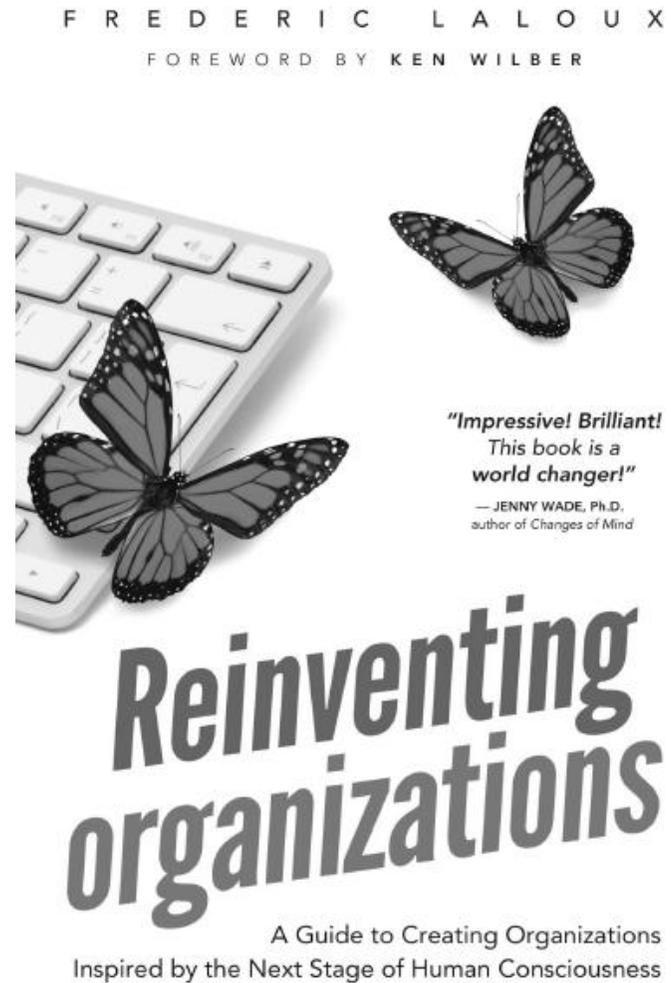


Frederic Laloux „Reinventing organizations“

- Excerpt and summaries -
March 2014





Frederic Laloux
Reinventing organizations

Background



- Modern organizations have brought about **sensational progress for humanity** in less than two centuries—the blink of an eye in the overall timeline of our species. None of the recent advances in human history would have been possible without organizations as vehicles for human collaboration.
- And yet, many people sense that the current **way we run organizations has been stretched to its limits**. We are increasingly disillusioned by organizational life. For people who toil away at the bottom of the pyramids, surveys consistently report that work is more often than not dread and drudgery, not passion or purpose. That the *Dilbert* cartoons could become cultural icons says much about the extent to which organizations can make work miserable and pointless.
- **Life at the top of the pyramids isn't much more fulfilling**. Behind the façade and the bravado, the lives of powerful corporate leaders are ones of quiet suffering too. Their frantic activity is often a poor cover up for a deep inner sense of emptiness. The power games, the politics, and the infighting end up taking their toll on everybody. At both the top and bottom, organizations are more often than not playfields for unfulfilling pursuits of our egos, inhospitable to the deeper yearnings of our souls
- Could it be that **our current worldview limits the way we think about organizations?**
- Could we **invent a more powerful, more soulful, more meaningful way to work together**, if only we change our belief system?

The basic question

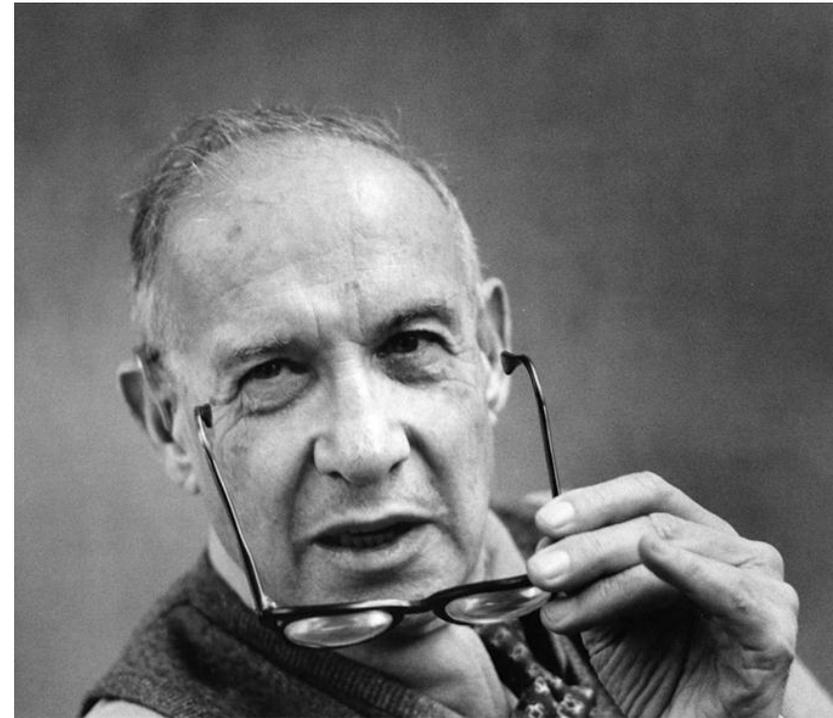


- What do organizations molded around the **next stage** of consciousness look and feel like?
- Is it already possible to describe their **structures, practices, processes, and cultures** (in other words, to conceptualize the organizational model) in useful detail, to help other people set up similar organizations?
- Can we create organizations **free of the pathologies** that show up all too often in the workplace? Free of politics, bureaucracy, and infighting; free of stress and burnout; free of resignation, resentment, and apathy; free of the posturing at the top and the drudgery at the bottom?
- Is it possible to **reinvent organizations**, to devise a new model that makes work productive, fulfilling, and meaningful?
- Can we create **soulful workplaces**—schools, hospitals, businesses, and nonprofits—where our talents can blossom and our callings can be honored?

”

*The greatest danger in times of turbulence is not the turbulence—
It is to act with yesterday's logic.*

Peter Drucker



Human development happens in stages, along various lines

How has humanity evolved from the earliest forms of human consciousness to the complex consciousness of modern times?

How do we human beings evolve today from the comparatively simple form of consciousness we have at birth to the full extent of adult maturity?

Example dimensions:

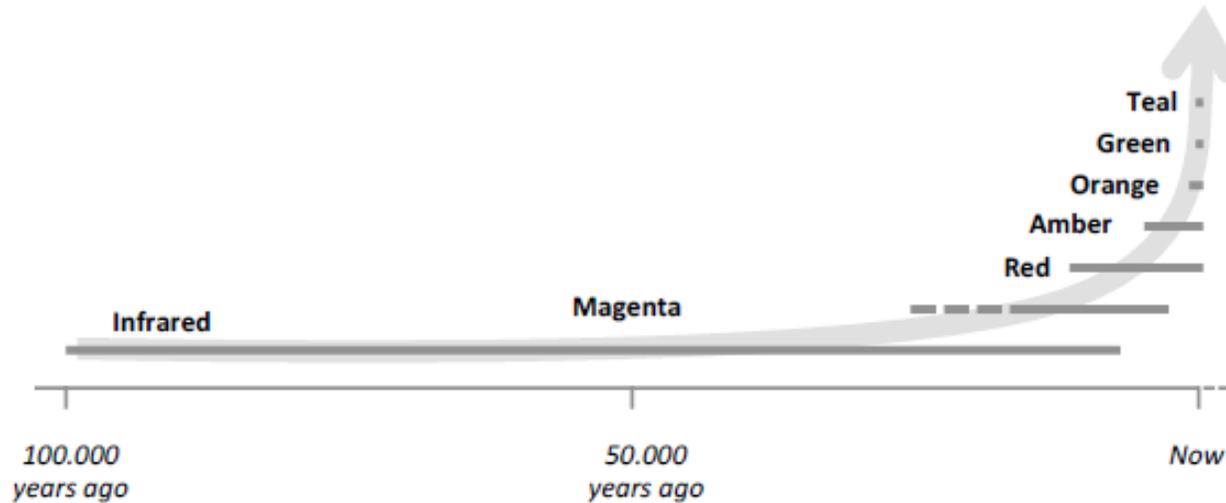
- needs (Maslow)
- worldviews (Gebser)
- cognitive capacities (Piaget),
- values (Graves),
- moral development (Kohlberg, Gilligan),
- self-identity (Loevinger),
- spirituality (Fowler),
- leadership (Cook-Greuter, Kegan, Torbert),

Humanity evolves in **stages**. We are not like trees that grow continuously.

We evolve by sudden transformations, like a caterpillar that becomes a butterfly, or a tadpole a frog.



The evolution of consciousness is accelerating ever faster

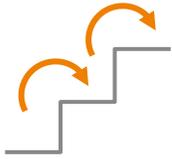


When we plot the successive stages of human and organizational consciousness on a timeline, the result is striking. Evolution seems to be accelerating, and **accelerating ever faster**.

Never before in human history have we had people **operating from so many different paradigms all living alongside each other**.

The same is true for organizations: in the same city, if we care to look, we can find Red, Amber, Orange, and Green Organizations working side by side.

With each level of development, everything changes, including organizational models

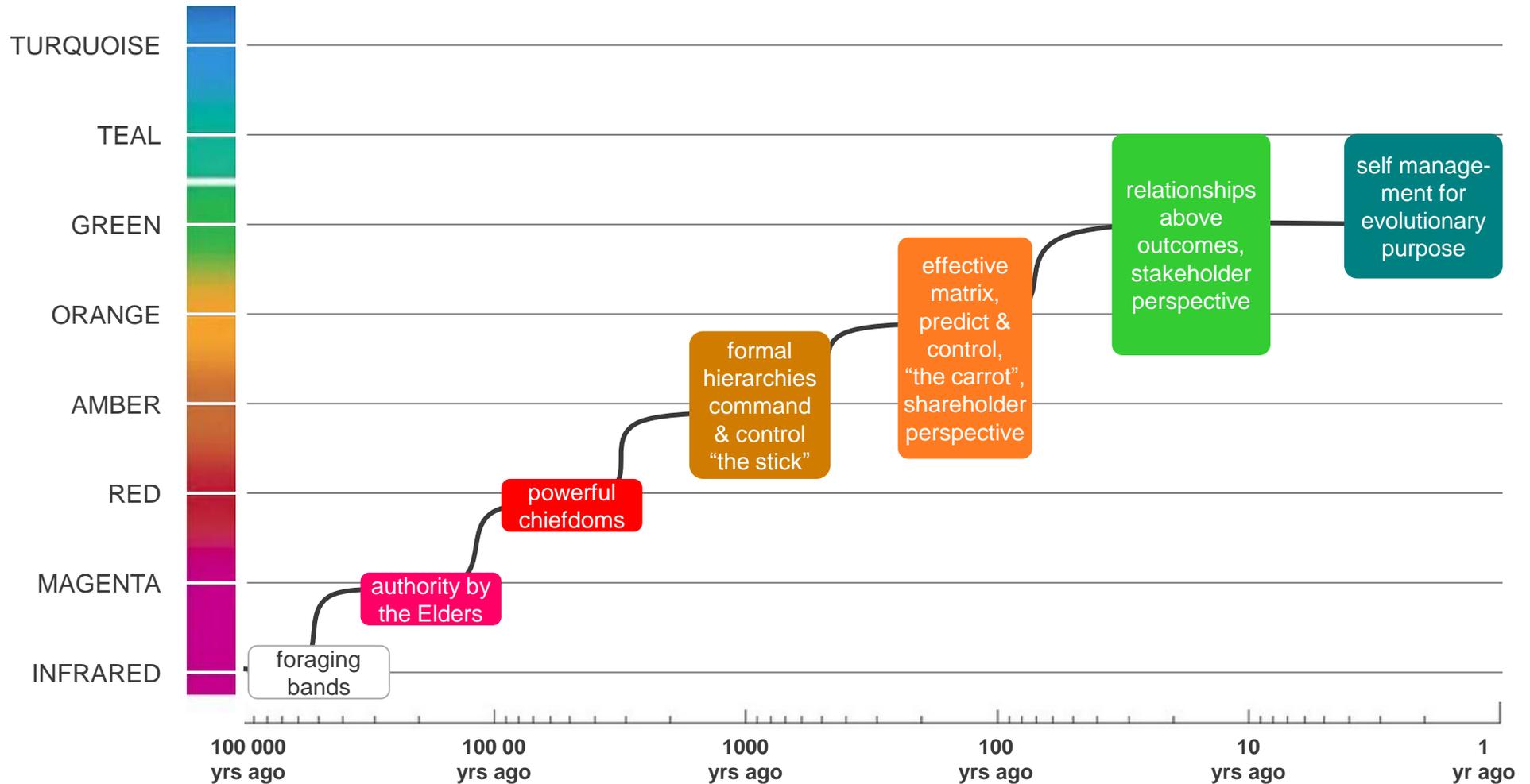


- Every transition to a new stage of consciousness has ushered in a **whole new era** in human history.
- At every juncture, **everything changed**:
 - society (going from family bands to tribes to empires to nation states);
 - the economy (from foraging to horticulture, agriculture, and industrialization);
 - the power structures;
 - the role of religion.
- One aspect hasn't yet received much attention: with every new stage in human consciousness also came a **break-through in our ability to collaborate, bringing about a new organizational model**.
- Organizations as we know them today are simply the expression of our current world-view, our current stage of development.

Human development

Overview of the main (organizational) paradigms

Levels of Consciousness



On human development

” *There is nothing inherently “better” about being at a higher level of development, just as an adolescent is not “better” than a toddler. However, the fact remains that an adolescent is able to do more, because he or she can think in more sophisticated ways than a toddler.*

Any level of development is okay; the question is whether that level of development is a good fit for the task at hand.”

Nick Petrie (Center for Creative Leadership)



(Impulsive) RED organizations

CHARACTERISTICS

- Constant exercise of power by chief to keep troops in line.
- Fear is the glue of the organization.
- Highly reactive, short term focus.
- Thrives in chaotic environments.

LEADERSHIP STYLE

- predatory

EXAMPLES

- Mafia
- Streetgangs
- Tribal militias



Metaphor: WOLFPACK

KEY BREAKTHROUGHS

- Division of labor
- Command authority

(Conformist) AMBER organizations

CHARACTERISTICS

- Highly formal roles within a hierarchical pyramid.
- Top down command and control (what and how).
- Stability valued above all through rigorous processes.
- Future is repetition of the past.

LEADERSHIP STYLE

- paternalistic-authoritative

EXAMPLES

- Catholic church
- Military
- Most government agencies
- Public school systems



Metaphor: ARMY

KEY BREAKTHROUGHS

- **Formal roles**
(stable and scalable hierarchies)
- **Processes**
(long term perspectives)

(Achiever) **ORANGE** organizations

CHARACTERISTICS

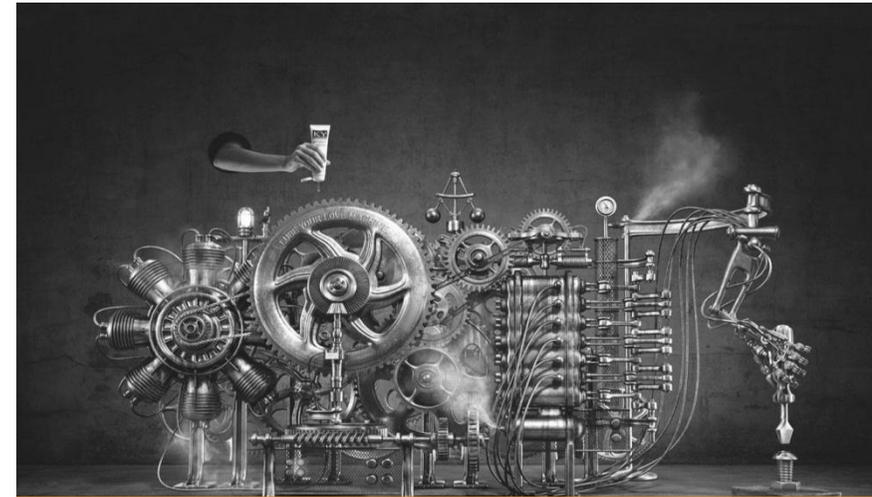
- Goal is to beat competition; achieve profit and growth.
- Innovation is the key to staying ahead.
- Management by objectives (command and control on what; freedom on the how).

LEADERSHIP STYLE

- goal- and task-oriented, decisive

EXAMPLES

- Multinational companies
- Charter schools



Metaphor: MACHINE

KEY BREAKTHROUGHS

- **Innovation**
- **Accountability**
- **Meritocracy**

(Pluralistic) GREEN organizations

CHARACTERISTICS

- Within the classic pyramid structure, focus on culture and empowerment to achieve extraordinary employee motivation.

LEADERSHIP STYLE

- consensus oriented, participative, service

EXAMPLES

- Culture driven organizations (e.g. Southwest Airlines; Ben&Jerry's ...)



KEY BREAKTHROUGHS

- **Empowerment**
- **Values-driven culture**
- **Stakeholder model**

(Evolutionary) TEAL organizations

CHARACTERISTICS

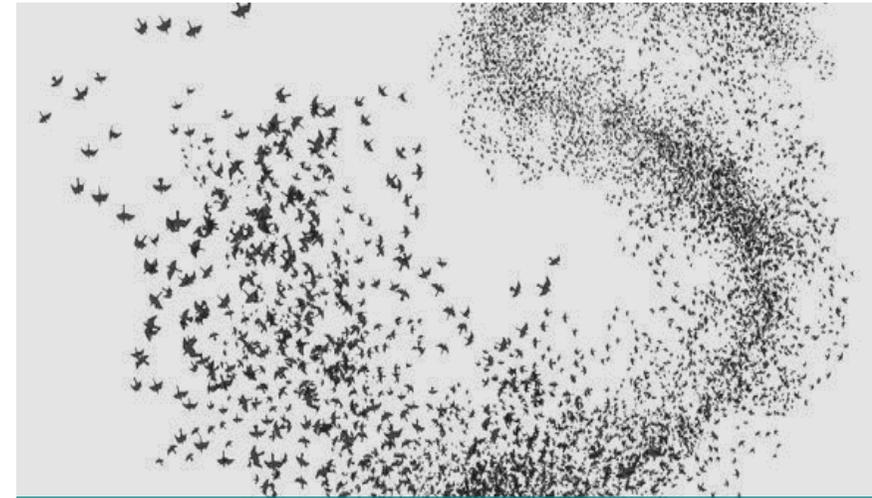
- Self-management replaces hierarchical pyramid.
- Organization is seen as a living entity, with its own creative potential and evolutionary purpose.

LEADERSHIP STYLE

- distributed leadership, with inner rightness and purpose as primary motivator and yardstick

EXAMPLES

- Patagonia
- FAVI
- Buurtzorg



Metaphor: LIVING ORGANISM

KEY BREAKTHROUGHS

- **Self management**
- **Wholeness**
- **Evolutionary purpose**

What triggers a person to open up to a later, more complex stage of consciousness?

”

Every challenge you encounter in life is a fork in the road.

You have the choice to choose which way to go— backward, forward, breakdown or breakthrough.

Ifeanyi Enoch Onuoha (Author and life coach)



What determines which stage an organization operates from?

It is the stage through which its leadership tends to look at the world.

Consciously or unconsciously, leaders put in place organizational structures, practices, and cultures that make sense to them, that correspond to their way of dealing with the world.

Example: Values vs “the bottom line”

”

The general rule seems to be that the level of consciousness of an organization cannot exceed the level of consciousness of its leader.



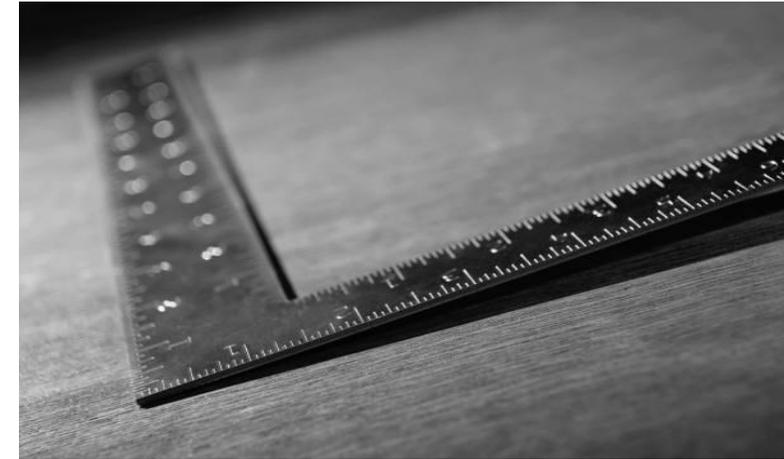
Development as a series of disidentifications and changing „yardsticks“.

RED „immediately satisfy my needs“

AMBER „rules and group norms“

ORANGE „egoistic ambitions“

TEAL



The „yardsticks“ change from external to internal:

EXTERNAL —————→ **INTERNAL**

RED „get me what I want“

AMBER „conforming to social norms“

ORANGE „effectiveness & success“

GREEN „belonging & harmony“

TEAL

„inner rightness, service to the world, calling/purpose“

„Going TEAL“

- Life as a journey of unfolding instead of pre-planned goals and routes
- Internal yardsticks to grow into true nature and work toward your calling
- A life well-lived breeds success, profit etc., not vice versa
- Focus on strengths, not on failures and what's wrong
- No mistakes, only opportunities to learn
- Wisdom beyond rationality
- „Both-and“ thinking instead of „either-or“
- Integrating mind-body-soul
- Be true to yourself
- Striving for wholeness with Self, others, life, nature



” *Now I become myself.
 It's taken time, many years and places;
 I have been dissolved and shaken, worn other people's faces ...“*

May Sarton

Example organisations

AES	Energy sector—Global—40,000 employees—For profit
BSO/Origin	IT consulting—Global—10,000 employees (1996)—For profit
Buurtzorg	Health care—Netherlands—7,000 employees—Nonprofit
ESBZ	School (Grades 7-12)—Germany—1,500 students, staff, and parents—Nonprofit
FAVI	Metal manufacturing—France—500 employees—For profit
Heiligenfeld	Mental health hospitals—Germany—600 employees—For profit
Holacracy	Organizational operating model
Morning Star	Food processing—United States—400-2,400 employees—For profit
Patagonia	Apparel—United States—1,350 employees—For profit
RHD	Human Services—United States—4,000 employees—Nonprofit
Sounds True	Media—United States—90 employees and 20 dogs—For profit
Sun Hydraulics	Hydraulics components—Global—900 employees—For profit

3 TEAL breakthroughs

➔ Self-management

operate effectively, even at a large scale, with a system based on peer relationships, without the need for either hierarchy or consensus.

➔ Wholeness

practices that invite us to reclaim our inner wholeness and bring all of who we are to work, instead of with a narrow “professional” self / “masculine resolve” etc.

➔ Evolutionary purpose

organizations seen as having a life and a sense of direction of their own. Instead of trying to predict and control the future, members of the organization are invited to listen in and understand what the organization wants to become, what purpose it wants to serve.

Teal **SELF MANAGEMENT** practices

self organizing teams

coaches w/o P&L responsibility when needed

almost no staff functions

coordination and meetings ad hoc when needs arise

radically simplified project management,
minimum plans & budgets

fluid and granular roles

decision making fully decentralized (advice process)

transparent real time information sharing incl,. financials

anybody can spend any amount of money provided advice process is respected

formal multi-step conflict resolution process

focus on Team performance, peer-based process for individual appraisals

self-set salaries with peer calibration, no bonus, profit sharing



Teal **WHOLENESS** practices

self-decorated warm spaces without status markers

clear values translated into explicit ground rules,
ongoing values discussion

quiet room, meditation practices, team supervision, peer coaching

storytelling practices to support self-disclosure and
community building

absence of job titles and descriptions to allow selfhood
to shape roles

honest discussion about individual time commitments

regular time devoted to address conflicts

specific meeting practices keep ego at check

distributed initiatives taking

recruitment interviews by future colleagues, focus on fit with organization

personal freedom for training, focus on culture-building

personal inquiry into one's learning journey and calling

caring support to turn dismissal into a learning opportunity



Teal **EVOLUTIONARY PURPOSE** practices

organization seen as a living entity with its own evolutionary purpose

strategy emerges organically from collective intelligence of self-managing employees

decision making by listening to organization's purpose (everyone, large group, meditations...)

concept of competition irrelevant (embraced to pursue purpose)

growth and market share only important in as much they help achieve purpose

profit as lagging indicator: will come naturally when doing the right thing

inside out marketing: offer is defined by purpose

„sense and respond“ planning/budgeting/controlling

no or radically simplified budgets, no tracking of variance; no targets

„change management“ no longer relevant as organization constantly adapts from within

suppliers chosen by fit with purpose

total transparency invites outsiders to make suggestions to better bring about purpose

conscious sensing of what mood would serve best



BASIC ASSUMPTIONS/NORMS

of teal organizations self management

Trust

- We relate to one another with an assumption of positive intent.
- Until we are proven wrong, trusting co-workers is our default means of engagement.
- Freedom and accountability are two sides of the same coin.

Information and decision-making

- All business information is open to all.
- Every one of us is able to handle difficult and sensitive news.
- We believe in the power of collective intelligence. Nobody is as smart as everybody. Therefore all decisions will be made with the advice process.

Responsibility and accountability

- We each have full responsibility for the organization. If we sense that something needs to happen, we have a duty to address it. It's not acceptable to limit our concern to the remit of our roles.
- Everyone must be comfortable with holding others accountable to their commitments through feedback and respectful confrontation.

BASIC ASSUMPTIONS/NORMS

of teal organizations wholeness (part 1)

Equal worth

- We are all of fundamental equal worth.
- At the same time, our community will be richest if we let all members contribute in their distinctive way, appreciating the differences in roles, education, backgrounds, interests, skills, characters, points of view, and so on.

Safe and caring workplace

- Any situation can be approached from fear and separation, or from love and connection. We choose love and connection.
- We strive to create emotionally and spiritually safe environments, where each of us can behave authentically.
- We honor the moods of ... [love, care, recognition, gratitude, curiosity, fun, playfulness ...].
- We are comfortable with vocabulary like care, love, service, purpose, soul ... in the workplace.

BASIC ASSUMPTIONS/NORMS

of teal organizations wholeness (part 2)

Overcoming separation

- We aim to have a workplace where we can honor all parts of us: the cognitive, physical, emotional, and spiritual; the rational and the intuitive; the feminine and the masculine.
- We recognize that we are all deeply interconnected, part of a bigger whole that includes nature and all forms of life.

Learning

- Every problem is an invitation to learn and grow. We will always be learners. We have never arrived.
- Failure is always a possibility if we strive boldly for our purpose. We discuss our failures openly and learn from them. Hiding or neglecting to learn from failure is unacceptable.
- Feedback and respectful confrontation are gifts we share to help one another grow.
- We focus on strengths more than weaknesses, on opportunities more than problems.

BASIC ASSUMPTIONS/NORMS

of teal organizations wholeness (part 3)

Relationships and conflict

- It's impossible to change other people.
We can only change ourselves.
- We take ownership for our thoughts, beliefs, words, and actions.
- We don't spread rumors.
We don't talk behind someone's back.
- We resolve disagreements one-on-one and don't drag other people into the problem.
- We don't blame problems on others.
When we feel like blaming, we take it as an invitation to reflect on how we might be part of the problem (and the solution).

BASIC ASSUMPTIONS/NORMS

of teal organizations evolutionary purpose

Collective purpose

- We view the organization as having a soul and purpose of its own.
- We try to listen in to where the organization wants to go and beware of forcing a direction onto it.

Individual purpose

- We have a duty to ourselves and to the organization to inquire into our personal sense of calling to see if and how it resonates with the organization's purpose.
- We try to imbue our roles with our souls, not our egos.

Planning the future

- Trying to predict and control the future is futile. We make forecasts only when a specific decision requires us to do so.
- Everything will unfold with more grace if we stop trying to control and instead choose to simply sense and respond.

Profit

- In the long run, there are no trade-offs between purpose and profits. If we focus on purpose, profits will follow.

Why teal organizations are so successful (1)

Liberating previously unavailable energies

Through purpose	Individual energies are boosted when people identify with a purpose greater than themselves.
Through distribution of power	Self-management creates enormous motivation and energy. We stop working for a boss and start working to meet our inner standards, which tend to be much higher and more demanding.
Through learning	Self-management provides a strong incentive for continuous learning. And the definition of learning is broadened to include not only skills but the whole realm of inner development and personal growth.
Through better use of talent	People are no longer forced to take management roles that might not fit their talents in order to make progress in their careers. The fluid arrangement of roles (instead of predefined job descriptions) also allows for a better matching of talent with roles.
Less energy wasted in propping up the ego	Less time and energy goes into trying to please a boss, elbowing rivals for a promotion, defending silos, fighting turf battles, trying to be right and look good, blaming problems on others, and so on.
Less energy wasted in compliance	Bosses' and staff's uncanny ability to create policies generates wasteful control mechanisms and reporting requirements that disappear almost completely with the self-management.
Less energy wasted in meetings	In a pyramid structure, meetings are needed at every level to gather, package, filter, and transmit information as it flows up and down the chain of command. In self-managing structures, the need for these meetings falls away almost entirely.

Why teal organizations are so successful (2)

Harnessing and directing energy with more clarity and wisdom

Through
better sensing

With self-management, every colleague can sense the surrounding reality and act upon that knowledge. Information doesn't get lost or filtered on its way up the hierarchy before it reaches a decision maker.

Through
better decision-making

With the advice process, the right people make decisions at the right level with the input from relevant and knowledgeable colleagues. Decisions are informed not only by the rational mind, but also by the wisdom of emotions, intuition, and aesthetics.

Through
more decision-making

In traditional organizations, there is a bottleneck at the top to make decisions. In self-managing structures, thousands of decisions are made everywhere, all the time.

Through
timely decision-making

As the saying goes, when a fisherman senses a fish in a particular spot, by the time his boss gives his approval to cast the fly, the fish has long moved on.

Through alignment with
evolutionary purpose

If we believe that an organization has its own sense of direction, its own evolutionary purpose, then people who align their decisions with that purpose will sail with the wind of evolution at their back

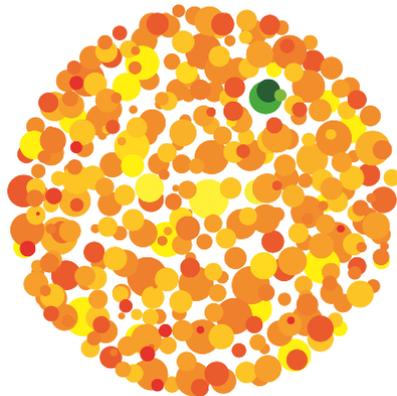
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