

Shaping the Organization of the Future

By Cécile Demailly

“As for the future, your task is not to foresee it, but to enable it.”

—Antoine de Saint-Exupéry

Having some clues on how to shape the organization of the future is a way to generate healthy conversations in a current world ruled by the bottom line. It is also a great tool to open minds to the fact that the traditional organizational design—pyramidal command and control top-down matrix—may be challenged.

When it comes to organizational change, multiple approaches are possible. Organizational design, which is the way forward described here, may be needed when an organization has not adapted sufficiently to its environment, and has somehow grown old, or when its market has become more turbulent. It is one of the most difficult change disciplines given it has to address the organization as a whole, as a system, and to consider all its interlocked aspects, be it technical, social, strategic or process-wise. Because organizational design is one of the most complex types of change, often it ends quite shy and misses its objectives. Yet sometimes executives do think outside of the box, and invent and implement really different frameworks.

This article outlines some examples of disruptive designs, most of them derived from the thinking that organizations can be more efficient, innovative, adaptable and reactive by considering them as whole systems rather than as added building blocks. They don't contradict the need to bring margins and profits, but are

designed for the long term, with overarching motives to learn from lessons of the dark sides of current corporations.

Although some remain alone in their categories, the examples below do influence leaders around the world, and some of their innovative features get incorporated in organizations here and there. Creativeness touches several components:

- corporate culture,
- hierarchy,
- structure,
- information circulation and
- the way teams operate.

This article glances through seven designs: self-management and self-organization, intrapreneurship, virtual ephemeral structures, the neuroscenced organization, the accultured organization, the transparent organization and the agora organization.

1. Self-management and self-organization

Some experiments have shown that enterprises do not need a well-oiled complex hierarchy to exist, but rather a sound motivation and collective communication, decision making and operational processes. Fifty years ago when the first research on systemics¹ started and when

socio-technical systems theories were drawn, we thought of a new era in organizational development. The idea was that each team and each worker in the team could engage more in broadening the task range and in self-managing. It would allow a widened understanding of objectives and processes, continuous operations as people would be able to replace one another, and continuous improvement of the business, given more and better ideas could be generated from the increased emulation and cohesion. Self-management may lead to self-organization, which implies less of management as structuring tool, and hands over both the organization's orchestration and the strategic thinking to the community.

Self-management² was first tested in the 1960s with success, in mining and industrial processes: Procter & Gamble, in the United States, was a pioneer.

Current noteworthy implementations of this model are Whole Foods, W.L. Gore and Morning Star³, where employees choose their work, negotiate objectives with their peers, get reviewed by them and review others. Self-management encompasses all processes, including compensation and hiring. Another example is the Argentina's fábricas recuperadas movement, when employees massively and quite successfully bought out their employing companies in response to the 2001 crisis, and

initiated self-management to take over leadership of their firms. In France, Semco, Groupe Hervé and Favi are other cases.

Favi, an automotive parts manufacturer, has taken the motto: “Responsibility creates happiness, which in turn creates performance.” As a result, each person in the organization (400 people) works for a precise customer, and not for a manager. There are no time-keepers, no meetings and no KPI in use other than the cost and price of parts. Workers receive an explanation of the “why” and are left free to decide the “how.” Leaders (rather than managers) are there for support and assistance. Trust replaces control. There is no corporate culture; rather, there are formal commandments: good faith, common sense, goodwill and good mood. This system seems a bit naïve and tribal, and is known to exist through the passion of its creator, Favi’s CEO JF Zobrist; yet it is successful as Favi leads the cuprous alloy foundry global market. Created in 1957, the company grew to €75 million in revenue in 2010.

These designs do have weaknesses. When they are deployed to change an existing organization (buyout or cultural change), workers may not be ready for more responsible autonomy, even if it comes with a greater sense of identity at work and a better wage. Further, managing teams might refuse giving up command and control. Another limitation, especially when it comes to self-organization, is the size of the autonomous group. According to Bill Gore, the optimal size is around 200 people. Yet, when self-organization succeeds, employee motivation, as well as sustainability and adaptability of the organization, are steadily increased.

2. Intrapreneurship

Intrapreneurship consists of letting a subset of the organization function autonomously from a budgetary, process and operational viewpoint. It is useful when this subset develops a divergent activity or a niche which cannot afford the organization’s process and reporting heaviness. Risk management is different too: less safeguards and more rapid decision making. Once they have become recognized players in the market, these teams rejoin the organization or become separate branches. Even though it is not widespread, such design is quite common.

Intrapreneurship can also be extended to the whole organization. A few years ago, Cisco initiated a modern interpretation of intrapreneurship. To maximize resource potential and

create a highly adaptable and agile organization, the company split into internal groups with dedicated budgets, full use of resources and carte blanche to reach their objectives. These groups were created for multimillion dollars projects, clients or markets, and had to negotiate internally access to common resources. After few years, Cisco has reversed its design a bit, as if the shift of culture was too demanding: it created an extraordinary feeling of freedom through autonomy and initiative, yet concurrently a huge amount of time in internal negotiations, and in setting up independent strategy and self-governance. Although the matrix structure seems to have returned, it reenergized the organization.

3. Virtual ephemeral structures—a fourth dimension in organizational design

I worked last year with a pharmaceutical company whose challenge was to support double-digit growth and address niche markets all over the globe. The issue was that the organization had no resources available to set up new divisions or teams, nor did it want to hire, given the difficult economic climate. Nevertheless, addressing auspicious new geographies with existing products, and piloting new promising technologies, was imperative for the medium and long term. The company had acquired a corporate collaborative platform with its enterprise resource planning (ERP) system and wondered if it could be used to support the challenge. The firm had little collaborative culture, but was open to some change.

The company’s choice of action was to create interim virtual teams to address each of the promising niches. Thanks to the collaborative platform, people with specific skills were found and asked to dedicate some of their time to a particular niche. The collaborative platform was also the place for teamwork. These virtual ephemeral structures, at an affordable cost to the organization, made it possible to jumpstart business. Those niche activities that would transform into a wider activity would then be resourced traditionally.

4. The neuroscenced organization

Neurosciences might be considered as hype, yet they have helped in some enterprise-wide projects that should be reported among noticeable emergent designs in this article.

Among examples of where neurosciences have helped grow adaptability is the French

pharmaceutical corporation Boiron (homeopathic medicines). The company adopted a neurocognitive approach as a major tool to manage its social capital beginning in 1990, targeting in particular stress management and balanced interactions management tools, allowing Boiron to correct malfunctions without changing the structure or processes. A true value, as explained by his CEO Thierry Boiron in his book:

In allowing understanding [of] how people will behave in unplanned situations, neurosciences strengthen adaptability, anticipation and innovation abilities of the organization, entailing increased performance. We noticed over several years the growth of organization aptitudes to survive, exist and grow in a changing world, while keeping a high economical performance. A KPI that continued to rise, even though our environment was difficult, is the organization’s productivity. It depends on each and everyone’s ability to see things differently and adapt. This implies to work on open-mindedness and surpassing oneself; during the last 10 years, our efforts to mature personal development tools through neurosciences truly reinforced these.⁴

More recently, Juniper Networks, a multinational with more than 9,000 employees, has embarked on a culture and HR politics transformation inspired by the neurosciences.⁵ It was a result of launching the corporation’s vision for the next decade, and a need to get people onboard, to re-establish the “social contract” (i.e., to reconnect people with their organization). “Living the Brand,” an employee engagement campaign, targeted aligning five generations of people, from the youngest in their 20s to the oldest in their 60s. From the metaphor of a network (the target market), the company aligned values and behaviors: how it organizes work, the hierarchy, how people access information, what it means from a leadership viewpoint, which talent are recruited, etc. And conversely, it linked performance of the team into every aspect of the culture.

Programs and projects in violation of the new culture are now identified by employees and dropped. They no longer do performance ratings or rankings, “because everyone hates it and . . . if you trust colleagues, you no longer need tracking performance.” Each employee is asked a fundamental question: “Where will you do your best work?” If it is not in Juniper Networks, because the employee does not adhere to the new culture, then the employee

receives a kindly transition outside of the organization, with respect.

5. The acculturated organization

Just like Favi, no meetings either for 37Signals. For this highly successful startup that developed Basecamp, the top cloud-based project management platform, it might be time to rethink the notion of corporate culture.

We all know that one main component of a corporate culture is its set of values. Building or changing a corporate culture keeps us at work at night. We might be wrong.

37Signals' founder Jason Fried, in his essay "Getting Real,"⁶ has listed the set of rules that make his company highly successful. He states, "You don't create a culture; culture happens" (i.e., don't bother creating a culture; rather focus on operating the organization, and culture will follow). Fried prefers running his company around practical principles fostering creativity, adaptability, collaboration, trust, and keeping things simple. Some of these principles may seem quite subversive. Among them are the following: no functional specifications to develop products, no planning and no meetings. At 37Signals, working hard does not ensure more creativity, and, as of 2008, the work week is four days.

6. The transparent organization

HCL Technologies, an IT and engineering services company, is probably the most well-known in this list and one that truly stages a multinational corporation of 55,000 employees. Its motto is "employees first, customers second." Its founder, Vineet Nayar, has described its system in an eponymous book.⁷

Here again, the system is based on several outstanding principles: peer review is a component of strategy evaluation; a radical transparency across units has been established; business planning is participatory across the whole organization and done through an online platform welcoming thousands of people. The high degree of transparency increases the quality of insights, not just their volume, because people know that their contributions will be looked at. Executives support and assist their reportees, rather than the conventional other way around.

On top of this, and to let our systems be really intelligent, we need to instill in organizations a culture of change, so that the collective intelligence can help in adapting the organization to

the fast-changing world. Among HCL Technologies' four tenets of its "Employee First" philosophy is the following: "Trust through Transparency: Creating a culture of change—seeding trust by stretching the envelope of transparency." Accordingly, the company has set a participatory business-planning process to explore possible business improvement. HCL Technologies is among the top 100 Indian corporations and very successful in a market that is highly competitive. And it has demonstrated that self-organization can work in large-scale systems, thanks to the use of collaborative IT technologies.

7. The Agora organization

One can hardly discuss innovative organizational design without mentioning Google. For Google, design and culture are alike. There is little structure, and long-lasting values, instilled by its founders, oil and hold the company together. Among the most interesting components is how Google encourages employees toward innovation by allowing them to group and work up to "20-Percent Time"⁸ on side projects of their choice; many Google features and products were born from this program.

What strikes us is the organization's ability to let individuals take over, at their level, the enterprise destiny. They work inside the organization to make their 20-percent project known; they find colleagues to help, management to support, and partners to leverage it. Several other processes happen with a similar agora spirit: initiating and integrating new recruits, internal mobility, and even getting or giving bonuses are other examples.

It may seem like self-management, but it's more fluid, perpetually changing, and not "lean" at all; creativity prevails on efficiency. The reason is that Google's headcount still grows very fast (16% in 2012, and probably 2 digits again in 2013), and the company innovates at about the same rate.

Conclusion

What do you think? Which of these examples would make sense for your organization? And how difficult do you think it is to make the decision to change an organization that much?

Information technology can be a lever, as it sometimes triggers organizational change. But not all of the examples above rely on collaborative technologies. Something quite common to these designs is that the strategic decisions

are made at a lower level in the organization and, as a consequence, need the executive team to increase their leadership by influence. That is the price for being adaptable and reactive. Another similarity is that the employees who join such organizations must adopt their different and pervasive culture. Sometimes it is even imposed, and when employees do not feel happy with it, they are simply encouraged to leave. That is the price for engagement and alignment.

This is just an appetizer: There are more disruptive organizational designs out there, if you want to look for them. **P&S**

Endnotes

- ¹ *Systemics*: a way to study and model systems from a holistic viewpoint, where all parts are interconnected and influencing, affecting and altering each other. The term was coined in the 1970s.
- ² A concept part of the Socio-Technical Systems approach, see Eric Trist, Fred Emery and the Tavistock Institute works in the 1960s.
- ³ LaBarre, Polly (May 5, 2012). *When nobody (and everybody) is the boss*. The Management Innovation eXchange (MIX): <http://www.managementexchange.com/blog/when-nobody-and-everybody-boss>.
- ⁴ Boiron, C. (1998). *La source du bonheur est dans notre cerveau*. Paris: Albin Michel.
- ⁵ Rice, Steve (October 2012). Speech at NeuroLeadership Summit, New York, NY.
- ⁶ <http://gettingreal.37signals.com/>
- ⁷ Nayar, Vineet (2010). *Employees First, Customers Second: Turning Conventional Management Upside Down*. Boston: Harvard Business Review Press.
- ⁸ Cayatte, Gilles (Writer/Director). (2007). *Google, the Thinking Factory* (Documentary). France: Illégitime Défense.

Cécile Demailly, MA, MSc, Consulting & Coaching for Change, HEC/Saïd Business School, Oxford University, is the founder of Early Strategies. Now consulting for multinational corporations on organizational change, Demailly is a former blue chip executive (IBM, AT&T, GE). In her regular practice, she focuses on disruptive change and new trends, such as Enterprise 2.0 (collaboration, collective intelligence), technology adoption, sustainability and diversity. She is also the chair of the international Community of Practice "The Change Leaders" (www.thechangeleaders.com). LinkedIn: <http://www.linkedin.com/in/ceciledemailly>.