions. However, these 400-year-old organizations are increasingly irrelevant, because society has become much more complex and diverse. Unfortunately, though they have outlived the purpose for which they were designed, they are still growing. As they grow, they are destroying our planet and its resources and undermining humanity. These modern organizations are almost all based on "compelled behavior," which is a form of tyranny.

“The Industrial Age, hierarchical, command-and-control institutions that, over the past four hundred years, have grown to dominate our commercial, political, and social lives are increasingly irrelevant in the face of the exploding diversity and complexity of society worldwide.”

Thus, society needs a new type of organization based on shared purpose and community values. This new model will draw out "the higher aspirations of people." Such an organization is characterized by its lack of a particular destination or "ultimate being." Rather, it exists in a state of becoming. It begins with an intensive search for purpose, and then develops principles, attracts people, and clarifies its concept before it can establish a structure and practices for members to use.

“In truly chaordic organizations, there is no destination. There is no ultimate being. There is only becoming.”

Creating a chaordic organization isn't a linear process. One must think of these six elements - purpose, principles, people, concept, structure, and practice - as a kind of lens through which those creating the organization examine why it is needed and how it might develop. This kind of process led to the development of VISA, which brought together hundreds of banks in a new evolving organization.

## Creating a Chaordic Organization

A chaordic organization cannot have making a profit as its purpose. Although profit may be an objective or necessity, the focus has to be a good purpose that brings benefit or value to the community. The organization's principles - representing its "behavioral aspirations" of the community - should then be developed based on this purpose. These principles state the participants' basic beliefs about how everyone involved will conduct themselves. This high-minded ethical and moral ideal about how to act covers structure and practice.

“Forming a chaordic organization begins with an intensive search for Purpose, then proceeds to Principles, People, and Concept, and only then to Structure and Practice.”

While leaders can guide this process, they can not create the purpose and principles alone, or impose them on the community to make individuals willing to participate. Rather, leaders must act to inspire or evoke these ideas about purpose and principle from the "minds and hearts" of members of the community. Although these purposes and principles cannot be fully realized, since they represent ideals, they provide a guiding system of belief to inspire action.

“Making a profit is not a purpose. It may be an objective; it may be a necessity; it may be a gratification; but it is not a purpose!”

Once the purpose and principles are established by the core group developing the organization, members can think about which people and existing organizations are necessary to the new organization. This means thinking about how the organization will be governed and owned, and what kind of rewards, rights, and obligations participants will receive. It also means thinking about how the organization will serve the interests of the larger community, not just the members of the organization itself. From this discussion, a concept emerges of how to organize the relationships of the people within the organization. This concept is translated into a

visualization of how the organization looks, so it can be explained to others.

“Life is eternal, perpetual becoming, or it is nothing. Becoming is not a thing to be known or controlled. It is a magnificent, mysterious odyssey to be experienced.”

All these concepts become a structure when these ideals of "purpose, principles, people, and concept" are outlined in a document creating the organization as a "legal reality." Commonly, this means writing up a constitution, charter, and certificate of incorporation and bylaws. Finally, once the organizational structure is established, participants should be free to discuss, decide, and act in keeping with the principles and purposes of the organization. The organizer or leader of this process should not try to command and control these actions. Rather, leaders should think of themselves as trustees who have created an enabling organization "more in harmony with the human spirit and the natural world."

“Community is not about profit. It is about benefit. We confuse them at our peril. When we attempt to monetize all value, we methodically disconnect people and destroy community.”

This organization will attract the people it needs to become successful, since they will be drawn by its ideals of purpose, principles, concept, and structure. In a sense, such an organization will help to liberate people's "spirit, commitment, and ingenuity."

## **Developing the Vision of a Chaordic Organization**

These ideas about developing a chaordic organization emerged from Dee Hock's experiences growing up, working in banking, and creating and becoming the CEO of the organization that became VISA. Growing up in Utah and living in the northwest United States, he developed a strong appreciation of nature and became very interested in living systems and how they worked together. Hock says the principles of living systems seemed more suitable for the way organizations work than thinking of them as machines, a man-made concept that developed out of the Industrial Age. Industrial Age thinking also led to the desire for certainty and control and to the creation of institutions as if they were "predictable, controllable machines" into which people could be placed as "predictable cogs and wheels."

“There can be no life whatever without balanced cycles of giving and receiving.”

However, in meditating about nature, the oneness of body, mind, spirit, and all things in the universe, Hock realized command-and-control aren't possible. He writes, "the desire to command and control is a deadly, destructive compulsion to rob self and others of the joys of living." Instead, as he noticed in nature, there is a kind of complex connectivity among all living things that allows "spontaneous order" to arise. This phenomena has been observed by scientists and academics from different disciplines: All complex, adaptive systems "exist on the edge of chaos," but have the ability to self-organize to create order. New chaordic institutions should follow this basic organizing principle.

“It is a mistake to believe that all value can be measured. And it is a colossal mistake to attempt to monetize all value.”

Hock asked himself three recurring questions throughout his life which led to his need to reform organizations: "Why are all organizations increasingly "unable to manage their affairs?" "Why are individuals everywhere more and more alienated from or in conflict with the organizations they belong to?" And, "why are society and the biosphere increasingly in disarray?" Recreating new chaordic organizations is a way to address these issues, create more satisfying organizations, and improve society and the biosphere.

“True leaders are those who epitomize the general sense of the community.”

Hock's experiences in organizations contributed to these realizations. On his first job, he helped a failing business turn-around. The owner promised him a share of the profits, but reneged out of greed. Hock then went to work at the National Bank of Commerce in Seattle, a mid-1960s, early licensee of Bank of America's bank card program. He saw the utter chaos that resulted from the new credit system. It was plagued with fraud. The bank had to keep up with demand and face early losses of billions of dollars. Hock used this chaordic organizational approach to develop a new system for exchanging value, a system all the banks bought into by agreeing to give up individual control. He created a new successful organization that addressed consumers' problems and evolved into VISA.

# **The Need for a New Type of Leadership**

This new type of chaordic organization needs a new type of leader who leads by inducing or influencing the follower to follow, not by compelling him by force, economic necessity, or an unfair contractual arrangement. Compelled behavior is the basis for tyranny, even if it is benign. Instead, a true leader should lead by symbolizing, legitimizing, or strengthening the behavior members of the community want. He should help to give voice and direction to community members who want to be led certain way.

“The first and paramount responsibility of anyone who purports to manage is to manage self: one’s own integrity, character, ethics, knowledge, wisdom, temperament, words, and acts.”

Current management views are wrong, since they are "downward looking." Old-style management focused on managing by exercising controlling authority over selecting, motivating, training, appraising, organizing, and directing. Instead of following this authoritarian model, a manager should first manage himself, which means managing his own "integrity, character, ethics, knowledge, wisdom, temperament, words, and acts." Only one who can self-manage is suitable to exercise authority over others. Moreover, a manager should be responsible for managing his superiors to get their consent and support, and for managing his peers to gain their support, respect, and confidence. Then, if the manager’s employees manage themselves in a similar way, his responsibility becomes to recognize and reward them properly and stay out of the way.

This view of leadership and management is based on the underlying premise that everyone has the potential to be a leader since, "we were all born leaders; that is, until we were compelled to go to school and taught to be managed and to manage." In turn, by tapping the natural leadership ability everyone has, the true leader can induce everyone to do much more.

## **The Need for Self-Management and Agreement**

Chaordic organizations must also have agreement and self-management. People need to reach mutual agreements which contain the "essence of organization" and the "essence of self-governance." Organizations only exist to the degree people agree to participate in them and thereby become organized. Once they come together based on these agreements, management can’t possibly specify these relationships precisely, as might be desired by science or described in a contract. The best we can do is describe the intent, the sense of direction, and the principles of conduct.

It is impossible to try to spell out all the particulars - and in practice, they are never the same as those specified in a contract anyway. "The mechanical certainty and control" managers might want is not achievable. Social relationships are too complex to have agreements about particulars. Instead, once people have a shared purpose and principles, the appropriate types of actions to support an organization with these goals will emerge from these ideals. In turn, we need to embrace these ideas about agreement and self-governance, since people are desperately seeking a "renewed sense of community."

## **The Need to Be More Open to Change**

Organizations need to be more responsive to rapid change and more spontaneous. The growing speed of change can be seen throughout society, in what might be viewed as the reduction of the "float." In banking, the "float" refers to the long time it used to take for a check to work its way through the banking system from one institution to another. Today, the length of time is much reduced. This concept is applicable in other contexts. For example, the amount of time needed to create more complex and diverse species of organisms has been reduced from billions to millions to just a few years. New technologies are developed more and more quickly. It used to take much longer for the customs of one society to be diffused into another. But now the time between past, present, and future is much collapsed, with one exception - in institutions.

There has been virtually no change in the "institutional float." Hock maintains there "has been virtually no new idea of organization since the concept of corporation, nation state, and university emerged, the newest of which is several centuries old." Thus, we need to rethink the nature of organizations, to create more spontaneous, flexible organizations based on chaordic principles and able respond to these more chaotic, fast-moving, complex times.

## **About the Author**

**Dee Hock** is the founder and CEO Emeritus of VISA. In 1968, he developed the concept of a global system for the exchange of value and set up a new organization for that purpose. It became VISA. He is currently the CEO of The Chaordic Alliance, a nonprofit he founded committed to forming practical, innovative organizations that combine competition and cooperation to deal with critical societal issues.

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