

Overtaking Lanes

New ways with new organizational setups

Agile organizations are outpacing their competitors in many fields.
Based on their business model and structure, companies use different models of agility to move ahead.

by Eva Grieshuber



Suggestions for lazy Sundays, traveling times or other kinds of quality time

»Accelerate: Building Strategic Agility for a Faster-Moving World«

John P. Kotter; Harvard Business Review Press; 2014

»Reinventing Organizations: An Illustrated Invitation to Join the Conversation on Next-Stage Organizations«

Frederic Laloux; Nelson Parker; 2016

»Holacracy: The New Management System for a Rapidly Changing World«

Brian J. Robertson; HENRY HOLT; 2015

»Exponential Organizations: Why new organizations are ten times better, faster, and cheaper than yours (and what to do about it)«

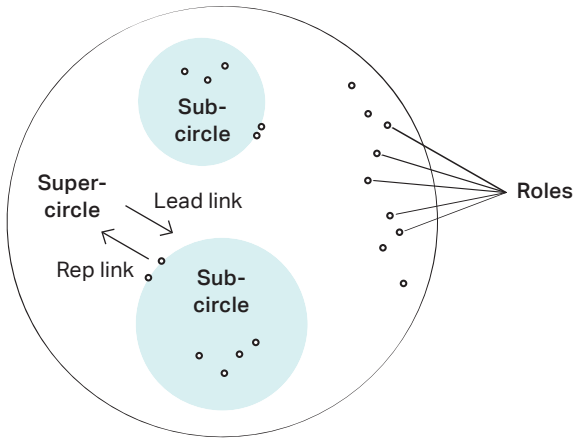
Salim Ismail; Diversion Publishing; 2014

While in some companies the confusion as to the meaning and concept of agility prevails, others use their knowledge advantage for a head start. With many successful examples, agility itself has left its infancy behind. New ways of working are well elaborated, described and applied in an increasing number of organizations. This is not just true for well-known methods like SCRUM, Kanban or Design Thinking, but also for organizational setups. A huge number of different organizational types are categorized nowadays as agile. You may have heard about »Holacracy« or read Laloux's »Reinventing Organizations,« to name just two prominent ones. To keep track and stay ahead, we have compiled this brief overview of different types of agile organizations, without claiming completeness. We focus on the most famous ones with the most potential in a fast-changing, volatile and uncertain world.

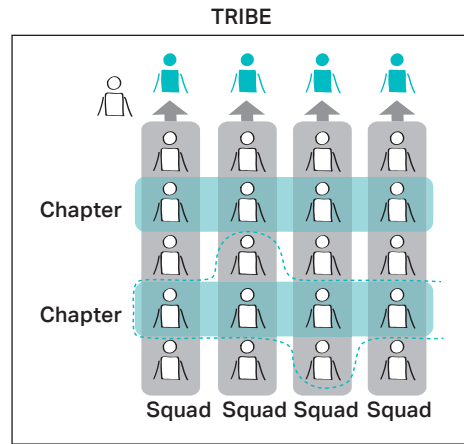
Overview: five types of agile organizations

These agile structures take advantage of fast opening and even faster closing windows of opportunity. They outperform traditional organizations in terms of dealing with uncertainty, in terms of velocity and often also growth. Furthermore, they offer attractive working environments for committed and competent people. ►

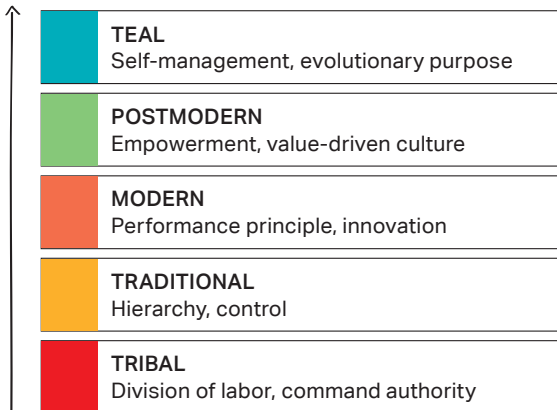
1 HOLACRACY



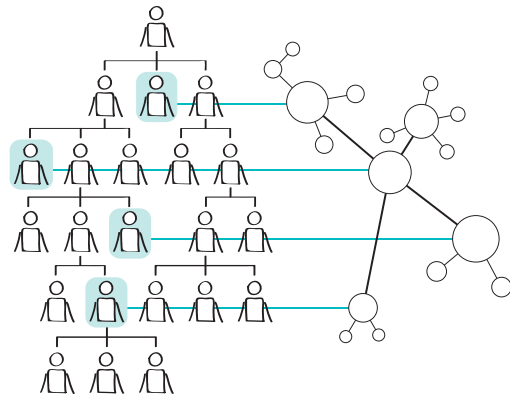
2 LARGE SCALE SCRUM



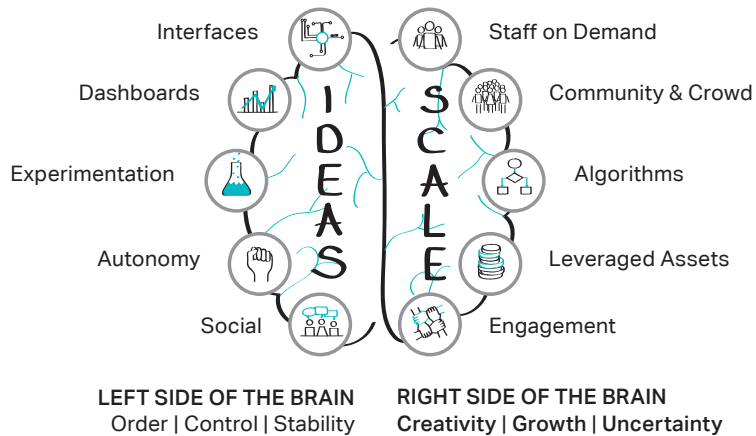
3 TEAL ORGANIZATIONS



5 DUAL OPERATING SYSTEM



4 EXPONENTIAL ORGANIZATIONS ExO



Sources: Fig. 1 in Brian Robertson: Holacracy, 2015; Fig. 2 The Spotify Model; Fig. 3 in Frederic Laloux: Reinventing Organizations, 2015; Fig. 4 in Salim Ismail: Exponential Organizations, 2014; Fig. 5 in John P. Kotter: Accelerate: Building Strategic Agility for a Faster-Moving World, 2014

1

HOLACRACY

»Crystal clear rules, roles and responsibilities«

One of most radical approaches throws the existing paradigms of hierarchy and traditional management overboard. The US online shop Zappos is one of the most well-known examples successfully implementing this new operating system. Top-down management is no longer needed. Members of the organization do not have hierarchical positions, but are structured in circles and roles. All roles come with the responsibility for a bundle of tasks. Several roles belonging together are grouped in a circle for a certain area. These circles cover all functions necessary for the organization to perform and develop – such as marketing, finance, etc. All levels of scale – circles, teams, individuals – act purpose-driven. Power is distributed throughout the organization, aligned to a common purpose. In combination with a high level of transparency regarding activities, projects and achievements, this allows individuals and teams freedom to self-manage within their and the organization's purpose. Agility is not only realized through this greater autonomy, but also through a taking-action mindset and elements supporting responsiveness. Every organizational member acts as a sensor for internal or external developments and needs for change. Structured ways help to address these needs and offer proposals for solutions in dedicated meetings. The concept of holacracy shows great potential but is still discussed controversially. Critics find it over-structured, too technical (also referring to the central idea of holacracy as a new operating system), too narrow. Others underline the human side effects of the transformation. Losing (too) many competent staff members due to irritation or loss of formal power and sometimes also money, in case managers are not being paid like managers any more, is one of the downsides.

2

SCRUM

»The organization as a team of teams«

Types of organizations not strictly defined in the principle of holacracy can be summarized as »SCRUM-

derived organizations.« Spotify and ING are well-known examples. The central element of this type of organization is a high degree of autonomy and self-management on both team and individual levels. SCRUM-team-based setups are scaled up to much larger organizational units. In this sense, they can be called a »team of teams.« Teams, often called squads, are the smallest building block of the organization and set up according to SCRUM principles. Interdisciplinary T-shaped teams work end-to-end toward achieving their own missions. They have full responsibility for a defined area, often a product/service or parts of it. Squads define by themselves what to do and how to do it. They are very closely aligned to the organizational purpose and internally organized by means of clear roles – expert/developer, agile coach, product owner. Squads are grouped into larger entities, called tribes. Tribes are often defined as product or service groups – in any case strongly customer and market-oriented. Leadership is again distributed in the organization: self-management on individual and team levels, by product owner, tribe leads, etc. shape the responsibility for alignment with the organizational purpose and coordination between and with squads, tribes or chapters (kind of teams of expertise).

3

TEAL ORGANIZATIONS

»Evolutionary purpose and strong values«

Many of the aspects described until now – high autonomy of teams and individuals, distributed leadership, strong purpose, teams as building blocks of an organization – are true for teal organizations, as well. Whereas holacracy stands for a very precisely defined operating system for the organization, teal organizations show quite a huge variety in terms of concrete organizational setups. What they have in common is a foundation of purpose and strong values applied in everyday life. These organizations are mature, and achieve »a new stage of consciousness.« They represent the highest level of development. Coming from (1) tribal types of organizations (red) as the first stage with fear, power, command and control as key elements to (2) strongly hierarchical, conformist organizations (amber) like churches, schools and military to (3) goal-, competition- and achievement-driven organizations (orange), ►

and (4) culture-driven organizations (still in the logic of the classic pyramid but focusing on empowerment) (green) and to finally (5) end-up in the teal organization with purpose as the guiding principle. This strong context provides orientation and alignment throughout the structure. Teams and individuals strongly focus on their best contribution to the organizational mission according to the defined values. Teal organizations often share a set of similar values. Wholeness, community-orientation and individuals who engage, show competence and are willing and able to work and perform are also found. So, command and control are not necessary; on the contrary they hinder individuals from living up to their full potential. Teal organizations often share openness, transparency and a high level of customer orientation. Buurtzorg, one of the most prominent examples, shows how the transformation of an organization can contribute to a better world. It offers staff-members the best conditions possible and unfolds the highest service quality for their customers' needs.

4

EXPONENTIAL ORGANIZATIONS ExO

»Faster, better and cheaper«

Looking at exponential organizations, the concept of a purpose occupies a pivotal position. It is no longer purely a guiding principle, but also a driving force as a »massive transformative purpose (MTP).« ExOs have the ambition to change the world or, at least, disrupt industries. In order to do so, they have the drive to grow much faster than average and be faster, better and cheaper. As other agile organizations, ExOs focus on purpose, autonomy, transparency and experimentation. What distinguishes ExOs from others is their even stronger focus on elements that allow scaling up rapidly by outsourcing and the use of technology, namely »staff-on-demand,« »leveraged assets« and »algorithms« – three out of five external factors of the ExO-organizational model. This is very obvious in the case of Uber: no own cars, no employed drivers, multiplication of services by the use of a technological platform built for high flexibility, low costs, strong growth. By breaking existing rules and utilizing non-regulated areas (some might call it exploitation of »gray areas«),

Uber has disrupted the personal transportation industry, leaving taxi services behind. The challenge of ExOs is to attract, coordinate and retain external resources. The answer is to find an attractive purpose and a range of technical and non-technical approaches for community management and collaboration in a network. In the ExO model, the internal and external factors are summarized by two acronyms: IDEAS (interfaces, dashboards, experimentation, autonomy, social technologies) and SCALE (staff-on-demand, community and crowd, algorithms, leveraged assets, engagement).

Radically pure or a successful compromise?

All organizational types described above are presented as archetypes; their different aspects are not mutually exclusive. On the contrary, some of the companies described could be assigned to more than just one type. What all models have in common is that they are radical new types of organizations breaking with the paradigms of traditional hierarchy. In most cases, rather young organizations apply the principles of agile organizations from scratch and to the full scope of their organization. But there are also successful examples of organizations pacing a fundamental transformation in an agile manner. They usually start with pilots in parts of the organization in a reflecting and (r)evolving process. ING, for example, started transformation in their branches with market and customer interfaces such as product/service development and delivery. Sometimes, administrative units like finance keep their setup and just adapt to the more agile units as far as it is needed and useful. In the long run, they face an ongoing challenge, as well. This might be the reason why some organizations like Buurtzorg, also coming from a traditional setup, have totally transformed all administrative units of their organization.

5

DUAL OPERATING SYSTEM

»Best of both worlds«

Another way of embracing »the best of both worlds« is what Kotter calls a »dual operating system.« The traditional hierarchical operating system is complemented

by a second, more agile network structure. This second layer within the organization works in an agile manner, more dynamic and freed from bureaucracy. Ideally, it provides space for innovation and transformation initiatives. In order to avoid pitfalls like conservative budgeting/investment approaches, cultural misfits or isolation from the rest of the organization this second layer is connected to the traditional organization by some structural elements, the core of which is the »guiding coalition« representing each level and department of the classic organization. Together with the »army of volunteers,« people who are committed to

the strategic ambition, they drive institutional change. Leadership supports engagement, provides transparency and celebrates success.

There is no »one size fits all«

Unsurprisingly, there is no blueprint for the only possible structure; one principle does not fit all. For the last few years, a huge variety of agile organizations have emerged, evolved and thrived. Watching them closely, we gain valuable insights into successful strategies for developing organizations. ●

INTERVIEW

What does agile mean for Haufe-umantis?



Helmut Fink-Neuböck

Elected Board Member
Haufe-umantis AG

What does the organizational setup of Haufe-umantis look like and what was the decisive factor in shaping the organization in this way?

Helmut Fink-Neuböck: Haufe-umantis abolished functional organizational design and created so-called missions. These are strategic business units geared to different markets. The missions as independently operating business units assume end-to-end customer responsibility over the lifecycle from early innovations to the exit from mature markets. This means that they are in line with the maturity of the respective segment – from the long-standing mature existing business where predatory competition, profitability and scaling are at stake, to internal start-ups that jointly develop innovations with customers and test them in the market and disrupt the existing business.

What do you see as the greatest force?

Helmut Fink-Neuböck: We compare these independently operating units with boats – a white water raft needs other talents, has a different dynamic and timing and is controlled according to different performance criteria than a cruise ship. Functional units such as sales and marketing, product development or technology are part of the missions and are networked with each other in Communities of Practice. The strategic framework is defined centrally by an internal »venture capitalist« and »business angel.« Strategic decisions are coordinated in cross-mission committees. Successful start-ups are not transferred to the existing business units, but are developed according to their maturity level. Talents from more mature units go on board. Over time, people who are good at scaling business complement the early founding teams.

What happens next ...?

Helmut Fink-Neuböck: Inspired by Geoffrey Moores (www.geoffreyamoore.com/) »Zone to Win,« we will continue to develop our organization and combine the best of both worlds of start-ups and corporates.

Thank you for the interview!