



August, 2019 *In The Know* Summary

## **Reinventing Organizations**

*A guide to creating organizations inspired by the next stage of human consciousness*

by Frederic Laloux

**Discussion Facilitator:** Jill Nissan

**About the Book** | In this book, Laloux talks about a shift in consciousness that is currently underway in society, and how this shift informs a new operating model for the modern organization. He provides examples of how some organizations are operating in a more soulful and purposeful way than in years past, and discusses how to facilitate the transition to this approach.

### **Key Concepts**

- In introducing the concept of a reinvented organization, the author takes a historical view and discusses how people have always found ways to organize themselves, e.g., by tribes, by factory model, etc. Throughout history there are examples of how people organize themselves in order to meet the needs of their environment.
- **Laloux's model includes five phases of development –**
  - **Red:** In this phase, people are organizing themselves through fear. For example: militia groups, street gangs.
  - **Amber:** This phase is similar to what you imagine to see in a bureaucracy such as a government agency. Formal roles, everyone has a place. Heavy focus on process.
  - **Orange:** This phase has a hierarchy, but it is organized for following rules and processes as well as a common goal. Management by objective.
  - **Green:** In this phase, we care about our stakeholders, and we are about the culture. We are more of a family than a “business.”
  - **Teal:** This is the final phase in the evolution. In this phase, organizations deviate from a lot of processes. In this phase, there would not be a need for bosses, as you manage yourself. There is no longer a need for a strategic-planning function, since it's part of how people approach their work. This phase is based on three principles
    - (1) **Self-management** (Ability to operate on peer relationships without the need for hierarchy or consensus – can be a fluid hierarchy or hierarchy based on skills)
    - (2) **Wholeness** (You can show up to work as a rational person, including emotions, spirituality)
    - (3) **Evolutionary purpose** (Alignment of the person's vision with the vision of the organization – what are we doing to advance the purpose of the organization?).
- The author set out to study “teal” organizations to see what commonalities they have in terms of industry, etc. He looked for organizations that have been in business for at least 5 years and have at least 100 employees. He determined that there is quite a variety of organizations that have these features.
- For “teal” organizations to have a lasting impact, the principles must be embraced by the leader (e.g., CEO or equivalent) and governing body (e.g., board of directors). You need broad buy-in.

## Discussion Highlights

- If you are an external consultant, and your client is a “red” organization, how do you continue to work with them? How can you reconcile the disconnect?
- You can imagine a scenario where there is an organization within an organization, with a mismatch in phase of development. The organization as a whole could be “orange,” but within it there is an innovative group that is more self-governed and perhaps “teal.” This can create discomfort. We shared some examples of people/groups that are outliers in their organization:
  - One participant remembered a time when she was working at a large pharma company, and senior leader was very invested in the group’s growth. People were queuing up to join the organization, and it caused a rift with the other senior leaders.
  - One participant talked about a leader at a former job who was really innovative. He did a TED talk about his work. Instead of receiving encouragement, he was called in and asked to not be “so shiny,” and to “dial it back.”
- Risk – Some organizations are extremely risk averse. They focus on collecting data to defend a decision as opposed to collecting data to inform a decision. Personal risk factor is still very strong for a lot of people. How does this factor into the model?
- What’s the definition of success? By most measures, it’s about “money and profit.” The author talks about it from a more global contemporary view. We have a finite amount of resources. At some point, we will need to stop talking about “money and profit” and, for example, seriously discuss climate change. We cannot infinitely extract resources.
- One consulting firm (“Holacracy”) promotes the values of a “teal” organization and teaches organizations to evolve to become “teal.”
- What are some of the challenges that organizations face as they evolve? Resistance is to be expected. There is a lot of autonomy and freedom in decision-making, and this can feel chaotic for some.
- “Teal” organizations make use of three meetings:
  - **Governance meetings** (monthly – discuss what roles we need at this point, always checking in—are we in line with the purpose)
  - **Tactical meetings** (weekly, how the work gets done)
  - **Ad hoc meetings** (daily check-ins)
- Is “teal” the best way to operate? It depends on the organization. It is an evolution.
- Zappos follows this method and is profitable. It has been an evolution, and the company did suffer (high attrition at some point) as they made the shift to a holacracy concept. Some employees rejected the governance process.
- It would be interesting to examine if people who thrive in a “teal” organization also follow those principles in their home life.
- Recent read in NYT – there is a point at which engagement can be detrimental. If you are too engaged, you can take too much control.
- We discussed the downsides of “teal.” Consider also the downsides of “Agile” organizations.
- In after-action reviews, one of the biggest concerns is that people want more clearly defined expectations. People crave structure.
- Where can we apply the “teal” principles?
  - One of the useful tools is a formal conflict management process.
  - How can we look at the upsides of bureaucracy (we love processes – just that we don’t want them to be OVERdone), and the upsides of holacracy? How do we get to “both and,” while also honoring where the organization is?
- Organizations can suffer when there is inconsistency in leadership across the organization.

- The book [The Advantage](#) (P. Lencioni) talks about how you first develop your leadership team, then you work from there. One of the challenges is that, even if a leader has a clear philosophy, it can be hard to articulate it. It would be interesting to present the ways you work (drawing from the “teal” model), discuss with the leadership team, and work to gain alignment.
- Idea: Facilitate a discussion of senior managers about the principles, for example, “What is our orientation to the concept of ‘wholeness,’” etc.
- Idea: Use some of the concepts from the book to develop a charter (Lean Six Sigma)—at a team level. Example: How do they build consensus? How do they come together?

### Related Resources

- Laura Mendelow’s [blog](#)

\*The Chesapeake Bay Organizational Development Network (CBODN) Book Club is a monthly session, open to all learners. Each month, a presenter shares highlights from a book related to leadership, business, or coaching. There’s no obligation to pre-read the book. The session summary is intended to provide a recap of the conversation at Book Club, rather than serve as a thorough book summary. [Register here](#) for upcoming events. For a listing of Book Club summaries, [click here](#).