Shirky Principle

Idea In Short

A consulting division that never runs out of billable work, a compliance team whose rulebook keeps growing, a nonprofit that outlives the disease it was built to cure: each is a candidate for the Shirky Principle, writer Clay Shirky's observation that institutions try to preserve the problem to which they are the solution. The lesson for executives and consultants is not cynicism about every function that persists. It is a diagnostic habit. Before funding a team, a vendor, or a program another year, ask what happens to its budget and headcount the day the problem it manages actually disappears. If the honest answer is that the unit shrinks or dissolves, its incentives run against resolution. Boards and CEOs who build sunset clauses, external audits and outcome-based metrics into these functions convert a structural conflict of interest into a manageable one, rather than discovering it during the next reorganization.

Every organization claims to want its central problem solved, yet the people closest to that problem are often the ones with the least reason to finish the job. Clay Shirky, an author and researcher at New York University who studies how institutions respond to the internet, gave this pattern a name: institutions will try to preserve the problem to which they are the solution.1 He was writing about newspapers and media gatekeepers struggling to adapt, but the underlying mechanism generalizes to any group whose budget, headcount, or prestige depends on a condition persisting. Consultants, executives and board members encounter this pattern constantly, usually without naming it, in compliance functions that grow their own rulebooks, vendors who scope contracts to require renewal and nonprofits that discover new missions just as their founding cause nears resolution. Understanding the mechanism turns a vague suspicion about organizational drag into a specific, testable question that leaders can ask of any standing function.

The Mechanics Of Self-Preservation

An institution rarely sets out to fail at its mission. Instead, the incentive drift happens gradually, through a series of individually reasonable decisions that add up to a structural conflict of interest. A department head who reports declining relevance to the board is reporting a case for a smaller budget next year, so the honest move and the career-preserving move point in opposite directions. Staff hired to manage a crisis develop expertise, relationships and identity around that crisis and dissolving the unit means dissolving their professional home. None of this requires bad faith. It requires only that survival and mission completion be measured differently and that the people closest to the problem control how progress gets reported. Over years, the reporting itself starts to shape what counts as success and metrics quietly shift from "problem reduced" to "activity increased."

> Institutions will try to preserve the problem to which they are the solution

This dynamic sits close to a related idea in economics called the principal-agent problem, where an agent hired to act on a principal's behalf develops interests that diverge from the principal's and the principal cannot fully observe or verify the agent's effort.2 A compliance team is the principal's agent for managing regulatory risk, but if the team's stature rises with every new control it adds, its incentives favor more controls rather than fewer risks. A security vendor hired to reduce breaches has a similar tension if its contract value scales with incident volume rather than incident prevention. In each case the fix is not to assume malice but to separate the measurement of success from the group that benefits from a favorable measurement.

Where The Pattern Shows Up In Business

Corporate functions display this pattern most visibly in areas where output is hard to measure directly and where the function itself controls the reporting. A legal or compliance department can always find one more risk to flag and because flagging risk is inherently defensible, nobody questions why the flag count keeps rising even as underlying violations fall. Procurement teams built to control vendor spending can develop review processes so elaborate that the process itself becomes a cost center larger than the savings it captures. Internal audit groups, IT security teams and even some strategy functions inside large firms can drift the same way, expanding their remit each cycle because expansion, not resolution, is what keeps the group visible in budget season. Research on public sector leadership makes a parallel argument that organizations perform better when they orient around the mission itself rather than around the meetings, structures and processes that accumulate to defend a unit's existence, a point that applies just as directly to a corporate function as to a government office.3

Consulting engagements carry a version of the same risk that firms rarely discuss openly. A firm paid by the hour or by the phase has a financial interest in a client's problem taking longer to solve and a firm that recommends a platform or methodology it also implements has an interest in that platform remaining necessary. This does not mean consultants act dishonestly; most genuinely want client success, because reputation and referrals depend on it over the long run. It does mean the fee structure and the client's interest are not automatically aligned and clients who never ask what a shorter, cheaper engagement would look like are trusting an incentive they have not verified. Firms that publish explicit exit criteria, cap engagement length up front, or tie a portion of fees to measurable client outcomes address this directly rather than leaving it to goodwill.

Nonprofit And Public Sector Cases

The clearest historical illustration of the Shirky Principle predates the internet by decades. The National Foundation for Infantile Paralysis, later known as March of Dimes, was founded in 1938 to fund research against polio.4 When the Salk and Sabin vaccines effectively ended polio as a public health threat in the United States by the mid-1950s, the organization faced an existential choice rather than a celebration: the disease it existed to fight was gone. Rather than dissolving, it redefined its mission toward birth defects and infant health, a pivot the organization itself describes as a deliberate broadening of purpose. The March of Dimes case is often presented as a success story of adaptive nonprofit strategy and in fairness the pivot did fund real work on premature birth and maternal health. It also demonstrates, without needing embellishment, how naturally an institution reaches for a new problem the moment its original one resolves.

Government agencies face a sharper version of this because statutory mandates and civil service protections make dissolution far harder than in a private company. An agency created to respond to a specific crisis, whether a financial panic, a security threat, or a public health emergency, can retain its full staffing and budget long after the triggering event fades, because no automatic mechanism forces a review. Sunset clauses, which require a law or agency's authority to expire unless explicitly renewed, exist specifically to counter this tendency, though they remain politically difficult to enact and just as difficult to enforce once an agency has built a constituency around its continuation.

A closely related phenomenon in regulatory economics, known as regulatory capture, describes what happens when the industry a regulator oversees gains disproportionate influence over that regulator's decisions, often through staff movement between the two or through the regulator's dependence on industry data.5 Capture and the Shirky Principle are distinct mechanisms but frequently reinforce each other:

> a regulator captured by industry has even less reason to solve the problem it was created to police, since doing so would remove both its funding rationale and its cooperative relationship with the entities it regulates

Diagnosing And Countering The Pattern In Practice

Leaders who want to test whether a function inside their own organization is subject to this dynamic can start with a single question: what happens to this team's budget, headcount and leadership standing if the problem it manages shrinks by half next year. If the honest answer involves smaller budgets, fewer roles, or reduced influence, the incentive structure runs counter to solving the problem, regardless of how committed the individuals in that function are personally. This question works because it separates the people from the structure; capable, well-intentioned staff can still operate inside a system that rewards the wrong outcome. A formal, time-bound version of the same question is written into a sunset law, a statute or clause that automatically terminates a program or authority unless a legislature or board actively votes to renew it.6

Several structural responses reduce the risk once it is identified.

- Tie funding or bonus pools to a declining trend in the target metric rather than to activity volume, so success is measured by problem reduction
- Rotate leadership of high-risk functions periodically, since a leader who built the current process has less incentive to dismantle it
- Commission external audits from a party with no stake in the function's continuation
- Build sunset clauses or mandatory reauthorization into programs created for a

specific, time-bound crisis
- Separate the group that measures a problem from the group that manages it, so no single team controls both the definition of success and the reporting of progress

None of these fixes require assuming the people involved are acting in bad faith and treating the conversation as an indictment of individuals usually backfires by making staff defensive rather than cooperative. The more durable framing is that the organization built a structure with a design flaw and the leadership's job is to correct the design rather than to police the people operating inside it. A board that asks the shrinkage question routinely, before it becomes an emergency, catches the drift while it is still cheap to fix.

Boundaries Of The Principle

Applying the Shirky Principle too broadly turns a useful diagnostic into a corrosive form of cynicism and that overreach carries its own cost. Some institutions persist because their underlying problem is permanent by nature: a fire department does not become obsolete because it prevented last year's fires and a cybersecurity team does not become unnecessary because it stopped last quarter's intrusions. The distinguishing question is not whether a function still exists after years of operation, but whether its growth tracks the actual severity of the problem or has decoupled from it. A fire department whose budget rises in step with a growing city and more building stock is behaving normally. A compliance function whose headcount doubles while violation rates fall and whose leaders resist any external audit of that trend is showing the warning signs the principle describes.

- 1Clay Shirky
- 2When Your Incentive System Backfires
- 3Mission Not Meetings
- 4Marching To A Different Mission
- 5Regulatory State
- 6Sunset Law

Summary

The Shirky Principle does not indict every standing department or long-running vendor contract. Plenty of institutions persist because the underlying problem is genuinely permanent, such as security, disease prevention, or financial oversight. The distinction that matters for leaders is whether success is measured by the problem's size or by the institution's own growth. Compliance teams paid to file more exceptions, consultancies that scope engagements to require follow-on engagements and agencies that expand their mandate after their founding crisis fades all share a structural conflict between organizational survival and mission completion. Naming that conflict does not fix it automatically, but it does convert a hidden dynamic into a manageable one. Sunset clauses, external audits, outcome-based funding and leadership that rewards shrinkage over expansion are the practical countermeasures. The alternative is discovering the conflict only after it has calcified into permanent overhead.