

# Structured for Success: How the Structure of Today's Professional Organizations Are Changing

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## Abstract

Many if not most of the organizational models in use today have their roots in theories and practices developed at the height of the industrial revolution. As the rate change in the environment increases these molds are proving themselves inadequate to deal with the demands they are currently facing. This article explores the need for new social technologies and products to replace those that are failing, and the need for these structures to be designed to more natively deal the challenges we face today. The author reviews several of these models with an eye to discussing the attributes that are increasing the effectiveness of modern organizations.

**Keywords:** Organizational Design, Management, Innovation

## Introduction

Recently there has been a great deal of attention paid to the structure of organizations, and how often they are poorly designed for their current purpose. With a casual reading of the popular business press one could argue that many popular theorists have been having a series of Thomas Kuhn moments. Kuhn suggested that paradigms (or models for dealing with reality) are built to account for a specific set of variable and environmental conditions. With time paradigms often breakdown as the variables or environmental conditions change. They often reach the point where they stop being an effective predictor of how things will work out – or as a tool to organize our response to the environment (Kuhn, 1996).

The most popular models of organization structure are broken, or at the very least ill-suited to the current environment. For decades there have been attempts by innovators to changes these models and these attempts have been meet with significant resistance. Many people continue to process the world with an inadequate paradigm for a number of reasons. Sometimes it has a lot to do with inertia, sometimes we are simply blind to our current level of ineffectiveness, sometimes we may fear change and how relevant we will be under a new paradigm, and sometimes it is simply because we are so invested in the current ideas of how things should work we simply don't want to let them go. Whatever the reason, organizational change typically proves itself a very hard thing to do.

It is fair to say that today many of our organizations have been built on ideas that were developed for a very different time – with a very different set of performance

requirements. Far too many organizations can trace their current organizational structure to the industrial revolution or soon thereafter. Their current structures were developed in a time when the pace of information, change, and business itself, were much more stable and far slower than they are today – and, a time when the workforce was far less educated and less mobile.

This is the environment where Fredrick W. Taylor developed the concepts of *scientific management*. This model began by breaking down complex tasks to simple repeatable tasks that could be done by a low skill, poorly educated, workers. Under Taylor's model there was a very distinct hierarchy. Workers did just that – they worked. They did not think. Thinking was reserved for a limited number of senior managers, and carried out by a hierarchy of supervisors who reported back on the progress of workers. Actual data collection on the process was fairly limited and data was only shared with the hierarchy of managers many of whom lacked context for the data or the tacit knowledge to understand how to best evaluate it. Taylor's model works well when the tasks are clear, the environment is highly stable over a long period of time, and the organization can benefit from an economy of scale (Wren, 2004).

The problem we face in most of our organizations today is we don't meet the success criteria for a Tayloresk model. Our environments are at best fluid and at worst experience dramatic changes on a regular basis. Therefore, we should be shifting to organizational designs that designed to operate in such environments, but the process of shifting often comes with its own challenges.

In a very real sense we need to introduce new social technologies, and/or new social products, into the market – technologies/products designed to deal with our current environment and designed to meet the new goals and challenges we face today. When considering how to frame the associated models and rules, we might consider reviewing the successful models and rules for introduction of other types of new products / new technologies that we have used in the past. One thing to keep in mind is that the first generation of a new products often underperforms the incumbent products. Once adopted, the pioneers of the new concept make a number of changes, through trial and error, and several new versions of the new technology or concept begin to appear in the market in short order. The successful versions take hold with innovators and early adopters, but these early adopters are often looking past the current capabilities of the products and towards a vision of what the future might hold when the paradigm is fully developed (Christensen, 1997; Moore, 2006).

Things such as social norms, culture, and technology have huge effects on the potential success of any new organizational model and its ability to move beyond those early adopters. There are patterns of adoption that can be predicted, and many of these predicted patterns can be useful when planning the introduction of a new system. In these models – such as the ones developed by Evert Rogers (2003) and Geoffrey Moore (2006)– outline how there is often a tipping point. A point where a critical mass of users has adopted the product and an almost viral adoption cycle begins to drive its success. I believe we are nearing that point. In the last couple of decades, we have begun to see a

number of new organizational models being used by forward thinking companies, but we seem to be reaching the point of viral explosion.

For the purposes of this article we will explore several organizational structures that have emerged in recent decades that in some way attempt to deal with the shortcomings of the Tayloresk models of management and leadership. This is not intended to in any way to be a complete taxonomy of modern organizational structures. It is only intended to be a glimpse of some new and creative models, that may help managers to develop a new perspective on the shortcomings of their own organizational model – as well as a glimpse of what is possible with some creative thought and concerted effort.

### **Lattice**

Beginning the late 1950s, Gore & Associates developed an organizational structure that was highly team-focused and almost devoid of direct management authority. The company is based on a flat lattice organization in which teams are self-directed. The self-direction requires each location to begin by developing a list of projects they wished to work on and dividing the work among teams. The teams recruit members to their projects and each team member is expected to spend 10% of the time developing a new project of his or her choosing. Even project funding and employee compensation are driven by teams primarily consisting of employees who choose to be on the teams (Harrington, 2003).

Over the decades since its founding Gore has grown to an organization of over 10,000 employees. Through flat lattice organizational structure, and its commitment to keep group sizes under 150 employees, it has been able to maintain a culture of innovation rare in organizations of its size and scope. Deutschman (2004) contended the atmosphere at Gore was collegial; there was an energy and excitement about projects, team members were encouraged to contribute, and there was a general conscientiousness that no one wanted to let the team down. Peer pressure and fear of letting the team down supplanted the role of traditional first-line management.

In addition to the team culture, the rule that encourages all research associates spend 10% of their time *dabbling with new ideas* generated some of Gore's most successful products. Gore was listed among the best places to work in the United States, the United Kingdom, Germany, Italy, and the European Union (A. Deutschman, 2004). Clearly at some level the style translates across cultures. However, there may be concern going forward in regards Gore's expansion in non-European cultures that do not have a history of open discussion, collaborative team debate, or peer leadership. The Gore approach of self-directed teams may be too much of a cultural shock to Asian cultures, such as China, which has lived under a totalitarian regime for decades.

## **Open**

Jim Whitehurst (2015), the CEO of Redhat, the open source software giant, describes his philosophy of organization development and leadership in his recent book *The Open Organization: Igniting Passion and Performance*. Although some might argue

there is not a unique theory within Whitehurst's book it does provide a number of clear examples of the implementation progressive organizational theories.

Unlike Gore, Whitehurst does see the need for formal leadership positions in large organizations; however, not in the traditional hierarchical sense. The leadership role is focused not on *command and control* but rather on building, supporting, moderating a meritocracy. He believes that organizational success is enabled by high levels of employee engagement. Gallup polls suggest that employees in over 60% of organizations today are disengaged and unwilling to make any discretionary effort, and 24% are actively disengaged to the level where they are spreading their disengagement to other employees (Crabtree, 2013). Therefore, even moderate buy-in by employees would lead to significant competitive advantage.

Similar to the popular Youtube video by Simon Sinek ([https://youtu.be/u4ZoJKF\\_VuA](https://youtu.be/u4ZoJKF_VuA)), Whitehurst suggests that you start with a mission. That a well-developed and supported mission inspires employees to higher levels of effort and lower levels of turnover. Moreover, that if managed properly a well-developed and supported mission might inspire a community of supporters including customers, contributors, third party developers, and channel partners – the essence of the open source model.

Taking the mission, meritocracy, and community concepts a bit further, Whitehurst believes that employees need to have high levels of discretion within a decision framework. He sees them as members of a community that are driven by a cause

- not by a transaction mindset - and for the community to work, and the decisions to be sound, there needs to be extreme levels of transparency – as well as high levels of involvement on key decisions by the community at large.

## **Teal**

In one of the most popular articles published by Wharton in 2015, Frederic Laloux (2015) suggests that over the 100,000 years of mankind's anthropological history there has been a number of step changes in how organizations have developed. He has identified five distinct phases of this development. In addition, given the rising level of tension and disillusionment in modern organizations, he believes we are due for another significant step change in the not too distant future. This belief is based on the concept that "human societies, like individuals, don't grow in a linear fashion, but in stages of increasing maturity, consciousness, and complexity" (p. 70).



**Exhibit 1: Evolutionary Breakthroughs in Human Collaboration**

Color	Description	Guiding Metaphor	Key Breakthroughs	Current Examples
<b>RED</b>	Constant exercise of power by chief to keep foot soldiers in line. Highly reactive, short-term focus. Thrives in chaotic environments.	Wolf pack	<ul style="list-style-type: none"> <li>• Division of labor</li> <li>• Command authority</li> </ul>	<ul style="list-style-type: none"> <li>• Organized crime</li> <li>• Street gangs</li> <li>• Tribal militias</li> </ul>
<b>AMBER</b>	Highly formal roles within a hierarchical pyramid. Top-down command and control. Future is repetition of the past.	Army	<ul style="list-style-type: none"> <li>• Formal roles (stable and scalable hierarchies)</li> <li>• Stable, replicable processes (long-term perspectives)</li> </ul>	<ul style="list-style-type: none"> <li>• Catholic Church</li> <li>• Military</li> <li>• Most government organizations (public school systems, police departments)</li> </ul>
<b>ORANGE</b>	Goal is to beat competition; achieve profit and growth. Management by objectives (command and control over what, freedom over how).	Machine	<ul style="list-style-type: none"> <li>• Innovation</li> <li>• Accountability</li> <li>• Meritocracy</li> </ul>	<ul style="list-style-type: none"> <li>• Multinational companies</li> <li>• Investment banks</li> <li>• Charter schools</li> </ul>
<b>GREEN</b>	Focus on culture and empowerment to boost employee motivation. Stakeholders replace shareholders as primary purpose.	Family	<ul style="list-style-type: none"> <li>• Empowerment</li> <li>• Egalitarian management</li> <li>• Stakeholder model</li> </ul>	Businesses known for idealistic practices (Ben & Jerry's, Southwest Airlines, Starbucks, Zappos)
<b>TEAL</b>	Self-management replaces hierarchical pyramid. Organizations are seen as living entities, oriented toward realizing their potential.	Living organism	<ul style="list-style-type: none"> <li>• Self-management</li> <li>• Wholeness</li> <li>• Evolutionary purpose</li> </ul>	A few pioneering organizations (see "Examples of Teal Management")

Source: Frederic Laloux, *Reinventing Organizations* (Nelson Parker, 2014)

(Laloux, 2015, p. 71)

Laloux correlates the scale for his steps to the infrared to ultraviolet light spectrum with red being the oldest structure and teal being the most modern. He recognizes that the Amber organizations, the Tayloresk structures, on his scale are incompatible with the high levels of engagement necessary for knowledge workers to effectively compete; and command and control practices have issues with efficacy as organizations scale. However, we need to step beyond simple empowerment and egalitarianism. "Efforts to make everyone equal often lead to hidden power struggles, dominant actors who co-opt the system, and organizational gridlock"(p. 73)

Under Laloux's model the more enlightened Teal organizations have several things that would make them distinct from its predecessors: Self-Management, Wholeness, and Evolutionary purpose.

Laloux is clear that self-management is not about consensus. It is about allowing people to have "authority within a domain, and the accountability to coordinate with others. Power and control are deeply embedded throughout the organizations, no longer tied to the specific positions of a few top leaders" (p. 74). Of course, this requires training for all involved to understand the frameworks with which these decisions should be made, and how to effectively coordinate their efforts across the organization.

Wholeness is about being authentic. The premise is that *total professionalism* is a façade built on self-censorship and one that inhibits engagement and innovation. With wholeness parts of the employee's *personal life* are exposed to the professional environment. Examples of wholeness would include having a daycare in the office so that children could join their parents for lunch, or creating a dog friendly office where one might find several personal pets attending a meeting.

Evolutionary purpose grows out of a mindset where the organization is viewed as a living entity that must adapt and change to meet the environmental needs or die. Such a mindset encourages participants to move away from a *predict and control* mindset and toward a *sense and respond* approach. For example, companies with older organizational structures might develop a five year strategy and a detailed one year plan. However, companies under a Teal structure would take more of a farmer's approach. "A farmer

must look far out when deciding which fruit trees to plant or crops to grow. But it makes no sense to plan for a precise date for the harvest"(p.77-78). They need to sense and adjust their plans based on weather, other environmental variables, and the ability of the organization to adapt to those conditions.

### **Holacracy**

Holacracy is a self-directed organizational structure founded by software executive Brian J. Robertson (2015). At the core of the structure is an organizational construct which outlines key beliefs and rules under which the organizations operates. The hierarchy (for lack of a better term) is based on teams called circles, and begins with the development of a general company circle. This general company circle, and every other circle, can have sub-circles. Each circle or sub-circle assumes responsibility for some task or work effort. Members of a circle have defined roles. These roles carry with them a series of responsibilities, decision making authority within a specific domain, and accountabilities for actions taken or not taken.

Individuals can, and often do, hold several different roles – and these roles can be in different circles. One of the key roles would be a link, or representative, to another circle. These links allow for information to flow between the circles. When functioning properly they help circles to coordinate their efforts.

Governance meetings are held in every circle and sub-circle to define the structure and operational rules for that circle, and align those structures with an organizational constitution. Issues that would be considered in a governance meeting would include:

- Defining the work of the circle
- Creating sub-circles when necessary to assume some responsibility
- Dissolving sub-circles that are no longer necessary
- Developing the roles and the responsibilities of those roles
- Defining what links are necessary and recruit a member to those roles
- Processing tensions, or discontinuities, felt within the group

In addition to governance meetings, there are tactical meetings within each group. Governance meetings are for structure of the organization and deal in principles – not specific project issues. Tactical meetings are project meetings that help to organize the work and project related issues. Examples of issues that would be dealt with in a tactical meeting would be:

- Triage of tensions related to a specific project
- Deciding next action on a project by a specific role
- Tracking the progress of a project
- Directing of attention or resources

Both the governance and tactical meetings are scheduled on a regular basis, but the level of regularity is based on what the circle feels is necessary. It is common for

circles to have meeting in shorter intervals in the beginning and to extend the intervals between meetings over time. In addition, what many people new to Holacracy find odd is the level of structure and rigor that is part of the typical governance or tactical meeting. It is highly reminiscent of Roberts Rules of Order. What is counter intuitive is that the structure creates efficiency and allows the participants to focus on the roles and the circles, and not the personalities and people involved.

### **Team of Teams**

General Stanley McChrystal et. al. (2015) recently outlined the changes to the US military structure in Iraq that he implemented while heading the US operations in Iraq. Through the engagements with Al-Qauida in Iraq, he realized that the insurgents had a much more effective structure for the type of conflict that was and is the war in Iraq. Historically the US military has been exceptionally efficient in its operations; however, efficiency and effectiveness are very different. Systems and processes in Iraq had to be rethought to increase the level of flexibility and agility.

The hierarchical decision making structures that are common in the military take time to function. In a highly fluid environment such as Iraq this means that the opportunities to successfully engage the enemy may have passed before approvals were gained. McChrystal found it was much more effective to provide information, decision frameworks, and specific authority to teams in the field. These team were allowed and encouraged to make their own decisions. This dramatically increased the speed of decisions and dramatically increased the effectiveness of the teams.

Information flow and communications became one of the most critical components of the war effort. Workspaces were redesigned to allow for far more collaboration. Large technology investments were made to tie together teams in the field, and support groups around the globe, allowing for ubiquitous sharing of information. All this allowed the level of information sharing was to be retched up to an uncomfortable level. Of course the danger of this level of information sharing is the information could fall into the wrong hands. However, this risk is often worth the dramatic increase in agility, innovation, and effectiveness.

A culture of transparency and sharing developed. There were still the remnants of a formal military hierarchy; however, the daily operations were accomplished by a highly effective network. At the core were small teams where communications were constant between the team members. In addition, each member assumed the responsibility to be the contact point to other teams across the network sharing and coordinating efforts in real-time. These contact points were often just informal relationships; however, other times, where there was a need to overcome cultural or organizational issues, formal liaisons were embedded for extended periods with other teams to build communication and relationship bridges.

The military has had a long history of strong leaders passing on detailed instructions to those under their command – leaving little room of interpretation. However, McChrystal realized, that with the complexity and speed of the environment in Iraq, it was far better to develop an environment where leadership and decision making

responsibility could be deployed to at all levels of his organization. He described it as the difference between being a chess master and a gardener. Chess masters look to position highly compliant pieces in such a way to strategically out think and out maneuver his opponent. However, Chess pieces don't think and the game breaks down when the opponent does not play by the same set of rules. Whereas a gardener develops an environment where things take root and grow on their own. In an organization the gardening approach grows smart autonomous assets that make their own moves without the need for the intervention of the chess master.

## **Conclusion**

Although each of the modern organizational models presented is very different, there are a few things that seem to be consistent across many of the newer organizational models that have shown some promise. Among the things that seem to make these models highly effective are:

- Communications across all levels need to be rapid and ubiquitous
- Teams and organizations need to share information to the point it is uncomfortable for traditional managers
- Diversity of thought and perspective are key to the decision process
- There needs to be structures designed for rapid aggregation of ideas from a broad set of people and disciplines
- New ideas should stand up to the scrutiny of a team

- Agility and response time are more important than the efficient use of resources or the quality of the response once both have passed a minimum hygiene level
- Gardening creates engagement and trumps chess as a basic strategy of attack

More progressive organizations are beginning to make move to greater openness; but, highly traditional organizations might find the ideas outlined above too much to implement in the near future. Some top managers find they lack the privileges they have enjoyed in the past less than desirable, and many less progressive employees may feel uncomfortable with the uncertainty in their role within these structures – all of which could lead to organizational resistance. However, as we move forward it would seem clear that these more open, flexible, and agile structures are harbingers of even more open, flexible, and agile future set of organizational structures to come - and this direction seem inevitable.



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